



Scythian Biosciences Corp.
(Formerly Kitrinor Metals Inc.)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

June 30, 2018

(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 consolidated interim 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.

Scythian Biosciences Corp. (Formerly Kitrinor Metals Inc.)
Condensed Consolidated Interim Statements of Financial Position
As at June 30, 2018 and March 31, 2018
Expressed in Canadian Dollars

	Note	June 30, 2018 (unaudited)	March 31, 2018
ASSETS			
Current assets			
Cash		\$ 4,326,510	\$ 822,397
Short-term investments	4	20,100,000	31,341,836
Other receivables	4	395,665	383,478
Prepaid expenses	10	3,502,070	2,556,010
Assets held for sale	5	747,021	-
Total current assets		29,071,266	35,103,721
Non-current assets			
Equity investments	6	2,178,448	-
Total non-current assets		2,178,448	-
Total assets		\$ 31,249,714	\$ 35,103,721
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	7	\$ 1,603,789	\$ 1,822,582
Deferred share unit liabilities	8	2,895,115	4,416,000
Total liabilities		4,498,904	6,238,582
SHAREHOLDERS' EQUITY			
Capital stock	8	54,014,695	52,116,837
Contributed surplus	8	8,527,151	9,601,674
Deficit		(35,791,036)	(32,853,372)
Total shareholders' equity		26,750,810	28,865,139
Total liabilities and shareholders' equity		\$ 31,249,714	\$ 35,103,721

Nature and continuance of operations – Note 1

Commitments – Notes 10 and 11

Comparative Figures – Note 14

Subsequent events – Note 15

“Rob Reid”
Rob Reid

“Roger Rai”
Roger Rai

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

Scythian Biosciences Corp. (Formerly Kitrinor Metals Inc.)

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss

For the three months ended June 30, 2018 and 2017

Expressed in Canadian Dollars

(Unaudited)

		For the three months ended June 30,	
	Note	2018	2017
OPERATING EXPENSES			
Research and development	10	\$ 913,628	\$ 686,579
Salaries and wages	7, 8b, 8d	468,797	217,678
Professional fees		681,410	109,360
Consulting	7, 8b	249,973	32,327
Advertising and public relations		521,788	1,433
Office and general		202,593	3,938
Travel		352,973	25,377
Foreign exchange (gain) loss		(158,652)	22,298
		3,232,510	1,098,990
OPERATING LOSS BEFORE THE FOLLOWING ITEMS		(3,232,510)	(1,098,990)
Interest income	4	102,889	6,091
Change in fair value of deferred share units	8d	3,004	-
Gain on equity investments	6	178,448	-
Net loss and comprehensive loss from continuing operations		(2,948,169)	(1,092,899)
Net income (loss) and comprehensive loss from discontinued operations	5	10,505	(53,396)
NET LOSS AND COMPREHENSIVE LOSS		\$ (2,937,664)	\$ (1,146,295)
Loss per share			
Basic and diluted - discontinued operations	9	\$ (0.13)	\$ (0.09)
Basic and diluted - discontinued operations	9	\$ 0.00	\$ (0.00)
Weighted average number of shares outstanding			
Basic and diluted	9	23,429,045	11,524,588

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

Scythian Biosciences Corp. (Formerly Kitrinor Metals Inc.)

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity

For the three months ended June 30, 2018 and 2017

Expressed in Canadian Dollars

(Unaudited)

	Note	Number	Share Capital	Contributed Surplus	Other Capital Reserves	Deficit	Total Shareholders' Equity
Balance, April 1, 2017		11,498,208	\$ 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		50,000	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		11,548,208	\$ 6,316,198	\$ 2,338,744	\$ 12,196,191	\$ (8,068,281)	\$ 12,782,852
Balance, April 1, 2018		28,533,588	\$ 52,116,837	\$ 9,601,674	\$ -	\$ (32,853,372)	\$ 28,865,139
Shares issued pursuant to the exercise of warrants	8	800,000	1,649,945	(1,249,945)	-	-	400,000
Shares issued pursuant to the exercise of options	8	250,000	247,913	(235,413)	-	-	12,500
Share based compensation	8	-	-	410,835	-	-	410,835
Net loss		-	-	-	-	(2,937,664)	(2,937,664)
Balance, June 30, 2018		29,583,588	\$ 54,014,695	\$ 8,527,151	\$ -	\$ (35,791,036)	\$ 26,750,810

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

Scythian Biosciences Corp. (Formerly Kitrinor Metals Inc.)
Condensed Consolidated Interim Statements of Cash Flows
For the three months ended June 30, 2018 and 2017

Expressed in Canadian Dollars

(Unaudited)

