BIOASIS TECHNOLOGIES INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the Three Months Ended May 31, 2016 and 2015

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

In accordance with National Instrument 51-102, released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the condensed interim consolidated financial statements for the three months ended May 31, 2016 and 2015.

BIOASIS TECHNOLOGIES INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Unaudited)
(All Amounts Expressed in Canadian Dollars)

	Notes	May 31, 2016	February 29, 2016
ASSETS			
Current assets			
Cash and cash equivalents	11	$ 1,365,789	$ 772,748
Short-term investments	4 & 11	-	850,000
Amounts receivable	11	24,970	30,285
Prepaid expenses		64,043	69,826
		1,454,802	1,722,859
Non-current assets			
Property and equipment	5	4,488	4,858
Intangible assets	6	412,988	425,237
		417,476	430,095
		$ 1,872,278	$ 2,152,954
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	11	$ 400,762	$ 321,273
Deferred revenue	15	86,109	112,466
		486,871	433,739
EQUITY			
Share capital	7	18,363,433	18,363,433
Contributed surplus		6,487,127	5,919,514
Deficit		(23,465,153)	(22,563,732)
		1,385,407	1,719,215
		$ 1,872,278	$ 2,152,954

Going concern	Note 2(c)
Contractual commitments	Note 13
Subsequent event	Note 16

Approved on behalf of the Board:

/s/ Terry Pearson
Terry Pearson, Director

/s/ Robin B. Hutchison
Robin B. Hutchison, Director

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

BIOASIS TECHNOLOGIES INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited)
(All Amounts Expressed in Canadian Dollars)

	Notes	Three months Ended May 31, 2016	Three months Ended May 31, 2015
Revenues			
Research revenue	15	$ 155,521	$ -
Cost of sales		149,789	-
		5,732	-
Expenses			
General and administrative	5 & 14	746,378	583,116
Research and development	6 & 14	160,671	267,116
		907,049	850,232
Loss before other income (expense)		(901,317)	(850,232)
Other income (expense)			
Interest income		2,303	6,336
Foreign exchange loss		(2,407)	(1,440)
		(104)	4,896
Net loss and comprehensive loss for the period		$ (901,421)	$ (845,336)
Loss per share – Basic and diluted		$ (0.02)	$ (0.02)
Weighted average number of common shares outstanding		45,379,257	44,100,779

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

BIOASIS TECHNOLOGIES INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited)
(All Amounts Expressed in Canadian Dollars)

	Share Capital				
	Number of Shares	**Value**	**Contributed Surplus**	**Deficit**	**Total Equity**
Balance, February 28, 2015	44,034,257	$ 16,744,058	$ 5,251,926	$ (19,990,809)	$ 2,005,175
Common shares issued upon exercise of options	175,000	112,000	-	-	112,000
Reallocation of contributed surplus arising from share-based compensation related to exercise of options	-	103,375	(103,375)	-	-
Common shares issued upon exercise of warrants	1,170,000	1,404,000	-	-	1,404,000
Share-based compensation	-	-	770,963	-	770,963
Net loss and comprehensive loss for the period	-	-	-	(2,572,923)	(2,572,923)
Balance, February 29, 2016	45,379,257	$ 18,363,433	$ 5,919,514	$ (22,563,732)	$ 1,719,215
Common shares issued pursuant to private placement, net of costs	-	-	-	-	-
Common shares issued upon exercise of options	-	-	-	-	-
Reallocation of contributed surplus arising from share-based compensation related to exercise of options	-	-	-	-	-
Share-based compensation	-	-	567,613	-	567,613
Net loss and comprehensive loss for the period	-	-	-	(901,421)	(901,421)
Balance, May 31, 2016	45,379,257	$ 18,363,433	$ 6,487,127	$ (23,465,153)	$ 1,385,407

BIOASIS TECHNOLOGIES INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(All Amounts Expressed in Canadian Dollars)

