

BIOASIS TECHNOLOGIES INC.
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the Three Months Ended May 31, 2017 and 2016

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

In accordance with National Instrument 51-102, released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the condensed interim consolidated financial statements for the three months ended May 31, 2017 and 2016.

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

Notes	May 31, 2017	February 29, 2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,666,833	\$ 554,285
Amounts receivable	126,785	57,956
Prepaid expenses	129,761	119,066
	3,923,379	731,307
Non-current assets		
Property and equipment	3,125	3,381
Intangible assets	363,991	376,240
	367,116	379,621
	\$ 4,290,495	\$ 1,110,928
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	\$ 467,831	\$ 573,862
Deferred revenue	-	173,661
	467,831	747,523
EQUITY		
Share capital	22,438,371	18,648,526
Contributed surplus	7,468,499	7,269,392
Deficit	(26,084,206)	(25,554,513)
	3,822,664	363,405
	\$ 4,290,495	\$ 1,110,928

Going concern Note 2(c)
Subsequent event Note 15

Approved on behalf of the Board:

/s/ Terry Pearson
Terry Pearson, Director

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

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

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

Notes	Three months Ended May 31, 2017	Three months Ended May 31, 2016
Revenues		
Research revenue	\$ 220,146	\$ 155,521
Cost of sales	28,425	149,789
	191,721	5,732
Expenses		
General and administrative	566,636	746,378
Research and development	151,970	160,671
	718,606	907,049
Loss before other income (expense)	(526,885)	(901,317)
Other income (expense)		
Interest income	787	2,303
Foreign exchange loss	(3,595)	(2,407)
	(2,808)	(104)
Net loss and comprehensive loss for the period	\$ (529,693)	\$ (901,421)
Loss per share – Basic and diluted	\$ (0.01)	\$ (0.02)
Weighted average number of common shares outstanding	48,868,252	45,379,257

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

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

	Share Capital		Contributed Surplus	Deficit	Total Equity
	Number of Shares	Value			
Balance, February 29, 2016	45,379,257	\$ 18,363,433	\$ 5,919,514	\$ (22,563,732)	\$ 1,719,215
Common shares issued pursuant to private placement, net of costs	-	-	-	-	-
Common shares issued upon exercise of options	25,000	32,000	-	-	32,000
Reallocation of contributed surplus arising from 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 for the period	-	-	-	(2,990,781)	(2,990,781)
Balance, February 28, 2017	45,654,257	\$ 18,648,526	\$ 7,269,392	\$ (25,554,513)	\$ 363,405
Common shares issued pursuant to private placement, net of costs	5,797,795	4,058,457	-	-	4,058,457
Share issue costs	-	(268,612)	-	-	(268,612)
Share-based compensation	-	-	199,107	-	199,107
Net loss and comprehensive loss for the period	-	-	-	(529,693)	(529,693)
Balance, May 31, 2017	51,452,052	\$ 22,438,371	\$ 7,468,499	\$ (26,084,206)	\$ 3,822,664

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

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

	For the three months Ended May 31, 2017	For the three months Ended May 31, 2016
OPERATING ACTIVITIES		
Net loss for the period	\$ (529,693)	\$ (901,421)
Adjusted for items not affecting cash:		
Depreciation of property and equipment	256	369
Amortization of intangible assets	12,248	12,249
Share-based compensation	199,107	567,613
	(318,082)	(321,190)
Net changes in non-cash working capital items:		
Amounts receivable	(68,828)	5,316
Prepaid expenses	(10,695)	5,783
Accounts payable and accrued liabilities	(106,032)	79,489
Deferred income	(173,661)	(26,357)
	(677,298)	(256,959)
INVESTING ACTIVITIES		
Acquisition of property and equipment	-	-
Short-term investments	-	850,000
	-	850,000
FINANCING ACTIVITIES		
Proceeds from issuance of common shares	3,789,846	-
	3,789,846	114,000
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,112,548	593,041
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	554,285	772,748
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 3,666,833	\$ 1,365,789
Cash and cash equivalents consists of:		
Cash	\$ 166,833	\$ 115,789
Term deposits	3,500,000	1,250,000
	\$ 3,666,833	\$ 1,365,789
Cash paid for interest	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -

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

BIOASIS TECHNOLOGIES INC.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended May 31, 2017 and 2016
(Unaudited; all amounts expressed in Canadian dollars)

1. INCORPORATION AND NATURE OF OPERATIONS

(a) Incorporation

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

(b) Nature of Operations

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

2. STATEMENT OF COMPLIANCE AND BASIS OF FINANCIAL STATEMENT PRESENTATION

(a) Statement of Compliance

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

These condensed interim consolidated financial statements were approved and authorized for issuance by the Audit Committee on July 31, 2017.

