



**Condensed Consolidated Interim Financial Statements**  
**For the three and six months ended March 31, 2018**  
**(Unaudited, Expressed in Canadian Dollars)**

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

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

**ABATTIS BIOCEUTICALS CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION**  
**(UNAUDITED, EXPRESSED IN CANADIAN DOLLARS)**

| <b>As at</b>                                      | <b>March 31,<br/>2018</b> | <b>September 30,<br/>2017</b> |
|---------------------------------------------------|---------------------------|-------------------------------|
| <b>ASSETS</b>                                     |                           |                               |
| <b>CURRENT ASSETS</b>                             |                           |                               |
| Cash                                              | \$ 6,669,889              | \$ 525,569                    |
| Investment (notes 7, 11)                          | 12,780,003                | -                             |
| Trade and other receivables (note 3)              | 502,916                   | 128,230                       |
| Prepaid expenses and other deposits               | 1,271,181                 | 25,438                        |
| Inventory (note 19)                               | 18,463                    | -                             |
|                                                   | <b>21,242,452</b>         | <b>679,237</b>                |
| <b>NON CURRENT ASSETS</b>                         |                           |                               |
| Property and equipment (note 5)                   | 456,114                   | 529,621                       |
| Intangible assets (note 6, 19)                    | 50,831,993                | -                             |
| Other assets                                      | 2,000                     | 2,000                         |
|                                                   | <b>51,290,107</b>         | <b>531,621</b>                |
| <b>TOTAL ASSETS</b>                               | <b>\$ 72,532,559</b>      | <b>\$ 1,210,858</b>           |
| <b>LIABILITIES</b>                                |                           |                               |
| <b>CURRENT LIABILITIES</b>                        |                           |                               |
| Trade and other payables (notes 8,13)             | \$ 3,104,616              | \$ 420,505                    |
| Advance payable (note 9)                          | 18,871                    | 18,871                        |
| Loan payable (note 9)                             | 813,753                   | -                             |
| <b>TOTAL LIABILITIES</b>                          | <b>3,937,240</b>          | <b>439,376</b>                |
| <b>SHAREHOLDERS' EQUITY</b>                       |                           |                               |
| Share capital (note 10)                           | 106,093,148               | 22,103,705                    |
| Obligation to issue shares (notes 10,13)          | 551,423                   | 330,246                       |
| Reserve (note 10)                                 | 1,477,479                 | 1,834,460                     |
| Accumulated deficit                               | (39,135,899)              | (22,743,699)                  |
| <b>TOTAL SHAREHOLDERS' EQUITY</b>                 | <b>68,986,151</b>         | <b>1,524,712</b>              |
| <b>NON-CONTROLLING INTEREST (note 11)</b>         | <b>(390,832)</b>          | <b>(753,230)</b>              |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b> | <b>\$ 72,532,559</b>      | <b>\$ 1,210,858</b>           |

Nature of operations and going concern (note 1)  
 Commitments (note 14)  
 Contingencies (note 15)  
 Events after the reporting date (note 20)

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on May \*, 2018.

"Jim Irving"  
 Director

"Peter Gordon"  
 Director

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

**ABATTIS BIOCEUTICALS CORP.**
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS  
(UNAUDITED, EXPRESSED IN CANADIAN DOLLARS)**

|                                                                                                                                                                                | For the three months ended |                       | For the six months ended |                       |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|-----------------------|--------------------------|-----------------------|
|                                                                                                                                                                                | March 31, 2018             | March 31, 2017        | March 31, 2018           | March 31, 2017        |
| <b>REVENUE</b>                                                                                                                                                                 |                            |                       |                          |                       |
| Sales                                                                                                                                                                          | \$ 5,665                   | \$ -                  | \$ 5,665                 | -                     |
| Cost of sales                                                                                                                                                                  | (1,894)                    | -                     | (1,894)                  | -                     |
|                                                                                                                                                                                | 3,771                      | -                     | 3,771                    | -                     |
| <b>EXPENSES</b>                                                                                                                                                                |                            |                       |                          |                       |
| Accounting and audit fees                                                                                                                                                      | 59,160                     | 37,126                | 59,160                   | 42,201                |
| Advertising                                                                                                                                                                    | 969,977                    | 29,093                | 1,406,617                | 29,093                |
| Amortization (note 6)                                                                                                                                                          | 3,250                      | 23,249                | 3,250                    | 35,278                |
| Bank service charge                                                                                                                                                            | 1,605                      | 1,152                 | 3,227                    | 1,574                 |
| Depreciation (note 5)                                                                                                                                                          | 7,484                      | 6,528                 | 14,968                   | 14,160                |
| Interest                                                                                                                                                                       | -                          | 2,532                 | 737                      | 2,532                 |
| Legal fees                                                                                                                                                                     | 126,006                    | 44,184                | 169,519                  | 52,281                |
| Management and consulting fees (note 13)                                                                                                                                       | 9,457,330                  | 1,175,612             | 14,589,970               | 1,603,388             |
| Office and general administration                                                                                                                                              | 224,231                    | 140,756               | 379,108                  | 167,692               |
| Regulatory and transfer agent fees                                                                                                                                             | 25,811                     | 26,921                | 35,157                   | 30,019                |
| Research                                                                                                                                                                       | -                          | 13,741                | 25,000                   | 20,041                |
| Share-based payments (notes 10, 13)                                                                                                                                            | 70,343                     | -                     | 472,711                  | 540,017               |
|                                                                                                                                                                                | (10,945,197)               | (1,500,894)           | (17,159,424)             | (2,538,276)           |
| <b>OTHER INCOME (EXPENSES)</b>                                                                                                                                                 |                            |                       |                          |                       |
| Foreign exchange loss                                                                                                                                                          | (8,340)                    | (28,433)              | (11,027)                 | (28,433)              |
| Gain on repayment of receivable previously written off                                                                                                                         | -                          | 66,893                | -                        | 99,393                |
| Gain on sale of subsidiary (note 7)                                                                                                                                            | -                          | -                     | 991,133                  | -                     |
| Loss on settlement of obligation to issued shares                                                                                                                              | (709,071)                  | -                     | (709,071)                | -                     |
| Other income                                                                                                                                                                   | 420                        | 4,614                 | 8,915                    | 4,614                 |
|                                                                                                                                                                                | (716,991)                  | 43,074                | 279,950                  | 75,574                |
| <b>NET LOSS FOR THE PERIOD</b>                                                                                                                                                 | <b>(11,658,417)</b>        | <b>(1,457,820)</b>    | <b>(16,875,703)</b>      | <b>(2,462,702)</b>    |
| <b>OTHER COMPREHENSIVE LOSS FOR THE PERIOD</b>                                                                                                                                 |                            |                       |                          |                       |
| Items that may be reclassified subsequently to profit or loss:                                                                                                                 |                            |                       |                          |                       |
| Foreign currency translation differences for foreign operations                                                                                                                | -                          | (2,095)               | -                        | (2,095)               |
|                                                                                                                                                                                | -                          | (2,095)               | -                        | (2,095)               |
| <b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>                                                                                                                                 | <b>\$ (11,658,417)</b>     | <b>\$ (1,459,915)</b> | <b>\$ (16,875,703)</b>   | <b>\$ (2,464,797)</b> |
| Net loss for the period attributable to:                                                                                                                                       |                            |                       |                          |                       |
| Common shareholders                                                                                                                                                            | \$ (11,658,417)            | \$ (1,419,129)        | \$ (16,875,703)          | \$ (2,422,045)        |
| Non-controlling interest                                                                                                                                                       | -                          | (38,691)              | -                        | (40,657)              |
|                                                                                                                                                                                | \$ (11,658,417)            | \$ (1,457,820)        | \$ (16,875,703)          | \$ (2,462,702)        |
| Comprehensive loss for the period attributable to:                                                                                                                             |                            |                       |                          |                       |
| Common shareholders                                                                                                                                                            | \$ (11,658,417)            | \$ (1,421,224)        | \$ (16,875,703)          | \$ (2,424,140)        |
| Non-controlling interest                                                                                                                                                       | -                          | (38,691)              | -                        | (40,657)              |
|                                                                                                                                                                                | \$ (11,658,417)            | \$ (1,459,915)        | \$ (16,875,703)          | \$ (2,464,797)        |
| <b>Basic and diluted per share basis, for loss for the period attributable to common shareholders (options and warrants not included as the impact would be anti-dilutive)</b> |                            |                       |                          |                       |
|                                                                                                                                                                                | \$ (0.04)                  | \$ (0.02)             | \$ (0.07)                | \$ (0.03)             |
| <b>Weighted average number of common shares outstanding</b>                                                                                                                    | <b>298,272,141</b>         | <b>133,340,282</b>    | <b>241,085,276</b>       | <b>126,891,806</b>    |

