BIOASIS TECHNOLOGIES INC.

CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the Years Ended February 28, 2017 and February 29, 2016

MANNING ELLIOTT
ACCOUNTANTS & BUSINESS ADVISORS

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
biOasis Technologies Inc.

We have audited the accompanying consolidated financial statements of biOasis Technologies Inc. which comprise the consolidated statements of financial position as at February 28, 2017 and February 29, 2016, and the consolidated statements of comprehensive loss, changes in equity and cash flows for the years then ended, and the related notes comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of biOasis Technologies Inc. as at February 28, 2017 and February 29, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 2(c) in the consolidated financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of biOasis Technologies Inc. to continue as a going concern.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
June 27, 2017

BIOASIS TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian Dollars)

	Notes	February 28, 2017	February 29, 2016
ASSETS			
Current assets			
Cash and cash equivalents	11	$ 554,285	$ 772,748
Short-term investments	4	-	850,000
Amounts receivable	11	57,956	30,285
Prepaid expenses		119,066	69,826
		731,307	1,722,859
Non-current assets			
Property and equipment	5	3,381	4,858
Intangible assets	6	376,240	425,237
		379,621	430,095
		$ 1,110,928	$ 2,152,954
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	11	$ 573,862	$ 321,273
Deferred revenue	15	173,661	112,466
		747,523	433,739
EQUITY			
Share capital	7	18,648,526	18,363,433
Contributed surplus		7,269,392	5,919,514
Deficit		(25,554,513)	(22,563,732)
		363,405	1,719,215
		$ 1,110,928	$ 2,152,954

Going concern Note 2(c)
Subsequent events 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.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian Dollars)

	Notes	Year Ended February 28, 2017	Year Ended February 29, 2016
Revenues			
Research revenue	15	$ 512,966	$ 369,124
Cost of sales	14	429,851	423,803
		83,115	(54,679)
Expenses			
General and administrative	5 & 14	2,285,135	1,668,300
Research and development	6 & 14	783,778	841,048
		3,068,913	2,509,348
Loss before other income (expense)		(2,985,798)	(2,564,027)
Other income (expense)			
Interest income		5,490	7,733
Loss on disposal of property and equipment		-	(1,802)
Foreign exchange loss		(10,473)	(14,827)
		(4,983)	(8,896)
Net loss and comprehensive loss		$ (2,990,781)	$ (2,572,923)
Loss per share – Basic and diluted		$ (0.07)	$ (0.06)
Weighted average number of common shares outstanding		45,415,578	44,436,543

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

BIOASIS TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian Dollars)

	Share Capital Number of Shares	Amount	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	-	-	-	(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 upon exercise of options	25,000	32,000	-	-	32,000
Reallocation of contributed surplus arising from share-based compensation related to exercise of options	-	19,343	(19,343)	-	-
Common shares issued upon exercise of warrants	250,000	143,750	-	-	143,750
Reallocation of contributed surplus arising from exercise of warrants	-	90,000	(90,000)	-	-
Share-based compensation	-	-	1,459,221	-	1,459,221
Net loss and comprehensive loss	-	-	-	(2,990,781)	(2,990,781)
Balance, February 28, 2017	45,654,257	$ 18,648,526	$ 7,269,392	$ (25,554,513)	$ 363,405

BIOASIS TECHNOLOGIES INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollars)

