Abattis Bioceuticals Corp.

Consolidated Financial Statements

For the year ended September 30, 2016

(Expressed in Canadian Dollars)

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Abattis Bioceuticals Corp.

We have audited the accompanying consolidated financial statements of Abattis Bioceuticals Corp., which comprise the consolidated statement of financial position as at September 30, 2016, and the consolidated statement of loss and comprehensive loss, equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian Generally Accepted Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Abattis Bioceuticals Corp., as at September 30, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

(continued)

Other Matter

The consolidated financial statements of Abattis Bioceuticals Corp. for the year ended September 30, 2015, were audited by another auditor who expressed an unmodified opinion on the consolidated financial statements on February 3, 2016.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS

Vancouver, Canada
February 24, 2017

ABATTIS BIOCEUTICALS CORP.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT
(EXPRESSED IN CANADIAN DOLLARS)

	Note	September 30, 2016	September 30, 2015
ASSETS			
Cash		$ 38,485	$ 157,758
Cash held in trust	4	-	6,836
Marketable securities	5	-	92,925
Trade and other receivables	6	38,703	39,333
Prepaid expenses and other deposits		13,430	52,251
		90,618	349,103
NON-CURRENT ASSETS			
Property and equipment	8	148,857	166,108
Intangible assets	9	1,026,055	1,096,430
Other assets		2,000	2,000
		1,176,912	1,264,538
TOTAL ASSETS		$ 1,267,530	$ 1,613,641
LIABILITIES			
Trade and other payables	11, 16	$ 1,007,952	$ 1,118,089
Advance payable	12	18,871	18,871
		1,026,823	1,136,960
NON-CURRENT LIABILITIES			
Loan payable	16	30,927	-
TOTAL LIABILITIES		1,057,750	1,136,960
SHAREHOLDERS' EQUITY			
Share capital	13	14,714,106	12,441,490
Obligation to issue shares	13	111,060	-
Reserve	13	1,000,080	1,395,353
Accumulated deficit		(15,154,290)	(12,976,256)
TOTAL SHAREHOLDERS' EQUITY		670,956	860,587
NON-CONTROLLING INTEREST	14	(461,176)	(383,906)
TOTAL LIABILITIES AND SHARHOLDERS' EQUITY		$ 1,267,530	$ 1,613,641

Nature of operations and going concern (note 1)
Commitments (note 17)
Contingencies (note 18)

These consolidated financial statements were authorized for issue by the Board of Directors. They are signed on behalf of the Board of Directors by:

"Jim Irving"
Director

"Douglas Sorocco"
Director

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

ABATTIS BIOCEUTICALS CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEAR ENDED
(EXPRESSED IN CANADIAN DOLLARS)

	Note	September 30, 2016	September 30, 2015
REVENUE			
Sales	3	$ -	$ 91,940
Cost of sales		-	(29,319)
		-	62,621
EXPENSES			
Accounting and audit fees		46,945	137,020
Advertising		82,055	129,758
Amortization	9	70,556	78,903
Bank service charge		4,428	5,113
Depreciation	8	59,474	104,190
Interest		6,323	18,690
Legal fees	16	116,362	420,309
Management and consulting fees	16	1,378,528	1,124,842
Office and general administration	16	399,788	743,028
Regulatory and transfer agent fees		43,405	78303
Research		40,016	82,791
Share-based payments	13, 16	67,925	241,234
		(2,315,805)	(3,164,181)
OTHER INCOME (EXPENSES)			
Foreign exchange		(12,530)	9,354
Gain on settlement of trades payable		(50,468)	285,041
Loss on disposal		-	(388,964)
Loss on loan receivable	7	-	(158,483)
Investment loss	5	(9,855)	(32,675)
Impairment loss on tangible assets	8	-	(272,905)
Impairment on goodwill	3	-	(508,549)
Impairment loss on intangible assets	3, 9	-	(1,554,698)
Impairment and loss from investment in associates	10	-	(271,179)
Other income		-	19,402
Finance costs	13, 16	(23,525)	(17,732)
		(96,378)	(2,891,388)
LOSS BEFORE TAXES		(2,412,183)	(5,992,948)
DEFERRED INCOME TAX RECOVERY	22	-	419,294
NET LOSS FOR THE YEAR		$ (2,412,183)	$ (5,573,654)

(continued)

ABATTIS BIOCEUTICALS CORP.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FOR THE YEAR ENDED
(EXPRESSED IN CANADIAN DOLLARS)

(continued)

NET LOSS FOR THE YEAR	$ (2,412,183)	$ (5,573,654)
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation differences for foreign operations	(297,280)	239,570
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	$ (2,709,463)	$ (5,334,084)
Net loss for the year attributable to:		
Common shareholders	$ (2,339,416)	$ (4,472,547)
Non-controlling interest	(72,767)	(1,101,107)
	$ (2,412,183)	$ (5,573,654)
Comprehensive loss for the year attributable to:		
Common shareholders	$ (2,632,193)	$ (4,350,367)
Non-controlling interest	(77,270)	(983,717)
	$ (2,709,463)	$ (5,334,084)
Loss per share, for the loss for the year attributable to common shareholders - basic and diluted	$ (0.03)	$ (0.06)
(options and warrants not included as the impact would be anti-dilutive)		
Weighted average number of common shares outstanding - basic and diluted	94,996,079	68,819,409

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

ABATTIS BIOCEUTICALS CORP.
CONSOLIDATED STATEMENTS OF EQUITY
AS AT
(EXPRESSED IN CANADIAN DOLLARS)