	For the three months Ended May 31, 2016	For the three months Ended May 31, 2015
OPERATING ACTIVITIES		
Net loss for the period	$ (901,421)	$ (845,336)
Adjusted for items not affecting cash:		
Depreciation of property and equipment	369	547
Amortization of intangible assets	12,249	12,249
Amortization of leasehold inducement	-	(308)
Share-based compensation	567,613	400,555
	(321,190)	(432,293)
Net changes in non-cash working capital items:		
Amounts receivable	5,316	(14,442)
Prepaid expenses	5,783	(23,225)
Accounts payable and accrued liabilities	79,489	(80,532)
Deferred income	(26,357)	-
	(256,959)	(550,492)
INVESTING ACTIVITIES		
Acquisition of property and equipment	-	(1,576)
Short-term investments	850,000	200,000
	850,000	198,424
FINANCING ACTIVITIES		
Proceeds from issuance of common shares	-	114,000
	-	114,000
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	593,041	(238,068)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	772,748	1,338,882
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 1,365,789	$ 1,100,814
Cash and cash equivalents consists of:		
Cash	$ 115,789	$ 60,814
Term deposits	1,250,000	1,040,000
	$ 1,365,789	$ 1,100,814
Cash paid for interest	$ -	$ -
Cash paid for income taxes	$ -	$ -

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

BIOASIS TECHNOLOGIES INC.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended May 31, 2016 and 2015
(Unaudited; all amounts expressed in Canadian dollars)

1. INCORPORATION AND NATURE OF OPERATIONS

(a) Incorporation

biOasis Technologies Inc. ("biOasis" or the "Company") was incorporated on November 3, 2006 under the British Columbia Business Corporations Act as W.R. Partners Ltd. and changed its name to biOasis Technologies Inc. on March 27, 2008. The Company's shares are publicly traded on the TSX Venture Exchange under the symbol “BTI” and on the OTCQB International, a segment of the OTCQX marketplace in the US under the symbol “BIOAF”. The Company’s registered office is Suite 1780, 400 Burrard Street, Vancouver, B.C. V6C 3A6.

(b) Nature of Operations

biOasis is a development stage biopharmaceutical company engaged in the research and development of products for the diagnosis and treatment of neurological diseases and disorders. The Company’s "Transcend program" describes its proprietary carrier, p97, and components thereof, to deliver therapeutics and imaging agents across the blood brain barrier ("BBB").

2. STATEMENT OF COMPLIANCE AND BASIS OF FINANCIAL STATEMENT PRESENTATION

(a) Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

These condensed interim consolidated financial statements were approved and authorized for issuance by the Audit Committee on July 29, 2016.

(b) Basis of Measurement

These condensed interim consolidated financial statements have been prepared on an historical cost basis, except for certain assets and liabilities which are measured at fair value as explained in Note 3(e) to these condensed interim consolidated financial statements. These condensed interim consolidated financial statements are presented in Canadian dollars, the Company's functional currency.

(c) Going Concern

To date, the Company has no products in commercial production or use and no history of earnings. The ability of the Company to continue 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 shares, warrants and other strategic alternatives which could result in significant dilution in the equity interest of existing shareholders. The Company reported as at May 31, 2016 an accumulated deficit of $23,465,153, and cash flows used in operations of $256,959 for the period ended May 31, 2016. These factors indicate the existence of a material uncertainty that may raise significant doubt about the Company’s ability to continue as a going concern. The future profitability of the Company and its ability to continue as a going concern is dependent upon many factors; these include its ability to obtain sufficient financing, successful research outcomes, developing new intellectual property and receipt of regulatory approvals. Furthermore the biotechnology industry is subject to rapid and substantial technological change that could reduce the marketability of the Company's technology.

These condensed interim consolidated financial statements have been prepared with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a forced liquidation. These condensed interim consolidated financial statements do not give effect to adjustments that would be necessary to the carrying amounts and classifications of assets and liabilities should the Company be unable to continue as a going concern. Such adjustments could be material.

2. STATEMENT OF COMPLIANCE AND BASIS OF FINANCIAL STATEMENT PRESENTATION (continued)

(d) Significant Judgments, Estimates and Assumptions

Judgments

The preparation of these condensed interim consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Estimates and Assumptions

Areas of significant judgement that have the most significant impact on the financial statements relate to management's assessment of the Company's ability to continue as a going concern, revenue recognition, impairment of intangible assets and recoverability of deferred income tax assets. Significant judgments related to the Company's ability to continue as a going concern are disclosed in Note 2(c).

Judgement is required in determining whether deferred tax assets are recognized on the consolidated statement of financial position. Deferred tax assets including those arising from unutilized tax losses require management to assess the likelihood that the Company will generate future taxable income in future periods in order to utilize any deferred tax asset which has been recognized. As at May 31, 2016 and February 29, 2016, no deferred tax assets have been recognized. Judgement is also required in the assessment of indicators of impairment of intangible assets and the recognition of research revenues under collaborative research agreements.