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

**ABATTIS BIOCEUTICALS CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY**  
**(UNAUDITED, EXPRESSED IN CANADIAN DOLLARS)**

|                                                                       | Share capital    |             |                            | Reserve                             |                 |                                      |              |                          |              |
|-----------------------------------------------------------------------|------------------|-------------|----------------------------|-------------------------------------|-----------------|--------------------------------------|--------------|--------------------------|--------------|
|                                                                       |                  | Amount      | Obligation to issue shares | Equity settled share-based payments | Warrant reserve | Foreign currency translation reserve | Deficit      | Non-controlling interest | Total        |
|                                                                       | Number of shares | \$          | \$                         | \$                                  | \$              | \$                                   | \$           | \$                       | \$           |
| Balance at September 30, 2016                                         | 111,760,004      | 14,714,106  | 111,060                    | 1,149,934                           | 20,743          | (170,597)                            | (15,154,290) | (461,176)                | 209,780      |
| Shares issued for cash- private placement                             | 1,139,226        | 122,359     | -                          | -                                   | -               | -                                    | -            | -                        | 122,359      |
| Shares issued as settlement of trade payables and fees                | 15,565,822       | 1,670,968   | (78,071)                   | -                                   | -               | -                                    | -            | -                        | 1,592,897    |
| Exercise of options                                                   | 850,000          | 42,000      | 9,000                      | -                                   | -               | -                                    | -            | -                        | 51,000       |
| Exercise of warrants                                                  | 9,854,302        | 789,586     | 170,203                    | -                                   | -               | -                                    | -            | -                        | 959,789      |
| Share-based payment                                                   | -                | -           | -                          | 540,017                             | -               | -                                    | -            | -                        | 540,017      |
| Net loss for the period                                               | -                | -           | -                          | -                                   | -               | -                                    | (2,422,045)  | (40,657)                 | (2,462,702)  |
| Exchange differences in translation                                   | -                | -           | -                          | -                                   | -               | (2,095)                              | -            | -                        | (2,095)      |
| Balance at March 31, 2017                                             | 139,169,354      | 17,339,019  | 212,192                    | 1,689,951                           | 20,743          | (172,692)                            | (17,576,335) | (501,833)                | 1,011,045    |
| Balance at September 30, 2017                                         | 167,580,301      | 22,103,705  | 330,246                    | 1,744,108                           | 268,320         | (177,968)                            | (22,743,699) | (753,230)                | 771,482      |
| Shares issued for cash-private placement, net of share issuance costs | 70,106,858       | 20,687,804  | -                          | -                                   | -               | -                                    | -            | -                        | 20,687,804   |
| Shares issued as settlement of trade payables and fees                | 31,976,247       | 12,641,268  | (308,823)                  | -                                   | -               | -                                    | -            | -                        | 12,332,445   |
| Shares issued for business acquisitions                               | 91,307,902       | 46,449,319  | -                          | -                                   | -               | -                                    | -            | 262                      | 46,449,581   |
| Shares issued for cash - warrant exercise                             | 16,480,587       | 3,423,570   | -                          | -                                   | -               | -                                    | -            | -                        | 3,423,570    |
| Shares issued for cash - stock option exercise                        | 2,341,666        | 787,482     | -                          | (346,189)                           | -               | -                                    | -            | -                        | 441,293      |
| Share-based payment                                                   | -                | -           | -                          | 472,711                             | -               | -                                    | -            | -                        | 472,711      |
| Obligation to issue shares for cash                                   | -                | -           | 530,000                    | -                                   | -               | -                                    | -            | -                        | 530,000      |
| Reallocation for forfeited or expired stock options                   | -                | -           | -                          | (483,503)                           | -               | -                                    | 483,503      | -                        | -            |
| Sale of subsidiary – non controlling interest                         | -                | -           | -                          | -                                   | -               | -                                    | -            | 362,136                  | 362,136      |
| Net loss for the period                                               | -                | -           | -                          | -                                   | -               | -                                    | (16,875,703) | -                        | (16,875,703) |
| Balance at March 31, 2018                                             | 379,793,561      | 106,093,148 | 551,423                    | 1,387,127                           | 268,320         | (177,968)                            | (39,135,899) | (390,832)                | 68,595,319   |

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

**ABATTIS BIOCEUTICALS CORP.**  
**CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS**  
**(UNAUDITED, EXPRESSED IN CANADIAN DOLLARS)**

|                                                                      | For the six months ended |                  |
|----------------------------------------------------------------------|--------------------------|------------------|
|                                                                      | March 31, 2018           | March 31, 2017   |
|                                                                      | \$                       | \$               |
| <b>Cash flows provided from (used by):</b>                           |                          |                  |
| <b>OPERATING ACTIVITIES</b>                                          |                          |                  |
| <b>Net loss for the period</b>                                       | (16,875,703)             | (2,462,702)      |
| <b>Adjustment for items not affecting cash:</b>                      |                          |                  |
| Amortization                                                         | 3,250                    | 35,278           |
| Depreciation                                                         | 14,968                   | 14,162           |
| Foreign currency translation adjustment                              | -                        | (14,319)         |
| Gain on disposal of subsidiary                                       | (991,133)                | -                |
| Obligation to issue shares for services                              | -                        | (78,071)         |
| Share-based payments                                                 | 472,711                  | 540,017          |
| Shares issued for fees and debt                                      | 12,332,445               | -                |
|                                                                      | (5,043,462)              | (1,965,635)      |
| <b>Net changes in non-cash working capital items:</b>                |                          |                  |
| Trade and other receivables                                          | 494,958                  | (72,442)         |
| Prepaid expenses and other deposits                                  | (1,241,576)              | (52,325)         |
| Inventory                                                            | (6,562)                  | -                |
| Trade and other payables                                             | 2,563,713                | 1,484,263        |
| <b>Net cash flows used in operating activities</b>                   | <b>(3,232,929)</b>       | <b>(606,139)</b> |
| <b>FINANCING ACTIVITIES</b>                                          |                          |                  |
| Common shares issued for cash, net of share issued costs             | 24,552,667               | 953,944          |
| Share subscriptions received                                         | 530,000                  | 179,204          |
| <b>Net cash flows from financing activities</b>                      | <b>25,082,667</b>        | <b>1,133,148</b> |
| <b>INVESTING ACTIVITIES</b>                                          |                          |                  |
| Acquisition of subsidiaries                                          | (3,497,384)              | -                |
| Investment                                                           | (12,000,000)             | -                |
| Purchase of intangible assets                                        | (10,000)                 | (1,015)          |
| Purchase of equipment                                                | (198,034)                | (90,000)         |
| <b>Net cash flows used in investing activities</b>                   | <b>(15,705,418)</b>      | <b>(91,015)</b>  |
| <b>Effects of exchange rate changes on cash and cash equivalents</b> | <b>-</b>                 | <b>12,223</b>    |
| <b>Net increase in cash</b>                                          | <b>6,144,320</b>         | <b>448,217</b>   |
| <b>Cash and cash equivalents, beginning of period</b>                | <b>525,569</b>           | <b>38,485</b>    |
| <b>Cash and cash equivalents, end of period</b>                      | <b>6,669,889</b>         | <b>486,702</b>   |

Supplementary cash flow information (note 12)

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

**ABATTIS BIOCEUTICALS CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2018 AND 2017**  
**(UNAUDITED, EXPRESSED IN CANADIAN DOLLARS)**

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

Abattis Bioceuticals Corp. (the "Company" or "Abattis") was incorporated under the Company Act (Canada British Columbia) and trades on the Canadian National Stock Exchange (the "Exchange") under the symbol "ATT". The Company's head office is located at 224 - 970 Burrard Street Vancouver, BC V6Z 2R4.

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 consolidated interim financial statements have been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business in the foreseeable future. These 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. 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.

**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION**

**Statement of compliance**

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Interpretations issued by the International Financial Reporting Interpretations Committee, and have been prepared in accordance with IAS 34 Interim Financial Reporting.

**Basis of presentation**

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for certain financial assets classified as at fair value through profit or loss or available for sale, which are measured at fair value. In addition, the consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

**Presentation and functional currency**

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

**Significant accounting estimates and judgments**

The preparation of these condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances.

**ABATTIS BIOCEUTICALS CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2018 AND 2017**  
**(UNAUDITED, EXPRESSED IN CANADIAN DOLLARS)**

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**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (CONTINUED)**

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

Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in both the period of revision and future periods if the revision affects both current and future periods.

Significant estimates and assumptions about the future and other sources of estimation uncertainty that management has made, could result in a material adjustment to the carrying amounts of assets and liabilities. Significant estimates used in the preparation of these consolidated financial statements include, but are not limited to, the following:

- **Allowance for doubtful accounts**  
The Company must make an assessment of whether loan receivables are collectible from debtors. Accordingly, management establishes an allowance for estimated losses arising from non-payment, taking into consideration customer credit, current economic trends and past experience. If future collections differ from estimates, future earnings would be affected.
- **Provisions and contingencies**  
The amount recognized as a provision, including legal, contractual, constructive and other exposures or obligations, is the best estimate of the consideration required to settle the related liability, including any related interest charges, taking into account the risks and uncertainties surrounding the obligation. In addition, contingencies will only be resolved when one or more future events occur or fail to occur. Therefore, assessment of contingencies inherently involves the exercise of significant judgment and estimates of the outcome of future events. The Company assesses its liabilities and contingencies based upon the best information available.
- **Impairment**  
Assets, including intangible assets, property and equipment, goodwill and investment in associates, are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may exceed their recoverable amounts.
- **Inputs used in determining the estimated fair values of options and warrants issued during the period**  
The Company has an equity-settled share-based compensation plan for directors, officers and consultants. Services received, and the corresponding increase in equity, are measured by reference to the fair value of the equity instruments at the date of grant, excluding the impact of any non-market vesting conditions. The fair value of share options are estimated using the Black-Scholes Option Pricing Model on the date of grant based on certain assumptions.
- **Estimated useful lives of property and equipment and intangible assets**  
The Company makes estimates and utilizes assumptions in determining the useful lives of property and equipment and intangible assets, and the related depreciation and amortization. Uncertainties in these estimates relate to technical obsolescence that may change the utilization of certain assets.



**ABATTIS BIOCEUTICALS CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
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**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (CONTINUED)**

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

While management believes the estimates contained within these consolidated financial statements are reasonable, actual results could differ from those estimates and could impact future results of operations and cash flows.

Significant accounting judgments are accounting policies that have been identified as being complex or involving subjective judgments or assessments. Critical accounting judgments used by the Company include, but are not limited to, the following:

- **Income taxes**

The Company is subject to income taxes in various jurisdictions and subject to various rates and rules of taxation. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain.

The Company recognizes liabilities for anticipated tax audit issues based on the Company's current understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

In addition, the Company has not recognized deferred tax assets relating to tax losses carried forward. Future realization of the tax losses depends on the ability of the Company to satisfy certain tests at the time the losses are recouped, including current and future economic conditions and tax law.

- **Going concern**

The Company's ability to execute its strategy by funding future working capital requirements requires judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, such as expectations of future events that are believed to be reasonable under the circumstances.

