BIOASIS TECHNOLOGIES INC.
Management's Discussion and Analysis of Financial Condition and Results of Operations for the Financial Nine Months Ended November 30, 2015

This Management's Discussion and Analysis ("MD&A") is prepared by management as of January 28, 2016 and should be read in conjunction with the unaudited condensed interim consolidated financial statements and accompanying notes as at and for the nine months ended November 30, 2015 and with the audited consolidated financial statements and accompanying notes for the year ended February 28, 2015. The unaudited consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All dollar amounts are expressed in Canadian dollars unless otherwise specified. Additional information relating to biOasis Technologies Inc. ("biOasis" or the "Company") can be obtained from SEDAR at www.sedar.com.

This MD&A was approved and authorized for issue by the Audit Committee of the Board of Directors on January 28, 2016.

FORWARD LOOKING STATEMENTS

This MD&A contains forward-looking statements that reflect the current view of management with respect to future events and financial performance. Forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those in such forward-looking statements.

When used in this document, words such as 'estimate', 'expect', 'anticipate', 'believe', 'may', 'plan', 'intend' and similar expressions are intended to describe forward-looking statements and as such involve inherent risks and uncertainties. Such factors include, among others, the Company's stage of development, lack of any product revenues, additional capital requirements, risk associated with the completion of clinical trials and obtaining regulatory approval to market the Company's products, the ability to protect the Company's intellectual property, dependence on collaborative partners and the prospects for negotiating additional corporate collaborations or licensing arrangements and their timing. Specifically, certain risks and uncertainties that could cause such actual events or results expressed or implied by such forward-looking statements and information to differ materially from any future events or results expressed or implied by such statements and information include, but are not limited to, the risks and uncertainties that: products that the Company develops may not succeed in preclinical or clinical trials: the Company's future operating results are uncertain and likely to fluctuate; the Company may not be able to raise additional capital; the Company may not be successful in establishing additional corporate collaborations or licensing arrangements; the Company may not be able to establish marketing and the costs of launching the Company's products may be greater than anticipated; the Company has no experience in commercial manufacturing; it may face unknown risks related to intellectual property matters; the Company faces increased competition from pharmaceutical and biotechnology companies; and other factors as described in detail in the Company's filings with the Canadian securities regulatory authorities at www.sedar.com. Given these risks and uncertainties, you are cautioned not to place undue reliance on such forward-looking statements and information, which are qualified in their entirety by this cautionary statement. All forward-looking statements and information made herein are based on the Company's current expectations and the Company undertakes no obligation to revise or update such forward-looking statements and information to reflect subsequent events or circumstances, except as required by law or regulation.

OVERVIEW

biOasis Technologies Inc., is an early stage biopharmaceutical company focused on research, development and commercialization of technologies and products intended for the treatment of central nervous system ("CNS") diseases and diseases of the brain. The Company is currently engaged in the development of proprietary vectors "Transcend" and "Transcend^{pep}" for the transport of therapeutic agents across the blood brain barrier ("BBB"). The Company is listed for trading on the TSX Venture Exchange, under the symbol "BTI", and on the OTCQB market, under the symbol "BIOAF".

Corporate Highlights

Listing on OTCQX and OTCQB

On September 28, 2015, the Company announced its listing on the OTCQX would be changing to listing on the OTCQB. The Company's trading symbol will remain BIOAF. The Company remains in compliance with all relevant TSX Venture and OTCQB reporting standards.

Stock Options and Warrants

On January 30, 2015, the Company granted 1,215,000 stock options to its employees, directors, officers and consultants, exercisable at $1.17 per share, expiring after five years and subject to vesting.

On June 8, 2015 the Company granted 125,000 incentive stock options to a consultant exercisable at $1.20 per share, expiring after one year and subject to vesting.

During the year ended February 28, 2015, 549,150 stock options were exercised for gross proceeds of $318,386 and 1,481,250 options expired or were forfeited. During the nine months ended November 30, 2015, 525,000 options expired or were forfeited and 95,000 warrants were exercised for gross proceeds of $114,000.

Subsequent to November 30, 2015, 25,000 options were exercised for gross proceeds of $16,000 and 1,158,333 warrants were exercised for gross proceeds of $1,390,000 with 441,144 warrants exercisable at $1.20 expired unexercised. As at the date of this MD&A, the Company has 250,000 warrants remaining outstanding and 5,620,000 stock options outstanding of which 5,191,250 stock options are exercisable.

RESEARCH AND DEVELOPMENT PROGRAM STATUS

1. TRANSCEND Program - Blood Brain Barrier ("BBB") Technology

The Transcend brain delivery platform exploits the BBB penetrating properties of a recombinant soluble human protein known as melanotransferrin (also referred to as "MTf" or "p97") and portions thereof. Specifically, Transcend delivery molecules (commonly referred to as vectors) have the ability to transport a variety of molecules across the BBB.

