



Management Discussion and Analysis

For the nine months ended June 30, 2015

(Expressed in Canadian Dollars)

(Unaudited)

This management's discussion and analysis ("MD&A") focuses on significant factors that affected Abattis Bioceuticals Corp. ("Abattis" or the "Company") for the nine months ended June 30, 2015 and to the date of this report.

This MD&A is prepared in conformity with National Instrument 51-102F1. The MD&A should be read in conjunction with unaudited condensed interim consolidated financial statements for the nine months ended June 30, 2015 and the audited consolidated financial statements for the year ended September 30, 2014, prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). This MD&A complements and supplements, but does not form part of the Company's condensed consolidated interim financial statements.

Additional information related to Abattis is available on SEDAR at www.sedar.com and on the Company's website at www.abattis.com.

All dollar amounts contained herein are expressed in Canadian dollars unless otherwise indicated.

This MD&A has been prepared as of August 31, 2015.

FORWARD-LOOKING INFORMATION

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements.

Statements regarding the adequacy of cash resources to carry out the Company's business plan or the need for future financing are forward-looking statements. All forward-looking statements, including those not specifically identified herein, are made subject to cautionary language on page 28 of this MD&A. Readers are advised to refer to the cautionary language when reading any forward-looking statements.

OVERVIEW

The Company was incorporated as Sinocan Capital Group Inc. under the Company Act (British Columbia) on June 30, 1997 and was classified as a Capital Pool Company ("CPC") as defined in the TSX Venture Exchange ("TSX") Policy 2.4. On September 29, 1997, the Company changed its name to Sican Ventures Inc. On September 14, 2009, the Company changed its name to Abattis Biologix Corporation. The Company was listed and began trading on the Canadian Securities Exchange (formerly the Canadian National Stock Exchange) ("CSE") on December 23, 2010. On September 5, 2012, the Company changed its name to Abattis Bioceuticals Corp.

Abattis Bioceuticals Corp. is a specialty biotechnology company with capabilities through its wholly-owned subsidiaries as a Company that develops and commercializes natural health (nutraceutical) products and conducts research and development to create plant-based (botanical) intellectual property and ingredients for the pharmaceutical, nutraceutical, bioceutical and cosmetic markets, some of which will contain cannabinoid compounds. Abattis develops, and is in the process of commercializing, natural health products that target ailments and satisfy important market needs. Abattis is conducting ongoing research and development to create plant-based intellectual property and ingredients. Current areas of focus are growth through acquisition and business development and cash flow through commercialization of existing assets. The Company has an extensive pipeline of high-quality products and intellectual property for the rapidly expanding botanical drug market. Abattis follows strict standard operating protocols, and adheres to the applicable laws of Canada and foreign jurisdictions.

The Company's head office is located at Suite 1040 – 855 West Georgia Street, Vancouver, British Columbia, V6C 3E8, and the Company's Canadian operating facility is located at 104 - 9295 198th Street, Langley, BC.

HISTORY

On April 16, 2009, the Company entered into an agreement with PRB Pharmaceuticals, Inc. ("PRB") and Pacific Bio-Pharmaceuticals, Inc. ("Pacific Bio") for the purchase of their interest in patents and intellectual property related to antiviral products designed to prevent avian influenza in humans and poultry.

The Company also plans to build its business by utilizing its proprietary technologies to produce and deliver highly effective phyto-compounds for use in nutraceuticals, topical crèmes, medical foods, botanical drugs and pharmaceuticals. It will deploy the current and future intellectual property by out-licensing to strategic companies with an established customer base.

In the first quarter of 2011 the company acquired Biocell Algae (Immune System Support) a complimentary Natural Health Product to the Anti Viral Flu Intellectual Property and hired a new President and CEO who brought in a new board of directors and that team acquired three new formulations. The formulae are comprised of all-natural ingredients that target and address 1) flu like symptoms and other viral conditions, 2) migraine headaches (cognitive) and 3) blood flow to muscles (cardiovascular and erectile dysfunction).

On June 17, 2011 the company was listed on the OTC Markets Pink Sheets to enable easier access to American Investors. During the 2011 calendar year management worked to structure the company and identify assets that would be useful in nutraceutical and bioceutical production. In December 2011 the company entered into an agreement to acquire Northern Vine Canada Inc. (a cGMP nutraceutical production facility in Langley, BC) and its Sci-Naturals brand and closed the acquisitions in August 2012.

In March 2012 the company acquired Animo Wellness Corporation which owns 77 Natural Health Product Licences issued by Health Canada. These range from (A) Aloe Vera to (Z) Zinc. On July 23, 2012, the Company held its AGM and the Company's shareholders approved a 5:1 reverse split, and the acquisition of proprietary Flash Freeze Extraction Equipment as well as a large portfolio of natural health product internet domain names. On January 28, 2014 the name of the Animo changed to Ijuana Cannabis Inc.

On September 11, 2012, the Company changed its name to more accurately reflect the nature of its business of bioceuticals and botanical drugs from Abattis Biologix Corp. to Abattis Bioceuticals Corp.

The company used treasury stock and loans from management as a currency to conduct its acquisitions, strengthening its position to control its supply chain of high quality efficacious ingredients and formulae. In October and December 2012 the American and Canadian governments started to change their stance on marijuana. This created a new opportunity for the Company, which is well positioned to process value added products derived from Cannabis.

From February 21, 2014, the Company's common shares commenced trading under the new stock symbol "ATT".

HIGHLIGHTS AND PERFORMANCE SUMMARY

- On June 17, 2015, Abattis entered into a three (3) year Supply Purchase Agreement for bulk glacier water with Alpine Glacier Water Inc., 10 Thousand BC, and Source Glacier Beverage Company. Under the terms of the agreement Abattis, through its wholly-owned subsidiaries, will have access to up to a million gallons of premium glacier water for a period of three (3) years, with the rights to renew on the anniversary of the agreement. This supply agreement will allow Abattis to move forward with the production of Vergence Visionary Hemp Water Beverage products.
- On May 11, 2015 the Company has engaged Ingredient Identity as their Global Regulatory Management Partner, a preeminent regulatory management consulting firm to the Food, Dietary Supplement, Cosmetic and Homeopathic industries globally.
- On May 6, 2015 the Company announced that Brazos Minshew would assume the role of Chief Science Officer ("CSO") of Abattis Bioceuticals Corp. effective April 20, 2015.

- On May 1, 2015, Hugh Oswald was appointed into the role of the Company's Investor Relations.
- On April 28, 2015, the Company issued an aggregate of 72,414 common shares at a deemed price of CAD 0.145/share as consideration for services provided to the Company by an arms length consultant.
- On April 10, 2015, the case between the Company and Affinor Growers has been amicably resolved and dismissed. Both parties unanimously agree that the lawsuits were both costly and time-consuming and a distraction for the growth of shareholder value for their respective companies. Abattis will continue to pursue its claims in the Washington litigation against Herbal Analytics, LLC, James Baxter, Kaleb Lund, Lauren Hilty, and Erin Leary.
- On March 19, 2015, the Company has closed the non-brokered private placement of 2,365,072 units for gross proceeds of \$307,460.
- On March 16, 2015 the Company has stated that under the terms of Private Placement, the Company will issue up to 2,384,615 Units, consisting of one Common Share at \$0.13 per share and one Full Share Purchase Warrant. One Warrant will be exercisable into one Common Share at a price of \$0.18 per Common Share. The expiry date for the exercise of the Warrants will be 18 months after the closing of this Unit Offering. The Warrants will contain an acceleration component whereby Abattis will have the right to call for the exercise of the Warrants if the Common Shares of the Company closes above \$0.35 per share for a period of 10 conservative business days after the four month and one day hold period expires.
- On March 9, 2015, the Company announced that under the terms of Private Placement, the Company would issue up to 1,923,077 Units consisting of one common Share at \$0.13 per Share. The Company is pleased to announce that, in compliance with the Company's option plan, the Company has granted 125,000 incentive stock options to certain of its directors, officers and consultants, with each option being exercisable into a common share of Abattis at \$0.16 per share for a period of five years.
- On February 10, 2015, the Company retained J2Response as a marketing partner. Abattis is using our partnership with J2 Response to support marketing and distribution of our Hemp-based products directly to physicians and licensed healthcare providers. Additionally, J2 Response will support Abattis in Direct Response marketing, Direct Sales efforts as well as Retail distribution. J2 Response will provide outsourced solutions in marketing and advertising campaigns, call center management, telemarketing, customer service, order management, fulfillment and merchant account processing. This will streamline our internal processes, allowing us to focus on our core business.
- On February 10, 2015, the Company through its wholly owned subsidiary, Biocell Labs, Inc., completed a Marketing strategy to deliver Nitric-Oxide nutraceutical supplements to the Northern American marketplace through direct- market channels. Currently, the wholly owned subsidiary has 10 proprietary formulations for out-licensing to cosmetic, nutraceutical and pharmaceutical companies.
- On February 4, 2015, the Company entered into a US\$25 million equity line facility agreement with Dutchess Opportunity Fund, II, LP, a Delaware Limited Partnership ("Dutchess"). The Company has filed a registration statement with the U.S. Securities & Exchange Commission ("SEC") covering the Abattis shares that may be issued to Dutchess 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 three years to sell up to US\$25 million of common shares to Dutchess under the terms of the financing agreement, which shares will be issued at the current market price less permitted discounts in effect during such issuances. Proceeds from this transaction will be used to fund the continued development of the Company's GDERS (grow, dry, extract, refine, sell) strategy spanning the entire industry supply chain from seed to sale.
- On February 4, 2015, the Company terminated the standby equity financing agreement and a registration rights agreement with Kodiak Capital Group, LLC announced on August 5, 2014.

