



Consolidated Financial Statements
For the three and nine months ended June 30, 2015
(Expressed in Canadian Dollars)
(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

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

| <i>As at</i> | June 30, 2015 | September 30, 2014 |
|---|----------------------|---------------------------|
| | \$ | \$ |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | 43,248 | 135,171 |
| Cash held in trust (note 3) | 28,627 | 248,990 |
| Term deposits (note 4) | - | 949,692 |
| Marketable securities (note 5) | 139,210 | 25,475 |
| Trade and other receivables (note 6) | 155,058 | 152,693 |
| Loan receivable (note 7) | 124,740 | - |
| Prepaid expenses and other deposits | 52,704 | 60,920 |
| | 543,587 | 1,572,941 |
| NON CURRENT ASSETS | | |
| Property and equipment (note 8) | 856,729 | 793,024 |
| Intangible assets (note 9) | 2,584,945 | 2,641,083 |
| Other assets | 2,000 | 2,000 |
| Investments (note 10) | - | 200,000 |
| Investment in associates (note 11) | 279,045 | 271,179 |
| Goodwill | 423,576 | 423,576 |
| | 4,146,295 | 4,330,862 |
| TOTAL ASSETS | 4,689,882 | 5,903,803 |
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Trade and other payables (note 12) | 1,320,399 | 858,181 |
| Advances payable (note 13) | 18,871 | 18,871 |
| | 1,339,270 | 877,052 |
| LONG TERM LIABILITIES | | |
| Deferred tax liability | 383,715 | 383,715 |
| TOTAL LIABILITIES | 1,722,985 | 1,260,767 |
| SHAREHOLDERS' EQUITY | | |
| Share capital (note 14) | 10,580,499 | 10,073,190 |
| Equity settled share-based payments (note 14) | 1,684,896 | 1,637,196 |
| Warrants (note 14) | 1,621,439 | 1,441,805 |
| Accumulated deficit | (11,257,321) | (9,108,966) |
| TOTAL SHAREHOLDERS' EQUITY | 2,629,513 | 4,043,225 |
| NON-CONTROLLING INTEREST (note 15) | 337,384 | 599,811 |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | 4,689,882 | 5,903,803 |

Nature of operations and going concern (note 1)

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

These condensed interim consolidated financial statements were authorized for issue by the Board of Directors on August 31, 2015. They are signed on behalf of the Board of Directors by:

“Douglas Sorocco”
 Director

“Bill Fleming”
 Director / CEO

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

| | For the three months ended | | For the nine months ended | |
|---|----------------------------|-------------------|---------------------------|--------------------|
| | June 30, 2015 | June 30, 2014 | June 30, 2015 | June 30, 2014 |
| | \$ | \$ | \$ | \$ |
| REVENUE | | | | |
| Sales | 14,225 | - | 76,125 | - |
| Cost of goods sold | (4,713) | - | (34,949) | - |
| GROSS PROFIT | 9,512 | - | 41,176 | - |
| EXPENSES | | | | |
| Accounting and audit fees | 4,293 | 30,312 | 126,029 | 72,192 |
| Advertising | 17,547 | 154,645 | 91,754 | 200,285 |
| Amortization | 19,904 | 17,765 | 59,169 | 49,713 |
| Bank service charge | 916 | 931 | 4,238 | 2,825 |
| Depreciation | 16,946 | 11,851 | 66,291 | 19,726 |
| Domain names | - | - | - | 5,571 |
| Interest | 464 | 2,249 | 2,583 | 9,046 |
| Legal fees | 122,777 | 201,666 | 703,762 | 366,066 |
| Management and consulting fees | 119,174 | 294,647 | 742,468 | 540,670 |
| Office and general administration | 210,219 | 131,763 | 597,986 | 162,785 |
| Regulatory and transfer agents fees | 16,965 | 24,141 | 60,939 | 37,287 |
| Research | 3,825 | 29,752 | 70,662 | 82,359 |
| Share-based payments (note 14) | - | - | 47,700 | 4,915,287 |
| Sponsorship | - | 18,410 | - | 18,410 |
| | (533,030) | (918,132) | (2,573,581) | (6,482,222) |
| OTHER INCOME (EXPENSES) | | | | |
| Foreign exchange gain (loss) | 3,960 | 5,078 | (61,258) | (11,368) |
| Gain (loss) on cancellation and settlement of trade payables | 10,268 | - | 268,454 | (117,500) |
| Gain on disposal | - | - | 4,684 | - |
| Investment gain (loss) (note 5) | (92,243) | - | (99,041) | - |
| Loss from investment in associates (note 11) | - | - | 7,866 | - |
| Other income | 439 | 1,577 | 18,651 | 1,577 |
| Bargain purchase | - | 21,712 | - | 21,712 |
| Financing costs | - | - | (17,733) | - |
| | (77,576) | 28,367 | 121,623 | (105,579) |
| TOTAL COMPREHENSIVE LOSS FOR THE PERIOD | (601,094) | (889,765) | (2,410,782) | (6,587,801) |
| Comprehensive loss for the period attributable to: | | | | |
| Common shareholders | (591,508) | (860,643) | (2,148,355) | (6,558,679) |
| Non-controlling interest | (9,586) | (29,122) | (262,427) | (29,122) |
| | (601,094) | (889,765) | (2,410,782) | (6,587,801) |
| 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) | (0.01) | (0.01) | (0.03) | (0.15) |
| Weighted average number of common shares outstanding | 66,554,446 | 58,528,908 | 67,317,012 | 43,592,839 |