Delivery of Molecules Across the Blood Brain Barrier

Application to the treatment of CNS indications for Lysosomal Storage Diseases ("LSD")

On May 11, 2011, the Company announced the initiation of its Transcend Vector Program for treatment of central nervous system ("CNS") symptoms of LSDs. This strategic decision was based on the Company's data from earlier animal studies demonstrating that when the lysosomal enzyme iduronidase was conjugated to Transcend and administered intravenously, the levels of the drug in the brain were increased approximately 4-fold. LSDs are inherited metabolic disorders, of which approximately fifty have been described to date. Despite the efficacy of currently approved therapies for LSDs using enzymes delivered to peripheral tissues in blood, the inability of these drugs to cross the BBB prevents them from entering the CNS in significant quantities. In 2013, the Company demonstrated that a chemical conjugate of Transcend with the enzyme missing in Hunter's Syndrome was able to increase enzyme transport to the lysosomes of brain cells in an animal model. In 2014 these findings led the Company to the successful manufacturing of fusion proteins containing the enzyme and the full-length version of Transcend and the newly discovered peptide ("Transcend^{pep}"), for use in a mouse model of Hunter's Syndrome. These transgenic mice do not express the functional enzyme iduronate-2 sulfatase (I2S or IDS). *In vivo* studies to assess delivery of the enzyme were initiated at the end of 2014 under the direction of Dr. Maurizio Scarpa, president of the Brains for Brain (B4B) Foundation (http://www.brains4brain.eu). In these studies, groups of IDS-knockout mice were treated with the enzyme IDS, an IDS-MTf fusion construct, an IDS-MTfpep fusion construct or MTf alone. This research program was completed in September 2015. The results clearly showed that both Transcend and Transcend^{pep} vectors delivered the IDA enzyme cargo at levels sufficient to obtain to reach therapeutic effect.

2. Oncology Program – Delivery of Lead Candidate Trastuzumab (Herceptin®) across the BBB – The MTf-TZM Program

As previously reported, the Company initiated studies at the National Research Council (NRC) of Canada and at the British Columbia Cancer Research Centre ("BCCRC") in Vancouver, BC, to assess the therapeutic potential of the delivery of Herceptin to the brain for the treatment of brain metastases of HER2-positive ("HER2+") breast cancer. The test conjugate was comprised of trastuzumab (trade name Herceptin®[1]), a humanized monoclonal antibody used clinically in the treatment of HER2+ breast cancer, conjugated to the Transcend delivery vector. Herceptin® alone does not cross the BBB at levels required for a therapeutic effect against brain metastases of breast cancer. Thus, biOasis undertook studies to assess the ability of this Transcend-Herceptin® conjugate (MTf-TZM) to cross the BBB and penetrate brain tissue. In addition, biOasis examined MTf-TZM for its ability to kill HER2+ cancer cells *in vitro* compared to Herceptin® on its own. Based on the positive results obtained, biOasis entered into an agreement with Texas Tech University Health Sciences Center ("Texas Tech") to undertake a series of preclinical studies designed to evaluate the pharmacokinetics of MTf-TZM in animal models of brain metastasis of breast cancer. The studies were conducted under the direction of Drs. Quentin Smith and Paul Lockman, both recognized experts on the BBB and on evaluating drug delivery to the central nervous system for the treatment of brain tumors. biOasis announced results from this first set of *in vivo* studies at Texas Tech demonstrating that MTf-TZM penetrated the BBB and entered brain tissue, consistent with previous studies showing that Transcend can effectively deliver several different types of compounds to the brain. Radiolabeled MTf-TZM was clearly present in the metastatic breast cancer tumors as determined by measurement of radioactive molecules using phosphorescence imaging of normal brain and brain with cancer metastases.

In 2012, the Company announced results from another key animal study performed at BRI Pharmaceutical Research Inc. (Vancouver, B.C.) showing that MTf-TZM arrested the growth of human breast cancer tumors in a murine xenograft model. This animal model, which consists of human tumor cell xenografts in a mouse background, is accepted industry-wide as a gold standard for assessing the performance of new and emerging drugs for treatment of cancer. In this study, highly aggressive human breast carcinoma cells were transplanted subcutaneously into recipient animals. The animals were treated intraperitoneally twice per week for six weeks with MTf-TZM, Herceptin® alone or a placebo. Each week the subcutaneous tumor volumes were measured. In the placebo treated control animals, the tumors increased in size by 400% over baseline. In both the MTf-TZM and Herceptin® treated groups, the tumor growth was completely halted. Further, under the conditions of this study, both Herceptin® and MTf-TZM were well tolerated with no apparent signs of toxicity. As a secondary component of this study the Company examined the potential of MTf-TZM to induce unwanted tissue damage. As reported on September 24, 2012, the histopathological analysis of a range of tissues demonstrated that "Under the conditions of this study, there were no test article-related histopathology findings". In addition to these benign histopathology findings, animal weights remained consistent throughout the study, indicating that MTf-TZM was well tolerated under the conditions used in this set of experiments.

After obtaining these positive results, biOasis subsequently undertook additional studies at the Texas Tech School of Pharmacy, under the direction of Dr. Paul Lockman, designed to assess the effect of MTf-TZM and Herceptin® alone in animals that were inoculated with a human "brain-seeking" breast cancer cell line that overexpresses the HER2 receptor. Such HER2 positive breast cancer cells are often found in metastatic brain cancers of women with breast

[1] *Herceptin® is a registered trademark of Genentech*

cancer. In this model system, within 21 days the metastatic breast cancer cells migrate to the brain and establish clinically relevant tumors. In biOasis' study, animals were treated twice per week (up to day 35) with MTf-TZM, with Herceptin® alone or with saline (controls). Following treatment, the number and size of the metastatic tumors were determined. At day 35, the average number of tumors in the brains of saline-treated control animals was 85. Animals treated with Herceptin® showed no statistically significant reduction in this number. In contrast, the animals treated with MTf-TZM showed an average of 28 tumors, a statistically highly significant reduction over that observed with both Herceptin®-treated and saline-treated controls. Furthermore, MTf-TZM resulted in a 57% reduction in the size of the tumors that remained after treatment when compared to both Herceptin®-treated and saline-treated controls. This improvement observed in the MTf-TZM treatment group was also statistically highly significant compared to Herceptin® treatment where the average tumor size was slightly reduced (15%) when compared to the saline-treated controls.

