TerraBioGen
Technologies Inc.

CONSOLIDATED FINANCIAL STATEMENTS

TERRABIOGEN TECHNOLOGIES INC.

(Expressed in Canadian Dollars)

FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of TerraBioGen Technologies Inc.

We have audited the accompanying consolidated financial statements of TerraBioGen Technologies Inc., which comprise the consolidated statements of financial position as at June 30, 2015 and June 30, 2014, the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes, comprising 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits 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 our 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, we consider 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 audits 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 consolidated financial position of TerraBioGen Technologies Inc. as at June 30, 2015, and June 30, 2014 and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that TerraBioGen Technologies Inc. has a working capital deficiency, accumulated deficit and has incurred negative cash flows from operating activities. These conditions, along with other matters as set forth in Note 1 in the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt about TerraBioGen Technologies Inc.'s ability to continue as a going concern.

KPMG LLP

Chartered Professional Accountants

October 20, 2015
Vancouver, Canada

TERRABIOGEN TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at June 30, 2015 and 2014
(Expressed in Canadian Dollars)

	2015	2014
ASSETS		
Current Assets		
Cash	**$ 34,296**	$ 92,976
Amounts receivable (Note 6)	**18,446**	18,064
Deposits and prepaid expenses (Note 7)	**16,613**	7,555
Total Current Assets	**69,355**	118,595
Property and equipment (Note 9)	**265,164**	346,613
Other assets	**47,355**	39,364
TOTAL ASSETS	**$ 381,874**	$ 504,572
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities (Note 8)	**$ 337,125**	$ 427,316
Total Current Liabilities	**337,125**	427,316
Provision for dismantling	**6,133**	5,979
TOTAL LIABILITIES	**343,258**	433,295
SHAREHOLDERS' EQUITY		
Share capital (Note 11)	**38,572,901**	37,647,373
Commitment to issue shares	**70,000**	-
Contributed surplus	**2,229,619**	2,105,807
Accumulated Deficit	**(40,833,904)**	(39,681,903)
TOTAL SHAREHOLDERS' EQUITY	**38,616**	71,277
TOTAL LIABILITIES AND SHARHOLDERS' EQUITY	**$ 381,874**	$ 504,572

Nature of Operations and Going Concern (Note 1)
Commitments (Note 16)
Subsequent Event (Note 18)

Signed on its behalf by:

"Blair Heffelfinger"
Director

"Theodore Deuel"
Director

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

TERRABIOGEN TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
For the Years Ended June 30, 2015 and 2014
(Expressed in Canadian Dollars)

	2015	2014
REVENUE		
Other income	$ 94	$ 198
TOTAL REVENUE	94	198
EXPENSES		
Administration	418,614	611,757
Research and development	731,110	790,167
TOTAL EXPENSES	1,149,724	1,401,924
Loss before other items	(1,149,630)	(1,401,726)
Other items:		
Gain on sale of assets	-	2,010
Interest income	358	230
Interest expense	(2,729)	(4,452)
TOTAL OTHER ITEMS	(2,371)	(2,212)
NET LOSS AND COMPREHENSIVE LOSS	$ (1,152,001)	$ (1,403,938)
BASIC AND DILUTED LOSS PER COMMON SHARE	$ (0.67)	$ (0.88)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	1,719,845	1,593,237

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

TERRABIOGEN TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
For the Years Ended June 30, 2015 and 2014
(Expressed in Canadian Dollars)

	Common Shares					
	Number of Shares	Amount	Commitment to Issue Shares	Contributed Surplus	Accumulated Deficit	Total
Balance at June 30, 2013	1,510,388	$ 36,326,110	$ 210,000	$ 1,861,374	$ (38,277,965)	$ 119,519
Shares issued:						
- for cash	148,000	1,480,000	–	–	–	1,480,000
- on conversion of debt	8,123	81,231	–	–	–	81,231
Issue of warrants	–	(238,868)		238,868		–
Share issue costs	–	(1,100)	–	–	–	(1,100)
Shares issued	–	–	(210,000)	–	–	(210,000)
Share-based compensation	–	–	–	5,565	–	5,565
Net loss for the year	–	–	–	–	(1,403,938)	(1,403,938)
Balance at June 30, 2014	1,666,511	37,647,373	–	2,105,807	(39,681,903)	71,277
Shares issued for cash	105,000	1,050,000	–	–	–	1,050,000
Issue of warrants	–	(123,812)		123,812		–
Share issue costs	–	(660)	–	–	–	(660)
Commitment to issue shares	–	–	70,000	–	–	70,000
Net loss for the year	–	–	–	–	(1,152,001)	(1,152,001)
Balance at June 30, 2015	1,771,511	$ 38,572,901	$ 70,000	$ 2,229,619	$ (40,833,904)	$ 38,616

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

TERRABIOGEN TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Years Ended June 30, 2015 and 2014
(Expressed in Canadian Dollars)

	2015	2014
OPERATIONS		
Net loss	**$ (1,152,001)**	$ (1,403,938)
Items not involving cash:		
Depreciation (Note 9)	**110,410**	138,715
Share-based compensation (Note 11)	**-**	5,565
Impairment of property & equipment (Note 9)	**-**	32,989
Interest expense	**2,729**	4,452
Gain on sale of assets	**-**	(2,010)
Accretion on provision for dismantling	**154**	163
	(1,038,708)	(1,224,064)
Changes in non-cash working capital balances:		
Amounts receivable	**(382)**	(5,223)
Deposits and prepaid expenses	**(9,058)**	4,861
Accounts payable and accrued liabilities	**(90,191)**	(384)
	(99,631)	(746)
Interest paid	**(2,729)**	(4,452)
CASH USED IN OPERATING ACTIVITIES	**(1,141,068)**	(1,229,262)
INVESTING		
Increase in other assets	**(7,991)**	(16,220)
Cash received on sale of assets	**-**	2,010
Purchase of property and equipment	**(28,961)**	(48,189)
CASH USED IN INVESTING ACTIVITIES	**(36,952)**	(62,399)
FINANCING		
Shares issued for cash (net of issue costs)	**1,049,340**	1,268,900
Cash received for commitment to issue shares	**70,000**	-
CASH PROVIDED BY FINANCING ACTIVITIES	**1,119,340**	1,268,900
Decrease in cash	**(58,680)**	(22,761)
Cash, beginning of year	**92,976**	115,737
CASH, END OF YEAR	**$ 34,296**	$ 92,976

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

1. NATURE OF OPERATIONS AND GOING CONCERN

TerraBioGen Technologies Inc. was incorporated in British Columbia, Canada, on August 17, 1993. The Company's common shares were traded on the TSX Venture Exchange until June 11, 2012 when they were delisted at the Company's request.

The Company has identified active ingredients that impart growth promotion and disease suppression in plants, and is planning to commercialize this technology. In recent years, the company has increased its research and development capabilities including a lab scale pilot line. The facility in Burnaby, BC is used exclusively for strain screening and development, product formulation, growth room and greenhouse trials, and production of materials for field trials.

