



CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

TERRABIOGEN TECHNOLOGIES INC.

(Expressed in Canadian Dollars)

For the three months ended September 30, 2015

(Unaudited – Prepared by Management)

Notice: These consolidated interim financial statements have been prepared by management and they have not been reviewed by the Company's external auditors

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated interim financial statements of TerraBioGen Technologies Inc. for the three months ended September 30, 2015 have been prepared by management of the Company and approved by the Company's Audit Committee and the Company's Board of Directors.

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

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

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

TERRABIOGEN TECHNOLOGIES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)
(Unaudited – Prepared by management)

	September 30, 2015	June 30, 2015
ASSETS		
Current		
Cash	\$ 126,739	\$ 34,296
Amounts receivable	17,797	18,446
Deposits and prepaid expenses	11,049	16,613
CURRENT ASSETS	155,585	69,355
Property and equipment	238,406	265,164
Long term assets	47,355	47,355
TOTAL ASSETS	\$ 441,346	\$ 381,874
LIABILITIES		
Current		
Accounts payable and accrued expenses	\$ 299,034	\$ 337,125
CURRENT LIABILITIES	299,034	337,125
Provision for dismantling	6,172	6,133
TOTAL LIABILITIES	305,206	343,258
SHAREHOLDERS' EQUITY		
Share capital (Note 5)	38,944,708	38,572,901
Commitment to issue shares	-	70,000
Contributed surplus	2,277,592	2,229,619
Deficit	(41,086,160)	(40,833,904)
SHAREHOLDERS' EQUITY (DEFICIENCY)	136,140	38,616
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 441,346	\$ 381,874

Nature of Operations and Going Concern (Note 1)

Commitments (Note 7)

Signed on its behalf by:

"Blair Heffelfinger"
Director

"Theodore Deuel"
Director

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

TERRABIOGEN TECHNOLOGIES INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE LOSS
For the Three Months ended September 30
(Expressed in Canadian Dollars)
(Unaudited – prepared by management)

	2015	2014
REVENUE		
Other income	\$ 189	\$ -
TOTAL REVENUE	189	-
EXPENSES		
Administration	98,253	96,195
Research and development	153,583	126,704
TOTAL EXPENSES	251,836	222,899
Loss before other items	(251,647)	(222,899)
Other items:		
Interest expense	(609)	(896)
TOTAL OTHER ITEMS	(609)	(896)
NET LOSS AND COMPREHENSIVE LOSS	\$ (252,256)	\$ (223,795)
BASIC AND DILUTED LOSS PER SHARE	\$ (0.14)	\$ (0.13)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	1,808,032	1,671,532

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

TERRABIOGEN TECHNOLOGIES INC.
CONSOLIDATED INTERIM STATEMENTS OF SHAREHOLDERS' EQUITY
For the Periods Ended September 30
(Expressed in Canadian Dollars)

	<u>Common shares</u>						
	<u>Number of Shares</u>	<u>Amount</u>	<u>Commitment to Issue Shares</u>	<u>Contributed Surplus</u>	<u>Accumulated Deficit</u>	<u>Total</u>	
Balance at July 1, 2014	1,666,511	\$ 37,647,373	\$ -	\$ 2,105,807	\$ (39,681,903)	\$ 71,277	
Shares issued for cash	21,000	210,000	-	-	-	210,000	
Issue of warrants	-	(32,410)	-	32,410	-	-	
Share issue costs	-	(220)	-	-	-	(220)	
Comprehensive loss for the period	-	-	-	-	(223,795)	(223,795)	
Balance at Sept. 30, 2014	1,553,388	\$ 36,690,320	\$ -	\$ 1,927,164	\$ (38,568,137)	49,347	
Balance at July 1, 2015	1,771,511	\$ 38,572,901	\$ 70,000	\$ 2,229,619	\$ (40,833,904)	\$ 38,616	
Shares issued for cash	42,000	420,000	-	-	-	420,000	
Issue of warrants	-	(47,973)	-	47,793	-	-	
Commitment to issue shares	-	-	(70,000)	-	-	(70,000)	
Share issue costs	-	(220)	-	-	-	(220)	
Comprehensive loss for the period	-	-	-	-	(252,256)	(252,256)	
Balance at Sept. 30, 2015	1,813,511	\$ 38,944,708	\$ -	\$ 2,277,592	\$ (41,086,160)	\$ 136,140	