- **Impairment of non-financial assets**

Judgment is involved in assessing whether there is any indication that an asset or cash generating unit may be impaired. This assessment is made based on the analysis of, amongst other factors, changes in the market or business environment, events that have transpired that have impacted the asset or cash generating unit, and information from internal reporting.

**Basis of consolidation**

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

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

**ABATTIS BIOCEUTICALS CORP.**  
**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**  
**FOR THE THREE AND SIX MONTHS ENDED MARCH 31, 2018 AND 2017**  
**(UNAUDITED, EXPRESSED IN CANADIAN DOLLARS)**

**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (CONTINUED)**

**Basis of consolidation (continued)**

At March 31, 2018 and September 30, 2017, the Company's subsidiaries are as follows:

|                                                            | Country of incorporation | Principal activity     | Percentage owned |                    |
|------------------------------------------------------------|--------------------------|------------------------|------------------|--------------------|
|                                                            |                          |                        | March 31, 2018   | September 30, 2017 |
| iJuana Cannabis Inc. (formerly Amino Wellness Corporation) | Canada                   | Holds certain licenses | 100%             | 100%               |
| Abattis Bioceuticals International Inc.                    | United States            | Biotechnology          | 100%             | 100%               |
| BioCell Labs Inc. ("BLI")                                  | Canada                   | Biotechnology          | 100%             | 100%               |
| Abattis China Co. (formerly North American Bioextracts)    | Canada                   | Biotechnology          | 100%             | 100%               |
| Biocube Green Grow Systems Corp.                           | Canada                   | Biotechnology          | 100%             | 100%               |
| True Plant Technologies                                    | Canada                   | Biotechnology          | 100%             | 100%               |
| Northern Vine Canada Inc. (Northern Vine")                 | Canada                   | Biotechnology          | -                | 75%                |
| Phytalytics LLC ("Phytalytics")                            | United States            | Biotechnology          | 51%              | 51%                |
| Vergence Visionary Bioceuticals Corp.                      | Canada                   | Marketing              | 100%             | 100%               |
| Green Tree Therapeutics.                                   | Canada                   | Biotechnology          | 100%             | -                  |
| Gabriola Green Farms Inc.                                  | Canada                   | Biotechnology          | 90%              | -                  |

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

**Non-controlling interests**

Non-controlling interests in the Company's less than wholly-owned subsidiaries are classified as a separate component of equity. On initial recognition, non-controlling interests are measured at their proportionate share of the acquisition date fair value of identifiable net assets of the related subsidiary acquired by the Company. Subsequent to the acquisition date, adjustments are made to the carrying amount of non-controlling interests for the non-controlling interests' share of changes to the subsidiary's equity. Adjustments to recognize the non-controlling interests' share of changes to the subsidiary's equity are made even if this results in the non-controlling interests having a deficit balance.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are recorded as equity transactions. The carrying amount of non-controlling interests is adjusted to reflect the change in the non-controlling interests' relative interests in the subsidiary and the difference between the adjustment to the carrying amount of non-controlling interests and the Company's share of proceeds received and/or consideration paid is recognized directly in equity and attributed to the shareholders of the Company.

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**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (CONTINUED)**

**Significant accounting policies**

The significant accounting policies used in the preparation of these consolidated financial statements are as follows:

- **Business combinations**

The Company accounts for a transaction as a business combination when the acquisition of an asset or group of assets constitutes a business and when the Company obtains control of the entity being acquired. Business combinations are accounted for using the acquisition method. In applying the acquisition method, the Company separately records the identifiable assets acquired, the liabilities assumed, any goodwill acquired and any non-controlling interests in the acquired entity.

The Company measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values, less any non-controlling interest at fair value. Goodwill is measured as the excess of the fair value of the consideration transferred, less any non-controlling interest in the entity being acquired over the fair value of the net identifiable assets acquired. The consideration transferred in a business combination is measured as the aggregate of the acquisition date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquired entity and the equity interests issued by the Company.

Acquisition costs in connection with a business combination are expensed as incurred. Those costs include finder's fees, professional fees, consulting fees and general administrative costs.

- **Investment in associates**

An associate is an entity over which the Company has significant influence and which is neither a subsidiary nor a joint venture.

Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Significant influence is presumed to exist when the Company holds between 20% and 50% of the voting power of another entity, but can also arise where the Company holds less than 20% if it has the power to be actively involved and influential in policy decision affecting the entity.

An investment in associate is accounted for using the equity method. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost adjusted for post-acquisition changes in the Company's share of net assets of the associate, less any impairment losses. Losses in an associate in excess of the Company's interest in that associate are recognized only to the extent that the Company has incurred a legal or constructive obligation to make payments on behalf of the associate. Unrealized profits or losses on transactions between the Company and an associate are eliminated to the extent of the Company's interest therein.

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**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (CONTINUED)**

***Significant accounting policies (continued)***

• **Investment in associates (continued)**

At the end of each reporting period, the Company assesses whether there is any evidence that an investment in associate is impaired. This assessment is generally made with reference to the status of licence applications, operating results achieved, and an assessment of the likely results to be achieved from future business operations of the associate. When there is evidence that an investment in an associate is impaired, the carrying amount of such investment is compared to its recoverable amount. If the recoverable amount of an investment in associate is less than its carrying amount, the carrying amount is reduced to its recoverable amount and an impairment loss, being the excess of carrying amount over the recoverable amount, is recognized in the period of impairment. When an impairment loss reverses in a subsequent period, the carrying amount of the investment in associate is increased to the revised estimate of recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been previously recognized. A reversal of an impairment loss is recognized in net earnings in the period the reversal occurs.

• **Related party transactions**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

• **Foreign currency**

The Company's consolidated financial statements are presented in Canadian dollars, which is also the functional currency for all Canadian operations. The Company's non-Canadian operations are measured in the currency in which they operate and are translated into Canadian dollars at each reporting date. Assets and liabilities are translated into Canadian dollars from U.S. dollars using the exchange rates in effect on the reporting dates. Revenues and expenses are translated at average exchange rates prevailing during the period. The resulting translation gains and losses are included as a separate component of other comprehensive income ("OCI").

For Canadian operations, transactions completed in foreign currencies are translated into Canadian dollars at the rates prevailing at the time of the transactions. Monetary assets and liabilities denominated in foreign currencies are reflected in the consolidated financial statements at the exchange rates prevailing at the reporting dates, with the resulting gain or loss included in the consolidated statements of earnings.

• **Financial instruments**

Financial assets and financial liabilities are recognized on the consolidated statements of financial position when the Company becomes a party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at fair value.

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**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (CONTINUED)**

**Significant accounting policies (continued)**

• **Financial instruments (continued)**

**Financial assets**

The Company classifies its financial assets at initial recognition as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale, depending on the purpose for which the asset was acquired.

Fair value through profit or loss - This category comprises derivatives or financial assets acquired or incurred principally for the purpose of selling or repurchasing in the near term. Subsequent to initial recognition, they continue to be recorded in the consolidated statement of financial position at fair value with changes in fair value recognized in profit or loss.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, they are recorded at amortized cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held to maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. Subsequent to initial recognition, these assets are recorded at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in profit or loss.

Available for sale - Non-derivative financial assets not included in the above categories are classified as available for sale. Subsequent to initial recognition, they continue to be recorded at fair value with changes in fair value recognized directly in equity. If there is no quoted price in an active market and fair value cannot be readily determined, available for sale investments are carried at cost. Where a decline in the fair value of an available for sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized in profit or loss.

The Company classifies its financial assets as follows:

- Cash and investments with quoted prices in active markets are classified as held for trading financial assets at fair value through profit or loss.
- Marketable securities are classified as held for trading financial assets at fair value through profit or loss.
- Investments without quoted prices in active markets are classified as available for sale.
- Cash held in trust, loan receivable and trade and other receivables are classified as loans and receivables.

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**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (CONTINUED)**

**Significant accounting policies (continued)**

• **Financial instruments (continued)**

**Financial assets (continued)**

Transaction costs associated with financial assets at fair value through profit or loss are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired.

**Financial liabilities**

The Company classifies its financial liabilities as either financial liabilities at fair value through profit or loss or other financial liabilities, depending on the purpose for which the liability was incurred. The Company's accounting policy for each of these categories is as follows:

**Fair value through profit or loss:** This category comprises derivatives or liabilities acquired or incurred principally for the purpose of selling or repurchasing in the near term. Subsequent to initial recognition, they continue to be recorded in the consolidated statement of financial position at fair value with changes in fair value recognized in profit or loss.

**Other financial liabilities:** Financial liabilities other than those classified as fair value through profit or loss are classified as other financial liabilities. Subsequent to initial recognition, other financial liabilities are measured at amortized cost using the effective interest method.

The Company's financial liabilities are trade and other payables and advance payable. The Company classifies these financial liabilities as other financial liabilities.

The Company classifies and discloses fair value measurements based on a three-level hierarchy:

- Level 1 – inputs are unadjusted quoted prices in active markets for identical assets or liabilities;
  - Level 2 – inputs other than quoted prices in Level 1 that are observable for the asset or liability, either directly or indirectly; and
  - Level 3 – inputs for the asset or liability that are not based on observable market.
- **Cash**  
Cash in the statements of financial position comprise cash, bank deposits and short-term investments that are readily converted to known amounts of cash with original maturities of three months or less.
- **Property and equipment**  
Property and equipment is carried at cost, less accumulated depreciation and accumulated impairment losses.

The cost of an item of property and equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use and an initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

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**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (CONTINUED)**

**Significant accounting policies (continued)**

• **Property and equipment (continued)**

Property and equipment is depreciated annually on the following basis:

- Computer equipment - 30% declining-balance
- Office equipment - 30% declining-balance
- Plant equipment - 20% declining-balance
- Leasehold improvement - 6 years straight-line

Depreciation commences when an item of equipment becomes available for use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on disposal of the asset, determined as the difference between the net disposal proceeds and the carrying amount of the asset, is recognized in profit or loss.