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

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

| | Share capital | | Reserves | | | | | | |
|--|---------------------|--------------|----------------------------|---|---------------------------|-------------|---------------|------------------------------------|-------------|
| | Number of shares | Amount \$ | Shares subscribed \$ | Equity settled share-based payments \$ | Warrants reserve \$ | Total \$ | Deficit \$ | Non-controlling interests \$ | Total \$ |
| Balance at September 30, 2013 | 28,584,094 | 4,291,204 | - | 316,900 | 606,459 | 923,359 | (4,656,546) | - | 558,017 |
| 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 cash - warrant exercise | 7,481,000 | 973,250 | - | - | - | - | - | - | 973,250 |
| Shares issued for cash - stock option exercise | 2,071,000 | 349,040 | - | - | - | - | - | - | 349,040 |
| Shares issued for acquisition of assets | 425,000 | 270,700 | - | - | - | - | - | - | 270,700 |
| Shares issued for acquisition of Instant Payment System 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 |
| Reclassification of grant-date fair value on exercise of warrants | - | 319,394 | - | - | (319,394) | (319,394) | - | - | - |
| Shares issued for services | 169,334 | 92,698 | - | - | - | - | - | - | 92,698 |
| Shares subscribed | - | - | 189,975 | - | - | - | - | - | 189,975 |
| 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 | - | - |
| Share-based payments | - | - | - | 4,915,287 | - | 4,915,287 | - | - | 4,915,287 |
| Non-controlling interest on acquisition | - | - | - | - | - | - | - | 42,185 | 42,185 |
| Net loss for the period | - | - | - | - | - | - | (6,558,679) | (29,122) | (6,587,801) |
| Balance at June 30, 2014 | 62,759,856 | 9,388,721 | 189,975 | 454,934 | 1,493,041 | 1,947,975 | (6,621,204) | 13,063 | 4,918,530 |
| Balance at September 30, 2014 | 64,925,686 | 10,073,190 | | 1,637,196 | 1,441,805 | 3,079,001 | (9,108,966) | 599,811 | 4,643,036 |
| Shares issued for cash - private placement | 2,365,072 | 78,047 | | | 229,412 | 229,412 | | | 307,459 |
| Share issued for consulting fees | 1,284,839 | 171,959 | - | - | 17,833 | 17,833 | - | - | 189,792 |
| Shares issued for directors' fees | 415,883 | 69,692 | - | - | - | - | - | - | 69,692 |
| Shares issued for cash - warrant exercise | 1,200,000 | 120,000 | - | - | - | - | - | - | 120,000 |
| Reclassification of grant-date fair value on exercise of warrants | - | 67,611 | - | - | (67,611) | (67,611) | - | - | - |
| Share-based payments | - | - | - | 47,700 | | 47,700 | - | - | 47,700 |
| Net loss per the period | - | - | - | - | - | - | (2,148,355) | (262,427) | (2,410,782) |
| Balance at June 30, 2015 | 70,191,480 | 10,580,499 | - | 1,684,896 | 1,621,439 | 3,306,335 | (11,257,321) | 337,384 | 2,966,897 |