These consolidated financial statements have been prepared on a going concern basis. At June 30, 2015, the Company had a working capital deficiency of $267,770 (2014 - $308,721), an accumulated deficit of $40,833,904 (2014 - $39,681,903), and a net cash outflow from operating activities of $1,141,068 for the year then ended (2014 - $1,229,262). These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon the continued support of its major shareholders, and ultimately, generating profitable operations and positive operating cash flows. Failure to obtain sufficient financing or other appropriate arrangements would require the Company's assets and liabilities to be restated on a liquidation basis which may differ significantly from the going concern basis. These consolidated financial statements do not give effect to any adjustments or disclosures which would be necessary should the Company be unable to continue as a going concern.

The address of the Company's corporate office and principal place of business is 8536 Baxter Place, Burnaby, BC V5A 4T8.

2. BASIS OF PREPARATION

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") and the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

Approval of the Consolidated Financial Statements

The consolidated financial statements of the Company for the year ended June 30, 2015 were reviewed by the Audit Committee and approved and authorized for issuance by the Board of Directors on October 20, 2015.

Basis of Presentation

These consolidated financial statements have been prepared on the historical cost basis except for financial assets and financial liabilities that have been measured at fair value as described in Note 3. The accounting policies applied in these consolidated financial statements as described below, have been applied consistently to all periods presented as if the policies have always been in effect.

Use of estimates and judgements

The preparation of these consolidated financial statements requires management to make certain critical accounting estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. It also requires management to exercise judgment in applying the Company's accounting policies. Significant areas requiring the use of management estimates include the fair value measurements for equity instruments. Actual results could differ from those estimates.

2. BASIS OF PREPARATION (continued)

Use of estimates and judgements (continued)

Information about assumptions and estimation uncertainties in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are included in the following notes:

- Note 11 Share capital – fair value measurements for equity instruments

Information about critical judgments that management has made in applying the Company's accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include the going concern assessment, the classification of financial instruments, the applicability of government assistance programs, and the determination of cash generating units for purposes of impairment testing.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation - These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Genica Inc., which has been inactive since June 2012. All intercompany balances and transactions have been eliminated upon consolidation.

Revenue recognition – Revenue is recognized when the significant risks and rewards are transferred to the customers, persuasive evidence of the arrangement exists, the price is fixed and determinable and collection of the relevant receivable is probable, which is generally at the completion of the transaction. Revenue is measured at the fair value of the consideration received or receivable, net of returns and trade discounts.

Cash and cash equivalents – The Company considers all highly liquid investments with an original term to maturity of three months or less to be cash equivalents. Cash and cash equivalents are carried at amortized cost.

Property and equipment – Property and equipment are measured at historical cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Where the costs of certain components of an item of property and equipment are significant in relation to the total cost of an item and have different useful lives, they are accounted for and depreciated separately. Depreciation is determined based on the following annual rates:

Leasehold improvements	straight-line over lesser of useful life or initial lease term
Laboratory and plant equipment	20 - 30% declining balance
Office and computer equipment	20 - 30% declining balance
Mobile equipment	30% declining balance

One-half of the above rates are applied in the year of acquisition.

The assets' useful lives and depreciation methods are reviewed, and adjusted prospectively if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals, if any, are determined by comparing the proceeds with the carrying amount and are recognized in the statements of loss and comprehensive loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Research and development – Research costs are expensed in the period incurred. Development costs are expensed in the period incurred unless the Company believes a development project meets specific criteria for capitalization. Development activities involve a plan or design for the production of new or substantially improved products and processes. Development costs are capitalized only if 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 to use or sell the asset. Capitalized development costs are measured at cost less accumulated amortization and accumulated impairment losses.To date, no development costs have been capitalized.

Government assistance – Government grants are recognized and recorded as a reduction of research and development expenses where there is reasonable assurance that the grant will be received and all attaching conditions are met. Reimbursements of eligible costs pursuant to government corporate programs are recorded as a reduction of total costs when the related costs have been incurred and there is reasonable assurance regarding collection of the claim. Claims not settled by the statement of financial position date are recorded as a receivable on the statement of financial position. The determination of the amount of the claim, and hence the receivable amount, requires management to make calculations based on its interpretation of eligible expenditures in accordance with the terms of the programs. The reimbursement claims submitted by the Company are subject to review by the relevant government and corporate agencies. Although the Company has used its best judgment and understanding of the related program agreements in determining the receivable amount, it is possible that the amounts could increase or decrease by a material amount in the near term dependent on the review and audit by the government agency. Any funds received in advance of expenditures or eligibility requirements are recorded as deferred contributions on the statement of financial position and adjusted as subsequent claims are made by the Company.

If a grant becomes repayable, it will be treated as a change in estimate and recorded prospectively. Where the original grant is related to income, the repayment would be applied first against any related undepreciated deferred contributions, and any excess will be recognized as an expense.

Leases – Leases are classified as either finance or operating leases. Leases that transfer substantially all of the benefits and risks incidental to the ownership of equipment are classified as finance leases. At the inception of a finance lease, the equipment and an obligation is recorded at the lower of its fair value and the present value of the minimum lease payments. Equipment under a finance lease is depreciated on a declining-balance basis at rates varying from 20 to 30% per annum, which approximates the equipment’s estimated useful life. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining liability.

All other leases are classified as operating leases. Payments made under operating leases are recognized in income on a straight-line basis over the term of the lease. Lease incentives received are recognized as a reduction to the lease expense over the term of the lease.

Provisions - A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability. The unwinding of the discount is recognized as a finance cost.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Decommissioning provisions – The Company's activities give rise to dismantling, decommissioning and site disturbance re-mediation activities. A provision is made for the estimated cost of site restoration and capitalized in the relevant asset category.

Decommissioning provisions are measured at the present value of management's best estimate of expenditure required to settle the present obligation at the statement of financial position date. Subsequent to initial measurement, the obligation is adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The increase in the provision due to the passage of time is recognized as finance costs whereas increases/decreases due to changes in the estimated future cash flows are recorded against the related asset. Actual costs incurred upon settlement of the decommissioning provisions are charged against the provision to the extent the provision was established.

Impairment – The carrying amounts of the Company's property and equipment are reviewed at each reporting date for indicators of impairment. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the amount of the impairment, if any. The recoverable amount of an asset is evaluated at the cash generating unit level ("CGU"), which is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. The recoverable amount of an asset or CGU is the greater of its fair value less costs to sell and its value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in arm's length transaction between knowledgeable and willing parties, less the costs of disposal. 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. An impairment loss is recognized if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of CGU's are allocated to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

Impairment losses recognized in prior years are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depletion and depreciation, if no impairment loss had been recognized.

Income taxes - Income tax expense comprises current tax expense and deferred tax expense. Current and deferred taxes are recognized as an expense and included in income or loss for the period, except to the extent that the tax arises from a transaction which is recognized in other comprehensive income or directly in equity.

Current tax expense is the amount of income taxes payable (recoverable) in respect of the taxable income (tax loss) for a period. Current liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are recognized for temporary differences which are differences between the carrying amount of an asset or liability in the statement of financial position and its tax base, the carry-forward of unused tax loses and unused tax credits. Deferred tax assets and liabilities are measured at the tax rate that is expected to apply when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax assets are recognized for unused tax losses, tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based compensation – The Company provides an incentive stock option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of share-based compensation is charged to the statement of loss and comprehensive loss with a corresponding credit recorded to contributed surplus. The fair value of options is determined using a Black-Scholes option pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of loss and comprehensive loss over the remaining vesting period.