	Year Ended February 28, 2017	Year Ended February 29, 2016
OPERATING ACTIVITIES		
Net loss for the year	$ (2,990,781)	$ (2,572,923)
Adjusted for items not affecting cash:		
Depreciation of property and equipment	1,477	2,325
Amortization of intangible assets	48,997	48,998
Amortization of leasehold inducement	-	(1,234)
Loss on disposal of property and equipment	-	1,802
Share-based compensation	1,459,221	770,963
	(1,481,086)	(1,750,069)
Net changes in non-cash working capital items:		
Amounts receivable	(27,671)	(15,812)
Prepaid expenses	(49,240)	7,214
Accounts payable and accrued liabilities	252,589	115,983
Deferred income	61,195	112,466
	(1,244,213)	(1,530,218)
INVESTING ACTIVITIES		
Acquisition of property and equipment	-	(2,456)
Proceeds from disposition of property and equipment	-	540
Short-term investments	850,000	(550,000)
	850,000	(551,916)
FINANCING ACTIVITIES		
Proceeds from issuance of common shares	175,750	1,516,000
	175,750	1,516,000
DECREASE IN CASH AND CASH EQUIVALENTS	(218,463)	(566,134)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	772,748	1,338,882
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 554,285	$ 772,748
Cash and cash equivalents consists of:		
Cash	$ 554,285	$ 172,748
Term deposits	-	600,000
	$ 554,285	$ 772,748
Cash paid for interest	$ -	$ -
Cash paid for income taxes	$ -	$ -

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

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

These consolidated financial statements were approved and authorized for issuance by the Board of Directors on June 27, 2017.

(b) Basis of Measurement

These 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 consolidated financial statements. These 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. As at February 28, 2017, the Company has an accumulated deficit of $25,554,513, a working capital deficiency of $16,216, and cash flows used in operations of $1,244,213 for the year ended February 28, 2017. 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 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, 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 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 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.

(d) Significant Judgements, Estimates and Assumptions

Judgements

The preparation of these 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.

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

(d) Significant Judgements, Estimates and Assumptions (continued)

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 years in order to utilize any deferred tax asset which has been recognized. As at February 28, 2017 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.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of Consolidation

These consolidated financial statements include the financial statements of biOasis Technologies Inc. and its wholly-owned Canadian subsidiary, biOasis Advanced Technologies Inc. Subsidiaries are entities over which the Company has control which is achieved when the Company is exposed, or has the rights, to variable returns from its involvement with the investee and has the ability to affect those returns through the Company's power to govern. Accounting policies of the Company's subsidiary are consistent with the Company's accounting policy and all intragroup transactions, balances, income and expenses are eliminated on consolidation.

(b) Intangible Assets

Intangible assets acquired as part of a group of other assets are initially recognized and measured at cost less accumulated amortization and accumulated impairment losses. The cost of a group of intangible assets acquired in a business combination that meet the specified criteria for recognition apart from goodwill, is allocated to the individual assets acquired based on their relative fair values. Costs incurred to establish and maintain patents for intellectual property developed internally are expensed in the period incurred. The costs of acquiring or licensing medical technology are capitalized.

Intangible assets with finite useful lives are amortized over their estimated useful lives from the date they are available for use, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The amortization methods and estimated useful lives of intangible assets, which are reviewed annually, are as follows:

Assets	Basis	Rate
Jeffries Patents and IP	Straight-line	15 years
Transcend Technology IP 2	Straight-line	20 years

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Impairment of Non-financial Assets

The carrying amounts of the Company's non-financial assets are tested for impairment at each reporting date to determine whether there are any indications of impairment. If any such indications exist, then the asset's recoverable amount is estimated. The recoverable amount of intangible assets with an indefinite useful life, intangible assets not available for use, or goodwill acquired in a business combination are measured annually whether or not there are any indications that impairment exists. Management uses judgment to estimate these inputs and any changes to these inputs could have a material impact on the impairment calculation. For impairment testing, non-financial assets that do not generate independent cash flows are grouped together into cash-generating units (CGUs), which represents the level at which largely independent cash flows are generated. An impairment loss is recognized in earnings to the extent that the carrying value of an asset, CGU or group of CGU's exceeds its estimated recoverable amount. The recoverable amount of an asset, CGU or group of CGU's is the greater of its value in use and its fair value less cost to sell. Value in use is calculated as the present value of the estimated future cash flows discounted at appropriate discount rates. An impairment loss relating to a specific asset reduces the carrying value of the asset. An impairment loss relating to a group of CGU's is allocated on a pro-rata basis to reduce the carrying value of the assets in the units comprising the group. A previously recognized impairment loss related to non-financial assets is assessed at each reporting date for any indications that the loss has decreased or no longer exists.