- On February 4, 2015, Michael Bessler was appointed as corporate communications consultant for the Company.
- On January 27, 2015, William (Bill) Fleming was appointed as the Company's CEO.
- On January 27, 2015, Mike Withrow resigned his role as Company's CEO and President to become International Business Advisor for Abattis and promote, develop, and manage opportunities for Abattis.
- On January 15, 2015, the Company announced a manufacturing partnership with Empirical Labs., of Ft. Collins, Colorado.
- On November 17, 2014, Jaouad Fichtali joined the Company as the Chief Technology Officer.
- On October 8, 2014, the Company through its wholly owned subsidiary, Northern Vine Canada Inc. ("Northern Vine"), Experion Biotechnologies Inc. ("Experion") received a written update from the Fraser Valley Regional District on the amended zoning regulations for its property which has now been approved for "the use of cultivation, growth, storage, or distribution, testing, or research, of marijuana for medical purposes as lawfully permitted and authorized under the applicable federal or provincial law."

Overall strategy

Abattis Bioceuticals Corp's overarching strategy is to focus on sales and marketing of its formulated natural products leading up to activities around Botanical drug development. Abattis will seek to leverage its suite of portfolio investments through monetization of its current assets, leveraging the synergies and quickly ramping up the products to market through owned and third party royalty relationships. Abattis is diligently looking to build revenue through its proprietary formulas and is actively pursuing potential nutraceutical brand name products for acquisition, co-branding or licensing. Near-term focus is on implementation of the sales and marketing strategy and business plan for proprietary natural health products and ingredients.

Abattis Bioceuticals Corp is establishing a scientific advisory panel which will have a mandate to guide co-drug development in the fast and emerging Cannabis industry. Abattis will continue to develop, and is in the process of commercializing, natural health products that target ailments and satisfy important National and International market needs. Abattis Bioceuticals Corp is working with strategic partners to identify potential research and development to create plant-based intellectual property and ingredients in pharmaceutical grade facilities. The Company has an extensive pipeline of high-quality products and intellectual property for the rapidly expanding botanical drug market and will seek to build on its portfolio of assets.

Narcotic Control Regulation's licensing

Northern Vine Canada Inc. has applied for a Controlled Drugs and Substances Dealer's License, and is considered eligible for this license under the Narcotic Control Regulations of Canada as a corporation that has its head office in Canada or operates a branch office in Canada. For detailed information on the application process for a dealer's license, please refer to page 25 of the MD&A.

SELECTED ANNUAL FINANCIAL INFORMATION

The Company's Consolidated Financial Statements for the years ended September 30, 2014 and September 30, 2013 have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The following selected financial information is taken from the Annual Consolidated Financial Statements and should be read in conjunction with those statements.

	For the years ended		
	September 30, 2014	September 30, 2013	September 30, 2012
Statements of Financial Position:			
Cash	\$ 135,171	\$ 5,327	\$ 5,499
Intangible assets	2,641,083	1,074,161	752,964
Total assets	5,903,803	1,629,346	1,325,025
Total liabilities	1,260,767	1,071,329	701,558
Shareholders' equity	4,043,225	558,017	623,467

	For the years ended		
	September 30, 2014	September 30, 2013	September 30, 2012
Statements of Net Loss and Comprehensive Loss:			
Total revenue	\$ 7,720	\$ 17,448	\$ -
Research expenditure	129,057	123,559	124,308
Total operating expenses	7,378,559	1,060,957	1,016,571
Other expenses (income)	280,562	58,982	(24,182)
Net loss and comprehensive loss	7,611,540	1,102,491	992,389
Basic and diluted loss			
Per common share	\$ 0.17	\$ 0.04	\$ 0.09

For discussion of the factors affecting the Company's losses see "Results of Operations" and "Summary of Quarterly Results" below. For discussion of the factors affecting the Statement of Financial Position see "Results of Operations" and "Liquidity and Capital Resources" below.

RESULTS OF OPERATIONS

Nine months ended June 30, 2015 compared with nine months ended June 30, 2014

The Company incurred a net loss and comprehensive loss of \$2,410,782 during the nine months ended June 30, 2015 a decrease of \$4,177,019 when compared with the loss of \$6,587,801 for the nine months ended June 30, 2014. The decrease in net loss is primarily due to decrease of \$4,867,587 in share based compensation in the period ended June 30, 2015 of \$47,700 compared to f \$4,915,287 in the period ended June 30, 2014.

	For the nine months ended		Change \$
	June 30, 2015	June 30, 2014	
Legal fees	\$ 703,762	\$ 366,066	\$ 337,696
Management and consulting fees	\$ 742,468	\$ 540,670	\$ 201,798
Office and general administration	\$ 597,986	\$ 162,785	\$ 435,201
Financing costs	\$ 17,733	\$ -	\$ 17,733

- Legal fees increased by \$337,696 to \$703,762 for the nine months ended June 30, 2015, from \$366,066 for the nine months ended June 30, 2014. This increase is primarily due to the legal advices for the lawsuits during the nine months ended June 30, 2015.
- Management and consulting fees increased by \$201,798 to \$742,468 for the nine months ended June 30, 2015, from \$540,670 for the nine months ended June 30, 2014. This increase is primarily due to an increase in business activities.
- Office and general administration increased by \$435,201 to \$597,986 for the nine months ended June 30, 2015, from \$162,785 for the nine months ended June 30, 2014. This increase is primarily due to the increase in office supplies, and salary and wages that were used to support the increase in business activities.
- Financing costs increased by \$17,732 during the nine months ended June 30, 2015. On February 4, 2015, the Company entered into a US\$25 million equity line facility agreement with Dutchess Opportunity Fund, II, LP. During the nine months ended June 30, 2015, the Company paid Dutchess \$17,733 and recognized this amount as financing costs.

Intangible assets

From April 16, 2009 to June 30, 2015, the Company acquired intangible assets with a total estimated fair value of \$1,587,873 at the time of acquisition. During the year ended September 30, 2013, the Company abandoned the patent application relating to a method for preventing and treating avian influenza in humans. The original cost of this application was \$189,489. As at June 30, 2015 and September 30, 2014, there are no indications that existing intangible assets of the Company are impaired.

The following table lists the intangible assets managed by the Company and the full value of the asset. The shares and cash paid by the Company for its part or full ownership of the asset are also listed:

Acquisition Date	Items	Vendor Name	Fair Value	Consideration	
				Share issued	Cash paid
April 16, 2009	Patents	PRB and Pacific Bio	\$ 500,000	5,000,000	\$ -
May 17, 2011	Formulae	Dr. Samuel Brant LLC	125,000	200,000	-
May 17, 2011	Formulae	Biocell Labs	125,000	200,000	-
February 29, 2012	Licenses (77 NPNs)	Animo Wellness Corporation	50,000	100,000	25,000
July 10, 2012	Licenses (1 NPN)	-	3,188	-	3,188
August 15, 2012	Licenses (16 NPNs)	Sci-Natural Wellness Corporation	56,000	-	56,000
August 15, 2012	Licenses (11 NPNs)	Northern Vine Canada Inc	7,143	-	-
December 27, 2012	Licenses to the Bio-Pharma patent license	Vertical Designs Ltd.	500,000	6,000,000	-
March 28, 2013	Formulae	Dr. Paula Brown	78,000	400,000	-
September 30, 2013	Patents - abandoned	PRB and Pacific Bio	(250,000)	-	-
February 24, 2014	Licenses - innovative MgO products	Jiangsu Jiahui New Material Co. Ltd.	21,120	110,000	2,420
March 12, 2014	Formulae	Green-Gro Garden Products Ltd.	257,840	315,000	5,840
April 7, 2014	Licenses	Phytalytics	1,245,812	827,657	88,782
August 6, 2014	Licenses	Terrasphere	109,500	-	109,500
October 1, 2014	Trademarks	Oliver Hunt	309	-	309
October 29, 2014	Formulae	Empirical Labs, Inc	2,227	-	2,227
November 28, 2014	Trademarks	Oliver Hunt	215	-	215
November 30, 2014	Trademarks	Oliver Hunt	280	-	280
Total			\$2,831,634	13,152,657	\$ 293,761

During the nine months ended June 30, 2015, the Company recorded amortization expense of \$59,169 (June 30, 2014 – \$49,713).