The Black-Scholes option pricing model requires management to make estimates, which are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values.

Share capital – Common shares issued by the Company are classified as equity. Costs directly attributable to the issue of common shares, share purchase warrants and share options are recognized as a deduction from equity. Equity instruments issued to agents as share issue costs are measured at their fair value at the date of grant.

Foreign currency translation – The functional currency of the Company, being the currency of the primary economic environment in which the Company operates, is the Canadian dollar. Foreign denominated monetary assets and liabilities are translated at the period-end rates of exchange. Non-monetary assets and liabilities are translated using the exchange rates prevailing at the date of the transaction. Revenues and expenses are translated using average rates of exchange during the year. Exchange gains or losses arising from currency translation are recognized in the statement of loss and comprehensive loss.

Earnings (loss) per common share – Basic earnings (loss) per common share is computed by dividing the net income or loss applicable to common shares of the Company by the weighted average number of common shares outstanding for the relevant period.

Diluted earnings (loss) per common share is computed by dividing the net income or loss applicable to common shares by the sum of the weighted average number of common shares issued and outstanding and all additional common shares that would have been outstanding, if potentially dilutive instruments were converted. This follows the treasury stock method in which the dilutive effect on loss per share is recognized based on the proceeds that could be obtained from the exercise of options, warrants, and similar instruments. Potentially dilutive common shares, due to the Company's stock option plan and warrants issued, are anti-dilutive for the years ending June 30, 2015 and 2014 due to the losses incurred.

Financial instruments – All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available-for-sale, loans and receivables or at fair value through profit or loss ("FVTPL"). The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers substantially all the risks and rewards of ownership of the financial asset.

Financial assets classified at fair value through profit or loss are measured at fair value with unrealized gains and losses recognized through profit or loss. At June 30, 2015, the Company has not classified any financial assets as FVTPL.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets classified as loans and receivables and held to maturity are measured at amortized cost using the effective interest method, less any impairment losses. Cash is classified as loans and receivables.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income except for impairment losses which are recognized in profit and loss. At June 30, 2015, the Company has not classified any financial assets as available-for-sale.

Transaction costs associated with financial assets classified 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.

Financial assets not carried at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence that it is impaired. Financial assets are impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Financial liabilities are initially recognized on the date they are originated and are derecognized when the contractual obligations are discharged or cancelled or expire. All financial liabilities are initially recorded at fair value and designated upon inception at fair value through profit or loss or other financial liabilities.

Financial liabilities classified as other financial liabilities are measured at amortized cost, using the effective interest method, when materially different from the initial amount. Fair value is determined based on the present value of future cash flows, discounted at the market rate of interest. Accounts payable and accrued liabilities are classified as other financial liabilities.

Financial liabilities classified at fair value through profit or loss are measured at fair value with unrealized gains and losses recognized through profit or loss. At June 30, 2015, the Company has not classified any financial liabilities at fair value through profit or loss.

Segment reporting policy - An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, and income tax assets and liabilities. The Company operates in one segment which encompasses the research and development to identify and characterize the active ingredients in its products and corporate activities to support research and development. All of the Company's property and equipment is located in Canada.

4. NEW ACCOUNTING PRONOUNCEMENTS

New standards and interpretations not yet adopted

The following is an overview of accounting standard changes that the Company will be required to adopt in future years. The Company does not expect to adopt any of these standards before their effective dates. The Company continues to evaluate the impact of these standards on its consolidated financial statements.

(a) Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)

On May 12, 2014 the IASB issued amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. The amendments made to IAS 16 explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset. The amendments in IAS 38 introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption could be overcome only when revenue and consumption of the economic benefits of the intangible asset are highly correlated or when the intangible asset is expressed as a measure of revenue.

The Company intends to adopt the amendments to IAS 16 and IAS 38 in its consolidated financial statements for the annual period beginning on July 1, 2016. The Company does not expect the amendments to have a significant impact on the consolidated financial statements.

(b) IFRS 9 - Financial Instruments:

On July 24, 2014 the IASB issued the complete IFRS 9 (IFRS 9 (2014)).

IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows.

The standard introduces additional changes relating to financial liabilities.

It also amends the impairment model by introducing a new ‘expected credit loss’ model for calculating impairment.

IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management.

The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight.

The Company intends to adopt IFRS 9 (2014) in its financial statements for the annual period beginning on July 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

(c) Annual Improvements to IFRS (2012-2014) cycle

On September 25, 2014 the IASB issued narrow-scope amendments to a total of four standards as part of its annual improvements process.

The amendments will apply for annual periods beginning on or after January 1, 2016. Earlier application is permitted, in which case, the related consequential amendments to other IFRSs would also apply.

Each of the amendments has its own specific transition requirements.

4. NEW ACCOUNTING PRONOUNCEMENTS (continued)

Amendments were made to clarify the following in their respective standards:

- Changes in method for disposal under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations;
- 'Continuing involvement' for servicing contracts and offsetting disclosures in condensed interim financial statements under IFRS 7 Financial Instruments: Disclosures;
- Discount rate in a regional market sharing the same currency under IAS 19 Employee Benefits;
- Disclosure of information 'elsewhere in the interim financial report' under IAS 34 Interim Financial Reporting;

The Company intends to adopt these amendments in its financial statements for the annual period beginning on July 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

(d) Disclosure Initiative: Amendments to IAS 1

On December 18, 2014 the IASB issued amendments to IAS 1 Presentation of Financial Statements as part of its major initiative to improve presentation and disclosure in financial reports (the "Disclosure Initiative"). The amendments are effective for annual periods beginning on or after 1 January 2016. Early adoption is permitted.

These amendments will not require any significant change to current practice, but should facilitate improved financial statement disclosures.

The Company intends to adopt these amendments in its financial statements for the annual period beginning on July 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

(e) IFRS 15 Revenue from Contracts with Customers

On May 28, 2014 the IASB issued IFRS 15 Revenue from Contracts with Customers. The new standard is effective for annual periods beginning on or after January 1, 2017. On July 22, 2015, the IASB deferred the effective date of this standard to January 1, 2018 with earlier adoption permitted. The Company is currently evaluating the impact of IFRS 15 on its financial statements.

The standard contains a single model that applies to contracts with customers and two approaches to recognising 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.

The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on July 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

Adoption of accounting standards

On July 1, 2014, the Company adopted the following amendments to accounting standards issued by the IASB:

- Offsetting Financial Assets and Liabilities, an amendment to IAS 32, Financial Instruments: Presentation; and
- Amendments to IAS 36, Recoverable Amount Disclosures for Non-Financial Assets.
- Annual Improvements to IFRS (2010 - 2013) and (2011 - 2013) cycles.

The adoption of these amendments to accounting standards did not have an impact on the Company's consolidated financial statements.

5. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, amounts receivable and accounts payable and accrued liabilities.