	Note	2018	2017
OPERATING ACTIVITIES			
Net loss from continuing operations		\$ (2,948,169)	\$ (1,092,899)
Net income (loss) from discontinued operations		10,505	(53,396)
Items not affecting cash:			
Depreciation		-	51,003
Share based compensation	8	410,835	12,693
Issuance of deferred share units	8	171,719	-
Forfeiture of deferred share units	8	(1,689,600)	-
Change in fair value of deferred share units	8	(3,004)	-
Unrealized gain on equity investments	6	(178,448)	-
Changes in non-cash working capital items:			
Increase in prepaid expenses		(946,060)	(83,001)
Increase in other receivable		(12,187)	(58,299)
Increase in accounts payable and accrued liabilities		(218,793)	(163,634)
Cash flows relating to operating activities		(5,403,202)	(1,387,533)
FINANCING ACTIVITIES			
Proceeds from the issuance of common shares, net	8a	-	12,196,191
Proceeds from exercise of warrants	8c	400,000	-
Proceeds from exercise of options	8b	12,500	-
Cash flows relating to financing activities		412,500	12,196,191
INVESTING ACTIVITIES			
Sale of short-term investments	4	11,241,836	-
Purchase of equity investment	6	(2,000,000)	-
Issuance of notes receivable	5	(747,021)	-
Cash flows relating to investing activities		8,494,815	-
Net increase in cash		3,504,113	10,808,658
Cash and cash equivalents, beginning		822,397	1,090,767
Cash and cash equivalents, ending		\$ 4,326,510	\$ 11,899,425

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Scythian Biosciences Corp. (formerly Kitrinor Metals Inc.) (the “Company” or “Scythian”) was incorporated under the laws of the Province of Ontario on January 28, 2005. The common shares of the Company are listed on the Canadian Securities Exchange under the symbol “SCYB”, the OTC - Nasdaq Intl under the symbol “SCCYF”, and on the Frankfurt Exchange under the symbol “9SB”. The Company is a reporting issuer in the provinces of Ontario, Alberta, British Columbia. The Company's principal and registered office is 5600-100 King Street West, Toronto, ON, M5X 1C9.

On August 1, 2017, the Company completed a business combination with Scythian Biosciences Inc. (“Scythian Inc.”) (the “Transaction”), a company incorporated under the Federal laws of Canada on July 9, 2014. Scythian Inc. 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. The Transaction constituted a reverse takeover (“RTO”) of the Company by Scythian Inc. and the business of the resulting merged entities became the business of Scythian Inc.

Effective August 1, 2017, and in connection with the Transaction, the Company effected a reverse stock split on the basis of 1:20 and Scythian Inc. effected a reverse stock split on the basis of 1:80. As such, all shares of common shares issued and outstanding were decreased on such basis. On April 13, 2018, the Company effected a stock split on the basis of 4:1, as such, all common shares issued and outstanding were increased on such basis. These condensed consolidated interim financial statements give retroactive effect to such 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.

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 audited annual consolidated financial statements of Scythian Biosciences Corp. for the year ended March 31, 2018, 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 3 of those audited financial statements and have been consistently applied in the preparation of these condensed consolidated interim financial statements.

2. BASIS OF PRESENTATION – Continued

a) Statement of Compliance – Continued

These condensed consolidated interim financial statements were authorized for issue on August 22, 2018 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 condensed consolidated interim 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.

c) Basis of Consolidation

The condensed consolidated interim financial statements include the accounts of the Company and its wholly-owned subsidiary, Scythian Biosciences Inc. All intercompany balances and transactions have been eliminated upon consolidation. Subsidiaries are consolidated from the date control commences until control ceases.

On November 29, 2017 the Company disposed of its wholly-owned subsidiary Go Green B.C. Medicinal Marijuana Ltd. ("Go Green") to an independent third party (note 5).

d) Significant Accounting Judgments and Estimates

The preparation of these condensed consolidated financial statements requires management to make judgements and estimates that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual outcomes could differ from these estimates.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to:

Income Taxes - Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Because the Company is in a loss position, it has not recognized the value of any deferred tax assets in its consolidated statements of financial position.

2. BASIS OF PRESENTATION – Continued

d) Significant Accounting Judgments and Estimates - Continued

Share-based Compensation - The Company measures the cost of equity-settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them.

Going concern risk assessment - The assessment of the Company's ability to continue as a going concern, meet its liabilities for the ensuing year, involves significant judgment based on expectation of future events that are believed to be reasonable under the circumstances.

Equity Investments - The assessment of the value of equity investments that are level 2 and level 3 require significant estimates. These estimates include, but are not limited to, the expected life of the instrument, value of the underlying company, volatility and dividend yield.

3. NEW ACCOUNTING STANDARDS

New Accounting Policies

During the period ended June 30, 2018, the Company adopted the following new significant accounting policies:

IFRS 9 Financial Instruments - Equity Investments

All equity investments are classified upon initial recognition at fair value through profit or loss ("FVTPL"), with changes in fair value reported in profit or loss. Purchases and sales of equity investments are recognized on the settlement date. Investments at FVPTL are initially recognized at fair value.

Subsequent to initial recognition, all equity investments are measured at fair value. Gains and losses arising from changes in the fair value of the FVTPL investments are recognized in profit or loss.

Equity investments in common shares of public companies are measured at fair value based on published market prices with unrealized gains and losses recognized through profit or loss. When units are purchased that consist of shares and warrants, the warrants received are accounted for using the residual method at the time of purchase. The value of the warrants are subsequently fair valued at the measurement date using the Black-Scholes option pricing model.