		Share capital				Reserve				
	Note	Number of shares	Amount	Obligation to issue shares	Equity-settled share based payments	Warrant	Foreign currency translation	Deficit	Non-controlling interest	Total
Balance at September 30, 2014		64,925,686	$ 11,514,995	$ -	$ 1,637,196	$ -	$ -	$ (9,108,966)	$ 599,811	$ 4,643,036
Shares issued for cash - private placement	13	8,314,152	604,913	-	-	-	-	-	-	604,913
Shares issued for fees	13	2,362,297	306,582	-	-	-	-	-	-	306,582
Shares issued for cash - warrant exercise	13	1,200,000	120,000	-	-	-	-	-	-	120,000
Treasury stock	13	-	(105,000)	-	-	-	-	-	-	(105,000)
Share-based payments	13	-	-	-	241,234	-	-	-	-	241,234
Reallocation for forfeited or expired stock options	13	-	-	-	(605,257)	-	-	605,257	-	-
Exchange differences in translation		-	-	-	-	-	122,180	-	117,390	239,570
Net loss for the year		-	-	-	-	-	-	(4,472,547)	(1,101,107)	(5,573,654)
Balance at September 30, 2015		76,802,135	12,441,490	-	1,273,173	-	122,180	(12,976,256)	(383,906)	476,681
Shares issued for cash - private placement	13	10,500,000	525,000	-	-	-	-	-	-	525,000
Share issuance costs	13	-	(49,743)	-	-	20,743	-	-	-	(29,000)
Shares issued for cash - warrant exercise	13	300,000	15,000	-	-	-	-	-	-	15,000
Shares issued for cash - stock option exercise	13	500,000	54,782	-	(29,782)	-	-	-	-	25,000
Shares issued as settlement of trade payables and fees	13	4,159,922	245,908	-	-	-	-	-	-	245,908
Units issued as settlement of trade payables and fees	13	2,019,171	100,959	-	-	-	-	-	-	100,959
Shares issued for services	13	18,228,776	1,380,710	-	-	-	-	-	-	1,380,710
Treasury stock	13	(750,000)	-	-	-	-	-	-	-	-
Share-based payments	13	-	-	-	67,925	-	-	-	-	67,925
Reallocation for forfeited or expired stock options	13	-	-	-	(161,382)	-	-	161,382	-	-
Obligation to issue shares	13	-		111,060	-	-	-	-	-	111,060
Exchange differences in translation		-	-	-	-	-	(292,777)	-	(4,503)	(297,280)
Net loss for the year		-	-	-	-	-	-	(2,339,416)	(72,767)	(2,412,183)
Balance at September 30, 2016		111,760,004	$ 14,714,106	$ 111,060	$ 1,149,934	$ 20,743	$ (170,597)	$ (15,154,290)	$ (461,176)	$ 209,780

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

ABATTIS BIOCEUTICALS CORP.
CONSOLIDATED STATEMENTS OF CASH FLOWS
AS AT
(EXPRESSED IN CANADIAN DOLLARS)

	September 30, 2016	September 30, 2015
Cash flows provided by (used in):		
OPERATING ACTIVITIES		
Net loss for the year	$ (2,412,183)	$ (5,573,654)
Adjustment for items not affecting cash:		
Amortization	70,556	78,901
Depreciation	59,474	104,189
Foreign currency translation adjustments	(297,280)	-
Impairment of tangible assets	-	272,905
Impairment of intangible assets	-	1,554,698
Impairment of goodwill	-	508,549
Interest expense	492	-
Gain on cancellation and settlement of trade payables	50,468	(285,041)
Share-based payments	67,925	241,234
Investment loss	9,855	32,675
Impairment of receivables	-	158,483
Impairment and loss from investment in associates	-	271,179
Loss on disposal	-	388,964
Shares issued for services	1,380,710	306,582
Obligation to issue shares for services	28,177	-
Deferred income tax recovery	-	(419,294)
	(1,041,806)	(2,359,630)
Net changes in non-cash working capital items:		
Trade and other receivables	630	74,116
Prepaid expenses and other deposits	307,966	7,234
Trade and other payables	-	454,750
Net cash flows used in operating activities	(733,210)	(1,823,530)
FINANCING ACTIVITIES		
Loan payable	30,435	-
Common shares issued for cash, net of share issuance costs	536,000	724,913
Net cash flows from financing activities	566,435	724,913
INVESTING ACTIVITIES		
Loan to Terracity	-	(133,940)
Cash held in trust	6,836	242,154
Proceeds on redemption of term deposits	-	949,692
Sale of marketable securities	83,070	99,875
Purchase of intangible assets	(181)	(3,514)
Purchase of equipment	(45,523)	(35,115)
Net cash flows from investing activities	44,202	1,119,152
Effects of exchange rate changes on cash	3,300	2,052
Net increase (decrease) in cash	(119,273)	22,587
Cash, beginning of year	157,758	135,171
Cash, end of year	$ 38,485	$ 157,758

Supplementary cash flow information (note 15)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Abattis Bioceuticals Corp. (the "Company" or "Abattis") was incorporated as Sinocan Capital Group Inc. under the Company Act (Canada British Columbia) on June 30, 1997 and began trading on the Canadian Securities Exchange (“the Exchange”) under the symbol “FLU” on December 23, 2010. On February 21, 2014, the Company commenced trading under the new symbol “ATT”. The Company’s head office is located at 104 - 9295 198th Street, Langley, BC V1M 3J9.

Abattis is a biotechnology company with capabilities, through its wholly owned subsidiaries, of producing, licensing and marketing proprietary ingredients and formulas for use in the BioPharma, Nutraceutical, Cosmetic and Animal Nutrition markets.

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

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

During the year ended September 30, 2016, the Company has incurred a net loss of $2,412,183 (2015 – $5,573,654). As at September 30, 2016, the Company had a working capital deficiency of $936,205 (2015 – working capital deficiency of $787,857) and an accumulated deficit of $15,154,290 (2015 – $12,976,256). These factors indicate the presence of a material uncertainty that may cast significant doubt on the ability of the Company to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PRESENTATION

Statement of compliance
These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

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

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

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

Significant accounting estimates and judgments

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and expenses during the reporting period. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual outcomes could differ from these estimates. The consolidated financial statements include estimates which, by their nature, are uncertain. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in both the period of revision and future periods if the revision affects both current and future periods.

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

- Allowance for doubtful accounts
  The Company must make an assessment of whether loan receivables are collectible from debtors. Accordingly, management establishes an allowance for estimated losses arising from non-payment, taking into consideration customer credit, current economic trends and past experience. If future collections differ from estimates, future earnings would be affected.

- Investment in associates
  Included in the carrying value of the Company's investment in associates is the Company's share of loss of the associates for the year ended September 30, 2015. The associates have not released full financial statements for the year ended September 30, 2015 and the Company's share of the loss of the associate has been estimated based on available information, including the associates' internal financial records. These estimates may change when full financial statements become available and this may impact the carrying value of the investment in associates. The Company has not guaranteed any amounts for associates.

