



**Management Discussion and Analysis
For the year ended September 30, 2018**

This management discussion and analysis (“MD&A”) focuses on significant factors that affected Abattis Bioceticals Corp. (“Abattis” or the “Company”) for the year ended September 30, 2018 and to the date of this report.

This MD&A is prepared in conformity with National Instrument 51-102F1. It should be read in conjunction with the audited consolidated financial statements for the year ended September 30, 2018, prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). This MD&A complements and supplements, but does not form part of, the Company’s consolidated financial statements.

Additional information related to Abattis is available on SEDAR at www.sedar.com and on the Company’s website at www.abattis.com.

All dollar amounts contained herein are expressed in Canadian dollars unless otherwise indicated.

This MD&A has been prepared as of August 8, 2019.

FORWARD-LOOKING INFORMATION

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements.

Statements regarding the adequacy of cash resources to carry out the Company’s business plan or the need for future financing are forward-looking statements. All forward-looking statements, including those not specifically identified herein, are made subject to cautionary language on page 20 of this MD&A. Readers are advised to refer to the cautionary language when reading any forward-looking statements.

OVERVIEW

The Company was incorporated as Sinocan Capital Group Inc. under the Company Act (British Columbia) on June 30, 1997 and was classified as a Capital Pool Company (“CPC”) as defined in the TSX Venture Exchange (“TSX”) Policy 2.4. On September 29, 1997, the Company changed its name to Sican Ventures Inc. On September 14, 2009, the Company changed its name to Abattis Biologix Corporation. The Company was listed and began trading on the Canadian Securities Exchange (formerly the Canadian National Stock Exchange) (“CSE”) on December 23, 2010.

Since 2011, the Company has acquired natural health products, through acquisitions of intellectual property and corporations owning proprietary Natural Health Products Licences.

On June 17, 2011, the Company was listed on the OTC Markets Pink Sheets to enable easier access to American Investors.

On September 11, 2012, the Company changed its name to more accurately reflect the nature of its business of bioceticals and botanical drugs from Abattis Biologix Corp. to Abattis Bioceticals Corp.

From February 21, 2014, the Company’s common shares are trading on the CSE under the stock symbol “ATT”.

Abattis is a life sciences and biotechnology company which aggregates, integrates, and invests in cannabis technologies and biotechnology services for the legal cannabis industry developing in Canada. The Company has successfully developed and licensed natural health products, medicines, extractions, and ingredients for the multiple markets. Including the recent release of Comfort by it’s subsidiary Vergence Naturals, Comfort is a cannabinoid enhanced nutraceutical that directly targets and eliminates pain and inflammation.

Abattis is positioned to be a leader in the cannabis industry as a fully integrated life sciences and biotechnology company. The Company has made key acquisitions to leverage synergies achieved through vertical integration. Through its subsidiaries, Abattis will offer state-of-the-art facilities for growing, extraction, testing, propagation and retail distribution.

The Company’s head office is located at Suite 1200 - 625 Howe Street Vancouver, British Columbia, V6C 2T6.

HIGHLIGHTS, PERFORMANCE SUMMARY AND SHARE ISSUANCES DURING THE YEAR

- On October 14, 2017, the Company granted 2,000,000 stock options exercisable at \$0.19 for a period of three years. These options were exercised on October 24, 2017. Fair value of these options of \$312,727 was recognized during the period. Fair value of options previously granted which have vested during the year ended September 30, 2018 amounting to \$117,391 was recognized in the consolidated statement of loss and comprehensive loss.
- On October 24, 2017, the Company issued 7,083,600 units at a price of \$0.18 per share for gross proceeds of \$1,275,048. Each unit consists of one common share and one share purchase warrant exercisable at \$0.25 for a period of 4 years.
- On December 4, 2017, the Company issued 2,777,778 units at \$0.18 per share pursuant to a draw down equity facility agreement entered into by the Company during the year. Each unit consists of one common share and one share purchase warrant exercisable at \$0.25 for a period of five years.
- On December 12, 2017, pursuant to a private placement, the Company issued 1,388,888 common shares at \$0.18, and 9,043,887 units at \$0.18 with each unit consisting of one common share and one share purchase warrant exercisable at \$0.25 per share for a period of three years.
- On December 19, 2017, the Company issued 9,302,323 units at \$0.43 for gross proceeds of \$4,000,000. Each unit consists of one common share and one-half of one share purchase warrant. Each whole warrant is exercisable at \$0.65 per share for a period of three years.
- On January 4, 2018, the Company issued 6,310,048 units at \$0.43 per unit from a private placement for gross proceeds of \$2,713,321. Each unit consists of one common share and one-half of one share purchase warrant. Each whole warrant is exercisable at \$0.65 per share for a period of three years.
- On January 10, 2018, the Company issued 15,681,816 units at \$0.44 per unit for gross proceeds of \$6,900,000. Each unit consists of one common share of the Company and one-half of one common share purchase warrant, with each warrant exercisable at \$0.65 for a period of three years, subject to acceleration in the event that the shares trade above \$0.75 for 10 consecutive trading days. The Company paid finders' fees totaling \$10,713 in cash and 24,347 finders' warrants. Each finder's warrant entitles the holder to purchase one common share at \$0.65 under the same terms as the warrant in the private placement.
- On March 8, 2018, the Company granted 200,000 stock options exercisable at \$0.36 for a period of three years. The options vest at 1/3 upon grant date, 1/3 after three months, and 1/3 after six months. \$50,667 was recognized in the consolidated statement of loss and comprehensive loss for the options vested. 100,000 of these options were cancelled during the year ended September 30, 2018.
- On March 23, 2018, the Company issued 18,518,518 units at a price of \$0.27 per share for gross proceeds of \$5,000,000. Each unit consists of one common share and one share purchase warrant exercisable at \$0.30 for a period of 1 year.
- On May 2, 2018, the Company issued 3,947,368 common shares for a fair value of \$868,421 as consideration for the construction of a purpose-built 26,000-square-foot cannabis production and extraction facility.
- The Company issued an aggregate of 18,113,907 common shares for an aggregate fair value of \$3,591,176 pursuant to exercise of warrants.
- The Company issued an aggregate of 2,541,666 common shares for an aggregate fair value of \$834,155, pursuant to exercise of options.