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

TERRABIOGEN TECHNOLOGIES INC.
CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

For the Three Months ended September 30

(Expressed in Canadian Dollars)

(Unaudited – prepared by management)

	2015	2014
OPERATIONS		
Net Income (Loss)	\$ (252,256)	\$ (223,795)
Items not involving cash:		
Depreciation	26,757	26,406
Interest expense	609	896
Accretion on provision for dismantling	39	38
	(224,851)	(196,455)
Changes in non-cash working capital balances:		
Amounts receivable	649	7,999
Deposits and prepaid expenses	5,564	(1,293)
Accounts payable and accrued liabilities	(38,090)	(143,924)
	(256,728)	(137,218)
Interest paid	(609)	(896)
CASH USED IN OPERATING ACTIVITIES	(257,337)	(334,569)
INVESTING		
Increase in other assets	-	(7,991)
Purchase of property and equipment	-	-
CASH USED IN INVEST ACTIVITIES	-	(7,991)
FINANCING		
Increase in bank loans	-	39,804
Shares issued for cash (net of issue costs)	349,780	209,780
CASH PROVIDED BY FINANCING ACTIVITIES	349,780	249,584
Increase (decrease) in cash	92,443	(92,976)
Cash, beginning of period	34,296	92,976
CASH AND CASH EQUIVALENTS, end of period	\$ 126,739	\$ -

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

TERRABIOGEN TECHNOLOGIES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Three Months Ended September 30, 2015
(Expressed in Canadian Dollars)

1. OPERATIONS

TerraBioGen Technologies Inc. was incorporated in British Columbia, Canada, on August 17, 1993.

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 unaudited condensed consolidated interim financial statements have been prepared on a going concern basis. At September 30, 2015, the Company had a working capital deficiency of \$138,985 (2014 - \$310,300), an accumulated deficit of \$41,086,160 (2014 - \$39,905,698), and a net cash outflow from operating activities of \$244,497 for the three months then ended (2014 - \$334,629). 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 unaudited condensed consolidated interim 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 PRESENTATION

Basis of Presentation

The unaudited condensed consolidated interim financial statements were prepared using the same accounting policies and methods as those in the Company's consolidated financial statements for the year ended June 30, 2014. These unaudited condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. Accordingly, certain disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards have been omitted or condensed. These condensed consolidated interim financial statements should be read in conjunction with the Company's consolidated financial statements for the year ended June 30, 2015.

Approval of the Financial Statements

These unaudited condensed consolidated interim financial statements were approved for issuance by the Board of Directors on November 25, 2015.

Use of estimates

The preparation of these condensed consolidated financial statements, in compliance with IFRS, requires management to make certain critical accounting estimates. 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 of property and equipment, deferred income tax asset valuations, provision for dismantling, and fair value measurements for financial instruments and share-based compensation. Actual results could differ from those estimates.

TERRABIOGEN TECHNOLOGIES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Three Months Ended September 30, 2015
(Expressed in Canadian Dollars)

3. 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 unaudited condensed consolidated interim financial statements.

4. 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 September 30, 2015 and as at June 30, 2015, the Company had no outstanding drawings against this credit facility.

5. 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 September 30, 2015.

Issued and outstanding: See Consolidated Statement of Changes in Shareholders' Equity.

Since July 1, 2014, the following share transactions occurred:

- a) 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.
- b) 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.
- c) 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.
- d) On July 13, 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 July 12, 2020.

TERRABIOGEN TECHNOLOGIES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Three Months Ended September 30, 2015
(Expressed in Canadian Dollars)

5. SHARE CAPITAL (continued)

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

	Three Months Ended Sept. 30, 2015		Year Ended June 30, 2015	
	Number	Weighted Average Exercise Price	Number	Weighted Average Exercise Price
Outstanding, beginning of year	397,123	\$ 12.00	292,123	\$ 12.00
Issued	42,000	12.00	105,000	12.00
Outstanding, end of year	439,123	\$ 12.00	397,123	\$ 12.00

