

Portage Biotech Inc.

Consolidated Financial Statements

For the Years Ended March 31, 2017 and 2016

(US Dollars)

Portage Biotech Inc.
Consolidated Financial Statements
For the Years Ended March 31, 2017 and 2016
(US Dollars)

Index pages

Independent Auditor's Report of Registered Public Accounting Firm	1-2
Consolidated Statements of Financial Position	3
Consolidated Statements of Operations and Comprehensive Income (Loss)	4
Consolidated Statements of Changes in Shareholders' Equity	5-6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8-24

Schwartz Levitsky Feldman llp

CHARTERED ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS
TORONTO • MONTREAL



INDEPENDENT AUDITOR'S REPORT OF REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders of Portage Biotech Inc.

We have audited the accompanying consolidated financial statements of Portage Biotech Inc., which comprise the consolidated statements of financial position as at March 31, 2017 and March 31, 2016, and the consolidated statements of operations and comprehensive income (loss), changes in shareholders' equity and cash flows for the years ended March 31, 2017, 2016 and 2015 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Schwartz Levitsky Feldman llp

CHARTERED ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS
TORONTO • MONTREAL

The logo consists of the letters 'S' and 'L' in white, bold, sans-serif font, set against a solid blue rectangular background.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Portage Biotech Inc. as at March 31, 2017 and March 31, 2016, and its financial performance and its cash flows for the years ended March 31, 2017, 2016, and 2015 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

"SCHWARTZ LEVITSKY FELDMAN LLP"

July 27, 2017 Chartered Accountants
Toronto, Ontario

Licensed Public Accountants

Portage Biotech Inc.

Consolidated Statements of Financial Position (US Dollars)

As at March 31,		2017	2016
Assets			
Current			
Cash		\$159,377	\$4,688,929
Prepaid expenses and other receivable	4	64,141	203,940
Investment, available for sale	6	58,912,535	-
		59,136,053	4,892,869
Long-term assets			
Long term portion of other receivable	4	67,500	
Investment	5	700,000	700,000
Intangible assets		-	4,035,973
Goodwill		-	3,000,000
Total assets		\$59,903,553	\$12,628,842
Liabilities and Shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities		\$109,061	\$299,740
		109,061	299,740
Non-current liabilities			
Unsecured notes payable	7	180,815	-
Warrant liability	7	19,550	-
		200,365	-
Total liabilities		\$309,426	\$ 299,740
Shareholders' Equity			
Capital stock	8	18,360,197	17,055,197
Stock option reserve	9	1,705,465	5,075,853
Warrants	10	-	2,755,973
Accumulated other comprehensive loss	6	24,546,993	
Retained earnings (deficit)		14,981,472	(14,617,652)
Total Shareholders' equity		59,594,127	10,269,371
Non-controlling interests		-	2,059,731
Total equity		59,594,127	12,329,102
Total liabilities and Shareholders' equity		\$59,903,553	\$12,628,842
Commitments and Contingent Liabilities (Note 12)			
Related Party Transactions (Note 14)			

On behalf of the Board "Kam Shah" Director "Declan Doogan" Director
(signed) (signed)

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

Portage Biotech Inc.

Consolidated Statements of Operations and Comprehensive Income (Loss) (US Dollars)

Year ended March 31,	Note	2017	2016	2015
Expenses				
Research and development		\$32,449,945	\$4,577,136	\$2,928,639
Consulting fees	13,14(ii)	1,922,735	4,014,260	1,072,700
Professional fees		633,990	501,273	224,033
Other operating costs	14(i)	484,519	95,336	91,686
Bank charges and interest		552,422	7,384	20,036
Impairment of office furniture and equipment		-	-	4,122
		36,043,611	9,195,389	4,341,216
Gain on investment at date of loss of control of subsidiary	6	(49,863,542)	-	-
Share of losses in associate	6	14,461,205	-	-
Net loss		(641,274)	(9,195,389)	(4,341,216)
Other comprehensive income				
Unrealized gain on Investment, available for sale		(24,546,993)	-	-
Total comprehensive Profit (loss) for year		\$23,905,719	\$(9,195,389)	\$(4,341,216)
Net profit (loss) attributable to:				
Owners of the Company		16,298,662	(5,706,189)	(3,118,431)
Non-controlling interest		(16,939,936)	(3,489,200)	(1,222,785)
		\$(641,274)	\$(9,195,389)	\$(4,341,216)
Net comprehensive Profit (loss) attributable to:				
Owners of the Company		40,845,655	(5,706,189)	(3,118,431)
Non-controlling interest		(16,939,936)	(3,489,200)	(1,222,785)
		\$23,905,719	\$(9,195,389)	\$(4,341,216)
Basic and diluted earnings (loss) per share				
Basic	11	\$0.06	\$(0.02)	\$(0.02)
Diluted	11	\$0.06	\$(0.02)	\$(0.02)

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

Schwartz Levitsky Feldman llp

CHARTERED ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS
TORONTO • MONTREAL



Portage Biotech Inc.

