Scythian Biosciences Inc.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

June 30, 2017

(Expressed in Canadian Dollars)

(Unaudited – Prepared by Management)

NOTE TO READER

Under National Instrument 51-102, if an auditor has not performed a review of interim financial statements they must be accompanied by a note indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of the management. The Company's independent auditor has not performed a review of these interim financial statements.

"Jonathan Gilbert"	"Jonathan Held"
President and Chief Executive Officer	Chief Financial Officer

Scythian Biosciences Inc.
Consolidated Interim Statements of Financial Position
As at June 30, 2017 and March 31, 2017
Expressed in Canadian Dollars

	Note	June 30, 2017	March 31, 2017
		(Unaudited)	
ASSETS			
Current assets			
Cash and cash equivalents	4	$ 11,899,425	$ 1,090,767
Prepaid expenses	11	954,908	871,907
Sales tax recoverable		35,389	9,979
Other receivable	5	32,889	-
Total current assets		12,922,611	1,972,653
Plant and equipment	6	708,679	759,682
Total assets		$ 13,631,290	$ 2,732,335
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7	848,438	1,931,317
Total liabilities		848,438	1,931,317
SHAREHOLDERS' EQUITY			
Capital stock	8	6,316,198	6,216,198
Contributed surplus	8	2,338,744	1,506,806
Other capital reserves	8	12,196,191	-
Deficit		(8,068,281)	(6,921,986)
Total shareholders' equity		12,782,852	801,018
Total liabilities and shareholders' equity		$ 13,631,290	$ 2,732,335

Nature and Continuance of Operations and Going Concern – Note 1
Commitments – Notes 11 and 12
Subsequent Events – Note 14

"Peter Benz"
Peter Benz

"Jonathan Gilbert"
Jonathan Gilbert

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

Scythian Biosciences Inc.
Consolidated Interim Statements of Loss and Comprehensive Loss
For the three months ended June 30, 2017 and 2016
Expressed in Canadian Dollars
(Unaudited)

	Note	Three months ended June 30, 2017	2016
OPERATING EXPENSES			
Advertising and public relations		$ 1,433	$ 2,258
Depreciation	6	51,003	57,500
Consulting	7, 8	35,477	97,035
Office and general		24,265	31,324
Professional fees		109,360	27,289
Research and development	11	686,579	-
Salaries and wages	7	217,678	262,481
Travel		25,377	3,636
		1,151,172	481,523
OPERATING LOSS BEFORE THE FOLLOWING ITEMS		(1,151,172)	(481,523)
Foreign exchange loss		(22,298)	(2,933)
Interest income		6,091	-
Rental income		21,084	21,017
NET LOSS AND COMPREHENSIVE LOSS		(1,146,295)	(463,439)
Loss per share			
Basic and diluted	9	($0.40)	($1.02)
Weighted average number of shares outstanding			
Basic and diluted	9	2,881,147	452,246

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

Scythian Biosciencs Inc.
Consolidated Interim Statements of Changes in Shareholders' Equity
For the three months ended June 30, 2017 and 2016
Expressed in Canadian Dollars
(Unaudited)

	Number	Share Capital	Contributed Surplus	Other Capital Reserves	Deficit	Total Shareholders' Equity
Balance, April 1, 2016	449,713	$ 3,507,284	$ 939,708	$ 20,000	$ (3,945,922)	$ 521,070
Issuance of common shares - for cash	4,095	81,900	-	(20,000)	-	61,900
Share based compensation	-	-	40,851	-	-	40,851
Net loss	-	-	-	-	(463,439)	(463,439)
Balance, June 30, 2016	453,808	$ 3,589,184	$ 980,559	$ -	$ (4,409,361)	$ 160,382
Balance, April 1, 2017	2,874,551	$ 6,216,198	$ 1,506,806	$ -	$ (6,921,986)	$ 801,018
Share subscriptions received	-	-	-	12,196,191	-	12,196,191
Issuance of common shares						
- for settlement of accounts payable	12,500	100,000	819,245	-	-	919,245
Share based compensation	-	-	12,693	-	-	12,693
Net loss	-	-	-	-	(1,146,295)	(1,146,295)
Balance, June 30, 2017	2,887,051	$ 6,316,198	$ 2,338,744	$ 12,196,191	$ (8,068,281)	$ 12,782,852