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

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

| | For the nine months ended | |
|--|---------------------------|--------------------|
| | June 30, 2015 | June 30, 2014 |
| | \$ | \$ |
| | (unaudited) | (unaudited) |
| Cash flows provided from (used by): | | |
| OPERATING ACTIVITIES | | |
| Net loss for the year | (2,410,782) | (6,587,801) |
| Adjustments for items not affecting cash: | | |
| Amortization | 59,169 | 54,380 |
| Depreciation | 66,291 | 15,059 |
| Loss on settlement on trade payables | - | 117,500 |
| Share-based payments | 47,700 | 4,915,287 |
| Investment loss (gain) | 80,205 | - |
| Loss (gain) from investment in associates | (7,866) | - |
| Bargain purchase | - | (21,712) |
| Shares issued for consulting fees | 189,793 | - |
| Shares issued for directors' consulting fees | 69,691 | - |
| | (1,905,799) | (1,507,287) |
| Net changes in non-cash working capital items: | | |
| Trade and other receivables | (2,365) | (89,252) |
| Loan receivable | (124,740) | - |
| Prepaid expenses and other deposits | 8,216 | 29,215 |
| Cash held in trust | 220,363 | - |
| Inter-company balances | 302,525 | - |
| Trade and other payables | 462,218 | 337,956 |
| Interest payable | - | (34,689) |
| Net cash flows used in operating activities | (1,039,582) | (1,264,057) |
| FINANCING ACTIVITIES | | |
| Common shares issued for cash, net of share issue costs | 427,459 | 4,280,189 |
| Shares subscribed | - | 189,975 |
| Repayment of short-term loan | - | (290,159) |
| Net cash flows from financing activities | 427,459 | 4,180,005 |
| INVESTING ACTIVITIES | | |
| Loan to Phytalyics | (302,525) | - |
| Purchase of term deposits | - | (1,895,000) |
| Proceeds on redemption of term deposits | 949,692 | - |
| Purchase of marketable securities | 6,060 | (200,000) |
| Investment in subsidiaries, net of cash assumed on acquisition | - | 63,037 |
| Investment in associates | - | (100,000) |
| Purchase of intangible assets | (3,032) | (10,311) |
| Purchase of equipment | (129,995) | (153,520) |
| Net cash flows from (used in) investing activities | 520,200 | (2,295,794) |
| Net increase (decrease) in cash | (91,923) | 620,154 |
| Cash and cash equivalents, beginning of period | 135,171 | 5,327 |
| Cash and cash equivalents, end of period | 43,248 | 625,481 |

Supplementary cash flow information (Note 16)

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

Abattis Bioceuticals Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended June 30, 2015

(Expressed in Canadian Dollars)

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 1040 – 885 West Georgia Street, Vancouver, British Columbia, V6C 3E8, Canada.

Abattis 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.

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

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

During the three and nine months ended June 30, 2015, the Company has incurred a net loss of \$601,094 and \$2,410,782 respectively (June 30, 2014 - \$889,765 and \$6,587,801 respectively). As at June 30, 2015, the Company had a working capital deficiency of \$795,683 (September 30, 2014 – working capital deficiency of \$999,440) and an accumulated deficit of \$11,257,321 (September 30, 2014 – \$9,108,966).

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Statement of compliance to International Financial Reporting Standards

These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. Accordingly, they do not include all of the information and disclosures required by International Financial Reporting Standards ("IFRS") for annual consolidated statements.

These unaudited condensed consolidated interim financial statements have been prepared using the same accounting policies and methods of application as the Company's most recent annual audited consolidated financial statements for the year ended September 30, 2014.

Critical accounting 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

Abattis Bioceuticals Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended June 30, 2015

(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (continued)

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.

Presentation and functional currency

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

New accounting standards

The following standards are not effective until fiscal years beginning on or after January 1, 2015, and, unless otherwise indicated, have no effect on the Company's financial performance:

- **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.