- During the year ended September 30, 2018, the Company issued an aggregate of 60,279,064 common shares for an aggregate fair value of \$17,558,008 for settlement of trade payables and as consideration for services to consultants, directors and employees of the Company.
- The Company signed a definitive agreement with Emerald Health Therapeutics Inc. (“Emerald”) involving Northern Vine Canada Inc. (“Northern Vine”). The agreement allowed Emerald to use Northern Vine as its primary testing facility. Under the terms of the agreement, Emerald became the majority shareholder in Northern Vine. On August 14, 2018, the Company completed the sale of its 35% interest in exchange of \$2,000,000 in cash and 1,093,938 in common shares of Emerald stock (with a deemed value of \$4,000,000, based on the trailing 30-day volume-weighted average price of Emerald shares as at July 19, 2018), 50% of which are free trading shares and 50% of which may be sold in 30 days. As part of the agreement, Abattis has entered into a service and access agreement providing preferred access to Northern Vine. The agreement also includes a milestone payment in the form of common shares of Emerald valued at \$4,000,000 if Northern Vine and/or Emerald receive(s) gross revenue of \$10,000,000 from the sale of products or services introduced by Abattis.
- On January 2, 2018, The Company has formed a new partnership with Faculty Brewing Co., a Vancouver-based craft brewery, to develop a hemp-infused, cannabinoid-rich, THC (tetrahydrocannabinol)-free craft beer. Pursuant to a research services agreement between the Company and Faculty Brewing, the Company will conduct research and development activities related to the development of a hemp-infused, cannabinoid-rich, THC-free craft beer, or a line of such beers, for Faculty Brewing.
- On January 25, 2018, the Company acquired GT Therapeutics Corporation (“GTT”), in exchange for the issuance of 15,000,000 common shares of the Company to the shareholders of GTT and the issuance of 15,000,000 common shares of the Company to Winston Resources Inc. (“Winston”). The Shares were issued at an aggregate fair value of \$20,700,000. As well, the Company incurred \$1,000,000 for transaction costs payable in cash. The Company recorded License costs of \$22,464,203 reflecting the fair value of consideration paid in excess of net assets acquired and the additional transaction costs incurred.
- On March 2, 2018, the Company acquired a 90% ownership interest in Gabriola Green Farms Inc (“Gabriola”). Gabriola is a British Columbia company that has applied for a license to produce under the Access to Cannabis for Medical Purposes Regulations (the “ACMPR”) on Gabriola Island, one of the Gulf Islands located in the Strait of Georgia off the coast of British Columbia. Gabriola Island has a consistent temperature and humidity level, which makes it well suited to greenhouse growing. In connection with the acquisition, the Company issued an aggregate of 61,307,902 common shares, for an aggregate fair value of \$25,749,319 and paid \$2,500,000 in cash to the shareholders of Gabriola. As well, the Company also secured a right of first refusal on the remaining 10% ownership interest in Gabriola from CannaNUMUS Blockchain Inc. (“CannaNUMUS”) and an option to acquire the lands on which Gabriola's operations are conducted for \$7,000,000 until February 27, 2023 from an unrelated third-party. The Company recorded license costs of \$28,249,964 as the fair value of consideration paid in excess of net assets acquired.
- On April 30, 2018, the Company completed its acquisition of the remaining 10% ownership interest in Gabriola from CannaNUMUS for \$2,500,000. Gabriola thus became a wholly-owned subsidiary of the Company.
- On May 3, 2018, the Company announced the engagement of Ocean Pacific Contractors Ltd. for construction of a purpose-built, 26,000-square-foot cannabis production and extraction facility on Gabriola Island in British Columbia.
- On May 22, 2018, the Company announced the release of three new vaporizers to its product line. Since the Company's acquisition of GTT earlier this year, the Company has been working to expand its retail presence and product line and is now ready to release its first three vaporizers -- VB-1, VB-2 and KB-1.

The VB-1 vaporizer is equipped with a 280-milliampere-hour battery and fires automatically, activating its battery based on airflow. The unit features an ultraslim and discreet design and a working voltage of 3.3 volts to 4.2 volts. The VB-1 vaporizer includes a universal USB attachment, which makes it easy to recharge.

The VB-2 vaporizer uses a compact 350-milliampere-hour variable-voltage battery, designed with built-in protections against short-circuiting and overheating, and features a conventional preheating function that the user activates with two clicks of a button. The unit uses working voltages of 3.4 volts, 3.7 volts and four volts and includes a USB attachment for recharging.

The KB-1 vaporizer features an innovative battery designed to look like a luxury car's key fob, which is ideal for those looking for a discreet device or for use during travel. The cutting-edge device is equipped with a 510-threaded connection that can be closed to house attachments and features a built-in USB charging cable, a long-lasting embedded 350-milliampere-hour lithium-ion battery, a key ring and an LED (light-emitting diode) light indicator. The unit supports most attachments rated as low as 1.2 ohms and operates at 3.7 volts.