On November 12th, 2013, biOasis reported results from the Texas Tech work showing that MTf-TZM also penetrated the blood-tumor barrier up to 10 times better than Herceptin® alone. Through image analysis and quantitative autoradiography in this animal study, biOasis demonstrated that MTf-TZM distributed evenly in healthy sections of the brain surrounding the metastatic brain cancer and was present at significantly greater levels within the tumors compared to equal to or lower dose equivalence of Herceptin® alone. These observations corroborated the therapeutic responses seen in prior animal models.

To advance the MTf-TZM program, in 2014 biOasis manufactured fusion proteins consisting of Transcend or Transcend^{pep} coupled to Herceptin (Trastuzumab). These fusion constructs were tested for their binding activity and effect on HER2 positive cancer cells *in vitro*. In addition, these fusion constructs were introduced into several animal models to test the efficacy of delivery of the Herceptin cargo by Transcend and Transcend^{pep} and their effect on animal survival. The fusion constructs demonstrated adequate activity in both Her-2 binding assays and Antibody-Dependent Cell-mediated Cytotoxicity (ADCC) assays and subsequently have been used to treat mice implanted intracranially with tumor cells (BT474) in an *in vivo* survival study conducted in early 2015. The trial is completed and the results showed that the fusion constructs not only maintained activity, but showed improved activity over the chemical conjugates. In addition, increased anaimal survival was observed when compared to the controls. These data provided management with the confidence to move this program towards the clinic. In July 2015, the Company entered into a research collaboration with Brigham & Women's Hospital (Harvard's teaching hospital) focused on Neuro-Oncology specifically involving the Company's MTf-TZM program. Work on this program with Brigham will continue into mid to late 2016 involving additional work and safety studies.

3. Peptide Program - Transcend^{pep}

On April 24th, 2014 biOasis reported that it had identified a new family of peptides that simplify and enhance the brain shuttling properties achieved so far with the full size protein, Transcend. In side-by-side comparisons, one of these new peptide delivery vehicles were shown to be more efficient than the native, full-size Transcend molecule at delivering therapeutic molecules to the brain.

Of this new family of peptides, one of them showed exceptional ability, in animal models, to shuttle a variety of therapeutic and biologics into the brain. This peptide, and other members of this family, the second generation of Transcend, offer multiple advantages compared to Transcend. The peptides can be synthesized by standard methods *in vitro* and a wide variety of peptide-cargo conjugates with different applications to a range of diseases can be produced

simply and predictably. The peptide vectors have the potential to be particularly well suited to coupling to small molecule chemotherapeutics and other drugs. Thus development of new drugs using these new shuttle vectors will likely be accomplished much more quickly and with higher precision. This new family of novel chemical entities provides a strong patent position for biOasis and its current and future partners. In preclinical animal models, such as a mouse ischemic stroke model induced via Middle Cerebral Artery Occlusion and IDS knock-out mouse model for Hunter syndrome (MPSII), the peptide vector-conjugates have shown efficacy.

One peptide from the Transcend^{pep} set of peptides has been chosen and used as the vector for all of the Company's currently used fusion proteins: Transcend^{pep} -Herceptin (Trastuzumab) and Transcend^{pep} -lysosomal enzymes (see details in previous paragraphs).

4. Transcend^{pep}-siRNA Program:

On May 6th, 2014 the Company reported that Transcend^{pep} effectively delivers "small interfering RNA" (siRNA) molecules across the blood-brain barrier and into brain cells. This work was performed at the National Research Council of Canada under the guidance of biOasis. The results are described below and represent a promising development in the potential treatment of a variety of brain disorders. RNA interference (RNAi) of gene function can be triggered by small single-stranded RNA molecules which function to silence target genes in a sequence-specific manner. Therapeutics based on siRNA have the potential to reverse and eradicate human disease by targeting specific genes that cause or modify disease outcome. However, since siRNAs on their own do not cross the BBB, the targeting of genes within the brain was not assumed to be achievable. biOasis has now demonstrated delivery of siRNA across the blood-brain barrier using its new peptide vector, Transcend^{pep}. After systemic injection, siRNA coupled to Transcend^{pep} was shown to shuttle into the brain and became localized within brain cells in a wild type mouse model. Since a variety of different siRNAs (specific for different disease-associated genes) can be delivered, this is a significant achievement for the Company and for the field of molecular therapeutics. Transcend^{pep}-siRNA constructs thus become a potential cornerstone technology for development of new therapeutics for brain disorders, including cancers of the brain, Alzheimer's disease, Huntington's disease, Amyotrophic lateral sclerosis (ALS) and other neuropsychiatric diseases, for a variety of neuromuscular diseases, for pain and for a multiplicity of infections.

On July 25th 2014, the Company announced that an independent pathologist in The University of British Columbia Animal Care Unit showed that the reduction of the activity of the target gene in the experiment announced on May 6th (discussed above) was between 40 and 50%.

