BIOASIS TECHNOLOGIES INC.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in Canadian dollars)

For the Three Months Ended May 31, 2018 and 2017

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, 2018 and 2017.

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

	Notes	May 31, 2018 (Unaudited)	February 28, 2018 (Audited)
ASSETS			
Current assets			
Cash and cash equivalents	10	$ 1,311,876	$ 677,972
Accounts receivable	10	89,891	33,730
Subscription receivable	6	1,128,285	-
Prepaid expenses		60,155	81,651
Total current assets		2,590,207	793,353
Non-current assets			
Property and equipment	4	39,960	41,902
Intangible assets	5	375,941	386,552
Total non-current assets		415,901	428,454
Total assets		$ 3,006,108	$ 1,221,807
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities	10	1,195,426	$ 787,661
Total liabilities		1,195,426	787,661
EQUITY			
Share capital	6	25,396,946	22,790,961
Shares issuable	7	30,600	30,600
Contributed surplus		8,865,412	8,475,036
Deficit		(32,482,276)	(30,862,451)
Total equity		1,810,682	434,146
Total liabilities and equity		$ 3,006,108	$ 1,221,807

Going concern Note 2(d)

Approved on behalf of the Board:

/s/ Mark Day
Mark Day, Director

/s/ Deborah Rathjen
Deborah Rathjen, Director

The accompanying notes are an integral part of these Condensed 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, 2018	Three months Ended May 31, 2017
Revenues			
Research revenue	14	$ 48,681	$ 220,146
Cost of sales		10,257	28,425
Gross profit		38,424	191,721
Expenses			
General and administrative	4 & 13	1,169,098	566,636
Research and development	5 & 13	491,417	151,970
Total operating expenses		1,660,515	718,606
Loss before other income (expense)		(1,622,091)	(526,885)
Other income (expense)			
Interest income		113	787
Foreign exchange gain (loss)		2,153	(3,595)
Total other income (expense)		2,266	(2,808)
Net loss and comprehensive loss		$ (1,619,825)	$ (529,693)
Loss per share – Basic and diluted		$ (0.03)	$ (0.01)
Weighted average number of common shares outstanding		52,183,978	48,868,252

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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

	Share Capital					
	Number of Value	**Value**	**Shares Issuable**	**Contributed Surplus**	**Deficit**	**Total Equity**
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	3,815,885	-	-	-	3,815,885
Common shares issued upon exercise of options	94,900	88,653	-	-	-	88,653
Reallocation of contributed surplus arising from exercise of options	-	57,647	-	(57,647)	-	-
Common shares issued upon vesting of restricted share units	195,000	180,250	30,600	(210,850)	-	-
Share-based compensation	-	-	-	1,474,141	-	1,474,141
Net loss and comprehensive loss	-	-	-	-	(5,307,938)	(5,307,938)
Balance, February 28, 2018	51,741,952	$ 22,790,961	$ 30,600	$ 8,475,036	$ (30,862,451)	$ 434,146
Common shares issued pursuant to private placement, net of costs	5,083,298	2,605,985	-	-	-	2,605,985
Share-based compensation	-	-	-	390,376	-	390,376
Net loss and comprehensive loss	-	-	-	-	(1,619,825)	(1,619,825)
Balance, May 31, 2018	56,825,250	$25,396,946	$30,600	$8,865,412	$ (32,482,276)	$1,810,682

The accompanying notes are an integral part of these Condensed 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, 2018	For the three months Ended May 31, 2017
OPERATING ACTIVITIES		
Net loss	$ (1,619,825)	$ (529,693)
Adjusted for items not affecting cash:		
Depreciation of property and equipment	2,378	256
Amortization of intangible assets	14,691	12,248
Share-based compensation	390,376	199,107
	(1,212,380)	(318,082)
Net changes in non-cash working capital items:		
Amounts receivable	(56,161)	(68,828)
Prepaid expenses	21,496	(10,695)
Accounts payable and accrued liabilities	412,083	(106,032)
Deferred income	-	(173,661)
Net cash used in operating activities	(834,962)	(677,298)
FINANCING ACTIVITIES		
Proceeds from issuance of common shares	1,468,866	3,789,846
Net cash provided by financing activities	1,468,866	3,789,846
INCREASE IN CASH AND CASH EQUIVALENTS	633,904	3,112,548
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	677,972	554,285
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 1,311,876	$ 3,666,833
Cash and cash equivalents consists of:		
Cash	$ 1,311,876	$ 166,833
Term deposits	-	3,500,000
Cash and Cash equivalents at end of period	$ 1,311,876	$ 3,666,833

The accompanying notes are an integral part of these Condensed 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 1600 Cathedral Place, 925 West Georgia Street, Vancouver, B.C. V6C 3L2. In October 2017, the Company established its U.S. office in Guilford, Connecticut.

