Revive Therapeutics Ltd.

Condensed Interim Consolidated Financial Statements

Three and Six Months December 31, 2017 and 2016

(Expressed in Canadian Dollars)

(Unaudited)

Notice to Reader

The accompanying unaudited condensed interim consolidated financial statements of Revive Therapeutics Ltd. (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by the Company's auditors.

Revive Therapeutics Ltd.
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian dollars)
(Unaudited)

	December 31, 2017	June 30, 2017
ASSETS		
Current assets		
Cash and cash equivalents	**$ 1,408,789**	$ 1,768,676
Other receivables	**-**	2,456
Prepaid expenses	**124,264**	126,202
Total current assets	**1,533,053**	1,897,334
Non-current assets		
Intangible assets (note 3)	**20,053**	20,697
Equipment (note 4)	**6,419**	5,663
Total non-current assets	**26,472**	26,360
Total assets	**$ 1,559,525**	$ 1,923,694
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (notes 5 and 11)	**$ 293,405**	$ 308,502
Total liabilities	**293,405**	308,502
Shareholders' equity		
Share capital (note 6)	**7,995,429**	7,448,740
Warrants and broker and finder warrants (notes 7 and 8)	**140,147**	240,958
Contributed surplus (note 9)	**1,811,377**	1,730,121
Accumulated deficit	**(8,680,833)**	(7,804,627)
Total shareholders' equity	**1,266,120**	1,615,192
Total liabilities and shareholders' equity	**$ 1,559,525**	$ 1,923,694

Nature of operations and going concern (note 1)
Commitments and contingency (note 12)
Subsequent event (note 14)

Approved on behalf of the Board:

"Fabio Chianelli", Director

"Craig Leon", Director

The accompanying notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

Revive Therapeutics Ltd.
Condensed Interim Consolidated Statements of Comprehensive Loss
(Expressed in Canadian dollars)
(Unaudited)

	Three Months Ended December 31, 2017	Three Months Ended December 31, 2016	Six Months Ended December 31, 2017	Six Months Ended December 31, 2016
Expenses				
Research costs	**$ 94,134**	$ 56,369	**$ 177,722**	$ 113,481
Salaries and benefits (note 11(b))	**149,342**	143,610	**295,483**	292,077
Stock-based compensation (notes 9(i)(ii)(iii)(iv)) and 11(b))	**54,446**	5,877	**81,256**	11,754
Office expenses (note 13)	**43,668**	(81,798)	**62,108**	(16,345)
Consulting fees	**35,750**	93,193	**141,515**	118,605
Professional fees (note 11(a)(i)(ii))	**47,586**	44,330	**98,307**	91,395
Rent	**8,569**	8,540	**18,385**	15,964
Depreciation and amortization (notes 3 and 4)	**715**	892	**1,430**	1,786
	434,210	271,013	**876,206**	628,717
Comprehensive loss for the period	**$ (434,210)**	$ (271,013)	**$ (876,206)**	$ (628,717)
Comprehensive loss per share - basic and diluted (note 10)	**$ (0.01)**	$ (0.01)	**$ (0.02)**	$ (0.01)
Weighted average common shares outstanding - basic and diluted	**54,644,606**	47,499,834	**54,269,087**	43,473,000

The accompanying notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

Revive Therapeutics Ltd.
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian dollars)
(Unaudited)

Six Months Ended December 31,	2017	2016
Cash flow from operating activities		
Comprehensive loss for the period	$ **(876,206)**	$ (628,717)
Adjustments for:		
Depreciation and amortization	**1,430**	1,786
Stock-based compensation	**81,256**	11,754
Net change in non-cash working capital:		
Other receivables	**2,456**	(4,601)
Prepaid expenses	**1,938**	(46,650)
Accounts payable and accrued liabilities	**(15,097)**	(410,919)
Net cash and cash equivalents used in operating activities	**(804,223)**	(1,077,347)
Investing activities		
Purchase of intangible assets	**-**	(1,515)
Purchase of equipment	**(1,542)**	-
Net cash and cash equivalents used in investing activities	**(1,542)**	(1,515)
Financing activities		
Proceeds from issuance of shares and warrants	**-**	1,500,000
Share issue costs	**-**	(113,765)
Proceeds from exercise of warrants (including finder warrants)	**445,878**	65,475
Net cash and cash equivalents provided by financing activities	**445,878**	1,451,710
Net change in cash and cash equivalents	**(359,887)**	372,848
Cash and cash equivalents, beginning of period	**1,768,676**	1,333,239
Cash and cash equivalents, end of period	$ **1,408,789**	$ 1,706,087