The use of RNAi is a promising and novel therapeutic approach for treatment of many CNS diseases. The successful delivery of Transcend^{pep}-siRNA conjugates to the brain is therefore a significant advance that may provide the foundation for exploring the potential of siRNA-based therapeutics for a host of different diseases of the CNS. In late 2014, a study in collaboration with NRC (Ottawa) and UBC (Vancouver) was initiated, focusing on application to an ischemic stroke model using a specific siRNA. Transcend^{pep}-siRNA treated mice were studied to determine if therapeutic amounts of siRNAs can be delivered across the BBB. In a pharmaco-dynamic study it was demonstrated that by using the MTf^{pep} conjugated to a specific siRNA a therapeutic dose of siRNA can be delivered in the CNS and into brain cells. The results showed that in pretreated, stroke-induced mice the ischemic area was significantly diminished with a much better neurologic outcome measured 24 hours after the induction of the stroke.

5. Collaborations and Internal Research and Development Program

The Company is engaged in a number of additional collaborations that, due to confidentiality reasons, is unable to elaborate. These agreements will provide revenue for the Company and are intended to expand upon the licensing opportunities for the Company. The programs that the Company is at liberty to discuss are described below.

Medimmune Limited

On November 14, 2012, biOasis announced that it had entered into a research and evaluation agreement with Medimmune Limited ("Medimmune"), the global biologics arm of AstraZeneca. Under the terms of that collaboration, biOasis conducted certain experiments at MedImmune's expense with the objective of demonstrating that biOasis's Transcend technology can deliver to the brain compounds of interest to MedImmune. Based on the positive results of this collaboration, on March 17, 2014 biOasis announced that it signed an evaluation and license agreement with MedImmune. Under the terms of that agreement, MedImmune began the evaluation of the therapeutic effect of its pre-clinical assets with next-generation versions (initially Transcend^{pep}) of biOasis's Transcend brain delivery platform. The data were very positive and showed that the product obtained by fusion of the Transcend^{pep} to the N terminus of an antibody was efficiently transported across the BBB to the CNS. In January of 2015 a pharmacokinetic study conducted by MedImmune showed that the plasma half-life of the fusion construct to be similar to the half-life of the antibody (between 8-15 days) and for a period of 10 days the brain exposure was maintained at high levels (3.0-3.5% of the injected dose per gm brain). In an additional pharmacokinetic study, MedImmune demonstrated that a therapeutic dose of their monoclonal antibody was delivered into the CNS using fusion constructs or chemical conjugates with Transcend^{pep}.

CQDM

On May 27th 2015, the Company announced that it entered into a collaborative research agreement with CQDM and Brain Canada to perform research on the delivery of therapeutic compounds across the Blood-Brain Barrier. The total funds for this project are $2,573,875 and the Company expects to retain approximately $955,000 of this funding over three years with the balance being paid to subcontractors. The proposal was submitted by biOasis, the National Research Council of Canada and Sherbrooke University. The Company leads the project with Rob Hutchison, biOasis' CEO designated as the Principal Investigator. Over the next three years, the project will assess a number of single domain human antibody libraries at the NRC for their ability to cross the BBB and act as transport vectors. The Company's MTfp will be used as the benchmark and work will be performed to characterize the receptors on the BBB for MTfp. Any new potential BBB carriers will be added to the Transcend family for the Company to pursue global commercialization of them under an exclusive agreement.

Brigham and Women's Hospital Inc.

On July 21, 2015, the Company announced that it entered into a research collaboration agreement with Brigham and Women's Hospital Inc. Using the Company's Transcend Platform peptide carrier, MTfp, the Company and researchers lead by Dr. Sean Lawler from the Department of Neurosurgery, Harvard Medical School, will work to deliver a number of compounds targeting glioblastoma tumours within the brain. The initial focus of the collaboration will be on the compounds, MTfp-TZM, MTfp-siRNA and MTfp-miRNA. The work will include moving the trastuzumab program forward towards human clinical trials.

Patents

The Company owns approximately 30 U.S. and foreign patents/applications related to p97 as a BBB delivery vector and as a biomarker for Alzheimer's disease.

Regarding biOasis' lead program in metabolic diseases, its patent portfolio includes six U.S. and corresponding foreign patents/applications in the area of lysosomal storage diseases (LSDs). These patents/applications contain claims to compositions of matter, pharmaceutical compositions and methods of using p97 to deliver therapeutic agents across the BBB and/or to lysosomes, including for the treatment or prevention of LSDs. On October 1, 2013, the Company's patent application titled "*Use of P97 as an Enzyme Delivery System for the Delivery of Therapeutic Lysosomal Enzymes*" issued as U.S. Patent No. 8,546,319. The claims of this issued patent cover methods of using the Company's Transcend brain penetrating drug delivery vector coupled to LSD enzymes for the treatment of LSDs. Some of the enzymes claimed in the issued patent include those that are used clinically as enzyme replacement therapies to treat LSDs such as Hunter Syndrome, Hurler Syndrome among others. In 2014, corresponding patent applications were granted in Canada and Europe. The patents that issue from this family are predicted to expire in 2023, not including any patent term adjustment. The application for delivery of enzymes as it relates to LSDs takes on the patent term as it relates to Trancend^{pep}. biOasis continues to prosecute the corresponding applications and divisional applications in other jurisdictions.

In regard to biOasis' lead programs in oncology, it owns seven U.S. and corresponding foreign patent applications in the area of delivery of brain-penetrating antibodies for the treatment of brain and other cancers. Parts of these applications are specifically directed to the MTF-TZM program for the treatment of brain metastases of HER2+ breast cancer. These patent applications have now issued in key jurisdictions and provide biOasis with intellectual property protection through 2032, not including any patent term adjustment.

In 2015 biOasis filed three key patent applications and continuations to aggressively build on its Transcend patent portfolio.

FUTURE OUTLOOK

The Company will continue to need to raise funds for its future operations and for its pre-clinical programs potentially leading to the filing of one or a number of Investigational New Drugs (INDs).