- On June 5, 2018, the Company and Blockstrain Technology Corp. (“Blockstrain”) signed a Letter of Intent to integrate Blockstrain's proprietary technology into Abattis's product and services ecosystem. Through their collaboration, the parties hope to enable Abattis clients to instantly arrange for sales, shipping, testing and analysis of Abattis products and give clients comprehensive visibility over such products over their entire life cycles.
- On June 27, 2018, the Company entered into a definitive investment agreement (“XLABS Agreement”) with XLABS to acquire a 10% equity stake in XLABS in exchange for an investment of \$2,500,000 and support the launch of XLABS's new cannabis laboratory in Belleville, Ontario. The laboratory will be designed to service Ontario's growing cannabis sector, which currently numbers 59 licensed producers (“LPs”), and will be housed in a 320,000 square foot building. Abattis and XLABS plan for an initial buildout of 10,000 square feet, with plans to expand into the remaining 310,000 square feet available at the Belleville facility through organic growth and further joint ventures. The Belleville facility has been deemed suitable for use as a medical cannabis research facility under Health Canada's Narcotic Control Regulations (the “NCR”) by an independent consultant engaged by XLABS. XLABS hopes to receive licensed dealer status under the NCR. On July 24, 2018, the Company completed its investment in XLABS.
- On July 10, 2018, the Company completed a non-brokered private placement for gross proceeds of \$2,250,000 through issuance of 13,235,294 common shares of the Company at \$0.17 per share.
- On September 24, 2018, the Company announced to launch Comfort, a new product line centered on the alleviation of pain and inflammation, on Cyber Monday through the Company's wholly-owned subsidiary, Vergence Naturals Ltd. (“Vergence Naturals”). The product contains *Alpinia galangal* and *Capsicum annum*, which was developed by Abattis scientists to activate the endocannabinoid system and nourish endorphin release in response to chronic pain. Subsequent to the year ended September 30, 2018, the Company released its first proprietary product. See “EVENTS AND SHARE ISSUANCES AFTER THE REPORTING DATE” for further information.

MANAGEMENT CHANGES

On May 15, 2018, the Company announced the appointment of Kent McParland as Chief Financial Officer, replacing David Whitney, and Chief Operating Officer, replacing Rene David. In addition, the Company added Wolfgang Richter to the Board of Directors.

On September 11, 2018, the Company appointed Nicole Breitingner as the Company's corporate secretary.

On October 19, 2018, the Company announced the appointment of Kent McParland and Cedric Wilson to the Board of Directors to replace Rene David and Cameron Paddock.

On November 1, 2018, the Company appointment Patrick Mitchell as Chief Operating Officer, replacing Kent McParland.

Subsequent to the year ended September 30, 2018, the Company added Kent McParland and Cedric Wilson to its board of directors. Mr. McParland and Mr. Wilson replace Cameron Paddock and Rene David, who have left Abattis to concentrate on other ventures. In addition, the Company appointed Patrick Mitchell as Chief Operating Officer, replacing Mr. McParland. Mr. McParland will continue continued to serve in the role as Chief Financial Officer for the Company going forward up to March 29, 2019 ~~that~~ then resigned.

FINANCIAL INFORMATION

The following table sets forth selected financial information with respect to the Company, which information has been derived from the consolidated financial statements of the Company for the years ended September 30, 2018, 2017 and 2016. The following should be read in conjunction with said consolidated financial statements and related notes.

	Year Ended September 30, 2018 \$	Year Ended September 30, 2017 \$	Year Ended September 30, 2016 \$
Total expenses	15,844,118	6,367,979	2,315,805
Comprehensive net loss	75,473,013	7,933,487	2,709,463
Current assets	10,461,872	679,237	90,618
Total assets	11,399,475	1,210,858	1,267,530
Current liabilities	303,163	439,376	1,026,823
Working capital (deficiency)	10,158,709	239,861	(936,205)
Shareholders' equity	11,487,406	1,524,712	670,956
Shares outstanding	427,112,360	167,580,301	111,760,004

SUMMARY OF QUARTERLY RESULTS

Three months ended	Revenue	Net income (loss) and other comprehensive income (loss)	Basic and diluted income (loss) per common share
September 30, 2018	\$2,469	(\$51,656,606)	(\$0.24)
June 30, 2018	\$237	(\$6,940,704)	(\$0.02)
March 31, 2018	\$5,665	(\$11,658,417)	(\$0.04)
December 31, 2017	\$-	(\$5,217,286)	(\$0.03)
September 30, 2017	\$-	(\$3,401,220)	(\$0.02)
June 30, 2017	\$-	(\$2,067,470)	(\$0.02)
March 31, 2017	\$-	(\$1,459,915)	(\$0.02)
December 31, 2016	\$-	(\$1,004,882)	(\$0.01)

The primary factors affecting the magnitude and variations of the Company's losses are summarized as follows:

- The loss of \$51,656,606 in the three months ended September 30, 2018 compared to a loss of \$3,401,220 in the same period in 2017 was mainly due to transaction cost for asset acquisition and business combination and impairment of goodwill during the current period.

OVERALL STRATEGY

Abattis' overarching strategy is to continue its focus on downstream integration through business segments covering laboratory and analytical services, product development, a licensed growing facility as well as extraction, waste management and manufacturing either directly or through its partners.

Abattis is diligently looking to build revenue through by leveraging the significant investments made over the past year and continuing to actively seek potential acquisition targets that align with the Company's strategic plan and will accelerate its move towards cash flow generation.

Abattis will continue to develop and expand its range of products to target and satisfy important national and international market needs. This includes co-formulating existing and future product lines with Cannabinoids to meet the growing demand for medical and nutraceutical products and supplements in this market vertical both domestic and international. An example of this can be seen through our strategic partnership with Faculty Brewery to develop a non-THC, cannabinoid infused beer and our partnership with UBC through a Mitacs grant to research nanoemulsification to enable the body to increase the efficiency with which it absorbs cannabinoids.

On August 15, 2018, Abattis sold its remaining ownership interest in Northern Vine to Emerald while maintaining a service and access, which will provide preferred access to the lab facilities. Northern Vine holds a Health Canada dealer's license dealer's license, under which it has the ability to transport, deliver and sell product to other licensed dealers, authorized persons under the Controlled Drug and Substance Act ("CDSA") and licensed producers ("LPs").

Abattis is currently completing the build out of a 26,000 square feet facility on Gabriola Island through its wholly-owned subsidiary Gabriola, which is in the late stages of completing its application to become a Licensed Producer. It is expected that this will occur within next year.

Additionally, through its investment in XLABS, Abattis will ultimately have access to a Cannabis Tracking and Licensing System processing license. XLABS has secured a location in Belleville, Ontario in the heart of the over 59 LPs located in Ontario. The facility will include a full lab capable of testing and analytics, extraction equipment, waste processing equipment and ultimately manufacturing facilities.