The accompanying notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

Revive Therapeutics Ltd.
Condensed Interim Consolidated Statements of Changes in Shareholders' Equity
(Expressed in Canadian dollars)
(Unaudited)

	Share capital					
	Number of shares	Amount	Warrants and broker and finder warrants	Contributed surplus	Accumulated deficit	Total shareholders' equity
Balance, June 30, 2016	**32,383,367**	**$ 5,022,262**	**$ 1,129,522**	**$ 605,580**	**$ (6,188,727)**	**$ 568,637**
Common shares issued in private placement (note 6(b)(i))	15,000,000	1,500,000	-	-	-	1,500,000
Valuation of warrants issued in private placement (note 6(b)(i))	-	(330,000)	330,000	-	-	-
Valuation of finder warrants issued in private placement (note 6(b)(i))	-	(71,544)	71,544	-	-	-
Transaction costs in private placements (note 6(b)(i))	-	(90,692)	(23,073)	-	-	(113,765)
Exercise of warrants and finder warrants	363,750	65,475	-	-	-	65,475
Expiry of warrants	-	-	(980,262)	980,262	-	-
Reclassification of fair value of warrants and finder warrants exercised	-	12,855	(12,855)	-	-	-
Stock-based compensation (note 9(i))	-	-	-	11,754	-	11,754
Comprehensive loss for the period	-	-	-	-	(628,717)	(628,717)
Balance, December 31, 2016	**47,747,117**	**$ 6,108,356**	**$ 514,876**	**$ 1,597,596**	**$ (6,817,444)**	**$ 1,403,384**
Balance, June 30, 2017	**53,893,567**	**$ 7,448,740**	**$ 240,958**	**$ 1,730,121**	**$ (7,804,627)**	**$ 1,615,192**
Exercise of warrants and finder warrants	2,477,100	445,878	-	-	-	445,878
Reclassification of fair value of warrants and finder warrants exercised	-	100,811	(100,811)	-	-	-
Stock-based compensation (note 9(ii))	-	-	-	81,256	-	81,256
Comprehensive loss for the period	-	-	-	-	(876,206)	(876,206)
Balance, December 31, 2017	**56,370,667**	**$ 7,995,429**	**$ 140,147**	**$ 1,811,377**	**$ (8,680,833)**	**$ 1,266,120**

The accompanying notes to the unaudited condensed interim consolidated financial statements are an integral part of these statements.

1. Nature of Operations and Going Concern

Revive Therapeutics Ltd. (the "Company" or "Revive") was incorporated under the Business Corporations Act (Ontario) on March 27, 2012. The Company's shares trade on the TSX Venture Exchange (the "Exchange") under the symbol "RVV" and the OTCQB® Market exchange in the United States under the symbol "RVVTF". The Company is focused on the development and commercialization of drugs for underserved medical needs. The Company's registered and legal office is located at 5 Director Court, Suite 105, Vaughan, Ontario, L4L 4S5.

These unaudited condensed interim consolidated financial statements were prepared on a going concern basis of presentation, which assumes that the Company will continue operations for the foreseeable future and be able to realize the carrying value of its assets and discharge its liabilities and commitments in the normal course of business. To date, the Company has not earned revenue and has an accumulated deficit of $8,680,833 as at December 31, 2017 (June 30, 2017 - $7,804,627). As at December 31, 2017, the Company had cash and cash equivalents of $1,408,789 (June 30, 2017 - $1,768,676) and a working capital of $1,239,648 (June 30, 2017 - $1,588,832). The Company’s ability to continue as a going concern is dependent upon its ability to obtain additional financing and or achieve profitable operations in the future. Management is aware, in making its assessment, of material uncertainties related to events or conditions that cast significant doubt upon the Company's ability to continue as a going concern. These unaudited condensed interim consolidated financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. These adjustments could be material. Management is actively pursuing funding options, being financing and alternative funding options, required to meet the Company's requirements on an ongoing basis.

2. Significant Accounting Policies

Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (“IASB”). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full audited annual financial statements.

The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRS issued and outstanding as of February 27, 2018, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended June 30, 2017. Any subsequent changes to IFRS that are given effect in the Company’s annual consolidated financial statements for the year ending June 30, 2018 could result in restatement of these unaudited condensed interim consolidated financial statements.