(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 xB^3 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 unaudited condensed interim consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board (“IASB”). The unaudited condensed interim consolidated financial statements do not include all of the information required for full annual financial statements. These condensed interim consolidated financial statements should be read in conjunction with the Company’s February 28, 2018 annual audited consolidated financial statements.

These condensed interim consolidated financial statements were approved and authorized for issuance by the Audit Committee on July 30, 2018.

(b) Functional and Presentation Currencies

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 10 to these condensed interim consolidated financial statements.

(C) Basis of Measurement

These condensed interim consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its Canadian subsidiary. The functional currency of the Company’s US subsidiary is in the US dollar.

(d) Going Concern

As of May 31, 2018, the Company has an accumulated deficit of $32,482,276 and working capital of $1,394,781 and for the three months ended May 31, 2018 had a net loss of $1,619,825 and negative cash flows used in operating activities of $834,962. 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 the significant dilution in the equity interest of existing shareholders. Furthermore, the biotechnology industry is subject to rapid and substantial technological change that could reduce the marketability of the Company's technology.

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

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

(e) 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, 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(d).

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 of May 31, 2018 and February 28, 2018, 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.

(f) 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, 2018. 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, 2018. 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, 2018.

3. ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following standard was 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. The adoption of this standard had no effect on the Company's statement of financial position and statement of comprehensive loss.

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.

(Unaudited; all amounts expressed in Canadian dollars)

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

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 this future standard and is currently evaluating the impact that the adoption of the future standard may have on the Company's consolidated financial statements.

4. PROPERTY AND EQUIPMENT

	Leasehold improvements	Computer hardware	Computer software	Office equipment & furniture	Total
Cost					
Balance as at February 28, 2018	$ 4,901	$ 24,877	$ 2,264	$ 34,575	$ 66,617
Additions	-	-	-	-	-
Balance as of May 31, 2018	$4,901	$24,877	$2,264	$34,575	$66,617
Accumulated Depreciation					
Balance as at February 28, 2018	$ 1,530	$ 18,172	$ 2,240	$ 2,773	$ 24,715
Depreciation	203	462	4	1,273	1,942
Balance as of May 31, 2018	$1,733	$18,634	$2,244	$4,046	$27,657
Carrying Amounts					
February 28, 2018	$ 3,371	$ 6,705	$ 24	$ 31,802	$ 41,902
May 31, 2018	$ 3,168	$ 6,243	$ 20	$ 30,529	$ 39,960

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

5. 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.

	Website	License	Transcend IP 2	Jefferies Patents and IP	Total
Cost					
Balance as at February 28, 2018	$ 14,400	$ 49,800	$ 191,003	$ 589,609	$ 844,812
Additions	-	-			
Balance as of May 31, 2018	$ 14,400	$ 49,800	$ 191,003	$ 589,609	$ 844,812
Accumulated Amortization and Impairment					
Balance as at February 28, 2018	$ 2,400	$ 2,490	$ 62,871	$ 390,499	$ 458,260
Amortization	869	901	1,728	7,113	10,611
Balance as of May 31, 2018	$ 3,269	$ 3,391	$ 64,599	$ 397,612	$ 468,871

Carrying Amounts

(Unaudited; all amounts expressed in Canadian dollars)

February 28, 2018	$ 12,000	$ 47,310	$ 128,132	$ 199,110	$ 386,552
May 31, 2018	$ 11,131	$ 46,409	$ 126,404	$ 191,997	$ 375,941

5. INTANGIBLE ASSETS (continued)

On September 26, 2017, the Company entered into a license agreement with University of North Carolina which granted to the Company a non-exclusive, non-transferable license to possess, propagate, and employ the licensed material for internal research purposes or discovery and development only. Pursuant to the license agreement, the Company paid $49,800 for a term 10 years.