The intangible assets include the following key agreements:

- On April 16, 2009 the Company entered into an agreement with PRB and Pacific Bio for the purchase of their interest in patents and intellectual property related to anti-viral products designed to prevent avian influenza in humans and poultry. Accordingly, Pacific Bio relinquished its license for the use of the patents to PRB in return for 4,800,000 common shares in the Company, assigned a value of \$480,000 and PRB sold its interest in the patents to the Company for 200,000 common shares at an assigned value of \$20,000. During the year ended September 30, 2013, the Company abandoned the patent related to humans and wrote off the amortized value of \$189,489. The Company retained the patent related to animals.
- On December 27, 2012 the Company entered into a worldwide exclusive agreement with Vertical Designs Ltd. (“VDL”) and acquired the license to apparatus engineered using vertical farming technology. The license allows the Company to grow plants using the technology for use as ingredients in pharmaceuticals, nutraceutical, wellness and cosmetics, among other uses. Total consideration for the intangible asset was \$500,000 paid by way of issuance of 6,000,000 common shares of the Company.

- On August 6, 2014 the Company entered into an agreement with TerraSphere Systems LLC, which granted the Company non-exclusive rights to proprietary and patented vertical farming technology for cash consideration of \$109,500. The patent related to the technology has a remaining life of 15 years.
- On February 27, 2014 the Company purchased organic and hydroponic fertilizer and nutritional proprietary formulas from Green-Grow Garden Products Ltd. in consideration for 300,000 common shares of the Company.
- On April 7, 2014, the Company acquired a 51% membership interest in Phytalytics LLC. by making a cash payment of US\$20,000 (\$22,196), issuing 827,657 common shares with a fair value of \$579,360 to the members of Phytalytics LLC and advancing a loan of US\$60,000 (\$66,588). At the date of acquisition, the Company determined the fair value of the net identified assets of Phytalytics and recognized an intangible asset of \$1,245,813, which related to the accumulated research, trade secrets and established standard operating procedures for cannabis analysis laboratory services. Key management personnel remain shareholders in Phytalytics and have active management contracts with the Company.

SUMMARY OF QUARTERLY RESULTS

As at:	Cash	Intangible Assets	Total Assets	Shareholders' Equity
June 30, 2015	\$ 43,248	\$ 2,584,945	\$ 4,689,882	\$ 2,629,513
March 31, 2015	260,381	2,604,850	5,210,789	3,163,596
December 31, 2014	139,032	2,624,314	5,510,285	3,407,519
September 30, 2014	135,171	1,305,459	5,629,849	4,918,530
June 30, 2014	625,481	1,305,459	5,629,849	4,918,530
March 31, 2014	450,106	1,312,913	6,080,972	4,844,282
December 31, 2013	3,860	1,058,540	1,599,112	402,436
September 30, 2013	5,327	1,074,161	1,629,346	558,017
June 30, 2013	1,718	1,282,691	1,836,252	776,102

For the three months ended:	Revenue	Research expenditure	Net loss and other comprehensive loss	Basic and diluted loss per common share	Weighted average number of common shares
June 30, 2015	\$ 14,225	\$ 3,825	\$ (601,094)	\$ (0.01)	66,554,446
March 31, 2015	34,240	37,096	(1,024,237)	(0.01)	69,667,951
December 31, 2014	27,660	29,741	(785,451)	(0.01)	56,439,280
September 30, 2014	7,720	46,698	(1,023,739)	(0.01)	58,528,908
June 30, 2014	-	29,752	(889,765)	(0.01)	58,528,908
March 31, 2014	-	26,427	(5,454,955)	(0.13)	42,535,898
December 31, 2013	-	26,180	(243,081)	(0.01)	29,535,181
September 30, 2013	628	28,962	(156,359)	(0.01)	26,066,009
June 30, 2013	16,820	38,215	(274,526)	(0.01)	28,487,940

The primary factors affecting the magnitude and variations of the Company's losses are summarized as follows:

- Loss of \$601,094 in Q3/2015 was less than loss of \$1,169,139 in Q2/2015 and \$785,451 in Q1/2015. This decrease mainly is due to decrease in accounting and audit fees, legal fees, management and consulting fees, and office and

general expenses.

- Accounting and audit fees were higher in Q4/2013, Q2/2014, Q3/2014 and Q4/2014 and Q2 /2015 due to increase of business activities performed by the Company.
- Advertising costs were higher in Q2/2013, Q4/2013, Q1/2014, Q2/2014, Q3/2014, Q4/2014, Q1/2015, and Q2/2015 than other quarters due to an increase in product promotion and an increase of investor relationship activities performed by the Company.
- Legal fees were higher in Q2/2013, Q2/2014, Q4/2014 and Q1/2015, and Q2/2015 than other quarters due to increased activities with respect to the business combination with Northern Vine Canada Inc. proposed acquisitions, issuance of stock options, incorporation of new subsidiaries and the legal advice for the lawsuits.
- Management and consulting fees were higher in Q2/2014, Q3/2014, Q4/2014, Q1/2015, and Q2/2015 primarily due to increase of business activities performed by the Company.
- Share-based compensation of \$4,915,287 was recognized in Q2/2014 in respect of 5,619,000 stock options granted to executive officers, directors, and consultants.
- In Q4/2013, the Company abandoned the patent application relating to a method in preventing and treating avian influenza in humans, purchased in 2009 and recognized a loss of \$189,489.
- In Q4/2013, the Hensley Group advised the Company that the \$205,000 payable was no longer due. Therefore, the Company reversed the payable and recorded a gain of \$132,013 on cancellation of trade payables.

RESEARCH COSTS

The Company's research costs are primarily composed of consulting fees paid to researchers and incentive options and warrants granted to advisors and researchers.

For the three months ended:	Canada	United States	Total
June 30, 2015	\$ 3,488	\$ 337	\$ 3,825
March 31, 2015	19,283	17,813	37,096
December 31, 2014	2,058	27,683	29,741
September 30, 2014	13,947	26,321	40,268
June 30, 2014	11,766	24,416	36,182
March 31, 2014	2,596	23,831	26,427
December 31, 2013	3,500	22,680	26,180
September 30, 2013	6,524	22,438	28,962
June 30, 2013	15,950	22,265	38,215

GENERAL AND ADMINISTRATION EXPENSES

The Company's general and administration expenses are primarily composed of office rent, office supplies, salary and wages, and travel expenses.

For the three months ended:	Rent	Office supplies	Salary and wages	Others	Travel	Total
June 30, 2015	\$ 81,947	\$ 11,099	\$ 61,004	\$ 32,617	\$ 23,552	\$ 210,219
March 31, 2015	42,357	(100,600)	72,091	6,095	27,629	47,572
December 31, 2014	67,520	140,919	87,947	28,805	15,004	340,195
September 30, 2014	75,423	21,483	31,254	81,846	26,899	236,905
June 30, 2014	7,158	52,572	1,422	5,693	34,854	101,699
March 31, 2014	7,829	1,032	-	8,741	550	18,152
December 31, 2013	7,497	2,481	-	2,557	336	12,871
September 30, 2013	7,871	2,481	-	1,195	1,231	12,778
June 30, 2013	7,395	559	9,971	10,306	3,323	31,554

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2015, the Company had a cash balance of \$43,248 (September 30, 2014 - \$135,171). During the nine months ended June 30, 2015, cash used for operating activities was \$1,039,582 (June 30, 2014 – \$1,264,057); \$427,459 was received from financing activities (June 30, 2014 – \$4,180,005), and cash was received from investing activities was \$520,200 (June 30, 2014 - used \$2,295,794).

The Company continues to utilize its cash resources to fund its administrative requirements and product development. The Company focuses on generating revenue from production and pay operating expenses from this source.