Assets Held for Sale

Assets and liabilities held for sale are not depreciated and are presented separately in the statement of financial position at the lower of their carrying amount and fair value less costs to sell. An asset is regarded as held for sale if its carrying amount will be recovered principally through a sale transaction, rather than through continuing use. For this to be the case, the asset must be available for immediate sale and its sale must be highly probable.

3. NEW ACCOUNTING STANDARDS - Continued

Expected Credit Loss

IFRS 9 requires the Company to record an allowance for expected credit loss ("ECL") based on a 12-month ECL or lifetime ECL. Assets within the scope of IFRS 9 that are considered to have low credit risk have an impairment provision recognized during the period limited to 12-months ECLs. However, when credit risk has increased significantly since origination, that allowance will be based on the lifetime ECL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. For other receivables, the Company applies the simplified approach permitted by IFRS, which requires lifetime ECLs to be recognized from initial recognition. As other receivables consists of HST receivable from the Canada Revenue Agency and interest receivable from guaranteed investment certificates, the Company has assessed ECL's as Nil.

Future Changes in Accounting Policies

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.

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 Company is currently assessing the impact of IFRS 16.

4. SHORT TERM INVESTMENTS

Short-term investment consists of cashable guaranteed investment certificates maturing February 2019 bearing interest rate of 1.8%. The Company has recorded interest receivable of \$134,576 (2017 - \$Nil) as other receivables on the statement of financial position.

5. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Sale to Aphria Inc.

On July 17, 2018, the Company announced the sale of MMJI, MAI and MMJ Colombia (the "Targets"), three companies which the Company is in the process of acquiring (Note 11). As at June 30, 2018, the Company has received three promissory notes related to funds it has advanced to MMJI and MAI related to their ongoing operations. All promissory notes are secured by a general security agreement over all of the assets of the underlying company. As the Company has signed an agreement to sell the Targets, as well as any amounts currently owing the Company from the Targets, the Company has classified the promissory notes as assets held for sale. The details of the promissory notes contained in assets held for sale are as follows:

Loan recipient	Grant date	Maturity Date	Interest rate	Amount
MMJI	April 18, 2018	April 18, 2019	10%	US\$250,000 \$ 333,491
MAI	April 11, 2018	April 11, 2019	6%	US\$210,000 \$ 280,133
MAI	June 7, 2018	June 7, 2019	6%	US\$100,000 \$ 133,397
				US\$560,000 \$ 747,021

During the three months ended June 30, 2018, the Company recorded interest income of \$10,505 (US\$8,140) (June 30, 2017 - \$Nil (US\$Nil)) related to these notes, which has been recorded to discontinued operations.

Sale of Go Green

On November 29, 2017, the Company disposed of its wholly-owned subsidiary Go Green to an independent third party. The disposition resulted in a loss of \$234,675, the details of which are as follows:

Consideration received or receivable:	
Cash paid at closing	\$ 100,000
Other receivable	100,000
Return of shares (108,000 shares at \$1.75/share)	189,000
Total consideration	389,000
Carrying amount of net assets sold	(623,675)
Loss on sale	\$ 234,675

The carrying amounts of assets and liabilities as at November 29, 2017 were:

Plant and equipment	\$ 623,675
Total assets	623,675
Total liabilities	-
Net assets	\$ 623,675

The \$100,000 other receivable is non-interest bearing and secured by a general security agreement over the assets sold, and has been collected.

5. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS - Continued

Discontinued Operations

The following table shows the statement of loss and comprehensive loss for the discontinued operations for the three month periods ended June 30, 2018 and 2017.

	Three months ended June 30,	
	2018	2017
Consulting	\$ -	\$ 3,150
Office and general	-	(757)
Depreciation	-	51,003
Operating loss from discontinued operation	-	(53,396)
Interest income	10,505	-
Net income (loss) and comprehensive loss from discontinued operations	\$ 10,505	\$ (53,396)

As depreciation is a non-cash transactions, there was no material effect on the statement of cash flows.

6. EQUITY INVESTMENTS

The Company's equity investments include common shares and warrants of publicly listed companies. The fair values of the common shares of these publicly traded companies have been directly referenced to published price quotations in an active market. The investment in warrants of companies that are publicly traded are valued using the Black Scholes option pricing model, with the following assumptions:

	June 30, 2018	March 31, 2018
Expected volatility	144.776%	-
Risk-free interest rate	1.980%	-
Expected life (in years)	2.85	-
Expected dividend yield	0.0%	-
Underlying share price	\$ 4.7500	-

During the three months ended June 30, 2018, the Company completed an investment into a company for \$2,000,000 purchasing 2,739,726 units, with each unit consisting of one common share and one warrant exercisable at a price of \$1.00 for a period of three years.