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

Scythian Biosciences Inc.
Consolidated Interim Statements of Cash Flows
For the three months ended June 30, 2017 and 2016
Expressed in Canadian Dollars
(Unaudited)

	Three months ended June 30, 2017	2016
OPERATING ACTIVITIES		
Net loss	$ (1,146,295)	$ (463,439)
Items not affecting cash:		
Share based payments	12,693	40,581
Depreciation	51,003	57,500
	(1,082,599)	(365,358)
Changes in non-cash working capital items:		
Increase in prepaid expenses	(83,001)	(13,310)
Increase in other receivable	(32,889)	-
Increase (decrease) in accounts payable and accrued liabilities	(163,634)	186,674
Increase in sales tax recoverable	(25,410)	(764)
Cash flows relating to operating activities	(1,387,533)	(192,758)
FINANCING ACTIVITIES		
Proceeds from the issuance of common shares, net	-	61,899
Proceeds from receipt of subscriptions for common shares, net	12,196,191	-
Cash flows relating to financing activities	12,196,191	61,899
Net increase (decrease) in cash	10,808,658	(130,859)
Cash and cash equivalents, beginning	1,090,767	222,431
Cash and cash equivalents, ending	$ 11,899,425	$ 91,572

Supplemental Cash Flow Information – Note 13

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

1. NATURE AND CONTINUANCE OF OPERATIONS AND GOING CONCERN

Scythian Biosciences Inc. (the "Company") was incorporated on July 9, 2014 as Valens Agritech Canada Inc. The Company is focused on the acquisition of companies in the medical marijuana market, either in its application for medical and academic uses in the development of new pharmaceuticals, or in the business of production and sales of prescription marijuana to individual consumers. On October 29, 2015, the Company changed its name to Scythian Biosciences Inc.

The Company's principal and registered office is 200-366 Bay St., Toronto, ON, M5H 4B2.

On June 6, 2017, the Company entered into a Business Combination Agreement with Kitrinor Metals Inc. ("Kitrinor"), a public company whose shares trade on the TSX Venture Exchange ("TSXV") and 10188760 Canada Inc., a wholly owned subsidiary of Kitrinor incorporated for the purposes of the Business Combination Agreement ("Subco"), pursuant to which the Company will amalgamate with Kitrinor by way of a three-cornered amalgamation under the federal laws of Canada (the "Transaction"). The transaction constitutes a reverse takeover of Kitrinor by the Company and the business of the resulting merged entities (the "Reporting Issuer") became the business of the Company. At June 30, 2017, the Transaction remained subject to regulatory approval, including the approval of the TSXV, and certain closing conditions; including completion of a share consolidation, name change, approval of a deferred share unit plan, and the election of the Resulting Issuer directors. On August 1, 2017, the Company completed the Transaction. On August 8, 2017, the Company started trading on the TSXV under the symbol SCYB.

Effective August 1, 2017, and in connection with the Transaction, the Company effected a reverse stock split on the basis of 1:80. As such, all shares of common stock issued and outstanding were decreased on the basis of one new share for each eighty old shares. These consolidated financial statements give retroactive effect to such reverse split and all share and per share amounts have been adjusted accordingly.

These condensed consolidated interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. At June 30, 2017, the Company's operations did not generate cash flow and the Company had an accumulated deficit of $8,068,281. In addition, the Company has significant spending commitments under a collaborative research agreement (Note 7). The Company's financial success is dependent on management's ability to continue to raise adequate financing on reasonable terms to fulfil these obligations as they come due, and to commence profitable operations in the future. These factors indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. Should the Company be unable to realize its assets and discharge its liabilities in the normal course of business, the net realizable value of its assets may be materially less than the amounts recorded in these consolidated financial statements. These consolidated financial statements do not include adjustments that would be necessary should the Company be unable to continue as a going concern.

2. BASIS OF PRESENTATION

a) Statement of Compliance

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and in accordance with International Accounting Standard ("IAS") IAS 34 "Interim Financial Reporting".