- Business combinations
  The Company makes estimates related to the values assigned to assets in the purchase price allocation in a business combination. Changes in these assumptions could result in a change in the value of intangible assets, property and equipment, and non-controlling interests.

- 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.

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

Significant accounting estimates and judgments (continued)

- 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 are estimated using the Black-Scholes Option Pricing Model on the date of grant based on certain assumptions.

- Estimated useful lives of property and equipment and intangible assets
  The Company makes estimates and utilizes assumptions in determining the useful lives of property and equipment and intangible assets, and the related depreciation and amortization. Uncertainties in these estimates relate to technical obsolescence that may change the utilization of certain assets.

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

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

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

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

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

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

(EXPRESSED IN CANADIAN DOLLARS)

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

Significant accounting estimates and judgments (continued)

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

Basis of consolidation

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

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

At September 30, 2016 and 2015, the Company's subsidiaries are as follows:

			Percentage owned	
	Country of incorporation	Principal activity	September 30, 2016	September 30, 2015
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%
North American BioExtracts Inc.	Canada	Biotechnology	100%	100%
Biocube Green Grow Systems Corp.	Canada	Biotechnology	100%	100%
True Plant Technologies	Canada	Biotechnology	100%	100%
Northern Vine Canada Inc. ("Northern Vine")	Canada	Biotechnology	75%	75%
Phytalytics LLC ("Phytalytics")	United States	Biotechnology	51%	51%
Vergence Visionary Bioceuticals Corp.	Canada	Marketing	100%	100%

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

Non-controlling interests

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

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

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

Significant accounting policies

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

- **Business combinations**

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

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

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

- **Investment in associates**

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

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

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

  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 a 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

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

Significant accounting policies (continued)

- **Investment in associates (continued)**
  period, the carrying amount of the investment in associate is increased to the revised estimate of recoverable amount to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had an impairment loss not been previously recognized. A reversal of an impairment loss is recognized in net earnings in the period the reversal occurs.

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

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

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

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

  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.

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

Significant accounting policies (continued)

- **Financial instruments (continued)**

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

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

The Company classifies its financial assets as follows:

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

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.

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

Significant accounting policies (continued)

- **Financial instruments (continued)**

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

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

  The Company classifies and discloses fair value measurements based on a three-level hierarchy:
  - Level 1 – inputs are unadjusted quoted prices in active markets for identical assets or liabilities;
  - Level 2 – inputs other than quoted prices in Level 1 that are observable for the asset or liability, either directly or indirectly; and
  - Level 3 – inputs for the asset or liability that are not based on observable market.

- **Cash**
  Cash in the statements of financial position comprise cash, bank deposits and short-term investments that are readily converted to known amounts of cash with original maturities of three months or less.

- **Property and equipment**
  Property and equipment is carried at cost, less accumulated depreciation and accumulated impairment losses.

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

  Property and equipment is depreciated annually on the following basis:
  - Computer equipment - 30% declining-balance
  - Office equipment - 30% declining-balance
  - Plant equipment - 20% declining-balance
  - Leasehold improvement - 6 years straight-line

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

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

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

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

Significant accounting policies (continued)

- **Intangible assets**

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

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

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

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

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

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

- **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

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

Significant accounting policies (continued)

- **Impairment of non-current assets (continued)**
  been recognized for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognized in profit or loss.

- **Share capital**

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

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

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

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

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

Significant accounting policies (continued)

- **Provisions**

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

- **Income tax**

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

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

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

- **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.

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

New standards and interpretations not yet adopted

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

IFRS 10, Consolidated Financial Statements ("IFRS 10") and IAS 28, Investment in Associates and Joint Ventures ("IAS 28") – amended to require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business and to require partial recognition of gains and losses where the assets do not constitute a business. It is effective for annual periods beginning on or after January 1, 2016.

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

New standards and interpretations not yet adopted

IFRS 7, Financial Instruments - Disclosure – amended to clarify whether a servicing contract is continuing involvement in a transferred asset and to clarify offsetting disclosure requirements in condensed interim financial statements. It is effective for annual periods beginning on or after July 1, 2016.

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

IFRS 10, IFRS 12, Disclosure of Interests in Other Entities, and IAS 28 – amended to address issues that have arisen in the context of applying the consolidation exception for investment entities. It is effective for annual periods beginning on or after January 1, 2016.

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

3. BUSINESS COMBINATION

On April 7, 2014, the Company acquired a 51% membership interest in Phytalytics. The transaction was accounted for as a business combination by the acquisition method, with the Company identified as the acquirer. At the date of acquisition, the Company determined the fair value of the net identified assets of Phytalytics and recognized intangible assets of $1,245,813, which related to the license application for the cannabis analysis laboratory services.

During the year ended September 30, 2016, Phytalytics contributed revenue of $Nil (2015 - $91,940) and a loss of $37,469 (2015 - $2,246,532) to the Company's consolidated results.

At September 30, 2015 and 2016, the activity of Phytalytics has been suspended and the lease agreement of the lab has been terminated. During the year ended September 30, 2015, the Company performed an impairment test and determined that the carrying value of intangible assets and goodwill were impaired, and recorded impairment charges of $1,431,949 related to the intangible and $508,549 related to goodwill and the associated deferred income tax liability. The Company has determined that the fair value of the Phytalytics cash generating unit is $75,000 on the basis of non-binding expressions of interest from outside parties. There has been nominal activity relating to Phytalytics during the year ended September 30, 2106.

4. CASH HELD IN TRUST

As at September 30, 2016, the Company has $Nil held in trust (2015 – $6,836). This amount is held in a lawyer's trust account.

(EXPRESSED IN CANADIAN DOLLARS)

5. MARKETABLE SECURITIES

During the year ended September 30, 2014, the Company purchased 800,000 shares of True Leaf Medicine Corp. ("True Leaf") at a cost of $200,000. During the year ended September 30, 2015, the Company received an additional 533,333 common shares of True Leaf.

During the year ended September 30, 2016, the Company disposed of 688,333 (2015 - 645,000) shares of the True leaf.