Significant areas requiring the use of management estimates relate to the useful lives of intangible assets and property and equipment, determination of fair value of the warrants and shares issued in relation to the private placements, valuation of accrued liabilities and research and development costs, and estimates used in calculating share-based compensation. By their nature, these estimates are subject to measurement uncertainty and the effect on the consolidated financial statements of changes in such estimates in future periods could be significant.

The Company is required to estimate its expenses resulting from its obligations under contracts and agreements with third parties in connection with conducting its research. Although the Company does not expect its estimates to be materially different from amounts actually incurred, management's understanding of the status and timing of services performed relative to the actual status and timing of services performed may vary and may result in the Company reporting amounts that are significantly different for any particular period.

e) Significant accounting policies

These condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended February 29, 2016. The accounting policies that have been used in the preparation of these condensed interim consolidated financial statements are summarized in the consolidated financial statements of the Company for the year ended February 29, 2016. The same accounting policies have been consistently applied for all periods presented in these condensed interim consolidated financial statements as those used in the Company's consolidated financial statements for the year ended February 29, 2016 except the following:

4. SHORT-TERM INVESTMENTS

As at May 31, 2016, the short-term investment is comprised of a cashable guaranteed investment certificate of $nil (February 29, 2016: $850,000) held with a Canadian Schedule I chartered bank, earning interest at the rate of 0.70% per annum.

5. PROPERTY AND EQUIPMENT

	Leasehold improvements	Computer hardware	Computer software	Office equipment & furniture	Total
Cost					
Balance as at February 28, 2015	$ 980	$ 17,404	$ 2,264	$ 7,979	$ 28,627
Additions	-	2,456	-	-	2,456
Disposition	-	-	-	(7,979)	(7,979)
Balance as at February 29, 2016	$ 980	$ 19,860	$ 2,264	$ -	$ 23,104
Additions	-	-	-	-	-
Balance as at May 31, 2016	$ 980	$ 19,860	$ 2,264	$ -	$ 23,104
Accumulated Depreciation					
Balance as at February 28, 2015	$ 980	$ 13,400	$ 2,067	$ 5,111	$ 21,558
Depreciation	-	1,699	100	526	2,325
Disposition	-	-	-	(5,637)	(5,637)
Balance as at February 29, 2016	$ 980	$ 15,099	$ 2,167	$ -	$ 18,246
Depreciation	-	358	12	-	370
Balance as at May 31, 2016	$ 980	$ 15,457	$ 2,179	$ -	$ 18,616
Carrying Amounts					
February 28, 2015	$ -	$ 4,004	$ 197	$ 2,868	$ 7,069
February 29, 2016	$ -	$ 4,761	$ 97	$ -	$ 4,858
May 31, 2016	$ -	$4,403	$ 85	$ -	$ 4,488

Depreciation for property and equipment has been recorded in general and administrative expenses.

6. INTANGIBLE ASSETS

The Jefferies Patents and IP is comprised of the therapeutic uses of p97 patents, licenses and intellectual property. Transcend IP 2 is comprised of additional acquired p97 related technology.

	Transcend IP 2	Jefferies Patents and IP	Total
Cost			
Balance as at February 28, 2015	$ 191,003	$ 589,609	$ 780,612
Additions	-	--	-
Balance as at February 29, 2016	$ 191,003	$ 589,609	$ 780,612
Additions	-	-	-
Balance as at May 31, 2016	$ 191,003	$ 589,609	$ 780,612
Accumulated Amortization and Impairment			
Balance as at February 28, 2015	$ 34,221	$ 272,156	$ 306,377
Amortization	9,550	39,448	48,998
Balance as at February 29, 2016	$ 43,771	$ 311,604	$ 355,375
Amortization	2,388	9,861	12,249
Balance as at May 31, 2016	$ 46,159	$ 321,465	$ 367,624
Carrying Amounts			
February 28, 2015	$ 156,782	$ 317,453	$ 474,235
February 29, 2016	$ 147,232	$ 278,005	$ 425,237
May 31, 2016	$ 144,844	$ 268,144	$ 412,988

On August 5, 2011, the Company's wholly owned subsidiary biOasis Advanced Technologies Inc. acquired the worldwide assignment of certain intellectual property ("Transcend IP 2"). Pursuant to the assignment the Company made cash payments totaling $25,000 and issued 100,000 share purchase warrants at $0.50 and 350,000 share purchase warrants issued at $0.575, of which 52,000 and 48,000 share purchase warrants were exercised on January 19, 2012 and February 7, 2012 respectively with a balance of 250,000 share purchase warrants expiring August 5, 2016. These warrants were assigned a fair value of $163,000 calculated using the Black-Scholes option pricing model. In addition, the Company capitalized legal and regulatory expenses incurred of $3,003. In the event that a patent with respect to the intellectual property is issued in the future in either Europe or in the United States of America the Company will issue an additional 300,000 warrants with a two-year expiry term exercisable at the greater of $0.50 or the closing price of the Company's publicly traded stock on the date the patent was granted (see Note 13).