(Expressed in Canadian dollars)

2. Significant Accounting Policies (continued)

Recent accounting pronouncements

IFRS 9 - Financial Instruments ("IFRS 9") was issued by the IASB on November 12, 2009 and then issued in its final form on July 24, 2014 and will replace IAS 39 - Financial Instruments: Recognition and Measurement ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having only two categories: amortized cost and fair value. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of assessing the impact of this pronouncement.

IFRS 16, Leases ("IFRS 16") was issued on January 13, 2016. The new standard is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply IFRS 15, "Revenue from contracts with customers" at or before the date of initial adoption of IFRS 16. IFRS 16 will replace IAS 17, "Leases". This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. This standard substantially carries forward the lessor accounting requirements of IAS 17, while requiring enhanced disclosures to be provided by lessors. Other areas of the lease accounting model have been impacted, including the definition of a lease. Transitional provisions have been provided. The Company is in the process of assessing the impact of this pronouncement.

3. Intangible Assets

Cost	**REV-002**
Balance, June 30, 2017 and December 31, 2017	$ 26,515

Accumulated amortization	**REV-002**
Balance, June 30, 2017	$ 5,818
Amortization during the period	644
Balance, December 31, 2017	$ 6,462

Carrying value	**REV-002**
Balance, June 30, 2017	$ 20,697
Balance, December 31, 2017	$ 20,053

3. Intangible Assets (continued)

REV-001 and REV -003

On September 4, 2014, the Company terminated the REV−001 050831 Agreement, and recorded a write−off of intangible asset of $15,192 in respect thereof.

On April 29, 2016, the Company terminated the REV−001 051213 Agreement, and recorded a write−off of intangible asset of $41,375 in respect thereof.

During the three and six months ended December 31, 2017 and 2016, the Company incurred $nil in REV−001 research costs for consulting services of clinical trial design and research.

During the year ended June 30, 2017, the Company incurred $nil in REV−003 research costs for consulting services of clinical design and research (year ended June 30, 2016 − $nil) and wrote off $8,415 (year ended June 30, 2016 − $nil) of patent which expired during the year. During the three and six months ended December 31, 2017 and 2016, the Company incurred $nil in REV-003 research costs for consulting services of clinical design and research.

REV-002

On June 17, 2013, Revive and Xenexus Pharmaceuticals Pty Ltd. ("Xenexus") entered into a patent assignment agreement (the "REV-002 Agreement"), which replaced and superseded a patent license agreement (the "REV-002 License") between Revive and Xenexus dated April 3, 2013. The REV-002 Agreement and its predecessor grant Revive the right to commercially exploit U.S. patent No. 9238018, titled 'The Use of Bucillamine in the Treatment of Gout' which was then subsequently replaced by U.S. patent No. 9662305. Pursuant to the REV-002 License, the Company was required to pay annual license fees amounting to $10,000. Between April 3, 2013, and June 17, 2013, the Company paid $10,000 in accordance with the REV-002 License. Pursuant to the REV-002 Agreement, the Company acquired Patent Document AU2012905072, which was replaced by U.S. patent No. 9238018, titled 'The Use of Bucillamine in the Treatment of Gout' which was then subsequently replaced by U.S. patent No. 9662305, in exchange for a $15,000 cash payment (paid). If the Company licenses the patent acquired under the REV-002 Agreement, it will be required to pay to Xenexus 5% of any upfront milestone payments and subsequent milestone fees from its licensee. To date, no milestone payments have been incurred or paid. As of December 31, 2017, the Company is in compliance with the terms of the REV-002 Agreement.

On January 29, 2015, the Company announced the initiation of a Phase II − A clinical study in patients with gout in the U.S.

On February 26, 2015, Revive announced the expansion of its orphan drug indication pipeline to include the drug Bucillamine for the treatment of cystinuria and Wilson disease for which the Company expects to conduct US−based clinical trials. The addition of cystinuria and Wilson disease was the result of the Company amending the material transfer agreement (the "MTA"), announced on February 20, 2014, with its global pharmaceutical partner headquartered in Osaka, Japan.

Pursuant to the amended MTA, Revive will obtain access to confidential information and clinical trial supply of the drug Bucillamine for cystinuria and Wilson disease, which the Company expects to conduct US−based clinical trials. The Company will continue to have access to confidential information and clinical trial supply of the drug Bucillamine for the treatment of gout. In return, the global pharmaceutical company will have exclusive commercialization rights in Japan, Korea and Taiwan, and Revive will have exclusive commercialization rights in the rest of the world.