As at June 30, 2018, fair value of the investment was \$2,178,448 (March 31, 2018 - \$Nil). This includes the value of the common shares of \$1,273,973 (March 31, 2018 - \$Nil) and value of the warrants of \$904,475 (March 31, 2018 - \$Nil). During the three months ended June 30, 2018, the Company recorded a gain of \$178,448 (June 30, 2017 - \$Nil) on its investments.

7. RELATED PARTY TRANSACTIONS AND BALANCES

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.

Related Party Balances

At June 30, 2018, included in accounts payable and accrued liabilities is an amount of \$76,179 (March 31, 2018 - \$Nil) owing to directors and officers of the Company in respect of unpaid salaries and benefits, directors' fees, and reimbursable expenses. Any amounts owed to related parties are unsecured, non-interest bearing, and are payable on demand.

8. CAPITAL STOCK

a. Common shares

The authorized share capital of the Company consists of an unlimited number of common shares without par value. Changes in the issued and outstanding common shares of the Company during the three months ended June 30, 2018 and 2017 were as follows:

	Number of shares	Amount
Balance, April 1, 2017	11,498,208	\$ 6,216,198
Shares issued		
As settlement of accounts payable	50,000	100,000
Balance, June 30, 2017	11,548,208	6,316,198
Balance, April 1, 2018	28,533,588	\$ 52,116,837
Shares issued		
Pursuant to exercise of warrants	800,000	1,649,945
Pursuant to exercise of options	250,000	247,913
Balance, June 30, 2018	29,583,588	\$ 54,014,695

b. Share Purchase Options

The Board of Directors of the Company (the "Board") has approved a Stock Option Plan (the "Option Plan"). The purpose of the Option 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 Option Plan will be equal to 10% of the aggregate issued and outstanding shares of the Company at the date of approval of the Option Plan, but the maximum number may be revised from time to time by the Board.

The Option Plan is administered by the Board. The minimum exercise price of options issued under the Option Plan shall be equal to the market price (as defined by the Option 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 Option Plan for an exercise period determined by the Board, subject to earlier termination in accordance with the terms of the Option Plan.

Scythian Biosciences Corp. (formerly Kitrinor Metals Inc.)
Notes to the Condensed Consolidated Interim Financial Statements
June 30, 2018
Expressed in Canadian Dollars (Unaudited)

8. CAPITAL STOCK – Continued

b. Share Purchase Options – Continued

A summary of the status of the Company's outstanding share purchase options for the year ended March 31, 2018, and for the three month period ended June 30, 2018, is presented below:

	Number of Options	Weighted average Exercise Price
Balance at March 31, 2017	545,000	\$ 2.73
Granted	1,665,000	3.90
Issued pursuant to RTO	42,700	12.50
Forfeited	(298,333)	5.00
Expired	(65,200)	9.91
Exercised	(52,664)	2.00
Balance as at March 31, 2018	1,836,503	3.47
Granted	622,400	4.18
Forfeited	(516,667)	4.93
Exercised	(250,000)	0.05
Balance as at June 30, 2018	1,692,236	3.82

At June 30, 2018, the following share purchase options were outstanding:

Grant date	Exercise price	Number of options outstanding	Number of vested options	Expiry Date
February 12, 2016	5.00	7,500	7,500	February 12, 2021
August 1, 2017	2.00	233,336	233,336	August 1, 2022
September 18, 2017	2.00	100,000	-	September 18, 2022
September 1, 2017	2.00	74,000	27,040	September 1, 2022
September 6, 2017	2.00	40,000	14,000	September 6, 2022
November 27, 2017	2.00	10,000	4,000	November 27, 2022
December 1, 2017	2.00	20,000	8,000	December 1, 2022
December 7, 2017	2.00	10,000	4,000	December 7, 2022
December 11, 2017	2.16	35,000	35,000	December 11, 2022
January 15, 2018	4.66	120,000	120,000	January 15, 2023
March 8, 2018	5.28	360,000	120,000	March 8, 2023
March 9, 2018	5.28	60,000	60,000	March 9, 2023
April 11, 2018	5.00	42,400	21,200	April 11, 2023
April 30, 2018	4.70	100,000	33,333	April 30, 2023
June 4, 2018	4.00	480,000	-	June 4, 2023
		1,692,236	687,409	

8. CAPITAL STOCK – Continued

b. Share Purchase Options – Continued

During the three months ended June 30, 2018, the Company recorded \$410,835 (2017 - \$12,693) in share based compensation expense in connection with the vesting of share purchase options, net of a reversal of \$21,253 (June 30, 2017 - \$Nil) for the forfeiture of unvested options. These charges were recorded on the statement of loss and comprehensive loss as follows:

Three months ended March 31,			
	2018		2017
Salaries and wages	\$	387,952	\$ -
Consulting fees		22,883	12,693
	\$	410,835	\$ 12,693

The fair value of the Company's stock options issued were estimated using the Black-Scholes option pricing model using the following assumptions:

	June 30, 2018	March 31, 2018
Expected volatility	76.47% - 117.71%	78.08% - 101.91%
Risk-free interest rate	2.06% - 2.14%	1.26% - 2.08%
Expected life (in years)	3.00 - 4.00	2.50 - 3.50
Expected dividend yield	0.0%	0.0%
Underlying share price	4.13 - 4.70	4.98 - 8.65

c. Share Purchase Warrants

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

	Number of warrants	Weighted Average exercise price
Outstanding, April 1, 2017	568,784	2.18
Issued	9,085,184	3.86
Expired	(1,000)	12.50
Exercised	(973,608)	0.81
Outstanding, March 31, 2018	8,679,360	\$ 4.34
Exercised	(800,000)	0.05
Outstanding, June 30, 2018	7,879,360	\$ 4.73

During the three months ended June 30, 2018, 800,000 warrants with exercise price of \$0.50 were exercised for cash proceeds of \$400,000. The value of \$1,249,945 related to the warrants' original issuance was reclassified from contributed surplus to share capital.

8. CAPITAL STOCK – Continued

c. Share Purchase Warrants – Continued

At June 30, 2018, the Company had share purchase warrants outstanding as follows:

Issuance Date	Number of Warrants	Weighted average exercise price	Expiry Date
March 13, 2017	343,480	\$ 2.00	June 12, 2019
March 20, 2017	37,888	3.00	March 20, 2020
March 31, 2017	5,252	2.00	June 12, 2019
March 31, 2017	348	3.00	March 31, 2020
August 1, 2017	876,000	0.50	October 11, 2019
February 13, 2018 (1)	432,848	4.65	February 13, 2020
February 13, 2018	6,183,544	5.50	February 13, 2020
	7,879,360	\$ 4.73	

(1) Each warrant converts into one common share and one warrant with each warrant being exercisable at \$5.50.

d. Deferred share units

The Board has approved a Deferred Share Unit Plan (the “DSU Plan”). Pursuant to the DSU Plan, the Board may, from time to time, in its discretion and in accordance with exchange requirements, grant to directors, officers, and full-time employees of the Company and its affiliates (collectively the “DSU Participants”), DSUs representing the right of the DSU Participant to receive one previously unissued common share of the Company or cash equivalent (a “DSU Payment”) for each whole DSU held by such DSU Participant.

The maximum aggregate number of common shares that may be issued under the DSU Plan shall not exceed, combined with any other securities-based compensation plan, including the Company’s Option Plan, shall not exceed 10% of the then issued and outstanding common shares of the Company at the grant date.

The DSU Plan is administered by the Board. Upon a DSU Participants death, or retirement from or loss of office or employment with the Company (the “Termination Date”), the Company shall satisfy the DSU Payment for each DSU Participant by either (i) issuing to such DSU Participant one common share of the Company for each outstanding DSU held by such DSU Participant on such relevant Termination Date, or (ii) payment of an amount in cash equivalent equal to the number of outstanding DSUs held by such DSU Participant multiplied by the last closing price of the Company’s shares of common stock immediately prior to the Termination Date, subject to applicable statutory source deductions.

During the three month ended June 30, 2018, 320,000 unvested DSUs with an initial value of \$1,689,600 were forfeited. The initial value of the DSUs were recorded as a reduction in salaries and wages expenses for the current period. \$217,600 of historical fair value adjustment related to the forfeited units were reversed from DSU liability related to the forfeiture.

Scythian Biosciences Corp. (formerly Kitrinor Metals Inc.)
Notes to the Condensed Consolidated Interim Financial Statements
June 30, 2018
Expressed in Canadian Dollars (Unaudited)

8. CAPITAL STOCK – Continued

d. Deferred share units – Continued

A summary of the status of the Company's outstanding DSUs for the year ended March 31, 2018, and for the three month period ended June 30, 2018, is presented below:

	Number	Value
Outstanding, March 31, 2017	- \$	-
Granted - salaries and wages	1,360,000	4,593,363
Exercised	(400,000)	(1,958,000)
Fair value adjustment	-	1,780,637
Outstanding March 31, 2018	960,000	4,416,000
Granted	49,313	171,719
Forfeited	(320,000)	(1,689,600)
Fair value adjustment	-	(3,004)
Outstanding, June 30, 2018	689,313 \$	2,895,115

9. LOSS PER SHARE

The calculation of basic and diluted loss per share for the three months ended June 30, 2018 and 2017 was based on the following data:

	Three months ended June 30,	
	2018	2017
Numerator		
Net loss attributable to common shareholders from:		
Continuing operations	\$ (2,948,169)	\$ (1,092,899)
Discontinued operations	10,505	(53,396)
	\$ (2,937,664)	\$ (1,146,295)
Denominator		
Weighted average number of common shares outstanding	23,429,045	11,524,588
Dilutive effect of assumed exercise of stock options, warrants and DSUs	-	-
Diluted weighted average number of common shares outstanding	23,429,045	11,524,588
Loss per share		
Basic and diluted - continuing operations	\$ (0.13)	\$ (0.09)
Basic and diluted - discontinued operations	\$ 0.00	\$ (0.00)

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, share purchase warrants, and deferred share units in the weighted average number of common shares outstanding during the period, only if dilutive.