Amortization for intangible assets has been recorded to research and development expenses.

7. SHARE CAPITAL

(a) Authorized Share Capital

As at May 31, 2016, the authorized share capital comprised an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

(b) Warrants

The Company's warrant activity during the periods ended May 31, 2016 and February 29, 2016 is summarized in the following table:

	Number of Warrants	Weighted Average Exercise Price
Balance outstanding - February 28, 2015	1,944,477	$1.12
Exercised warrants	(1,170,000)	1.20
Expired warrants	(524,477)	1.20
Balance outstanding - February 29, 2016	250,000	$0.58
Issued with private placement	-	-
Balance outstanding – May 31, 2016	250,000	$0.58

The following table summarizes warrants outstanding and exercisable at May 31, 2016:

Number Outstanding	Exercise Price	Expiry date
250,000	$0.575	August 5, 2016
250,000		

8. SHARE-BASED COMPENSATION

Share Purchase Option Compensation Plan

Under the Company's Amended Stock Option plan approved by disinterested shareholders at the 2015 Annual General and Special Meeting of Shareholders held December 22, 2015, the number of common shares that can be reserved for issuance is 8,882,585, representing 20% of the Company's issued outstanding share capital at that date of the Management Information Circular. The plan provides that the Board of Directors of the Company may from time to time, in its discretion, and in accordance with the TSX Venture Exchange guidelines, grant to directors, executive officers, employees and consultants to the Company, non-transferable options to purchase common shares at a price that is not less than the Discounted Market Price (as defined by the rules of the TSX Venture Exchange) on the date of grant. Vesting is provided at the discretion of the Board and the expiration of options is to be no greater than 10 years from the date of the grant.

In connection with the foregoing, the number of common shares reserved for issuance to any individual director or officer will not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for the issuance to all technical consultants will not exceed 2% of the issued and outstanding common shares.

The following table summarizes the continuity of the Company's stock options:

	Number of Options	Weighted Average Exercise Price
Balance at February 28, 2015	6,045,000	$0.97
Granted	125,000	1.20
Exercised	(175,000)	0.64
Expired	(309,375)	0.61
Forfeited	(65,625)	1.11
Balance at February 29, 2016	5,620,000	$1.10
Granted	1,975,000	1.33
Exercised	-	-
Expired	(150,000)	0.89
Forfeited	(200,000)	1.33
Balance at May 31, 2016	7,245,000	$1.09
Exercisable at May 31, 2016	5,613,750	$1.02

8. SHARE-BASED COMPENSATION (continued)

Share Purchase Option Compensation Plan (continued)

The following table summarizes stock options outstanding and exercisable at May 31, 2016:

Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price
$0.52	1,330,000	0.3	$0.52	1,330,000	0.3	$0.52
$0.97	1,200,000	2.5	$0.97	1,200,000	2.5	$0.97
$1.17	1,165,000	3.7	$1.17	1,090,000	3.7	$1.17
$1.20	125,000	0.1	$1.20	93,750	0.1	$1.20
$1.28	1,550,000	1.1	$1.28	1,550,000	1.1	$1.28
$1.33	1,775,000	4.9	$1.33	250,000	4.9	$1.33
$1.42	100,000	1.0	$1.42	100,000	1.0	$1.42
	7,245,000	2.5	$1.08	5,613,750	1.9	$1.02

During the period ended May 31, 2016, the Company recognized $567,613 (May 31, 2015: $400,555) in share-based compensation expense. Share-based compensation expense comprised awards granted to employees and non-employees under the Company's stock option plan.

The estimated fair value of each tranche of options granted to the Company's employees and directors is calculated at the grant date and amortized on a straight-line basis over the vesting period of the options. The fair value of non-employee awards is estimated at each reporting period until the final measurement date.