(Expressed in Canadian dollars)

3. Intangible Assets (continued)

REV-002 (continued)

On December 1, 2015, the Company announced final results from its Phase II-A clinical study in patients with gout in the U.S.

During the three and six months ended December 31, 2017, the Company incurred $nil and ($48,953), respectively, in REV−002 research costs for consulting services of clinical trial design and research (three and six months ended December 31, 2016 − $9,902 and $30,647, respectively).

REV-004 and REV-005

During the three and six months ended December 31, 2017, the Company incurred $43,529 and $84,750, respectively, research costs for REV - 004 (three and six months ended December 31, 2016 - $46,467 and $82,834, respectively) and $nil research costs for REV-005 (three and six months ended December 31, 2016 - $nil).

CANNABINOIDS

During the three and six months ended December 31, 2017, the Company incurred $35,476 and $120,611, respectively, research costs for cannabinoids (three and six months ended December 31, 2016 - $nil).

OTHER

During the three and six months ended December 31, 2017, the Company incurred $15,129 and $21,314, respectively (three and six months ended December 31, 2016 - $nil) general research costs not specifically allocated to any particular project.

4. Equipment

Cost	Computer Equipment	Office Equipment	Total
Balance, June 30, 2017	$ 5,629	$ 7,737	$ 13,366
Additions	1,542	-	1,542
Balance, December 31, 2017	$ 7,171	$ 7,737	$ 14,908

Accumulated depreciation	Computer Equipment	Office Equipment	Total
Balance, June 30, 2017	$ 3,533	$ 4,170	$ 7,703
Depreciation during the period	430	356	786
Balance, December 31, 2017	$ 3,963	$ 4,526	$ 8,489

(Expressed in Canadian dollars)

4. Equipment (continued)

Carrying value	**Computer Equipment**	**Office Equipment**	**Total**
Balance, June 30, 2017	$ 2,096	$ 3,567	$ 5,663
Balance, December 31, 2017	$ 3,208	$ 3,211	$ 6,419

5. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities of the Company are principally comprised of amounts outstanding for purchases relating to research and development and general operating activities.

	As at December 31, 2017	**As at June 30, 2017**
Accounts payable	**$ 234,931**	$ 237,204
Accrued liabilities	**58,474**	71,298
	$ 293,405	$ 308,502

	As at December 31, 2017	**As at June 30, 2017**
Less than 1 month	**$ 154,907**	$ 126,351
1 to 3 months	**5,693**	27,367
Greater than 3 months	**132,805**	154,784
	$ 293,405	$ 308,502

6. Share Capital

a) Authorized share capital

The authorized share capital consists of an unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

(Expressed in Canadian dollars)

6. Share Capital (continued)

b) Common shares issued

As at December 31, 2017, the issued share capital amounted to $7,995,429 and there were nil shares held in escrow. Changes in issued share capital are as follows:

	Number of Common Shares	Amount
Balance, June 30, 2016	**32,383,367**	**$ 5,022,262**
Common shares issued in private placement (i)	15,000,000	1,500,000
Valuation of warrants issued in private placement (i)	-	(330,000)
Valuation of finder warrants issued in private placement (i)	-	(71,544)
Transaction costs in private placement (i)	-	(90,692)
Exercise of warrants	363,750	65,475
Reclassification of fair value of warrants exercised	-	12,855
Balance, December 31, 2016	**47,747,117**	**$ 6,108,356**

	Number of Common Shares	Amount
Balance, June 30, 2017	**53,893,567**	**$ 7,448,740**
Exercise of warrants	2,477,100	445,878
Reclassification of fair value of warrants exercised	-	100,811
Balance, December 31, 2017	**56,370,667**	**$ 7,995,429**

(i) On August 18, 2016, the Company completed a non-brokered private placement of units ("Units") for gross proceeds of $1,500,000 (the "Offering"). Pursuant to the Offering, the Company issued 15,000,000 Units at $0.10 per Unit. Each Unit consists of one common share and one-half of one common share purchase warrant (a "Warrant"). Each whole Warrant entitles the holder to acquire one common share for $0.18 until June 18, 2018 (the "Warrant Expiry Date"). In the event that the volume-weighted average trading price of the Common Shares on the Exchange exceeds $0.25 per Common Share for any period of 20 consecutive trading days, the Company may, at its option, within five business days following such 20-day period, accelerate the Warrant Expiry Date by delivery of notice to the registered holders thereof and issuing a Warrant Acceleration Press Release, and, in such case, the Warrant Expiry Date shall be deemed to be 5:00 p.m. (Toronto time) on the 30th day following the later of (i) the date on which the Warrant Acceleration Notice is sent to Warrant holders, and (ii) the date of issuance of the Warrant Acceleration Press Release. The fair value of the Warrants was estimated to be $330,000 using a valuation model incorporating Black-Scholes on the following assumptions: dividend yield of 0%; volatility of 110.10%; risk-free interest rate of 0.56%; and expected life of 1.83 years.

