



Condensed Consolidated Interim Financial Statements
For the three and nine months ended June 30, 2019 and 2018
(Unaudited, Expressed in Canadian Dollars)

ABATTIS BIOCEUTICALS CORP.
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the nine months ended June 30, 2019 and 2018
(Expressed in Canadian dollars)
(Unaudited)

INDEX	PAGE
Notice of No Auditor Review of Interim Financial Statements	3
Condensed Consolidated Interim Statements of Financial Position	4
Condensed Consolidated Interim Statement of Loss and Comprehensive Loss	5
Condensed Consolidated Interim Statements of Changes in Equity	6
Condensed Consolidated Interim Statements of Cash Flows	7
Notes to the Condensed Consolidated Interim Financial Statements	8-45

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instruments 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with the standards by the Chartered Professional Accountants of Canada for a review of the interim financial statements by an entity's auditor.

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

	June 30, 2019	September 30, 2018
ASSETS		
CURRENT ASSETS		
Cash	\$ 2,689,724	\$ 4,064,008
Marketable securities (notes 7)	703,855	5,032,115
Trade and other receivables (note 3)	89,464	568,020
Prepaid expenses and other deposits (note 5 and 17)	896,392	767,276
Inventory	281,459	30,453
	4,660,894	10,461,872
NON-CURRENT ASSETS		
Property and equipment (notes 5 and 16)	686,613	725,017
Investment in XLABS Therapeutics (note 8)	212,586	212,586
Goodwill in Pro Natura (note 6)	9,851,348	-
Intangible assets (note 6)	5,000,000	-
	15,750,547	937,603
TOTAL ASSETS	\$ 20,411,441	\$ 11,399,475
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Trade and other payables (notes 10, 13 and 16)	1,828,402	303,163
Payable for Pro Natura acquisition (notes 6 and 10)	3,304,913	-
LONG TERM LIABILITIES		
Payable for Pro Natura acquisition (notes 6 and 10)	3,668,455	-
TOTAL LIABILITIES	\$ 8,801,770	\$ 303,163
SHAREHOLDERS' EQUITY		
Share capital (note 13)	114,450,537	108,842,437
Obligation to issue shares (notes 13 and 16)	712,153	1,384,744
Reserve (note 13)	(2,252,081)	(1,118,738)
Other comprehensive income (note 7)	(110,080)	2,176,937
Accumulated deficit	(100,799,764)	(99,797,974)
TOTAL SHAREHOLDERS' EQUITY	12,000,765	11,487,406
NON-CONTROLLING INTEREST (note 14)	(391,094)	(391,094)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 20,411,441	\$ 11,399,475
Nature of operations and going concern (note 1)		
Commitments (note 18)		
Contingencies (note 19)		
Events after the reporting date (note 22)		

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on August 27, 2019.

"Ric Wilson"
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 nine months ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
REVENUE				
Sales (note 6)	\$ 127,792	237	130,609	5,902
Cost of sales	(51,406)	-	(51,406)	(1,894)
	\$ 76,386	237	79,203	4,008
EXPENSES				
Accounting and audit fees	64,701	8,000	282,130	67,160
Advertising	195,338	1,298,239	1,044,585	2,704,856
Amortization (note 6)	-	1,904,521	-	1,907,771
Bank service charges and interest	3,043	1,259	6,338	4,486
Consulting fees (notes 17)	234,658	3,383,564	1,038,811	17,973,534
Wages and salary	24,634	-	24,634	-
Depreciation (note 5)	21,248	15,007	62,608	29,975
Interest	159	235	159	972
Legal fees	98,207	109,264	246,514	278,783
Management(notes(13 and 17)	-	-	75,000	-
Office and general administration (note 17)	221,382	182,464	737,712	561,572
Income tax	5,127	-	5,127	-
Regulatory and transfer agent fees	6,644	23,832	58,458	58,989
Research	-	3,840	-	28,840
Share-based payments (notes 13 and 17)	-	17,562	1,619	490,273
	\$ (875,141)	(6,947,787)	(3,583,695)	(24,107,211)
OTHER INCOME (EXPENSES)				
Foreign exchange gain (loss)	36,767	(1,101)	43,965	(12,128)
Gain on sale and dissolution of subsidiary (note 2 and 15)	-	7,947	-	999,080
Gain (loss) on debt settlement (note 11 and 12)	-	-	43,796	(709,071)
Gain on sale of marketable securities (note 7)	10,255	-	922,879	-
Recovery of impairment of trade receivable	16,075	-	16,075	-
Gian on business acquisition (note 6)	-	-	336,667	-
Other income	-	-	6,163	8,915
	\$ 63,097	6,846	1,369,545	286,796
NET LOSS FOR THE PERIOD	(735,658)	(6,940,704)	(2,134,947)	(23,816,407)
OTHER COMPREHENSIVE LOSS				
Foreign currency translation differences for foreign operations	(473)	-	(1,804)	-
Change in value of marketable securities	(467,580)	-	(2,287,017)	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	\$ (1,203,711)	(6,940,704)	(4,423,768)	(23,816,407)
Net loss for the period attributable to:				
Common shareholders	\$ (735,658)	(6,940,704)	(2,134,947)	(23,816,407)
Non-controlling interest	-	-	-	-
	\$ (735,658)	(6,940,704)	(2,134,947)	(23,816,407)
Comprehensivet loss for the period attributable to:				
Common shareholders	\$ (1,203,711)	(6,940,704)	(4,423,768)	(23,816,407)
Non-controlling interest	-	-	-	-
	\$ (1,203,711)	(6,940,704)	(4,423,768)	(23,816,407)
Basic and diluted loss per shares from continuing operations	\$ (0.00)	(0.02)	(0.00)	(0.08)
Weighted average number of common shares outstanding	477,804,139	387,436,117	468,029,209	289,868,889

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								Total
	Number of shares	Amount \$	Obligation to issue shares \$	share based payments \$	Warrant reserve \$	Ownership changes \$	Foreign currency translation reserve \$	Other Comprehensive Income \$	Deficit \$	Non-controlling interest \$	
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
Share issues for cash - private placement net of											-
Share issue costs - cash	70,106,858	20,687,804	-	-	-	-	-	-	-	-	20,687,804
Shares issued as settlement of trade payables and fees	52,854,896	16,325,648	(308,823)	-	-	-	-	-	-	-	16,016,825
Shares issued for business acquisitions	91,307,902	46,449,319	-	-	-	-	-	-	-	-	46,449,319
Shares issued for asset acquisitions	3,947,368	868,421	-	-	-	-	-	-	-	-	868,421
Shares issued for cash - warrant exercise	18,113,907	3,591,176	-	-	-	-	-	-	-	-	3,591,176
Shares issued for cash - stock option exercise	2,541,666	834,155	-	(363,863)	-	-	-	-	-	-	470,292
Share-based compensation	-	-	-	490,273	-	-	-	-	-	-	490,273
Obligation to issue shares for cash	-	-	2,820,110	-	-	-	-	-	-	-	2,820,110
Reallocation for forfeited or expired stock options	-	-	-	(596,297)	-	-	-	-	596,297	-	-
Sale of subsidiary - NCI	-	-	-	-	-	-	-	-	-	362,136	362,136
Net loss for the period	-	-	-	-	-	-	-	-	(23,816,407)	-	(23,816,407)
Balance at June 30, 2018	406,452,898	110,860,228	2,841,533	1,274,221	268,320	-	(177,968)	-	(45,963,809)	(391,094)	68,711,431
Balance at September 30, 2018	427,112,360	108,842,437	1,384,744	1,278,756	279,590	(2,499,739)	(177,347)	2,176,937	(99,797,974)	(391,094)	11,096,312
Shares issued for settlement of trade payables	6,877,778	790,944	(834,741)	-	-	-	-	-	-	-	(43,796)
Shares issued for services	1,747,334	173,822	-	-	-	-	-	-	-	-	173,822
Shares issued for business acquisition	41,666,667	4,583,333	-	-	-	-	-	-	-	-	4,583,333
Shares issued for cash - warrant exercise	400,000	60,000	-	-	-	-	-	-	-	-	60,000
Share-based compensation	-	-	-	1,619	-	-	-	-	-	-	1,619
Obligation to issue shares for fees	-	-	162,150	-	-	-	-	-	-	-	162,150
Reallocation for forfeited or expired stock options	-	-	-	(1,133,156)	-	-	-	-	1,133,156	-	-
Exchange differences in translation	-	-	-	-	-	-	(1,804)	-	-	-	(1,804)
Other comprehensive income	-	-	-	-	-	-	-	(2,287,017)	-	-	(2,287,017)
Net loss for the period	-	-	-	-	-	-	-	-	(2,134,947)	-	(2,134,947)
Balance at June 30, 2019	477,804,139	114,450,537	712,153	147,219	279,590	(2,499,739)	(179,151)	(110,080)	(100,799,764)	(391,094)	11,609,671