Consolidated Statements of Changes in Shareholders' Equity
For the Year ended March 31, 2017
(US Dollars)

	Number of Shares	Capital Stock	Stock Option Reserve	Warrants	accumulated other comprehensive income	Retained earnings (accumulated Deficit)	Non-controlling interest	Total Equity
Balance, April 1, 2014	180,775,790	\$7,256,715	\$ 362,440	\$ 1,108,402	\$ -	\$ (6,334,433)	\$ 2,678,317	\$ 5,071,441
Options vested			238,221					238,221
Options of subsidiary vested			711,858					711,858
Conversion of debts and coupons	3,500,001	315,000						315,000
Issued under private placement	20,000,000	2,000,000						2,000,000
Commitment fee settled in shares	1,000,000	100,000						100,000
Private placement underwriting costs	-	(100,000)						(100,000)
Value of shares issued as compensation	1,500,000	120,000						120,000
Net loss for year						(3,118,431)	(1,222,785)	(4,341,216)
Balance, March 31, 2015	206,775,791	\$9,691,715	\$1,312,519	\$1,108,402	\$ -	\$ (9,452,864)	\$1,455,532	\$4,115,304
Issued under private placement	43,488,670	6,155,080					-	6,155,080
Private placement finder's fee		(307,754)						(307,754)
Finder's fee settled in shares	2,174,433	307,754						307,754
Value of shares issued as compensation	1,000,000	100,000						100,000
shares and warrants issued by Biohaven to acquire intangible assets				\$2,755,973			280,000	3,035,973
Options vested			3,763,334					3,763,334
Transfer of carrying cost on expiration of warrants		1,108,402		(1,108,402)				-
Shares issued						541,401	3,813,399	4,354,800
Net loss for year						(5,706,189)	(3,489,200)	(9,195,389)

Balance, March 31, 2016	253,438,894	\$17,055,197	\$5,075,853	\$2,755,973	\$	-	(14,617,652)	\$2,059,731	\$12,329,102
-------------------------	-------------	--------------	-------------	-------------	----	---	--------------	-------------	--------------

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

Portage Biotech Inc.

Consolidated Statements of Changes in Shareholders' Equity: (Cont'd)
For the Year ended March 31, 2017
(US Dollars)

	Number of Shares	Capital Stock	Stock Option Reserve	Warrants	accumulated other comprehensive income	Retained earnings (accumulated Deficit)	Non- controlling interest	Total Equity		
Balance, April 1, 2016	253,438,894	\$17,055,197	\$5,075,853	\$2,755,973	\$	-	\$(14,617,652)	\$2,059,731	\$12,329,102	
Options vested			403,794					403,794		
Value of shares issued as compensation	7,250,000	1,305,000						1,305,000		
unrealized gain on investment, available for sale					24,546,993			24,546,993		
Loss of control of subsidiary	-	-	(3,774,182)	(2,755,973)		13,300,462	14,880,205	21,650,512		
Net income (loss) for year						16,298,662	(16,939,936)	(641,274)		
Balance, March 31, 2017	260,688,894	\$18,360,197	\$1,705,465	\$	-	\$24,546,993	\$14,981,472	\$	-	\$59,594,127

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

Schwartz Levitsky Feldman llp

CHARTERED ACCOUNTANTS
LICENSED PUBLIC ACCOUNTANTS
TORONTO • MONTREAL



Portage Biotech Inc.

Consolidated Statements of Cash Flows (US Dollars)

For the year ended March 31,	2017	2016	2015
Cash flows from operating activities			
Net loss for year	\$(641,274)	\$(9,195,389)	\$(4,341,216)
Adjustments for non-cash items:			
Value of shares and options expensed as consulting fee	1,696,927	3,810,260	876,221
Increase in warrant liability charged to interest	365	-	-
Impairment of office furniture and equipment	-	-	4,122
Gain on investment at date of loss of control of subsidiary	(49,863,542)	-	-
Share of losses in associate	14,461,205	-	-
Value of options expensed as research and development	11,867	53,074	136,632
Subsidiary's expenses to date of deconsolidation	33,064,238	-	-
Interest settled in shares	-	-	15,000
Net change in working capital components			
Prepaid expenses and other receivable	139,799	(186,365)	209,658
Accounts payable and accrued liabilities	(190,679)	(320,820)	485,814
	(1,321,094)	(5,839,240)	(2,613,769)
Cash flows into investing activities			
Acquisition of intangible by Biohaven	-	(1,000,000)	-
Disposal of cash on deconsolidation	(3,408,458)	-	-
Investment	-	(700,000)	-
	(3,408,458)	(1,700,000)	-
Cash flows from financing activities			
Shares issued under private placement	-	6,155,080	2,300,000
Unsecured notes payable	200,000	-	-
Shares issued by a subsidiary	-	4,354,800	-
	\$200,000	\$10,509,880	2,300,000
(Decrease) Increase in cash during year	(4,529,552)	2,970,640	(313,769)
Cash at beginning of year	4,688,929	1,718,289	2,032,058
Cash at end of year	\$159,377	\$4,688,929	1,718,289
Supplemental disclosures			
Non-cash investing activities			
Shares and warrants issued by subsidiary towards acquisition of intangible assets	-	(3,035,973)	-

	-	(3,035,973)	-
Non-cash financing activities			
Shares issued in settlement of finders' fees		(307,754)	-
		(307,754)	-

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

7

Portage Biotech Inc.

Notes to Consolidated Financial Statements

(US Dollars)

March 31, 2017 and 2016

1. NATURE OF OPERATIONS

Portage Biotech Inc. ("the Company") is incorporated in the British Virgin Islands ("BVI") with its registered office located at FH Chambers, P.O. Box 4649, Road Town, Tortola, BVI. Its Toronto agent, Portage Services Ltd., is located at 47 Avenue Road, Suite 200, Toronto, Ontario, M5R 2G3, Canada.

The Company is a reporting issuer with the Ontario Securities Commission and US Securities and Exchange Commission and its shares trade on the OTC Markets under the trading symbol "PTGEF," and are also listed for trading in US currency on the Canadian Securities Exchange under the symbol "PBT.U".

The Company is engaged in researching and developing pharmaceutical and biotech products through to clinical "proof of concept" with an initial focus on unmet clinical needs. Following proof of concept, the Company will look to sell or license the products to large pharmaceutical companies for further development and commercialization.