(b) Basis of Measurement

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

(c) Going Concern

To date, the Company has no products in commercial production or use and no history of earnings. The ability of the Company to continue operations is dependent upon its ability to obtain additional funding through licensing of its technology and collaboration agreements with up-front and milestone payments, research grant funding, the sale of common shares, warrants and other strategic alternatives which could result in significant dilution in the equity interest of existing shareholders. The Company reported as at May 31, 2017 an accumulated deficit of \$26,084,206, and cash flows used in operations of \$677,298 for the period ended May 31, 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 future profitability of the Company and its ability to continue as a going concern is dependent upon many factors; these include its ability to obtain sufficient financing, successful research outcomes, developing new intellectual property and receipt of regulatory approvals. Furthermore the biotechnology industry is subject to rapid and substantial technological change that could reduce the marketability of the Company's technology.

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

BIOASIS TECHNOLOGIES INC.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended May 31, 2017 and 2016
(Unaudited; all amounts expressed in Canadian dollars)

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

(d) Significant Judgments, Estimates and Assumptions

Judgments

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

Estimates and Assumptions

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

Judgement is required in determining whether deferred tax assets are recognized on the consolidated statement of financial position. Deferred tax assets including those arising from unutilized tax losses require management to assess the likelihood that the Company will generate future taxable income in future periods in order to utilize any deferred tax asset which has been recognized. As at November 30, 2016 and May 31, 2017, no deferred tax assets have been recognized. Judgement is also required in the assessment of indicators of impairment of intangible assets and the recognition of research revenues under collaborative research agreements.

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

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

e) Significant accounting policies

These condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements for the year ended February 28, 2017. The accounting policies that have been used in the preparation of these condensed interim consolidated financial statements are summarized in the consolidated financial statements of the Company for the year ended February 28, 2017. The same accounting policies have been consistently applied for all periods presented in these condensed interim consolidated financial statements as those used in the Company's consolidated financial statements for the year ended February 28, 2017 except the following:

3. 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.

BIOASIS TECHNOLOGIES INC.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended May 31, 2017 and 2016
(Unaudited; all amounts expressed in Canadian dollars)

3. ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE (continued)

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 May 31, 2017, the short-term investment is comprised of a cashable guaranteed investment certificate of \$nil (February 28, 2017: \$nil).

5. PROPERTY AND EQUIPMENT

	Leasehold improvements	Computer hardware	Computer software	Total
Cost				
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
Additions	-	-	-	-
Balance as at May 31, 2017	\$ 980	\$ 19,860	\$ 2,264	\$ 23,104
Accumulated Depreciation				
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
Depreciation	-	250	6	256
Balance as at May 31, 2017	\$ 980	\$ 16,778	\$ 2,221	\$ 19,979
Carrying Amounts				
February 29, 2016	\$ -	\$ 4,761	\$ 97	\$ 4,858
February 28, 2017	\$ -	\$ 3,332	\$ 49	\$ 3,381
May 31, 2017	\$ -	\$3,082	\$ 43	\$ 3,125

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

BIOASIS TECHNOLOGIES INC.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended May 31, 2017 and 2016
(Unaudited; all amounts expressed in Canadian dollars)

6. INTANGIBLE ASSETS

The Jefferies Patents and IP are 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 29, 2016	\$ 191,003	\$ 589,609	\$ 780,612
Additions	-	--	-
Balance as at February 28, 2017	\$ 191,003	\$ 589,609	\$ 780,612
Additions	-	-	-
Balance as at May 31, 2017	\$ 191,003	\$ 589,609	\$ 780,612
Accumulated Amortization and Impairment			
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
Amortization	2,388	9,861	12,249
Balance as at May 31, 2017	\$ 55,709	\$ 360,912	\$ 416,621
Carrying Amounts			
February 29, 2016	\$ 147,232	\$ 278,005	\$ 425,237
February 28, 2017	\$ 137,682	\$ 238,558	\$ 376,240
May 31, 2017	\$ 135,294	\$ 228,697	\$ 363,991

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.