In order to fund the Company's ongoing operational needs, the Company will need funding through equity or debt financing, joint venture arrangements or a combination thereof. The Company's operations to date have been financed by the issuance of its common shares, debt instruments and government assistance. The Company continues to seek capital through various means including the issuance of equity and debt. While the Company has been successful in raising funds in the past, there is no assurance that it will continue to do so in the future or that it will be available on a timely basis or on terms acceptable to the Company.

The financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. If the Company is unable to obtain sufficient funding, the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern will be in significant doubt. The Company has incurred \$11,257,321 in losses from inception including a net loss of \$2,148,355 for the nine months ended June 30, 2015 (June 30, 2014 - \$6,587,801), and has a working capital deficiency of \$795,683 as at June 30, 2015 (September 30, 2014 – working capital of \$695,889).

FINANCIAL INSTRUMENTS

As at June 30, 2015, the Company's financial instruments are comprised of cash, marketable securities, investments and term deposits, trade and other receivables, loan receivable, trade and other payables and advance payable. The Company's financial instruments are exposed to certain risks, which include credit risk, interest rate risk and liquidity risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash, cash held in trust, term deposits and trade and other receivables are exposed to credit risk. The Company reduces its credit risk on cash and cash equivalents by placing these instruments with institutions of high credit worthiness. As at June 30, 2015 and September 30, 2014, the Company's exposure is the carrying value of the financial instruments.

The Company's maximum exposure to credit risk is the carrying value of its financial assets.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company manages liquidity by maintaining adequate cash balances to meet liabilities as they become due.

The Company maintained cash at June 30, 2015 in the amount of \$43,248 (September 30, 2014 – \$135,171), in order to meet short-term business requirements. At June 30, 2015, the Company had accounts payable and accrued liabilities, and advances payable of \$1,320,399 and \$18,871, respectively (September 30, 2014 – \$858,181 and \$18,871, respectively). All accounts payable and accrued liabilities and advances payables are current.

Market risk

The significant market risks to which the Company is exposed are interest rate risk and currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Included in the loss for the year in the financial statements is interest income on Canadian dollar cash and cash equivalents and term deposits. The Company is not exposed to significant other price risk.

Currency risk

The Company is exposed to currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars. The Company has not entered into any foreign currency contracts to mitigate this risk.

The Company's cash and cash equivalents and accounts payable and accrued liabilities are partly held in US dollars ("USD"); therefore, USD accounts are subject to fluctuation against the Canadian dollar.

The Company had the following balances in Canadian and foreign currencies as at June 30, 2015:

	in CAD	in USD
Cash	\$ 27,669	\$ 12,489
Cash held in trust	28,627	-
Marketable securities	139,210	-
Amounts receivable	151,101	3,172
Loan receivable	-	100,000
Accounts payable and accrued liabilities	(746,418)	(460,142)
Advances payable	(18,871)	-
	(418,682)	(344,480)
Rate to convert to \$1.00 CAD	1.000	1.2474
Equivalent to Canadian dollars	(418,682)	(429,705)

Based on the above net exposures as at June 30, 2015, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the CAD against the USD by 10% would increase/ decrease profit or loss by \$42,97.

OUTSTANDING COMMON SHARE DATA

There are an unlimited number of common shares without par value authorized for issue. At June 30, 2015, there were 70,191,480 issued and fully paid common shares. Subsequent to the period ended June 30, 2015 the Company issued 336,282 common shares of the Company to officers, and consultants for compensation for services rendered. The Company

granted 3,900,000 stock options to directors, officers, consultants and employees, with each option being exercisable into a common share of the Company shares at \$0.06 per share for a period of five years. The Company completed a non-brokered private placement of 5,949,080 at a price of \$0.05 per unit for gross proceeds of \$297,454. Each unit consists of one common share and one share purchase warrant of the Company and exercise price of \$0.09 and expiry date of August 20, 2017.

As at the date of this MD&A, the Company has 76,476,842 common shares issued and outstanding, 6,220,000 share purchase options outstanding and 15,064,649 share purchase warrants outstanding. On a fully diluted basis, 97,761,491 common shares were outstanding.

TRANSACTIONS WITH RELATED PARTIES

Transactions with associates

During the year ended September 30, 2014, the Company provided a short-term loan of \$24,543 to IPS. This amount remains outstanding as at June 30, 2015 (September 30, 2014 – \$24,543).

Key management personnel compensation

Name	Position	For the nine months ended June 30, 2015		
		Management and consulting fees	Sharebased compensation	Total
William (Bill) Fleming (i)	CEO	\$ 113,500	\$ -	\$ 113,500
Mike Withrow (ii)	Former CEO	58,332	468,057	526,389
Rene David (iii)	CFO	141,625	358,407	500,032
Terence Fealey (iv)	Director	27,465	16,125	43,590
Brazos Minshew (v)	Former Director	95,257	-	95,257
Guy Dancosse (vi)	Director	-	20,422	20,422
Douglas Sorocco (vii)	Director	-	60,491	60,491
Robert Hedley (viii)	Former Director	-	15,123	15,123
Dunlap Codding, P.C. (ix)	Director	208,688	-	208,688
Emanuel "Manny" Montenegro(x)	Director	72,273	-	72,273
		\$ 717,140	\$ 938,625	\$ 1,655,765

Name	Position	For the nine months ended June 30, 2014		
		Management and consulting fees	Sharebased compensation	Total
Mike Withrow (i)	CEO	\$ 140,588	\$ 2,316,378	\$ 2,456,966
Rene David (ii)	CFO	85,029	730,841	815,870
		\$ 225,617	\$ 3,047,219	\$ 3,272,836

- i) On February 1, 2015, Mr. William (Bill) Fleming was appointed as CEO of the Company. During nine months ended June 30, 2015, the Company paid management fees of \$113,500 to Manewagi Technologies Incorporated a company controlled by Mr. Bill Fleming. This amount is consists of \$43,750 the fair value of 250,000 common shares which is issued to his name and cash payment of \$69,750.

At June 30, 2015, \$23,408 due to Mr. Bill Fleming was included in trade and other payables (September 30, 2014- \$nil).

- ii) On January 27, 2015, Mr. Mike Withrow resigned his role as CEO and president. During nine months ended June 30, 2015, the Company paid management fees of \$58,332 to Chiron Capital Inc., a company controlled by Mr. Withrow.

During the nine months ended June 30, 2015, the Company granted 1,580,000 stock options with estimated fair value of \$468,057 to Chiron Capital Inc. During period ended June 30, 2015, 1,150,000 stock options with exercise price of \$0.64 and 430,000 stock options with exercise price of \$0.43 to the name of Chiron Capital Inc. were cancelled.

- iii) The Company paid management fees of \$141,625 to Crimson Opportunities Ltd., a company controlled by Mr. David ("CFO ") during the nine months ended June 30, 2015 (June 30, 2014 - \$85,029). During the nine months ended June 30, 2015, the Company issued 416,544 common shares with a fair value of \$60,500 in lieu of cash payments (June 30, 2014 – nil).

During the nine months ended June 30, 2015, the Company granted 1,185,000 stock options with estimated fair value of \$358,407 to Crimson Opportunities Ltd.

At June 30, 2015, \$46,632 due to Crimson Opportunities Ltd. was included in trade and other payables (September 30, 2014- \$10,809).

- iv) On May 21, 2014, the Company leased a facility located in Squamish from Crimson Opportunities Ltd. the Company will use the facility to manufacture and warehouse its proprietary Biocube systems.

As at June 30, 2015, the minimum lease payments based on calendar years are as follows:

Year	
2015	\$ 36,630
2016	36,630
2017	36,630
2018	36,630
2019	24,341
	<u>\$ 170,861</u>

- v) The Company paid consulting fees of \$27,466 to Mr. Terence Fealey a director of the Company for the three months ended December 31, 2014 (December 31, 2013 - \$25,200). On February 1, 2015, the company placed a settlement and release agreement with Mr. Fealey, based on this agreement consulting agreement with Mr. Fealey terminated and outstanding owing amount of \$235,024 to Mr. Fealey settled to US\$32,000. The company accepted to pay this amount in 6 equal payments (each US\$5,333) from February to July 2015. Three payments have been completed during 6 months ended June 30, 2015.

The Company placed an advisory agreement with Mr. Fealey on February 1, 2015. Based on this advisory agreement, the Company accepted to grant 125,000 stock options up to end of the March, 2015 and 125,000 stock options up to end of the June 2015. On March 6, 2015, 125,000 stock options with estimated fair value of \$16,125 has been granted to Mr. Fealey.