Within the Transcend program, management intends to advance pre-clinical development of the MTF-TZM Herceptin® conjugate program, to advance its Transcend^{pep} family program, to fund further pre-clinical work on its LSD program and and other preclinical programs as initiated by the Company. With sufficient funds, the Company will expand the scope of work on these projects with the intention of creating greater value in its intellectual property and on building stronger licensing partnerships. To assist in commercialization of biOasis's technology, biOasis engaged Willow Tree Capital Corp. to perform certain business development activities that will potentially lead to commercial license agreements.

SUMMARY OF QUARTERLY RESULTS

The following are the results for the Company's past eight quarterly reporting periods:

Quarterly Results	Q3 2016 $	Q2 2016 $ Restated	Q1 2016 $	Q4 2015 $	Q3 2015 $	Q2 2015 $	Q1 2015 $	Q4 2014 $
Total Revenue	65,777	167,063	-	-	-	-	-	-
Cost of sale	76,938	93,308	-	-	-	-	-	-
Total Expenses	540,683	671,376	850,232	713,509	698,252	646,262	782,261	1,266,713
Interest Income	2,549	(709)	6,336	5,178	6,938	3,065	4,299	4,743
Foreign Exchange and other gain /(loss)	(3,281)	(2,608)	(1,440)	(8,028)	(6,776)	571	(3,362)	(8,688)
Gain on write-off of accounts payable	-	-	-	2,130	-	-	-	-
Net and Comprehensive Loss	552,576	600,938	845,336	714,229	698,090	642,626	781,324	1,270, 658
Basic Loss per share	0.01	0.01	0.02	0.02	0.01	0.02	0.02	0.03

Share-based compensation expense impacts expenses and net and comprehensive loss as follows: and Q3 2015: $143,302; Q2 2016: $187,043; Q1 2016: $400,555; Q4 2015: $177,196; Q3 2015: $77,697; Q2 2015: $115,713; Q1 2015: $267,346 and Q4 2014: $575,566.

Pre-clinical expenses trended higher Q4 2014 followed by lower trend Q1 2015 through Q3 2016, principally due to efficiency streamlining of work on the Company's preclinical partnership programs, on the Company's internal Transcend peptide program, and on university research work related to Transcend. Since Q2 2016, the Company recognized $232,840 research revenue due to receiving funds from CQDM, Brain Canada and other sources. As a result, certain pre-clinical expenses were reclassified as cost of sale.

RESULTS OF OPERATIONS

Below are the results of operations for the three and nine months ended November 30, 2015 (Q3 2016 and YTD 2016) as compared to the three and nine months ended November 30, 2014 (Q3 2015 and YTD 2015).

Expenses are classified by function.

Revenue and Cost of Sales

The following table identifies the composition and changes in Revenue and Cost of Sale for Q3 2016 compared to Q3 2015 and YTD 2016 compared to YTD 2015:

Other items	Q2 2016 $	Q2 2015 $	Increase (decrease) $	YTD 2016 $	YTD 2015 $	Increase (decrease) $
Research revenue	65,777	-	65,777	232,840	-	232,840
Cost of sale	76,938	-	76,938	170,246	-	170,246
Gross profit (loss)	(11,161)	-	(11,161)	62,594	-	62,594

Q3 2016 compared to Q3 2015

The Company recognized $65,777 research revenue in Q3 2016 primarily due to receipt of funds from the CQDM and Brain Canada grant that commenced in Q2 2016. As a result, $76,938 of pre-clinical expenses were reclassified as cost of sale in Q3 2016.

YTD 2016 compared to YTD 2015

The Company recognized $232,840 research revenue in YTD 2016 primarily due to receipt of funds from CQDM and Brain Canada since Q2 2016. As a result, $170,246 pre-clinical expenses were reclassified as cost of sale.

General and Administration Expense

The following table identifies the composition and changes in General and Administrative ("G&A") expense for Q3 2016 compared to Q3 2015 and YTD 2016 compared to YTD 2015:

General and Administrative Expense	Q3 2016 $	Q3 2015 $	Increase (decrease) $	YTD 2016 $	YTD 2015 $	Increase (decrease) $
Office, insurance, amortization	21,110	27,032	(5,922)	63,763	69,899	(6,136)
Salaries and consulting	78,601	101,355	(22,754)	288,987	327,606	(38,619)
Share-based compensation	138,763	68,872	69,891	731,445	411,181	320,264
Professional and regulatory	16,498	16,450	48	78,049	99,058	(21,009)
Investor relations, marketing and travel	83,532	128,548	(45,016)	227,917	203,378	24,539
Total General and Administrative Expense	338,504	342,257	(3,753)	1,390,161	1,111,122	279,039

Q3 2016 compared to Q3 2015

G&A expense for Q3 2016 is $338,504, a $3,753 decrease in expense of over Q3 2015 expense of $342,257, principally due to a decrease in salaries and consulting of $22,754, in investor relations, marketing and travel of $45,016, in office, insurance, amortization of $5,922, offset by an increase in share based compensation expense of $69,891, and in professional and regulatory of $48.

The increase in share-based compensation expense calculated using the Black-Scholes fair value model is principally due to new options granted for general and administration since January 2015 and vested over Q3 2016. The decrease in salaries and consulting expense is principally due to the layoff of two employees since May 2015 and reclassification of certain salaries to cost of sale in Q3 2016. The decrease in investor relations, marketing and travel in Q3 2016 is due to less business development activities during the current quarter.