These condensed consolidated interim financial statements do not include all of the information and disclosures required to be included in annual financial statements prepared in accordance with IFRS.

These condensed consolidated interim financial statements should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended March 31, 2017, which includes information necessary or useful to understanding the Company's business and financial statement presentation. In particular, the Company's significant accounting policies, use of judgements and estimates were presented in Note 2 and Note 3 of those audited financial statements and have been consistently applied in the preparation of these condensed interim financial statements.

These condensed consolidated interim financial statements were authorized for issue on August 18, 2017 by the directors of the Company.

b) Basis of Measurement

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company's functional and reporting currency. These consolidated financial statements are prepared on a historical cost basis except for financial instruments classified as fair value through profit or loss ("FVTPL"), which are stated at their fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

3. NEW ACCOUNTING STANDARDS

At the date of authorization of these condensed consolidated interim financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been early-adopted by the Company.

Management anticipates that all of the pronouncements will be adopted in the Company's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Company's condensed consolidated interim financial statements is provided below. Certain other new standards and interpretations have been issued, but are not expected to have an impact on the Company's condensed consolidated interim financial statements.

Expressed in Canadian Dollars (Unaudited)

3. NEW ACCOUNTING STANDARDS – Continued

Future Changes in Accounting Policies

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments (“IFRS 9”) which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application is before 1 February 2015. The adoption of IFRS 9 is not expected to have an impact on the classification and measurement of the Company’s financial assets and liabilities when adopted in 2018.

IFRS 16 Leases

In January 2016, the IASB issued IFRS 16 Leases (“IFRS 16”) which replaces IAS 17, Leases and its associated interpretative guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to the current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. The standard is effective for annual periods beginning on or after January 1, 2019, with early application permitted for entities that apply IFRS 15. The adoption of IFRS 16 is not expected to have an impact on the classification and measurement of the Company’s financial instruments, when adopted in 2019.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists of the following:

		June 30, 2017		March 31, 2017
Cash	$	1,220,425	$	1,090,767
Guaranteed Investment Certificates		10,679,000		-
	$	11,899,425	$	1,090,767

5. OTHER RECEIVABLES

Included in Other Receivables at June 30, 2017 is an amount of $32,889 (March 31, 2017: $Nil) due from Kitrinor for expenses incurred on behalf of Kitrinor in connection with the Transaction (Note 1).

Expressed in Canadian Dollars (Unaudited)

6. PLANT AND EQUIPMENT

Plant and equipment consists of the following:

		Leasehold improvements		Marchinery and equipment		Total
Cost, April 1, 2016	$	743,925	$	406,075	$	1,150,000
Additions		-		-		-
Cost, March 31, 2017 and June 30, 2017		743,925		406,075		1,150,000
Accumulated depreciation, April 1, 2016	$	111,589	$	60,911	$	172,500
Depreciation		148,785		69,033		217,818
Accumulated depreciation, March 31, 2017		260,374		129,944		390,318
Depreciation		37,196		13,807	$	51,003
Accumulated depreciation, June 30, 2017		297,570		143,751		441,321
Net book value, March 31, 2017	**$**	**483,551**	**$**	**276,131**	**$**	**759,682**
Net book value, June 30, 2017	**$**	**446,355**	**$**	**262,324**	**$**	**708,679**

During the three months ended June 30, 2017, the Company recorded depreciation expense of $51,003 (2016: $57,500).

7. RELATED PARTY TRANSACTIONS AND BALANCES AND KEY MANAGEMENT COMPENSATION

All related party transactions are carried out in the normal course of operations and are recorded at fair value, unless otherwise noted herein. The Company has identified its officers as its key management personnel.

During the three months ended June 30, 2017, and 2016, the Company carried out the following transactions with directors and officers of the Company:

Related Party	Nature of Transaction
Jonathan Gilbert, CEO and director	Salaries and benefits
Mohammad Fazil, President and director	Salaries and benefits
Harvey Lalach, CFO and director	Salaries and benefits
David Schrader, COO and director	Salaries and benefits
Allen Cohen, director	Directors fees
Jerome Gilbert, director	Directors fees
Michael Petter, director	Directors fees

7. RELATED PARTY TRANSACTIONS AND BALANCES AND KEY MANAGEMENT COMPENSATION – Continued

Related Party Balances

At June 30, 2017, included in accounts payable and accrued liabilities is an amount of $586,734 (March 31, 2017: $1,395,150) owing to directors and officers of the Company in respect of unpaid salaries and benefits, directors' fees, and reimbursable expenses. These amounts are unsecured, non-interest bearing and are payable on demand.