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

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

	For the nine months ended	
	June 30, 2019	June 30, 2018
OPERATING ACTIVITIES		
Net loss for the period	\$ (2,134,947)	\$ (23,816,407)
Adjustment for items not affecting cash:		
Amortization	-	1,907,771
Depreciation	62,608	29,974
Gain on sale of marketable securities	(922,879)	-
Gain on settlement of trade payable	(43,796)	(999,080)
Share-based payments	1,619	490,273
Shares issued for services	173,822	16,016,825
Gain on asset acquisition	(416,667)	-
Obligation to issue shares for services	162,150	-
	(3,118,090)	(6,370,644)
Net changes in non-cash working capital items:		
Trade and other receivables	478,556	468,957
Prepaid expenses and other deposits	(129,116)	(876,431)
Inventory	(251,006)	(30,452)
Trade and other payables	1,523,432	(1,523)
Payable for Pro Natura acquisition	6,973,368	-
Net cash flows used in operating activities	5,477,145	(6,810,093)
FINANCING ACTIVITIES		
Common shares issued for cash, net of share issue costs	-	24,749,272
Issuance of shares-exercise of warrants	60,000	-
Share subscriptions received	-	2,820,110
Net cash flows provided by financing activities	60,000	27,569,382
INVESTING ACTIVITIES		
Acquisition of subsidiaries	-	(5,997,384)
Investments	(9,851,348)	(9,500,000)
Net proceeds from sale of marketable securities	2,964,123	-
Purchase of intangible assets	-	(10,000)
Purchase of equipment	(24,204)	(198,034)
Net cash flows used in investing activities	(6,911,429)	(15,705,418)
Net increase in cash	(1,374,284)	5,053,871
Cash and cash equivalents, beginning of period	4,064,008	525,569
Cash and cash equivalents, end of period	\$ 2,689,724	\$ 5,579,440

Supplementary cash flow information (note 16)

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 NINE MONTHS ENDED JUNE 30, 2019 AND 2018
(UNAUDITED, EXPRESSED IN CANADIAN DOLLARS)

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 1200 - 625 Howe Street Vancouver, BC V6C 2M6.

On February 1, 2019, the British Columbia Securities Commission (“BCSC”) issued the Company with a compliance-related cease trade order. As the Company has now met the requirements of the BCSC, on August 23, 2019 the Company filed a Revocation Application which is currently under review.

Abattis is a diversified cannabis company, with interests in operations engaged in growing, extraction, testing, propagation and online distribution. Over the past year, it has made key acquisitions to leverage synergies and vertically integrate its business. Through its wholly-owned subsidiary, Gabriola Green Farms Inc. (“Gabriola Green”), it has applied for a cultivation license with the Access to Cannabis for Medical Purposes Regulations (“ACMPR”) to produce Cannabis flower and oils. Abattis also has an online vaporizers business through its wholly-owned subsidiary, Green Tree Therapeutics Inc. (“Green Tree”).

On May 21, Abattis executed a share purchase agreement through its wholly-owned subsidiary and acquired Pro-Natura B.V. a privately held nutraceutical company based in the Netherlands. Pro Natura has over 30 years of operations and sales experience in Europe, with over 100 products that have been marketed to both long-term repeat customers and new large groups of distributions.

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 condensed consolidated interim financial statements do not include any adjustments to the carrying value and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern.

The Company’s operations to date have been financed by issuing common shares. 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 (“IFRIC”), and have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The condensed consolidated interim financial statements for the three and nine months ended June 30, 2019 were reviewed and authorized for issued by the Board of Directors on August 27, 2019.

ABATTIS BIOCEUTICALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2019 AND 2018
(UNAUDITED, EXPRESSED IN CANADIAN DOLLARS)

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

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 condensed consolidated interim 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.

Basis of consolidation

These condensed consolidated interim financial statements are comprised of the financial results of the Company and its subsidiaries, which are the entities over which the Company has control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and can affect those returns through its power over the investee. Non-controlling interests in the equity of the Company's subsidiaries are shown separately in equity in the consolidated statements of financial position.

At June 30, 2019 and September 30, 2018, the Company's subsidiaries are as follows:

	Country of incorporation	Principal activity	Percentage owned	
			June 30, 2019	September 30, 2018
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%
True Plant Technologies	Canada	Biotechnology	100%	100%
Phytalytics LLC ("Phytalytics")	United States	Biotechnology	51%	51%
Vergence Natural Ltd.	Canada	Marketing	100%	100%
Green Tree	Canada	Biotechnology	100%	100%
Gabriola Green	Canada	Biotechnology	100%	100%
Select Strain Genetics Inc.	Canada	Biotechnology	100%	-
1185277 B.C. Ltd	Canada	Biotechnology	100%	100%
Pro Natura B.V.	Netherlands	Biotechnology	100%	-

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

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The Company measures goodwill as the fair value of the consideration transferred, including the recognized amount of any non-controlling interest in the acquire, less the net recognized amount of the identifiable assets and liabilities assumed, all measured as of the acquisition date. Any excess of the fair value of the net assets acquired over the assumed consideration paid is recognized as a gain in the consolidated statements of operations. The Company elects on a transaction-by-transaction basis whether to measure non-controlling interest at its fair value or at its proportionate share of the recognized amount of the identifiable net assets, at the acquisition date.

ABATTIS BIOCEUTICALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2019 AND 2018
(UNAUDITED, EXPRESSED IN CANADIAN DOLLARS)

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

Transaction costs, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

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 consolidated 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 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 condensed consolidated interim 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 year**
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 granted and agent warrants issued is estimated using the Black-Scholes Option Pricing Model on the date of grant based on certain assumptions.

ABATTIS BIOCEUTICALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2019 AND 2018
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2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (CONTINUED)

- 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.

Significant accounting estimates and judgments (continued)

- Valuation and economic recoverability of intangible assets and goodwill
Management has determined that intangible asset costs incurred which were capitalized may have future economic benefits and may be economically recoverable. Management uses several criteria in its assessments of economic recoverability and probability of future economic benefits including anticipated cash flows and estimated economic life. Indefinite lived intangible assets and goodwill are tested annually for impairment. The assessment of the recoverable amount used in the intangible asset and goodwill impairment analysis requires management to make estimates and assumptions about expected sales volumes and prices, for which management considers historical prices and current market trends, as well as considering the Company's current projects, their expected output, costs and timing. These estimates and assumptions are subject to risk and uncertainty; hence there is a possibility that a change in circumstances will alter these projections, which may impact the recoverable amount of the assets.

While management believes the estimates contained within these condensed consolidated interim 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.

ABATTIS BIOCEUTICALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2019 AND 2018
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2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (CONTINUED)

- Classification of assets and liabilities as discontinued operations
Classification of assets or a disposal group as discontinued operations requires judgment on whether the carrying amount will be recovered principally through a sale transaction rather than through continuing use and whether the sale is highly probable.

Significant accounting estimates and judgments (continued)

- Significant influence
When determining the appropriate basis of accounting for the Company's investments, the Company makes judgments about the degree of influence that it can exert directly or through an arrangement over the investee's relevant activities. This may include the ability to elect investee directors, appoint management or influence key decisions.
- 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.
- Business Combinations
The determination of whether a set of assets acquired and liabilities assumed constitute a business may require the Company to make certain judgments, taking into account all facts and circumstances. A business is presumed to be an integrated set of activities and assets capable of being conducted and managed for the purpose of providing a return in the form of dividends, lower costs or economic benefits. The acquisition of Gabriola Green was determined to constitute acquisition of assets (note 12). The acquisition of the Green Tree was determined to be business combination (note 6).
- Functional currency
The determination of the functional currency often requires significant judgment where the primary economic environment in which an entity operates may not be clear. This can have a significant impact on the consolidated results of the Company based on the foreign currency translation method.

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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NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2019 AND 2018
(UNAUDITED, EXPRESSED IN CANADIAN DOLLARS)

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

Significant accounting policies

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

- **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.

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.

The Company accounts for its investments in Experion Biotechnologies Inc. ("Experion") and CannaNUMUS Blockchain Inc. ("CannaNUMUS") as investments with significant influence due to its ownership portion and significant influence on the Board of Directors for each company.

- **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.

ABATTIS BIOCEUTICALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2019 AND 2018
(UNAUDITED, EXPRESSED IN CANADIAN DOLLARS)

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

Significant accounting policies (continued)

- **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 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.

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.

ABATTIS BIOCEUTICALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2019 AND 2018
(UNAUDITED, EXPRESSED IN CANADIAN DOLLARS)

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

Significant accounting policies (continued)

• **Financial instruments (continued)**

Financial assets (continued)

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 available for sale financial assets at fair value other comprehensive income.
- Investments without quoted prices in active markets are classified as available for sale.