On October 18, 2016, a significant ownership dilution of the Company's investment in a subsidiary, Biohaven, occurred following the introduction of two major third party investors who agreed to finance Biohaven's future research and development activities in exchange for shares. As a result, the Company reassessed its ability to control Biohaven and concluded that it had lost control of the subsidiary. On February 17, 2017, following the resignation of one of the Company's representatives on Biohaven's Board, the Company further concluded it was unable to exert significant influence over Biohaven. See Notes 2(b) and 6.

The Company's subsidiaries are in the pre-clinical stage, and as such no revenue has been generated from their operations. The Company has negative cash flows from operating activities of approximately \$5 million during the year ended March 31, 2017.

Management has secured sufficient financing which it believes will enable it to meet its operating commitments. However, it will require additional resources to continue into clinical trials and/or for additional acquisitions. The Company has subsequent to the balance sheet date secured further financing (note 18) and also believes that it can also raise necessary financing by divesting some of its existing investment in the securities of a publicly traded entity once they are free of trading restrictions. The Company believes that these available resources will be sufficient to meet its cash requirements for its operational, portfolio expansion through strategic acquisitions and research and development activities.

2. BASIS OF PRESENTATION

(a) Statement of Compliance and Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), and interpretations of the International Financial Reporting Interpretations Committee.

These consolidated financial statements have been prepared on a historical cost basis except for items disclosed herein at fair value. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The Company has only one material operating segment.

These consolidated financial statements were approved and authorized for issue by the Audit Committee and Board of Directors on July 27, 2017.

8

2. BASIS OF PRESENTATION (cont'd)

b) Consolidation

The consolidated financial statements include the accounts of the Company and,

- a. Portage Services Ltd., a wholly owned subsidiary incorporated in Ontario on January 31, 2011.
- b. Portage Pharmaceuticals Ltd. ("PPL") a wholly owned subsidiary resulting from a merger on July 23, 2013 and is incorporated under the laws of the British Virgin Islands, as a BVI business company.
- c. EyGen Limited, ("EyGen") which is a wholly owned subsidiary of PPL, was incorporated on September 20, 2016 under the laws of the BVI.
- d. Biohaven Pharmaceutical Holding Company Limited ("Biohaven"), a private corporation incorporated in BVI on September 25, 2013. Biohaven financials were consolidated for the period from April 1, 2016 to September 30, 2016 and continued to be accounted on an equity basis until February 15, 2017. However, on February 15, 2017, the Company lost significant influence and as a result accounted for its investment in Biohaven at a fair value as explained in Note 6.

All inter-company balances and transactions have been eliminated on consolidation.

(c) Functional and presentation currency

The Company's functional and presentation currency is US Dollar.

(d) Use of Estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these 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. Significant areas where estimation uncertainty and critical judgments are applied include valuation of financial instruments, research and development costs, fair value used for acquisition, assessment of impairment in goodwill and other intangible assets and measurement of share-based compensation, in the current and prior years.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, which have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

Financial instruments

Financial assets

All financial assets are initially recorded at fair value and are designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company's cash is classified as FVTPL.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instrument (cont'd)

Financial assets classified as loans and receivables are measured at amortized cost using the effective interest method. The Company's advances and other receivables are classified as loans and receivables and investment is classified as available for sale.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The Company's trade and other payables are classified as other financial liabilities.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Warrant liability and note payable

The loan notes issued by PPL and EyGen have warrants attached to them which are convertible into common shares of PPL and EyGen respectively. Accordingly, at inception the warrant part is treated as an embedded derivative and recorded at fair value as a financial liability and the face value of the Loan note as a whole less the value of the warrant is recorded as a note payable.

At subsequent balance sheet dates the fair value of the warrant is remeasured with movements in the fair value being recorded in the income statement. The loan element is recorded at amortized cost and is subject to a notional interest charge in each reporting period which is recorded in the income statement.

Impairment of financial assets

The Company assesses at each date of the statement of financial position whether a financial asset is impaired.

If there is objective evidence that an impairment loss on assets carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is then reduced by the amount of the impairment. The amount of the loss is recognized in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed to the extent that the carrying value of the asset does not exceed what the amortized cost would have been had the impairment not been recognized. Any subsequent reversal of an impairment loss is reversed through profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Foreign currency translation

The functional and presentation currency of the Company and its subsidiaries (note 2(c)) is the US dollar. Monetary assets and liabilities are translated at exchange rates in effect at the balance sheet date. Non-monetary assets are translated at exchange rates in effect when they were acquired. Revenue and expenses are translated at the approximate average rate of exchange for the period. Foreign currency differences arising on retranslation are recognised in profit or loss.

Share-based payments

The Company accounts for share-based payments granted to directors, officers, employees and consultants using the Black-Scholes option-pricing model to determine the fair value of the plan at the grant date. Share-based payments to employees, officers and directors are recorded and reflected as an expense over the vesting period with a corresponding amount reflected in stock option reserve. On exercise, the associated amounts previously recorded in the stock option reserve are transferred to the common share capital.

The quoted market price of the Company's shares on the date of issuance under any share-based plan is considered as fair value of the shares issued.

Share-based payments to non-employees are recognized and measured at the date the services are received based on the fair value of the services received unless if the fair value of the services cannot be reliably measured in which case it is based on the fair value of equity instruments issued using the Black-Scholes option pricing model.

Accounting for equity units

When the Company issues Units under a private placement comprising of common shares and warrants, the Company follows the relative fair value method of accounting for warrants attached to and issued with common shares of the Company. Under this method, the fair value of warrants issued is estimated using a Black-Scholes option pricing model which is added to fair value of the common shares determined using the stock price at the date of issuance and the percentage relative to the fair values determined. The fair value of the common shares and the warrants are proportionately adjusted to the net proceeds received.