The weighted average fair value of the options granted during the period ended May 31, 2016 was $0.82 (May 31, 2015: $nil). The following table summarizes the weighted average assumptions using the Black-Scholes option pricing model for employees, directors and consultants for the respective periods ended May 31, 2016 and 2015.

	Three months ended May 31, 2016	Three months ended May 31, 2015
Share price at measurement date	$ 1.33	N/A
Exercise price	$1.33	N/A
Risk-free interest rate	0.71%	N/A
Expected life	5.0 year	N/A
Expected volatility	76.81%	N/A
Expected dividends	-	N/A
Forfeiture rate	5.75%	N/A

Option and warrant pricing models require the input of highly subjective assumptions, particularly as to the expected price volatility of the stock. Changes in these assumptions can materially affect the fair value estimate.

9. RELATED PARTY TRANSACTIONS AND BALANCES

a) During the period ended May 31, 2016, the Company paid the President and CEO ("CEO") of the Company $42,000 (May 31, 2015: $42,000) pursuant to a salary contract for services and for acting in his capacity as CEO. The Company also incurred payroll benefits expense of $2,497 (May 31, 2015: $2,064) attributed to the CEO. As at May 31, 2016, the Company owed $nil (May 31, 2015: $4,227) to the CEO, which is unsecured, non-interest bearing and with no repayment terms.

b) During the period ended May 31, 2016, the Company paid $16,250 (May 31, 2015: $16,250) to an officer of the Company, pursuant to a consulting contract for consulting services and for acting in her capacity as CFO.

c) During the period ended May 31, 2016, the Company incurred legal expenses of $194 (May 31, 2015: $654) to a law firm, a principal of which is a relative of the CEO of the Company. As at May 31, 2016, the Company owed $194 (May 31, 2015: $681) to this law firm, which is unsecured, non-interest bearing and with no repayment terms.

d) During the period ended May 31, 2016, 1,500,000 options were granted to directors or officers (May 31, 2015: nil granted) and directors were paid board and board committee fees of $8,250 (May 31, 2015: $8,250) and the Company incurred payroll benefits expense of $90 (May 31, 2015: $90) attributed to these parties. As at May 31, 2016, the Company owed or accrued $24,479 (May 31, 2015: $8,160) to directors, 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.

10. COMPENSATION OF KEY MANAGEMENT PERSONNEL

Key management personnel include the CEO, CFO and directors of the Company. Compensation of key management personnel, including directors is as follows:

	Three months ended May 31, 2016	Three months ended May 31, 2015
Salaries, consultant fees, director fees, service fees, and benefits	$ 69,281	$ 69,308
Share-based payments[(1)]	498,020	341,491
	$ 567,301	$ 410,799

[(1)] Share-based payments are the fair value of options granted and vested to key management personnel during the year.

11. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, short-term investments, amounts receivable and accounts payable. As at May 31, 2016 and February 29, 2016, there are no significant differences between the carrying value of these amounts and their estimated fair values. Unless otherwise noted it is management's opinion that the Company is not exposed to significant interest, currency or credit risk arising from these financial instruments.

Financial assets and liabilities measured at fair value on a recurring basis were presented on the Company's consolidated statement of financial position as of May 31, 2016 as follows:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets For Identical Instruments (Level 1) $	Significant Other Observable Inputs (Level 2) $	Significant Unobservable Inputs (Level 3) $	Balance as Of May 31, 2016 $
Assets:				
Cash and cash equivalents	1,365,789	–	–	1,365,789
Short-term investments	–	–	–	–

11. FINANCIAL INSTRUMENTS (continued)

(a) Credit risk

Credit risk is the risk of financial loss to the Company if counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk on its cash and cash equivalents, short-term investments and pre-clinical contributions receivable in the event of non-performance by counterparties, but does not anticipate such non-performance. The maximum exposure to credit risk of the Company at the end of the period is the carrying value of its cash and cash equivalents, short-term investments and pre-clinical contributions receivable.

The Company mitigates its exposure to credit risk by maintaining its primary operating and investment bank accounts with Schedule I chartered banks in Canada.

As well the Company mitigates its exposure to credit risk by restricting its investments to cash and cash equivalents and short-term investments in banker's acceptance or term deposits of Schedule I chartered banks in Canada and by monitoring the credit risk and credit standing of counterparties.