Cash held in trust and trade and other 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 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. The Company classifies these financial liabilities as other financial liabilities.

ABATTIS BIOCEUTICALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2019 AND 2018
(UNAUDITED, EXPRESSED IN CANADIAN DOLLARS)

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

Significant accounting policies (continued)

• **Financial instruments (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.

IFRS 9 “Financial Instruments” – replaces IAS 39. IFRS 9 introduces new requirements for the classification and measurement of financial assets, additional changes relating to financial liabilities, a new general hedge accounting standard which will align hedge accounting more closely with risk management. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 with early adoption permitted. Overall, the Company does not expect the implementation of IFRS 9 to have a significant impact on its financial assets. The Company has adopted the new standard as of October 1, 2018.

• **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:

- Computer equipment – 30% declining-balance
- Office equipment – 30% declining-balance
- Plant equipment – 20% declining-balance
- Leasehold improvement – 5 years straight-line

Depreciation commences when an item of property or 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 and goodwill**

Intangible assets

Intangible assets acquired externally are measured at cost less accumulated amortization and impairment losses. The cost of a group of intangible assets acquired is allocated to the individual intangible assets based on their relative fair values. The cost of intangible assets acquired externally comprises its purchase price and any directly attributable cost of preparing the asset for its intended use.

ABATTIS BIOCEUTICALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2019 AND 2018
(UNAUDITED, EXPRESSED IN CANADIAN DOLLARS)

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

Significant accounting policies (continued)

• **Intangible assets and goodwill (continued)**

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

Goodwill

Goodwill represents the excess of the value of the consideration transferred over the fair value of the net identifiable tangible and intangible assets and liabilities assumed. Goodwill is allocated to the cash-generating unit to which it relates.

• **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.

ABATTIS BIOCEUTICALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2019 AND 2018
(UNAUDITED, EXPRESSED IN CANADIAN DOLLARS)

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

Significant accounting policies (continued)

- **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 payments**

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 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 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

ABATTIS BIOCEUTICALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2019 AND 2018
(UNAUDITED, EXPRESSED IN CANADIAN DOLLARS)

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

Significant accounting policies (continued)

- **Income Tax (continued)**

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.

- **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 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.

- **Discontinued operations**

A disposal group is classified as a discontinued operation if it meets the following conditions: (i) it is a component that can be distinguished operationally and financially from the rest of the Company's operations and (ii) it represents either a separate major line of business or geographic area or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations. Disposal groups classified as discontinued operations are presented separately from continuing operations in the consolidated statements of loss and comprehensive loss. The comparative consolidated statement of loss and comprehensive loss is presented as if the operation had been discontinued from the start of the comparative period.

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 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. Overall, the Company does not expect the implementation of IFRS 15 to have a significant impact on its revenue. The Company continues to assess the impact of the disclosure requirements under IFRS on the Company's consolidated financial statements.

ABATTIS BIOCEUTICALS CORP.**NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2019 AND 2018
(UNAUDITED, EXPRESSED IN CANADIAN DOLLARS)**

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION (CONTINUED)***New standards and interpretations not yet adopted (continued)***

IFRS 16 "Leases" – This new standard replaces IAS 17 "Leases" and the related interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting has not substantially changed. The standard is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted for entities that have adopted IFRS 15. While the Company is currently evaluating the impact this new guidance will have on its consolidated financial statements, the recognition of certain leases is expected to increase the assets and liabilities on the consolidated statements of financial position.

3. TRADE AND OTHER RECEIVABLES

	June 30, 2019	September 30, 2018
Trade receivable	\$ 20,000	\$ -
GST receivable	69,464	568,020
	<u>\$ 89,464</u>	<u>\$ 568,020</u>

No impairment was recognized during the nine months ended June 30, 2019. During the year ended September 30, 2018, the Company recorded an impairment of \$13,796 (2017 - \$Nil) for trade receivable.

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 year ended September 30, 2017, the Company received \$133,495 (US\$100,000) from Terracity as repayment of the short-term loan.

ABATTIS BIOCEUTICALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2019 AND 2018
(UNAUDITED, EXPRESSED IN CANADIAN DOLLARS)

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 equipment	Office equipment	Land	Plant equipment	Production and extraction facility	Leasehold improvement	Total
Cost							
Balance as at September 30, 2017	\$ 26,531	\$ 67,741	\$ 172,870 ⁽¹⁾	\$ 386,853	\$ -	\$ 77,793	\$ 731,788
Additions	-	124,294	-	108,000	217,105 ⁽²⁾	120,973 ⁽³⁾	570,372
Sale of subsidiary (note 15)	-	-	-	(255,847)	-	(77,793)	(333,640)
Disposal	-	-	-	-	-	(44,495) ⁽²⁾	(44,495)
Balance as at September 30, 2018	\$ 26,531	\$ 192,035	\$ 172,870	\$ 239,006	\$ 217,105	\$ 76,478	\$ 924,025
Additions	-	8,014	-	-	-	17,434	25,447
Disposal	-	-	-	-	-	(1,245)	(1,241)
Balance as at June 30, 2019	\$ 26,531	\$ 200,049	\$ 172,870	\$ 239,006	\$ 217,105	\$ 92,661	\$ 948,231
Depreciation							
Balance as at September 30, 2017	\$ (20,574)	\$ (52,690)	\$ -	\$ (113,703)	\$ -	\$ (15,200)	\$ (202,167)
Change for the year	(1,787)	(14,759)	-	(19,221)	-	(1,593)	(37,360)
Sale of subsidiary (note 15)	-	-	-	25,319	-	15,200	40,519
Balance as at September 30, 2018	\$ (22,361)	\$ (67,449)	\$ -	\$ (107,605)	\$ -	\$ (1,593)	\$ (199,008)
Change for the period	(938)	(30,464)	-	(19,632)	-	(11,573)	(62,607)
Balance as at June 30, 2019	\$ (23,299)	\$ (97,913)	\$ -	\$ (127,237)	\$ -	\$ (13,166)	\$ (261,615)
Net book value							
As at September 30, 2018	\$ 4,170	\$ 124,586	\$ 172,870	\$ 131,401	\$ 217,105	\$ 74,885	\$ 725,017
As at June 30, 2019	\$ 3,232	\$ 102,136	\$ 172,870	\$ 111,769	\$ 217,105	\$ 79,501	\$ 686,613

⁽¹⁾ 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).

⁽²⁾ During the year ended September 30, 2018, the Company issued 3,947,368 common shares for a fair value of \$868,421 as consideration for the construction of a purpose-built 26,000-square-foot cannabis production and extraction facility assumed upon the acquisition of Gabriola Green. 25% of the project has been completed and capitalized accordingly. (note 12)

⁽³⁾ The additions to the Company's leasehold improvement includes \$44,495 which was part of the assets assumed upon acquisition of Green Tree (note 6), which was impaired as at September 30, 2018, due to the lease agreements being terminated upon acquisition.

ABATTIS BIOCEUTICALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2019 AND 2018
(UNAUDITED, EXPRESSED IN CANADIAN DOLLARS)

6. INTANGIBLE ASSETS AND GOODWILL

Acquisition of Green Tree

In January 2018, the Company acquired 100% of the issued and outstanding shares of Green Tree for share consideration of 15,000,000 common shares of the Company to the former shareholders of Green Tree ("Business Combination"). 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. At the time of the Business Combination, the Company determined that Green Tree constituted a business as defined under IFRS 3, *Business Combinations*, and accounted for it as such on the date that control was acquired, January 10, 2018. The Company has recognized the identifiable assets and liabilities acquired at their estimated acquisition date fair values.

In conjunction with the Business Combination the Company also issued 15,000,000 common shares for the right to acquire Green Tree, which was previously held by Winston Resources Inc. ("Winston") for a fair value of \$10,350,000. In addition, the Company incurred \$1,000,000 cash for transaction costs to a company owned by the former director of the Company. The Company recorded the total transaction costs of \$11,350,000 in the statement of loss and comprehensive loss.

The purchase price allocation ("PPA") as follows. The PPA determined at the Business Combination date is preliminary and subject to change up to a period of one year from the Business Combination date upon finalization of fair value determination.

Consideration paid:		
15,000,000 common shares at \$0.69 per share	\$	10,350,000
Accounts receivable	\$	16,874
Inventory		-
Prepaid rent		4,167
Intangible asset (Wee-Cig License)		-
Leasehold improvement		44,495
Net assets acquired		65,536
Bank indebtedness		21
Accounts payable and accrued liabilities		18,207
Loan payable		124,293
Fair value of assets acquired and liabilities assumed	\$	(76,985)
Goodwill	\$	10,426,985

The fair value share consideration pertaining to the Business Combination was \$10,350,000. The excess of the consideration paid over the fair value of the identifiable assets less liabilities was recognized as goodwill in the amount of \$10,426,985. Goodwill represents the future economic benefit arising from other assets acquired that could not be individually identified and separately recognized. Goodwill was attributable to the expected future cash flows of the business.