An impairment loss related to non-financial assets is reversed if there is a subsequent increase in recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying value does not exceed the carrying value that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(d) Share-based Compensation

The Company uses the fair value based method of accounting for share-based compensation for all awards of shares and share options granted.

The Company grants stock options to executive officers, directors, employees and consultants pursuant to a stock option plan described in Note 8(a). The stock option plan allows Company employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

Where the share options are awarded to employees, the fair value is measured at grant date, and each tranche is recognized using the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest.

Where equity instruments are granted to parties other than employees, they are measured by reference to the fair value of the services received. If the fair value of the services received cannot be reliably estimated, the Company measures the services received by reference to the fair value of the equity instruments granted, measured at the date the counterparty renders service. Compensation cost is recognized over the vesting period. Amounts related to the issuance of shares are recorded as a reduction of share capital.

The Company grants restricted share units to executive officers, directors, employees and consultants pursuant to a restricted share unit plan described in Note 8(b). The fair value of restricted share units granted is recognized as an employee or consultant expense over the vesting period with a corresponding increase in equity. The fair value of the restricted stock units is determined based upon the quoted market price of the Company's shares on the date of grant.

(e) Financial Instruments

Financial instruments are classified into one of five categories: financial assets or liabilities at fair value through profit or loss, held-to-maturity financial assets, loans and receivables, available-for-sale financial assets, or other financial liabilities. All financial instruments, including derivatives, are measured on the consolidated statement of financial position at fair value except for those arising from certain loans and receivables, held-to-maturity investments and other financial liabilities that are measured at amortized cost.

3. SIGNFICANT ACCOUNTING POLICIES (continued)

(e) Financial Instruments (continued)

Compound instruments are bifurcated and presented in the consolidated financial statements in their component parts. The equity component is assigned the residual amount after deducting from the fair value of the instrument as a whole the amount separately determined for the liability component.

For each financial instrument, subsequent measurement and accounting for changes in fair value are dependent on the initial classification. Financial assets at fair value through profit or loss are measured at fair value and changes in fair value are recognized in profit or loss. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in profit or loss.

The Company has designated its cash and cash equivalents and short-term investments as financial assets at fair value through profit or loss, amounts receivable as loans and receivables and accounts payable as other financial liabilities.

Fair Value Measurements

The accounting guidance for fair value measurements prioritizes the inputs used in measuring fair value into the following hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable; and

Level 3 – Unobservable inputs in which little or no market activity exists, therefore requiring an entity to develop its own assumptions about the assumptions market participants would use in pricing.

Transaction costs

Transaction costs are expensed as incurred for financial instruments designated as fair value through profit or loss. Transaction costs for other financial instruments are recognized as part of the instrument's carrying value.

(f) Revenue Recognition

The Company recognizes collaborative research revenues as services are rendered when the amount of revenue can be measured reliably, it is probable the economic benefits associated with the transaction will flow to the Company, the stage of completion of the transaction and the costs incurred to complete the transaction can be measured reliably. Revenue from non-refundable contract fees where the Company has continuing involvement through research collaborations, is recognized rateably over the related research period. Payments received in advance of rendering research services are recorded as deferred revenue.

(g) Research and Development Expenditures

Research expenditures are expensed in the period incurred. Pre-clinical expense contributions are recorded in the period incurred. Product development expenditures are expensed in the period incurred unless the product candidate meets specific criteria related to technical, market and financial feasibility for deferral and amortization. The Company's policy is to amortize deferred product development expenditures over the expected future life of the product once product revenues or royalties are recorded. No product development expenditures have been deferred to date.