The Company's amounts receivable are comprised as follows:

	May 31, 2016	February 29, 2016
Trade accounts receivable (0 to 30 days)	$ -	$ -
Trade accounts receivable (60 to 90 days)	-	-
Trade accounts receivable (90 to 120 days)	24,319	-
Total pre-clinical contributions accrued and receivable	24,319	-
GST receivable (Government of Canada) and other	256	24,120
Accrued bank interest (Schedule 1 Canadian chartered bank)	395	4,796
	$ 24,970	$ 28,916

(b) Interest rate risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk through its cash and cash equivalents and short-term investments. The Company mitigates this risk through its investment policy that only allows investment of its excess cash resources in banker's acceptance or guaranteed investment certificates of Schedule 1 chartered banks in Canada while matching maturities with the Company's operational requirements.

Fluctuations in market rates of interest do not have a significant impact on the Company's results of operations due to the short term to maturity of the cash and cash equivalents and short-term investments held.

(c) Currency risk

Currency risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company has exposure to currency risk from its maintenance of a US dollar bank account and to future clinical trial work commitments contracted in foreign currencies.

11. FINANCIAL INSTRUMENTS (continued)

Balances in foreign currencies as at May 31, 2016, are as follows:

	US$ Balance[(1)]
Cash and cash equivalents	$ 1,612
Amounts receivable	24,319
Accounts payable and accrued liabilities	(56,866)
Net	$ (30,935)

[(1)] All currency balances are shown in Canadian dollar equivalents

The following table details the Company's sensitivity analysis to a 10% decline in the US dollar and the Euro on foreign currency denominated monetary items by adjusting their translation rate at the consolidated statement of financial position date for a 10% change in foreign currency rates. For a 10% strengthening of the US dollar and Euro against the Canadian dollar, there would be an opposite impact on net loss and comprehensive loss for the year.

	US$ Balance[(1)]
Cash and cash equivalents	$ (161)
Amounts receivable	(2,432)
Accounts payable and accrued liabilities	5,687
Increase in net loss and comprehensive loss	$ 3,094

[(1)] All currency balances are shown in Canadian dollar equivalents

(d) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure as outlined in Note 12. Accounts payable and operating lease payments are all due within the next 12 months.

12. CAPITAL DISCLOSURES

The Company's objective when managing capital is to maintain sufficient working capital on hand for at least 12 months of corporate operations and to support the Company's Transcend program sufficient for the Company to be able to identify candidate therapeutic agents for conjugation with p97 for delivery across the blood brain barrier and then to raise additional funds to conduct proof of concept studies and to source joint venture partners to conduct further clinical research on those agents.

The Company includes all components of equity in the definition of capital. The Company does not have any debt other than trade accounts payable.

Since inception funding for the Company’s plan has primarily been through the issuance of common shares and warrants. Management regularly monitors the capital markets to balance the timing of issuing additional equity with the Company’s progress in testing and commercializing of its technology, general market conditions and the availability of capital but there are no assurances that the announced financing will complete or that funds will be made available to the Company in the future.

The Company is not subject to externally imposed capital requirements.

13. CONTRACTUAL COMMITMENTS

Contingent warrants

In the event that a patent with respect to the Transcend IP 2 intellectual property is issued in the future in either Europe or in the United States of America the Company will issue an additional 300,000 warrants with a two-year expiry term exercisable at the greater of $0.50 or the closing price of the Company's publicly traded stock on the date the patent was granted (see Note 6).

14. EMPLOYEE BENEFITS

Employee benefits included in general and administrative expenses and research and development expenses are as follows:

	Three months ended May 31, 2016	Three months ended May 31, 2015
General and administrative	$ 38,713	$ 60,650
Research and development	-	9,727
Total	$ 38,713	$ 70,377

15. COLLABORATIVE RESEARCH AGREEMENT

On April 21, 2015, the Company entered into a collaborative research agreement with the Consortium Québécois Sur La Découverte du Médicament ("CQDM") and Brain Canada (the "Agreement") to perform research on the delivery of therapeutic compounds across the Blood-Brain Barrier. The total funds allocated to this project are $2,573,875 of which the Company expects to retain approximately $955,000 of this funding over three years with the balance being paid to subcontractors. As at May 31, 2016, the Company received $594,563 under the Agreement, of which $508,454 has been recognized as research revenue and $86,109 is recorded as deferred revenue.

16. SUBSEQUENT EVENTS

Stock Options

On June 7, 2016, 125,000 options exercisable at $1.20 per share until June 7, 2016 expired unexercised.

Warrants

On July 27, 2016, 250,000 warrants at $0.575 per share were exercised for gross proceeds of $143,750.