The following table summarizes information regarding the carrying and fair values of the Company's financial instruments:

	2015		2014	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Loans and receivable (i)	$ 37,296	$ 37,296	$ 96,490	$ 96,490
Other financial liabilities (ii)	$ 337,125	$ 337,125	$ 427,316	$ 427,316

i) Cash and government grants
ii) Accounts payable, accrued liabilities, and customer deposits

Fair value
The Company classifies its fair value measurements in accordance with an established hierarchy that prioritizes the inputs in valuation techniques used to measure fair value as follows:

Level 1 – unadjusted 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 assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. from derived prices); and
Level 3 – inputs for the asset or liability that are not based upon observable market data

The Company believes the recorded values of all other financial instruments approximate their current fair values because of their nature and short term maturity dates.

Foreign exchange risk

Most of the Company's operating expenditures are denominated in Canadian dollars and certain operating expenses are in United States dollars. The Company's exposure to foreign currency risk arises primarily on fluctuations between the Canadian dollar and the United States dollar.

The Company has not entered into any derivative instruments to manage foreign exchange fluctuations.

At June 30, 2015 and June 30, 2014, a change of 10% +/- in the US dollar would not result in a significant impact in the statements of loss and comprehensive loss.

Interest rate risk
The Company is subject to interest on its bank loans which are at negotiated rates of interest. Significant increase in these interest rates would result in increased costs for the Company.

Credit risk
Credit risk is the risk of an unexpected loss if a counterparty to a financial instrument fails to meet its contractual obligations. The credit risk associated with cash is believed to be minimal as cash is on deposit with Canadian banks that are believed to be creditworthy. Amounts receivable is comprised primarily of amounts due from the Government of Canada. The Company does not believe it is exposed to significant credit risk.

(Expressed in Canadian Dollars)

5. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined above.

The Company monitors its ability to meet its short-term operating expenditures by raising additional funds through share issuances when required. All of the Company's financial liabilities have contractual maturities of 30 days or are subject to normal trade terms.

6. AMOUNTS RECEIVABLE

		2015		2014
Goods and Services Tax	$	**15,446**	$	14,472
Government grants		**3,000**		3,514
Other		**-**		78
	$	**18,446**	$	18,064

7. DEPOSITS AND PREPAID EXPENSES

		2015		2014
Prepaid insurance premiums	$	**11,325**	$	6,055
Other		**5,288**		1,500
	$	**16,613**	$	7,555

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		2015		2014
Trade payables	$	**61,497**	$	143,884
Accrued liabilities		**19,071**		23,671
Vacation payable		**11,710**		11,008
Salaries payable		**34,847**		38,753
Customer deposits		**210,000**		210,000
	$	**337,125**	$	427,316

(Expressed in Canadian Dollars)

9. PROPERTY AND EQUIPMENT

2015

	Laboratory and plant equipment	Mobile equipment	Leasehold improvements	Office and computer equipment	Total
Costs					
Balance, July 1, 2014	$ 625,037	$ 12,115	$ 95,610	$ 192,226	$ 924,988
Additions	27,222	-	1,739	-	28,961
Balance, June 30, 2015	$ 652,259	$ 12,115	$ 97,349	$ 192,226	$ 953,949
Accumulated depreciation					
Balance July 1, 2014	$ 372,539	$ 4,907	$ 25,819	$175,110	$578,375
Depreciation	79,246	2,163	24,598	4,403	110,410
Balance, June 30, 2015	$ 451,785	$ 7,070	$ 50,417	$179,513	$688,785
Carrying amount at June 30, 2015	$ 200,474	$ 5,045	$ 46,932	$ 12,713	$ 265,164

2014

	Laboratory and plant equipment	Mobile equipment	Leasehold improvements	Office and computer equipment	Total
Costs					
Balance, July 1, 2013	$ 614,340	$ 12,115	$ 93,426	$ 189,907	$ 909,788
Additions	43,686	-	2,184	2,319	48,189
Impairment	(32,989)	-	-	-	(32,989)
Balance, June 30, 2014	$ 625,037	$ 12,115	$ 95,610	$ 192,226	$ 924,988
Accumulated depreciation					
Balance July 1, 2013	$ 266,487	$ 1,817	$ 1,825	$169,531	$439,660
Depreciation	106,052	3,090	23,994	5,579	138,715
Balance, June 30, 2014	$ 372,539	$ 4,907	$ 25,819	$175,110	$578,375
Carrying amount at June 30, 2014	$ 252,498	$ 7,208	$ 69,791	$ 17,116	$ 346,613

Total depreciation expense for the year ended June 30, 2015 was $110,410 (2014 - $138,715), $31,164 (2014 – $32,663) is allocated to administration, and $79,246 (2014 - $106,052) is allocated to research and development).

During the year ended June 30, 2014, the Company dismantled its pilot line which had been held in storage, and retained some components for future use. The Company recorded an impairment charge of $32,989 in research and development expenses on the pilot line for the year ended June 30, 2014.

10. BANK LOAN

The Company has a loan agreement with HSBC Bank Canada under a credit facility. The credit facility consists of a $100,000 operating loan which bears interest at the bank's prime rate plus 1.25% per annum and is payable on demand. The loan is secured by a general security agreement providing a first security interest in all of the Company's assets and ranks ahead of all other loans. As at June 30, 2015 and June 30, 2014, the Company had no outstanding drawings against this credit facility.

11. SHARE CAPITAL

Authorized Share Capital

On December 3, 2013, the Company's shareholders approved new Articles of Incorporation and the Company now has authorized share capital of an unlimited number of common shares without par value and an unlimited number of preferred shares without par value. There have been no preferred shares issued as at June 30, 2015.

Issued and outstanding: See Statement of Changes in Equity.

The following share transactions have occurred:

a) On September 10, 2013, the Company issued 43,000 units at a price of $10.00 per unit for gross proceeds of $430,000. Each unit consisted of one common share and one warrant exercisable at $12.00 per share until September 5, 2018.

b) On October 25, 2013, the Company issued 42,000 units at $10.00 per unit for gross proceeds of $420,000. Each Unit consists of one common share and one warrant exercisable at $12.00 per share until October 25, 2018.

c) On January 23, 2014, the Company issued 21,000 units at $10.00 per unit for gross proceeds of $210,000. Each Unit consists of one common share and one warrant exercisable at $12.00 per share until January 22, 2019.

d) On April 25, 2014, the Company issued 21,000 units at $10.00 per unit for gross proceeds of $210,000. Each Unit consists of one common share and one warrant exercisable at $12.00 per share until April 24, 2019.

e) On June 11, 2014, the Company issued 21,000 units at $10.00 per unit for gross proceeds of $210,000. Each Unit consists of one common share and one warrant exercisable at $12.00 per share until June 10, 2019.

f) On September 9, 2014, the Company issued 21,000 units at $10.00 per unit for gross proceeds of $210,000. Each Unit consists of one common share and one warrant exercisable at $12.00 per share until September 8, 2019.

g) On December 29, 2014, the Company issued 42,000 units at $10.00 per unit for gross proceeds of $420,000. Each unit consists of one common share and one warrant exercisable at $12.00 per share until December 28, 2019.

h) On February 19, 2015, the Company issued 42,000 units at $10.00 per unit for gross proceeds of $420,000. Each unit consists of one common share and one warrant exercisable at $12.00 per share until February 18, 2020.