(h) Government Assistance

Grant revenue is recognized when there is reasonable assurance of compliance with grant conditions and it is probable that the economic benefits of the grant will flow to the Company. Grant amounts received prior to compliance with grant conditions are initially recorded as deferred income. Grants received to directly offset expenses incurred for a specific project are credited to the expense on a systematic basis in the same periods in which the expenses are recognized.

3. SIGNFICANT ACCOUNTING POLICIES (continued)

(i) Cash and Cash Equivalents

The Company considers all highly liquid instruments, with minimal interest rate risk and having an initial term to maturity of three months or less at the time of issuance to be cash equivalents.

(j) Foreign Currency Translation

The functional and reporting currency of the Company and its subsidiary is the Canadian dollar. Transactions which are denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the dates of the transaction. The carrying value of monetary assets and liabilities denominated in foreign currencies are adjusted at each consolidated statement of financial position date to the functional currency at the exchange rate at that date. Foreign currency differences arising on translation are recognized in profit or loss.

(k) Comprehensive Income

Comprehensive income (loss) is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income (loss) refers to items recognized in comprehensive income (loss) that are excluded from net income (loss) calculated in accordance with IFRS.

(l) Loss per Share

Loss per common share is calculated by dividing the net loss for the year by the weighted average number of common shares outstanding during the year. Diluted per share amounts do not differ from basic share amounts as the effect of outstanding options and warrants is anti-dilutive for all years presented.

(m) Property and Equipment

Property and equipment are initially recorded at historical cost less accumulated amortization and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Property and equipment amortization is provided using the declining-balance method at the following annual rates:

	Rate
Computer hardware	30%
Computer software	50%
Office equipment and furniture	20%
Leasehold improvements	Remaining term of lease

Residual values and useful economic lives are reviewed at least annually and are adjusted if appropriate at each reporting date. Subsequent expenditures relating to an item of property and equipment are capitalized when it is probable that future economic benefits from the use of the assets will be increased. All other subsequent expenditure is recognized as repairs and maintenance expenses during the period in which they are incurred. Gains and losses on disposal of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of the asset and are recognized net within other income in the consolidated statement of comprehensive loss.

(n) Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

(i) Current income tax

Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

3. SIGNFICANT ACCOUNTING POLICIES (continued)

(n) Income Taxes (continued)

(ii) Deferred income tax

Deferred income tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred income tax is not recognized for the following temporary differences:

- liabilities arising from initial recognition of goodwill for which amortization is not deductible for tax purposes;
- liabilities arising from the initial recognition of an asset/liability other than in a business combination which, at the time of the transaction, does not affect either the accounting or the taxable profit; and
- liabilities arising from undistributed profits from investments where the entity is able to control the timing of the reversal of the difference and it is probable that the reversal will not occur in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are derecognized to the extent that it is no longer probable that the related tax benefit will be realized.

(iii) Sales tax

Revenues, expenses and assets are recognized net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable.

- Receivables and payables that are stated with the amount of sales tax included. The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

(o) Provisions

Provisions are recognized for liabilities of uncertain timing or amount that have arisen as a result of past transactions, including legal or constructive obligations. The provision is measured at the best estimate of the expenditure required to settle the obligation at the reporting date.

(p) Leases

Leases are classified as either finance or operating in nature. Finance leases are those that substantially transfer the benefits and risks of ownership to the lessee. Obligations under finance leases are reduced by the principal portion of lease payments. The imputed interest portion of lease payments is charged to expense. Payments required under operating leases are recorded as an expense.

3. SIGNFICANT ACCOUNTING POLICIES (continued)

(q) Accounting Standards and Interpretations Issued but Not Yet Effective

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

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

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

The following standard will be adopted by the Company effective March 1, 2019:

IFRS 16, *Leases:* In June 2016, the IASB issued IFRS 16, *Leases* which establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents those transactions. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, lessees are no longer classifying leases as either operating leases or finance leases as it is required by IAS 17.