Loss per Share

Basic loss per share is calculated by dividing net loss (the numerator) by the weighted average number of common shares outstanding (the denominator) during the period. Diluted loss per share reflects the dilution that would occur if outstanding stock options and share purchase warrants were exercised or converted into common shares using the treasury stock method and are calculated by dividing net loss applicable to common shares by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued.

The inclusion of the Company's stock options and share purchase warrants in the computation of diluted loss per share would have an anti-dilutive effect on loss per share and are therefore excluded from the computation. Consequently, there is no difference between basic loss per share and diluted loss per share.

Investment

The investment is comprised of shares of a private company that have been acquired through a private placement. The investment is initially recorded at fair value. Following acquisition, the Company evaluates whether control or significant influence is exerted by the Company over the affairs of the investee company. Based on the evaluation, the Company accounts for the investment using either the consolidation, equity accounting or fair value method. The Company evaluates the investment each reporting period for evidence of impairment and adjusts the carrying value accordingly (see notes 1 and 6).

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Research and Development Expenses

(i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. No development costs have been capitalized to date.

Research and development expenses include all direct and indirect operating expenses supporting the products in development.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in profit or loss as incurred.

(iii) Clinical trial expenses:

Clinical trial expenses are a component of the Company's research and development costs. These expenses include fees paid to contract research organizations, clinical sites, and other organizations who conduct development activities on the Company's behalf. The amount of clinical trial expenses recognized in a period related to clinical agreements are based on estimates of the work performed using an accrual basis of accounting. These estimates incorporate factors such as patient enrolment, services provided, contractual terms, and prior experience with similar contracts

Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

Contingent liability:

A contingent liability is a possible obligation that arises from past events and of which the existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not within the control of the Corporation; or a present obligation that arises from past events (and therefore exists), but is not recognized because it is not probable that a transfer or use of assets, provision of services or any other transfer of economic benefits will be required to settle the obligation; or the amount of the obligation cannot be estimated reliably.

Determination of fair value

A number of the Company's accounting policies and disclosures required the determination of fair value, both for financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The fair value of prepaid expenses and receivable and accounts payable and accruals are equivalent to their carrying amounts due to the short term nature of these items.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Income Tax

The Company is a British Virgin Island corporation. The Government of British Virgin Islands does not, under existing legislation, impose any income, corporate or capital gains tax, estate duty, inheritance tax, gift tax or withholding tax upon the Company or its security holders. The British Virgin Islands is not party to any double taxation treaties.

New standards and interpretations not yet adopted

Standards issued but not yet effective up to the date of issuance of the Company's consolidated financial statements are listed below. This listing is of standards and interpretations issued which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

IAS 7 - Statement of Cash Flows

In February 2016, IASB published amendments of limited scope to IAS 7 - Statement of Cash Flows to require that companies provide information concerning changes in their financing liabilities. The amendments will apply prospectively to fiscal years beginning on or after January 1, 2017. Earlier application is permitted. These standards will have no material impact on the Company's financial statements.

IFRS 9 - *Financial Instruments*

The IASB intends to replace IAS 39, Financial Instruments: Recognition and Measurements, with IFRS 9, Financial Instruments. IFRS 9 will be published in six phases, of which the first phase has been published.

For financial assets, IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, and replaces the multiple rules in IAS 39. 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. For financial liabilities, the approach to the fair value option may require different accounting for changes to the fair value of a financial liability as a result of changes to an entity's own credit risk.

IFRS 9 (2014) is effective for the Company for annual periods beginning on April 1, 2018, but is available for early adoption. The Company has yet to assess the full impact of IFRS 9.

IAS 12 - *Income Taxes*

In January 2016, IASB published amendments to IAS 12 - Income Taxes on the accounting of deferred tax assets relating to unrealized losses. Essentially, these amendments aim to clarify when a deferred tax asset should be recognized regarding an unrealized loss. These amendments will apply to the financial statements of fiscal years beginning on or after January 1, 2017. These amendments will have no impact on the Company's financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd) New standards and interpretations not yet adopted – (Cont'd)

IFRS 15, Revenue from Contracts with Customers

IFRS 15, issued by the IASB in May 2014, is applicable to all revenue contracts and provides a model for the recognition and measurement of gains or losses from sales of some non-financial assets. The core principle is that revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. IFRS 15 is effective for annual periods beginning on or after January 1, 2018, and is to be applied retrospectively, with earlier adoption permitted. Entities will transition following either a full or modified retrospective approach. The Company does not believe that the above standard will have any impact on its financial statements.

IFRS 16, Leases

In January 2016, the IASB issued IFRS 16 which requires lessees to recognize assets and liabilities for most leases. Lessees will have a single accounting model for all leases, with certain exemptions. The new standard is effective January 1, 2019, with limited early application permitted. The new standard permits lessees to use either a full retrospective or a modified retrospective approach on transition for leases existing at the date of transition, with options to use certain transition reliefs. The Company does not believe that the above standard will have any impact on its financial statements.

IFRS 2, Share-based payments

In June 2016, the IASB issued amendments to IFRS 2 to clarify the classification and measurement of share-based payment transactions. The IFRS 2 is effective for annual periods beginning on or after January 1, 2018. The Company does not believe that the above standard will have any impact on its financial statements.

IFRIC 22, Foreign currency transactions and advance consideration

In December 2016, IFRIC issued an amendment to IFRIC 22 clarifying the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. IFRIC 22 is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted. The Company does not believe that the above standard will have any impact on its financial statements.