The Company recognised a loss of $9,855 (2015 – loss of $32,675) regarding trading of the marketable securities, which was recognized in the consolidated statements of loss and comprehensive loss.

	September 30, 2016		September 30, 2015	
	Quantity	**Carrying value**	**Quantity**	**Carrying value**
True Leaf	**-**	**$ -**	688,333	$ 92,925

6. ACCOUNTS RECEIVABLE

	September 30, 2016	**September 30, 2015**
Trade receivable	**$ 767**	$ 3,238
GST receivable	**36,936**	15,283
Share subscription receivable	**1,000**	20,812
	$ 38,703	$ 39,333

7. LOAN RECEIVABLE

On December 18, 2014, the Company provided a short-term loan to Terracity Lawrence LLC ("Terracity") in the amount of $124,740 (USD$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. Subsequent to September 30, 2016, the Company has recovered USD$50,000 from Terracity as repayment of the short-term loan.

8. 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.

Equipment which was not ready for use with a cost of $375,000 was not being depreciated and was sold on August 21, 2015.

(EXPRESSED IN CANADIAN DOLLARS)

8. PROPERTY AND EQUIPMENT (CONTINUED)

	Computer equipment	Office equipment	Plant equipment	Leasehold improvement	Total
Cost					
Balance at September 30, 2014	$ 30,671	$ 110,233	$ 655,604	$ 56,882	$ 853,390
Additions	2,609	4,968	134,863	-	142,440
Disposals	-	(26,969)	(375,775)	(7,410)	(410,154)
Impairment	(6,749)	(21,770)	(300,938)	(17,347)	(346,804)
Effect of movements in exchange rates	-	1,279	17,814	2,163	21,256
Balance at September 30, 2015	26,531	67,741	131,568	34,288	260,128
Additions	-	-	2,018	43,505	45,523
Effect of movements in exchange rates	-	-	(3,300)	-	(3,300)
Balance at September 30, 2016	$ 26,531	$ 67,741	$ 130,286	$ 77,793	$ 302,351
Depreciation					
Balance at September 30, 2014	$ (2,260)	$ (10,157)	$ (42,668)	$ (5,281)	$ (60,366)
Charge for the year	(8,067)	(19,758)	(73,803)	(2,562)	(104,190)
Eliminated on disposal	-	593	-	-	593
Elimated on impairment	-	3,650	69,434	497	73,581
Effect of movements in exchange rates	-	(246)	(3,318)	(74)	(3,638)
Balance at September 30, 2015	(10,327)	(25,918)	(50,355)	(7,420)	(94,020)
Charge for the year	(7,959)	(20,322)	(26,515)	(3,890)	(58,686)
Effect of movements in exchange rates	-		(788)		(788)
Balance at September 30, 2016	$ (18,286)	$ (46,240)	$ (77,658)	$ (11,310)	$ (153,494)
Net book value					
Balance at September 30, 2015	$ 16,204	$ 41,823	$ 81,213	$ 26,868	$ 166,108
Balance at September 30, 2016	**$ 8,245**	**$ 21,501**	**$ 52,628**	**$ 66,483**	**$ 148,857**

9. INTANGIBLE ASSETS

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

- On February 27, 2014, the Company purchased organic and hydroponic fertilizer and nutritional proprietary formulas from Green-Grow Garden Products Ltd. in consideration for 300,000 common shares of the Company, with a fair value of $240,000.
- On April 7, 2014, the Company acquired a license for proprietary processes. The fair value proprietary process on the date of acquisition was $1,245,812. During the year ended September 30, 2015, the balance of the proprietary license was considered impaired and was written-down to its estimated fair value of $63,785.
- On August 6, 2014, the Company entered into an agreement with TerraSphere Systems LLC which granted the Company non-exclusive rights to proprietary and patented vertical farming technology for cash consideration of $109,500. The patent related to the technology has a remaining life of 15 years. During the year ended September 30, 2015, the Company determined that the technology was impaired and the entire balance was written-off.
- On August 30, 2015, the Company disposed of an Avian Poultry patent with a cost of $250,000 to a related party.

(EXPRESSED IN CANADIAN DOLLARS)

9. INTANGIBLE ASSETS (CONTINUED)

	Patents	Formulae	Licenses	Trademark	Proprietary	Total
Cost						
Balance at September 30, 2014	$ 250,000	$ 585,840	$ 746,951	$ -	$1,245,812	$2,828,603
Additions	-	2,227	-	1,287	-	3,514
Disposals	(250,000)	-	-	-	-	(250,000)
Impairment	-	-	(130,620)	-	(1,431,949)	(1,562,569)
Effect of movements in exchange rates	-	-	-	-	249,922	249,922
Balance at September 30, 2015	-	588,067	616,331	1,287	63,785	1,269,470
Additions	-	-	-	181	-	181
Balance at September 30, 2016	$ -	$ 588,067	$ 616,331	$ 1,468	$ 63,785	$1,269,651
Depreciation						
Balance at September 30, 2014	$ (73,012)	$ (54,798)	$ (59,710)	$ -	$ -	$ (187,520)
Charge for the year	(12,500)	(29,083)	(37,276)	(44)	-	(78,903)
Eliminated on disposal	85,512	-	-	-	-	85,512
Elimated on impairment	-	-	7,871	-	-	7,871
Balance at September 30, 2015	-	(83,881)	(89,115)	(44)	-	(173,040)
Charge for the year	-	(29,403)	(41,089)	(64)	-	(70,556)
Balance at September 30, 2016	$ -	$ (113,284)	$ (130,204)	$ (108)	$ -	$ (243,596)
Net book value						
Balance at September 30, 2015	$ -	$ 504,186	$ 527,216	$ 1,243	$ 63,785	$1,096,430
Balance at September 30, 2016	**$ -**	**$ 474,783**	**$ 486,127**	**$ 1,360**	**$ 63,785**	**$1,026,055**

10. INVESTMENT IN ASSOCIATES

On April 10, 2014, the Company through its wholly-owned subsidiary, Northern Vine, entered into a share exchange agreement with Experion Biotechnologies Inc. (“Experion”), a company incorporated under the laws of British Columbia, Canada. Pursuant to the terms of the agreement, Experion and Northern Vine have exchanged 25% of each parties’ issued and outstanding common shares. The Company maintains a 75% ownership in Northern Vine.