Where an item of property and equipment comprises major components with different useful lives, the components are accounted for separately. Expenditures incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditures, are capitalized.

• **Intangible assets**

**Research and development**

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and has the ability to use or sell the asset. The expenditures capitalized includes the cost of materials, direct labor, overhead costs that are directly attributable to preparing the asset for its intended use, and borrowing costs on qualifying assets for which the commencement date for capitalization is on or after October 1, 2010. Other development expenditure is recognized in profit or loss as incurred.

Capitalized development expenditure is measured at cost less accumulated amortization and accumulated impairment losses.

**Other intangible assets**

Other intangible assets that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

Intangible assets are amortized annually on a straight-line basis at the following rates:

- Patents – 20 years
- Formulae – 20 years
- Licenses – 5 to 20 years

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**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (CONTINUED)**

**Significant accounting policies (continued)**

- **Impairment of non-current assets**

At each reporting date, the carrying amounts of the Company's assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. Where the asset does not generate cash flows that are independent from other assets, the Company estimates the recoverable amount of the cash generating unit to which the asset belongs.

The recoverable amount of an asset is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset or cash generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, to the extent the revised carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized in profit or loss.

- **Share capital**

**Common shares**

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects.

**Equity units**

The Company previously allocated the proceeds received on the issuance of units between the common shares and warrants using the relative fair value method. The fair value of the warrants was determined using the Black Scholes Option Pricing Model on the date the units were issued. During the year ended September 30, 2016, the Company changed this accounting policy on the basis that the allocation did not provide a relevant and reliable measure of the aggregate proceeds. The Company has retroactively applied the change in accounting policy and, accordingly, the Company reallocated \$1,441,805 from the warrant reserve to share capital at September 30, 2014.

- **Loss per share**

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all dilutive potential common shares.

- **Share-based compensation**

The Company's share purchase option plan allows directors, executive officers, employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payments expense with a corresponding increase in equity. An individual is classified as an employee when



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**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (CONTINUED)**

**Significant accounting policies (continued)**

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

the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value of employee options is measured at the option's grant date, and the fair value of non-employee options is measured at the date when goods or services are received. The fair value of each tranche of options granted which do not vest immediately on grant, is recognized over the period during which each tranche of options vest. The fair value of the options granted is measured using the Black-Scholes Option Pricing Model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Share-based payments expense is credited to the equity settled share-based payment reserve. If the options are later exercised, their fair value is transferred from the reserve to share capital.

- **Provisions**

Provisions are recognized where a legal or constructive obligation has been incurred as a result of past events, it is probable that an outflow of resources embodying economic benefit will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. If material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

- **Income tax**

Income tax expense comprises current and deferred tax. Income tax is recognized in the consolidated statement of comprehensive income (loss) except to the extent it relates to items recognized in other comprehensive income or directly in equity.

Current income tax expense is based on the results for the period as adjusted for items that are not taxable or not deductible. Current income tax is calculated using tax rates that were enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxes are expected to be payable or recoverable between the carrying amounts of assets in the consolidated statement of financial position and their corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences between the carrying amounts of assets and their corresponding tax bases. Deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

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**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (CONTINUED)**

**Significant accounting policies (continued)**

• **Revenue recognition**

When the outcome of a lab testing order can be estimated reliably, revenue is recognized by reference to the stage of completion of the testing activity and through the period that services are rendered, measured based on the proportion of costs incurred for work performed relative to the estimated total cost, except where this would not be representative of the stage of completion. Revenue is recognized only when it is probable that the agreed upon amount for the lab testing services and sale of vapes will be received by the Company. When the outcome of a lab testing order cannot be estimated reliably, revenue recognized only to the extent of the expenses recognized that are recoverable.

Interest from cash and cash equivalents, if applicable, are recorded on an accrual basis when collection is reasonably assured.

**New standards and interpretations not yet adopted**

The IASB issued the following new and revised accounting pronouncements. The Company does not anticipate early adoption of these standards at this time and they are not expected to have a material impact on the Company's consolidated financial statements.

*IFRS 9 Financial Instruments* – replaces IAS 39. IFRS 9 introduces limited amendments to classification and measurement for financial assets, a new expected loss impairment model and a new hedge accounting model. It is effective for annual periods beginning on or after January 1, 2018.

*IFRS 15 "Revenue from Contracts with Customers"* – This new standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted.

**3. ACCOUNTS RECEIVABLE**

|                  | <b>March 31, 2018</b> | <b>September 30, 2017</b> |
|------------------|-----------------------|---------------------------|
| Trade receivable | \$ 13,896             | \$ 844                    |
| GST receivable   | 489,020               | 127,386                   |
|                  | <b>\$ 502,916</b>     | <b>\$ 128,230</b>         |

**4. LOAN RECEIVABLE**

On December 18, 2014, the Company provided a short-term loan to Terracity Lawrence LLC ("Terracity") in the amount of \$124,740 (US\$100,000). The loan matured on February 18, 2015. The Company was actively trying to collect the amount of the loan, however, as the loan had been past due for a period of time, a provision was recorded for the full balance during fiscal 2015. During the period ended March 31, 2017, the Company received \$99,393 (US\$75,000) from Terracity as repayment of the short-term loan.

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**5. PROPERTY AND EQUIPMENT**

During the year ended September 30, 2016, the estimation of useful life of the leasehold improvement for the amortization purposes was changed from 20 years to the initial lease term plus an option to renew. This change in estimation has been applied prospectively. Based on the new estimate, the leasehold of Northern Vine will be depreciated based on useful life of 6 years, which consists of 3 years initial lease term and 3 years one lease option to renew.

|                             | Computer<br>equipment | Office<br>equipment | Land                   | Plant<br>equipment | Leasehold<br>improvement | Total        |
|-----------------------------|-----------------------|---------------------|------------------------|--------------------|--------------------------|--------------|
| <b>Cost</b>                 |                       |                     |                        |                    |                          |              |
| <b>Balance as at</b>        |                       |                     |                        |                    |                          |              |
| <b>September 30, 2016</b>   | \$ 26,531             | \$ 67,741           | \$ -                   | \$ 130,286         | \$ 77,793                | \$ 302,351   |
| Additions                   | -                     | -                   | 172,870 <sup>(1)</sup> | 256,567            | -                        | 429,437      |
| <b>Balance as at</b>        |                       |                     |                        |                    |                          |              |
| <b>September 30, 2017</b>   | \$ 26,531             | \$ 67,741           | \$ 172,870             | \$ 386,853         | \$ 77,793                | \$ 731,788   |
| Additions                   | -                     | 90,035              | -                      | 108,000            | 44,495                   | 242,530      |
| Disposal                    | -                     | -                   | -                      | (273,432)          | (77,793)                 | (351,225)    |
| <b>Balance as at</b>        |                       |                     |                        |                    |                          |              |
| <b>March 31, 2018</b>       | \$ 26,531             | \$ 157,776          | \$ 172,870             | \$ 221,421         | \$ 44,495                | \$ 623,093   |
| <b>Depreciation</b>         |                       |                     |                        |                    |                          |              |
| <b>Balance as at</b>        |                       |                     |                        |                    |                          |              |
| <b>September 30, 2016</b>   | \$ (18,286)           | \$ (46,240)         | \$ -                   | \$ (77,658)        | \$ (11,310)              | \$ (153,494) |
| Change for the year         | (2,288)               | (6,450)             | -                      | (36,045)           | (3,890)                  | (48,673)     |
| <b>Balance as at</b>        |                       |                     |                        |                    |                          |              |
| <b>September 30, 2017</b>   | \$ (20,574)           | \$ (52,690)         | \$ -                   | \$ (113,703)       | \$ (15,200)              | \$ (202,167) |
| Change for the period       | (894)                 | (4,464)             | -                      | (9,610)            | -                        | (14,968)     |
| Disposal                    | -                     | -                   | -                      | 34,956             | 15,200                   | 50,156       |
| <b>Balance as at</b>        |                       |                     |                        |                    |                          |              |
| <b>March 31, 2018</b>       | \$ (21,468)           | \$ (57,154)         | \$ -                   | \$ (88,357)        | \$ -                     | \$ (166,979) |
| <b>Net book value</b>       |                       |                     |                        |                    |                          |              |
| As at September 30, 2017    | \$ 5,957              | \$ 15,051           | \$ 172,870             | \$ 273,150         | \$ 62,593                | \$ 529,621   |
| <b>As at March 31, 2018</b> | \$ 5,063              | \$ 100,622          | \$ 172,870             | \$ 133,064         | \$ 44,495                | \$ 456,114   |

<sup>(1)</sup> On April 27, 2017, the Company entered into a Letter of Intent with respect to a joint venture (the "JV") on a piece of property in Oroville Washington, zoned for cultivation. As part of the potential JV process, the Company acquired 50% interest of the property at a cost of \$172,870 (US\$127,202.84).