Licensing efforts in the marijuana sector have been longstanding and expensive. Our applications, through our subsidiaries and investments, for Licensed Producer and Licensed Dealer status remain in an incubated state. All efforts have been made to gain approvals and Abattis will continue its efforts until all avenues have been exhausted.

With the recent legalization of cannabis for recreational purposes on October 17, 2018, the regulations with respect to licensing will transition from the current Access to Cannabis for Medical Purposes, or ACMPR, to the regulations under the Cannabis Act. While the Company does not anticipate any complications with this transition, it is important to note that there is the potential for additional delays as all stakeholders adapt to the new law.

RESULTS OF OPERATIONS

Year ended September 30, 2018 compared with year ended September 30, 2017

The Company incurred a net loss of \$77,650,571 during the year ended September 30, 2018, an increase of \$62,515,215 when compared with the loss of \$7,926,116 for the year ended September 30, 2017. The increase in net loss is primarily the result of the change in the following expenses during the year ended September 30, 2018:

- Impairment of investment in associates (cannaNUMUS) increased to \$8,629,676 and share of comprehensive loss of associations increased to \$8,629,676 for the year ended September 30, 2018 from nil for the year ended September 30, 2017 (note 9).

- Impairment of goodwill of Green Tree increased to \$10,426,985 and transaction cost increased to \$11,350,000 for the year ended September 30, 2018 from nil for the year ended September 30, 2017 (note 6).
- Transaction cost for asset acquisition for Gabriola increased to \$28,246,965 for the year ended September 30, 2018 from nil for the year ended September 30, 2017 (note 12).
- Finance cost related to investment in cannaNUMUS increased to \$4,330,000 for the year ended September 30, 2018 from nil for the year ended September 30, 2017 (note 13).
- Accounting and audit fees increased to \$114,530 for the year ended September 30, 2018 from \$70,461 for the year ended September 30, 2017. This increase is primarily due to higher audit fees accrued for the current year.
- Advertising expenses increased to \$3,142,861 for the year ended September 30, 2018 from \$147,050 for the year ended September 30, 2017. This increase is primarily due to costs incurred by the Company relating to obtaining public relations as well as corporate and investor communications.
- Legal fees increased to \$289,169 for the year ended September 30, 2018, from \$163,243 for the year ended September 30, 2017. This increase is primarily due to increased legal fees incurred in respect of the acquisitions, issuance of stock options and share issuances during the year ended September 30, 2018.
- Management and consulting fees increased to \$10,931,842 for the year ended September 30, 2018 from \$4,683,700 for the year ended September 30, 2017. The increase is primarily a result of building the core team needed to support the business as it continues to grow both through acquisitions and organically, as well as payments made to stakeholders involved in key acquisitions during the year.
- Office and general administration fees increased to \$730,424 for the year ended September 30, 2018 from \$372,278 for the year ended September 30, 2017. This increase is primarily due to increased corporate activity in the Company during the year.
- Regulatory and transfer agent fees increased to \$67,346 for the year ended September 30, 2018 from \$60,527 for the year ended September 30, 2017. This increase is primarily due to expenses related to increased filing and transfer agent costs in connection to the acquisitions, issuance of stock options and share issuances during the current year.
- Research costs increased to \$28,885 for the year ended September 30, 2018 from \$24,697 for the year ended September 30, 2017. This increase is primarily attributed to the Company's focus on due diligence relating to the acquisition of the technology distribution agreement for extraction machines, as well as the newly acquired subsidiaries.

Three months ended September 30, 2018 compared with three months ended September 30, 2017

The Company recognized a net income of \$754,935 during the three months ended September 30, 2018 compared with the net loss of \$3,401,220 for the three months ended September 30, 2017. The net income for the current period was due to gain on sale and dissolution of subsidiaries during the current period offset by the increase in the following expenses during the three months ended September 30, 2018:

- Accounting and audit fees increased to \$53,620 for the three months ended September 30, 2018 from recovery of \$18,443 for the three months ended September 30, 2017. This increase is primarily due to higher audit fees accrued for the current year.
- Advertising expenses increased to \$449,038 for the three months ended September 30, 2018 from \$108,989 for the three months ended September 30, 2017. This increase is primarily due to costs incurred by the Company relating to obtaining public relations as well as corporate and investor communications.

- Amortization expense increased to \$1,332,978 for the three months ended September 30, 2018 from \$15,249 for the three months ended September 30, 2017. This increase is primarily due to amortization of the intangible assets which were acquired during the current year.
- Management and consulting fees increased to \$2,243,807 for the three months ended September 30, 2018 from \$1,887,775 for the three months ended September 30, 2017. The increase is primarily a result of building the core team needed to support the business as it continues to grow both through acquisitions and organically, as well as payments made to stakeholders involved in key acquisitions during the period.
- Office and general administration fees increased to \$288,043 for the three months ended September 30, 2018 from recovery of \$3,531 for the three months ended September 30, 2017. This increase is primarily due to increased corporate activity in the Company during the period.

LIQUIDITY AND CAPITAL RESOURCES

As at September 30, 2018, the Company had a cash balance of \$4,064,008 (2017 - \$525,569) and working capital of \$8,601,331 (2017 - \$239,861). Au

During the year ended September 30, 2018, the Company had cash flows from financing activities of \$28,051,659 from proceeds of issuance of shares from private placements and share subscriptions received. The Company had cash outflows from investing activities of \$16,233,765, which were due to acquisitions of subsidiaries, equipment, and investments during the year. Cash flows used in operating activities for the year ended September 30, 2018 were \$8,279,455.

The Company continues to use its cash resources to fund its administrative requirements and product development and launch. As the Company does not currently generate sufficient revenue, cash balances will continue to decline as funds are used to conduct its operations, unless replenished by capital raising activities. As the Company is undertaking to launch products for sale in 2018, cash flow projections show revenue beginning in 2018 and climbing in line with marketing expenditures.