On April 30, 2014, the Company through its wholly-owned subsidiary, Abattis Bioceuticals International Inc., acquired a 34% interest in Instant Payment Systems LLC (“IPS”), a US entity based in Washington State, US, in consideration for $100,000 cash payments and 200,000 common shares of the Company with a fair value of $180,000. During the year ended September 30, 2015, the investment in IPS was determined to be impaired and the carrying value of $271,179 was written-off in full as IPS ceased development of its product and ceased operations.

11. TRADE AND OTHER PAYABLES

	September 30, 2016	September 30, 2015
Trade payables	**$ 608,163**	$ 717,278
Accrued liabilities	**118,851**	239,000
Due to related parties	**258,319**	140,543
Payroll liabilities	**22,619**	21,268
	$ 1,007,952	$ 1,118,089

12. ADVANCE PAYABLE

On January 30, 2013, the Investment Agriculture Foundation provided $18,871 to a subsidiary acquired by the Company on March 1, 2013 to develop high value, high quality fractionation processes for surplus berries. Focus moved away from this project during the year ended September 30, 2013 and therefore funds advanced by the Investment Agriculture Foundation will be repaid. During the years ended September 30, 2016 and 2015, no funds were repaid by the Company.

13. SHARE CAPITAL

Authorized share capital
Unlimited number of common shares without par value.

Issued share capital
At September 30, 2016, there were 111,760,004 issued and fully paid common shares (2015 – 76,802,135). The Company also held 1,750,000 common shares in treasury (September 30, 2015 – 2,100,000).

<u>During the year ended September 30, 2016:</u>

- On December 3, 2015, and December 15, 2015 the Company completed a non-brokered private placement of 10,250,000 and 250,000 units respectively at a price of $0.05 per unit for total gross proceeds of $525,000. Each unit consists of one common share and one share purchase warrant of the Company exercisable at $0.07 per warrant for a period of 24 months. Finders' fees of $29,000 were paid and 320,000 warrants ("Agent Warrants") were issued pursuant to the financing. The Agent Warrants are exercisable at $0.07 per warrant for a period of 24 months. The Agent Warrants were allocated a fair value of $20,743. The fair value of the Agent Warrants was calculated using the Black-Scholes Option Pricing Model using the following assumptions: risk free rate of 0.54%, expected life of 2 years, volatility of 179.59% and no expected dividends.

- The Company issued 18,228,776 common shares with an aggregate fair value of $1,380,710 for management and consulting services and finance costs. At September 30, 2015, $28,177 has been recorded in obligation to issue shares for management and consulting services.

- The Company issued 4,159,922 common shares with an aggregate fair value of $263,407 for settlement of trade and other payables. At September 30, 2015, $82,883 has been recorded in obligation to issue shares for the settlement of trade and other payables.

- The Company issued 1,000,000 units with an aggregate fair value of $50,000 for the settlement of trade and other payables. Each unit consists of one common share and one share purchase warrant of the Company exercisable at $0.05 per warrant for a period of 3 years.

- The Company issued 1,019,171 units with an aggregate fair value of $50,959 for the settlement of trade and other payables. Each unit consists of one common share and one share purchase warrant of the Company exercisable at $0.07 per warrant for a period of 2 years.

- During the year ended September 30, 2016, 300,000 share purchase warrants were exercised at an exercise price of $0.05 per share purchase warrant for total proceeds of $15,000, of which $1,000 has been recorded in receivables.

- During the year ended September 30, 2016, 500,000 common shares were issued from the exercise of stock options at a price of $0.05 per option for total proceeds of $25,000. Accordingly, the Company reallocated $29,782 from the equity-settled share-based payment reserve to share capital.

(EXPRESSED IN CANADIAN DOLLARS)

13. SHARE CAPITAL (CONTINUED)

During the year ended September 30, 2015:

- On March 19, 2015, the Company completed a non-brokered private placement of 2,365,072 units at a price of $0.13 per unit for gross proceeds of $307,459. Each unit consists of one common share and one share purchase warrant. Each warrant permits the holder to acquire one additional common share of the Company at of $0.18 per share for a period of 18 months.
- On August 21, 2015, the Company completed a non-brokered private placement of 5,949,080 units at a price of $0.05 per unit for gross proceeds of $297,454. Each unit consists of one common share and one share purchase warrant. Each warrant permits the holder to acquire one additional common share of the Company at $0.09 per share for a period of 1 year.
- The Company issued 2,362,297 common shares for services with an aggregate fair value of $306,582.
- On May 6, 2015, the Company granted 166,666 warrants with an exercise price of $0.12 and expiry date of May 6, 2020 to consultants.
- During the year ended September 30, 2015, 1,200,000 warrants were exercised at an exercise price of $0.10 per share purchase warrant for total proceeds of $120,000.

Warrants

The changes in warrants during the year ended September 30, 2016 and 2015 are as follows:

	September 30, 2016			**September 30, 2015**	
	Number outstanding		**Weighted average exercise price**	**Number outstanding**	**Weighted average exercise price**
					$
Outstanding, beginning balance	**9,756,318**	**$**	**0.13**	7,883,831	0.40
Issued	**12,839,171**		**0.07**	8,480,818	0.12
Exercised	**(300,000)**		**-**	(1,200,000)	0.10
Expired	**(1,275,500)**		**0.25**	(5,408,331)	0.49
Outstanding, ending balance	**21,019,989**	**$**	**0.08**	9,756,318	$ 0.13

The following summarizes information about warrants outstanding and exercisable at September 30, 2016:

Expiry date	**Warrants outstanding**	**Exercise price**	**Weighted average remaining contractual life, in years**
August 19, 2017 [1]	5,949,080	0.09	0.25
December 3, 2017 [1]	10,820,000	0.07	0.59
September 19, 2018 [2]	2,365,072	0.18	0.22
February 15, 2019	700,000	0.05	0.08
May 6, 2020	166,666	0.01	0.03
May 31, 2021	1,019,171	0.07	0.08
	21,019,989	**$ 0.08**	**1.18**

(EXPRESSED IN CANADIAN DOLLARS)

13. SHARE CAPITAL (CONTINUED)

Warrants (continued)

[1] These warrants are subject to a Warrant Exercise Incentive Program (the "Incentive Program") whereby the warrant holders are eligible to receive an incentive warrant, based on the exercise of the original warrant on or before January 19, 2017. The incentive warrant entitles the warrant holder to purchase one additional common share of the Company at a price of $0.15 per common share for 2 years. See Note 23.