3. CASH HELD IN TRUST

As at June 30, 2015, the Company has \$28,627 held in trust (September 30, 2014 – \$248,990). This amount was held in a lawyers' trust accounts at year-end. During nine months ended June 30, 2015, \$220,363 of this amount has been applied against legal fees.

4. TERM DEPOSITS

As at June 30, 2015, the balance of the term deposit of the Company is \$nil (September 30, 2014 – \$949,692). During nine months ended June 30, 2015, the Company used the term deposit funds for the operating expenses. The annual interest rate of term deposit was prime minus 1.95%.

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

For the three and nine months ended June 30, 2015

(Expressed in Canadian Dollars)

5. MARKETABLE SECURITIES

| | June 30, 2015 | | September 30, 2014 | |
|---------------------------------------|------------------|-------------------|--------------------|-------------------|
| | Quantity | Carrying Value | Quantity | Carrying Value |
| BI Optic Ventures Inc. | 982,750 | \$ 68,793 | 254,750 | \$ 25,475 |
| True Leaf Medicine International Ltd. | 1,083,333 | 70,417 | 800,000 | 200,000 |
| | 2,066,083 | \$ 139,210 | 1,054,750 | \$ 225,475 |

On February 9, 2015 the share of the True Leaf was listed in Canadian Securities Exchange "CSE", therefore from the period ended March 31, 2015, these shares classified as marketable securities. Information regarding investment demonstrated in note (10).

6. ACCOUNTS RECEIVABLE

| | June 30, 2015 | September 30, 2014 |
|-----------------------|-------------------|--------------------|
| Trade receivable | \$ 8,792 | \$ - |
| GST receivable | 105,930 | 26,763 |
| Due from an associate | 40,336 | - |
| | \$ 155,058 | \$ 26,763 |

7. LOAN RECEIVABLE

On December 18, 2014, the Company provided a short-term loan to Terracity Lawrence LLC ("Terracity") for an amount of \$124,740 (USD 100,000). This loan matured on February 18, 2015. The company is actively trying to collect the amount of the loan as well as \$20,000 arrangement fee. The arrangement fee was due within (15) days of the subject Loan's closing, or at the time of Terracity's New Market Tax Credit funding, whichever occurs first.

Abattis Biocentials Corp.

Notes to the Condensed Interim Consolidated Financial Statements

For the three and nine months ended June 30, 2015

(Expressed in Canadian Dollars)

8. PROPERTY AND EQUIPMENT

Equipment which is not ready for use as at June 30, 2015 with a cost of \$375,000 (September 30, 2014 – \$375,000) is not being depreciated.

| | Computer equipment | Office equipment | Plant equipment | Leasehold improvement | Total |
|------------------------------------|--------------------|--------------------|--------------------|-----------------------|---------------------|
| Cost | | | | | |
| As at September 30, 2014 | \$ 30,671 | \$ 110,233 | \$ 655,604 | \$ 56,882 | \$ 853,390 |
| Additions | 1,641 | (18,202) | 156,999 | - | 140,438 |
| Balance as at June 30, 2015 | \$ 32,312 | \$ 92,031 | \$ 801,568 | \$ 56,882 | \$ 982,793 |
| Depreciation | | | | | |
| As at September 30, 2014 | \$ (2,260) | \$ (10,157) | \$ (42,668) | \$ (5,281) | \$ (60,366) |
| Charged for the period | (6,232) | (15,361) | (42,918) | (1,780) | (66,291) |
| Balance as at June 30, 2015 | \$ (8,492) | \$ (24,925) | \$ (85,586) | \$ (7,061) | \$ (126,064) |
| Net book value | | | | | |
| As at September 30, 2014 | \$ 28,411 | \$ 100,076 | \$ 612,936 | \$ 51,601 | \$ 793,024 |
| As at June 30, 2015 | \$ 23,820 | \$ 67,106 | \$ 715,982 | \$ 49,821 | \$ 856,729 |