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

Number of Warrants Outstanding and Exercisable		Exercise Price per Share	Expiry Date	Weighted average Remaining Life
Sept. 30, 2015	June 30, 2015			
90,000	90,000	\$12.00	March 7, 2018	2.43 years
46,000	46,000	\$12.00	May 31, 2018	2.67 years
43,000	43,000	\$12.00	Sept. 5, 2018	2.93 years
42,000	42,000	\$12.00	Oct. 25, 2018	3.07 years
8,123	8,123	\$12.00	Oct. 31, 2018	3.09 years
21,000	21,000	\$12.00	Jan. 22, 2019	3.32 years
21,000	21,000	\$12.00	April 24, 2019	3.57 years
21,000	21,000	\$12.00	June 10, 2019	3.70 years
21,000	21,000	\$12.00	Sept. 8, 2019	3.94 years
42,000	42,000	\$12.00	Dec. 28, 2019	4.28 years
42,000	42,000	\$12.00	Feb. 18, 2020	4.39 years
42,000	-	\$12.00	July 12, 2020	4.79 years
313,123	292,123			3.39 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:

	Three months ended Sept. 30, 2015	Year ended June 30, 2015
Risk-free interest rate	0.77%	1.20%
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 \$1.14 (2014 - \$1.18).

TERRABIOGEN TECHNOLOGIES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Three Months Ended September 30, 2015
(Expressed in Canadian Dollars)

5. 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 ten 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 September 30, 2015 and June 30, 2015 and the changes for the periods ended on those dates is presented below:

	Three months ended September 30, 2015		Year ended June 30, 2015	
	Options Outstanding	Weighted Average Exercise Price	Options Outstanding	Weighted Average Exercise Price
Opening balance	38,000	\$12.00	57,000	\$13.72
Forfeited or expired	(20,000)	(12.00)	(19,000)	(17.16)
Ending balance	18,000	\$13.81	38,000	\$12.00

The Company had the following share options outstanding and exercisable:

September 30, 2015				
Quantity Outstanding	Quantity Exercisable	Exercise Price	Expiry Date	Weighted Average Remaining Life
13,000	13,000	\$12.00	Dec 15, 2015	0.21 years
5,000	5,000	\$12.00	Oct 3, 2016	1.01 years
54,000	54,000			.43 years

The weighted average contractual life remaining on the above options is .43 years (June 30, 2015 – 0.33 years).

The Company did not grant any options to directors and officers during the year ended June 30, 2015 or the three months ended September 30, 2015.

6. RELATED PARTY TRANSACTIONS

Related party transactions during the three months ended September 30, 2015:

- Consulting fees of \$13,100 (2014 - \$13,100) were expensed for services provided by a company controlled by an officer.
- Accounts payable and accrued expenses include fees payable to directors of \$5,400 (2014 - \$7,800). Fees to directors of \$1,400 (2014 - \$2,600) were expensed during the three months, and no fees (2014 - Nil) were paid to directors during the three months ended September 30, 2015.

TERRABIOGEN TECHNOLOGIES INC.
NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
For the Three Months Ended September 30, 2015
(Expressed in Canadian Dollars)

7. COMMITMENTS

In the year ended June 30, 2013, the Company signed a lease for its current 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 remaining commitment for rent and operating costs is \$130,490 in year 1 and \$87,660 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.

8. 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 December 31, 2015. For the year ended June 30, 2015, the Company submitted two claims for \$2,836 and one claim for \$2,813 during the three months ended September 30, 2015; \$2,813 of this amount is included in accounts receivable as at September 30, 2015. . A balance of \$4,187 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.
- 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 has filed claims totalling \$14,700 under this agreement and \$1,700 of this amount is included in accounts receivable as at September 30, 2015. A balance of \$2,300 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 \$17,000 with an expiry date of March 15, 2016. The Company has filed claims totalling \$6,500 under this agreement and \$6,500 of this amount is included in accounts receivable as at September 30, 2015. A balance of \$10,500 remains under this agreement and the Company anticipates that it will claim this amount.



TERRABIOGEN TECHNOLOGIES INC.

MANAGEMENT DISCUSSION & ANALYSIS

For the three months ended September 30, 2015

TERRABIOGEN TECHNOLOGIES INC.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2015

This discussion and analysis of financial position and results of operations is prepared as at November 25, 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 the unaudited condensed consolidated financial statements for the three months ended September 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 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 THREE MONTHS ENDED SEPTEMBER 30, 2015