At June 30, 2015, \$19,958 due to Mr. Fealey was included in trade and other payables (September 30, 2014 - \$235,418).

- vi) During the nine months ended June 30, 2015, the Company paid management and consulting fees of \$95,257 to Mr. Minshew (" former director and present officer") (June 30, 2014 – \$nil). During the nine months ended June 30, 2015, the Company issued 350,002 common shares with a fair value of \$63,000 in lieu of cash payments (June 30, 2014 – \$nil).

At June 30, 2015, \$6,237 due to Mr. Minshew was included in trade and other payables (September 30, 2014 - \$nil).

Key management personnel compensation (continued)

- vii) During the nine months ended June 30, 2015, the Company paid legal fees of \$208,688 to Dunlap Coddling P.C., a law firm, of which Mr. Sorocco is a one-third partner (June 30, 2014 – \$38,016). During nine months ended June 30, 2015, 200,000 stock options with estimated fair value of \$60,491 were granted to Mr. Douglas Sorocco.

At June 30, 2015, \$247,846 (September 30, 2014 – \$31,040) due to Dunlap Coddling P.C. was included in trade and other payables.

- viii) During nine months ended June 30, 2015, 100,000 stock options with estimated fair value of \$20,422 were granted to Mr. Guy Dances.
- ix) During nine months ended June 30, 2015, 50,000 stock options with estimated fair value of \$15,123 and exercise price of \$0.64 were granted to Mr. Robert Hedley former director of the company. During three months ended March 31, 2015, 50,000 options were cancelled.
- x) The company paid consulting fees of \$72,273 to Think Sharp Inc., a company controlled by Emanuel Montenegro, the director of the Company, during the nine months ended June 30, 2015 (June 30, 2014 - \$44,453). During the nine months ended June 30, 2015, the Company issued 120,833 common shares with a fair value of \$18,749 in lieu of cash payments (June 30, 2014 – nil).

At June 30, 2015, \$5,302.50 (September 30, 2014 – \$14,187) due to Think Sharp Inc. was included in trade and other payables..

Transactions with related parties are measured at the exchange amount of consideration established and agreed to by the related parties.

COMMITMENTS

- i) On March 1, 2012, the Company entered into a three 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.

On February 1, 2015, the company placed a settlement and release agreement with the director, based on this agreement consulting agreement with him terminated and outstanding owing amount of \$235,024 to him settled

to US\$32,000. The company accepted to pay this amount in 6 equal payments (each US\$5,333) from February to July 2015. Three payments have been completed during six months ended June 30, 2015.

The Company placed an advisory agreement with the director on February 1, 2015. Based on this advisory agreement, the Company accepted to grant 125,000 stock options up to end of the March, 2015 and 125,000 stock options up to end of the June 2015. On March 6, 2015, the Company granted 125,000 stock options with estimated fair value of \$16,125 to the director. Subsequent to the period ended June 30, 2015, the Company issued 200,000 stock options at \$0.06 per option for a period of 5 years, issued August 20, 2015 to Mr. Fealey in connection to this agreement.

- ii) On April 20, 2012, the Company entered into a five-year 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.
- iii) On November 1, 2012, the Company renewed a three-year office lease with Toro Holdings Ltd. and subsequently in June 2015 expanded the lease for 3 months up to January 31, 2016. The Company's minimum annual lease payments based on fiscal years are as follows:

Year		
2015	\$	27,218
2016		11,090
	\$	38,308

- iv) On December 27, 2012, the Company entered into a license agreement with Vertical Designs Ltd. ("Vertical Designs"), a company controlled by the former director of the Company. 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.

During three months ended June 30, 2015, VDL sent a letter advising they were terminating the license agreement discussed in Note 18(iv) by citing that the Company failed to comply with certain terms and conditions included in the license agreement. The Company believes that the terms in the license agreement have been followed; as a result, the license agreement should be valid. The Company intends to continue to honor the agreement and make any payments or provide any information required under the license. The Company provides for costs related to contingencies when a loss is probable and the amount is reasonably determinable. In the opinion of management, no grounds exist that justify the termination of the license agreement. It is the opinion of management, based in part on advice of legal counsel, that the ultimate resolution of the termination of the license agreement is undeterminable; therefore there has been no provision made with respect to the license in the consolidated financial statements for the nine months ended June 30, 2015.

On April 10, 2015 the Company amicably resolved and dismissed the litigation against Affinor, Affinor's Executive Director Nick Brusatore, and Affinor Growers LLC. Abattis will continue to pursue its claims in the Washington litigation against Herbal Analytics, LLC, James Baxter, Kaleb Lund, Lauren Hilty, and Erin Leary.

- v) 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. . This consulting agreement was amended February 1, 2015. Under the agreement, the Company will pay annual consulting fees of \$165,000 (excluding GST) and 25,000 common shares of the Company monthly. This agreement is in effect until terminated.
- vi) 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 paid annual consulting fees of \$175,000 (excluding GST). This agreement was terminated by Michael Withrow's resignation, effective January 31, 2015.
- vii) 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 May 1, 2014, this agreement was amended such that the Company will pay monthly consulting fees of \$12,000 and monthly administration fees of \$120 (excluding GST) in cash and 10,000 common shares per month. On February 1, 2015 this agreement was amended such that the Company will pay monthly consulting fees of \$5,000 and monthly administration fees of \$50 (excluding GST) in cash and 5,000 common shares per month. On March 16, 2015 this agreement was concluded. No further services are being rendered by Think Sharp Inc at this time.
- viii) On May 21, 2014, the Company entered into 5-year warehouse sublease. The Company's minimum annual lease payments are as follows:

Year	
2015	\$ 36,630
2016	36,630
2017	36,630
2018	36,630
2019	24,341
	\$ 170,861

- ix) On June 25, 2014, the Company entered into an 18-month consulting agreement with Brazos Minshew for his services as the President of one of the Company's subsidiaries. Pursuant to the agreement, the Company will pay, for consulting services, an aggregate of 200,000 shares of the Company payable in monthly instalments for the period of July 1, 2014 to December 31, 2014. Following this period, the Company will pay the consultant \$5,000 per month.
- x) During the year ended September 30, 2014, the Company entered into 34-month office lease. The Company's minimum annual lease payments are as follows:

Year	
2015	\$ 68,860
2016	71,727
2017	73,962
	\$ 214,549

CONTINGENT LIABILITIES

- 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.
- The Company is defending a claim from one of its former consultants for breaching the consulting contract, which the plaintiff should entitle for 75,000 options of the Company. Legal advice received supports the Company's belief that the claim is without merit. The outcome of this claim is not determinable and therefore no amounts have been recorded for any potential payments, which may have to be made.
- The Company has settled a claim from one of its former consultants White Rock Holdings Inc. for a declaration of entitlement of 5% of the Company's common shares, damages, punitive damages and costs. During the period ended June 30, 2015, the Company has come to terms with White Rock Holdings and has made payments towards settlement.
- The Company is defending a claim from one of its former consultants for breaching a contract to pay for marketing services for approximately \$23,000. The Company has filed a counter claim that the plaintiff failed to provide the

requested services. The outcome of the claim is not determinable and therefore no amounts have been recorded for any potential payments, which have to be made.

- The Company is defending a claim from one of its former directors for amounts payable to him, which he claims were to be settled in common shares. The plaintiff has claimed damages of approximately \$300,000. The outcome of this claim is not determinable.
- The Company has settled a claim from one of its former consultants for breaching a settlement agreement dated Feb 17, 2011. The plaintiff is seeking payment of \$37,356 plus interest. On April 2, 2015, the court granted judgment against the Company in the amount of \$25,256 and amount fully paid to plaintiff.
- On December 29, 2014, the Company obtained a preliminary injunction from the Washington state court in King County against Herbal Analytics, LLC, James Baxter, Kaleb Lund and Lauren Hilty, and Erin Leary, Affinor Growers, LLC, and Nicholas Brusatore. Affinor Growers, LLC is a wholly owned subsidiary of defendant Affinor Growers, Inc. (collectively "Defendants"). According to the conclusions of law, the Defendants shall cease and desist from any and all use of PhytaLabs trade secrets and confidential information and documents; (b) are restrained from copying, transferring, using or disclosing to any other person or entity any documentation taken from PhytaLab; (c) shall retain and preserve all existing documents and files that mention, refer to, or are derived from PhytaLab, PhytaLab and Abattis' customers, or PhytaLab and Abattis' prospective customers; and (d) shall keep a detailed, complete, and accurate accounting of its business operations.