9. INTANGIBLE ASSETS

| | Patents | Formulae | Licenses | Trademark | Proprietary processes | Total |
|------------------------------------|--------------------|--------------------|--------------------|----------------|-----------------------|---------------------|
| Cost | | | | | | |
| As at September 30, 2014 | \$ 250,000 | \$ 585,840 | \$ 746,951 | \$ - | \$ 1,245,812 | \$ 2,828,603 |
| Additions | - | 2,227 | - | 805 | - | 3,032 |
| Balance as at June 30, 2015 | \$ 250,000 | \$ 588,067 | \$ 746,951 | \$ 805 | \$ 1,245,812 | \$ 2,831,635 |
| Amortization | | | | | | |
| As at September 30, 2014 | \$ (73,012) | \$ (54,798) | \$ (59,710) | \$ - | \$ - | \$ (187,520) |
| Charged for the period | (9,375) | (21,810) | (27,958) | (26) | - | (59,169) |
| Balance as at June 30, 2015 | \$ (82,387) | \$ (76,608) | \$ (87,668) | \$ (26) | \$ - | \$ (246,689) |
| Net book value | | | | | | |
| As at September 30, 2014 | \$ 176,988 | \$ 531,042 | \$ 687,241 | \$ - | \$ 1,245,812 | \$ 2,641,083 |
| As at June 30, 2015 | \$ 167,613 | \$ 511,459 | \$ 659,283 | \$ 779 | \$ 1,245,812 | \$ 2,584,945 |

Amortization of intangible assets is included in 'Amortization' on the statement of comprehensive loss.

The Company's intangible assets consist of assets for both finite and indefinite life. The Company amortized the intangible assets based on their expected useful life. The additions found under formulae's were for consulting fees associated with patent and trademark sustaining fees and are not for the purchase of an additional trademark. 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.

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

For the three and nine months ended June 30, 2015

(Expressed in Canadian Dollars)

9. INTANGIBLE ASSETS (CONTINUED)

- 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 that 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.

10. INVESTMENTS

During the year ended September 30, 2014, the Company purchased 800,000 shares of True Leaf Medicine Corp. at a cost of \$200,000. These securities were classified as available for sale since the shares of True Leaf Medicine Corp. did not have a quoted price in an active market.

On February 9, 2015, the common shares of True Leaf Medicine Corp. "True Leaf Medicine International Ltd." Have been approved for listing on the Canadian Securities Exchange "CSE", therefore investment in True Leaf were classified as marketable securities as note 5 indicates.

11. INVESTMENT IN ASSOCIATES

| | Experion Biotechnologies Inc. | | Instant Payment Systems LLC | |
|---|--|---|--|---------|
| Carrying value as at September 30, 2014 | \$ | - | \$ | 271,179 |
| Share of profit | | - | | 7,866 |
| Carrying value as at June 30, 2015 | \$ | - | \$ | 279,045 |

On April 10, 2014, the Company through its wholly owned subsidiary, Northern Vine, entered into a share exchange agreement with Experion Biotechnologies Inc. ("Experion"). Experion is incorporated under the laws of British Columbia, Canada and is located in Vancouver, BC. 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.

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

For the three and nine months ended June 30, 2015

(Expressed in Canadian Dollars)

11. INVESTMENT IN ASSOCIATES (CONTINUED)

April 30, 2014, the Company through its wholly owned subsidiary, Abattis Bioceuticals International Inc. 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. IPS was incorporated under the laws of Washington, US.

The following table summarizes the financial information of Experion and IPS for the nine months ended June 30, 2015:

| | June 30, 2015 | |
|---------------------|--|--|
| | Experion Biotechnologies Inc. | Instant Payment Systems LLC |
| Current asset | \$ - | \$ 2,135 |
| Current liabilities | (14,298) | (2,000) |
| Revenue | - | - |
| Net income | - | 23,134 |

12. TRADE AND OTHER PAYABLES

| | June 30, 2015 | September 30, 2014 |
|-------------------------------|----------------------|---------------------------|
| Trade payables | \$ 1,097,166 | \$ 317,475 |
| Accrued liabilities | 216,778 | 225,675 |
| Due to related parties | 5,548 | 309,725 |
| Payroll liabilities | 907 | 5,306 |
| | \$ 1,320,399 | \$ 858,181 |

13. 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.

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

For the three and nine months ended June 30, 2015

(Expressed in Canadian Dollars)

14. SHARE CAPITAL**Authorized share capital**

Unlimited number of common shares without par value.

Issued share capital

At June 30, 2015, there were 70,191,480 issued and fully paid common shares (September 30, 2014 – 64,925,686).