4. PREPAID EXPENSES AND OTHER RECEIVABLE

	2017	2016
Prepaid expenses	47,693	199,157
Other receivable (i)	16,448	4,783
	\$64,141	\$203,940

(i) The Company's wholly-owned subsidiary, PPL agreed to a settlement on October 19, 2016 with a supplier in respect of a claim made by PPL against the said supplier. As per the terms of this agreement, supplier agreed to pay a total of \$ 120,000 to PPL, of which \$41,250 was received during the year ended March 31, 2017 and balance payable in seven annual instalments of \$ 11,250 starting from January 3, 2018.

Accordingly, \$11,250 was classified as prepaid expenses and other receivable under current assets and the balance of \$67,500 classified as long term assets.

5. INVESTMENT

In August 2015, the Company acquired 210,210 Series A preferred stock in Sentien Biotechnologies Inc., a Medford, MA based private company ("Sentien") for \$ 700,000 in cash. The preferred stock is fully convertible into equal number of common shares. The Company's holdings represent 6.9% of the equity of Sentien on a fully diluted basis. The Company has determined that it has no significant control or influence over the affairs of Sentien and has therefore accounted for this investment at cost since these shares do not have a quoted price in an active market and the fair value cannot be reliably measured. Sentien raised \$12 million in April 2017 and commenced its Phase /12 clinical trial in June 2017 of its lead product SBI-101, a cell-containing dialysis device for the treatment of Acute Kidney Injury.

As at March 31, 2017, the Company has determined that there was no evidence of any impairment in the value of this investment and as a result no adjustment was considered necessary in its carrying value.

6. INVESTMENT, AVAILABLE FOR SALE

The Company held 52.85% of the issued outstanding shares of Biohaven as at March 31, 2016 and through a majority representation on Biohaven's Board, exercised control over the subsidiary. Accordingly, Biohaven was consolidated in accordance with IFRS 10. In May, June and July 2016, Biohaven raised additional financing in which the Company did not participate. This equity raise resulted in the Company's ownership interest being diluted to 48.45%. While the Company's shareholding in Biohaven was below 50%, management considered other factors including the representation on the board and concluded that it still had control and therefore consolidated Biohaven results and financial position as a subsidiary for the period from April 1, 2016 to September 30, 2016.

In October 2016, Biohaven secured an \$80 million equity funding commitment from third party investors. The first tranche of the financing, in the amount of \$40 million, closed in October 2016, after which the Company's ownership in Biohaven declined to 35.16% of Biohaven's outstanding capital stock. The second tranche of the financing, in the amount of \$40 million, closed in February 2017. Thus, with the presence of more significant third-party investment and potential future changes to the board structure, it was considered most likely that the Company's substantive position was moving away from control to significant influence. The Company therefore concluded that Biohaven ceased to be its subsidiary effective October 1, 2016 and recognized it as a disposal of the subsidiary and an investment in associate as per IFRS 10 and IAS 28.

As an associate, Company's investment in Biohaven was accounted for on an equity basis until February 15, 2017. The equity basis accounting involved taking that portion of Biohaven net income or loss proportionate to the Company's equity interest in Biohaven for the period from October 1, 2016 to February 15, 2017. Total loss of Biohaven for the period from October 1, 2016 to February 15, 2017 as per Biohaven's financial statements for the said period, prepared in accordance with IFRS, as adjusted by the Company for the equity accounting purposes, was \$37,712,760.

On February 15, 2017, several factors led the Company to conclude that it no longer had significant influence over Biohaven.

Therefore the Company accounted for its investment in Biohaven as a financial asset classified as "available-for-sale" effective February 15, 2017 and stated at a fair value as at March 31, 2017 based on the price of the last available third-party financing by Biohaven.

6. INVESTMENT, AVAILABLE FOR SALE – Cont'd

The accounting effects of the above changes included in these consolidated financial statements are as follows:

	\$	\$
Fair value of retained investment in former subsidiary, at 48.45% of the fair value of Biohaven based on the price of the last financing by Biohaven prior to September 30, 2016		48,826,747
Add: The carrying amount of former subsidiary:		
Biohaven Liabilities net of assets and goodwill consolidated at September 30, 2016 net of non-controlling interest at September 30, 2016		1,036,795
Gain on investment at date of loss of control of subsidiary		49,863,542
Carrying value of investment in Biohaven at October 1, 2016		48,826,747
Equity accounting between October 1, 2016 to February 15, 2017		
Share of net loss of Biohaven for the period from October 1, 2016 to February 15, 2017		(14,461,205)
Net carrying value of investment in Biohaven as at February 15, 2017		34,365,542
Gain on revaluation of Investment in Biohaven at fair value at March 31, 2017 charged to accumulated other comprehensive income		24,546,993
Investment (6,341,500 common shares), available for sale at fair value at March 31, 2017		58,912,535

Since the Company is currently considering divesting this investment by way of disposal or distribution as dividend once its lock up period expires in November 2017, it is classified as current assets.

7. UNSECURED NOTES PAYABLE

Effective March 7, 2017, the Company completed a private placement of unsecured notes in the aggregate principal amount of \$200,000 (the "March 2017 notes"). The notes bear interest at a rate of 7% per annum, payable annually on each anniversary date. The notes were not redeemable by the Company prior to maturity. The notes holders were granted a warrant to subscribe for \$7,500 new ordinary shares for every \$10,000 of note held, provided that certain qualifying event occurs within the three anniversary years of issuance. The exercise price of the warrant will be based on the price of equity shares determined by the qualifying event and the year in which it takes place. Given that there was an obligation to issue a variable number of shares, the warrant was classified as a financial liability. Accordingly, \$180,450 of the face value was ascribed to the note payable component and \$19,550 fair value was ascribed to the warrant. The value of note payable component was further increased by \$365 to \$180,815 as at March 31, 2017 representing the difference between the notional interest at 11% and actual interest at 7% being charged to interest expense.