Related Party Transactions

During the three months ended June 30, 2017, an amount of $204,390 (2016: $1,238,759) in consulting fees, salaries and benefits was accrued or paid to directors and officers of the Company in connection with employment and consulting agreements.

During the three months ended June 30, 2017, an amount of $3,000 (2016: $6,000) in directors' fees were accrued or paid to directors of the Company.

On May 18, 2017, the Company issued an aggregate of 12,500 common shares of the Company, and paid $45,000 in cash, to settle an aggregate of $964,245 in accrued and unpaid salaries and wages and benefits due to two directors and officers of the Company. The shares issued were recorded at their fair value of $100,000, or $8.00 per share, which value was determined with reference to the price at which shares were being sold to arm's length parties on or around the transaction date. The remaining $819,245 difference between the carrying value of the amounts settled and the fair value of consideration transferred of $145,000 was recorded as a contribution to equity.

8. CAPITAL STOCK

a. Common shares

The authorized share capital of the Company consists of an unlimited number of common shares without par value and an unlimited number of non-voting, non-participating, non-cumulative preferred shares without par value, redeemable at the option of the Company or holder.

Changes in the issued and outstanding common shares of the Company during the year ended March 31, 2017, and for the three-month period ended June 30, 2017, were as follows:

Expressed in Canadian Dollars (Unaudited)

8. CAPITAL STOCK – Continued

	Number of shares		Amount
Balance, April 1, 2016	449,713		3,507,284
Shares issued			
Pursuant to private placements at $20.00	4,095		81,900
Balance, June 30, 2016	453,808		3,589,184
Shares issued			
Pursuant to private placements at $0.20	2,000,000		400,000
Pursuant to private placements at $8.00	370,743		2,965,945
Less; share issue costs			(748,931)
In exchange for services	50,000		10,000
Balance, March 31, 2017	2,874,551	$	6,216,198
Shares issued			
As settlement of accounts payable (Note 6)	12,500		100,000
Balance, June 30, 2017	**2,887,051**	**$**	**6,316,198**

b. Other Capital Reserves

At June 30, 2017, the Company had received $13,285,000 in subscriptions for the issuance of 1,660,625 shares of common stock at a subscription price of $8.00 per share (the “Subscription Receipts”). The Subscription Receipts are being held by the Company pending completion of the Proposed Transaction (Note 1) at which time the Subscription Receipts will be automatically converted into common shares of the resulting Reporting Issuer. In connection with the Subscription Receipts, the Company incurred share issue costs of $1,037,148, which included agent’s commission and legal fees and expenses directly attributable to the transaction. Subsequent to period end, the Company issued the shares related to these subscriptions.

c. Share Purchase Options

The Board of Directors of the Company (the “Board”) has approved a Stock Option Plan (the “Plan”). The purpose of the Plan is to grant share purchase options to directors, senior officers, employees and consultants of the Company. The maximum number of shares reserved for issue under the Plan will be equal to 10% of the aggregate issued and outstanding shares of the Company at the date of approval of the Plan, but the maximum number may be revised from time to time by the Board.

The Plan is administered by the Board. The exercise price of options issued under the Plan shall be equal to the market price (as defined by the Plan) of the Company’s shares on the grant date, less applicable discount, if any, permitted by securities legislation and approved by the Board. Stock options may be granted under the Plan for an exercise period determined by the Board, subject to earlier termination in accordance with the terms of the Plan.