In connection with the Offering, the Company paid $126,139 in cash finder’s fees and other transaction costs of which, $103,066 was allocated to share capital and $23,073 was allocated to the Warrants. The Company also issued 492,450 finder’s warrants (“Finder’s Warrants”) to qualified arm’s length finders. Each Finder’s Warrant entitles the holder to acquire one Unit consisting of one common share and one-half of a Warrant for $0.10 until June 18, 2018. The fair value of the Finder's Warrants was estimated to be $26,900 using a valuation model incorporating Black-Scholes on the following assumptions: dividend yield of 0%; volatility of 110.10%; risk free interest rate of 0.56%; and expected life of 1.83 years.

(Expressed in Canadian dollars)

7. Warrants

The following table reflects the continuity of warrants for the periods ended December 31, 2017 and 2016:

	Number of Warrants	Weighted Average Exercise Price
Balance, June 30, 2016	**9,219,965**	**$ 0.54**
Issued in private placement (note 6(b)(i))	7,500,000	0.18
Exercised	(363,750)	0.18
Expired	(4,996,500)	0.85
Balance, December 31, 2016	**11,359,715**	**$ 0.18**
Balance, June 30, 2017	**5,655,315**	**$ 0.18**
Exercised	(2,477,100)	0.18
Balance, December 31, 2017	**3,178,215**	**$ 0.18**

The following table reflects warrants issued and outstanding as at December 31, 2017:

Expiry Date and Description	Exercise Price ($)	Fair Value ($)	Number of Warrants Outstanding
June 18, 2018	0.18	143,877	3,178,215
Transaction costs allocated	-	(14,532)	-
	0.18	**129,345**	**3,178,215**

The following table reflects warrants issued and outstanding as at June 30, 2017:

Expiry Date and Description	Exercise Price ($)	Fair Value ($)	Number of Warrants Outstanding
June 18, 2018	0.18	256,014	5,655,315
Transaction costs allocated	-	(25,858)	-
	0.18	**230,156**	**5,655,315**

(Expressed in Canadian dollars)

8. Broker and Finder Warrants

The following table reflects the continuity of broker and finder warrants for the periods ended December 31, 2017 and 2016:

	Number of Broker Warrants	Weighted Average Exercise Price
Balance, June 30, 2016	**349,755**	**$ 0.60**
Issued in private placement (note 6(b)(i))	492,450	0.10
Expiry	(349,755)	0.60
Balance, December 31, 2016	**492,450**	**$ 0.10**
Balance, June 30, 2017 and December 31, 2017	**197,750**	**$ 0.10**

The following table reflects broker and finder warrants issued and outstanding as at December 31, 2017:

Expiry Date	Exercise Price ($)	Fair Value ($)	Number of Broker Warrants Outstanding
June 18, 2018	0.10	10,802	197,750

The following table reflects broker and finder warrants issued and outstanding as at June 30, 2017:

Expiry Date	Exercise Price ($)	Fair Value ($)	Number of Broker Warrants Outstanding
June 18, 2018	0.10	10,802	197,750

(Expressed in Canadian dollars)

9. Stock Options

The following table reflects the continuity of stock options for the periods ended December 31, 2017 and 2016:

	Number of Stock Options	Weighted Average Exercise Price
Balance, June 30, 2016 and December 31, 2016	**1,553,151**	**$ 0.62**
Grant (ii)	965,000	0.28
Balance, June 30, 2017	**2,518,151**	**0.49**
Grant (iii)(iv)	600,000	0.27
Balance, December 31, 2017	**3,118,151**	**$ 0.45**

The following table reflects the actual stock options issued and outstanding as at December 31, 2017:

Expiry Date	Exercise Price ($)	Weighted Average Remaining Contractual Life (years)	Number of Options Outstanding	Number of Options Vested (exercisable)	Grant Date Fair Value
July 9, 2023	0.30	5.52	38,151	38,151	$ 9,270
January 31, 2024	0.66	6.09	590,000	590,000	265,568
February 10, 2025 (i)	0.60	7.12	925,000	925,000	345,058
April 10, 2027 (ii)	0.28	9.28	965,000	432,500	212,732
November 1, 2022 (iii)	0.20	4.84	250,000	-	31,336
November 29, 2022 (iv)	0.325	4.92	350,000	-	92,289
			3,118,151	**1,985,651**	**$ 956,253**

The following table reflects the actual stock options issued and outstanding as at June 30, 2017:

Expiry Date	Exercise Price ($)	Weighted Average Remaining Contractual Life (years)	Number of Options Outstanding	Number of Options Vested (exercisable)	Grant Date Fair Value
July 9, 2023	0.30	6.03	38,151	38,151	$ 9,270
January 31, 2024	0.66	6.59	590,000	590,000	265,568
February 10, 2025 (i)	0.60	7.62	925,000	925,000	345,058
April 10, 2027 (ii)	0.28	9.78	965,000	432,500	212,732
			2,518,151	**1,985,651**	**$ 832,628**

9. Stock Options (continued)

(i) On February 10, 2015, the Company granted 925,000 stock options to certain officers, directors, employees and consultants of the Company at an exercise price of $0.60 per common share expiring on February 10, 2025. The fair value of the stock options was estimated to be $345,058 using the Black-Scholes valuation model on the following assumptions: dividend yield 0%; volatility 108%; risk-free interest rates of 0.60%; and expected life of 4 years. 550,000 of these options vest as to one-half on the date of grant and one-half on one year anniversary of the date of grant and the remaining 375,000 options vest as to one-third on the date of grant and one-third on the one year anniversary of the date of grant and one-third on the two year anniversary of the date of grant. During the three and six months ended December 31, 2017, $nil (three and six months ended December 31, 2016 - $5,877 and $11,754, respectively) was recorded as stock-based compensation in the unaudited condensed interim consolidated statements of comprehensive loss.

(ii) On April 10, 2017, the Company granted 965,000 stock options to certain officers, directors, employees and consultants of the Company at an exercise price of $0.28 per share expiring on April 10, 2027. The fair value of the stock options was estimated to be $212,732 using the Black-Scholes valuation model on the following assumptions: dividend yield 0%; volatility 119.21%; risk-free interest rates of 1.01%; and expected life of 4 years. 665,000 of these options vest as to one-half on the date of grant and one-half on the one year anniversary of the date of grant. The remaining 300,000 options vest as to one-third on the date of grant, one-third on the one year anniversary of the date of grant and one-third on the two year anniversary of the date of grant. During the three and six months ended December 31, 2017, $26,810 and $53,620, respectively (three and six months ended December 31, 2016 - $nil) was recorded as stock-based compensation in the unaudited condensed interim consolidated statements of comprehensive loss.

(iii) On November 1, 2017, the Company granted 250,000 stock options to a consultant of the Company at an exercise price of $0.20 per share expiring on November 1, 2022. The fair value of the stock options was estimated to be $31,336 using the Black-Scholes valuation model on the following assumptions: dividend yield 0%; volatility 114.34%; risk-free interest rates of 1.57%; and expected life of 5 years. These options vest as to one quarter (1/4) of the options on the date which is three (3) months from the date said options are granted, one quarter (1/4) of the options on the date which is six (6) months from the date of grant, one quarter (1/4) of the options on the date which is nine (9) months from the date of grant, and the final one quarter (1/4) of the options on the date which is twelve (12) months from the date of grant During the three and six months ended December 31, 2017, $10,716 (three and six months ended December 31, 2016 - $nil) was recorded as stock-based compensation in the unaudited condensed interim consolidated statements of comprehensive loss.

(iv) On November 29, 2017, the Company granted 350,000 stock options to a consultant of the Company at an exercise price of $0.325 per share expiring on November 29, 2022. The fair value of the stock options was estimated to be $92,289 using the Black-Scholes valuation model on the following assumptions: dividend yield 0%; volatility 115.58%; risk-free interest rates of 1.57%; and expected life of 5 years. These options vest as to one quarter (1/4) of the options on the date which is three (3) months from the date said options are granted, one quarter (1/4) of the options on the date which is six (6) months from the date of grant, one quarter (1/4) of the options on the date which is nine (9) months from the date of grant, and the final one quarter (1/4) of the options on the date which is twelve (12) months from the date of grant During the three and six months ended December 31, 2017, $16,920 (three and six months ended December 31, 2016 - $nil) was recorded as stock-based compensation in the unaudited condensed interim consolidated statements of comprehensive loss.