Fair value was determined by reference to market transactions and similar debt instruments without warrants. The Company did not incur financing costs in connection with this placement of notes.

8. CAPITAL STOCK

(a) Authorized: Unlimited number of common shares

(b) Issued

	2017		2016	
	Common Shares	Amount	Common Shares	Amount
Balance, beginning of year	253,438,894	\$17,055,197	206,775,791	\$9,691,715
Expired warrants	-	-		1,108,402
Issued under private placement (ii.a and b)	-	-	43,488,670	6,155,080
Finder/Commitment fee settled in shares (ii.a and b)	-	-	2,174,433	307,754
Finder's fee/Underwriting costs (ii.a and b)	-	-		(307,754)
Shares issued as compensation (i) and (iii)	7,250,000	1,305,000	1,000,000	100,000
Balance, end of year	260,688,894	\$18,360,197	253,438,894	\$17,055,197

- (i) On March 21, 2017, four of the directors were issued 7,250,000 shares under the 2017 Consultants Stock Compensation Plan in lieu of cash fee for services provided. The shares were valued at \$1,305,000 based on the market price of the Company's common shares prevailing on the dates of their issuance. Since the shares were issued without any conditions of forfeiture or cancellation, the entire value was expensed during the year ended March 31, 2017 as consulting fee (note 13).
- (ii).a. On June 24, 2015, the Company completed a private placement comprising non-brokered offering of 36,822,003 restricted common shares at a price of US\$0.14 per share for gross proceeds of \$5,155,080 to accredited investors. Two directors subscribed approximately 11.4 million shares at a total cost of \$1.6 million. The private placement was done in two tranches. First tranche closed on June 15, 2015 and second one closed on June 24, 2015. MediqVentures Ltd., a private corporation owned by two of the directors of the Company and/or its nominees received 5% of the gross proceeds or \$257,754 as finder's fee as per the terms of the consulting agreement with them. The fee was settled by issuance of 1,841,100 restricted common shares valued at US\$ 0.14 per common shares.
- (ii).b. On March 31, 2016, the Company completed another private placement comprising non-brokered offering of 6,666,667 restricted common shares at a price of US\$ 0.15 per share for gross proceeds of \$ 1 million to accredited investors. Two directors of the Company subscribed for all the 6,666,667 million issued shares for \$1 million. MediqVentures Ltd., a private corporation owned by two of the directors of the Company and/or its nominees received 5% of the gross proceeds or \$50,000 as finder's fee as per the terms of the consulting agreement with them. The fee was settled by issuance of 333,333 restricted common shares valued at US\$ 0.15 per common shares.
- (iii) On February 25, 2016, the Chairman was issued 1,000,000 shares under the 2011 Consultants Compensation Plan in lieu of cash fee for services provided. The shares were valued at \$100,000 based on the market price of the Company's common shares prevailing on the dates of their issuance. Since the shares were issued without any conditions of forfeiture or cancellation, the entire value was expensed during the year ended March 31, 2016 as consulting fee (note 13).

8. CAPITAL STOCK. (Cont'd)

(c) As at March 31, 2017, the Company had the following active Consultant Stock Compensation Plan*:

	Date of registration*	Registered shares under Plan	Issued to March 31, 2016	As at April 1, 2016	issued	Cancelled	Balance at March 31, 2017
2011 Plan	11-Apr-11	6,000,000	(4,438,333)	1,561,667	-	-	1,561,667
2017 Plan	21-Mar-17	7,250,000	-	7,250,000	(7,250,000)	-	-
		13,250,000	(4,438,333)	8,811,667	(7,250,000)	0	1,561,667

* Registered with the Securities and Exchange Commission of the United States of America (SEC) as required under the Securities Act of 1933.

As at March 31, 2016, the Company had the following active Consultant Stock Compensation Plan:

	Date of registration*	Registered shares under Plan	Issued to March 31, 2015	As at April 1, 2015	issued	Cancelled	Balance at March 31, 2016
2011 Plan	11-Apr-11	6,000,000	(3,438,333)	2,561,667	(1,000,000)	-	1,561,667

(d) As required under listing requirements by Canadian Securities Exchange, the Company signed, on October 25, 2013, an escrow agreement with TMX Equity Transfer Services to escrow 88,444,293 of its common shares and 68,724,447 of its warrants issued to four insiders. The escrowed shares and warrants were to be released in agreed tranches over the period of three years. As at March 31, 2017, nil common shares (as at March 31, 2016: 26,533,294 common shares) were still under escrow. All warrants expired in June 2015 and were cancelled.

9. STOCK OPTION RESERVE

(a) The movements during the year were:

	2017	2016
Balance, beginning of year	\$5,075,853	\$1,312,519
Options vested during the year ((i) to (iv))	391,927	454,078
Options to acquire equity in PPL granted to PPL management and vested (v)	11,867	53,074
Options to acquire equity in Biohaven granted to Biohaven consultants and directors	-	3,256,182
Options granted by former subsidiary reversed on loss of control	(3,774,182)	-
Balance, end of year	\$1,705,465	\$5,075,853

(i) On October 11, 2016, The Board of Directors of the Company approved and issued total of 1,267,194 options to the two independent directors as joining bonus under the 2013 Option Plan. These options are valid for five years and are convertible into equal number of common shares of the Company at an exercise price of \$0.15 per common share. These Options will vest in four equal annual instalments starting from October 11, 2017.

9.(a)(i) STOCK OPTION RESERVE: (Cont'd)

The fair value of these options has been estimated using a Black-Scholes option pricing model with the following assumptions:

Risk free interest rate	1%
Expected dividend	Nil
Expected volatility	65.83%
Expected life	1825 days
Market price	US\$0.13

The fair value of the options as per the Black-Scholes option pricing model amounted to \$85,183. None of the options was vested on March 31, 2017. The value of the options will be accounted upon vesting of the related options as per the accounting policy.