In order to fund the Company's ongoing operational needs, it will need additional funding through equity or debt financing, joint venture arrangements or a combination thereof. The Company's operations to date have been financed by the issuance of its common shares and debt instruments. It will continue to seek capital through various means including the issuance of equity and debt. While the Company has been successful in raising funds in the past, there is no assurance that it will continue to do so in the future or that it will be available on a timely basis or on terms acceptable to it.

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future. If it is unable to obtain sufficient funding, the ability of the Company to meet its obligations as they come due and, accordingly, the appropriateness of the use of accounting principles applicable to a going concern will be in significant doubt. The Company has incurred \$99,797,974 in losses since inception, including a net loss of \$75,473,013 for the year ended September 30, 2018.

FINANCIAL INSTRUMENTS

As at September 30, 2018, the Company's financial instruments are comprised of cash, cash held in trust, marketable securities, investments and term deposits, trade and other receivables, trade and other payables, advance payable and loan payable. The Company's financial instruments are exposed to certain risks, which include credit risk, liquidity risk and market risk.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to

discharge an obligation. The Company's cash, cash held in trust, term deposits and trade and other receivables are exposed to credit risk. The Company reduces its credit risk on cash by placing these instruments with institutions of high credit worthiness. As at September 30, 2018 and 2017, the Company's exposure is the carrying value of the financial instruments. As at September 30, 2018, the balance of marketable securities is \$5,032,115.

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.

As at September 30, 2018, the Company had cash of \$4,064,008 (2017 - \$525,569) available to meet short-term business requirements. At September 30, 2018, it had trade and other payables and advances payable of \$284,293 and \$18,871, respectively (2017 - trade and other payables and advances payable of \$420,505 and \$18,871, respectively). All trade and other payable, advances payable, and loan payable are current.

Market risk

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Included in the loss for the year in the consolidated financial statements is interest income on Canadian dollar cash and term deposits. The Company is not exposed to significant other price risk.

Currency risk

The Company is exposed to currency risk only 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.

OUTSTANDING COMMON SHARE DATA

There are an unlimited number of common shares without par value authorized for issue.

At September 30, 2018, there were 427,112,360 issued and fully paid common shares, 1,750,000 common shares in treasury, 5,718,334 share purchase options outstanding and 46,364,017 share purchase warrants outstanding. On a fully diluted basis, there were 479,194,711 common shares were outstanding.

As at the date of this MD&A, the Company has 477,804,139 common shares issued and outstanding, 1,750,000 common shares in treasury, 1,066,667 share purchase options outstanding and 26,896,419 share purchase warrants outstanding. On a fully diluted basis, there were 505,767,225 common shares were outstanding.

TRANSACTIONS WITH RELATED PARTIES

Key management personnel compensation

During the years ended September 30, 2018 and 2017, compensation to key management personnel and related parties were as follows:

	September 30, 2018	September 30, 2017
Remuneration, fees and short-term benefits	\$	\$
Share-based payments	149,988	631,863
Office and general administrative	-	30,096
Management and consulting fees ⁽¹⁾	8,824,228	2,294,971
	8,974,216	2,956,930

⁽¹⁾ Includes director's bonus paid by issuance of 27,155,090 shares with an aggregate fair value of \$8,116,825.

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, 2018 is \$105,160 (2017 - \$115,207) due to the aforementioned parties for advertising, management and consulting fees. As of September 30, 2018, the Company prepaid \$28,168 (2017 - \$nil) to management and officers for business expenses.

During the year ended September 30, 2018, the Company issued 515,189 common shares with a fair market value of \$76,508 to directors and management for consulting services.

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

Loan payable

On August 2, 2016, the Company entered into a loan agreement with Crimson Opportunities Ltd. ("Crimson"). Under the terms of the loan agreement, Crimson 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 on which the Company completes a financing for greater than \$250,000 and (iii) an event of default. The Company may repay the loan at any time. Crimson has the right to convert the principal and interest owing to common shares of the Company at \$0.05 per common share or, if not permitted, an allowable discount to market price. An equity component, recognized as the difference between the fair value of the convertible note as a whole and the fair value of the liability component, was calculated as a nominal amount. Accordingly, no value was allocated to the equity component.

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

COMMITMENTS

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

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

bonus in the year the service agreement is terminated. During the year ended September 30, 2018, the Company issued 12,777,465 common shares to Crimson for the achievement of milestones.

- ii) The Company entered into a management service agreement providing for payment of \$240,000 per annum for the services of the CEO. In the event of termination for any reason or not for just cause, the agreement provides a lump sum payment equal to 12 months of the CEO's fees and share payments due on the date of termination and a lump sum bonus payment equal to 150% of the greater of the target bonus in the year the change of control occurs or the target bonus in the year the service agreement is terminated. During the year ended September 30, 2018, the Company issued 14,177,625 common shares to the CEO for the achievement of milestones.
- iii) On May 7, 2018, the Company entered into a management service agreement providing for payment of \$150,000 per annum for the services of the CFO and COO.

EVENTS AND SHARE ISSUANCES AFTER THE REPORTING DATE

The following events occurred subsequent to the year ended September 30, 2018:

1. *Selling of New Vaporizers*

On October 11, 2018, the Company provided update on its recent product line addition of three new vaporizers, VB-1, VB-2 and KB-1. These vaporizers, together with CA-2 cartridge are already made available for purchase through the Company's website. The Company's vaporizers feature a 510 threaded battery that can be used with any third-party vaporizer cartridge.

The CA-2 cartridge is built with a top-quality ceramic and stainless-steel heating system. The embedded stainless-steel wire in the multi-holed ceramic bar is superior to most in the market. This results in a highly efficient, healthier, and pure flavor.