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**6. INTANGIBLE ASSETS**

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

The Company's intangible assets consist of assets for both finite and indefinite life. The Company amortizes the intangible assets based on their expected useful life. Intangible assets include the following key agreements:

- 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, with a fair value of \$240,000.
- On April 7, 2014, the Company acquired a license for proprietary processes. The fair value proprietary process on the date of acquisition was \$1,245,812. During the year ended September 30, 2015, the balance of the proprietary license was considered impaired and was written-down to its estimated fair value of \$63,785.
- In connection with the acquisition of Green Tree and Gabriola Green, the Company recorded \$50,711,167 excess of fair value of consideration paid over the fair value of net assets acquired as License cost. (note 19).
- On February 15, 2017, the Company's subsidiary entered into an intellectual property agreement with Wee-Cig International Corporation for consideration of \$125,000 in exchange for 100% of the worldwide manufacturing and distribution rights of its branded product line of e-cigarettes and vaporizers. The license is for a term of 10 years, renewable for a further 10 years.

|                                         | <b>Licenses</b>      | <b>Total</b>         |
|-----------------------------------------|----------------------|----------------------|
| <b>Cost</b>                             |                      |                      |
| <b>Balance as at September 30, 2017</b> | \$ -                 | \$ -                 |
| Additions                               | 50,835,243           | 50,835,243           |
| <b>Balance as at March 31, 2018</b>     | <b>\$ 50,835,243</b> | <b>\$ 50,835,243</b> |
| <b>Amortization</b>                     |                      |                      |
| <b>Balance as at September 30, 2017</b> | \$ -                 | \$ -                 |
| Change for the period                   | 3,250                | 3,250                |
| <b>Balance as at March 31, 2018</b>     | <b>\$ 3,250</b>      | <b>\$ 3,250</b>      |
| <b>Net book value</b>                   |                      |                      |
| As at September 30, 2017                | \$ -                 | \$ -                 |
| <b>As at March 31, 2018</b>             | <b>\$ 50,831,993</b> | <b>\$ 50,831,993</b> |

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During the year ended September 30, 2017, the Company write off intangible assets totalling \$955,325 (2016 - \$nil) to operations.

|                                                            | Formulae            | Licenses            | Trademark       | Proprietary   | Total               |
|------------------------------------------------------------|---------------------|---------------------|-----------------|---------------|---------------------|
| <b>Cost</b>                                                |                     |                     |                 |               |                     |
| <b>Balance as at September 30, 2015</b>                    | \$ 588,067          | \$ 616,331          | \$ 1,287        | \$ 63,785     | \$ 1,269,470        |
| Additions                                                  | -                   | -                   | 181             | -             | 181                 |
| <b>Balance as at September 30, 2016</b>                    | <b>588,067</b>      | <b>616,331</b>      | <b>1,468</b>    | <b>63,785</b> | <b>1,269,651</b>    |
| Additions                                                  | -                   | -                   | 1,493           | -             | 1,493               |
| Impairment                                                 | (588,067)           | (616,331)           | (2,961)         | (63,785)      | (1,271,144)         |
| <b>Balance as at September 30, 2017 and March 31, 2018</b> | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>     | <b>\$ -</b>   | <b>\$ -</b>         |
| <b>Amortization</b>                                        |                     |                     |                 |               |                     |
| <b>Balance as at September 30, 2015</b>                    | \$ (83,881)         | \$ (89,115)         | \$ (44)         | \$ -          | \$ (173,040)        |
| Change for the year                                        | (29,403)            | (41,089)            | (64)            | -             | (70,556)            |
| <b>Balance as at September 30, 2016</b>                    | <b>\$ (113,284)</b> | <b>\$ (130,204)</b> | <b>\$ (108)</b> | <b>\$ -</b>   | <b>\$ (243,596)</b> |
| Change for the year                                        | (35,851)            | (36,310)            | (62)            | -             | (72,223)            |
| Impairment                                                 | 149,135             | 166,514             | 170             | -             | 315,819             |
| <b>Balance as at September 30, 2017 and March 31, 2018</b> | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>     | <b>\$ -</b>   | <b>\$ -</b>         |
| <b>Net book value</b>                                      |                     |                     |                 |               |                     |
| As at September 30, 2016                                   | \$ 474,783          | \$ 486,127          | \$ 1,360        | \$ 63,785     | \$ 1,026,055        |
| <b>As at September 30, 2017 and March 31, 2018</b>         | <b>\$ -</b>         | <b>\$ -</b>         | <b>\$ -</b>     | <b>\$ -</b>   | <b>\$ -</b>         |

**7. INVESTMENT**

On April 10, 2014, the Company through its subsidiary, Northern Vine, entered into a share exchange agreement with Experion Biotechnologies Inc. ("Experion"), a company incorporated under the laws of British Columbia, Canada. Pursuant to the terms of the agreement, Experion and Northern Vine have exchanged 25% of each parties' issued and outstanding common shares.

During the year ended September 30, 2017, the Company entered into a settlement agreement with Experion whereby Northern Vine agreed to exchange 2,500,000 common shares of Experion held by Northern Vine (the "Investment") for 6,275 common shares of Northern Vine. During the period ended December 31, 2017, the share exchange was completed and the Company regained 100% interest in Northern Vine.

During the period ended March 31, 2018, the Company has signed a definitive agreement with Emerald Health Therapeutics Inc. ("Emerald Health") whereby Emerald Health acquired 53 % interest in Northern Vine from the Company for an aggregate purchase price of \$2,500,000. Gain on disposal of \$991,133 was recognized in the statement of loss and comprehensive loss.

During the six months ended March 31, 2018, the Company acquired a 49% stake in CannaNUMUS Blockchain Inc., pursuant to the investment agreement dated January 31, 2018, between the Company and CannaNUMUS.

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**7. INVESTMENT (CONTINUED)**

Pursuant to Active Health's agreement with CannaNUMUS, CannaNUMUS will invest into Active Health and, in exchange, Active Health will participate as one of CannaNUMUS's blockchain portfolio companies. More specifically, Active Health will use a fixed percentage of its quarterly revenues to buy CannaNUMUS tokens on the open market and subsequently burn them. The effect of the buy and burn will be similar to that when a company repurchases its own stock, and will function as method of providing liquidity to the market for CannaNUMUS tokens. Token burning will also act as a low-friction method of returning value to token holders.

Pursuant to the agreement, in exchange for a 49% equity stake in CannaNumus, Abattis will make an initial cash payment of \$5-million as well as milestone based payments to CannaNumus of up to \$7-million, in the aggregate, upon (i) a definitive agreement being entered into with a company engaged in the cannabis economy for the use of the coin as a medium of exchange, (ii) the successful ICO of the coin and (iii) a second definitive agreement being entered into with a company engaged in the cannabis economy for the use of the coin as a medium of exchange. Closing of the acquisition is subject to, among other things, completion of due diligence by Abattis and the receipt of any required consents, including that of the Canadian Securities Exchange.

As of March 31, 2018, the Company has paid the total consideration of \$12,000,000 upon achievement by CannaNUMUS of the first and second milestones under the investment agreement (note 19).

**8. TRADE AND OTHER PAYABLES**

|                                                  | <b>March 31, 2018</b> | <b>September 30, 2017</b> |
|--------------------------------------------------|-----------------------|---------------------------|
| Trade payables                                   | \$ 282,118            | \$ 211,720                |
| Accrued liabilities                              | 89,167                | 70,959                    |
| Due to related parties (note 13)                 | 210,712               | 115,207                   |
| Due to Grabriola previous shareholders (note 19) | 2,500,000             | -                         |
| Payroll liabilities                              | 22,619                | 22,619                    |
|                                                  | <b>\$ 3,104,616</b>   | <b>\$ 420,505</b>         |

**9. ADVANCES AND LOAN 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 moved away from this project during the year ended September 30, 2013 and therefore funds advanced by the Investment Agriculture Foundation will be repaid. During the period ended March 31, 2018, no funds were repaid to the Company.

As of March 31, 2018, the Company received a loan of \$813,753 from an unrelated party, through a subsidiary acquired by the Company during the three months ended March 31, 2018.

**10. SHARE CAPITAL**

**Authorized share capital**

Unlimited number of common shares without par value.

**Issued share capital**

At March 31, 2018, there were 379,793,561 issued and fully paid common shares (September 30, 2017 - 167,580,301). The Company also held 1,750,000 common shares in treasury (September 30, 2017 - 1,750,000).

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**10. SHARE CAPITAL (CONTINUED)**

**Issued share capital (continued)**

*During the six months ended March 31, 2018:*

- On October 24, 2017, the Company issued 7,083,600 units at a price of \$0.18 per share for gross proceeds of \$1,275,048. Each unit consists of one common share and one share purchase warrant exercisable at \$0.25 for a period of 4 years.
- On December 4, 2017, the Company issued 2,777,778 units at \$0.18 per share pursuant to a draw down equity facility agreement entered into by the Company during the year. Each unit consists of one common share and one share purchase warrant exercisable at \$0.25 for a period of five years.
- On December 12, 2017, pursuant to a private placement, the Company issued 1,388,888 common shares at \$0.18, and 9,043,887 units at \$0.18 with each unit consisting of one common share and one share purchase warrant exercisable at \$0.25 per share for a period of three years.
- On December 19, 2017, the Company issued 9,302,323 units at \$0.43 for gross proceeds of \$4,000,000. Each unit consists of one common share and one-half of one share purchase warrant. Each one whole warrant is exercisable at \$0.65 per share for a period of three years.
- On January 4, 2018, the Company issued 6,310,048 units at \$0.43 per unit from private placement for gross proceeds of \$2,713,321. Each unit consists of one common share and one-half of one shares purchase warrant. Each one whole warrant is exercisable at \$0.65 per share for a period of three years.
- On January 10, 2018, the Company issued 15,681,816 units at \$0.44 per unit for gross proceeds of \$6,900,000. Each unit consists of one common share of the Company and one-half of one common share purchase warrant, with each warrant exercisable at \$0.65 for a period of three years, subject to acceleration in the event that the shares trade above \$0.75 for 10 consecutive trading days. The Company paid finders' fees totaling \$10,713 in cash and 24,347 finders' warrants. Each finder's warrant entitles the holder to purchase one common share at \$0.65 under the same terms as the warrant in the private placement.
- On March 23, 2018, the Company issued 18,518,518 units at a price of \$0.27 per share for gross proceeds of \$5,000,000. Each unit consists of one common share and one share purchase warrant exercisable at \$0.30 for a period of 1 year.
- In connection with the acquisition of Green Tree Therapeutics, the Company issued an aggregate of 15,000,000 common shares. In addition, in consideration for the right to acquire Green Tree, which right was previously held by Winston Resources Inc., the Company issued 15,000,000 common shares of the Company to Winston. The shares were issued at an aggregate fair value of \$20,700,000 (note 19).