- (ii) On December 19, 2016, The Board of Directors of the Company approved and issued total of 2,300,000 options to five consultants including 350,000 Options to the two independent directors for services provided under the 2013 Option Plan. These options are valid for five years and are convertible into equal number of common shares of the Company at an exercise price of \$0.15 per common share. These Options vested in equal monthly instalments over the two years starting from January 1, 2017.

The fair value of these options has been estimated using a Black-Scholes option pricing model with the following assumptions:

Risk free interest rate	1%
Expected dividend	Nil
Expected volatility	67.42%
Expected life	1826 days
Market price	US\$0.14

The fair value of the options as per the Black-Scholes option pricing model amounted to \$175,352. The value of the options vested during the year ended March 31, 2017 of \$62,988 was expensed and charged to the stock option reserve.

- (iii) On December 7, 2015 the Board of Directors of the Company approved and on January 21, 2016, issued total of 7,050,000 options to 8 consultants including 5,450,000 options to the four directors under 2013 Option Plan. These options are valid till December 7, 2020 and are convertible into equal number of common shares of the Company at an exercise price of \$0.15 per common share. The Options were registered with the US Securities and Exchange Commission on March 17, 2015 and will vest in 24 equal instalments over the next two years effective January 1, 2016.

The fair value of the options as per the Black-Scholes option pricing model amounted to \$509,499. Using the graded vesting method, the value of the options vested as at March 31, 2017 of \$276,779 (March 31, 2016 was \$187,408) was expensed and charged to the stock option reserve.

- (iv). The fair value of 5.3 million options granted on March 17, 2015 and vested during the year ended March 31, 2017 of \$52,160 (March 31, 2016 of \$266,670) was expensed and charged to the stock option reserve.
- (v) On March 1, 2015 and April 1, 2015, PPL granted options to its CEO and CSO respectively, to acquire additional 3% equity interest in PPL for an exercise price of \$74,996 vesting over two years in equal quarterly instalments and expiring in five years under new Option Agreements dated the dates of the grants. (note 9(vii))

The fair value of the options as per the Black-Scholes option pricing model amounted to \$64,941. Using the graded vesting method, the value of the options vested as at March 31, 2017 was \$11,867 (March 31, 2016 was \$53,074), which was included in research and development costs.

- (vi)a. The fair value of the options granted by Biohaven on November 26, 2014 and vested during the year ended March 31, 2017 of \$nil (March 31, 2016 - \$269,819) was expensed as consulting fee.

9.(a) STOCK OPTION RESERVE: continued.

(vi).b The fair value of the options granted by Biohaven on October 23, 2015 and vested during the year ended March 31, 2017 of \$nil (March 31, 2016 of \$2,986,363) was expensed as consulting fee.

(b). The following is a summary of all active Stock Option Plans:

Stock Option Plan	As at	As at March 31, 2016		
	March 31, 2017	2005 Option Plan	2013 Option Plan	Total
Plan	2013 Option Plan			
Date of Registration	Dec 19, 2013 and March 17, 2015	Dec 5, 2005	Dec 19, 2013 and March 17, 2015	
Registered *	26,068,889	1,000,000	20,167,579	21,167,579
Issued to beginning of year	16,750,000	1,000,000	9,750,000	10,750,000
Outstanding, beginning of year	16,750,000	560,000	9,700,000	10,260,000
Issued	3,567,194	-	7,050,000	7,050,000
Exercised	-	-	-	-
Expired	-	(560,000)	-	(560,000)
Outstanding, end of year	20,317,194	-	16,750,000	16,750,000
Options fully vested	14,489,583	-	7,931,246	7,931,246
Options not yet vested	5,827,611	-	8,818,754	8,818,754
	20,317,194	-	16,750,000	16,750,000

* The maximum number of common shares for issuance at any time pursuant to this Plan shall not exceed 10% of the issued and outstanding shares. Based on this, total available options for issuance as at March 31, 2017 was 26,068,889.

* Registered with the Securities and Exchange Commission of the United States of America (SEC) as required under the Securities Act of 1933. On March 17, 2015, the Company filed form S-8 with SEC registering an additional 15,717,579 options under 2013 Stock Option Plan.

(c) The weighted average exercise price of the outstanding stock options was US\$0.15 as at March 31, 2017 (US\$0.15 as at March 31, 2016) and weighted average remaining contractual life was approximately 3.25 years as at March 31, 2017.(approximately 3.95 years as at March 31, 2016).

The options can be exercised at any time after vesting within the exercise period in accordance with the applicable option agreement. The exercise price was more than the market price on the date of the grants for all options outstanding as at March 31, 2017 and March 31, 2016.

10. WARRANTS

(i) The movements during the year were as follows:

Year ended March 31,	2017			2016		
	# of warrants	Weighted average exercise price	Fair value	# of warrants	Weighted average exercise price	Fair value
Issued and outstanding, beginning of year	1,200	\$2,800	2,755,973	87,906,420	\$0.30	1,108,402
Exercised	-	-	-	-	-	-
Expired	-	-	-	(87,906,420)	(0.30)	(1,108,402)
Warrants issued by Biohaven to acquire intangible assets				1,200	2,800	2,755,973
Reversed on loss of control of Biohaven	(1,200)	(2,800)	(2,755,973)			
Issued and outstanding, end of year	-	\$ -	\$ -	1,200	\$2,800	\$2,755,973

11. EARNINGS (LOSS) PER SHARE

Year ended March 31,	2017	2016	2015
Numerator			
Net profit(loss) attributable to owners of the Company	\$16,298,662	\$(5,706,189)	\$(3,118,431)
Denominator			
Weighted average number of shares - Basic	254,043,061	239,745,044	193,442,457
Diluted effect of average number of options	18,150,264	-	-
Weighted average number of shares - Diluted	272,193,325	239,745,044	193,442,457
Basic earnings (loss) per share	\$0.06	\$(0.02)	\$(0.02)
Diluted earnings (loss) per share	\$0.06	\$(0.02)	\$(0.02)

Inclusion of the options in the computation of diluted loss per share would have an anti-dilutive effect on the loss per share and are therefore excluded from the computation. Consequently, there is no difference between loss per share and diluted loss per share for the years ended March 31, 2016 and 2015.

