# Form 51-102F4

## Business Acquisition Report

### Item 1 Identity of Company

### 1.1 Name and Address of Company

Abattis Bioceuticals Corp. (the "**Company**")
224 - 970 Burrard Street
Vancouver, BC V6Z 2R4

### 1.2 Executive Officer

The name, position and business telephone number of an executive officer who is knowledgeable about this significant acquisition and this Business Acquisition Report are as follows:

Rob Abenante,
Chief Executive Officer
Telephone: (604) 424-8889

### Item 2 Details of Acquisition

### 2.1 Nature of Business Acquired

Pursuant to a share purchase agreement (the "**Share Purchase Agreement**") dated January 10, 2018 among GT Therapeutics Corporation, dba Green Tree Therapeutics ("**Green Tree**"), Justin Liu ("**Liu**") and Dantes Enterprises Ltd. (together with Liu, the "**Shareholders**"), the Company acquired all of the issued and outstanding common shares of Green Tree (the "**Acquisition**").

As a result of the Acquisition, Green Tree is now a wholly owned subsidiary of the Company.

### 2.2 Acquisition Date

The Company completed the Acquisition on January 24, 2018.

### 2.3 Consideration

In connection with the Acquisition, the Company issued an aggregate of 15,000,000 common shares (each, a "**Company Share**") of the Company to the Shareholders. In addition, in consideration for the right to acquire Green Tree, which right was previously held by Winston Resources Inc. ("**Winston**") pursuant to a share exchange agreement dated May 30, 2017 among Winston and the Shareholders, the Company issued 15,000,000 Company Shares to Winston.

**2.4 Effect on Financial Position**

The Company has no current plans or proposals for material changes in its business affairs or the affairs of Green Tree which may have a significant effect on the financial performance and financial position of the Company.

**2.5 Prior Valuations**

On January 8, 2018, an independent calculation valuation was prepared by Simran Gill Consulting, which determined the following implied values for the business of Green Tree: (i) $24.6 million, using a discounted cash flow projection, based on growth estimates; and (ii) $29.9 million, using a ratio analysis , based on forecasted 2018 revenues.

**2.6 Parties to Transaction**

The acquisition did not involve an informed person, associate or affiliate of the Company.

**2.7 Date of Report**

May 24, 2018

**Item 3 Financial Statements**

Pursuant to Part 8 of National Instrument 51-102 *Continuous Disclosure Obligations*, the financial statements of Green Tree for the period from January 31, 2017 (Green Tree's date of incorporation) to December 31, 2017 are attached hereto as Schedule A.

The Company has obtained the consent of Green Tree's auditors to include their audit report in this Business Acquisition Report.

**Schedule "A"**

(see attached)

# GT THERAPEUTICS CORPORATION

## Financial Statements

## December 31, 2017

(Expressed in Canadian Dollars)

1500 – 1140 W. Pender Street
Vancouver, BC V6E 4G1
TEL 604.687.4747 | FAX 604.689.2778

700 – 2755 Lougheed Hwy.
Port Coquitlam, BC V3B 5Y9
TEL 604.941.8266 | FAX 604.941.0971

200 – 1688 152 Street
Surrey, BC V4A 4N2
TEL 604.531.1154 | FAX 604.538.2613

WWW.DMCL.CA

# INDEPENDENT AUDITOR'S REPORT

To the Directors of GT Therapeutics Corporation

We have audited the accompanying financial statements of GT Therapeutics Corporation, which comprise the statement of financial position as at December 31, 2017, and the statements of comprehensive loss, changes in shareholders' deficiency and cash flows for the period from January 31, 2017 (inception) to December 31, 2017, and a summary of significant accounting policies and other explanatory information.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements present fairly, in all material respects, the financial position of GT Therapeutics Corporation as at December 31, 2017, and its financial performance and its cash flows for the period from January 31, 2017 (inception) to December 31, 2017 in accordance with International Financial Reporting Standards.