Shares for Debt

On October 31, 2013, the Company converted a term loan of $81,231 into 8,123 units each unit consisting of 1 common share and 1 share purchase warrant exercisable at $12.00 per share expiring in five years.

(Expressed in Canadian Dollars)

11. SHARE CAPITAL (continued)

Warrants – Details of share purchase warrants during the periods ended June 30, 2015 and 2014 are as follows:

	2015		2014	
	Number	Weighted Average Exercise Price $	Number	Weighted Average Exercise Price $
Outstanding, beginning of year	**292,123**	**12.00**	246,249	13.34
Issued	**105,000**	**12.00**	156,123	12.00
Expired	**-**	**-**	(110,249)	15.00
Outstanding, end of year	**397,123**	**12.00**	292,123	12.00

As at June 30, 2015, the Company had share purchase warrants outstanding and exercisable as follows:

Number of Warrants Outstanding and Exercisable June 30, 2015	June 30, 2014	Exercise Price per Share	Expiry Date	Weighted average Remaining Life
90,000	90,000	$12.00	March 7, 2018	2.69 years
46,000	46,000	$12.00	May 31, 2018	2.92 years
43,000	43,000	$12.00	Sept. 5, 2018	3.19 years
42,000	42,000	$12.00	Oct. 25, 2018	3.32 years
8,123	8,123	$12.00	Oct. 31, 2018	3.34 years
21,000	21,000	$12.00	Jan. 22, 2019	3.57 years
21,000	21,000	$12.00	April 24, 2019	3.82 years
21,000	21,000	$12.00	June 10, 2019	3.95 years
21,000	-	$12.00	Sept. 8, 2019	4.20 years
42,000	-	$12.00	Dec. 28, 2019	4.50 years
42,000	-	$12.00	Feb. 18, 2020	4.64 years
397,123	292,123			**3.50 years**

The Company uses the Black-Scholes pricing model to estimate the fair value of share purchase warrants. The model requires management to make estimates which are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values. For purposes of the calculation, the following weighted average assumptions were used:

	2015	2014
Risk-free interest rate	**1.20%**	1.52%
Expected dividend yield	**0%**	0%
Expected stock price volatility	**25%**	25%
Expected life of warrants	**5.00 years**	5.00 years

The weighted average fair value of the warrants issued during the period was $1.18 (2014 - $1.53).

(Expressed in Canadian Dollars)

11. SHARE CAPITAL (continued)

Stock options

The Company grants stock options to directors, officers, employees and consultants as compensation for services, pursuant to its Incentive Stock Option Plan (the "Plan") instituted in 1999 and amended, most recently in July 2010. Options issued pursuant to the Plan have an exercise price as determined by the Board. Options have a maximum expiry period of five years from the grant date. The number of options, which may be issued under the plan, is limited to no more than 10% of the Company's issued and outstanding shares on the grant date. The aggregate number of options granted to any one optionee in a twelve-month period is limited to 5% of the Company's issued shares at the time the options are granted. Options granted under the plan are subject to vesting terms determined by the Board.

A summary of the Company's share options at June 30, 2015 and 2014 and the changes for the year ended on those dates is presented below:

	2015		2014	
	Options Outstanding	**Weighted Average Exercise Price**	Options Outstanding	Weighted Average Exercise Price
Opening balance	**57,000**	**$13,72**	68,000	$15.40
Forfeited or expired	**(19,000)**	**(17.16)**	(11,000)	(22.95)
Ending balance	**38,000**	**$12.00**	57,000	$13.72

The Company had the following share options outstanding and exercisable:

June 30, 2015				
Quantity		Exercise		Weighted Average
Outstanding	Exercisable	Price	Expiry Date	Remaining Life
20,000	20,000	$12.00	July 5, 2015	0.01 years
13,000	13,000	$12.00	Dec 15, 2015	0.46 years
5,000	5,000	$12.00	Oct 3, 2016	1.26 years
38,000	**38,000**			**0.33 years**

The weighted average contractual life remaining on the above options is 0.33 years (June 30, 2014 – 1.22 years)

The Company did not grant any options to directors and officers during the years ended June 30, 2015 or June 30, 2014. Total share-based compensation for the year ended June 30, 2015 was Nil; (2014 - $5,565) which has been expensed to the statements of loss and comprehensive loss.

(Expressed in Canadian Dollars)

12. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT PERSONNEL

As of June 30, 2015 and June 30, 2014, the Company has identified its directors and senior officers as its key management personnel and the compensation costs for key management personnel and companies related to them were recorded at their exchange amounts as agreed upon by transacting parties.

The compensation costs for key management personnel for the year ended June 30, 2015 and June 30, 2014 are as follows:

		2015		2014
Salaries and benefits	**$**	**256,287**	$	252,196
Share-based compensation		**-**		5,565
	$	**256,287**	$	257,761

Other related party transactions during the year ended June 30, 2015:

a) Consulting fees of $49,100 (2014 - $61,950) were expensed for services provided by a company controlled by an officer, and consulting fees of Nil (2014 - $9,350) were expensed for services provided by a director.

b) Accounts payable and accrued expenses include fees payable to directors of $4,000 (2014 - $5,200). Fees to directors of $11,800 (2014 - $11,600) were expensed during the year, and fees of $13,000 (2014 - $8,000) were paid to directors during the year.

13. PERSONNEL EXPENSES

Personnel expenses are included in administration and research and development as follows:

		2015		2014
Administration	**$**	**171,338**	$	316,347
Research and development		**321,323**		253,291
	$	**492,661**	$	569,638

14. INCOME TAXES

a) The reconciliation of income tax computed at statutory rates to income tax expense, using a 26% (2014 – 26%) statutory rate is:

		2015		2014
Income (loss) before income taxes	**$**	**(1,152,001)**		(1,403,938)
Statutory rate		**26%**		26%
Tax expense (recovery) at statutory income tax rates		**(299,520)**		(365,024)
Reconciliation of effective tax rate:				
Permanent differences and other		**380**		15,993
Change in unrecognized temporary differences		**265,798**		311,220
True-up prior year		**33,342**		-
Tax losses expired		**-**		270,511
Change in enacted tax rates		**-**		(232,700)
Income tax expense	**$**	**-**	$	-

(Expressed in Canadian Dollars)

14. INCOME TAXES (continued)

b) Unrecognized deferred tax assets:

Deferred tax assets have not been recognized in respect of the following items because it is not probable that future taxable profit will be available against which the Company can use the benefits therefrom.

	June 30, 2015	June 30, 2014
Non-capital losses	**$ 10,437,000**	$ 9,932,000
Property and equipment	**8,592,000**	8,789,000
SRED	**6,445,000**	5,730,000
Share issuance costs	**5,300**	14,000
	$ 25,479,300	$ 24,465,000

Non-capital losses – At June 30, 2015, the Company has tax losses of approximately $10,437,000 (2014 - $9,932,000) available to offset future taxable income, expiring from 2016 to 2035.