2. *Acquisition of Select Strains Inc.*

On November 22, 2018, the Company acquired all of the issued and outstanding common shares of Select Strains Inc. ("Select Strains") in exchange for the issuance to Select Strains' former shareholder of 41,666,667 common shares at a deemed price of 12 cents per share, for an aggregate deemed issue price of \$5-million. Select Strains has almost two decades of experience within the cannabis space, specifically within the fields of cannabis testing, research, cultivation and optimization of proprietary seeds and strains. Under the terms of the agreement, Select Strains transferred the ownership of its proprietary strain portfolio, seed inventory and clone catalogue to the Company. In addition, a finder's fee of 10% to be paid in shares is payable as part of the acquisition.

3. *Launch of New Product*

On November 26, 2018, the Company released its first proprietary product, Comfort, a nutraceutical designed to target chronic pain and inflammation, through the Company's wholly-owned subsidiary, Vergence Naturals. With the launch of Comfort, Abattis continues to focus on revenue-generating activities. Comfort Extra Strength, the second addition to the Comfort product line, is set to be released to the public in mid-January, 2019, and will be enhanced with hemp-based phytocannabinoids, with a specific focus on cannabidiol (CBD). See "HIGHLIGHTS, PERFORMANCE SUMMARY AND SHARE ISSUANCES DURING THE YEAR" for further information.

On November 11, 2018, the Company appointed Ingredient Identity LLC, a Canadian and U.S. regulatory and compliance agency, to assist Vergence Naturals with its continuing Canadian and U.S. regulatory compliance program.

4. *Distribution Agreement with Sheffield & Sons Tobacconists Inc.*

On November 27, 2018, the Company signed a distribution agreement with Sheffield & Sons Tobacconists Inc. ("Sheffield and Sons") to sell the Abattis vaporizer line in all Sheffield and Sons stores across Canada. Sheffield and Sons has been in business since 1976 and is one of Canada's pre-eminent tobacconist franchisors with locations in major cities across Canada. Sheffield and Sons offers an extensive tobacco section and in the last three years has

entered the lucrative cannabis space, providing consumers with an array of complementary products such as vaporizers, pipes and grinders.

5. LOI with NutriVida Corp.

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

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

6. Share Issuances

Subsequent to the year ended September 30, 2018, the Company issued common shares as follows:

The Company issued an aggregate of 7,831,778 common shares as consideration for services to consultants, directors and employees of the Company.

The Company issued an aggregate of 400,000 common shares pursuant to the exercise of warrants.

The Company issued 41,666,667 common shares as consideration for the acquisition of Select Strains.

RISKS AND UNCERTAINTIES

The Company is in the biotechnology business and as such is exposed to a number of risks and uncertainties that are not uncommon to other companies in the same business. The Company currently has insufficient revenue or income from operations to meet its obligations as they become due. The Company has limited capital resources and has to rely upon the sale its assets or sale of its common shares for cash required to make new investments and to fund the administration of the Company.

These risks may not be the only risks faced by the Company. Additional risks and uncertainties not presently known, or which are presently considered immaterial may also adversely impact the Company’s business, results of operations, and financial performance. The most significant risks and uncertainties faced by the Company are (in no specific order) are:

Going concern

The Company’s capability to continue as a going concern is dependent upon its ability to obtain additional debt or equity financing to meet its obligations as they come due. If the Company were unable to continue as a going concern, then significant adjustments would be required to the carrying value of assets and liabilities, and to the balance sheet classifications currently used. While the Company has been successful in raising funds in the past, it is uncertain whether it will be able to raise necessary funds to further develop its products.

Reliance on license

The Company, its subsidiaries, and/or its associate(s) will not be able to legally grow, or process medical marijuana without a license from Health Canada. The licensing requirements mandated by Health Canada are stringent and must be complied with before any license is granted by Health Canada under the Access to Cannabis for Marijuana for Medical Purposes Regulations (“ACMPR”), including:

- significant infrastructure requirements of attaining and maintaining a license such as an indoor growing facility with physical barriers, visual monitoring, recording devices, intrusion detection, air filtration systems, as well as other important controls around distribution and access, among others.

- a facility meeting the rigorous licensing requirements of Health Canada must be available for inspection by Health Canada before any license can be granted.
- once a license is issued, the Company must comply with a number of ongoing requirements, including: (i) physical security and storage measures; (ii) good production practices; and (iii) proper packaging, labeling and shipping practices.
- in order to obtain and maintain a license, the Company must ensure that it complies with the terms of its other permits and ancillary licenses such as the import or export permit from the Minister of Health, as well as ensuring that all of its management and designated personnel have passed the security clearance provided for under MMPR.

There can be no guarantee that Health Canada will issue, extend or renew the License or, if it is extended or renewed, that it will be extended or renewed on the same or similar terms. Failure to comply with the requirements of the license or any failure to maintain this license would have a material adverse impact on the business, financial condition and operating results of the Company or any company that it may invest in or acquire.

As noted above, the ACMPR will be replaced by the application process under the Cannabis Act and all applications will be transitioned to this process effective October 17. The Company is currently investigating the impact, if any, this may have on applications and processing time.

Market acceptance

Even if we obtain the necessary marketing approvals, our products may not gain meaningful market acceptance, and we may not become profitable. We and our corporate collaborators may not be able to contend successfully with competitors. The nutraceutical, biotechnology and pharmaceutical industries are highly competitive and subject to significant and rapid technological change as researchers learn more about medical conditions and diseases and develop new technologies and treatments. Our current and potential competitors generally include nutraceutical and supplement companies, multinational pharmaceutical companies, biopharmaceutical firms, specialty pharmaceutical companies, universities and other research institutions.

Many of our competitors, either alone or together with their collaborators, have substantially greater financial resources and larger research, development and regulatory staffs than ours and those of our corporate collaborators. There can be no assurance that competitors will not develop more effective or more affordable products or achieve earlier patent protection or product commercialization than us and our corporate collaborators.

Competition

With respect to nutraceuticals, the Company plans to compete in an industry in which there are already many well-established participants. Success will depend on our ability to successfully differentiate our product offerings and penetrate already crowded channel. With respect to medical marijuana, there are a few, but growing number of participants. The Company will have to prove its ability to compete against companies that are further ahead in the approval process by Health Canada and have greater financial, technological, production and marketing resources.