As of June 30, 2018, loss per share excludes 10,693,757 (March 31, 2018 – 11,908,711) potentially dilutive common shares related to outstanding share purchase options, warrants, and deferred share units as the effect was anti-dilutive.

10. OBLIGATION UNDER RESEARCH AGREEMENT

On July 25, 2016, the Company entered into a collaborative research agreement, and amended on February 10, 2017, and October 6, 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. The Company has made US\$5,425,000 payments to date under the Agreement.

Under the Agreement, the Company is to pay US\$1,000,000 on a quarterly basis with payments being due on October 1, 2017 and every subsequent quarter until July 1, 2021, on which the last payment is due. Every fourth quarter shall include an additional payment of US\$553,750. Institution overhead of 29% is included within all payments. Total amount of funding, inclusive of the University’s overhead is US\$20,640,000.

Pursuant to the Agreement the Company has agreed to pay a 5% royalty of net profits from the commercialization, including licensing, or any inventions or discoveries made during the term of the agreement, as well as from the commercialization of the specific drug regimen being tested under the agreement and as set out in the Company’s patent.

At June 30, 2018, included in prepaid expenses and deposits is an amount of \$1,983,022 (US\$1,502,734) in milestone payments paid to the University which were unspent as at June 30, 2018 (March 31, 2018 - \$1,560,014 (US\$1,210,636)).

During the three months ended June 30, 2018, the Company recorded research and development expenses of \$913,628 (2017 - \$686,579) in connection with expenditures incurred under the terms of the Agreement.

11. COMMITMENTS

The Company has certain commitments with regards to the research agreement with the University of Miami as discussed in note 10.

Letters of Intent

Argentina

On March 11, 2018, the Company signed a non-binding letter of intent to acquire 100% of MMJ International Inc. ("MMJI") in exchange for 6,176,320 common shares of the Company. MMJI owns 100% of ABP S.A. ("ABP"), an Argentina based pharmaceutical import and distribution company. On May 11, 2018, the Company signed a business combination agreement. The closing of the acquisition remains subject to exchange approval and other closing conditions.

Jamaica

On March 21, 2018, the Company signed a binding letter of intent to acquire a 100% interest in Marigold Acquisitions Inc. ("MAI") in exchange for 6,000,000 common shares of the Company. MAI owns through a holding company, a 49% interest in Marigold Projects Jamaica Ltd. ("Marigold"), a Jamaican company with conditional licenses to cultivate, process, sell and provide therapeutic or spa services utilizing cannabis products. The closing of the acquisition remains subject to the signing of a final business combination agreement as well as exchange approval and other closing conditions.

Colombia

On April 8, 2018, as amended on July 31, 2018, the Company signed a binding letter of intent to acquire 100% of MMJ Colombia Partners Inc. ("MMJ Colombia"). MMJ Colombia owns 90% of Colcanna SAS ("Colcanna"), a company that has licenses to cultivate, produce, research and export medical cannabis CBD and THC in Colombia. Under the terms of the letter of intent:

- Scythian, subsequent to period end, has advanced US\$6,200,000 to MMJ Colombia, such amount secured by all of the assets of MMJ Colombia, including its interests in Colcanna;
- Scythian will issue on the closing date \$24,300,000 of common shares in the capital of Scythian (the "Common Shares") at an issue price equal to the volume weighted average price of the Common Shares over the 20 trading days prior to the closing date of the acquisition, provided that no less than 4,768,875 Common Shares will be issued as share consideration; and
- Scythian will assume on the closing USD\$5,000,000 of non-interest bearing, unsecured promissory notes for the following amounts due on the following dates:
 - USD\$4,000,000 on October 15, 2018; and
 - USD\$1,000,000 on December 31, 2018.

The promissory notes may be repaid by way of cash or Common Shares at the option of Scythian.

The closing of the acquisition remains subject to the signing of a final business combination agreement as well as exchange approval and other closing conditions.

12. FINANCIAL RISK FACTORS

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due. The Company's ability to continue as a going concern is dependent on the Company's ability to receive continued financial support from its stakeholders and, ultimately, on the Company's ability to generate continued profitable operations. Management is of the opinion that sufficient working capital is available from its financings to meet the Company's liabilities and commitments as they come due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities. Management and the Board of Directors are actively involved in the review, planning and approval of significant expenditures and commitments. As of June 30, 2018, all accounts payables and accrued liabilities were due within one year.

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, 2018, the Company held financial assets, other than held for sale, of \$3,900,190 (March 31, 2018 - \$621,508) denominated in US dollars and had research and development commitments denominated in US Dollars. During the three months ended June 30, 2018, the Company recognized foreign currency exchange gain of \$158,652 (June 30, 2017 – loss of \$22,298) relating to currency fluctuations between the Canadian and US dollars.