[2] During the year ended September 30, 2016, the Company extended the expiry date of these warrants which originally expired on September 19, 2016 to September 19, 2018. The Company does not recognize a fair value to modifications of warrants.

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 options during the year ended September 30, 2016 and 2015 are as follows:

	September 30, 2016		**September 30, 2015**	
	Number outstanding	**Weighted average exercise price**	Number outstanding	Weighted average exercise price
Outstanding, beginning of year	**6,370,000**	**$ 0.22**	5,443,100	$ 0.17
Exercised	**(500,000)**	**(0.05)**	-	-
Granted	**1,500,000**	**0.055**	4,200,000	0.07
Expired/cancelled	**(960,000)**	**0.10**	(3,273,100)	0.12
Outstanding, end of year	**6,410,000**	**$ 0.20**	6,370,000	$ 0.22

During the year ended September 30, 2016:

- On November 30, 2015, the Company granted 750,000 stock options to a consultant. Each option is exercisable into a common share of the Company at $0.06 per share for a period of 2 years. The options are fully vested at September 30, 2016.
- On February 19, 2016, the Company granted 750,000 stock options to a consultant. Each option is exercisable into a common share of the Company at $0.055 per share for a period of 2 years. The options vest over nine months, one third each three months commencing February 19, 2016.

(EXPRESSED IN CANADIAN DOLLARS)

13. SHARE CAPITAL (CONTINUED)

Stock options (continued)

During the year ended September 30, 2015:

- On January 27, 2015, the Company granted 175,000 stock options to consultants and 125,000 stock options to one of the directors. Each option is being exercisable into a common share of the Company at $0.16 per share for a period of 5 years. All options vested immediately at the grant date.

- On August 20, 2015, The Company granted 3,900,000 options with an exercise price of $0.06 to its directors and consultants. The options are exercisable for a period of five years. All options vested immediately at the grant date.

The following summarizes information about stock options outstanding and exercisable at September 30, 2016:

Expiry date	Options outstanding	Options exercisable	Exercise Price
November 30, 2017 (subsequently cancelled)	750,000	750,000	$ 0.060
December 24, 2017	150,000	150,000	$ 0.100
February 19, 2018	750,000	704,380	$ 0.055
February 18, 2019	25,000	25,000	$ 0.170
July 22, 2019	1,030,000	1,030,000	$ 0.640
August 8, 2019	605,000	605,000	$ 0.480
September 16, 2019	100,000	100,000	$ 0.330
January 27, 2020	25,000	25,000	$ 0.160
March 6, 2020	125,000	125,000	$ 0.160
August 20, 2020	2,850,000	3,350,000	$ 0.060
	6,410,000	**6,364,380**	

The estimated grant date fair value of the options granted during the years ended September 30, 2016 and 2015 was calculated using the Black-Scholes option pricing model with the following assumptions:

	September 30, 2016	September 30, 2015
Share price	**$ 0.06**	$ 0.07
Exercise price	**$ 0.06**	$ 0.07
Risk-free interest rate	**0.55%**	0.67%
Estimated volatility	**159%**	130%
Expected life	**2.00**	5.00
Expected dividend yield	**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.

(EXPRESSED IN CANADIAN DOLLARS)

13. SHARE CAPITAL (CONTINUED)

Reserve

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. The reserve also includes foreign currency translation differences. See note 2.

14. NON-CONTROLLING INTEREST

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

NCI percentage		Phytalytics 49%		Northern Vine 25%		Total
As at September 30, 2015						
Current assets	$	7,354	$	14,862	$	22,216
Property and equipment		69,406		52,846		122,252
Intangibles		63,785		-		63,785
Current liabilities		(234,273)		(412)		(234,685)
Other non-current liabilities		(586,762)		(269,161)		(855,923)
Net assets	$	(680,490)	$	(201,865)	$	(882,355)
Carrying amount of NCI	$	(333,440)	$	(50,466)	$	(383,906)
For the year ended September 30, 2015						
Revenue	$	91,940	$	-	$	91,940
Loss	$	(1,951,951)	$	(109,046)	$	(2,060,997)
Loss allocated to NCI	$	(956,456)	$	(27,261)	$	(983,717)
As at September 30, 2016						
Current assets		3,085		52,132		55,218
Property and equipment		54,115		79,470		133,586
Current liabilities		(286,377)		-		(286,377)
Net assets		(229,177)		131,603		(97,574)
Carrying amount of NCI	$	(443,611)	$	(17,566)	$	(461,176)
For the year ended September 30, 2016						
Loss	$	(74,561)	$	(144,930)	$	(219,491)
Loss allocated to NCI	$	(36,535)	$	(36,233)	$	(72,767)

As of September 30, 2016, the carrying value of NCI was $461,176 (2015 - $383,906) which was determined as follows:

		Phytalytics 49%		Northern Vine 25%		Total
As at September 30, 2014	$	606,400	$	(6,589)	$	599,811
Loss allocated to NCI		(956,456)		(27,261)		(983,717)
As at September 30, 2015		(350,056)		(33,850)		(383,906)
Exchange differences in translation		(4,503)		-		(4,503)
Loss allocated to NCI		(36,535)		(36,233)		(72,767)
As at September 30, 2015	$	(391,094)	$	(70,083)	$	(461,176)

(EXPRESSED IN CANADIAN DOLLARS)

15. SUPPLEMENTAL CASH FLOW INFORMATION

	For the years ended	
	September 30, 2016	**September 30, 2015**
Obligation to issue shares for settlement of trade and other payables	**$ 82,883**	$ -
Shares issued for trade and other payables	**$ 364,367**	$ -
Fair value of Agents Warrants	**$ 29,782**	$ -
Reallocation to share capital for exercise of stock options	**$ 20,743**	$ -

16. RELATED PARTY TRANSACTIONS

Transactions with associates

During the year ended September 30, 2014, the Company provided a short-term loan of $24,543 to IPS. This amount was fully impaired during the year ended September 30, 2015.