Amortization of intangible assets have been recorded to research and development expenses.

6. SHARE CAPITAL

(a) Authorized Share Capital

As at May 31, 2018, 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.

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 entitles 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 $242,572 were paid on a portion of the private placement. The full value of the transaction was allocated to the shares, which were issued at a discount to fair value, with no value allocated to the warrants.

On May 24, 2018, the Company completed a private placement of 5,083,298 units, in two tranches, at a price of $0.552 per unit, for gross proceeds of $2,805,980. The Company incurred share issuance costs of $199,994. Each unit consisted of one common share and one full common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of $0.69 per share for a period of 60 months from the date of closing, subject to an exercise acceleration clause. A total of $1,128,285 has been recorded as a subscription receivable as the amount was not received as of May 31, 2018. The full value of the transaction was allocated to the shares, which were issued at a discount to fair value, with no value allocated to the warrants.

(b) Warrants

The Company's warrant activity during the period ended May 31, 2018 is summarized in the following table:

	Number of Warrants	Weighted Average Exercise Price
Balance outstanding – February 28, 2018	5,797,795	$1.00
Issued with private placement	5,083,298	$0.69
Balance outstanding – May 31, 2018	10,881,093	$0.85

The following table summarizes warrants outstanding and exercisable at May 31, 2018:

Number Outstanding	Exercise Price	Expiry date
5,083,298	$0.69	May 24, 2023
5,797,795	$1.00	April 10, 2019

(Unaudited; all amounts expressed in Canadian dollars)

10,881,093

7. SHARE-BASED COMPENSATION

(a) Share Purchase Option Compensation Plan

Under the Company's Amended Stock Option Plan, most recently approved by disinterested shareholders at the 2017 Annual General Meeting of Shareholders held September 21, 2017, the number of common shares that can be reserved for issuance is 10,290,140, representing 20% of the Company's issued outstanding share capital at that date. 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 two percent (2%) of the issued and outstanding common shares.

The following table summarizes activity related to the Company's stock options:

	Number of Options	Weighted Average Exercise Price
Balance at February 28, 2018	7,566,228	$ 0.96
Granted	370,000	0.68
Exercised	-	-
Expired	(50,000)	0.71
Forfeited	-	-
Balance at May 31, 2018	7,886,228	$ 0.95

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 quarterly vesting over one year.

The following table summarizes stock options outstanding and exercisable at May 31, 2018:

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
0.68	370,000	4.7	$0.68	-		$0.68
0.71	1,710,000	4.5	$0.71	855,000	4.5	$0.71
0.80	2,066,228	3.6	$0.80	1,054,695	3.4	$0.80
0.97	1,125,000	0.5	$0.97	1,125,000	0.5	$0.97
1.17	1,065,000	1.4	$1.17	1,065,000	1.4	$1.17
1.33	1,550,000	1.6	$1.33	1,550,000	1.6	$1.33

(Unaudited; all amounts expressed in Canadian dollars)

7,886,228	2.7	$0.95	5,649,695	2.1	$1.04

7. SHARE-BASED COMPENSATION (continued)

(a) Share Purchase Option Compensation Plan (continued)

During the period ended May 31, 2018, the Company recognized $390,376 (May 31, 2017: $199,107) 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, 2018 was $0.70 (May 31, 2017: $0.55). 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, 2018 and 2017.

	Three months ended May 31, 2018	Three months ended May 31, 2017
Exercise price	$0.68	$0.80
Risk-free interest rate	1.99%	1.03%
Expected life	5.0 years	5.0 years
Expected volatility	67.83%	66.32%
Expected dividends	-	-
Forfeiture rate	9.23%	4.39%

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. In September 2017, the RSU plan was amended to reserve for issuance a maximum of 200,000 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 7(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 quoted market price of the Company's shares on the date of the grant and recognized as compensation cost over the vesting period with a corresponding increase in equity. The duration of the vesting period and other vesting terms applicable to the grant of the RSUs is determined by the board of directors of the Company. There was no restricted stock unit activity for the three months ended May 31, 2018.