It is the opinion of management, based in part on advice of legal counsel, that the ultimate resolution of these contingencies, to the extent not previously provided for, will not have a material adverse effect on the financial condition of the Corporation.

On April 10, 2015 the Company amicably resolved and dismissed the litigation against Affinor, Affinor's Executive Director Nick Brusatore, and Affinor Growers LLC. Abattis will continue to pursue its claims in the Washington litigation against Herbal Analytics, LLC, James Baxter, Kaleb Lund, Lauren Hilty, and Erin Leary.

It is the opinion of management, based in part on advice of legal counsel, that the ultimate resolution of these contingencies, to the extent not previously provided for, will not have a material adverse effect on the financial condition of the Corporation.

EVENTS AFTER THE REPORTING DATE

Subsequent to June 30, 2015:

- Subsequent to the period ended June 30, 2015, the Company issued 336,282 common shares of the Company to officers, management and consultants for compensation for services rendered.
- Subsequent to the period ended June 30, 2015, the company completed a non-brokered private placement of 5,949,080 at a price of \$0.05 per unit for gross proceeds of \$297,454. Each unit consists of one common share and one share purchase warrant of the company and exercise price of \$0.09 and expiry date of August 20, 2017.
- Subsequent to the period ended June 30, 2015, the company granted 3,900,000 stock options to certain of its directors, officers, consultants and employees, with each option being exercisable into \$0.06 per share for a period of five years.

- Subsequent to the period ended June 30, 2015, the company signed an agreement with Mike Withrow (the former Company's CEO) to sell its proprietary Flash Freeze Extraction (FFE) equipment, Avian Poultry patent and Bi-optic ventures common shares, and 980,000 share purchase warrants of Bio-Optic Ventures, exercisable at \$0.15 per share purchase warrants. The company will receive \$100,000, and 2,100,000 free-trading Abattis Bioceuticals Corp. stocks.

OUTLOOK

Abattis continues to focus on the emerging biotechnology space. It plans to sell off non-core assets and utilize its resources by directing activities towards the three key areas of the company: 1) Isolate and separate the activities dealing with sovereign license applications. The Company has applied for approval from Health Canada for Licenses under the new MMPR program (Marihuana for Medical Purpose Regulation). It is management's opinion that the recent growth of Licensed Producers in Canada will allow the crystallization of Abattis' business plans as the government transitions into the commercialization of the medical marijuana. The Company has applied for approval from Health Canada for Licenses under the new MMPR program (Marihuana for Medical Purpose Regulation) and for a Controlled Substance Lab; 2) Market and sell the 10 formulated products that were created in 2014/2015. Products such as healthy beverages and a pipeline of formulated natural ingredients is a key area of focus towards near term revenues; 3) Divest from non-core assets while holding valuable IP for revenue generation in the appropriate jurisdictions.

The Company continues to focus resources to execute on its national and U.S. strategy to obtain licenses and facilities for the production and processing of industrial hemp and healthy food products. Management will continue to work on completing contracts with partners and co-venturers and begin operations once licenses are approved

For 2015, Abattis will emphasize the completion and crystallization of its networking efforts, asset acquisition and patent applications from the past two years. Additional capital requirements will be sought out as inventory and marketing efforts are needed.

RISKS AND UNCERTAINTIES

The Company is in the biotechnology business and as such is exposed to a number of risks and uncertainties that are not uncommon to other companies in the same business. The Company has no ongoing revenue or income from operations. The Company has limited capital resources and has to rely upon the sale its assets or sale of its common shares for cash required to make new investments and to fund the administration of the Company.

These risks may not be the only risks faced by the Company. Additional risks and uncertainties not presently known by the Company or which are presently considered immaterial may also adversely impact the Company's business, results of operations, and financial performance. The most significant risks and uncertainties faced by the Company are (in no specific order) are:

Going concern

The Company's capability to continue as a going concern is dependent upon its ability to obtain additional debt or equity financing to meet its obligations as they come due. If the Company were unable to continue as a going concern, then significant adjustments would be required to the carrying value of assets and liabilities, and to the balance sheet classifications currently used. While the Company has been successful in raising funds in the past, it is uncertain whether it will be able to raise necessary funds to further develop its products.

No commercial products have been developed

We have not completed the development of any commercial products, and accordingly we have not begun to market or generate revenues from sales of the products we are developing.

There can be no assurance that any of our product candidates will meet applicable health regulatory standards, obtain required regulatory approvals, be capable of being produced in commercial quantities at reasonable costs, be successfully marketed or that the investment made in such product candidates will be recouped through sales or related royalties.

There can be no assurance that we will ever achieve profitability. As a result, an investment in our common shares involves a high degree of risk and should be considered only by those persons who can afford a total loss of their investment.

Reliance on license

The Company, its subsidiaries, and/or its associate(s) will not be able to legally grow or sell medical marijuana without a license from Health Canada. The licensing requirements mandated by Health Canada are stringent and must be complied with before any license is granted by Health Canada under the Marihuana for Medical Purposes Regulations (“MMPR”), including;

- significant infrastructure requirements of attaining and maintaining a license such as an indoor growing facility with physical barriers, visual monitoring, recording devices, intrusion detection, air filtration systems, as well as other important controls around distribution and access, among others.
- a facility meeting the rigorous licensing requirements of Health Canada must be available for inspection by Health Canada before any license can be granted,
- once a license is issued, the Company must comply with a number of ongoing requirements, including (i) physical security and storage measures, (ii) good production practices, and (iii) proper packaging, labelling and shipping practices.
- in order to obtain and maintain a license, the Company must ensure that it complies with the terms of its other permits and ancillary licenses such as the import or export permit from the Minister of Health, as well as ensuring that all of its management and designated personnel have passed the security clearance provided for under MMPR.

There can be no guarantee that Health Canada will issue, extend or renew the License or, if it is extended or renewed, that it will be extended or renewed on the same or similar terms. Failure to comply with the requirements of the license or any failure to maintain this license would have a material adverse impact on the business, financial condition and operating results of the Company or any company that it may invest in or acquire.

Market acceptance

Even if we obtain the necessary marketing approvals, our products may not gain meaningful market acceptance, and we may not become profitable. We and our corporate collaborators may not be able to contend successfully with competitors. The biotechnology and pharmaceutical industries are highly competitive and subject to significant and rapid technological change as researchers learn more about diseases and develop new technologies and treatments. Our current and potential competitors generally include major multinational pharmaceutical companies, biopharmaceutical firms, specialty pharmaceutical companies, universities and other research institutions.

Many of our competitors, either alone or together with their collaborators, have substantially greater financial resources and larger research, development and regulatory staffs than ours and those of our corporate collaborators. There can be no assurance that competitors will not develop more effective or more affordable products, or achieve earlier patent protection or product commercialization than us and our corporate collaborators.

Competition

The Company plans to compete in an industry in which there are few, but growing number of participants. The Company will have to prove its ability to compete against companies that are further ahead in the approval process by Health Canada and have greater financial, technological, production and marketing resources.

Product liability claims

Our product candidates subject us to the risk of product liability claims for which we may not be able to maintain or obtain adequate insurance coverage. Inherent in the use of our product candidates in clinical trials, as well as in the manufacturing and distribution in the future of any approved products, is the risk of financial exposure to product liability claims and adverse publicity in the event that the use of such products results in personal injury or death. There can be no assurance

that we will not experience losses due to product liability claims in the future.

Potential delayed or impaired future sales

Even if any of our product candidates receives regulatory approval, we and our collaborators may still face development and regulatory difficulties that may delay or impair future sales. If we or our collaborators obtain regulatory approval for any of our product candidates, we and our collaborators will continue to be subject to extensive regulation by Health Canada, the FDA, other federal authorities, certain state agencies and regulatory authorities elsewhere. These regulations will impact many aspects of our operations and the drug manufacturer's operations including manufacture, record keeping, quality control, adverse event reporting, storage, labeling, advertising, promotion, sale and distribution, export and personnel. The FDA and state agencies may conduct periodic inspections to assess compliance with these requirements. We, together with our collaborators, will be required to conduct post-marketing surveillance of the product. We also may be required to conduct post-marketing studies. Our or our collaborators' failure to comply with applicable FDA and other regulatory requirements, or the later discovery of previously unknown problems, may result in restrictions including:

- delays in commercialization;
- refusal by Health Canada, the FDA or other similar regulatory agencies to review pending applications or supplements to approved applications;
- product recalls or seizures;
- warning letters;
- suspension of manufacturing;
- withdrawals of previously approved marketing applications;
- fines and other civil penalties;
- injunctions, suspensions or revocations of marketing licenses;
- refusals to permit products to be imported to or exported from the United States; and
- criminal prosecutions.