The Company has not early adopted these future standards and is currently evaluating the impact that the adoption of the future standards may have on the Company's consolidated financial statements.

4. SHORT-TERM INVESTMENTS

As at February 29, 2016, short-term investments was comprised of a cashable guaranteed investment certificate of $850,000 held with a Canadian Schedule I chartered bank which earned 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 February 28, 2017	$ 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	-	1,429	48	-	1,477
Balance as at February 28, 2017	$ 980	$ 16,528	$ 2,215	$ -	$ 19,723
Carrying Amounts					
February 29, 2016	$ -	$ 4,761	$ 97	$ -	$ 4,858
February 28, 2017	$ -	$ 3,332	$ 49	$ -	$ 3,381

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 February 28, 2017	$ 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	9,550	39,447	48,997
Balance as at February 28, 2017	$ 53,321	$ 351,051	$ 404,372
Carrying Amounts			
February 29, 2016	$ 147,232	$ 278,005	$ 425,237
February 28, 2017	$ 137,682	$ 238,558	$ 376,240

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 all 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. As a result of obtaining a patent in the United States of America, the Company issued 300,000 share purchase warrants exercisable at $1.00 until October 20, 2017 (see Note 7(b)).

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

7. SHARE CAPITAL

(a) Authorized Share Capital

As at February 28, 2017, 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 years ended February 28, 2017 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 for intellectual property (Note 6)	300,000	1.00
Exercised warrants	(250,000)	0.58
Balance outstanding - February 28, 2017	300,000	$1.00

The following table summarizes warrants outstanding and exercisable at February 28, 2017:

Number Outstanding	Exercise Price	Expiry date
300,000	$1.00	October 20, 2017

8. SHARE-BASED COMPENSATION

(a) 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	$1.00
Granted	2,375,000	1.32
Exercised	(25,000)	1.28
Expired	(1,605,000)	0.61
Forfeited	(300,000)	1.32
Balance at February 28, 2017	6,065,000	$1.21

The following table summarizes stock options outstanding and exercisable at February 28, 2017:

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
$0.97	1,200,000	1.8	$0.97	1,200,000	1.8	$0.97
$1.08	100,000	2.9	$1.08	-	-	-
$1.17	1,165,000	2.9	$1.17	1,165,000	2.9	$1.17
$1.28	1,525,000	0.4	$1.28	1,525,000	0.4	$1.28
$1.33	1,775,000	4.1	$1.33	1,393,750	4.1	$1.33
$1.35	200,000	1.6	$1.35	133,334	1.6	$1.35
$1.42	100,000	0.1	$1.42	100,000	0.1	$1.42
	6,065,000	2.3	$1.21	5,517,084	2.2	$1.21

8. SHARE-BASED COMPENSATION (continued)

(a) Share Purchase Option Compensation Plan (continued)

During the year ended February 28, 2017, the Company recognized $1,459,221 (2016: $770,963) 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 year ended February 28, 2017 was $0.72 (2016: $0.15). The following table summarizes the weighted average assumptions using the Black-Scholes option pricing model for employees, directors and consultants for the respective years ended February 28, 2017 and February 29, 2016.

	February 28, 2017	February 29, 2016
Exercise price	$1.32	$1.20
Risk-free interest rate	0.72%	0.51%
Expected life	4.6 years	1.0 year
Expected volatility	72.97%	58.75%
Expected dividends	-	-
Forfeiture rate	6.68%	14.86%

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.

(b) Restricted Share Unit Plan

Effective December 22, 2016, the Company adopted a restricted share unit plan (the "RSU Plan"), which provides for the grant of restricted share units ("RSUs") to directors, officers, consultants and employees of the Company and its subsidiaries and affiliates ("Participant"). As required by the policies of the TSX Venture Exchange, the RSU Plan is a fixed plan which reserves for issuance a maximum of 248,266 common shares of the Company. On the vesting of RSUs, the common shares of the Company will be issued from the same 20% fixed pool as the common shares issued under the Amended Stock Option Plan (see Note 8(a)).