Scientific research and experimental development costs ("SRED") - The Company has SRED costs of $6,445,000 (2014 - $5,730,000) available to offset future taxable income, expiring indefinitely.

The application of non-capital losses and SRED against future taxable income is subject to final determination by the Canada Revenue Agency.

As at June 30, 2015, the Company has approximately $1,239,000 of investment tax credits (2014 - $1,009,000) available to reduce taxes payable in future years. The investment tax credits have not been recognized as it is not probable that future taxable profit will be available against which the Company can use the benefits therefrom.

15. GOVERNMENT ASSISTANCE

The Company has received assistance or signed Contribution Agreements under a number of government programs including the National Research Council of Canada's Industrial Research Assistance Program (NRC-IRAP), Agriculture Adaption Council's Canadian Agricultural Adaption Program (CAAP), the National Research Council of Canada's Youth Internship Program (NRC-Intern), and the Natural Sciences & Engineering Research Council (NSERC) under their Industrial Undergraduate Student Research Award.

Details of each of these programs are as follows:

- The Company has a Contribution Agreement with NRC-IRAP to support the Company's research and development program for $40,750 with an expiry date, as amended, to August 31, 2015. For the year ended June 30, 2015, the Company submitted two claims for $2,836 which was received during the year ended June 30, 2015. A balance of $7,000 remains under the Agreement and the Company anticipates that it will claim this amount.

- The Company signed an Agreement with CAAP for growing trials with a maximum contribution of $23,343 and an expiry date of October 31, 2013. For the year ended June 30, 2014, the Company submitted a claim for $23,343 which was received during the year ended June 30, 2015.

15. GOVERNMENT ASSISTANCE (continued)

- The Company signed two Contribution Agreements with NRC-Intern for the salaries of recent graduate students working in the Company's research department. The first agreement had a maximum amount of $20,000 and expired on December 15, 2014; the Company filed claims for $12,230 during the six months to December 15, 2014 and this has been fully paid. The second agreement has a maximum amount of $17,000 and expires on November 30, 2015; the Company filed claims totalling $10,000 under this agreement and $3,000 of this amount is included in accounts receivable as at June 30, 2015. A balance of $7,000 remains under this agreement and the Company anticipates that it will claim this amount.

- The Company signed an agreement with NSERC for the salary of an undergraduate student with a maximum contribution, as amended, of $9,000 with an expiry date of August 31, 2015. The Company filed a claim for $4,500 under this agreement and this was received during the year ended June 30, 2015.

16. COMMITMENTS

In the year ended June 30, 2013, the Company signed a lease for premises located in Burnaby, British Columbia. The lease is for a four-year term which expires on May 31, 2017 with a renewal option for an additional four-year term. The commitment for rent and operating costs is $130,490 in year 1 and $120,533 for the remainder of the initial term; the Company paid a security deposit of $7,612 which will be applied against the final month's rent.

17. CAPITAL MANAGEMENT

The Company manages its capital structure in order to ensure sufficient resources are available to meet operational requirements. The Company manages the components of shareholders' equity and its liabilities including its bank line of credit as capital, and makes adjustments to these components in response to the Company's business objectives and the economic climate. To maintain or adjust its capital structure, the Company may attempt to issue new common shares from treasury, issue debt instruments or borrow money.

The Company expects its current capital resources, together with the proceeds from planned additional equity fundraising, will be sufficient to carry out its operations through its next operating period.

The Company does not anticipate the payment of dividends in the foreseeable future.

18. SUBSEQUENT EVENT

Subsequent to June 30, 2015, the Company closed a non-brokered private placement of 42,000 units for gross proceeds of $420,000; $70,000 of these proceeds were received before June 30, 2015. Each Unit will consist of one common share and one warrant exercisable at $12.00 per share expiring in five years.

TERRABIOGEN TECHNOLOGIES INC.

MANAGEMENT DISCUSSION & ANALYSIS

For the year ended June 30, 2015

TERRABIOGEN TECHNOLOGIES INC.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

This discussion and analysis of financial position and results of operations is prepared as at October 20, 2015. The Management's Discussion and Analysis ("MD&A") should be read in conjunction with the audited consolidated financial statements of TerraBioGen Technologies Inc. (the "Company") as at and for the year ended June 30, 2015 and related notes thereof which have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. Except as otherwise disclosed, all dollar figures included therein and the following MD&A are quoted in Canadian dollars. Additional information relevant to the Company's activities can be found on SEDAR at www.sedar.com or the Company's website at www.terrabiogen.com.

Forward Looking Statements

Certain information included in this discussion may constitute forward-looking statements. Forward-looking statements are based on current expectations and entail various risks and uncertainties. These risks and uncertainties could cause or contribute to actual results that are materially different than those expressed or implied. Forward-looking statements, which involve assumptions and describe our future plans, strategies, and expectations, are generally identifiable by use of the words "may," "will," "should," "expect," "anticipate," "estimate," "believe," "plan," "intend" or "project" or the negative of these words or other variations on these words or comparable terminology. Readers are cautioned regarding statements discussing profitability; growth strategies; anticipated trends in our industry; our future financing plans; and our anticipated needs for working capital.

While it is impossible to identify all such factors, factors that could cause actual results to differ materially from those estimated by us include: inability or delays in achieving its technical development and commercialization milestones, environmental factors that could impact the Company's product field trial performance, delays in achieving regulatory approval of its products, inability or delays in securing the necessary funding to complete the development and commercialization of its products.

The Company disclaims any obligation or intention to update or revise publicly any forward-looking statements, whether as a result of new information, future events, or otherwise, unless required to do so by law.

Description of the Business

TerraBioGen Technologies Inc. was incorporated in British Columbia, Canada, on August 17, 1993. The Company's common shares were traded on the TSX Venture Exchange until June 11, 2012 when they were delisted at the Company's request.

The Company has identified active ingredients that impart growth promotion and disease suppression in plants, and is planning to commercialize this technology. In recent years, the company has increased its research and development capabilities including a lab scale pilot line. The facility in Burnaby, BC is used exclusively for strain screening and development, product formulation, growth room and greenhouse trials, and production of materials for field trials.

The Company is committed to research and development to continue to improve the effectiveness of its technologies, the quality of its products, and the creation of new product lines. Through collaborations with some of the leading agricultural institutes in North America and funding from Canadian government's programs, TerraBioGen is developing and testing the active ingredients in its products that are responsible for the improved crop yields and suppression of disease. Further, the Company is taking steps to secure intellectual property rights to these active ingredients and to formulate them in order to fully commercialize their potential.

TERRABIOGEN TECHNOLOGIES INC.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

Overall Performance

The Company is a development company with minimal revenues to date from its activities.

The following selected annual financial information is derived from the audited consolidated financial statements of the Company prepared in accordance with IFRS.