During the nine months ended June 30, 2015:

- The Company issued 415,883 common shares for the directors' consulting and management fees of \$69,692.
- The Company issued 1,284,839 common shares for the consulting fees of \$189,792.
- 1,200,000 warrants were exercised for proceeds of \$120,000. A fair value of \$67,611 was transferred to share capital from reserves in connection with these exercises.
- 3,223,100 stock options of consultants and directors were cancelled due to them resigning their position with the Company.
- On March 19, 2015, the Company completed a non-brokered private placement of 2,365,072 at a price of \$0.13 per unit for gross proceeds of \$307,459. Each unit consists of one common share and one share purchase warrant of the company and exercise price of \$0.18 and expiry date of September 19, 2016.
- On May 6, 2015, the Company granted 166,666 share purchase warrants with exercise price of \$0.12 and expiry date of May 6, 2020 to consultants.

Share purchase warrants

The changes in share purchase warrants during the nine months ended June 30, 2015 are as follows:

| | Number outstanding | Weighted average exercise price |
|------------------------------------|---------------------------|--|
| Balance, September 30, 2014 | 7,883,831 | \$ 0.40 |
| Granted | 2,365,072 | 0.18 |
| Exercised | (1,200,000) | 0.10 |
| Expired | (100,000) | 0.10 |
| Granted | 166,666 | 0.12 |
| Balance, June 30, 2015 | 9,115,569 | \$ 1.41 |

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

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(Expressed in Canadian Dollars)

14. SHARE CAPITAL (CONTINUED)

The following summarizes information about Warrants outstanding and exercisable at June 30, 2015:

| Expiry date | Warrants outstanding | Exercise price | Estimated grant date fair value | Weighted average remaining contractual life (in years) |
|--------------------|---------------------------------|-----------------------|--|---|
| September 18, 2015 | 5,308,331 | 0.500 | 999,705 | 0.22 |
| October 7, 2015 | 1,275,500 | 0.250 | 251,681 | 0.27 |
| September 19, 2016 | 2,365,072 | 0.180 | 229,412 | 1.22 |
| May 6, 2020 | 166,666 | 0.120 | 17,833 | 4.85 |
| | 9,115,569 | | \$ 1,498,631 | 0.57 |

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.

On January 27, 2015, the Company granted 175,000 stock options to consultants and 125,000 stock options to one of the directors. Each option is being exercisable into a common share of the Company at \$0.16 per share for a period of five years. During the nine months ended June 30, 2015, 3,223,100 stock options were cancelled.

The following summarizes information about stock options outstanding and exercisable at June 30, 2015:

| Expiry date | Options outstanding | Options exercisable | Exercise price | Estimated grant date fair value | Weighted average remaining contractual life (in years) |
|--------------------|--------------------------------|--------------------------------|-----------------------|--|---|
| May 12, 2016 | 360,000 | 360,000 | \$ 0.350 | \$ 103,118 | 0.87 |
| December 24, 2017 | 150,000 | 150,000 | \$ 0.100 | 5,595.86 | 2.49 |
| February 18, 2019 | 25,000 | 25,000 | \$ 0.170 | 1,878.71 | 3.64 |
| July 22, 2019 | 1,055,000 | 1,055,000 | \$ 0.640 | 432,241.78 | 4.06 |
| August 8, 2019 | 605,000 | 605,000 | \$ 0.480 | 167,861 | 4.11 |
| August 13, 2019 | 25,000 | 25,000 | \$ 0.430 | 6,990.49 | 4.12 |
| September 16, 2019 | 100,000 | 100,000 | \$ 0.330 | 20,422 | 4.22 |
| January 27, 2020 | 25,000 | 25,000 | \$ 0.160 | 3,975 | 4.58 |
| March 6, 2020 | 125,000 | 125,000 | \$ 0.160 | 19,875 | 4.69 |
| | 2,470,000 | 2,470,000 | | \$ 761,958 | 3.55 |

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

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15. NON-CONTROLLING INTEREST