Under the RSU Plan, the Company may grant RSUs to directors, officers, employees and eligible consultants which entitle each Participant to one common share of the Company on a time vested basis. The fair market value of the RSUs is determined based upon the number of RSUs granted and the quoted closing price of the Company's stock on the trading day immediately preceding the date of grant. The duration of the vesting period and other vesting terms applicable to the grant of the RSUs shall be determined by the board of directors of the Company.

During the year ended February 28, 2017, no RSUs were granted. On April 24, 2017, the Company granted 225,000 RSUs (see Note 16).

9. RELATED PARTY TRANSACTIONS AND BALANCES

a) During the year ended February 28, 2017, the Company paid the President and CEO ("CEO") of the Company $168,000 (2016: $168,000) pursuant to a salary contract for services and for acting in his capacity as CEO. The Company also incurred payroll benefits expense of $3,780 (2016: $3,783) attributed to the CEO. As at February 28, 2017, the Company owed $842 (2016: $4,462) to the CEO, which is unsecured, non-interest bearing and with no repayment terms and has been included in accounts payable and accrued liabilities.

b) During the year ended February 28, 2017, the Company paid $65,100 (2016: $65,500) 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 year ended February 28, 2017, the Company incurred legal expenses of $807 (2016: $654) to a law firm, a principal of which is a relative of the CEO of the Company.

d) During the year ended February 28, 2017, 1,500,000 options were granted to directors or officers (2016: nil granted) and directors were paid board and board committee fees of $33,000 (2016: $33,000) and the Company incurred payroll benefits expense of $361 (2016: $361) attributed to these parties. As at February 28, 2017, the Company owed $16,319 (2016: $16,509) to directors, which is unsecured, non-interest bearing and with no repayment terms and has been included in accounts payable and accrued liabilities.

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:

	Year Ended February 28, 2017	Year Ended February 29, 2016
Salaries, consultant fees, director fees, service fees, and benefits	$ 273,883	$ 272,819
Share-based payments[1]	1,205,813	671,386
	$ 1,479,696	$ 944,205

[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 February 28, 2017 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 February 28, 2017 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 February 28, 2017 $
Assets:				
Cash and cash equivalents	554,285	–	–	554,285

(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. In addition, 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:

	February 28, 2017	February 29, 2016
Trade accounts receivable (0 to 30 days)	$ -	$ -
Trade accounts receivable (60 to 90 days)	-	25,100
Trade accounts receivable (over 90 days)	46,078	-
Total pre-clinical contributions accrued and receivable	46,078	25,100
GST receivable (Government of Canada) and other	11,878	4,338
Accrued bank interest (Schedule 1 Canadian chartered bank)	-	847
	$ 57,956	$ 30,285

(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, when applicable. 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.

11. FINANCIAL INSTRUMENTS (continued)

(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.

Balances in foreign currencies as at February 28, 2017, are as follows:

	US$ Balance[1]
Cash and cash equivalents	$ 1,295
Amounts receivable	46,078
Accounts payable and accrued liabilities	(82,543)
Net	$ (35,170)

[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 on US dollar denominated monetary items by adjusting their translation rate at the consolidated statement of financial position date for a 10% change in US dollar rates. For a 10% strengthening of the US dollar 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	$ (130)
Amounts receivable	(4,608)
Accounts payable and accrued liabilities	8,254
Increase in net loss and comprehensive loss	$ 3,516

[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 (see Note 2(c)). The Company manages liquidity risk through the management of its capital structure as outlined in Note 12. Subsequent to year-end, the Company completed a non-brokered private placement and raised gross proceeds of $4,058,457 (see Note 16).