**Emphasis of Matter**

Without qualifying our opinion, we draw attention to Note 1 in the financial statements which describes certain conditions that indicate the existence of a material uncertainty that may cast significant doubt about GT Therapeutics Corporation's ability to continue as a going concern.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
May 24, 2018

**GT THERAPEUTICS CORPORATION**
**STATEMENT OF FINANCIAL POSITION**
**FROM JANUARY 31, 2017 (INCEPTION) TO DECEMBER 31, 2017**
**(EXPRESSED IN CANADIAN DOLLARS)**

| | Note | | December 31, 2017 |
|---|---|---|---|
| **ASSETS** | | | |
| Accounts receivable | | $ | 100 |
| Prepaid rent | | | 4,167 |
| Inventory | | | 23,777 |
| | | | 28,044 |
| **OTHER ASSETS** | | | |
| Property and equipment | 3 | | 44,495 |
| Intangible asset | 4 | | 114,075 |
| **TOTAL ASSETS** | | **$** | **186,614** |
| **LIABILITIES** | | | |
| Bank indebtedness | | $ | 21 |
| Accounts payable and accrued liabilities | 5 | | 20,694 |
| Due to related party | 8 | | 124,293 |
| Loan payable | 6 | | 402,143 |
| **TOTAL LIABILITIES** | | | **547,151** |
| **SHAREHOLDERS’ DEFICIENCY** | | | |
| Share capital | 7 | | 100 |
| Deficit | | | (360,637) |
| **TOTAL SHAREHOLDERS' DEFICIENCY** | | | **(360,537)** |
| **TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY** | | **$** | **186,614** |

Nature of operations and going concern (Note 1)
Commitments (Note 12)

These financial statements were authorized for issue by the Board of Directors on May 24, 2018. They are signed on behalf of the Board of Directors by:

*"Justin Liu"*
Director

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

**GT THERAPEUTICS CORPORATION**
**STATEMENT OF LOSS AND COMPREHENSIVE LOSS**
**FROM JANUARY 31, 2017 (INCEPTION) TO DECEMBER 31, 2017**
**(EXPRESSED IN CANADIAN DOLLARS)**

| | Note | | January 31, 2017 (inception) to December 31, 2017 |
|---|---|---|---|
| **REVENUE** | | $ | 261,682 |
| **COST OF SALES** | | | (119,389) |
| | | | 142,293 |
| **EXPENSES** | | | |
| Accounting and audit fees | | | 18,207 |
| Amortization | 3,4 | | 18,930 |
| Consulting fees | 8 | | 261,000 |
| Office and administration | | | 113,631 |
| Rent | 8 | | 45,833 |
| Travel and entertainment | | | 2,250 |
| | | | (459,851) |
| **NET LOSS** | | | (317,558) |
| **OTHER ITEMS** | | | |
| Write-down of inventory | | | (43,079) |
| **NET LOSS AND COMPREHENSIVE LOSS** | | $ | (360,637) |
| **Basic and diluted loss per share** | | $ | (3,606) |
| **Weighted average number of shares outstanding** | | | 100 |

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

**GT THERAPEUTICS CORPORATION**
**STATEMENT OF SHAREHOLDERS' DEFICIENCY**
**FROM JANUARY 31, 2017 (INCEPTION) TO DECEMBER 31, 2017**
**(EXPRESSED IN CANADIAN DOLLARS)**

| | Note | Number of shares | Amount | Deficit | Total |
|---|---|---|---|---|---|
| **Balance, January 31, 2017 (Inception)** | | - | $ - | $ - | $ - |
| Shares issued on inception | 7 | 100 | 100 | - | 100 |
| Net loss and comprehensive loss | | - | - | (360,637) | (360,637) |
| **Balance, December 31, 2017** | | **100** | **$ 100** | **$ (360,637)** | **$ (360,537)** |

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

**GT THERAPEUTICS CORPORATION**

**STATEMENT OF CASH FLOWS**

**FROM JANUARY 31, 2017 (INCEPTION) TO DECEMBER 31, 2017**

**(EXPRESSED IN CANADIAN DOLLARS)**

| | | January 31, 2017 (inception) to December 31, 2017 |
|---|---|---|
| **OPERATING ACTIVITIES** | | |
| Net loss | $ | (360,637) |
| Adjustments for non-cash items: | | |
| Inventory write-off | | 43,079 |
| Amortization | | 18,930 |
| Change in non-cash working capital items: | | |
| Accounts receivable | | (100) |
| Prepaid expenses | | (4,167) |
| Purchase of inventory | | (66,856) |
| Accounts payable and accrued liabilities | | 20,694 |
| **CASH USED IN OPERATING ACTIVITIES** | | (349,057) |
| **INVESTING ACTIVITIES** | | |
| Leasehold improvements | | (52,500) |
| Purchase of intangible assets | | (125,000) |
| **CASH USED IN INVESTING ACTIVITIES** | | (177,500) |
| **FINANCING ACTIVITIES** | | |
| Bank indebtedness | | 21 |
| Proceeds from related party loan | | 124,293 |
| Proceeds from loan | | 402,143 |
| **CASH PROVIDED BY FINANCING ACTIVITIES** | | 526,557 |
| **CHANGE IN CASH DURING THE PERIOD** | | - |
| **CASH, BEGINNING** | | - |
| **CASH, ENDING** | $ | - |