YTD 2016 compared to YTD 2015

General and Administrative (G&A) expense for YTD 2016 was $1,390,161, a $279,039 increase in expense over YTD 2015 expense of $1,111,122, principally due to increases of $320,264 in share-based compensation and $24,539 in investor relations, marketing and travel, which were offset by a decrease of $21,009 in professional and regulatory, $38,619 in salaries and consulting, and $6,136 in office, insurance, and amortization. The increase in share-based compensation expense calculated using the Black-Scholes fair value model is principally due to new options granted for general and administration since January 2015 and vested over YTD 2016. The increase in investor relations, marketing and travel in YTD 2016 is primarily due to attendance at more conferences and business development activities. The decrease in salaries and consulting expense is principally due to the layoff of two employees since May 2015 and reclassification of certain salaries to cost of sale since Q2 2016. In YTD 2015, professional and regulatory expenses were higher principally due to costs associated with the Company's listing on the OTCQX.

Research and Development Expense

The following table identifies the composition and changes in Research and Development (R&D) expense for Q3 2016 as compared to Q3 2015 and YTD 2016 as compared to YTD 2015:

Research and Development Expense	Q3 2016 $	Q3 2015 $	Increase (decrease) $	YTD 2016 $	YTD 2015 $	Increase (decrease) $
Amortization	12,248	12,249	(1)	36,748	36,748	-
Patent maintenance legal & filing fees	146,121	53,987	92,134	303,647	191,099	112,548
Pre-clinical	20,045	195,495	(175,450)	118,008	446,974	(328,966)
Pre-clinical contribution	-	-	-	-	-	-
Salaries, consulting fees and benefits	19,226	85,439	(66,213)	214,272	291,257	(76,985)
Share-based compensation	4,539	8,825	(4,286)	(545)	49,575	(50,120)
Total Research and Development Expense	202,179	355,995	(153,816)	672,130	1,015,653	(343,523)

Q3 2016 Compared to Q3 2015

R&D expense for Q3 2016 is $202,179, a decline of $153,816 over Q3 2015 expense of $355,995, principally due to a decrease of $4,286 in share-based compensation, a decrease of $175,450 in preclinical, a decrease of $66,213 in salaries, consulting fees and benefits, which were offset by an increase of $92,134 in patent expenditures as compared to Q3 2015. The decrease in share-based compensation expense calculated using the Black-Scholes fair value model is principally due to certain options for R&D forfeited in Q3 2016 and no options granted for R&D during the last twelve months, therefore less vesting over Q3 2016 as compared to Q3 2015. The decrease in preclinical is principally due to the reclassification of certain preclinical expenses to cost of sale in Q3 2016. The decrease in salaries, consulting fees and benefits is principally due to the reclassification of certain salaries and consulting fees to cost of sale in Q3 2016. Patent maintenance, legal and filing fees expense increase in Q3 2016 reflects expense of new patent filings associated primarily with peptide and peptide sequence patents.

YTD 2016 Compared to YTD 2015

R&D expense for YTD 2016 is $672,130, a decline of $343,523 over YTD 2015 expense of $1,015,653, principally due to a decrease of $50,120 in share-based compensation, a decrease of $328,966 in preclinical, a decrease of $76,985 in salaries, consulting fees and benefits, which were offset by an increase of $112,548 in patent expenditures as compared to YTD 2015. The decrease in share-based compensation expense calculated using the Black-Scholes fair value model is principally due to certain options for R&D forfeited in YTD 2016 and no options granted for R&D during the last twelve months, therefore less vesting over YTD 2016 as compared to YTD 2015. The decrease in preclinical and in salaries, consulting fees and benefits are principally due to the reclassification of certain preclinical, salaries and consulting fees to cost of sale in YTD 2016. Patent maintenance, legal and filing fees expense increase in YTD 2016 reflects expense of new patent filings associated primarily with peptide and peptide sequence patents.

Other Items

The following table identifies the composition of Other Items:

Other items	Q3 2016 $	Q3 2015 $	Increase (decrease) $	YTD 2016 $	YTD 2015 $	Increase (decrease) $
Interest income	2,549	6,938	(4,389)	8,176	14,302	(6,126)
Foreign exchange gain / (loss)	(3,281)	(6,776)	3,495	(7,329)	(9,567)	2,238
Total Other Items	(732)	162	(894)	847	4, 735	(3,888)

The decrease in interest income in Q3 2016 and YTD 2016 principally reflects less cash available to invest in term deposits and short term investment with a Canadian Schedule I chartered bank as compared to Q3 2015 and YTD 2015 respectively.

Net and Comprehensive Loss

As a result of operations noted above Net Loss and Comprehensive Loss is as follows:

Net and Comprehensive Loss	Q3 2016 $	Q3 2015 $	Increase (decrease) $	YTD 2016 $	YTD 2015 $	Increase (decrease) $
Net and Comprehensive Loss	552,576	698,090	(145,514)	1,998,850	2,122,040	(123,190)
Net Loss per share (basic and fully diluted)	0.01	0.02	0.00	0.05	0.05	0.00

LIQUIDITY AND CAPITAL RESOURCES

Financial Condition

As at November 30, 2015 the Company had working capital of $406,815, a decrease in working capital of $1,117,056 from February 28, 2015. Working capital includes cash and cash equivalents of $125,969 and short-term investments of $400,000. The decrease in working capital is principally due to the net loss for YTD 2016 adjusted for items not affecting cash of $1,230,407 which is offset by the net proceeds of $114,000 received from the exercise of warrants.