Credit Risk

Concentration of credit risk may arise from exposures to a single debtor or to a group of debtors having similar characteristics such that their ability to meet their current obligations is expected to be affected similarly by changes in economic or other conditions. The Company has assessed the ECL of its other receivables as 0%, as the other receivables consist of HST receivable from the Canada Revenue Agency, and interest receivable on guaranteed investment certificates. The Company has received \$747,021 (US\$560,000) in promissory notes from entities that it is in the process of acquiring, which are presented as assets held for sale. The Company has managed its credit risk by ensuring it has received general security agreements over all of the assets of the companies, which it has advanced funds to, hence has assessed the ECL as 0%.

Fair Value Hierarchy

The carrying value of cash, short-term investments, other receivables and accounts payable and accrued liabilities are considered to be a reasonable approximation of the fair value due to the short-term maturity of these instruments.

The table below summarizes the assets and liabilities that are included at their fair values in the Company's statement of financial position as at June 30, 2018 and March 31, 2018. These assets and liabilities have been categorized into hierarchical levels, according to the significant and reliability of the inputs used in determining fair value measurements. The fair value hierarchy has the following levels:

12. FINANCIAL RISK FACTORS – Continued

Fair Value Hierarchy – Continued

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the assets or liability, either directly (prices) or indirectly (derived from prices); and
- Level 3: Inputs for assets and liabilities not based upon observable market data.

	Note	Level 1	Level 2	Level 3	June 30, 2018
Financial assets at FVTPL					
Cash and cash equivalents		\$ 4,326,510	\$ -	\$ -	\$ 4,326,510
Short-term investments	4	20,100,000	-	-	20,100,000
Equity investments	6	1,273,973	904,475	-	2,178,448
Outstanding, June 30, 2018		\$ 25,700,483	\$ 904,475	\$ -	\$ 26,604,958

As at March 31, 2018, cash and cash equivalents and short-term investments were each level 1, while the Company had no equity investments.

13. REVERSE TAKEOVER TRANSACTION

On August 1, 2017, the Company closed a RTO transaction with Scythian Inc. pursuant to which the Company acquired all of the issued and outstanding securities of Scythian Inc. by way of a three-cornered amalgamation (the “Amalgamation”). As part of the Amalgamation, the Company changed its name to Scythian Biosciences Corp. (“Scythian Corp.”) and Scythian Inc. became a wholly-owned subsidiary of the Company. At the date of the Amalgamation, Scythian Inc. had advanced \$88,310 to Scythian Corp. pursuant to the letter of intent and to pay for public company expenses prior to the consummation of the transaction. All amounts advanced were eliminated upon completion of the Amalgamation.

Under the terms of the Amalgamation, Scythian Corp. effected a reverse stock split on the basis of 1:20 and Scythian Inc. effected a reverse stock split on the basis of 1:80. Scythian Inc. shareholders received post-consolidation shares of Scythian Corp. for each post-consolidation Scythian Inc. share held on the basis of 1:1. Further, all post-consolidation share purchase options and warrants outstanding in Scythian Inc. were exchanged for share purchase options and warrants in Scythian Corp. on the basis of 1:1.

The Amalgamation was accounted for as a RTO transaction that was not a business combination and effectively a capital transaction of Scythian Inc. Scythian Inc. has been treated as the accounting acquirer (legal subsidiary) and Scythian Corp. has been treated as the accounting acquiree (legal parent) in these condensed consolidated interim financial statements. As Scythian Inc. was deemed to be the acquirer for accounting purposes, the condensed consolidated interim financial statements are presented as a continuation of Scythian Inc.

13. REVERSE TAKEOVER TRANSACTION – Continued

Details of the purchase price consideration and allocation are shown below:

Consideration paid	Number	Price	Amount
Common shares	2,642,264	\$ 2.00	\$ 5,284,528
Warrants	2,308,792	\$ 1.57	3,886,447
Options	42,700	\$ 0.00	-
Total Consideration	4,993,756		\$ 9,170,975
Net Assets (Liabilities) Acquired			
Cash			\$ 379
Other receivables			11,816
Accounts payable and accrued liabilities			(78,508)
Due to Scythian			(88,310)
Net Assets (Liabilities) Acquired			(154,623)
Listing Expense			\$ 9,325,598

The warrant value was calculated using the Black-Scholes option pricing model using the following weighted average assumptions: share price: \$2.00; expected life: 2.13 years, expected annualized volatility: 75.51%, annual rate of quarterly dividends: 0.00%, risk-free interest rate: 1.25%.

The fair value of Scythian Corp.'s net assets and liabilities is estimated to be consistent with their carrying value due to their short-term nature.

The Company paid a finder's fee of 198,800 common shares in connection with the Amalgamation. These shares were recorded at a fair value of \$2.00 per share, or \$397,600 and is included as additional listing expense on the statement of operations during the year ended March 31, 2018. The Company incurred additional listing expenses of \$267,641.

14. COMPARATIVE FIGURES

Certain immaterial comparative figures have been reclassified in order to conform to the condensed consolidated interim financial statement presentation adopted for the current year. There has been no impact on the main lines of the statement of financial position, statement of loss and comprehensive loss, statement of shareholders' equity or statement of cash flow.

15. SUBSEQUENT EVENTS

Canadian Securities Exchange Listing

On August 15, 2018, the Company started trading on the Canadian Securities Exchange.