Technology risk

The Company will have to expand its patent protection to other countries. There can be no assurances that the Company will be able to do so successfully. The Company may not have the financial resources to enforce its patents should another company compete with a similar or identical product that infringes on the Company's patents.

Intellectual property

Our success depends on our ability to protect our proprietary rights and operate without infringing the proprietary rights of others; we may incur significant expenses or be prevented from developing and/or commercializing products as a result of an intellectual property infringement claim.

Our success will depend in part on our ability and that of our corporate collaborators to obtain and enforce patents and maintain trade secrets, in Canada, the United States and in other countries.

Patent law relating to the scope and enforceability of claims in the fields in which we operate is still evolving. The patent positions of biotechnology and biopharmaceutical companies, including us, is highly uncertain and involves complex legal and technical questions for which legal principles are not firmly established. The degree of future protection for our proprietary rights, therefore, is highly uncertain. In this regard there can be no assurance that patents will issue from any of the pending patent applications. In addition, there may be issued patents and pending applications owned by others directed to technologies relevant to our or our corporate collaborators' research, development and commercialization efforts. There can be no assurance that our or our corporate collaborators' technology can be developed and commercialized without a license to such patents or that such patent applications will not be granted priority over patent

applications filed by us or one of our corporate collaborators.

Our commercial success depends significantly on our ability to operate without infringing the patents and proprietary rights of third parties, and there can be no assurance that our and our corporate collaborators' technologies and products do not or will not infringe the patents or proprietary rights of others.

There can be no assurance that third parties will not independently develop similar or alternative technologies to ours, duplicate any of our technologies or the technologies of our corporate collaborators or our licensors, or design around the patented technologies developed by us, our corporate collaborators or our licensors. The occurrence of any of these events would have a material adverse effect on our business, financial condition and results of operations.

Litigation may also be necessary to enforce patents issued or licensed to us or our corporate collaborators or to determine the scope and validity of a third party's proprietary rights. We could incur substantial costs if litigation is required to defend ourselves in patent suits brought by third parties, if we participate in patent suits brought against or initiated by our corporate collaborators or if we initiate such suits, and there can be no assurance that funds or resources would be available in the event of any such litigation. An adverse outcome in litigation or an interference to determine priority or other proceeding in a court or patent office could subject us to significant liabilities, require disputed rights to be licensed from other parties or require us or our corporate collaborators to cease using certain technology or products, any of which may have a material adverse effect on our business, financial condition and results of operations.

Change in laws, regulations, and guidelines

The Company's operations are subject to a variety laws, regulations and guidelines relating to the manufacture, management, transportation, storage, and disposal of medical marijuana and hemp but also including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company that it may invest in or acquire.

Limited operating history

The Company is subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

Future financing

The Company will require financing for the building and operation of facilities and business, which are capital intensive. In order to execute on an anticipated growth strategy, the Company will require equity and/or debt financing to support start up and on-going operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to the Company when needed, if ever, or on terms which are acceptable. The Company's inability to raise financing to support on-going operations or to fund capital expenditures or acquisitions would limit the Company's plans and would have a material adverse effect start-up and planned operations.

Dilution

To conduct its business, the Company may from time to time require additional funds. The Company may have to issue additional securities including, but not limited to, common shares or some form of convertible security, the effect of which will result in a dilution of the equity interests of any existing shareholders.

Dependence on key personnel

The Company strongly depends on the business and technical expertise of its management and it is unlikely that this dependence will decrease in the near term. Loss of the Company's key personnel could slow the Company's ability to innovate, although the effect on ongoing operations would be manageable as experienced key operations personnel could be put in place. As the Company's operations expand, additional general management resources will be required.

If the Company expands its operations, the ability of the Company to recruit, train, integrate and manage a large number of new employees is uncertain and failure to do so would have a negative impact on the Company's business plans.

There can be no assurance that any one of these risk factors would not impact the Company's ability to fund capital expenditures or acquisitions associated with the medical marijuana and hemp industries and would limit and may have a material adverse effect on start-up and planned operations.

OFF-BALANCE SHEET ARRANGEMENTS

The Company did not enter into any off-balance sheet arrangements during the nine months ended June 30, 2015.

PROPOSED TRANSACTIONS

The Company does not currently have any proposed transactions approved by the Board of Directors. All current proposed transactions are fully disclosed in the financial statements for the nine months ended June 30, 2015.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying financial statements.

CONFLICTS OF INTEREST

The Company's directors and officers may serve as directors or officers, or may be associated with other reporting companies, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding on terms with respect to the transaction. If a conflict of interest arises, the Company will follow the provisions of the British Columbia Business Corporations Act in dealing with conflicts of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of the Company's directors, disclose his or her interest and refrain from voting on the matter unless otherwise permitted by the Corporations Act. In accordance with the laws of the Province of British Columbia, the directors and officers of the Company are required to act honestly, in good faith, and in the best interest of the Company.

SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

Critical accounting estimates are estimates and assumptions made by Management that may result in a material adjustment to the carrying amounts of assets and/or liabilities within the next financial year and are disclosed in Note 2 of the Company's annual audited consolidated financial statements for the year ended September 30, 2014. There have been no changes to the Company's critical accounting estimates and judgments during the nine months ended June 30, 2015.

FUTURE ACCOUNTING PRONOUNCEMENTS

The following is a summary of new standards, amendments and interpretations that have been issued but not yet adopted in these annual financial statements:

- IFRS 9, Financial Instruments ("IFRS 9")
IFRS 9 replaces the guidance in IAS 39 Financial Instruments: Recognition and Measurement, on the classification and measurement of financial assets. The Standard eliminates the existing IAS 39 categories of held to maturity,

available-for-sale and loans and receivable. Financial assets will be classified into one of two categories on initial recognition, financial assets measured at amortized cost or financial assets measured at fair value. Gains and losses on re-measurement of financial assets measured at fair value will be recognized in profit or loss, except that for an investment in an equity instrument, which is not held-for-trading, IFRS 9 provides, on initial recognition, an irrevocable election to present all fair value changes from the investment in other comprehensive income (OCI).

- IFRS 15, Revenue from Contracts with Customers (“IFRS 15”)

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 is effective for periods beginning on or after January 1, 2017 and is to be applied retrospectively. IFRS 15 clarifies the principles for recognizing revenue from contracts with customers. IFRS 15 will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (i.e. service revenue and contract modifications) and improve guidance for multiple-element arrangements. The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning October 1, 2018, and may consider earlier adoption. The extent of the impact of adoption of IFRS 15 has not yet been determined.
- IAS 32, Financial Instruments: Presentation

IAS 32 is effective for annual periods beginning on or after January 1, 2014, is amended to provide guidance on the offsetting of financial assets and financial liabilities.

NARCOTIC CONTROL REGULATION’S LICENSING

To apply for a dealer’s license, a person shall submit an application to the Minister containing:

- The corporation’s name and any other name registered with a province, under which it intends to carry out the activities specified in its dealer’s license or intends to identify itself;
- The address, telephone number and, if applicable, the facsimile number and e-mail address for the premises to which the dealer’s license would apply and, if different, the mailing address for the premises;
- The name, date of birth and gender of the individual in charge of the premises;
- With respect to the proposed qualified person in charge and, if applicable, the proposed alternate qualified person in charge:
 - Their name, date of birth and gender,
 - Their academic qualifications, training and work experience relevant to their duties,
 - Their hours of work at the premises,
 - Their title at the premises,
 - The name and title of their immediate supervisor at the premises
- The name and gender of the individuals authorized to place an order for a narcotic on behalf of the applicant;
- The activities for which the license is sought that would be carried out at the premises to which the dealer’s license would apply;
- If the license is sought to produce a narcotic other than a product or compound that contains a narcotic;
- A detailed description of the security measures at the premises, determined in accordance with the Security Directive;
- A detailed description of the method that the applicant proposes to use for recording their narcotic transactions.

An application for a dealer’s license must:

- Be signed by the individual in charge of the premises to which the license would apply; and
- Be accompanied by a statement signed by the individual in charge indicating that:
 - All information and documents submitted in support of the application are correct and complete to the best of their knowledge, and
 - The individual has the authority to bind the applicant.