Key management personnel compensation

During the years ended September 30, 2016 and 2015, compensation to key management personnel and related parties were as follows:

	September 30, 2016	**September 30, 2015**
Remuneration, fees and short-term benefits		
Office and general administrative – rent (i)	**$ -**	$ 36,630
Office and general administrative – bonus (ii)	**31,250**	-
Office and general administrative – advertising (iii)	**66,500**	-
Office and general administrative – payroll (ii)	**55,000**	-
Legal fees (iv)	**56,805**	230,420
Finance costs (v)	**5,000**	-
Management and consulting fees (iii)	**355,317**	618,595
Share-based compensation	**-**	173,566
	$ 569,872	$ 1,059,211

(i) Rent was recorded for Crimson Opportunities Ltd. ("Crimson"), a company controlled by the CFO of the Company, for lease of a manufacturing warehouse. The lease was terminated during the year ended September 30, 2016.
(ii) Payroll and bonuses were paid to former directors of the Company. Included in obligation to issue shares at September 30, 2016 is $58,315 (2015 - $Nil) due to the aforementioned parties for payroll and bonuses.
(iii) 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 September 30, 2016 is $200,341 (2015 - $87,227) due to the aforementioned parties for advertising, management and consulting fees.
(iv) Legal fees were recorded for a law firm of which a director of the Company is a one-third partner. Included in trade payables and other liabilities at September 30, 2016 is $57,978 (2015 – $203,384) due to the law firm for legal fees (subsequently settled through the issuance of common shares – note 23).
(v) An arrangement fee was paid to Crimson. See note below.

(EXPRESSED IN CANADIAN DOLLARS)

16. RELATED PARTY TRANSACTIONS (CONTINUED)

Loan payable

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

To September 30, 2016, the Company has drawn $30,435 upon the bridge loan and accrued $492 in interest. The Company also paid Crimson an arrangement fee of $5,000, which has been included in finance costs. Subsequent to year end, the loan payable was converted into common shares of the Company (note 23).

17. COMMITMENTS

i) On April 20, 2012, the Company entered into a five-year exclusive distribution agreement with Hedley Enterprises Ltd. ("Hedley") to purchase, resell and distribute Abattis' line of natural products in Canada. Under the terms of the Agreement Hedley has acquired the exclusive right to sell and distribute Abattis' products to all retail distribution channels, which include health food stores, grocery stores, fitness facilities, and similar retail establishments.

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

Year		
2017	$	31,113
2018		31,113
2019		10,371
	$	72,597

iii) 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

17. COMMITMENTS (CONTINUED)

iii) (continued)

in the performance of the agreement and has not cured such default within 60 days, or in the case of failure to pay any amounts due, then within 30 days, after receiving written notice from Vertical Designs Ltd. specifying the breach; (iii) if the Company discontinues its business of producing ingredients for pharmaceutical, nutraceutical, cosmetic or wellness markets; (iv) if the Company fails to pay the annual $25,000 minimum royalty payment for any year ending after the second anniversary of the agreement; or (v) if the Company becomes insolvent, makes an assignment for the benefit of creditors or has a petition of bankruptcy filed by or against it, which petition is not vacated or otherwise removed within 90 days after the filing thereof. The Company also agreed to pay Vertical Designs $250,000 for the purchase and sale of six complete Vertical Designs operational units. The purchase price will be paid in instalments, dates and amounts are to be determined between the parties, with the first payment due on or before the earlier of five business days following the Company completing an equity and/or debt financing of any amount or the first business day in the seventh month following the date of the Bill of Sale.

During 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.

iv) 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.

v) During the year ended September 30, 2014, the Company entered into an office lease ending June 30, 2017. The Company's minimum annual lease payment to June 2017 are $58,418

vi) On February 4, 2015, the Company entered into a US$25 million equity line facility agreement with Dutchess Opportunity Fund, II, LP, a Delaware Limited Partnership ("Dutchess"). The Company has filed a preliminary registration statement with the U.S. Securities & Exchange Commission ("SEC") on March 28, 2015 covering the Abattis shares that may be issued to Dutchess under this financing. After the SEC has declared the registration statement related to the transaction effective, the Company has the right at its sole discretion over a period of three years to sell up to US$25 million of common shares to Dutchess under the terms of the financing agreement, which shares will be issued at the current market price less permitted discounts in effect during such issuances. Proceeds from this transaction will be used to fund the continued development of the Company's GDERS (grow, dry, extract, refine, sell) strategy spanning the entire industry supply chain from seed to sale. The registration statement was voluntarily withdrawn subsequent to September 30, 2016.

18. CONTINGENCIES

i) The Company is defending a claim from one of its former consultants for breaching a contract to pay for marketing services for approximately $23,000. The Company has filed a counter claim that the plaintiff failed to provide the requested services. The outcome of the claim is not determinable and therefore no amounts have been recorded for any potential payments which may have to be made. Subsequent to September 30, 2016, the Company settled the claim through the issuance of common shares (note 23).

ii) The Company is defending a claim from one of its former directors for amounts payable to him which he claims were to be settled in common shares. The plaintiff has claimed damages of approximately $300,000. The outcome of this claim is not determinable.

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.

19. 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.

20. FINANCIAL INSTRUMENTS

a) **Fair value**

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

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

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

(EXPRESSED IN CANADIAN DOLLARS)

20. FINANCIAL INSTRUMENTS (CONTINUED)

a) Fair value (continued)

The Company has determined the estimated fair values of its financial instruments based upon appropriate valuation methodologies. At September 30, 2016, cash of $38,485 (2015 – $157,758), cash held in trust of $Nil (2015 – $6,836)) and marketable securities of $Nil (2015 – $92,925) have been measured and recognized in the balance sheet using Level 1 inputs. At September 30, 2016 and September 30, 2015, there were no financial assets or liabilities measured and recognized in the balance sheet at fair value that would be categorized as Level 2 and 3 in the fair value hierarchy above.

	September 30, 2016	September 30, 2015
Financial Assets		
Held-for-trading		
Cash	$ 38,485	$ 157,758
Marketable securities	-	92,925
Loan and receivable		
Cash held in trust	-	6,836
Trade and other receivables	767	3,238
Financial Liabilities		
Other financial liabilities		
Trade and other payables	889,101	879,089
Advance payable	18,871	18,871

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 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 September 30, 2016 and September 31, 2015, the Company's exposure is the carrying value of the financial instruments.