Expressed in Canadian Dollars (Unaudited)

8. CAPITAL STOCK – Continued

c. Share Purchase Options – Continued

A summary of the status of the Company's outstanding share purchase options for the year ended March 31, 2017, and for the three-month period ended June 30, 2017, is presented below:

	Number of options	Weighted Average exercise
Outstanding, April 1, 2016	73,750	20.00
Granted	62,500	0.20
Outstanding, March 31, 2017 and June 30, 2017	136,250	$10.92

At June 30, 2017, the following share purchase options were outstanding:

Exercise price	Number of options outstanding	Number vested	Expiry Date
$20.00	57,500	57,500	August 31, 2020
$20.00	625	375	October 3, 2020
$20.00	625	375	October 16, 2020
$20.00	12,500	6,250	December 28, 2020
$20.00	2,500	2,500	February 12, 2021
$0.20	62,500	62,500	January 30, 2020
	136,250	129,500	

Included in consulting fees for the three months ended June 30, 2017, is an amount of $12,693 (2016: $40,581) related to share purchase option compensation.

d. Share Purchase Warrants

A summary of the Company's share purchase warrants outstanding is presented below:

	Number of warrants	Weighted Average exercise
Outstanding, April 1, 2016	-	
Issued	142,196	$8.73
Outstanding, March 31, 2017 and June 30, 2017	142,196	$8.73

Expressed in Canadian Dollars (Unaudited)

8. CAPITAL STOCK – Continued

d. Share Purchase Warrants

During the year ended March 31, 2017, the Company issued 116,244 share purchase warrants exercisable at $8.00 per share, expiring on June 12, 2019, as commissions in connection with subscription receipts at $8.00 per share. The fair value of these warrants of $398,200 was recorded as a share issue cost during the year ended March 31, 2017. The fair value of these warrants was estimated using the Black-Scholes option pricing model using the following weighted average assumptions: risk-free rate 0.86%, expected life 2.0 years, estimated stock price $8.00, expected volatility 78.95%, dividend yield 0.00%.

During the year ended March 31, 2017, the Company issued 25,952 share purchase warrants exercisable at $12.00 per share for a period of three years from the date of issuance as commissions in connection with a private placement at $8.00 per share. The fair value of these warrants of $85,400, was recorded as a share issue cost during the year ended March 31, 2017. The fair value of these warrants was estimated using the Black-Scholes option pricing model using the following weighted average assumptions: risk-free rate 0.78%, expected life 3.0 years, estimated stock price $8.00, expected volatility 78.73%, dividend yield 0.00%.

At June 30, 2017, the Company had share purchase warrants outstanding as follows:

Exercise price	Number of warrants outstanding	Expiry Date
$8.00	116,244	June 12, 2019
$12.00	20,746	March 20, 2020
$12.00	5,206	March 31, 2020
	142,196	

9. LOSS PER SHARE

The calculation of basic and diluted loss per share for the three months ended June 30, 2017, and 2016 was based on the following data:

	2017	2016
Numerator		
Net loss attributable to common shareholders	$ (1,146,295)	$ (463,439)
Denominator		
Weighted average number of common shares outstanding	2,881,147	452,246
Dilutive effect of assumed exercise of stock options and warrants	-	-
Diluted weighted average number of common shares outstanding	2,881,147	452,246
Loss per share (basic and diluted)	$ (0.40)	$ (1.02)

9. LOSS PER SHARE – Continued

The basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the period. The diluted loss per share reflects the potential dilution of common share equivalents, such as stock options and share purchase warrants, in the weighted average number of common shares outstanding during the period, only if dilutive.

As of June 30, 2017, loss per share excludes 278,446 (March 31, 2017: 278,446) potentially dilutive common shares related to outstanding share purchase options and warrants, as the effect was anti-dilutive.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments consist of cash and cash equivalents, other receivables and accounts payable and accrued liabilities; the fair values of which are considered to approximate their carrying value due to their short-term maturities or ability of prompt liquidation.

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

- Market Risk
- Credit Risk
- Liquidity Risk

In common with all other businesses, the Company is exposed to risks that arise from its use of financial instruments. This note describes the Company's objectives, policies and processes for managing those risks, and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these consolidated financial statements.

Market Risk

Strategic and operational risks arise if the Company fails to carry out business operations and/or to raise sufficient equity and/or debt financing in financing development. These strategic opportunities or threats arise from a range of factors that might include changing economic and political circumstances and regulatory approvals and competitor actions. The risk is mitigated by consideration of other potential development opportunities and challenges which management may undertake.