Product liability claims

Our product candidates subject us to the risk of product liability claims for which we may not be able to maintain or obtain adequate insurance coverage. Inherent in the use of our product candidates in clinical trials, as well as in the manufacturing and distribution in the future of any approved products, is the risk of financial exposure to product liability claims and adverse publicity in the event that the use of such products results in personal injury or death. There can be no assurance that we will not experience losses due to product liability claims in the future.

Potential delayed or impaired future sales

Even if any of our product candidates receive regulatory approval, we and our collaborators may still face development and regulatory difficulties that may delay or impair future sales. If we or our collaborators obtain regulatory approval for any of our product candidates, we and our collaborators will continue to be subject to extensive regulation by Health Canada, the FDA, other federal authorities, certain state agencies and regulatory authorities elsewhere. These regulations

will impact many aspects of our operations and the drug manufacturer's operations including manufacture, record keeping, quality control, adverse event reporting, storage, labeling, advertising, promotion, sale and distribution, export and personnel. The FDA and state agencies may conduct periodic inspections to assess compliance with these requirements. We, together with our collaborators, will be required to conduct post-marketing surveillance of the product. We also may be required to conduct post-marketing studies. Our, or our collaborators', failure to comply with applicable FDA and other regulatory requirements, or the later discovery of previously unknown problems, may result in restrictions including:

- delays in commercialization;
- refusal by Health Canada, the FDA or other similar regulatory agencies to review pending applications or supplements to approved applications;
- product recalls or seizures;
- warning letters;
- suspension of manufacturing;
- withdrawals of previously approved marketing applications;
- fines and other civil penalties;
- injunctions, suspensions or revocations of marketing licenses;
- refusals to permit products to be imported to or exported from the United States; and
- criminal prosecutions.

Technology risk

The Company will have to expand its patent protection to other countries. There can be no assurances that the Company will be able to do so successfully. The Company may not have the financial resources to enforce its patents should another company compete with a similar or identical product that infringes on the Company's patents.

Intellectual property

Our success depends on our ability to protect our proprietary rights and operate without infringing the proprietary rights of others; we may incur significant expenses or be prevented from developing and/or commercializing products as a result of an intellectual property infringement claim.

Our success will depend in part on our ability and that of our corporate collaborators to obtain and enforce patents and maintain trade secrets, in Canada, the United States and in other countries.

Patent law relating to the scope and enforceability of claims in the fields in which we operate is still evolving. The patent positions of biotechnology and biopharmaceutical companies, including us, is highly uncertain and involves complex legal and technical questions for which legal principles are not firmly established. The degree of future protection for our proprietary rights, therefore, is highly uncertain. In this regard, there can be no assurance that patents will issue from any of the pending patent applications. In addition, there may be issued patents and pending applications owned by others directed to technologies relevant to our or our corporate collaborators' research, development and commercialization efforts. There can be no assurance that our or our corporate collaborators' technology can be developed and commercialized without a license to such patents or that such patent applications will not be granted priority over patent applications filed by us or one of our corporate collaborators.

Our commercial success depends significantly on our ability to operate without infringing the patents and proprietary rights of third parties, and there can be no assurance that our and our corporate collaborators' technologies and products do not or will not infringe the patents or proprietary rights of others.

There can be no assurance that third parties will not independently develop similar or alternative technologies to ours, duplicate any of our technologies or the technologies of our corporate collaborators or our licensors, or design around the patented technologies developed by us, our corporate collaborators or our licensors. The occurrence of any of these events would have a material adverse effect on our business, financial condition and results of operations.

Litigation may also be necessary to enforce patents issued or licensed to us or our corporate collaborators or to determine the scope and validity of a third party's proprietary rights. We could incur substantial costs if litigation is required to defend

ourselves in patent suits brought by third parties, if we participate in patent suits brought against or initiated by our corporate collaborators or if we initiate such suits, and there can be no assurance that funds or resources would be available in the event of any such litigation. An adverse outcome in litigation or an interference to determine priority or other proceeding in a court or patent office could subject us to significant liabilities, require disputed rights to be licensed from other parties or require us or our corporate collaborators to cease using certain technology or products, any of which may have a material adverse effect on our business, financial condition and results of operations.

Change in laws, regulations, and guidelines

The Company's operations are subject to a variety laws, regulations and guidelines relating to the manufacture, management, transportation, storage, and disposal of medical marijuana and hemp but also including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Company that it may invest in or acquire.

Limited operating history

The Company is subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

Future financing

The Company will require financing for the operation of facilities and businesses, which are capital intensive. In order to execute on an anticipated growth strategy, the Company will require equity and/or debt financing to support start up and on-going operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to the Company when needed, if ever, or on terms which are acceptable. The Company's inability to raise financing to support on-going operations or to fund capital expenditures or acquisitions would limit the Company's plans and would have a material adverse effect start-up and planned operations.

Dilution

To conduct its business, the Company may from time to time require additional funds. The Company may have to issue additional securities including, but not limited to, common shares or some form of convertible security, the effect of which will result in a dilution of the equity interests of any existing shareholders.

Dependence on key personnel

The Company strongly depends on the business and technical expertise of its management and it is unlikely that this dependence will decrease in the near term. Loss of the Company's key personnel could slow the Company's ability to innovate, although the effect on ongoing operations would be manageable as experienced key operations personnel could be put in place. As the Company's operations expand, additional general management resources will be required.

If the Company expands its operations, the ability of the Company to recruit, train, integrate and manage a large number of new employees is uncertain and failure to do so would have a negative impact on the Company's business plans.

There can be no assurance that any one of these risk factors would not impact the Company's ability to fund capital expenditures or acquisitions and would limit and may have a material adverse effect on start-up and planned operations.

OFF-BALANCE SHEET ARRANGEMENTS

The Company did not enter into any off-balance sheet arrangements during the year ended September 30, 2018.