BIOASIS TECHNOLOGIES INC.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended May 31, 2017 and 2016
(Unaudited; all amounts expressed in Canadian dollars)

7. SHARE CAPITAL

(a) Authorized Share Capital

As at May 31, 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 periods ended May 31, 2017 and February 28, 2017 is summarized in the following table:

	Number of Warrants	Weighted Average Exercise Price
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
Expired warrants	-	-
Balance outstanding – February 28, 2017	300,000	\$1.00
Issued with private placement	5,797,795	\$1.00
Exercised warrants	-	-
Expired warrants	-	-
Balance outstanding – May 31, 2017	6,097,795	\$1.00

The following table summarizes warrants outstanding and exercisable at May 31, 2017:

Number Outstanding	Exercise Price	Expiry date
300,000	\$1.00	October 20, 2017
5,797,795	\$1.00	April 10, 2019
6,097,795		

BIOASIS TECHNOLOGIES INC.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended May 31, 2017 and 2016
(Unaudited; all amounts expressed in Canadian dollars)

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 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
Granted	2,552,478	0.80
Exercised	-	-
Expired	(100,000)	1.42
Forfeited	-	-
Balance at May 31, 2017	8,517,478	\$1.09

The following table summarizes stock options outstanding and exercisable at May 31, 2017:

Exercise Price	Number Outstanding	Weighted Average Contractual Life (years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price
\$0.80	2,552,478	4.9	\$0.80	-	-	-
\$0.97	1,200,000	1.5	\$0.97	1,200,000	1.5	\$0.97
\$1.08	100,000	2.6	\$1.08	25,000	2.6	\$1.08
\$1.17	1,165,000	2.7	\$1.17	1,165,000	2.7	\$1.17
\$1.28	1,525,000	0.2	\$1.28	1,525,000	0.2	\$1.28
\$1.33	1,775,000	3.9	\$1.33	1,775,000	3.9	\$1.33
\$1.35	200,000	1.4	\$1.35	200,000	1.4	\$1.35
	8,517,478	2.9	\$1.09	5,890,000	2.1	\$1.21

BIOASIS TECHNOLOGIES INC.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended May 31, 2017 and 2016
(Unaudited; all amounts expressed in Canadian dollars)

8. SHARE-BASED COMPENSATION (continued)

(a) Share Purchase Option Compensation Plan (continued)

During the period ended May 31, 2017, the Company recognized \$199,107 (May 31, 2016: \$567,613) in share-based compensation expense. Share-based compensation expense comprised awards granted to employees and non-employees under the Company's stock option plan.

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

The weighted average fair value of the options granted during the period ended May 31, 2016 was \$0.55 (May 31, 2016: \$0.82). The following table summarizes the weighted average assumptions using the Black-Scholes option pricing model for employees, directors and consultants for the respective periods ended May 31, 2017 and 2016.

	Three months ended May 31, 2017	Three months ended May 31, 2016
Share price at measurement date	\$ 0.93	\$ 1.33
Exercise price	\$0.80	\$1.33
Risk-free interest rate	1.03%	0.71%
Expected life	5.0 year	5.0 year
Expected volatility	66.32%	76.81%
Expected dividends	-	-
Forfeiture rate	4.39%	5.75%

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.

The following table summarizes the RSUs' activity for the three months ended May 31, 2017:

	Number of RSUs
Balance, February 28, 2017	-
Granted	225,000
Vested	-
Balance, May 31, 2017	225,000

Of the 248,266 RSUs authorized for grant under the RSU Plan as at May 31, 2017, 23,266 RSUs are available for grant.

BIOASIS TECHNOLOGIES INC.

NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended May 31, 2017 and 2016

(Unaudited; all amounts expressed in Canadian dollars)

9. RELATED PARTY TRANSACTIONS AND BALANCES

- a) During the period ended May 31, 2017, the Company paid BrainBio Inc. (a company controlled by the incoming President and CEO (“CEO”)) of the Company \$78,335 (May 31, 2016: \$nil) pursuant to a consulting agreement for services and for acting in his capacity as CEO. The Company also incurred benefits expense of \$3,010 (May 31, 2016: \$nil).
- b) During the period ended May 31, 2017, the Company paid the former President and CEO (currently Executive Chairman of the Board of Directors) of the Company \$42,000 (May 31, 2016: \$42,000) pursuant to a salary contract for services and for acting in his capacity as CEO and Executive Chairman of the Board of Directors. The Company also incurred payroll benefits expense of \$3,010 (May 31, 2016: \$nil) and \$2,059 (May 31, 2016: \$2,497) attributed to the former CEO. As at May 31, 2017, the Company owed \$4,776 (May 31, 2016: \$nil) to the former CEO, which is unsecured, non-interest bearing and with no repayment terms.
- c) During the period ended May 31, 2017, the Company paid \$16,250 (May 31, 2016: \$16,250) to an officer of the Company, pursuant to a consulting contract for consulting services and for acting in her capacity as CFO. As at May 31, 2017, the Company owed \$195 (May 31, 2016: \$nil) to the CFO, which is unsecured, non-interest bearing and with no repayment terms.
- d) During the period ended May 31, 2017, the Company incurred legal expenses of \$nil (May 31, 2016: \$194) to a law firm, a principal of which is a relative of the CEO of the Company.
- e) During the period ended May 31, 2017, 2,207,478 options were granted to directors or officers (May 31, 2016: 1,500,000 granted) and directors were paid board and board committee fees of \$8,250 (May 31, 2016: \$8,250) and the Company incurred payroll benefits expense of \$90 (May 31, 2016: \$90) attributed to these parties. As at May 31, 2017, the Company owed or accrued \$24,479 (May 31, 2016: \$24,479) to directors, which is unsecured, non-interest bearing and with no repayment terms.