As at September 30, 2018, the Company performed an impairment test of the goodwill. The recoverable amount of the Company's cash-generating unit was determined to be \$Nil based on its carrying amount exceeding its recoverable amount. The entire goodwill amount has been recorded as an impairment in the statement of loss and comprehensive loss.

ABATTIS BIOCEUTICALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2019 AND 2018
(UNAUDITED, EXPRESSED IN CANADIAN DOLLARS)

6. INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

Acquisition of Select Strain Genetics Inc.

On November 23, 2018, the Company entered into a definitive agreement to acquire 100% of Select Strains Inc. ("Select Strains"). Select Strains has almost two decades of experience within the cannabis space, specifically within the fields of cannabis testing, research, cultivation and optimization of proprietary seeds and strains.

Under the terms of the agreement, Select Strains transferred the ownership of its proprietary strain portfolio, seed inventory and clone catalogue to the Company in exchange for 41,666,667 common shares of the Company. In addition, a finder's fee is payable as part of the acquisition.

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

Consideration		
41,666,667 common shares @ \$0.11	\$	4,583,333
1,000,000 finder's fee payable @ \$0.08		80,000
Total consideration		4,663,333
Less: Fair value of net assets		
Intellectual property		5,000,000
Gain on business acquisition	\$	(336,667)

Acquisition of Pro Natura

On April 2, 2019, the Company has entered into a share purchase agreement to acquire of Pro Natura BV, privately held nutraceutical company based in Oisterwijk, Netherlands. The agreement provides for the acquisition of Pro Natura's outstanding shares in exchange for the payment of €6,684,200, of which €2,000,000 will be paid on closing, €2,220,000 one year after closing, and €2,464,200 two years following the closing. The Company will also pay €5,000,000 milestone payment within two years of Abattis CBD Products being launched through Pro Natura's sales, and €4,000,000 milestone payment within two years of launch of sales of the Company's proprietary product, Comfort, through Pro Natura's sales channels. The obligation to make these milestone payments will expire within three years from closing of the agreement. On January 10, 2019, the Company paid €1,000,000 (C\$1,530,300) and on May 7, 2019, the Company paid €1,000,000 (C\$1,514,800) for the cash consideration. On May 21, 2019, the Company has successfully closed the acquisition of Pro Natura BV.

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

Consideration paid	€	2,000,000	\$	3,045,100
Amount is due 1 year after closing date		2,220,000		3,322,674
Amount is due 2 years after closing date		2,464,200		3,688,168
Total consideration	€	6,684,200	\$	10,055,942
Less: Fair value of net assets		136,607		204,594
Goodwill	€	6,547,593	\$	9,851,348

Pro Natura succeed to achieve \$56,383 (€37,874) in sales for the period between acquisition closing date (May 21, 2019) and June 30, 2019.

ABATTIS BIOCEUTICALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2019 AND 2018
(UNAUDITED, EXPRESSED IN CANADIAN DOLLARS)

7. MARKETABLE SECURITIES

As at June 30, 2019, the Company's marketable securities are comprised of common shares of Emerald Health Therapeutics Inc. ("Emerald Health"). On November 21, 2017, the Company signed a definitive agreement with Emerald Health whereby Emerald Health acquired 53% interest in Northern Vine from the Company for an aggregate purchase price of \$2,500,000.

On August 14, 2018, the Company completed the sale of the remaining shares of Northern Vine for \$2,000,000 in cash and 1,093,938 common shares of Emerald Health, of which are free trading shares and 50% of which may be sold in 30 days.

The Company designates its investment in marketable securities as available-for-sale. The cost and fair values of the shares at June 30, 2019 are as follows:

Cost, September 30, 2018	\$	2,855,178
Sale of securities		(2,202,678)
Purchase of securities		161,435
Cost at June 30, 2019		813,935
Fair value at June 30, 2019	\$	1,010,000
Other comprehensive income, September 30, 2018	\$	2,176,937
Change in fair value of securities		(2,287,016)
Other Comprehensive Loss, June 30, 2019	\$	(110,080)

During the nine months ended June 30, 2019, the Company purchased 100,000 common shares of Yield Growth Corp at \$0.50 per share. The cost and fair value of the shares at June 30, 2019 are as follows:

Cost	\$	50,000
Sale of securities		(50,000)
Cost at June 30, 2019	\$	-

During the nine months ended June 30, 2019, the Company recognized a gain on sale of securities of \$922,879.

During the nine months ended June 30, 2019, the Company recognized the change in fair value for the marketable securities of \$2,287,017 (2017 - \$Nil) in other comprehensive loss.

8. INVESTMENT IN XLABS THERAPEUTICS

On July 24, 2018, the Company completed its investment in XLABS Therapeutics (ONT) Inc. ("XLABS"). Together, the Company and XLABS will be launching a new cannabis laboratory in Belleville, Ontario, to service Ontario's growing cannabis sector. The laboratory will be housed in a 320,000-square-foot building, with plans for an initial buildout of 10,000 square feet and future expansion into the remaining 310,000 square feet through organic growth and further joint ventures. The Belleville facility has been deemed suitable for use as a medical cannabis research facility under Health Canada's Narcotic Control Regulations (NCR) by an independent consultant engaged by XLABS. XLABS equity stake in XLABS in exchange for an investment of \$2,500,000 into XLABS. In connection with the acquisition, the Company's CEO was appointed to the board of directors of XLABS.

ABATTIS BIOCEUTICALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2019 AND 2018
(UNAUDITED, EXPRESSED IN CANADIAN DOLLARS)

8. INVESTMENT IN XLABS THERAPEUTICS (CONTINUED)

The Company designates hopes to receive licensed dealer status under the NCR. Pursuant to the agreement, the Company acquired a 10% investment in XLABS's shares as available-for-sale. During the nine months ended June 30, 2019, the Company determined the fair value of the shares to be \$212,586 (September 30, 2018 - \$212,586).

9. INVESTMENT IN ASSOCIATES

Investment in Experion

On April 10, 2014, the Company through its subsidiary, Northern Vine, entered into a share exchange agreement with 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. On October 6, 2017, the share exchange was completed and the Company regained 100% interest in Northern Vine.

Investment in CannaNUMUS

The investment in associate includes an equity investment in CannaNUMUS, a private company that is developing a cryptocurrency (the "Coin") under which tokens will represent the performance of a suite of portfolio cannabis companies.

Investment in CannaNUMUS (continued)

During the year ended September 30, 2018, the Company acquired 10,001,765 common shares (49% stake) in CannaNUMUS for cash consideration of \$5,000,000, pursuant to the investment agreement dated January 31, 2018. The Company, through its shareholding in CannaNUMUS, exercised significant influence over CannaNUMUS, but not control. As a result, the investment in CannaNUMUS is accounted for using the equity method.

Pursuant to the agreement, in exchange for a 49% equity stake in CannaNUMUS, Abattis will make an initial cash payment of \$5,000,000 as well as milestone-based payments to CannaNUMUS of up to \$7,000,000, 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 (not yet achieved);
- ii. the successful ICO of the Coin (not yet achieved); 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 (not yet achieved).

Initial recognition:	
Cash consideration	\$ 5,000,000
Cumulative share of equity loss	4,500,000
	9,500,000
Share of comprehensive loss of associates	(870,324)
Impairment	(8,629,676)
Investment in associate as at September 30, 2018	\$ -

ABATTIS BIOCEUTICALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2019 AND 2018
(UNAUDITED, EXPRESSED IN CANADIAN DOLLARS)

9. INVESTMENT IN ASSOCIATES (CONTINUED)

During the year ended September 30, 2018, the Company's share of CannaNUMUS's equity loss was \$9,870,324. CannaNUMUS owns an equity investment in Tree Chest Safety Corporation that is incorporated and owned by a broker who received \$1,000,000 in cash transaction costs in relation to the acquisition of Green Tree.

10. TRADE AND OPAYABLES THER

	June 30, 2019	September 30, 2018
Trade payables	\$ 236,195	\$ 223,547
Accrued liabilities	93,256	61,942
Payroll liabilities	11,697	17,674
Payable to XLABS Therapeutics	1,487,254	-
	\$ 1,828,402	\$ 303,163

Included in trades payable and accrued liabilities are amounts of \$1,399 to related company of one of the officers (September 30, 2018 - \$8,333) payable to two former directors of the Company. The amount of \$1,487,254 received cash from XLABS and presented as part of the cash.