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

## 1. NATURE OF OPERATIONS AND GOING CONCERN

GT Therapeutics Corporation (the "Company") was incorporated on January 31, 2017 in the Province of British Columbia and its head office is located at 1288 Alberni Street, Suite 806, Vancouver, BC V6E 4N5. The Company 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. The Company 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.

These financial statements have been prepared on a going concern basis, which assumes the realization of assets and liquidation of liabilities in the normal course of business in the foreseeable future. These 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 loans from related parties. The Company's ability to continue as a going concern is dependent upon its ability to commence profitable operations, generate funds therefrom and raise additional financing in order to meet current and future obligations. 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, 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. Since inception on January 31, 2017 to December 31, 2017, the Company has incurred a net loss of $360,637. As at December 31, 2017, the Company had a working capital deficiency of $519,107. These factors indicate the presence of a material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

***Statement of compliance***

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations of the IFRS Interpretations Committee as issued by the International Accounting Standards Board ("IASB").

***Basis of presentation***

These 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 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 is the Canadian dollar. All amounts in these financial statements are expressed in Canadian dollars, unless otherwise indicated.

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

***Significant accounting estimates and judgments***

The preparation of these 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. Actual outcomes could differ from these estimates. The 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 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 and property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may exceed their recoverable amounts.

- 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.

  While management believes the estimates contained within these 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.

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

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

- Income taxes (continued)
  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.

***Significant accounting policies***

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

- 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.

- Financial instruments
  Financial assets and financial liabilities are recognized on the 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.

  *Financial assets*

  The Company classifies its financial assets at initial recognition as either financial asset 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 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.

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

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

- Financial instruments (continued)

*Financial assets (continued)*

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:

- Accounts receivables are classified as loans and receivables.

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 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 bank indebtedness, trade payables, due to related parties and loan payable. The Company classifies these financial liabilities as other financial liabilities.

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

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

- Financial instruments (continued)

  *Financial liabilities (continued)*

  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 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.

  Property and equipment is depreciated annually on the following basis:

  Leasehold improvements – 5 year 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
  Intangible assets consist of intellectual property acquired by the Company. Acquired intangible assets are carried at cost less accumulated amortization and impairment. Intangible assets with indefinite lives are not amortized but are reviewed annually for impairment. Any impairment of intangible assets is recognized in the statement of comprehensive loss but increases in intangible asset values are not recognized.

  Estimated useful lives of intangible assets are shorter of the economic life and the period the right is legally enforceable. The assets' useful lives are reviewed, and adjusted if appropriate, at each financial statement of financial position date.

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

- 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.

- 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.

- Revenue recognition
  Sales revenues are recognized when the Company has transferred to the buyer the significant risks and rewards of ownership of the goods, the Company retains no effective control over the goods sold, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably. The Company recognizes revenue from customer orders upon shipment of the order.

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

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

- Income tax
  Income tax expense comprises current and deferred tax. Income tax is recognized in the statement of loss and comprehensive 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 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.

***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 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.

IFRS 16 "*Leases*" – IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. The Company does not expect IFRS 16 to have a significant impact on the Company's financial statements. IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after January 1, 2019.

(EXPRESSED IN CANADIAN DOLLARS)

## 3. PROPERTY AND EQUIPMENT

Property and equipment comprises the following:

| | | Leasehold Improvements |
|---|---|---|
| ***Cost*** | | |
| Balance at January 31, 2017 | $ | - |
| Additions | | 52,500 |
| **Balance at December 31, 2017** | **$** | **52,500** |
| ***Amortization*** | | |
| Balance at January 31, 2017 | $ | - |
| Charge for the period | | 8,005 |
| **Balance at December 31, 2017** | **$** | **8,005** |
| ***Net book value*** | | |
| **Balance at December 31, 2017** | **$** | **44,495** |