The Company's objective is to maintain a sufficient capital base to fund at least twelve months of operations and to undertake further pre-clinical studies on Transcend. Management estimates that the Company has approximately twelve months of working funds on hand. The Company will continue to need to raise working capital through the sale of common stock and license and collaboration agreements in the future to fund its operations and preclinical program.

If the Company is successful in its preclinical program then the Company may attract pharmaceutical partners to fund clinical trials. The Company has no earnings to date and has funded its operations and research and development principally through sale of common stock. If the Company is unsuccessful in raising additional funds in future sales of common stock and new sources of financing such as milestone payments or joint venture arrangements cannot be secured then the Company will be forced to curtail its activities to a level for which resources are available.

Subsequent to November 30, 2015, 25,000 options were exercised for gross proceeds of $16,000 and 1,158,333 warrants were exercised for gross proceeds of $1,390,000 with 441,144 warrants exercisable at $1.20 expired unexercised.

Cash Flow

YTD 2016 Compared to YTD 2015

Net cash used by operating activities in YTD 2016 was $1,225,337 as compared to $1,558,560 in YTD 2015, a decrease in use of cash of $333,223, principally due to a decrease in cash outflows from net loss adjust for non-cash items by $393,219, a decrease in cash outflows from prepaid expense of $11,202, an increase in cash inflows from deferred income of $82,015, which is offset by an increase in cash outflows from accounts receivable of $140,764 and an increase in cash outflows from accounts payable of $12,449 in comparison to YTD 2015.

Investing activities for YTD 2016 used cash of $101,576, an increase of $850,680, due to an increase in investments in short term GICs of $850,000.

Financing activity for YTD 2016 raised net cash proceeds of $114,000 through the exercise of warrants, a decrease of $1,698,570 over YTD 2015. YTD 2015 raised net cash proceeds of $318,386 from the exercise of options and net cash proceeds of $1,494,184 from a private placement.

OFF-BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements.

OUTSTANDING SHARE DATA

The authorized share capital consists of an unlimited number of common shares without par value.

Outstanding Share Data	**Number of Common Shares**	**Exercise Price per Common Share**	**Expiry Dates**
Issued and outstanding common shares as at January 27, 2016	45,312,590		
Warrants	250,000	$0.575	August 5, 2016
Incentive stock options	5,620,000	$0.52 - $1.42	August 31, 2016 – January 30, 2020
Fully diluted shares as at January 27, 2016	51,182,590		

RELATED PARTY TRANSACTIONS

Related Party Transactions with Key Management Personnel

During the period ended November 30, 2015, the Company paid $126,000 (November 30, 2014: $126,000) to a director and officer of the Company pursuant to a salary contract beginning April 1, 2013 for services and for acting in his capacity as President and Chief Executive Officer ("CEO"). The Company also incurred benefit expense of $2,446 (August 31, 2014: $1,611) attributed to this party. As at November 30, 2015, the Company owed $37 (February 28, 2015: $nil) to the CEO, which is unsecured, non-interest bearing and with no repayment terms.

During the period ended November 30, 2015, the Company paid $nil (November 30, 2014: $24,000), pursuant to a consulting contract, to a former director and officer of the Company for consulting services and for acting in his capacity as Chief Financial Officer. The Company paid $48,750 (November 30, 2014: $28,889) to an officer of the Company, pursuant to a consulting contract for consulting services and for acting in her capacity as Chief Financial Officer.

During the period ended November 30, 2015, the Company incurred legal expense of $654 (November 30, 2014: $2,040) to a law firm, a principal of which is a relative of the CEO and a director of the Company.

During the period ended November 30, 2015, directors were paid board and board committee fees of $24,750 (November 30, 2014: $24,750) and the Company incurred benefit expense of $271 (November 30, 2014: $271). As at November 30, 2015, the Company owed or accrued $16,414 (February 28, 2015: $16,320) to directors and officers, which is unsecured, non-interest bearing and with no repayment terms.

These transactions were in the normal course of operations and have been recorded at their exchange amounts, which is the consideration agreed upon between the related parties.

CONTRACTUAL OBLIGATIONS

Contractual Obligations	**Total**	**Payments due by period**	
		Less than one year	**1 – 2 years**
	$	**$**	**$**
Premises lease	7,911	7,911	-

PROPOSED TRANSACTIONS

There are no proposed transactions currently approved by the board of directors.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in conformity with International Reporting Standards (IFRS) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates. Significant estimates include the estimated useful life of long-lived assets, the recoverability of amounts recorded for long-lived assets, valuation allowance on future income taxes and estimates used in calculating stock-based compensation. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

Research and Development Costs

Research expenditures are expensed as incurred. Development expenditures are deferred when they meet the criteria for capitalization in accordance with IFRS and the future benefit could be regarded as reasonably certain. Related tax credits are accounted for as a reduction to research and development expenditures on the condition that the Company is reasonably certain that these credits will materialize. To date no costs have been deferred.

Pre-clinical trial expenses relating to service agreements with contract research organizations, investigators, contractors and other service providers who conduct product development activities for the Company are recorded based on the estimated amount of work completed for each pre-clinical trial. During internal reviews, contractual terms and obligations, correspondence and discussions with service providers are considered in order to estimate the amount of pre-clinical trial expense for an accounting period.

Intangible Assets

The Company's intangible assets are comprised of purchased technology, patents and licenses.

Intangible assets acquired as part of a group of other assets are initially recognized and measured at cost less accumulated amortization and accumulated impairment losses. The cost of a group of intangible assets acquired in a business combination that meet the specified criteria for recognition apart from goodwill, is allocated to the individual assets acquired based on their relative fair values.