Payable for Pro Natura Acquisition

As of June 30, 2019, the Company owes \$3,300,474 (€2,220,000) on May 21, 2020 (one year following acquisition closing day) and \$3,663,526 (€2,220,000) on May 21, 2021 (two years following acquisition closing day). For more information please refer to above note 6.

11. LOANES PAYABLE

Pursuant to the Business Combination, the Company assumed loans payable of \$124,293 from one of the shareholders of Green Tree. The loans payable is non-interest bearing, unsecured and due on demand. During the year ended September 30, 2018, the loan of \$124,293 has been written-off.

During the year ended September 30, 2018, the Company recognized loans payable of \$25,287 from Winston for expenses paid on behalf of Green Tree. The loans payable is non-interest bearing, unsecured and due on demand. As at September 30, 2018, the outstanding balance of \$25,287 was forgiven and the Company recognized a gain on settlement of trade payables of \$25,287.

12. ASSET ACQUISITION

Acquisition of Gabriola

In March 2018, the Company acquired 90% ownership interest in Gabriola, a private company incorporated in British Columbia with an intention for application for a cultivation licence under the ACMPR on Gabriola Island, one of the Gulf Islands located in the Strait of Georgia off the coast of British Columbia.

In connection with the acquisition, the Company issued an aggregate of 61,307,902 common shares and paid \$2,500,000 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% ownership interest in Gabriola from CannaNUMUS and an option to acquire the lands on which Gabriola's operations are conducted for \$7,000,000 until February 27, 2023, from a relative of the former CFO of the Company.

ABATTIS BIOCEUTICALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2019 AND 2018
(UNAUDITED, EXPRESSED IN CANADIAN DOLLARS)

12. ASSET ACQUISITION (CONTINUED)

As the 90% acquisition does not constitute a business combination and there are no intangible assets identified that meet the recognition criteria under IFRS, the acquisition is accounted for as an equity-settled share-based payment transaction under IFRS 2.

The Company will also issue additional shares, up to \$5,000,000, as contingent consideration for the acquisition if certain milestones are met. For share-settled contingent consideration in an asset acquisition under IFRS, a Company makes a probabilistic estimate of the fair value of contingent consideration on the grant-date based on the probability of achieving each respective milestone. Based on management's assessment at the acquisition date, the probability of achieving the milestones is negligible, therefore, no fair value has been attributed to the contingently issuable shares. The assessment is not re-evaluated or remeasured at any reporting period or when the shares are issued.

The Company recorded a total of \$28,246,964 in transaction costs to the statement of loss and comprehensive loss related to the 90% Acquisition of Gabriola as outlined in the following PPA:

Acquisition of Gabriola

In March 2018, the Company acquired 90% ownership interest in Gabriola, a private company incorporated in British Columbia with an intention for application for a cultivation licence under the ACMPR on Gabriola Island, one of the Gulf Islands located in the Strait of Georgia off the coast of British Columbia.

In connection with the acquisition, the Company issued an aggregate of 61,307,902 common shares and paid \$2,500,000 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% ownership interest in Gabriola from CannaNUMUS and an option to acquire the lands on which Gabriola's operations are conducted for \$7,000,000 until February 27, 2023, from a relative of the former CFO of the Company.

As the 90% acquisition does not constitute a business combination and there are no intangible assets identified that meet the recognition criteria under IFRS, the acquisition is accounted for as an equity-settled share-based payment transaction under IFRS 2.

The Company will also issue additional shares, up to \$5,000,000, as contingent consideration for the acquisition if certain milestones are met. For share-settled contingent consideration in an asset acquisition under IFRS, a Company makes a probabilistic estimate of the fair value of contingent consideration on the grant-date based on the probability of achieving each respective milestone. Based on management's assessment at the acquisition date, the probability of achieving the milestones is negligible, therefore, no fair value has been attributed to the contingently issuable shares. The assessment is not re-evaluated or remeasured at any reporting period or when the shares are issued.

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ABATTIS BIOCEUTICALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2019 AND 2018
(UNAUDITED, EXPRESSED IN CANADIAN DOLLARS)

12. ASSET ACQUISITION (CONTINUED)

Acquisition of Gabriola (continued)

The following table summarizes the total 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
Total consideration		28,249,319
Less: Fair Value of net assets		-
Cash		2,616
Non-controlling interests		(261)
Total fair value of net assets acquired		2,355
Transaction costs expensed	\$	28,246,964

On April 30, 2018, the Company has completed its acquisition of the remaining 10% ownership interest in its subsidiary, Gabriola. The Company acquired the interest from CannaNUMUS (associate of the Company – note 9) for \$2,500,000 cash consideration. Gabriola is now a wholly owned subsidiary of the Company. As per IFRS 10, the Company recognized directly in equity, \$2,499,739, which is the difference between the amount by which the non-controlling interest was adjusted and the fair value of the consideration paid.

On May 3, 2018, the Company announced the engagement of Ocean Pacific Contractors Ltd., a private company of a relative of the former CFO of the Company, for construction of a purpose-built, 26,000-square-foot cannabis production and extraction facility on Gabriola Island in British Columbia. In relation, the Company issued 3,947,368 common shares for a fair value of \$868,421 for a partial payment of the engagement. As at the report date, the production and extraction of the facility is still in progress.

ABATTIS BIOCEUTICALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2019 AND 2018
(UNAUDITED, EXPRESSED IN CANADIAN DOLLARS)

13. SHARE CAPITAL

Authorized share capital

Unlimited number of common shares without par value.

Issued share capital

At June 30, 2019, there were 477,804,139 issued and fully paid common shares (September 30, 2018 - 427,112,360). The Company also held 1,750,000 common shares in treasury (September 30, 2018 - 1,750,000).

During the nine months ended June 30, 2019:

- In connection with the acquisition of Select Strains Inc., the Company issued 41,666,667 common shares for a fair value of \$4,583,333 (note 6).
- The Company issued 400,000 common shares for an aggregate fair value of \$60,000 pursuant to exercise of warrants.
- During the nine months ended June 30, 2019, the Company issued 1,747,334 common shares for an aggregate fair value of \$173,822 as consideration for services to consultants and directors of the Company and 6,877,778 common shares for an aggregate fair value of \$790,945 as settlement of trade payables and fees of the Company. In addition, a gain on debt settlement of \$43,796 was recognized in the consolidated statements of loss and comprehensive loss.

During the year ended September 30, 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. Concurrently, the Company paid the following fees:
 - \$295,000 in share issuance costs to a third party for providing advisory services for private placement;
 - \$290,000 in consulting fees to three companies of one of the subscribers, of which one of the companies was dissolved on April 25, 2017; and
 - \$270,000 in advertising expenses and \$510,000 in consulting services to third parties.
- On December 4, 2017, the Company issued 2,777,778 units at \$0.18 per share for gross proceeds of \$500,000 pursuant to the Investment Agreement with Alumnia executed during the year ended September 30, 2017. Each unit consists of one common share and one share purchase warrant exercisable at \$0.25 for a period of five years. The Company paid legal fees totaling \$2,749 in cash recognized in share issuance costs.
- On December 12, 2017, pursuant to a private placement, the Company issued 1,388,888 common shares at \$0.18 for gross proceeds of \$250,000. Concurrently, the Company paid \$250,000 in consulting fees to the subscriber, which is included in the advertising expense on the consolidated statements of loss and comprehensive loss.

ABATTIS BIOCEUTICALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2019 AND 2018
(UNAUDITED, EXPRESSED IN CANADIAN DOLLARS)

13. SHARE CAPITAL (CONTINUED)

Issued share capital (continued)

- On December 12, 2017, pursuant to a private placement the Company issued 9,043,887 units at \$0.18 per unit for gross proceeds of \$1,627,900 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. Concurrently, the Company paid the following fees:
 - \$720,000 in shares issuance costs for advisory services received for private placements, of which \$360,000 were paid to a subscriber.
 - \$30,000 in advertising fees to a subscriber, equal to the investment of the subscriber
 - \$2,315,000 in consulting fees, of which \$880,000 were paid to a subscriber and three companies of the subscriber, of which one of the companies was dissolved on April 25, 2017.
- 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. 387,596 units were issued to a company owned by a former director.
- 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 share purchase warrant. Each one whole warrant is exercisable at \$0.65 per share for a period of three years. Concurrently, the Company paid \$571,428 in consulting fees to one of the subscribers.

During the year ended September 30, 2018: (continued)

- 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. Concurrently, the Company paid consulting fees of \$380,952.

The fair value of the 24,347 finders' warrants was estimated at \$11,270, using the Black-Scholes Option Pricing Model with the following weighted average assumptions: expected dividend yield - 0%, share price - \$0.36, expected volatility - 187% (based on historical volatility), risk-free interest rate - 1.90%, exercise price - \$0.65 and an expected average life - 3 years.