Interest risk

Interest risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market risk. The Company's sensitivity to interest rates is currently immaterial.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. From time to time, the Company holds financial instruments that are denominated in a currency other than the Canadian dollar. At June 30, 2017, the Company held financial assets of $522,178 (March 31, 2017: $886,969) denominated in US dollars and had research and development commitments denominated in US Dollars (Note 7). During the three months ended June 30, 2017, the Company recognized foreign currency exchange loss of $22,298 (2016: gain of $2,933) relating to currency fluctuations between the Canadian and US dollars.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT – Continued

Equity Price Risk

Equity price risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. The Company currently has no assets subject to changes in valuation arising from changes in equity markets.

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a loss for the other party by failing to discharge an obligation. The Company is subject to normal industry credit risks. Therefore, the Company believes that there is exposure to credit risk on outstanding loans.

Liquidity Risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due.

The Company addresses its liquidity through equity financing by the sale of common shares and through debt financing. While the Company believes its exposure to liquidity risk is immaterial due to the fact that the Company has no operating business, there is no assurance that the Company will be successful in securing financing in the future.

Fair Values

The fair values of the Company's financial assets and liabilities approximate their carrying amounts due to the short-term maturities of these instruments.

11. OBLIGATION UNDER RESEARCH AGREEMENT

On July 25, 2016, the Company entered into a collaborative research agreement, and amended on February 10, 2017 (the "Agreement") with the University of Miami (the "University"). The University has agreed to assist the Company with the research, development and preclinical and clinical trials research studies.

The obligation of the University to commence and continue the Project is contingent upon the Company making payments to the University in accordance with the budget outlined below:

- 1st payment: USD$250,000 on November 30, 2016 (paid);
- 2nd payment: USD$175,000 due on January 30, 2017 (paid);
- 3rd payment: USD$1,000,000 due on February 28, 2017 (paid);
- 4th payment: USD$2,000,000 due on March 31, 2017
- 5th payment: USD$1,575,000 due on April 30, 2017
- 6th payment: USD$2,000,000 due on January 1, 2018
- 7th payment: USD$3,000,000 due on January 1, 2019
- 8th payment: USD$3,000,000 due on January 1, 2020
- 9th payment: USD$3,000,000 due on January 1, 2021

11. OBLIGATION UNDER RESEARCH AGREEMENT – Continued

Institution overhead of 29% will be applied to all payment milestones listed above as applicable. Total amount of funding, inclusive of University's overhead is USD$20,640,000.

At June 30, 2017, included in prepaid expenses and deposits is an amount of $175,999 (US$135,573) (March 31, 2017: $860,876 (USD$645,900)) in milestone payments paid to the University which were unspent as at such date.

During the three months ended June 30, 2017, the Company recorded research and development expenses of $686,579 (2016: $Nil) in connection with expenditures incurred under the terms of the Agreement.

The Company has not made the payments due on March 31, 2017, and April 30, 2017, in accordance with the terms of the Agreement.

12. COMMITMENTS

The Company is committed to minimum future lease payments during fiscal year ending March 31, 2018, of $44,946.

The Company also has certain commitments with regards to the research agreement with the University of Miami as discussed in note 11.

13. SUPPLEMENTAL CASH FLOW INFORMATION

Investing and financing activities that do not have a direct impact on cash flows are excluded from the statement of cash flows.

During the three months ended June 30, 2017, the Company issued 12,500 common shares as settlement of accrued and unpaid wages, salaries and benefits of $919,245 owing to two directors and officers of the Company. This transaction has been excluded from the statement of cash flows.

14. SUBSEQUENT EVENTS

Subsequent to June 30, 2017;

i) The Company issued an aggregate of 75,000 share purchase options exercisable at $8.00 per share for a period of 5 years from the date of issuance to directors and officers of the Company in exchange for services to be rendered.

ii) An aggregate of 51,250 share purchase options exercisable at $20.00 per share were forfeited or cancelled, unexercised.

iii) The Company issued 143,750 DSU's to officers and directors of the Company.

iv) All remaining amounts payable to officers of the Company were settled at no cost to the Company.