Intangible assets with finite useful lives are amortized over their estimated useful lives ranging from 10 to 20 years from the date they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. Factors considered in estimating the useful life of intangible assets include the expected use of the asset by the Company, legal, regulatory and contractual provisions that may limit the useful life, and the effect of competition. Costs incurred to establish and maintain patents for intellectual property are expensed in the period incurred.

The Company reviews the carrying costs of long-lived assets for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In accordance with IFRS impairment exists when the carrying value of an asset exceeds it recoverable amount, which is the higher of its fair value less costs to sell or its value in use. The fair value less costs to sell calculation is based on available data from

observable market prices, less incremental costs. The value in use calculation is based on the discounted cash flow model. These calculations require the use of estimates and forecasts of future cash flows. Qualitative factors, including market size and market growth trends, as well as other factors are considered when making assumptions with regard to future cash flows and the appropriate discount rate. A change in any of the significant assumptions of estimates used in evaluating the underlying assets could result in a material change to the results of operations.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of amortization, if no impairment has been recognized. Write-downs as a result of impairment are recognized in research expense in the statement of comprehensive loss.

Share-based Compensation

The Company accounts for share-based compensation expense using the fair value based method. The fair value of stock-based payments to non-employees that vest over a service period, are periodically re-measured until counterparty performance is completed, and any change therein is recognized over the service period. The cost of stock-based payments that are fully vested and non-forfeitable at the grant date are measured and recognized at that date. The Company uses the Black-Scholes option-pricing model to determine fair value of options granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

CHANGES IN ACCOUNTING POLICIES

There are no changes in accounting policies in YTD 2016.

FUTURE ACCOUNTING POLICIES CHANGES

Accounting Standards and Interpretations Issued but Not Yet Effective

The following standard will be adopted by the Company effective March 1, 2016:

IAS 1, *Presentation of Financial Statements:* In December 2014, the IASB issued amendments to IAS 1 to address perceived impediments to preparers exercising their judgement in presenting their financial statements by clarifying that information should not be obscured by aggregating or by providing immaterial information, materiality considerations apply to all parts of the financial statements, and even when a standard requires a specific disclosure, materiality considerations do apply. The amendments also clarify that the list of line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

IAS 16, *Property, Plant and Equipment* and IAS 38, *Intangible Assets:* In May 2014, the IASB issued amendments to IAS 16 and IAS 38. The amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments also clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

The following standard will be adopted by the Company effective March 1, 2017:

IFRS 15, *Revenue from Contracts with Customers:* In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* which supersedes IAS 11, *Construction Contracts*, IAS 18, *Revenue*, IFRIC 13, *Customer Loyalty Programs*, IFRIC 15, *Agreements for the Construction of Real Estate*, IFRIC 18, *Transfers of Assets from Customers*, and SIC 31, *Revenue – Barter Transactions Involving Advertising Services*. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition.

The following standard will be adopted by the Company effective March 1, 2018:

IFRS 9, *Financial Instruments:* The IASB intends to replace IAS 39, *Financial Instruments: Recognition and Measurement* in its entirety with IFRS 9, *Financial Instruments* which is intended to reduce the complexity in the classification and measurement of financial instruments.

The Company is currently evaluating the impact that the adoption of the future standards may have on the Company's consolidated financial statements.

RISKS

The Company has no products in commercial production or product revenues and no history of earnings or dividends. The ability of the Company to continue its operations is dependent upon its ability to obtain additional funding through licensing of its technology and collaboration agreements with up-front and milestone payments, research grant funding, the sale of common stock and other strategic alternatives which could result in significant dilution in the equity interest of existing shareholders. The eventual profitability of the Company and its ability to continue as a going concern is dependent upon many factors, including its ability to obtain sufficient financing on terms acceptable to the Company, its ability to retain and attract key personnel, near term patent expirations that could impact the Company's ability to license its technology, securing and developing new intellectual property, the cost and logistics associated with maintaining and enforcing patents and intellectual property, the ability not to infringe on the intellectual property rights of others, strongly financed competitors, the Company's business is subject to potential liability and other claims, the biotechnology industry is subject to rapid and substantial technological change which could reduce the marketability of the Company's technology, costs and delays associated with pre-clinical studies and clinical trials, successful research outcomes, securing collaborations and agreements with licensing partners that involve up-front and milestone fees, and receipt of regulatory approvals.

In general, prospects for companies in the biopharmaceutical industry may be regarded as uncertain given the nature of the industry; therefore, investments in such companies should be regarded as highly speculative.

The Company's primary market risk is exposure to foreign currency exchange fluctuations.

COMPANY CONTACTS

Head Office:	Suite 130 – 10691 Shellbridge Way Richmond BC V6X 2W8
Directors:	Ron Erickson Christopher Fibiger Gregory Gubitz Michael Hutchison Robin Hutchison (Chairman) Terry Pearson
Officers:	Judi Dalling, CFO and Corporate Secretary Robin Hutchison, President and CEO
Legal Counsel	Tanya Markovich Law Corporation Suite 1780, 400 Burrard Street Vancouver, B.C. V6C 3A6
US Patent and IP lawyers	Cooley LLP 719 Second Avenue Suite 900 Seattle WA 98104-1732
Canadian Patent and IP lawyers	Bereskin & Parr LLP 40 King Street West, 40th floor Toronto Ontario Canada M5H 3Y2
Auditors	Manning Elliott Accountants & Business Advisors 11th Floor 1050 West Pender Vancouver BC V6E 3S7