- 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.

ABATTIS BIOCEUTICALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2019 AND 2018
(UNAUDITED, EXPRESSED IN CANADIAN DOLLARS)

13. SHARE CAPITAL (CONTINUED)

Issued share capital (continued)

- In connection with the acquisition of Green Tree, 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, 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 6).
- In connection with the acquisition of Gabriola Green, the Company issued 61,307,902 common shares for an aggregate fair value of \$25,749,319 (note 12).
- In connection with the acquisition of Gabriola Green, the Company issued 3,947,368 common shares for a fair value of \$868,421 as consideration for the construction of a purpose-built 26,000-square-foot cannabis production and extraction facility.
- On July 10, 2018, the Company completed a non-brokered private placement for gross proceeds of \$2,250,000 through issuance of 13,235,294 common shares of the Company at \$0.17 per share.
- On September 10, 2018, the Company issued 111,111 common shares for gross proceeds of \$30,000 at \$0.27 per share.
- The Company issued 18,113,907 common shares for an aggregate fair value of \$3,591,176 pursuant to exercise of warrants.
- The Company issued 2,541,666 common shares for an aggregate fair value of \$834,155 pursuant to exercise of options. In relation to the issuance, the Company reclassified 363,863 from reserve to share capital.

During the year ended September 30, 2018: (continued)

- During the year ended September 30, 2018, the Company issued an aggregate of 25,289,892 common shares for an aggregate fair value of \$5,533,086 for consideration for services to consultants, directors and employees of the Company.
 - 91,814 common shares for an aggregate fair value of \$31,877 were issued to a company owned by the CEO of the Company for consulting services;
 - 100,000 common shares for an aggregate fair value of \$17,000 were issued to the CFO of the Company for management services;
 - 1,135,726 common shares for an aggregate fair value of \$355,180 were issued to the former CFOs of the Company, of which 1,000,000 common shares for a fair value of \$315,000 were issued as termination fees;

ABATTIS BIOCEUTICALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2019 AND 2018
(UNAUDITED, EXPRESSED IN CANADIAN DOLLARS)

13. SHARE CAPITAL (CONTINUED)

Issued share capital (continued)

- 175,435 common shares for an aggregate fair value of \$51,147 were issued to the former CEO of Northern Vine;
 - 66,519 common shares for an aggregate fair value of \$22,211 were issued to a former officer of the Company for consulting services;
 - 359,948 common shares for an aggregate fair value of \$107,790 were issued to directors of the Company for consulting services;
 - 5,000,000 common shares for an aggregate fair value of \$850,000 were issued pursuant to an agreement executed on June 1, 2018 with a company that was incorporated on June 7, 2018 with a term of 30 days for consulting services;
 - 4,000,000 common shares for an aggregate fair value of \$660,000 were issued pursuant to an agreement executed on September 1, 2018 with a third party for a term of 30 days for consulting services;
 - 8,041,321 common shares for an aggregate fair value of \$1,643,326 were issued for one-time consulting services performed; and
 - 6,319,129 common shares for an aggregate fair value of \$1,794,555 were issued for reoccurring consulting fees on monthly or quarterly basis.
- During the year ended September 30, 2018, the Company issued 1,572,971 common shares for settlement of \$132,552 in debt, of which 762,379 common shares were issued to a company that was related to the former CFO and 394,004 common shares were issued to a company that was dissolved on April 25, 2017. The common shares issued for 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 \$830,783 was recognized in the consolidated statement of loss and comprehensive loss.

During the year ended September 30, 2018: (continued)

- During the year ended September 30, 2018, the Company issued an aggregate of 33,305,090 common shares for an aggregate fair value of \$11,040,365 as consideration for milestones achieved by consultants, directors and employees of the Company, of which, the following were issued:
 - 21,955,090 common shares for an aggregate fair value of \$6,372,365 were issued for securing financing which was initiated and closed by the CEO and the former CFO of the Company. The fair value was recognized as share issuance costs.
 - 10,000,000 common shares for an aggregate fair value of \$4,330,000 were issued for securing the investment in Emerald Health, investment in CannanUMUS, business acquisition of Green Tree and asset acquisition of Gabriola green. The fair value was recognized as finance costs in the consolidated statement of loss and comprehensive loss.
 - 25,000 common shares for an aggregate fair value of \$4,250 were issued for successfully negotiating and closing a definitive agreement with a brewing company to develop Canada's first CBD beer. The fair value has been recognized as consulting fees in the consolidated statement of profit and loss.
 - 325,000 common shares for an aggregate fair value of \$157,750 were issued for milestones not yet achieved.
 - 1,000,000 common shares for an aggregate fair value of \$170,000 were issued for investment in Experion. The fair value has been recognized as consulting fees in the consolidated statement of loss and comprehensive loss.

ABATTIS BIOCEUTICALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2019 AND 2018
(UNAUDITED, EXPRESSED IN CANADIAN DOLLARS)

13. SHARE CAPITAL (CONTINUED)

Obligation to issue shares

	June 30, 2019	September 30, 2018
Beginning balance	1,384,744	330,246
Reclassification for shares issued	(834,741)	(308,824)
Shares to be issued for milestone payments	120,000	884,383
Shares to be issued for compensation	42,158	3,938
Cash received for shares to be issued	-	475,001
Ending balance	712,153	1,384,744

During the nine months ended June 30, 2019:

- During the nine months ended June 30, 2019, the Company recorded \$162,158 in obligation to issue shares for performance shares to be issued for milestones to be achieved.

During the year ended September 30, 2018:

- As of September 30, 2018, \$3,938 has been recorded in obligation to issue shares for compensation shares to be issued as consideration for consulting fees incurred during the year.
- During the year ended September 30, 2018, the Company recorded \$888,321 in obligation to issue shares for performance shares to be issued for milestones to be achieved, of which \$834,741 is an obligation to issues shares to a company controlled by the CEO of the Company.
- As at September 30, 2018, the Company has received cash proceeds of \$475,001 for an obligation to issue shares.

Share purchase warrants

The changes in warrants during the nine months ended June 30, 2019 and the year ended September 30, 2018 as follows:

	June 30, 2019		September 30, 2018	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
Outstanding, beginning balance	46,364,017	\$ 0.40	11,652,821	\$ 0.15
Issued	-	-	18,905,265	0.25
Issued	-	-	15,647,089	0.65
Issued	-	-	18,518,518	0.30
Exercised	(400,000)	0.15	(18,113,907)	0.20
Expired	(19,067,998)	0.30	(245,769)	-
Outstanding, ending balance	26,896,019	\$ 0.48	46,364,017	\$ 0.40

ABATTIS BIOCEUTICALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2019 AND 2018
(UNAUDITED, EXPRESSED IN CANADIAN DOLLARS)

13. SHARE CAPITAL (CONTINUED)

The following summarizes information about warrants outstanding and exercisable at June 30, 2019:

Expiry date	Warrants outstanding	Exercise price	Weighted average remaining contractual life, in years
December 23, 2019	371,742	\$ 0.18	0.48
January 17, 2022	671,743	0.18	2.55
March 29, 2022	633,513	0.26	2.75
October 24, 2020	6,083,600	0.25	1.27
December 4, 2022	2,777,778	0.25	3.43
December 12, 2020	710,554	0.25	1.45
December 19, 2020	4,651,160	0.65	1.47
January 4, 2021	3,155,023	0.65	1.52
January 10, 2021	7,840,906	0.65	1.53
	26,896,019	\$ 0.50	1.69

During the nine months ended June 30, 2019, the Company exercised 400,000 warrants at an exercise price of \$0.15. In addition, a total of 19,067,998 warrants with an average exercise price of \$0.30 expired unexercised during the nine months ended June 30, 2019.

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 nine months ended June 30, 2019 and the year ended September 30, 2018 as follows:

	June 30, 2019		September 30, 2018	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
Outstanding, beginning of period	5,718,334	\$ 0.25	10,135,000	\$ 0.23
Exercised	-	-	(2,541,666)	0.19
Granted	-	-	2,300,000	0.21
Expired/cancelled	(4,651,667)	0.27	(4,175,000)	0.17
Outstanding, end of period	1,066,667	\$ 0.15	5,718,334	\$ 0.25

ABATTIS BIOCEUTICALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2019 AND 2018
(UNAUDITED, EXPRESSED IN CANADIAN DOLLARS)

13. SHARE CAPITAL (CONTINUED)

Stock options (continued)

No options were granted during the nine months ended June 30, 2019.

During the nine months ended June 30, 2019, an aggregate of 4,651,667 share options with a weighted average exercise price of \$0.27 were cancelled.