8. RELATED PARTY TRANSACTIONS AND BALANCES

a) During the period ended May 31, 2018, the Company paid and accrued the former President and CEO of the Company a total of $42,000 (May 31, 2017: $42,000) for severance, pursuant to the terms of his termination agreement.

b) During the period ended May 31, 2018, the Company paid and accrued a total of $58,585 (May 31, 2017: $nil) to FLG Partners, LLC for which the CFO is an equity partner, pursuant to a contract to provide consulting services as the acting CFO.

(Unaudited; all amounts expressed in Canadian dollars)

c) During the period ended May 31, 2018, 370,000 options were granted to directors, former directors or officers (May 31, 2017: 2,207,478 options granted). Directors or former directors were paid or accrued board and board committee fees of $38,541 (May 31, 2017: $8,250). The Company also incurred payroll benefits expense of $14,692 (May 31, 2017: $90) attributed to these parties. As

8. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

of May 31, 2018, the Company owed or accrued $25,896 (May 31, 2017: $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.

9. 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, 2018	Three months ended May 31, 2017
Salaries, consultant fees, director fees, service fees, and benefits	$280,940	$ 149,995
Share-based payments[1]	339,615	166,719
	$669,285	$235,368

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

10. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalents, accounts receivable and accounts payable. As at May 31, 2018 and February 28, 2018, there are no significant differences between the carrying value of these amounts and their estimated fair values. 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, 2018 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, 2018 $
Assets:				
Cash and cash equivalents	1,311,876	–	–	1,311,876

(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, and accruals 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

The Company mitigates its exposure to credit risk by maintaining operating bank accounts with highly rated banks in Canada and the United States.

10. FINANCIAL INSTRUMENTS (continued)

(a) Credit risk (continued)

The Company's accounts receivable is comprised as follows:

	May 31, 2018	February 28, 2018
GST receivable (Government of Canada) and other	15,785	9,412
Accrued bank interest (Schedule 1 Canadian chartered bank)	74,106	24,318
	$89,431	$33,730

(b) Interest rate risk

As at May 31, 2018, fluctuations in market rates are not expected to have significant impact on the Company's results of operations.

(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, 2018 are as follows:

	US$ Balance[1]
Cash and cash equivalents	$1,297,154
Accounts payable and accrued liabilities	(513,110)
Net	$784,044

[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 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 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	$ (129,715)
Accounts payable and accrued liabilities	51,311
Increase in net loss and comprehensive loss	$ (78,404)

[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(d)). The Company manages liquidity risk through the management of its capital structure as outlined in Note 11. Accounts payable and operating lease payments are all due within the next 12 months. During the quarter, the Company completed a private placement and raised gross proceeds of $2,805,980.

Contractual undiscounted cash flow requirements for contractual obligations as at May 31, 2018 are due as follows:

(Unaudited; all amounts expressed in Canadian dollars)

	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	1,195,426	–	–	–	1,195,426

11. 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 pre-clinical programs sufficient for the Company to be able to identify candidates for delivery of therapies across the blood brain barrier and also to conduct proof of concept to ultimately enable clinical trials in humans. The Company currently has less than 12 months of working capital on hand. As disclosed in Note 2(d), there are factors which indicate the existence of a material uncertainty that may raise substantial doubt about the Company's ability to continue as a going concern. The Company may also seek collaborative partners to provide funding for further pre-clinical and clinical research.

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.

12. CONTRACTUAL COMMITMENTS

Operating leases

The Company has entered into a lease agreement for office space through December 31, 2020. Future minimum annual lease payments for office space under the lease are as follows:

Fiscal year	Amount
2019	$ 47,584
2020	48,878
	$ 96,462

13. EMPLOYEE BENEFITS

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

	Three months ended May 31, 2018	Three months ended May 31, 2017
General and administrative	$292,163	$ 37,515
Research and development	40,812	-
Total	$332,975	$ 37,515

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 to perform research on the delivery of therapeutic compounds across the Blood-Brain Barrier. During the period ended May 31, 2018, the Company recognized research revenue of $48,681 (2017: $220,146). The

Company also accrued additional research revenue of $24,318 (2017: $46,485) which has been earned but not received were accrued. As at May 31, 2018, the Company has recorded $nil (2017: $173,661) as deferred revenue.