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**10. SHARE CAPITAL (CONTINUED)**

**Issued share capital (continued)**

*During the six months ended March 31, 2018: (continued)*

- In connection with the acquisition of Garbriola Green Farms Inc. the Company issued 61,307,902 common shares for an aggregate fair value of \$25,749,319 (note 19).
- The Company issued 16,480,587 common shares for an aggregate fair value of \$3,423,570 pursuant to exercise of warrants.
- The Company issued 2,341,666 common shares for an aggregate fair value of \$787,482, pursuant to exercise of options.
- During the six months ended March 31, 2018, the Company issued an aggregate of 31,976,247 common shares for an aggregate fair value of \$12,641,268 for settlement of trade payables and as consideration for services to consultants, directors and employees of the Company.

*During the year ended September 30, 2017:*

- The Company entered into an Investment Agreement with Alumina Partners (Ontario) Ltd ("Alumina") whereby Alumina agreed to subscribe units of the Company up to \$5,000,000 over an 18 month period. Each unit consists of one common share and one share purchase warrant. Each warrant allows the holder to purchase one common share at approximately the market trading price for 5 years.
  - On December 5 and 13, 2016, the Company issued 1,398,601 units for gross proceeds of \$140,000. Each unit consists of one common share and one share purchase warrant. Each warrant allows the holder to purchase one common share at \$0.16 per share for 5 years.
  - On December 30, 2016 and January 20, 2017, the Company issued 1,305,256 units for gross proceeds of \$175,000. Each unit consists of one common share and one share purchase warrant. Each warrant allows the holder to purchase one common share at \$0.18 per share for 5 years.
  - On March 14, 2017, the Company issued 433,000 for gross proceeds of \$50,012. Each unit consists of one common share and one share purchase warrant. Each warrant allows the holder to purchase one common share at \$0.19 per share for 5 years.
  - On April 3, 2017, the Company issued 633,513 units for gross proceeds of \$175,000. Each unit consists of one common share and one share purchase warrant. Each warrant allows the holder to purchase one common share at \$0.26 per share for 5 years.

The Company issued 298,485 common share at a fair value of \$41,667 as finder's fees and paid \$21,411 in cash for share issuance costs.

- The Company issued 27,586,562 common shares with an aggregate fair value of \$4,289,975 for management and consulting services and for settlement of debts. The common shares issued for compensation and debt settlement are calculated at a price which the maximum discount provided in the policies of the Exchange and on the date when the Board approves the share issuances. A loss on debt settlement of \$220,904 was recognized in profit or loss. The Company reallocated \$111,060 from obligation to issue shares to share capital in connection with settlement of debts during the year ended September



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**10. SHARE CAPITAL (CONTINUED)**

**Issued share capital (continued)**

*During the year ended September 30, 2017: (continued)*

30, 2017. The Company issued 925,186 common shares at \$0.05 per share to settle a convertible loan of \$46,259.

- The Company issued 925,186 common shares at \$0.05 per share to settle a convertible loan of \$46,259.
- The Company issued 1,354,149 units with a fair value of \$398,925 for settlement of debts and recognized a loss on debt settlement of \$236,428. Each unit consists of one common share and one share purchase warrant of the Company exercisable at \$0.16 per warrant for a period of 18 months. The fair value of the warrants was calculated using the Black-Scholes Option Pricing Model using the following assumptions: risk free rate of 0.67%, expected life of 1.5 years, volatility of 178% and no expected dividends.
- The Company issued 1,159,420 units with a fair value of \$380,483 for settlement of debts and recognized a loss on debt settlement of \$280,492. Each unit consists of one common share and one share purchase warrant of the Company exercisable at \$0.12 per warrant for a period of 24 months. The fair value of the warrants was calculated using the Black-Scholes Option Pricing Model using the following assumptions: risk free rate of 1.6%, expected life of 2 years, volatility of 157% and no expected dividends.
- During the year ended September 30, 2017, 19,287,896 share purchase warrants were exercised for total proceeds of \$1,617,640. \$75,549 is re-allocated from warrant reserve to share capital. Certain exercises of these share purchase warrants pertain the warrant exercise incentive program (the "Program") implemented by the Company during the year whereby the holder is entitled to receive one additional share purchase warrant ("Incentive Warrants") exercisable at \$0.15 per warrant for a period of 2 years. The Company issued 3,798,160 Incentive Warrants in connection with the Program. The issuance of Incentive Warrants is accounted for as modification to share purchase warrants and the Company determined the fair value of these Incentive Warrants to be \$nil. As of September 30, 2017, \$21,424 has been recorded in obligation to issue shares for exercise of share purchase warrants.
- During the year ended September 30, 2017, 1,400,000 share options were exercised for total proceeds of \$82,750. The Company reclassified \$79,820 from equity settled share-based payments reserve to share capital.

**Obligation to issue shares**

- As of September 30, 2017, \$21,420 has been recorded in obligation to issue shares for exercise of share purchase warrants.
- As of September 30, 2017, \$60,048 has been recorded in obligation to issue shares for compensation shares to be issued as consideration of consulting fees incurred during the year. The amount owing was settled by issuance of an aggregate of 432,776 common shares during the six months ended March 31, 2018.

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**10. SHARE CAPITAL (CONTINUED)**

**Obligation to issue shares (continued)**

- During the year ended September 30, 2017, the Company estimated the fair value of the bonus shares to be issued to the CFO, CEO and consultant of \$248,778 (2016 - \$nil) and recorded an equivalent amount to obligation to issue shares (note 14). The fair value of the shares was calculated using the Black-Scholes Option Pricing Model using the following weighted average assumptions: risk free rate of 1.32%, expected life of 0.62 year, volatility of 110% and no expected dividends. The amount owing was settled by issuance of an aggregate of 1,550,387 common shares during the six months ended March 31, 2018.

**Share purchase warrants**

The changes in warrants during the six months ended March 31, 2018 and the year ended September 30, 2017 as follows:

|                                       | <b>March 31, 2018</b> |                       | <b>September 30, 2017</b> |                       |
|---------------------------------------|-----------------------|-----------------------|---------------------------|-----------------------|
|                                       | <b>Number</b>         | <b>Weighted</b>       | <b>Number</b>             | <b>Weighted</b>       |
|                                       | <b>outstanding</b>    | <b>average</b>        | <b>outstanding</b>        | <b>average</b>        |
|                                       |                       | <b>exercise price</b> |                           | <b>exercise price</b> |
| <b>Outstanding, beginning balance</b> | <b>11,652,821</b>     | <b>\$ 0.15</b>        | <b>21,019,989</b>         | <b>\$ 0.08</b>        |
| Issued                                | <b>18,905,265</b>     | <b>0.25</b>           | <b>10,120,328</b>         | <b>0.16</b>           |
| Issued                                | <b>15,647,089</b>     | <b>0.65</b>           | -                         | -                     |
| Issued                                | <b>18,518,518</b>     | <b>0.30</b>           | -                         | -                     |
| Exercised                             | <b>(16,480,587)</b>   | <b>0.21</b>           | <b>(19,287,896)</b>       | <b>0.08</b>           |
| Expired                               | -                     | -                     | <b>(200,000)</b>          | <b>0.09</b>           |
| <b>Outstanding, ending balance</b>    | <b>48,243,106</b>     | <b>\$ 0.39</b>        | <b>11,652,421</b>         | <b>\$ 0.15</b>        |

The following summarizes information about warrants outstanding and exercisable at March 31, 2018:

| <b>Expiry date</b> | <b>Warrants</b>    | <b>Exercise price</b> | <b>Weighted average</b>     |
|--------------------|--------------------|-----------------------|-----------------------------|
|                    | <b>outstanding</b> |                       | <b>remaining</b>            |
|                    |                    |                       | <b>contractual life, in</b> |
|                    |                    |                       | <b>years</b>                |
| December 23, 2019  | 371,742            | \$ 0.18               | 1.73                        |
| November 12, 2018  | 414,549            | 0.16                  | 0.62                        |
| January 18, 2019   | 749,080            | 0.15                  | 0.80                        |
| January 30, 2019   | 400,000            | 0.15                  | 0.84                        |
| September 19, 2018 | 245,769            | 0.15                  | 0.47                        |
| January 17, 2022   | 671,743            | 0.18                  | 3.80                        |
| March 29, 2022     | 633,513            | 0.26                  | 4.00                        |
| May 31, 2018       | 1,019,171          | 0.07                  | 0.17                        |
| October 24, 2020   | 6,083,600          | 0.25                  | 2.57                        |
| December 4, 2022   | 2,777,778          | 0.25                  | 4.68                        |
| December 12, 2020  | 710,554            | 0.25                  | 2.70                        |
| December 19, 2020  | 4,651,160          | 0.65                  | 2.72                        |
| January 4, 2021    | 3,155,023          | 0.65                  | 2.77                        |
| January 10, 2021   | 7,840,906          | 0.65                  | 2.78                        |
| March 23, 2019     | 18,518,518         | 0.30                  | 0.98                        |
|                    | <b>48,243,106</b>  | <b>\$ 0.39</b>        | <b>2.05</b>                 |

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**10. SHARE CAPITAL (CONTINUED)**

**Stock options**

The Company has a share purchase option plan (dated June 18, 2012) which specifies that a maximum of 10% of the issued and outstanding common shares of the Company may be reserved for issuance pursuant to the exercise of share options. The term of the share options granted are fixed by the board of directors and are not to exceed ten years. The exercise prices of the share options shall not be less than the closing price of the Company's common shares on the day preceding the day on which the directors grant the share purchase options, less any discount permitted by the Exchange. Vesting of options will be at the discretion of the Board. The changes in stock options during the six months ended March 31, 2018 and year ended September 30, 2017 as follows:

|                                         | <b>March 31, 2018</b> |                         | <b>September 30, 2017</b> |                       |
|-----------------------------------------|-----------------------|-------------------------|---------------------------|-----------------------|
|                                         | <b>Number</b>         | <b>Weighted</b>         | <b>Number</b>             | <b>Weighted</b>       |
|                                         | <b>outstanding</b>    | <b>average exercise</b> | <b>outstanding</b>        | <b>average</b>        |
|                                         |                       | <b>price</b>            |                           | <b>exercise price</b> |
| <b>Outstanding, beginning of period</b> | <b>10,135,000</b>     | <b>\$ 0.23</b>          | 6,410,000                 | \$ 0.22               |
| Exercised                               | (2,341,666)           | 0.19                    | (1,400,000)               | -                     |
| Granted                                 | 2,200,000             | 0.21                    | 5,875,000                 | 0.18                  |
| Expired/cancelled                       | (3,525,000)           | 0.16                    | (750,000)                 | -                     |
| <b>Outstanding, end of period</b>       | <b>6,468,334</b>      | <b>\$ 0.24</b>          | 10,135,000                | \$ 0.23               |

During the six months ended March 31, 2018:

- On October 14, 2017, the Company granted 2,000,000 stock options exercisable at \$0.19 for a period of three years. These options were exercised on October 24, 2017. Fair value of options granted and vested during the period amounting to \$402,368 was recognized in the statement of loss and comprehensive loss.
- On March 8, 2018, the Company granted 200,000 stock options exercisable at \$0.36 for a period of three years. The options vest at 1/3 upon grant date, 1/3 after three months, and 1/3 after six months. \$42,592 was recognized in the statement of loss and comprehensive loss.