PROPOSED TRANSACTIONS

The Company does not currently have any proposed transactions approved by the Board of Directors. All current proposed transactions are fully disclosed in the consolidated financial statements for the year ended September 30, 2018.

MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The information provided in this report, including the consolidated financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the accompanying consolidated financial statements.

CONFLICTS OF INTEREST

The Company's directors and officers may serve as directors or officers, or may be associated with other reporting companies, or have significant shareholdings in other public companies. To the extent that such other companies may participate in business or asset acquisitions, dispositions, or ventures in which the Company may participate, the directors and officers of the Company may have a conflict of interest in negotiating and concluding on terms with respect to the transaction. If a conflict of interest arises, the Company will follow the provisions of the British Columbia Business Corporations Act in dealing with conflicts of interest. These provisions state that where a director has such a conflict, that director must, at a meeting of the Company's directors, disclose his or her interest and refrain from voting on the matter unless otherwise permitted by the Corporations Act. In accordance with the laws of the Province of British Columbia, the directors and officers of the Company are required to act honestly, in good faith, and in the best interest of the Company.

SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

Significant estimates are estimates and assumptions about the future and other sources of estimation uncertainty that management has made that 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, 2018. The associates have not released full financial statements for the year ended September 30, 2018 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.
- **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. As at December 31, 2017, there were no indications that certain tangible and intangible assets of the Company are impaired. The effect of this impairment is recorded in the Company's statement of loss and comprehensive loss.
- **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. Those assumptions are described in Consolidated Financial Statement note 10 and include, among others, expected volatility, expected life of the options and number of options expected to vest.
- **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 entity to satisfy certain tests at the time the losses are recouped, including current and future economic conditions and tax law.

- **Going concern**
The Company's ability to execute its strategy by funding future working capital requirements requires judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, such as expectations of future events that are believed to be reasonable under the circumstances.
- **Impairment of non-financial assets**
Judgment is involved in assessing whether there is any indication that an asset or cash-generating unit may be impaired. This assessment is made based on the analysis of, amongst other factors, changes in the market or business environment, events that have transpired that have impacted the asset or cash generating unit, and information from internal reporting.

FUTURE ACCOUNTING PRONOUNCEMENTS

New standards and interpretations not yet adopted

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

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

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

APPROVAL

The Board of Directors of Abattis has approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it and can be found on SEDAR at www.sedar.com.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

Statements contained in this MD&A that are not historical facts are forward-looking statements (within the meaning of the Canadian securities legislation and the U.S. Private Securities Litigation Reform Act of 1995) that involve risks and uncertainties. Forward-looking statements are frequently, but not always, identified by words such as "expects", "anticipates", "believes", "intends", "estimates", "potential", "possible" or variations of such words and phrases or the negative connotation thereof, or statements that events, conditions or results "will", "may", "could" or "should" occur or be achieved. The forward-looking statements may include statements regarding research and development, product development and budgets, market estimates, capital expenditures, timeliness, strategic plans, market or industry growth, evaluation of the potential impact of future accounting changes, estimates concerning recovery of accounts receivable,

share-based payments and carrying value of intangible assets or other statements that are not statements of fact. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of the Company may differ materially from those reflected in forward-looking statements due to a variety of risks, uncertainties and other factors. Risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by the forward-looking statements include, without limitation:

- uncertainties involved in disputes and litigation;
- fluctuations in commodity prices and currency exchange rates;
- uncertainty of estimates of capital and operating costs, recovery rate, production estimates and economic return;
- the nature of research and development of bioceutical and nutraceutical products and the uncertain commercial viability of these products;
- the Company's lack of operating revenues;
- the ability to obtain additional financing to develop the intellectual property and uncertainty as to the availability and terms of future financing;
- governmental regulations and the ability to obtain necessary licenses;
- risks related to the Company's dependence on key personnel;
- uncertainty in meeting anticipated program milestones;
- estimates used in the Company's consolidated financial statements proving to be incorrect; and
- other risks and uncertainties disclosed in other information released by the Company from time to time and filed with the appropriate regulatory agencies.

This is not an exhaustive list of the factors that may affect the Company's forward-looking statements. Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the forward-looking statements. The Company's forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made, and the Company does not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions should change except as required by law. For the reasons set forth above, investors should not place undue reliance on forward-looking statements. Important factors that could cause actual results to differ materially from the Company's expectations include uncertainties relating to disputes; fluctuations in commodity prices and foreign currency exchange rates; uncertainty of estimates of capital and operating costs, recovery rate, production estimates and economic return; sales estimates, the nature of research and development of bioceutical and nutraceutical products and the uncertain commercial viability of these products; the Company's lack of operating revenues; the ability to obtain additional financing to develop the intellectual property and uncertainty as to the availability and terms of future financing; governmental regulations and the ability to obtain necessary licenses; risks related to the Company's dependence on key personnel; uncertainty in meeting anticipated program milestones; estimates used in the Company's consolidated financial statements proving to be incorrect; and other risks and uncertainties disclosed in other information released by the Company from time to time and filed with the appropriate regulatory agencies.

It is the Company's policy that all forward-looking statements are based on its beliefs and assumptions which, in turn, are based on information available at the time these assumptions are made. The forward-looking statements contained herein are based on information available as at August 8, 2019 and are subject to change after this date. The Company assumes no obligation and has no policy for updating or revising forward looking information or statements to reflect new events or circumstances, except as may be required under applicable securities laws. Although management believes that the expectations represented by such forward-looking information or statements are reasonable, there is significant risk that the forward-looking information or statements may not be achieved, and the underlying assumptions thereto will not prove to be accurate. Actual results or events could differ materially from the plans, intentions and expectations expressed or implied in any forward-looking information or statements, including the underlying assumptions thereto, as a result of numerous risks, uncertainties and other factors such as those described above and discussed under "Risks and Uncertainties". Forward-looking information or statements in this MD&A include, but are not limited to, potential value of the intellectual properties and satisfactory resolution of the Company's liabilities and contingent liabilities.