Year ended June 30	2015	2014	2013
Revenues	$ 94	$ 198	$ 4,717
Loss before other income (expense)	(1,149,630)	(1,401,726)	(1,889,350)
Gain on settlement of liabilities	-	-	-
Net finance income (expense)	(2,371)	(4,222)	(6,280)
Gain on sale of assets	-	2,010	54,795
Net loss	(1,152,001)	(1,403,938)	(1,840,835)
Net loss per share (basic and diluted)	$ (0.67)	$ (0.88)	$ (1.31)
Total assets	$ 381,874	$ 504,572	$ 634,266
Long term liabilities	6,133	5,979	5,816

Quarterly Financial Results

	Year ended June 30, 2015				Year ended June 30, 2014			
	Apr-Jun/15	Jan-Mar/15	Oct-Dec/14	July-Sept/14	Apr-Jun/14	Jan-Mar/14	Oct–Dec/13	July-Sept/13
	Q4 2015	**Q3 2015**	**Q2 2015**	**Q1 2015**	**Q4 2014**	**Q3 2014**	**Q2 2014**	**Q1 2014**
Revenues	$ -	$ 94	$ -	$ -	$ -	$ -	$ -	$ 198
Loss before other income (expense)	(325,660)	(243,421)	(357,650)	(222,899)	(447,937)	(293,517)	(372,247)	(288,025)
Net finance expense	(364)	(529)	(582)	(896)	(856)	(466)	(753)	(2.147)
Gain on sale of assets	-		-	-	1,600	410	-	-
Net Income (Loss)	(326,024)	(243,950)	(358,232)	(223,795)	(447,193)	(293,573)	(373,000)	(290,172)
Net Income (Loss) per share (basic and diluted)	$ (0.19)	$ (0.14)	$ (0.21)	$ (0.13)	$ (0.27)	$ (0.18)	$ (0.23)	$ (0.20)
	June 30/15	**Mar. 31/15**	**Dec. 31/14**	**Sept.30/14**	**June 30/14**	**Mar. 31/14**	**Dec. 31/13**	**Sept.30/13**
Total assets	381,874	651,414	463,919	386,475	504,572	426,895	*492,059*	486,924
Long term liabilities	6,133	6,094	6,049	6,017	5,979	5,941	*5,897*	5,867

Comparison of the year ended June 30, 2015 to the year ended June 30, 2014

Following an expense reduction of more than $492,000 in the fiscal year ended June 30, 2014, in part due to the closure of the North Vancouver plant, expenses have been reduced a further $252,200 during the current year. The majority of this reduction was in administration costs which declined by $193,143.

The administration expense decrease was largely a result of a $167,290 reduction in wages and management fees due to a temporary business development person and termination payments made to a former employee in fiscal 2014, and $17,874 in professional fees due to reduced activity in the current year and higher legal costs in the prior year in connection with new articles for approval at the annual shareholders meeting.

Research and development expenses decreased by $59,057 as a result of a combination of items. Reductions of $104,227 in growing trials due to more focused trials, $26,806 in depreciation, and $32,989 for a one-time impairment cost in the prior year, were partially offset by increases of $68,032 in wages costs due to higher staffing levels and $20,009 from rent costs.

During the year ended June 30, 2015, the Company incurred interest expenses of $2,729 and earned interest income of $358, resulting in a net loss for the current year of $1,152,001 or $0.67 per share. In the prior year, the Company incurred interest expenses of $4,452, earned interest income $230 and realized a gain of $2,010 on the sale of equipment, resulting in a net loss for the year ended June 30, 2014 of $1,403,938 or $0.88 per share.

Breakdown of Expenses

		2015		2014
ADMINISTRATION:				
Wages and management fees	$	220,438	$	387,728
Share-based compensation		-		5,565
Depreciation		31,164		32,663
Accretion for provision on dismantling		154		163
Professional fees		20,580		38,454
Office expenses		111,191		106,953
Travel & entertainment		11,659		16,284
Regulatory costs		10,389		11,044
Directors fees and expenses		13,039		12,903
	$	**418,614**	**$**	**611,757**
RESEARCH AND DEVELOPMENT:				
Wages and benefits	$	321,323	$	253,291
Contractors		74,605		67,170
Growing trials		95,046		199,274
Rent		122,426		102,417
Depreciation		79,246		106,052
Impairment of property and equipment		-		32,989
Other expenses		68,030		65,250
Government assistance		(29,566)		(36,276)
	$	**731,110**	**$**	**790,167**

Comparison of the three months ended June 30, 2015 to the three months ended June 30, 2014

During the three months ended June 30, 2015, the Company recorded total expenses of $325,660, compared to $447,937 in the prior year, a decrease of $122,277. Administration costs declined by $64,118 and research and development costs declined by $58,159.

The administration expense decrease was due to a reduction of $64,395 in wages and management fees resulting from payments to a temporary business development person and termination payments made to a former employee in the prior year, offset by minor increases in other expenses

The research and development expense decrease resulted primarily from an increase of $24,985 for wages due to higher staffing levels, offset by a reduction of $96,943 in growing trials due to more focused trials and the timing of transactions.

During the three months ended June 30, 2015, the Company incurred interest expenses of $607 and earned interest income of $243, resulting in a net loss for the current quarter of $326,024 or $0.19 per share. In the prior period, the Company incurred interest expenses of $867 and earned $11 of interest income and realized a $1,600 gain on the sale of an asset, resulting in a net loss for the three months ended June 30, 2014 of $447,193 or $0.27 per share.

Liquidity and Capital Resources

During the year ended June 30, 2015, the Company spent $1,178,020 in cash on operating and investing activities, and generated $1,119,340 from financing activities, for a net cash outflow of $58,680, leaving a net cash balance of $34,296 at June 30, 2015. In early July 2015, the Company completed a private placement of $420,000.

At June 30, 2015, the Company had total liabilities of $343,258, a decrease of $90,037 from June 30, 2014 and a decrease of $171,489 from June 30, 2013. The Company had a working capital deficiency of $267,770 compared to a deficiency of $308,721 at June 30, 2014. There are no committed capital expenditures required to meet the Company's planned research and development efforts. The Company has a 4 year lease on its premises in Burnaby, expiring on May 31, 2017 and the remaining commitment for rent and operating costs is $130,490 in year 1 and $120,533 for the remainder of the term.

The Company is dependent on cash from new financing activities and a $100,000 bank line of credit in order to meet its obligations. Until the Company generates significant sales, it will be relying on new financing and any difficulty in raising new funds from these activities will have a significant impact on the Company's ability to operate. The Company anticipates that it will be able to raise new financing to cover its operating needs through private placements.

Share Capital

As at October 20, 2015, the Company has 1,813,511 common shares issued and outstanding for a total of $38,944,708 in share capital. There are 18,000 stock options outstanding exercisable at $12.00 per share and 439,123 warrants exercisable into common shares at an exercise price of $12.00 per share.

Off Balance Sheet Arrangements

To the best of management's knowledge, there are no off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company.

Business Development

The Company's primary focus has been conducting intensive research to identify and characterize the active ingredients under development. The research and development department has added additional staff and contract work and collaboration is being undertaken with leading universities as well as private companies to further identify the active ingredients. The Company is continuing an extensive and focused growing trial program in 2016 in order to assess the efficacy of product formulations and delivery methods that will provide benefits to the grower and substantive return to the Company.

TerraBioGen is actively working on the further development, formulation and patenting of additional agriculturally bioactive compounds. The Company's growing trials over the next 12 months will focus on the formulation and delivery of these materials to a wide range of horticultural and agricultural crops.