During the year ended September 30, 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 these options of \$312,727 was recognized during the year.
- 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. \$51,963 was recognized in the statement of loss and comprehensive loss for the options vested. 100,000 of these stock options were cancelled during the year ended September 30, 2018.
- On June 21, 2018, the Company granted 100,000 stock options exercisable at \$0.185 for a period of 2.9 years. The options vest at 1/3 upon grant date, 1/3 on November 7, 2018, and 1/3 after on May 7, 2019. Fair value of options vested amounting to \$12,727 was recognized in the statement of loss and comprehensive loss.

In addition, fair value of options previously granted which have vested amounting to \$117,391 was recognized in the consolidated statement of loss and comprehensive loss.

ABATTIS BIOCEUTICALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2019 AND 2018
(UNAUDITED, EXPRESSED IN CANADIAN DOLLARS)

13. SHARE CAPITAL (CONTINUED)

Stock options (continued)

The total fair value of stock options granted during the nine months ended June 30, 2019 was \$Nil (September 30, 2018 - \$389,068). The Company recognized \$1,619 share-based payments during the nine months ended June 30, 2019 as compared to recognized share-based payment of \$472,711 during the nine months ended June 30, 2018. The estimated grant date fair value of the options granted was calculated using the Black-Scholes option pricing model with the following assumptions:

	June 30, 2018	March 31, 2018	December 31, 2017	September 30, 2017
Share price	\$ 0.18	\$ 0.36	\$ 0.19	\$ 0.17
Exercise price	\$ 0.19	\$ 0.36	\$ 0.20	\$ 0.17
Risk-free interest rate	1.82%	1.77%	1.51%	0.78%
Estimated volatility	161.75%	165.36%	155.27%	130%
Expected life	2.90	3.00	3.00	5.00
Expected dividend yield	0%	0%	0%	0%

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 June 30, 2019:

Expiry date	Options outstanding	Options exercisable	Exercise Price	Weighted average remaining contractual life, in years
September 10, 2020	1,066,667	1,066,667	\$ 0.145	1.20
	1,066,667	1,066,667	\$ 0.145	1.20

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. During the nine months ended June 30, 2019, \$1,133,156 (2018 - \$483,503) in reserves was reallocated to deficit for forfeited and expired options.

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.

ABATTIS BIOCEUTICALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2019 AND 2018
(UNAUDITED, EXPRESSED IN CANADIAN DOLLARS)

14. NON-CONTROLLING INTEREST

As at June 30, 2019, the carrying value of NCI was \$391,094 (September 30, 2018 - \$391,094) which was determined as follows:

	Phytalytics LLC	Northern Vine	Total
As at September 30, 2017	\$ (391,094)	\$ (362,136)	\$ (753,230)
During the year ended September 30, 2018			
Disposal of Northern Vine	-	362,136	362,136
As at September 30, 2018 and June 30, 2019	\$ (391,094)	\$ -	\$ (391,094)

15. DISCONTINUED OPERATIONS AND DISPOSITION OF A SUBSIDIARY

Pursuant to the Investment, on October 6, 2017, the Company repurchased 25% interest in Northern Vine from Experion (note 9). Upon receipt of 6,275 Northern Vine shares, the Company cancelled these shares.

On October 25, 2017, the Company entered into a share purchase agreement with Emerald Health Therapeutics Canada ("Emerald Sub") and Emerald Health whereby Northern Vine agreed to issue 29,209 Northern Vine shares to Emerald Health (53% of issued and outstanding shares of Northern Vine after cancellation of the 6,275 Northern Vine shares acquired from Experion). In return, Northern Vine received \$2,500,000 as consideration. On November 17, 2017, Emerald Health acquired control of Northern Vine by ways of shares purchased from treasury resulting in ownership of 53% of the issued and outstanding shares of Northern Vine.

On May 15, 2018, Northern Vine completed an equity financing of \$2,750,000 by issuance of Northern Vine shares to Emerald Health.

On July 17, 2018, the Company entered into another share purchase agreement with Emerald Health and Emerald Sub whereby the Company agreed to sell the remaining interest in Northern Vine to Emerald Sub (47% or 25,901.50 Northern Vine shares). In return, the Company received \$2,000,000 cash and 1,093,938 Emerald Health shares (note 6). On August 14, 2018, the Company completed sales of the remaining interest.

In the event that Northern Vine and/or the Emerald Sub, together or separately, receives aggregate gross revenue during the milestone period of \$10,000,000 or more from the sale of products to or provision of services by Abattis Revenue Sources, Emerald Health agrees to issue Emerald Health shares with fair value of \$4,000,000, which such value to determined based on the 30-day volume weighted average price of the Emerald Health shares.

ABATTIS BIOCEUTICALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2019 AND 2018
(UNAUDITED, EXPRESSED IN CANADIAN DOLLARS)

15. DISCONTINUED OPERATIONS AND DISPOSITION OF A SUBSIDIARY (CONTINUED)

Accordingly, the Company derecognized the assets and liabilities of Northern Vine from the consolidated statements of financial position and recognized a corresponding gain associated with the sale as follows:

Cash	\$	591
Due to Abattis		(763,599)
GST receivable		28,461
Property and equipment, net of accumulated amortization		301,068
Trade payables		(15,734)
Net liabilities assumed		(449,213)
Remaining interest upon deconsolidation		47%
Balance of non-controlling investment		(211,130)
Fair value of issuance of Northern Vine shares (53%)		(2,216,911)
Gain on deconsolidation of Northern Vine		2,428,041
Fair value of Emerald Health shares (note 6)		2,855,178
Cash consideration for sale of Northern Vine shares		2,000,000
Total consideration		4,855,178
Less: fair value of issuance of Northern Vine shares		(2,216,911)
Gain on disposition of investment in Northern Vine		2,638,267
Gain on sale of subsidiary	\$	5,066,308

Pursuant to the sale of Northern Vine, the Company classified the operations of Northern Vine as discontinued operations. The following expenses comprise the discontinued operations of Northern Vine for the periods of ownership noted.

For the year ended	September 30, 2017
Advertising	\$ 7,841
Amortization of intangibles	357
Bank charges	459
Depreciation	22,105
Interest expense	-
Legal fees	8,920
Management and consulting	699,430
Office and admin	121,357
Regulatory and transfer agent fees	-
Research expense	12,740
Share based payment	-
Other income	(2,175)
Impairment of intangibles	3,805
Foreign exchange	1,316
Discontinued operations expense for the year	\$ 876,155

ABATTIS BIOCEUTICALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2019 AND 2018
(UNAUDITED, EXPRESSED IN CANADIAN DOLLARS)

16. SUPPLEMENTAL CASH FLOW INFORMATION

	For the nine months ended	
	June 30, 2019	June 30, 2018
Shares issued to settle obligation from prior period	\$ 834,741	\$ 308,823
Exercise of stock options	\$ -	\$ 363,863

17. RELATED PARTY TRANSACTIONS

Key management personnel compensation

During the nine months ended June 30, 2019 and 2018, compensation to key management personnel and related parties were as follows:

	June 30, 2019	June 30, 2018
Remuneration, fees and short-term benefits		
Share-based payments	\$ 1,619	\$ 145,335
Management and consulting fees ⁽¹⁾	485,129	8,664,159
	\$ 486,748	\$ 8,809,494

⁽¹⁾ Includes directors' fees paid by issuance of 450,000 shares with an aggregate fair value of \$49,500.

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 June 30, 2019 is \$Nil (September 30, 2018 - \$105,160) and \$120,000 (September 30, 2018 - \$834,741) included in obligation to issue shares due to the aforementioned parties for advertising, management, consulting fees and bonus. As of June 30, 2019, the Company prepaid \$133,345 (September 30, 2018 - \$28,168) to management and officers for business expenses.

During the nine months ended June 30, 2019, the Company issued 7,327,778 common shares with fair value of \$840,445 to directors and management for bonus and settlement of trade payables.

During the year ended September 30, 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 year ended September 30, 2018, the Company issued 27,155,090 common shares with a fair market value of \$8,116,825 to a director for bonus.

Loan payable

On August 2, 2016, the Company entered into a loan agreement with Crimson Opportunities Ltd. ("Crimson"). Under the terms of the loan agreement, Crimson 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) an 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.

ABATTIS BIOCEUTICALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2019 AND 2018
(UNAUDITED, EXPRESSED IN CANADIAN DOLLARS)

17. RELATED PARTY TRANSACTIONS (CONTINUED)

Loan payable (continued)

During the year ended September 30, 2018, the Company drew \$Nil (2017 - \$39,193) from the bridge loan and accrued \$Nil (2017 - \$2,066) in interest. 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).

18. COMMITMENTS

- i) 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 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.