The following table summarizes the information relating to the non-controlling interest ("NCI") of the Company's subsidiaries before any inter-company eliminations:

| NCI percentage | Phytalytics LLC 49% | Northern Vine 25% |
|--|--------------------------------|------------------------------|
| As at June 30, 2015 | | |
| Current assets | \$ 2,217 | \$ 16,134 |
| Property and equipment | 94,734 | 87,998 |
| Intangible assets | 1,245,813 | |
| Goodwill | 423,576 | |
| Current liabilities | (195,664) | (10,770) |
| Deferred income tax liability | (383,715) | |
| Other non-current liabilities | (472,800) | (241,475) |
| Net assets | \$ 714,161 | \$ (148,113) |
| Carrying amount for NCI | 349,939 | (37,028) |
| For the nine months ended June 30, 2015 | | |
| Revenue | \$ 76,125 | \$ - |
| Loss | (536,079) | (55,294) |
| Loss allocated to NCI | \$ (262,679) | \$ (13,824) |

As the June 30, 2015, the carrying value of NCI was \$ 337,384 (September 30, 2014 - \$599,811) which was determined as follows:

| | Phytalytics LLC | Northern Vine |
|--|------------------------|----------------------|
| As at September 30, 2014 | \$ 606,400 | \$ (6,589) |
| <i>During the three months ended June 30, 2015</i> | | |
| Loss allocated to NCI | (248,603) | (13,824) |
| As at June 30, 2015 | \$ 357,797 | \$ (20,413) |

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

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(Expressed in Canadian Dollars)

16. SUPPLMENTAL CASH FLOW INFORMATION

| | For the nine months ended | |
|---|---------------------------|---------------|
| | June 30, 2015 | June 30, 2014 |
| Shares issued for acquisition of assets | \$ - | \$ 270,700 |
| Shares issued for acquisition of Instant Payment Systems LLC | - | 180,000 |
| Shares issued as prepayment | - | 579,360 |
| Shares issued for settlement of trade payable | - | 397,922 |
| Shares issued for investor relations services | - | 54,698 |
| Shares issued for consulting fees | 189,792 | 38,000 |
| Shares issued for directors' consulting and management fees | 69,692 | - |
| Transfer from warrants reserve to share capital on exercise of warrants | 67,611 | 319,394 |
| Transfer to warrants reserve fair value of warrants issued on private placement | 83,487 | 1,205,976 |
| Transfer from equity settled share based payments reserve to share capital on exercise of options | - | 183,232 |
| Transfer from equity settled share based payments reserve to deficit of the cancelled options | - | 4,594,021 |

17. RELATED PARTY TRANSACTIONS**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 Coddling, P.C. (ix) | Director | 208,688 | - | 208,688 |
| Emanuel "Manny" Montenegro(x) | Director | 72,273 | - | 72,273 |
| | | \$ 717,140 | \$ 938,625 | \$ 1,655,765 |

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

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(Expressed in Canadian Dollars)

17. RELATED PARTY TRANSACTIONS (CONTINUED)**Key management personnel compensation (continued)**

| 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 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) to Crimson Opportunities Ltd.

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.

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(Expressed in Canadian Dollars)

17. RELATED PARTY TRANSACTIONS (CONTINUED)**Key management personnel compensation (continued)**

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

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

- 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).

- 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.

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17. RELATED PARTY TRANSACTIONS (CONTINUED)

- 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 Montenegrino, 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.

18. 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 was 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 granted 200,000 stock options at \$0.06 per option for a period of five years, granted August 20, 2015.

- 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.

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

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18. COMMITMENTS (CONTINUED)

- 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;

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18. COMMITMENTS (CONTINUED)

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 ended, no services are currently being rendered by Think Sharp Inc.
- 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 |
| | <u>\$ 170,861</u> |
- 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

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

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18. COMMITMENTS (CONTINUED)

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 |

19. CONTINGENCIES

- 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.

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19. CONTINGENCIES (CONTINUED)

- 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 was seeking payment of \$37,356 plus interest. On April 2, 2015, the court granted judgement against the Company in the amount of \$25,256 and the amount fully paid to the 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.

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.