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

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

The Company maintained cash at September 30, 2016 in the amount of $38,485 (2015 – $157,758), in order to meet short-term business requirements. At September 30, 2016, the Company had accounts payable and advances payable of $889,101 and $18,871, respectively (2015 – $879,089 and $18,871, respectively). All accounts payable and advance payables are current.

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

20. FINANCIAL INSTRUMENTS (CONTINUED)

b) Financial risk management (continued)

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 September 30, 2016, 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 approximately $4,000.

21. SEGMENTED INFORMATION

The Company has one reportable operating segment of producing, licensing and marketing proprietary ingredients and formulas for use in the BioPharma, Nutraceutical, Cosmetic and Animal Nutrition markets.

Non-current assets (other than financial instruments) by geographic location are as:

	Canada	USA	Total
As at September 30, 2016			
Property and equipment	$ 121,258	$ 27,599	$ 148,857
Intangible assets	1,026,055	-	1,026,055
Other assets	2,000	-	2,000
	1,149,313	27,599	1,176,912
As at September 30, 2015			
Property and equipment	$ 162,872	$ 3,236	$ 166,108
Intangible assets	1,032,645	63,785	1,096,430
Other assets	2,000	-	2,000
	$ 1,197,517	$ 67,021	$ 1,264,538

(EXPRESSED IN CANADIAN DOLLARS)

22. INCOME TAX

The following table reconciles the expected income taxes expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the consolidated statements of operations for the years ended September 30, 2016 and 2015:

	September 30, 2016	September 30, 2015
Loss before taxes	$ (2,412,183)	$ (5,992,948)
Statutory income tax rate	26%	26%
Expected income tax recovery	(627,168)	(1,558,166)
Differences resulting from:		
Non-deductible items	16,546	180,499
Changes in estimates	59,905	32,657
Share issuance costs	(7,540)	-
Foreign tax rate differences	(24,943)	(161,682)
Change in deferred tax asset not recognized	583,200	1,087,398
Total income tax recovery	$ -	$ (419,294)
Current tax expense (recovery)	$ -	$ -
Deferred tax expense (recovery)	$ -	$ (419,294)
Total income tax recovery	$ -	$ (419,294)

(EXPRESSED IN CANADIAN DOLLARS)

22. INCOME TAX (CONTINUED)

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values. Deferred tax assets (liabilities) at September 30, 2016 and 2015 are comprised of the following:

Canada	**September 30, 2016**	**September 30, 2015**
Non-capital loss carry forwards	$ 2,652,670	$ 2,073,997
Other	9,123	6,500
Intangible assets	85,071	112,618
Property and equipment	116,553	104,944
Financial instruments	-	18,680
Financing costs	35,013	89,098
	2,898,430	2,405,837
Deferred tax assets not recognized	(2,898,430)	(2,405,837)
Net deferred tax asset (liability)	$ -	$ -

USA	**September 30, 2016**	**September 30, 2015**
Net operating loss carry-forward	$ 302,877	$ 288,522
Financial instruments	-	37,561
Property and equipment	19,395	(21,687)
	322,272	304,396
Deferred tax assets not recognized	(322,272)	(304,396)
Net deferred tax asset (liability)	$ -	$ -

The Company has non capital loss carry-forwards of approximately $10,202,000 (2015 – $7,963,000) which may be carried forward to apply against future year income tax for Canadian tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

2028	$ 65,764
2029	64,815
2030	609,226
2031	682,638
2032	834,223
2033	904,700
2034	2,485,932
2035	2,314,570
2036	2,240,710
Total	$ 10,202,578

(EXPRESSED IN CANADIAN DOLLARS)

22. INCOME TAX (CONTINUED)

The Company has net operating loss carryforwards of approximately $890,000 which may be carried forward to apply against future year income tax for US tax purposes.

2034	$	127,060
2035		702,909
2036		60,847
Total	$	890,816

23. SUBSEQUENT EVENTS

The following events occurred subsequent to September 30, 2016:

- On January 2, 2017 the principal and interest of the loan payable (note 16) were converted into 925,186 common shares at a price of $0.05 of the Company.
- On October 21, 2016 the Company issued 1,270,157 common shares at a price of $0.13 per share as compensation for services to consultants, directors and employees of the Company.
- On November 14, 2016 the Company issued 485,434 common shares at $0.13 as compensation for services to consultants, directors and employees of the Company.
- On November 17, 2016 the Company issued 1,354,149 units at $0.12 per unit, for settlement of debt. Each unit is comprised of one share and one common share purchase warrant exercisable at $0.15 per share.
- On November 17, 2016, the Company issued 100,000 common shares at a price of $0.12 per share as compensation for services to a consultant of the Company.
- On December 8, 2016, the Company entered into an agreement for a draw down equity facility of up to $5,000,000 of units comprising one common share and one common share purchase warrant at discounts of 23% of the market price of the shares and a premium of 25% of the market price of the warrants with each offering occurring at the option of the Company throughout the 18 month term of this agreement. The Company has drawn down $300,000 to January 30, 2017 and issued 2,332,349 units in association with this credit facility.
- On December 12, 2016, the Company issued 1,712,581 common shares as compensation for services to consultants, directors and employees of the Company.
- On December 12, 2016, the Company issued 1,178,192 common shares at a price of $0.13 to settle certain debt obligations of the Company.
- On January 17, 2017 the Company issued 707,232 common shares as compensation for services to consultants, directors and employees of the Company.
- On January 20, 2017 the Company issued 1,449,080 common shares at $0.09 per share, and 1,200,000 common shares at $0.07 per share pursuant to the Incentive Program (note 13) for net proceeds of $130,417 and $84,000 respectively.
- The Company recovered USD$50,000 from Terracity as repayment of the short-term loan (note 7).
- The Company entered into a debt assignment agreement with a third party to settle US$77,438 in debt outstanding at September 30, 2016. The Company will issue shares of common stock to the third party up until the third party realizes gross sales of $115,882 of the shares of common stock. The Company will issue the third party 60,600 shares of common stock as a finance fee for settlement of the debt.