ABATTIS BIOCEUTICALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2019 AND 2018
(UNAUDITED, EXPRESSED IN CANADIAN DOLLARS)

18. COMMITMENTS (CONTINUED)

- ii) 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 services 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 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. During the year ended September 30, 2018, the Company issued 12,777,465 common shares to Crimson for the achievement of milestones.

- iii) 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. During the year ended September 30, 2018, the Company issued 14,177,625 common shares to the CEO for the achievement of milestones. As of June 30, 2019, the Company issued 6,877,778 common shares to the CEO for the achievement of milestone.
- iv) The Company owes to Catalyst Investment Capital Corp in regards with 100% acquisition of Pro Natura as follows
 - (i) 2.22 million euros at May 21, 2020 (one year following closing); and
 - (ii) 2,464,200 euros May 21, 2021 (two years following closing)

For more information please refer to note 6 (Acquisition of Pro Natura)

19. CONTINGENCIES

- i) The Company was 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. During the year ended September 30, 2017, the Company settled the claim through the issuance of common shares.
- ii) The Company was 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. During the year ended September 30, 2017, the Company settled the claim through issuance of common shares.

ABATTIS BIOCEUTICALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2019 AND 2018
(UNAUDITED, EXPRESSED IN CANADIAN DOLLARS)

19. CONTINGENCIES (CONTINUED)

- iii) The Company commenced an action against a vendor and settled the matter for the amount of US\$20,000. Periodic payments are being made to the Company in satisfaction of the settlement amount. To date, US\$14,000 has been paid pursuant to the settlement.
- iv) The Company has received a possible claim with regard to delivery and ownership of a certificate representing 2,105,263 shares of the capital of the Company. The matter is dormant since September 2018, and management, based on advice of legal counsel, is not clear whether this matter will be proceeded by the plaintiff.
- v) In March 2018, the Company received notice of a possible claim in relation to the same shares referred to in (iv) above, demanding a payment of an invoice in the amount of US\$400,000 for the purported delivery of extraction machines. On April 16, 2018, the Company responded to the plaintiff advising that the milestones relating to the payment had not been achieved, and the amount was there not payable. The matter has been dormant since July 2018.
- vi) On November 26, 2018, the BC Securities Commission ("BCSC") issued a Temporary Order against the Company prohibiting it from relying upon exemption under the Securities Act regarding consultants. At the same time, a Notice of Hearing alleged that the Company was potentially issuing shares without the benefit of that exemption. In July 2018, the Company had issued 13,235,294 shares at a value of \$2,250,000 in reliance on that exemption. On December 7, 2018, a hearing was held to determine whether the Temporary Order against Abattis was terminated. At this time, the Company has been responding to Demands for Production from Commission staff and once those demands have been complied with, the Company will be making efforts to have the Company removed from the proceeding entirely. On January 15, 2019, the Temporary Order was revoked against the Company as set out in the Decision of BCSC on that date. Although no longer part of the Temporary Order, Abattis does remain a respondent in this proceeding.
- vii) On July 11, 2019, two individuals filed a Notice of Civil Claim in the Supreme Court of British Columbia seeking certification for a class action against the Company and numerous other parties. Management is not able to quantify the impact of this action.

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.

20. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the development of its technologies and to maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk. The Company considers its capital for this purpose to be its shareholders' equity. The Company's primary source of capital is through the issuance of equity. The Company manages and adjusts its capital structure when changes in economic conditions occur. To maintain or adjust the capital structure, the Company may seek additional funding. The Company may require additional capital resources to meet its administrative overhead expenses in the long term. The Company believes it will be able to raise capital as required in the long-term, but recognizes there will be risks involved that may be beyond its control. There are no external restrictions on the management of capital.

ABATTIS BIOCEUTICALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2019 AND 2018
(UNAUDITED, EXPRESSED IN CANADIAN DOLLARS)

21. FINANCIAL INSTRUMENTS

a) Fair value

In accordance with IFRS, financial instruments are classified into one of the five following categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets and other financial liabilities. Investments with quoted prices in active markets are designated as held-for-trading. Investments without quoted prices in active markets designated as available-for-sale and are carried at cost.

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 carrying values of cash and cash equivalents, trade and other receivables, marketable securities, investments, 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.

	June 30, 2019	September 30, 2018
Financial Assets		
<i>Held-for-trading</i>		
Cash	\$ 2,689,724	\$ 4,064,008
<i>Available-for-sale</i>		
Marketable securities	2,689,724	5,032,115
Investment	212,586	212,586
<i>Loan and receivable</i>		
Trade receivables	89,464	-
Financial Liabilities		
Trade and other payables	1,828,402	303,163
Payable for Pro Natura acquisition	\$ 6,973,368	\$ -

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 June 30, 2019 and September 30, 2018, the Company's exposure is the carrying value of the financial instruments.

ABATTIS BIOCEUTICALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2019 AND 2018
(UNAUDITED, EXPRESSED IN CANADIAN DOLLARS)

21. FINANCIAL INSTRUMENTS (CONTINUED)

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.

b) Financial risk management (continued)

Liquidity risk (continued)

The Company maintained cash at June 30, 2019 in the amount of \$2,689,724 (September 30, 2018 - \$4,064,008), in order to meet short-term business requirements. At June 30, 2019, the Company had accounts payable and other payables of \$5,133,315 (September 30, 2018 - \$303,163). All accounts 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.

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 June 30, 2019, 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 \$605.

22. EVENTS AFTER THE REPORTING DATE

Acquisition of NutriVida Corp.

On December 6, 2018, the Company signed a non-binding letter of intent ("LOI") to acquire, through an arm's-length transaction, a 100% interest in NutriVida Corp., a privately held fertilizer and nutrient company located in Langley, B.C. The acquisition of NutriVida plays directly into the Company's push to add to its current and future cannabis growth assets.

Pursuant to the terms of the LOI, the Company will negotiate a definitive agreement, which will include a purchase price of up to \$15,000,000 to be paid in shares based on milestones which will be outlined in the agreement. The initial payment, which will be defined in the agreement, will be based on a deemed share price of \$0.12. Based on the deemed share price, the transaction will result in the shareholders of NutriVida owning 26% of the Company.

On January 10, 2019, the Company has entered into a definitive share exchange agreement (the "Agreement") with 1157016 B.C. Ltd., dba NutriVida. In consideration for the acquisition, and on closing thereof, the Company

ABATTIS BIOCEUTICALS CORP.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED JUNE 30, 2019 AND 2018
(UNAUDITED, EXPRESSED IN CANADIAN DOLLARS)

22. EVENTS AFTER THE REPORTING DATE (CONTINUED)

Acquisition of NutriVida Corp. (continued)

will issue an aggregate of 58,823,529 common shares (each, a “Share”) in the capital of Abattis, pro rata, to the NutriVida shareholders at a deemed price of \$0.085 per Share and make a cash payment of \$250,000 as provided in the Agreement. In addition, the Company has agreed to pay up to an aggregate of \$10,000,000 to the NutriVida shareholders upon the achievement, by NutriVida, of certain performance milestones (each, a “Performance Milestone”). The milestones outline aggressive growth targets that include obtaining permits for several US states as well as significant revenue targets for up to \$50,000,000 in cumulative revenue commencing on the entry of the Agreement.

On January 18, 2019, the Company received a letter from a third party making certain claims concerning the wrongful use, by NutriVida, of certain proprietary fertilizer formulations (the “Claims”). At this time, no formal legal proceedings have been initiated against NutriVida or Abattis in relation to the Claims. Pursuant to the terms of the Agreement entered into with NutriVida, Abattis is indemnified against any and all claims relating to the intellectual property rights of NutriVida. Further, as the proposed Acquisition is in its due diligence stage, the Company has yet to close the Acquisition and, as such, has yet to provide any equity or cash consideration to the shareholders of NutriVida. Therefore, Abattis will not close the Acquisition until such time as all issues involving the intellectual property have been resolved.

Repurchase of Common Shares

On August 7, 2018, the Company announced a bid to purchase up to 20,986,909 of its common shares, representing 5% of its current issued and outstanding shares. The Company believes that the repurchase of its common shares for cancellation would be in the best interests of its shareholders. The bid will commence on August 15, 2018, and terminate on August 15, 2019, or on an earlier date in the event that the number of common shares sought in the bid has been repurchased or if the company feels that it is appropriate to do so. All common shares will be purchased on the open market through the facilities of the Canadian Securities Exchange, and payment for the common shares will be made in accordance with CSE policies. All purchases under the bid will be made at the prevailing market prices of the common shares at the time of purchase. As of June 30, 2019, the purchase has not yet completed.

Application to revocation

On August 23, 2019 the company filed a Revocation Application with the British Columbia Securities Commission (“BCSC”) and is awaiting response.