Contractual undiscounted cash flow requirements for contractual obligations as at February 28, 2017 are due as follows:

	Due in 1-3 months $	Due in 4-12 months $	Due in 1-2 years $	Due in >2 years $	Total $
Accounts payable and accrued liabilities	573,862	–	–	–	573,862

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. INCOME TAXES

The provision for (recovery of) income taxes differs from the amount that would have resulted in applying Canadian federal and provincial statutory tax rates as follows:

	Year Ended February 28, 2017	Year Ended February 29, 2016
Loss before income taxes	$ 2,990,781	$ 2,572,923
Statutory tax rate	26.00%	26.00%
Expected income tax recovery at statutory rates	$ 777,603	$ 668,960
Non-deductible share-based compensation	(379,397)	(200,450)
Other timing differences	(701)	(945)
Net change in deferred tax assets not recognized	(397,505)	(467,565)
Income tax expense	$ -	$ -

The tax effects of temporary differences that give rise to deferred income tax assets and liabilities are as follows:

	February 28, 2017	February 29, 2016
Deferred income tax assets (liabilities):		
Non-capital losses carried forward	$ 4,128,959	$ 3,730,080
Property and equipment	4,286	3,714
Intangible assets	9,925	(2,814)
Scientific research and experimental development	111,864	111,864
Share issuance costs	12,019	26,704
	4,267,053	3,869,548
Deferred tax assets not recognized	(4,267,053)	(3,869,548)
Net deferred income tax assets	$ -	$ -

As at February 28, 2017, the Company has non-capital losses of approximately $15,881,000 (2016: $14,344,000) that may be carried forward to apply against future years income tax for Canadian income tax purposes, subject to final determination by taxation authorities and expiring as follows:

Fiscal year ending	2027	$ 5,000
Fiscal year ending	2028	166,000
Fiscal year ending	2029	448,000
Fiscal year ending	2030	1,020,000
Fiscal year ending	2031	1,968,000
Fiscal year ending	2032	1,934,000
Fiscal year ending	2033	2,049,000
Fiscal year ending	2034	2,697,000
Fiscal year ending	2035	2,234,000
Fiscal year ending	2036	1,823,000
Fiscal year ending	2037	1,537,000
		$15,881,000

14. EMPLOYEE BENEFITS

Employee benefits included in general and administrative expenses, research and development expenses and cost of sales are as follows:

	February 28, 2017	February 29, 2016
General and administrative	$ 148,212	$ 169,883
Research and development	-	9,727
Cost of sales	25,200	-
Total	$ 173,412	$ 179,610

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. During the year ended February 28, 2017, the Company received $600,166 (2016: $456,019) under the Agreement, of which $512,966 (2016: $343,553) was recognized as research revenue. As at February 28, 2017, the Company has recorded $173,661 (2016: $112,466) as deferred revenue.

16. SUBSEQUENT EVENTS

Private Placement

On April 11, 2017, the Company completed a non-brokered private placement of 5,797,795 units at a price of $0.70 per unit, for gross proceeds of $4,058,457. Each unit consisted of one common share and one full common share purchase warrant. Each warrant entitled the holder to purchase one additional common share of the Company at a price of $1.00 per share for a period of 24 months from the date of closing, subject to an exercise acceleration clause. Cash finder's fees of $236,174 were paid on a portion of the private placement.

Stock Options and Restricted Share Units

On April 24, 2017, pursuant to the terms of its stock option plan and restricted share units plan, the Company granted 2,377,478 incentive stock options and 225,000 restricted share units to its directors, employees, consultants and members of the board of directors. The incentive stock options are exercisable at $0.80 per share, expiring April 24, 2022, subject to various vesting terms.

On April 24, 2017, pursuant to its investor relations agreement with 551943 Alberta Ltd. (the "IR company"), the Company granted 175,000 incentive stock options to the IR company exercisable at $0.80 per share, expiring April 23, 2022, subject to vesting as follows: 43,750 options on July 24, 2017, 43,750 options on October 24, 2017, 43,750 options on January 24, 2018 and 43,750 options on April 24, 2018.