20. 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 Interim Consolidated Financial Statements**

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(Expressed in Canadian Dollars)

21. FINANCIAL INSTRUMENTS**a) Fair value**

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. Investments with quoted prices in active markets are designated as held-for-trading. Investments without quoted prices in active markets designated as available for sale and are carried at cost. Cash and trade and other receivable are classified as loans and receivables. Term 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, interest payable, short-term loan 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. |

a) Fair value (continued)

The Company has determined the estimated fair values of its financial instruments based upon appropriate valuation methodologies. At June 30, 2015, cash of \$43,248 (September 30, 2014 – \$135,171), cash held in trust of \$28,627 (September 30, 2014 – \$248,990) and marketable securities of \$139,210 (September 30, 2014 – \$25,475) have been measured and recognized in the balance sheet using Level 1 inputs. Investments of \$nil (September 30, 2014 – \$200,000) have been designated as available for sale and carried at cost on the balance sheet as at June 30, 2015, there was no observable market data available. At June 30, 2015 and September 30, 2014, 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.

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

For the three and nine months ended June 30, 2015

(Expressed in Canadian Dollars)

21. FINANCIAL INSTRUMENTS (CONTINUED)

The Company's financial assets and financial liabilities are categorized as follows:

| | | June 30, 2015 | September 30, 2014 |
|------------------------------------|------------------------------------|---------------|--------------------|
| Financial Assets | Financial Assets | | |
| <i>Held-for-trading</i> | <i>Held-for-trading</i> | | |
| Cash and cash equivalents | Cash | \$ 43,248 | \$ 135,171 |
| Marketable securities | Marketable securities | 139,210 | 25,475 |
| <i>Loans and receivable</i> | <i>Loans and receivable</i> | | |
| Cash held in trust | Cash held in trust | 28,627 | 248,990 |
| Term deposits | Term deposits | - | 949,692 |
| Trade and other receivables | Trade and other receivables | 155,058 | 152,693 |
| Loan receivable | Loan receivable | 124,740 | - |
| <i>Available-for-sale</i> | <i>Available-for-sale</i> | | |
| Investments | Investments | - | 200,000 |
| Financial Liabilities | Financial Liabilities | | |
| <i>Other financial liabilities</i> | <i>Other financial liabilities</i> | | |
| Bank indebtedness | Bank indebtedness | - | - |
| Trade and other payables | Trade and other payables | 1,320,399 | 858,181 |
| Advances payable | Advances payable | 18,871 | 18,871 |
| | Lease obligations | - | - |

b) Financial risk management**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, trade and other receivables and loan receivable is 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 \$42,248 (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.

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

For the three and nine months ended June 30, 2015

(Expressed in Canadian Dollars)

21. FINANCIAL INSTRUMENTS (CONTINUED)**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.

b) Financial risk management (continued)**Market risk (continued)****Currency risk (continued)**

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 |
| Term deposit | - | - |
| 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 \$42,970.

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

For the three and nine months ended June 30, 2015

(Expressed in Canadian Dollars)

22. SEGMENTED INFORMATION

The Company has one reportable operating segment of producing, licensing and marketing proprietary ingredients and formulas for use in the BioPharma, Nutraceutical, Cosmetic and Animal Nutrition markets. Non-current assets (other than financial instruments) by geographic location are as:

| | Canada | | US | | Total |
|---------------------------------|--------|-----------|----|-----------|--------------|
| <i>As at June 30, 2015</i> | | | | | |
| Property and equipment | \$ | 386,995 | \$ | 469,734 | \$ 856,729 |
| Intangible assets | | 1,339,133 | | 1,245,812 | 2,584,945 |
| Other assets | | 2,000 | | - | 2,000 |
| | \$ | 1,728,128 | \$ | 1,715,546 | \$ 3,443,674 |
| <i>As at September 30, 2014</i> | | | | | |
| Property and equipment | \$ | 334,390 | \$ | 458,634 | \$ 793,024 |
| Intangible assets | | 1,395,271 | | 1,245,812 | 2,641,083 |
| Other assets | | 2,000 | | - | 2,000 |
| | \$ | 1,731,661 | \$ | 1,704,446 | \$ 3,436,107 |

23. 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.
- On August 20, 2015, the Company granted 3,900,000 stock options to certain of its directors, officers, consultants and employees, with each option being exercisable into a common share of the Company at \$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, 834,750 Bi-Optic ventures common shares, and 980,000 share purchase warrants of Bio-Optic Ventures, exercisable at \$0.15 per share purchase warrant. The company will receive \$100,000, and 2,100,000 free-trading Abattis Bioceuticals Corp. stocks.