Overall Performance

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

Quarterly Financial Results

	YE 2016	Year ended June 30, 2015					Year ended June 30, 2014		
	July-Sept/15	Apr-Jun/15	Jan-Mar/15	Oct-Dec/14	July-Sept/14		Apr-Jun/14	Jan-Mar/14	Oct-Dec/13
	<u>Q1 2016</u>	<u>Q4 2015</u>	<u>Q3 2015</u>	<u>Q2 2015</u>	<u>Q1 2015</u>		<u>Q4 2014</u>	<u>Q3 2014</u>	<u>Q2 2014</u>
Revenues	\$ -	\$ -	\$ 94	\$ -	\$ -		\$ -	\$ -	\$ -
Loss before other income (expense)	(252,865)	(325,660)	(243,421)	(357,650)	(222,899)		(447,937)	(293,517)	(372,247)
Net finance expense	(609)	(364)	(529)	(582)	(896)		(856)	(466)	(753)
Gain on sale of assets	-	-	-	-	-		1,600	410	-
Net Income (Loss)	(252,256)	(326,024)	(243,950)	(358,232)	(223,795)		(447,193)	(293,573)	(373,000)
Net Income (Loss) per share (basic and diluted)	\$ (0.14)	\$ (0.19)	\$ (0.14)	\$ (0.21)	\$ (0.13)		\$ (0.27)	\$ (0.18)	\$ (0.23)
	<u>Sept.30/15</u>	<u>June 30/15</u>	<u>Mar. 31/15</u>	<u>Dec. 31/14</u>	<u>Sept.30/14</u>		<u>June 30/14</u>	<u>Mar. 31/14</u>	<u>Dec. 31/13</u>
Total assets	441,346	381,874	651,414	463,919	386,475		504,572	426,895	492,059
Long term liabilities	6,172	6,133	6,094	6,049	6,017		5,979	5,941	5,897

Comparison of the three months ended Sept. 30, 2015 to the three months ended Sept. 30, 2014

During the three months ended September 30, 2015, the Company recorded total expenses of \$251,836, compared to \$222,899 in the prior year, an increase of \$28,937. Administration costs increased by \$2,058, and research and development costs increased by \$26,879.

The administration expense increase resulted from small differences in several expense categories. Overall, expenses have remained relatively consistent.

The research and development expense increase was almost entirely from an increase of \$24,985 for wages due to higher staffing levels, offset by an increase of \$11,013 in government grants.

During the three months ended September 30, 2015, the Company incurred interest expenses of \$609 and earned interest income of \$189, resulting in a net loss for the current quarter of \$252,256 or \$0.14 per share. In the previous year, the Company incurred interest expenses of \$896 and earned no interest income, resulting in a net loss for the three months ended September 30, 2015 of \$223,795 or \$0.13 per share.

**TERRABIOGEN TECHNOLOGIES INC.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2015**

Breakdown of Expenses

	2015	2014
ADMINISTRATION:		
Wages and management fees	\$ 45,159	\$ 44,580
Depreciation	8,084	7,616
Accretion for provision for dismantling	39	38
Professional fees	12,930	13,702
Office expenses	29,245	25,666
Directors fees and expenses	1,400	2,600
Travel & entertainment	698	1,011
Regulatory fees	698	982
	\$ 98,253	\$ 96,195
RESEARCH AND DEVELOPMENT:		
Wages and benefits	\$ 100,109	\$ 64,371
Contractors	8,318	9,450
Growing trials	2,766	3,532
Rent and utilities	29,437	28,223
Depreciation	18,712	18,791
Other expenses	12,754	9,837
Government assistance	(18,513)	(7,500)
	\$ 153,583	\$ 126,704

Liquidity and Capital Resources

During the three months ended September 30, 2015, the Company spent \$257,337 in cash on operating and investing activities, and generated \$349,780 from financing activities, for a net cash inflow of \$92,443, leaving a net cash balance of \$126,739 at September 30, 2015.

At September 30, 2015, the Company had total liabilities of \$305,206, a decrease of \$38,052 from June 30, 2015. The Company had a working capital deficiency of \$138,985 compared to a deficiency of \$267,770 at June 30, 2015. 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 \$87,660 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 November 25, 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.

**TERRABIOGEN TECHNOLOGIES INC.
MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2015**

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 three months ended September 30, 2015, the Company paid fees of \$12,000 for accounting and financial services to a company controlled by an officer. Also, directors receive a fee of \$200 for each meeting or committee meeting attended; directors' fees of \$1,400 were expensed during the three months ended September 30, 2015, and \$5,400 is owed to directors and is included in accounts payable and accrued liabilities at September 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.

**TERRABIOGEN TECHNOLOGIES INC.
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Changes in Accounting Policies

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.

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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.

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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 September 30, 2015 and June 30, 2015, 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.