An application for a dealer’s license must be accompanied by:

- Declarations signed by the individual in charge of the premises to which the application applies, the proposed qualified person in charge and, if applicable, the proposed alternate qualified person in charge, stating that they have not been convicted, as an adult, during the preceding 10 years, of:
 - a designated drug offence,
 - a designated criminal offence, or
 - an offence committed outside Canada that, if committed in Canada, would have constituted an offence referred to above;
- A document issued by a Canadian police force with respect to each of the persons referred to here, stating whether the person has or has not been convicted, as an adult, during the previous 10 years, of a designated drug offence or a designated criminal offence;
- If any of the persons referred to here has ordinarily resided in a country other than Canada during the preceding 10 years, a document issued by a police force of that country stating whether the person has or has not been convicted in that country, as an adult, during the preceding 10 years, of an offence that would have constituted a designated drug offence or a designated criminal offence if committed in Canada;
- A statement, signed and dated by the individual in charge of the premises to which the application applies, stating that the proposed qualified person in charge and, if applicable, the proposed alternate qualified person in charge have the knowledge and experience required;
- If the proposed qualified person in charge or, if applicable, the proposed alternate qualified person in charge is not a pharmacist or a practitioner of medicine, dentistry or veterinary medicine registered with a provincial professional licensing authority, a copy of the person's degree and a copy of the course transcript for that degree;
- If the applicant is a corporation, a copy of:
 - the certificate of incorporation or other constituting instrument, and
 - any document filed with the province in which the premises to which the license would apply are located that states its corporate name or any other name registered with the province, under which the applicant intends to carry out the activities specified in its dealer's license or intends to identify itself.

The method proposed by the applicant for recording their narcotic transactions must:

- Allow for the recording of narcotic transactions in accordance with section 15 of the Narcotic Control Regulations; and
- Permit the Minister to audit the activities of the licensed dealer with respect to narcotics.

The Minister may, on receiving an application made under these Regulations, require the submission of any additional information that pertains to the information contained in the application and that is necessary for the Minister to process the application.

Subject to section 9.4 of the Narcotic Control Regulations, the Minister shall, after examining the information and documents required as stated above, issue a dealer's license that contains:

- The license number;
- The name of the licensed dealer or the title of the position they hold, or, if the licensed dealer is a corporation, its corporate name;
- A list of the activities that are permitted;
- The address of the premises at which the licensed dealer may carry on the permitted activities;
- The name of the narcotic for which the activities are permitted;
- The security level at the premises, determined in accordance with the Security Directive;

- The effective date of the license;
- The expiry date of the license, which may not be later than three years after its effective date;
- Any conditions to be met by the licensed dealer to:
 - ensure that an international obligation is respected,
 - provide the security level referred to above, or
 - reduce the potential security, public health or safety hazard, including the risk of the narcotic being diverted to an illicit market or use;
- In the case of a producer of a narcotic, the quantity of the narcotic that may be produced under the license and the period during which that quantity may be produced.

The Minister shall refuse to issue, renew or amend a dealer's license if:

- The applicant is not eligible under section 8.2 of the Narcotic Control Regulations;
- An inspector who has requested an inspection has not been given the opportunity by the applicant to conduct an inspection under section 16 of the Narcotic Control Regulations;
- False or misleading information or false or falsified documents were submitted in or with the application;
- An activity for which the license is requested would not be in compliance with an international obligation;
- Information received from a competent authority or the United Nations raises a reasonable belief that the applicant has been involved in the diversion of a narcotic to an illicit market or use or has been involved in an activity that was not in compliance with an international obligation;
- The applicant does not have in place the security measures set out in the Security Directive in respect of an activity for which the license is requested;
- The applicant is in contravention of or has contravened during the preceding 10 years:
 - a provision of the Act or the regulations made or continued under it, or
 - a term or condition of another dealer's license or of an import or export permit issued to the applicant under any regulations made or continued under the Act;
- The issuance, amendment or renewal of the license would likely create a risk to public health, safety or security, including the risk of a narcotic being diverted to an illicit market or use;
- The individual in charge of the premises, the proposed qualified person in charge or, if applicable, the proposed alternate qualified person in charge has been convicted, as an adult, within the preceding 10 years, of:
 - a designated drug offence,
 - a designated criminal offence, or
 - an offence committed outside Canada that, if committed in Canada, would have constituted an offence referred to above;
- The proposed method referred to above is not capable of recording narcotic transactions as required under section 15 of the Narcotic Control Regulations or of permitting the Minister to audit the applicant's activities with respect to narcotics in a timely manner; or
- The additional information required under section 9.1 of the Narcotic Control Regulations has not been provided or is insufficient to process the application.

Unless it is necessary to do so to protect public health, safety or security, including preventing a narcotic from being diverted to an illicit market or use, the Minister shall not refuse to issue, renew or amend a license under paragraph (1)(c) or (g) of the Narcotic Control Regulations if the applicant:

- Does not have a history of non-compliance with the Act or any regulation made or continued under it; and
- Has carried out, or signed an undertaking to carry out, the necessary corrective measures to ensure compliance with the Act, these Regulations and the Marihuana for Medical Purposes Regulations.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

Statements contained in this MD&A that are not historical facts are forward-looking statements (within the meaning of the Canadian securities legislation and the U.S. Private Securities Litigation Reform Act of 1995) that involve risks and uncertainties. Forward-looking statements are frequently, but not always, identified by words such as “expects”, “anticipates”, “believes”, “intends”, “estimates”, “potential”, “possible” or variations of such words and phrases or the negative connotation thereof, or statements that events, conditions or results “will”, “may”, “could” or “should” occur or be achieved. The forward-looking statements may include statements regarding research and development, product development and budgets, market estimates, capital expenditures, timelines, strategic plans, market or industry growth, evaluation of the potential impact of future accounting changes, estimates concerning recovery of accounts receivable, share-based payments and carrying value of intangible assets or other statements that are not statements of fact. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company may differ materially from those reflected in forward-looking statements due to a variety of risks, uncertainties and other factors. Risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by the forward-looking statements include, without limitation,

- uncertainties involved in disputes and litigation;
- fluctuations in commodity prices and currency exchange rates;
- uncertainty of estimates of capital and operating costs, recovery rate, production estimates and economic return;
- the nature of research and development of bioceutical and nutraceutical products and the uncertain commercial viability of these products;
- the Company’s lack of operating revenues;
- the ability to obtain additional financing to develop the intellectual property and uncertainty as to the availability and terms of future financing;
- governmental regulations and the ability to obtain necessary licenses;
- risks related to the Company’s dependence on key personnel;
- uncertainty in meeting anticipated program milestones;
- estimates used in the Company’s financial statements proving to be incorrect; and
- other risks and uncertainties disclosed in other information released by the Company from time to time and filed with the appropriate regulatory agencies.

This is not an exhaustive list of the factors that may affect the Company’s forward-looking statements. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the forward-looking statements. The Company’s forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made, and the Company does not assume any obligation to update forward-looking statements if circumstances or management’s beliefs, expectations or opinions should change except as required by law. For the reasons set forth above, investors should not place undue reliance on forward-looking statements. Important factors that could cause actual results to differ materially from the Company’s expectations include uncertainties relating to disputes; fluctuations in commodity prices and foreign currency exchange rates; uncertainty of estimates of capital and operating costs, recovery rate, production estimates and economic return; sales estimates, the nature of research and development of bioceutical and nutraceutical products and the uncertain commercial viability of these products; the Company’s lack of operating revenues; the ability to obtain additional financing to develop the intellectual property and uncertainty as to the availability and terms of future financing; governmental regulations and the ability to obtain necessary licenses; risks related to the Company’s dependence on key personnel; uncertainty in meeting anticipated program milestones; estimates used in the Company’s financial statements proving to be incorrect; and other risks and uncertainties disclosed in other information released by the Company from time to time and filed with the appropriate regulatory agencies

It is the Company’s policies that all forward-looking statements are based on the Company’s beliefs and assumptions which

are based on information available at the time these assumptions are made. The forward looking statements contained herein are based on information available as at January 28, 2015 and are subject to change after this date. The Company assumes no obligation and has no policy for updating or revising forward looking information or statements to reflect new events or circumstances, except as may be required under applicable securities laws. Although management believes that the expectations represented by such forward-looking information or statements are reasonable, there is significant risk that the forward-looking information or statements may not be achieved, and the underlying assumptions thereto will not prove to be accurate. Actual results or events could differ materially from the plans, intentions and expectations expressed or implied in any forward-looking information or statements, including the underlying assumptions thereto, as a result of numerous risks, uncertainties and other factors such as those described above and discussed under “Risks and Uncertainties”. Forward-looking information or statements in this MD&A include, but are not limited to, potential value of the intellectual properties and satisfactory resolution of the Company’s liabilities and contingent liabilities.

APPROVAL

The Board of Directors of Abattis has approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it and can be found on Sedar at www.sedar.com.