During the year ended September 30, 2017:

- On October 14, 2016, the Company granted 3,050,000 stock options to directors and consultants. Each option is exercisable into a common share of the Company at \$0.18 per share for a period of 5 years. The options were fully vested on date of grant.
- On September 10, 2017, the Company granted 2,825,000 stock options to directors and consultants. Each option is exercisable into a common share of the Company at \$0.145 per share for a period of 3 years. The options vest at 1/3 upon grant date, 1/3 after three months, and 1/3 after six months.

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**10. SHARE CAPITAL (CONTINUED)**

**Stock options (continued)**

The total fair value of stock options granted during the six months ended March 31, 2018 was \$374,060 (September 30, 2017 - \$836,038). During the six months ended March 31, 2018, the Company recognized \$472,711 (2017 - \$540,017) of share-based payments for the options granted and the vested during the period. The estimated grant date fair value of the options granted was calculated using the Black-Scholes option pricing model with the following assumptions:

|                         | <b>March 31, 2018</b> | <b>December 31, 2017</b> | <b>September 30, 2017</b> |
|-------------------------|-----------------------|--------------------------|---------------------------|
| Share price             | \$ <b>0.36</b>        | \$ <b>0.19</b>           | \$ <b>0.17</b>            |
| Exercise price          | \$ <b>0.36</b>        | \$ <b>0.20</b>           | \$ <b>0.17</b>            |
| Risk-free interest rate | <b>1.77%</b>          | <b>1.51%</b>             | <b>0.78%</b>              |
| Estimated volatility    | <b>165.36%</b>        | <b>155.27%</b>           | <b>130%</b>               |
| Expected life           | <b>3.00</b>           | <b>3.00</b>              | <b>5.00</b>               |
| Expected dividend yield | <b>0%</b>             | <b>0%</b>                | <b>0%</b>                 |

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

The following summarizes information about stock options outstanding and exercisable at March 31, 2018:

| <b>Expiry date</b> | <b>Options<br/>outstanding</b> | <b>Options<br/>exercisable</b> | <b>Exercise<br/>Price</b> |
|--------------------|--------------------------------|--------------------------------|---------------------------|
| February 18, 2019  | 25,000                         | 25,000                         | \$ 0.170                  |
| July 22, 2019      | 580,000                        | 580,000                        | 0.640                     |
| August 8, 2019     | 605,000                        | 605,000                        | 0.480                     |
| January 27, 2020   | 25,000                         | 25,000                         | 0.160                     |
| October 14, 2021   | 2,500,000                      | 2,500,000                      | 0.180                     |
| September 10, 2020 | 2,533,334                      | 2,533,334                      | 0.145                     |
| March 8, 2021      | 200,000                        | 66,667                         | 0.360                     |
|                    | <b>6,468,334</b>               | <b>6,335,001</b>               | <b>\$ 0.24</b>            |

**Reserve**

*Share-based payment and warrant reserves*

The reserve records items recognized as share-based compensation until such time that the stock options and finder's warrants are exercised, at which time the corresponding amount is reallocated to share capital. Amounts recorded for forfeited or expired unexercised options and warrants are transferred to deficit.

*Foreign currency translation reserve*

The Company's non-Canadian operations are measured in the currency in which they operate and are translated into Canadian dollars at each report date. Assets and liabilities are translated into Canadian dollars using the exchange rates in effect on the report dates. Expenses are translated at average exchange rate prevailing during the period. The resulting gains and losses are included in foreign currency translation reserve.

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**11. NON-CONTROLLING INTEREST**

As at March 31, 2018, the carrying value of NCI was \$390,832 (September 30, 2017 - \$753,230) which was determined as follows:

|                                        | <b>Phytalytics LLC</b> | <b>Northern Vine</b> | <b>Gabriola Green</b> | <b>Total</b>        |
|----------------------------------------|------------------------|----------------------|-----------------------|---------------------|
| As at September 30, 2017               | \$ (391,094)           | \$ (362,136)         | \$ -                  | <b>\$ (753,230)</b> |
| During the period ended March 31, 2018 |                        |                      |                       |                     |
| Disposal of Northern Vine              | -                      | 362,136              | -                     | <b>362,136</b>      |
| Acquisition of Gabriola (note 19)      | -                      | -                    | 262                   | <b>262</b>          |
| <b>As at March 31, 2018</b>            | <b>\$ (391,094)</b>    | <b>\$ -</b>          | <b>\$ 262</b>         | <b>\$ (390,832)</b> |

**12. SUPPLEMENTAL CASH FLOW INFORMATION**

|                                                                       | <b>For the six months ended</b> |                       |
|-----------------------------------------------------------------------|---------------------------------|-----------------------|
|                                                                       | <b>March 31, 2018</b>           | <b>March 31, 2017</b> |
| Obligation to issue shares for settlement of trade and other payables | \$ -                            | \$ 434,021            |
| Shares issued to settle obligation from prior year                    | \$ 308,823                      | \$ -                  |
| Exercise of stock options                                             | \$ 346,189                      | \$ -                  |

**13. RELATED PARTY TRANSACTIONS**

**Key management personnel compensation**

Compensation to key management personnel and related parties were as follows:

|                                               | <b>March 31, 2018</b> | <b>March 31, 2017</b> |
|-----------------------------------------------|-----------------------|-----------------------|
| Remuneration, fees and short-term benefits    |                       |                       |
| Share-based payments                          | \$ 137,261            | \$ -                  |
| Management and consulting fees <sup>(1)</sup> | 6,922,754             | 525,137               |
|                                               | <b>\$ 7,060,015</b>   | <b>\$ 525,137</b>     |

<sup>(1)</sup>Includes directors' bonus paid by issuance of 17,200,000 shares with an aggregate fair value of \$6,522,000.

Fees include amounts paid, accrued and/or settled in shares, as recorded for the CEO, a company controlled by the CEO, former CEO, company controlled by the former CEO, COO, CFO, Crimson, directors and companies controlled by directors of the Company. Included in trade payables and other liabilities at March 31, 2018 is \$210,712 (September 30, 2017 - \$115,207) due to the aforementioned parties for advertising, management and consulting fees.

During the period ended March 31, 2018, the Company issued 515,189 common shares with a fair market value of \$76,508 to directors and management for consulting services.

During the period ended December 31, 2017, the Company issued 17,200,000 common shares with a fair market value of \$6,522,000 to a director for bonus.

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**13. RELATED PARTY TRANSACTIONS (CONTINUED)**

**Loan payable**

On August 2, 2016, the Company entered into a loan agreement with Crimson. Under the terms of the loan agreement, Crimson has agreed to make a bridge loan to the Company of up to \$50,000. The loan bears interest at a rate of 10% per annum, is unsecured and payable at the earlier of (i) August 2, 2018, (ii) the date at which the Company completes a financing of greater than \$250,000 and (iii) the event of default. The Company may repay the loan at any time. Crimson has the right to convert the principal and interest owing to common shares of the Company at the lower of (i) \$0.05 per common share, or (ii) an allowable discount to market price. An equity component, recognized as the difference between the fair value of the convertible note as a whole and the fair value of the liability component, was calculated as a nominal amount. Accordingly, no value was allocated to the equity component.

During the year ended September 30, 2017, the Company has drawn \$39,193 (2016 - \$30,435) upon the bridge loan and accrued \$2,066 (2016 - \$492) in interest. An arrangement fee of \$5,000 was payable to Crimson, which has been included in finance costs during the year ended September 30, 2016. On January 2, 2017 the loan payable balance of \$46,259 including the arrangement fee was settled through the issuance of 925,186 common shares of the Company at \$0.05 per share (note 10).

**14. COMMITMENTS**

- i) On November 1, 2012, as last amended on September 3, 2015, the Company renewed a three-year office lease with Toro Holdings Ltd. The Company's minimum annual lease payments based on fiscal years are as follows:

| Year |           |
|------|-----------|
| 2018 | \$ 31,113 |
| 2019 | 10,371    |
|      | \$ 41,484 |

- ii) On December 27, 2012, the Company entered into a license agreement with Vertical Designs Ltd. ("Vertical Designs"), a company controlled by a 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. The first minimum royalty agreement was due on February 29, 2015. Under the terms of the agreement, the patent license will revert to Vertical Designs 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

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**14. COMMITMENTS (CONTINUED)**

- ii) agreement; or 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 year ended September 30, 2015, Vertical Designs sent a letter advising they were terminating the license agreement 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. On January 12, 2016, Vertical Design Ltd. entered into an agreement to assign the patent license to Affinor Growers Inc. ("Affinor"). 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.