(Expressed in Canadian dollars)

10. Net Loss per Common Share

The calculation of basic and diluted loss per share for the three and six months ended December 31, 2017 was based on the loss attributable to common shareholders of $434,210 and $876,206, respectively (three and six months ended December 31, 2016 - $271,013 and $628,717, respectively) and the weighted average number of common shares outstanding of 54,644,606 and 54,269,087, respectively (three and six months ended December 31, 2016 - 47,499,834 and 43,473,000, respectively).

Diluted loss per share did not include the effect of 3,178,215 warrants (three and six months ended December 31, 2016 - 11,359,715), 197,750 finder warrants (three and six months ended December 31, 2016 - 492,450) and 3,118,151 stock options (three and six months ended December 31, 2016 - 1,553,151) as they are anti-dilutive.

11. Related Party Balances and Transactions and Major Shareholders

(a) Related party balances and transactions:

Related parties include the directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

	Three Months Ended December 31, 2017	**Three Months Ended December 31, 2016**	**Six Months Ended December 31, 2017**	**Six Months Ended December 31, 2016**
Marrelli Support Services Inc. ("Marrelli Support") (i)	**$ 18,357**	$ 11,948	**$ 28,927**	$ 21,878
DSA Corporate Services ("DSA") (ii)	**$ 8,509**	$ 4,887	**$ 14,307**	$ 10,205

(i) Marrelli Support was owed $2,522 as at December 31, 2017 (June 30, 2017 - $2,511) for the services of Carmelo Marrelli to act as Chief Financial Officer ("CFO") of the Company. This amount was included in accounts payable and accrued liabilities. The Company has entered into a consulting agreement (the "Marrelli Consulting Agreement") with Marrelli Support and Mr. Marrelli to provide the services of Mr. Marrelli as CFO of the Company. The term of the Marrelli Consulting Agreement commenced on July 14, 2013, and shall continue until terminated by either Mr. Marrelli or the Company. Pursuant to the Marrelli Consulting Agreement, Mr. Marrelli is entitled to receive monthly compensation of $1,250 per month, and incentive stock option grants on a reasonable basis, consistent with the grant of options to other grantees. In addition, Marrelli Support provides bookkeeping services to the Company. Mr. Marrelli is the President of Marrelli Support. The amounts charged by Marrelli Support are based on what Marrelli Support usually charges its clients. The Company expects to continue to use Marrelli Support for an indefinite period of time.

(ii) DSA was owed $6,305 as at December 31, 2017 (June 30, 2017 - $2,225) for corporate secretarial and filing services. This amount was included in accounts payable and accrued liabilities. DSA is a private company controlled by Carmelo Marrelli, the CFO of the Company. Carmelo Marrelli is also the corporate secretary and sole director of DSA. Services were incurred in the normal course of operations for corporate secretarial, electronic filing and news dissemination services. The Company expects to continue to use DSA's services for an indefinite period of time.

(Expressed in Canadian dollars)

11. Related Party Balances and Transactions and Major Shareholders (continued)

(b) Remuneration of directors and key management personnel of the Company, excluding consulting fees for the periods ended December 31, 2017 and 2016 was as follows:

	Three Months Ended December 31, 2017	Three Months Ended December 31, 2016	Six Months Ended December 31, 2017	Six Months Ended December 31, 2016
Stock-based compensation	**$ 15,697**	$ -	**$ 31,394**	$ -
Salaries and benefits	**$ 125,000**	$ 125,000	**$ 250,000**	$ 250,000

(c) Major shareholders:

As at December 31, 2017, no person or corporation beneficially owns or exercises control or direction over common shares of the Company carrying more than 10% of the voting rights attached to all of the common shares of the Company other than Mr. Fabio Chianelli, the President and a Director of the Company, who owns or controls, directly or indirectly, 12.75% of the issued and outstanding shares of the Company. These stockholdings can change at any time at the discretion of the owner.

None of the Company's major shareholders have different voting rights other than holders of the Company's common shares.

The Company is not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of the Company. Other than Mr. Fabio Chianelli, the President and a Director of the Company, who owns or controls, directly or indirectly, 12.75% of the issued and outstanding shares of the Company on a partially diluted basis, the Company is not directly or indirectly owned or controlled by another corporation, by any government or by any natural or legal person severally or jointly.