## 4. INTANGIBLE ASSET

On February 15, 2017, the Company 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.

| | | Intellectual Property |
|---|---|---|
| ***Cost*** | | |
| Balance at January 31, 2017 | $ | - |
| Additions | | 125,000 |
| **Balance at December 31, 2017** | **$** | **125,000** |
| ***Amortization*** | | |
| Balance at January 31, 2017 | $ | - |
| Charge for the period | | 10,925 |
| **Balance at December 31, 2017** | **$** | **10,925** |
| ***Net book value*** | | |
| **Balance at December 31, 2017** | **$** | **114,075** |

## 5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | | December 31, 2017 |
|---|---|---|
| Trade payables | $ | 2,487 |
| Accrued liabilities | | 18,207 |
| | **$** | **20,694** |

## 6. LOAN PAYABLE

As at December 31, 2017, the Company received a loan of $402,143 from an unrelated party. The loan is unsecured, without interest and is due on demand.

(EXPRESSED IN CANADIAN DOLLARS)

## 7. SHARE CAPITAL

**Authorized share capital**
100,000 common shares with a par value of $1.00 each.

**Issued share capital**
As at December 31, 2017, the Company had issued 100 common shares for proceeds of $100.

## 8. RELATED PARTY TRANSACTIONS

**Key management personnel compensation**

During the period ended December 31, 2017, transactions with related parties were as follows:

| | | December 31, 2017 |
|---|---|---|
| Consulting fees | $ | 158,000 |
| Director fees | | 27,500 |
| Other fees | | 10,000 |
| Rent expense | | 45,833 |
| | $ | 241,333 |

As of December 31, 2017, $124,293 is due to a related party. Amounts due to related parties are unsecured, due on demand, and bear no interest.

## 9. 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 related party loans. 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 will 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.

## 10. 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.

## 10. FINANCIAL INSTRUMENTS (CONTINUED)

### a) Fair value (continued)

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

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

The Company has determined the estimated fair values of its financial instruments based upon appropriate valuation methodologies.

### 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 trade receivables are exposed to credit risk. As at December 31, 2017, the risk is assessed as low.

***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. At December 31, 2017, the Company had current liabilities of $547,151. As at December 31, 2017, the risk is assessed as high.

***Market risk***
The significant market risk to which the Company is exposed is interest rate 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. The Company is not exposed to significant other price risk.

***Dependence risk***
During the period, the Company had sales of $261,682, of which 96% was to one customer.

***Foreign exchange risk***
Foreign currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because they are denominated in currencies that differ from the respective functional currency. The Company is exposed to currency risk as it incurs expenditures that are denominated in US dollars while its functional currency is the Canadian dollar. The Company does not hedge its exposure to fluctuations in foreign exchange rates. As at December 31, 2017, the risk is assessed as low.

(EXPRESSED IN CANADIAN DOLLARS)

## 11. INCOME TAX

The following table reconciles the expected income tax recovery at the Canadian statutory income tax rates to the amounts recognized in the statements of operations for the period ended December 31, 2017:

| | December 31, 2017 |
|---|---|
| Loss before taxes | $ (360,637) |
| Statutory income tax rate | 26% |
| Expected income tax recovery | (93,766) |
| Change in deferred tax asset not recognized | 93,766 |
| **Total income tax** | $ - |

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values. Deferred tax assets at December 31, 2017 are comprised of the following:

| | December 31, 2017 |
|---|---|
| Non-capital loss carry forwards | $ 91,684 |
| Equipment | 2,081 |
| Deferred tax assets not recognized | (93,766) |
| **Net deferred tax asset** | $ - |

The Company has non capital loss carry-forwards of approximately $352,000 which may be carried forward to apply against future year income tax for Canadian tax purposes, subject to the final determination by taxation authorities, expiring in 2027.

## 12. COMMITMENTS

The Company is committed to rental fees of $4,167 per month for a period of three years commencing February 1, 2017 and ends on January 31, 2020.

## 13. SUBSEQUENT EVENT

Subsequent to the year end on December 31, 2017, the Company was acquired by Abattis Bioceuticals Corp. (“Abattis”) pursuant to a share exchange agreement dated January 10, 2018. As a result of the acquisition, the Company is now a wholly owned subsidiary of Abattis and the Company’s products will become available through Abattis’s wholly owned subsidiary Vergence Naturals Ltd.