Patents

In September 2013, the Company filed a provisional patent in Canada on one of its bioactive materials and conducted further growing trials during 2014 to gather supplemental data for final patent submissions. Based on trial data and ongoing research, and in the interest of improving the strength and expanding the scope of the claims, the Company chose to refile the provisional patent with the US Patent and Trademark Office in September 2014. However, since the Company has subsequently made significant further improvements to its technology which will materially change the scope, nature and claims of the September 2014 provisional patent, the company has decided it will refile with the latest improvements in the fall of 2015.

Transactions with Related Parties

During the year ended June 30, 2015, the Company paid fees of $49,100 for accounting and financial services to a company controlled by an officer. In addition, directors receive a fee of $200 for each meeting or committee meeting attended; directors' fees of $11,800 were expensed during the year ended June 30, 2015, $13,000 was paid to directors, and $4,000 is owed to directors and is included in accounts payable and accrued liabilities at June 30, 2015.

Critical Accounting Estimates and Judgments

The preparation of these consolidated financial statements requires management to make certain critical accounting estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, income and expenses. It also requires management to exercise judgment in applying the Company's accounting policies. Significant areas requiring the use of management estimates include the fair value measurements for equity instruments. Actual results could differ from those estimates.

Information about assumptions and estimation uncertainties in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are included in the following notes:

- Note 11 Share capital – fair value measurements for equity instruments

Information about critical judgments that management has made in applying the Company's accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements include the going concern assessment, the classification of financial instruments, the applicability of government assistance programs, and the determination of cash generating units for purposes of impairment testing.

Changes in Accounting Polices

New standards and interpretations not yet adopted

The following is an overview of accounting standard changes that the Company will be required to adopt in future years. The Company does not expect to adopt any of these standards before their effective dates. The Company continues to evaluate the impact of these standards on its consolidated financial statements.

(a) Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)

On May 12, 2014 the IASB issued amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. The amendments made to IAS 16 explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset. The amendments in IAS 38 introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption could be overcome only when revenue and consumption of the economic benefits of the intangible asset are highly correlated or when the intangible asset is expressed as a measure of revenue.

The Company intends to adopt the amendments to IAS 16 and IAS 38 in its consolidated financial statements for the annual period beginning on July 1, 2016. The Company does not expect the amendments to have a significant impact on the consolidated financial statements.

(b) IFRS 9 - Financial Instruments:

On July 24, 2014 the IASB issued the complete IFRS 9 (IFRS 9 (2014)).

IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows.

The standard introduces additional changes relating to financial liabilities.

It also amends the impairment model by introducing a new 'expected credit loss' model for calculating impairment.

IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management.

The mandatory effective date of IFRS 9 is for annual periods beginning on or after January 1, 2018 and must be applied retrospectively with some exemptions. Early adoption is permitted. The restatement of prior periods is not required and is only permitted if information is available without the use of hindsight.

The Company intends to adopt IFRS 9 (2014) in its financial statements for the annual period beginning on July 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

(c) Annual Improvements to IFRS (2012-2014) cycle

On September 25, 2014 the IASB issued narrow-scope amendments to a total of four standards as part of its annual improvements process.

The amendments will apply for annual periods beginning on or after January 1, 2016. Earlier application is permitted, in which case, the related consequential amendments to other IFRSs would also apply.

Each of the amendments has its own specific transition requirements.

Amendments were made to clarify the following in their respective standards:

- Changes in method for disposal under IFRS 5 Non-current Assets Held for Sale and Discontinued Operations;
- 'Continuing involvement' for servicing contracts and offsetting disclosures in condensed interim financial statements under IFRS 7 Financial Instruments: Disclosures;
- Discount rate in a regional market sharing the same currency under IAS 19 Employee Benefits;
- Disclosure of information 'elsewhere in the interim financial report' under IAS 34 Interim Financial Reporting;

The Company intends to adopt these amendments in its financial statements for the annual period beginning on July 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

(d) Disclosure Initiative: Amendments to IAS 1

On December 18, 2014 the IASB issued amendments to IAS 1 Presentation of Financial Statements as part of its major initiative to improve presentation and disclosure in financial reports (the "Disclosure Initiative"). The amendments are effective for annual periods beginning on or after 1 January 2016. Early adoption is permitted.

These amendments will not require any significant change to current practice, but should facilitate improved financial statement disclosures.

The Company intends to adopt these amendments in its financial statements for the annual period beginning on July 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

(e) IFRS 15 Revenue from Contracts with Customers

On May 28, 2014 the IASB issued IFRS 15 Revenue from Contracts with Customers. The new standard is effective for annual periods beginning on or after January 1, 2017. On July 22, 2015, the IASB deferred the effective date of this standard to January 1, 2018 with earlier adoption permitted. The Company is currently evaluating the impact of IFRS 15 on its financial statements.

The 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.

The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on July 1, 2018. The extent of the impact of adoption of the standard has not yet been determined.

Adoption of accounting standards

On July 1, 2014, the Company adopted the following amendments to accounting standards issued by the IASB:

- Offsetting Financial Assets and Liabilities, an amendment to IAS 32, Financial Instruments: Presentation; and
- Amendments to IAS 36, Recoverable Amount Disclosures for Non-Financial Assets.
- Annual Improvements to IFRS (2010 - 2013) and (2011 - 2013) cycles.

The adoption of these amendments to accounting standards did not have an impact on the Company's consolidated financial statements.

Financial Instruments

The Company's financial instruments consist of cash, amounts receivable and accounts payables and accrued liabilities. The fair values of these financial instruments approximate carrying value because of their short-term nature. Cash and government grants receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable, accrued liabilities and customer deposits are classified as other financial liabilities and are measured at amortized cost.

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Foreign exchange risk

Most of the Company's operating expenditures are denominated in Canadian dollars and certain operating expenses are in United States dollars. The Company's exposure to foreign currency risk arises primarily on fluctuations between the Canadian dollar and the United States dollar.

The Company has not entered into any derivative instruments to manage foreign exchange fluctuations.

At June 30, 2015 and June 30, 2014, a change of 10% +/- in the US dollar would not result in a significant impact in the statements of loss and comprehensive loss.

Interest rate risk

The Company is subject to interest on its bank loans which are at negotiated rates of interest. Significant increase in these interest rates would result in increased costs for the Company.

Credit risk

Credit risk is the risk of an unexpected loss if a counterparty to a financial instrument fails to meet its contractual obligations. The credit risk associated with cash is believed to be minimal as cash is on deposit with Canadian banks that are believed to be creditworthy. Amounts receivable is comprised primarily of amounts due from the Government of Canada. The Company does not believe it is exposed to significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages liquidity risk through the management of its capital structure and financial leverage as outlined above.

The Company monitors its ability to meet its short-term operating expenditures by raising additional funds through share issuance when required. All of the Company's financial liabilities have contractual maturities of 30 days or are subject to normal trade terms.

Additional Information

Additional information about TerraBioGen Technologies Inc. can be found on SEDAR at www.sedar.com or on the Company's website at www.TerraBioGen.com.