Sale to Aphria

On July 17, 2018, the Company sign a definitive share purchase agreement with Aphria, under which it would sell a wholly owned subsidiary LATAM Holdings Inc. ("Latam") to Aphria Inc. ("Aphria") in exchange for \$193,000,000 of common shares at a price of \$12.31 per share for a total of 15,678,310 common shares. Latam was incorporated subsequent to year end. Prior to the closing, Scythian will complete its acquisitions of MMJI, MAI and MMJ Colombia, all of which will become subsidiaries of Latam. Aphria will also assume US\$1,000,000 in aggregate liabilities owing to Scythian from MMJI, MAI and MMJ Colombia. Under the terms of the purchase agreement, the Company will also grant Aphria an option to acquire up to 90% of the issued and outstanding common shares of an entity in Brazil.

Brazil Letter of Intent

On July 23, 2018, the Company signed a binding letter of intent to acquire 15% of Brazil Investments Inc., a company that is in the process of acquiring 100% of the issued and outstanding shares of Green Farma Brasil. Under the terms of the letter of intent, the Company shall issue common shares with a value of \$2,400,000 at a 20 day volume weighted average price immediately prior to closing date in exchange for:

- 15% of the issued and outstanding shares of Brazil Investments;
- drag along rights, at Scythian's sole discretion, such that Scythian may sell up to 50.1% of the shares of Brazil at a pre-agreed valuation, under which all shareholders of Brazil Investments shall sell a pro-rata portion of their shares to fulfil the 50.1% requirement; and
- a right of first refusal to acquire the remaining 49.9% of Brazil Investments.

The closing of the acquisition remains subject to the signing of a final business combination agreement as well as exchange approval and other closing conditions.

Florida Letter of Intent

On July 25, 2018, the Company signed a binding letter of intent to acquire 100% of CannCure Investments Inc. ("CannCure"), an Ontario corporation that is in the process of acquiring 3 Boys Farms, LLC ("3 Boys Farms"), an established Florida agricultural company with a license to operate as a Medical Marijuana Treatment Centre in Florida under Florida Statutes 381.986, and a Florida-based, multi specialty primary care health and wellness medical organization ("Healthcare Organization").

The closing of the Company's acquisition of CannCure (the "Acquisition") will be subject to the receipt of all required governmental approvals, including any approvals mandated by the Florida Department of Health and/or the Office of Medical Marijuana Use and the completion of CannCure's acquisitions of the Healthcare Organization and 3 Boys Farms.

15. SUBSEQUENT EVENTS - Continued

Pursuant to the terms of sale between CannCure and the vendors of 3 Boys Farms, CannCure will purchase an initial 60% of the issued and outstanding shares of 3 Boys Farms on or before August 31, 2018 and hold an option to acquire the balance of the issued and outstanding shares on or before December 31, 2018. The acquisition of 3 Boys Farms is subject to a number of closing conditions including the receipt of all necessary governmental approvals in the State of Florida, including approvals mandated by the Florida Department of Health and/or the Office of Medical Marijuana Use, 3 Boys Farms being free and clear of any debts and liabilities on the closing date and 3 Boys Farms having settled any and all outstanding claims and actions against it prior to closing.

Pursuant to the terms of sale between CannCure and the Healthcare Organization, CannCure will purchase 60% of the issued and outstanding shares of the Healthcare Organization prior to the closing of the Acquisition. CannCure's acquisition of the Healthcare Organization is subject to a number of closing conditions including the receipt of required governmental approvals in the State of Florida, the waiver of any rights of first refusal held by stakeholders in the Healthcare Organization, key executives and principals of the Healthcare Organization having entered into non-competition agreements and/or new employment agreements in favour of CannCure, the execution and delivery of a new operating agreement between the principals of the Healthcare Organization and CannCure and the execution and delivery of a put option agreement with each vendor requiring CannCure to purchase the remaining 40% of the Healthcare Organization based on a to-be-determined EBITDA earnout. The operating agreement will also state that CannCure will be solely obligated to fund 100% of all capital expenditures of the Health Organization and its growth subsequent to the closing date and up to and through a mutually agreed upon date and/or revenue/cost based target that will be included in the definitive agreement.

Scythian will initially purchase 70% of CannCure and have an option to acquire the remaining 30%, all at the same valuation. The first 70% will be acquired in exchange for \$93,300,000 in equity and \$43,200,000 in cash to be invested into CannCure by way of debt or equity. The equity shall be paid in common shares of Scythian, issued to the shareholders of CannCure, at a price, which is the greater of \$4.00 or the 20 day volume weighted average price at closing. The maximum number of shares to be issued as a result of the acquisition of a 70% interest in CannCure is 23,325,000 common shares of Scythian. Scythian will also hold an option for 15 months from the date of closing to acquire the remaining 30% of CannCure. The option for the remaining 30% of CannCure (or \$58,500,000) shall be payable in cash or shares, at the discretion of Scythian.

The closing of the acquisition remains subject to the signing of a final business combination agreement as well as exchange approval and other closing conditions.