12. Commitments and Contingency

Commitments

The Company has entered into an agreement (the “CEO Agreement") with an officer (Craig Leon) (the "Employee") of the Company to provide services to the Company in the general capacity of CEO and to undertake the duties and exercise the powers associated with this role. Under the terms of the CEO Agreement, the CEO is contracted by the Company for an indefinite term, commencing as of July 1, 2016. The Company shall pay the CEO a $250,000 base salary per annum (the "Yearly Base Salary") and annual bonus payments (the "Bonus Payment") from time to time, at the Board's entire discretion, of up to 100% of the Yearly Base Salary based on the achievement of corporate goals and benchmarks relating to the Company's overall performance. The CEO Agreement requires an additional contingent lump-sum payment equal to the Employee's then Yearly Base Salary and the Bonus Payment paid or declared to the Employee, if any, in the Company's previously completed fiscal year upon the occurrence of a change of control or termination without cause. As a triggering event has not taken place, the contingent payments have not been reflected in these unaudited condensed interim consolidated financial statements.

12. Commitments and Contingency (continued)

Commitments (continued)

The Company has entered into an agreement (the "President Agreement") with an officer (Fabio Chianelli) (the "Officer") of the Company to provide services to the Company in the general capacity of President and to undertake the duties and exercise the powers associated with this role. Under the terms of the President Agreement, the President is contracted by the Company for an indefinite term, commencing as of January 1, 2014. The Company shall pay the President a $250,000 base salary per annum (the "Annual Base Salary") and annual bonus payments (the "Bonus") from time to time, at the Board's entire discretion, of up to 100% of the Annual Base Salary based on the achievement of corporate goals and benchmarks relating to the Company's overall performance. The President Agreement requires an additional contingent lump-sum payment equal to the Officer's then Annual Base Salary and the Bonus paid or declared to the Officer, if any, in the Company's previously completed fiscal year upon the occurrence of a change of control or termination without cause. As a triggering event has not taken place, the contingent payments have not been reflected in these unaudited condensed interim consolidated financial statements.

In March 2015, the Company entered a lease agreement commencing on September 2015 for a 12-month period. In July 2016, the Company entered a new lease agreement commencing on September 1, 2016 for a 12-month period. The Company is required to pay minimum annual lease payment of $16,073. In June 2017, the Company entered a new lease agreement commencing on September 2017 for a 24-month period. The Company is required to pay minimum annual lease payment of $15,468.

The Company has entered into various clinical trial arrangements and is committed to fund these trials as they occur. As at December 31, 2017 the Company is committed to funding a maximum cost of clinical trials of approximately $8,000 per patient, in addition to other ad-hoc and clinical trial related fees.

The Company has also entered into a research agreement with the University of Wisconsin and is committed to fund US$60,000 towards the research of cannabinoids through to May 2018.

The Company has also entered into a licensing arrangement with South California Research Foundation, whereby certain milestone payments and royalties are payable upon the achievement of certain events. The Company will record these amounts as the events occur.

Contingency

The Company is in dispute with a supplier over invoices in the amount of $827,574 plus interest for which the supplier has sought arbitration.The dispute is in arbitration. No provision has been set up in the accounts of the Company. Any settlement and/or payment will be accounted for in the year it occurs. Readers are cautioned that the eventual resolution of this liability will be based on additional information and the occurrence of future events.

(Expressed in Canadian dollars)

13. Office Expenses

	Three Months Ended December 31, 2017	Three Months Ended December 31, 2016	Six Months Ended December 31, 2017	Six Months Ended December 31, 2016
Reporting issuer costs	**$ 25,907**	$ 23,803	**$ 27,348**	$ 38,503
Administrative	**5,399**	(123,050)	**9,912**	(85,803)
Insurance	**9,001**	7,739	**18,858**	15,196
Travel and accommodation	**2,520**	7,572	**2,902**	10,278
Meals and entertainment	**1,244**	1,553	**3,556**	3,775
Bank charges	**637**	1,364	**1,448**	3,280
Interest income	**(1,040)**	(779)	**(1,916)**	(1,574)
	$ 43,668	$ (81,798)	**$ 62,108**	$ (16,345)

14. Subsequent Event

Subsequent to December 31, 2017, 1,010,750 shares were issued for the exercise of 1,010,750 warrants for cash proceeds of $181,935.