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

10. COMPENSATION OF KEY MANAGEMENT PERSONNEL

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

	Three months ended May 31, 2017	Three months ended May 31, 2016
Salaries, consultant fees, director fees, service fees, and benefits	\$ 149,995	\$ 69,281
Share-based payments ⁽¹⁾	166,719	498,020
	\$ 235,368	\$ 567,301

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

BIOASIS TECHNOLOGIES INC.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended May 31, 2017 and 2016
(Unaudited; all amounts expressed in Canadian dollars)

11. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, short-term investments, amounts receivable and accounts payable. As at May 31, 2017 and February 28, 2017, there are no significant differences between the carrying value of these amounts and their estimated fair values. Unless otherwise noted it is management's opinion that the Company is not exposed to significant interest, currency or credit risk arising from these financial instruments.

Financial assets and liabilities measured at fair value on a recurring basis were presented on the Company's consolidated statement of financial position as of May 31, 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 May 31, 2017 \$
Assets:				
Cash and cash equivalents	3,666,833	—	—	3,666,833
Short-term investments	—	—	—	—

(a) Credit risk

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

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

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

The Company's amounts receivable are comprised as follows:

	May 31, 2017	February 28, 2017
Trade accounts receivable (0 to 30 days)	\$ -	\$ -
Trade accounts receivable (31 to 60 days)	-	-
Trade accounts receivable (61 to 90 days)	-	-
Trade accounts receivable (91 to 120 days)	-	-
Trade accounts receivable (over 120 days)	25,043	46,078
Total pre-clinical contributions accrued and receivable	25,043	46,078
Accrued receivable	68,281	-
GST receivable (Government of Canada) and other	32,674	11,878
Accrued bank interest (Schedule I Canadian chartered bank)	787	-
	\$ 126,785	\$ 57,956

(b) Interest rate risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk through its cash and cash equivalents and short-term investments. The Company mitigates this

BIOASIS TECHNOLOGIES INC.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended May 31, 2017 and 2016
(Unaudited; all amounts expressed in Canadian dollars)

11. FINANCIAL INSTRUMENTS (continued)

risk through its investment policy that only allows investment of its excess cash resources in banker's acceptance or guaranteed investment certificates of Schedule 1 chartered banks in Canada while matching maturities with the Company's operational requirements.

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

(c) Currency risk

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

Balances in foreign currencies as at May 31, 2017 are as follows:

	US\$ Balance ⁽¹⁾
Cash and cash equivalents	\$ 2,424
Amounts receivable	46,838
Accounts payable and accrued liabilities	(178,313)
Net	\$ (129,051)

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

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

	US\$ Balance ⁽¹⁾
Cash and cash equivalents	\$ (242)
Amounts receivable	(4,684)
Accounts payable and accrued liabilities	17,831
Increase in net loss and comprehensive loss	\$ 12,905

⁽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. Accounts payable and operating lease payments are all due within the next 12 months.

Contractual undiscounted cash flow requirements for contractual obligations as at May 31, 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	467,831	-	-	-	467,831

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.

BIOASIS TECHNOLOGIES INC.
NOTES TO CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three months ended May 31, 2017 and 2016
(Unaudited; all amounts expressed in Canadian dollars)

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. EMPLOYEE BENEFITS

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

	Three months ended May 31, 2017	Three months ended May 31, 2016
General and administrative	\$ 37,515	\$ 38,713
Research and development	-	-
Total	\$ 37,515	\$ 38,713

14. 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 period ended May 31, 2017, the Company recognized \$220,146 research revenue of which \$173,661 deferred at February 28, 2017 become earned revenue and additional \$46,485 earned not received were accrued. The Company received \$nil (May 31, 2016: \$594,563) under the Agreement, of which \$nil (May 31, 2016: \$508,454) has been recognized as research revenue. As at May 31, 2017, the Company has recorded \$nil (February 28, 2017: \$173,661) as deferred revenue.

15. SUBSEQUENT EVENTS

Incentive Stock Options

On July 19, 2017, 1,197,000 incentive stock options exercisable at \$1.28 expired unexercised.