- (iii) On February 1, 2015, the Company entered into a consulting agreement with Crimson for CFO and COO services. Under the agreement, the Company will pay annual consulting fees of \$165,000. Crimson will also be entitled to 25,000 common shares of the Company on a monthly basis (subsequently amended to \$5,000 in common shares of the Company on a monthly basis). The consulting agreement outlines certain milestone bonuses, which are compensated through the issuance of common shares of the Company. During the year ended September 30, 2016, the Company issued 1,000,000 common shares to Crimson for the achievement of milestones.

During the year ended September 30, 2017, the Company entered into an amended management service agreement providing for payment of \$165,000 in cash and \$60,000 in common stock per annum for the services of the CFO/COO. In the event of termination by the CFO or the Company, the agreement provides for a lump sum severance payment equal to 23 months of the CFO's fees and share payments due prior to the termination date and a lump sum bonus payment equal to 150% of the greater of the target bonus in the year the change of control occurs or the target bonus in the year the service agreement is terminated.

- iv) The Company entered into a management service agreement providing for payment of \$240,000 per annum for the services of the CEO. In the event of termination for any reason or not for just cause, the agreement provides a lump sum payment equal to 12 months of the CEO's fees and share payments due on the date of termination and a lump sum bonus payment equal to 150% of the greater of the target bonus in the year the change of control occurs or the target bonus in the year the service agreement is terminated.

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**15. CONTINGENCIES**

- i) 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 may have to be made. During the year ended September 30, 2017, the Company settled the claim through the issuance of common shares.
- ii) 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. During the year ended September 30, 2017, the Company settled the claim through issuance of common shares.

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 Company.

**16. 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.

**17. 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.

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

- |         |                                                                                                                                                                                    |
|---------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Level 1 | quoted prices in active markets for identical assets or liabilities;                                                                                                               |
| Level 2 | inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. from derived prices); and |
| Level 3 | inputs for the asset or liability that are not based upon observable market data.                                                                                                  |

The carrying values of cash and cash equivalents, current accounts and other receivables, and accounts payable and accrued liabilities, and loans payable approximated their fair values because of the short-term nature of these financial instruments. These financial instruments are classified as financial assets and liabilities at amortized cost and are reported at amortized cost.



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**17. FINANCIAL INSTRUMENTS (CONTINUED)**

**a) Fair value (continued)**

|                                    | <b>March 31, 2018</b> | <b>September 30, 2017</b> |
|------------------------------------|-----------------------|---------------------------|
| <b>Financial Assets</b>            |                       |                           |
| <i>Held-for trading</i>            |                       |                           |
| Cash                               | \$ 6,669,889          | \$ 525,569                |
| <i>Available-for sale</i>          |                       |                           |
| Investment                         | 12,780,003            | -                         |
| <i>Loan and receivable</i>         |                       |                           |
| Trade and other receivables        | 13,896                | 844                       |
| <b>Financial Liabilities</b>       |                       |                           |
| <i>Other financial liabilities</i> |                       |                           |
| Trade and other payables           | 3,104,616             | 420,505                   |
| Advance payable                    | 18,871                | 18,871                    |
| Loan payable                       | \$ 813,753            | \$ -                      |

**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, 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 March 31, 2018 and September 30, 2017, 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 March 31, 2018 in the amount of \$6,669,889 (September 30, 2017 - \$525,569), in order to meet short-term business requirements. At March 31, 2018, the Company had accounts payable, advances payable, and loans payable of \$3,104,616, \$18,871 and \$813,753 respectively (September 30, 2017 - accounts payable and advances payable of \$420,505 and \$18,871, respectively). All accounts payable, advances payable, and loan payable 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.

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**17. FINANCIAL INSTRUMENTS (CONTINUED)**

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

**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. Based on the net exposures as at March 31, 2018, 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 \$6,496.

**18. 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                |
|---------------------------------|----------------------|-----------------|----------------------|
| <b>As at March 31, 2018</b>     |                      |                 |                      |
| Property and equipment          | \$ 453,235           | \$ 2,879        | \$ 456,114           |
| Intangible assets               | 50,831,993           | -               | 50,831,993           |
| Other assets                    | 2,000                | -               | 2,000                |
|                                 | <b>\$ 51,287,228</b> | <b>\$ 2,879</b> | <b>\$ 51,290,107</b> |
| <b>As at September 30, 2017</b> |                      |                 |                      |
| Property and equipment          | \$ 526,742           | \$ 2,879        | \$ 529,621           |
| Other assets                    | 2,000                | -               | 2,000                |
|                                 | <b>\$ 528,742</b>    | <b>\$ 2,879</b> | <b>\$ 531,621</b>    |

**19. BUSINESS ACQUISITIONS**

**Acquisition of Green Tree Therapeutics Corp.**

In January 2018, the Company acquired Green Tree Therapeutics Corp ("Green Tree"). Green Tree is in the business of designing, developing, manufacturing and marketing high quality e-cigarettes and vaporizers which are self-branded using state-of-the-art electronic technology. Green Tree entered into an intellectual property assignment agreement dated February 15, 2017 with Wee-Cig International Corporation for consideration of \$125,000 in exchange for 100% of the worldwide manufacturing and distribution rights of its branded product line of e-cigarettes and vaporizers.

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**19. BUSINESS ACQUISITIONS (CONTINUED)**

**Acquisition of Green Tree Therapeutics Corp. (continued)**

In connection with the acquisition, the Company issued an aggregate of 15 million common shares to the former shareholders of Green Tree. In addition, in consideration for the right to acquire Green Tree, which right was previously held by Winston Resources Inc., Abattis issued 15 million shares to Winston at a fair value of \$10,350,000. In addition, the Company incurred \$1,000,000 cash for transaction costs. The Company recorded the total transaction costs of \$11,350,000 as license cost in the consolidated statement of financial position (note 6).

The following table summarizes the consideration paid and the fair value of the identifiable net assets assumed as of the date of acquisition:

|                                                                   |           |                   |
|-------------------------------------------------------------------|-----------|-------------------|
| Consideration paid                                                |           |                   |
| 15,000,000 common shares @ \$0.69                                 | \$        | 10,350,000        |
| <b>Total consideration paid</b>                                   |           | <b>10,350,000</b> |
| Less: Value of net assets                                         |           |                   |
| Accounts receivable                                               |           | 10,452            |
| Inventory                                                         |           | 11,901            |
| Prepaid rent                                                      |           | 4,167             |
| Intangible asset                                                  |           | 114,075           |
| Leasehold improvement                                             |           | 44,495            |
| Accounts payable and accrued liabilities                          |           | (136,099)         |
| Loan payable                                                      |           | (813,194)         |
| Net liabilities acquired                                          |           | (764,203)         |
| Fair value of consideration paid in excess of net assets acquired |           | 11,114,203        |
| Additional transaction cost                                       |           | 11,350,000        |
| <b>License</b>                                                    | <b>\$</b> | <b>22,464,203</b> |

**Acquisition of Gabriola Green Farm Inc.**

In March 2018, the Company acquired 90% ownership interest in Gabriola Green Farms Cor. Gabriola is a British Columbia company that has applied for a licence to produce under the Access to Cannabis for Medical Purposes Regulations on Gabriola Island, one of the Gulf Islands located in the Strait of Georgia off the coast of British Columbia. Gabriola Island has a consistent temperature and humidity level, which makes it well suited to greenhouse growing.

In connection with the acquisition, the Company issued an aggregate of 61,307,902 common shares of the Company and paid \$2.5-million in cash to the shareholders of Gabriola. In connection with the acquisition, the Company has also secured a right of first refusal on the remaining 10-per-cent ownership interest in Gabriola from CannaNUMUS Blockchain Inc. and an option to acquire the lands on which Gabriola's operations are conducted for \$7-million until February 27, 2023, from an unrelated third-party.

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**19. BUSINESS ACQUISITIONS (CONTINUED)**

**Acquisition of Gabriola Green Farm Inc. (continued)**

The following table summarizes the consideration paid and the fair value of the identifiable net assets assumed as of the date of acquisition:

|                                   |           |                   |
|-----------------------------------|-----------|-------------------|
| Consideration paid                |           |                   |
| 61,307,902 common shares @ \$0.42 | \$        | 25,749,319        |
| Cash consideration                |           | 2,500,000         |
| <b>Total consideration</b>        |           | <b>28,249,319</b> |
| Less: Fair Value of net assets    |           |                   |
| Cash                              |           | 2,616             |
| Due from Abattis                  |           | 2,500,000         |
| Due to former shareholders        |           | (2,500,000)       |
|                                   |           | 2,616             |
| Interest acquired                 |           | 90%               |
|                                   |           | 2,355             |
| License                           |           | 28,246,964        |
|                                   | <b>\$</b> | <b>28,249,319</b> |

**20. EVENTS AFTER THE REPORTING DATE**

The following events occurred subsequent to the period ended March 31, 2018:

- As of April 30, 2018, the Company has completed its acquisition of the remaining 10-per-cent ownership interest in its subsidiary, Gabriola Green Farms Inc. the Company acquired the interest from CannaNUMUS Blockchain Inc. for \$2.5-million. Gabriola is now a wholly owned subsidiary of the Company.
- On May 2, 2018, the Company issued 6,632,553 common shares at a fair value of \$0.22 as compensation for services to consultants.
- On May 3, 2018, the Company announced the engagement of Ocean Pacific Contractors Ltd. for construction of a purpose-built, 26,000-square-foot cannabis production and extraction facility on Gabriola Island in British Columbia. Through Gabriola, the company is in the late stages of its application for a licence to produce under the Access to Cannabis for Medical Purposes Regulations.
- On May 8, 2018 the Company issued 200,000 common shares at \$0.145 for options exercise and 200,000 common shares at \$0.16 for warrants exercise.
- On May 15, 2018, the Company issued 1,019,171 common shares at \$0.07 and 200,000 common shares at \$0.15 pursuant to exercise of warrants.