12. COMMITMENTS AND CONTINGENT LIABILITIES

- (a) Under the terms of the License Agreement dated January 25, 2013, PPL is required to reimburse to the Licensor, Trojan Technologies Limited, 50% of all maintenance costs of the US Patent # 7,968,512 and to pay royalties of 3% on Net Receipts from sales of the Licensed Product and 5% on Net Receipts from third parties in respect of development or other exploitation of Licensed Intellectual Property and/or Licensed Products up to a maximum of \$ 30 million.
- (b) PPL has extended consulting contracts with its Chief Executive Officer and Chief Scientific Officer expiring on March 31, 2018 and carrying a total monthly commitment of \$22,667. Early termination without cause would require a lump sum compensation of \$ 75,000 to be paid to the two consultants.

13. CONSULTING FEES

Year ended March 31,	2017	2016	2015
Cash fee	\$225,808	\$204,000	\$196,479
Shares and Options issued to management and directors	1,571,851	466,262	277,226
Options issued to others	125,076	87,816	80,995
Biohaven options granted to the Company's directors	-	1,018,692	174,825
Biohaven options granted to Biohaven consultants and management		2,237,490	343,175
	\$1,922,735	\$4,014,260	\$1,072,700

14. RELATED PARTY TRANSACTIONS

All related party transactions occurred with key management personnel. Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Board of Directors, Chairman, Chief Executive Officer and Chief Financial Officer are key management personnel.

Related party transactions have been listed below, unless they have been disclosed elsewhere in the consolidated financial statements.

- (i) Business expenses of \$3,491 (2016: \$2,701, 2015: 6,145) were reimbursed to directors of the Company.
- (ii) Consulting fees include cash fee paid to key management for services of \$ 180,000 (2016: \$180,000, 2015: \$180,000). Refer to notes 8(i) ,9(a) and 13 for shares and options issued to key management in lieu of fees.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company's financial instruments recognized in the balance sheet consist of the following:

Year ended March 31,	2017		2016	
	Carrying value	Fair value	Carrying value	Fair value
<u>Financial assets</u>				
Cash (level 1)	159,377	159,377	4,688,929	4,688,929
Advances and other receivable (level 2)	131,641	131,641	203,940	203,940
Investment (level 3)	700,000	700,000	700,000	700,000
Investment, available for sale (level 3)	35,365,542	58,912,535	-	-
<u>Financial liabilities</u>				
Accounts payable and accrued liabilities (level 2)	109,061	109,061	299,740	299,740
Unsecured notes payable (Level 2)	200,000	180,815	-	-

Fair value estimates are made at a specific point in time, based on relevant market information and information about financial instruments. These estimates are subject to and involve uncertainties and matters of significant judgment, therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT: (continued.)

A summary of the Company's risk exposures as it relates to financial instruments are reflected below:

a) *Fair value of financial instruments*

The Company's financial assets and liabilities are comprised of cash, receivable and investments in equities and private entities, accounts payable and accrued liabilities, warrant liability and unsecured notes payable.

The Company classifies the fair value of these transactions according to the following fair value hierarchy based on the amount of observable inputs used to value the instrument:

- Level 1 – Values are based on unadjusted quoted prices available in active markets for identical assets or liabilities as of the reporting date.
- Level 2 – Values are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace. Prices in Level 2 are either directly or indirectly observable as of the reporting date.
- Level 3 – Values are based on prices or valuation techniques that are not based on observable market data. Investment is classified as level 3 financial instrument.

Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy.

The Company's financial instruments are exposed to certain financial risks: credit risk and liquidity risk.

b) **Credit risk**

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The credit risk is attributable to various financial instruments, as noted below. The credit risk is limited to the carrying value amount carried on the statement of financial position.

- a. Cash– Cash is held with major international financial institutions in Canada and therefore the risk of loss is minimal.
- b. Other receivable – The Company is exposed to credit risk attributable to customers since a significant portion of this amount represents the amount agreed on a settlement of a claim by PPL (Note 4) payable over the next seven years. The debtor has so far been diligent in paying the amounts on due dates and PPL management will be monitoring the account on a regular basis.

c) **Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in satisfying financial obligations as they become due.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation. The Company holds sufficient cash to satisfy obligations under accounts payable and accruals.

The Company monitors its liquidity position regularly to assess whether it has the funds necessary to take care of its operating needs and needs for investing in new projects. The Company believes that it will require further funding to finance the committed drug development work apart from meeting its operational needs for the foreseeable future. However, the exact need for additional cash cannot be reasonably ascertained at this stage. The Company has already initiated actions to secure further funds through equity financing at its subsidiary level and potential partnership arrangement.

15. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT: (continued.)

Liquidity risk: (continued.)

The above liquidity risk has been mitigated by the fact that the Company has investments that can be disposed of, the proceeds of which can be utilized to meet its cash flow requirements for the next twelve months.

However, as a biotech company at an early stage of development and without significant internally generated cash flows, there are inherent liquidity risks, including the possibility that additional financing may not be available to the Company, or that actual drug development expenditures may exceed those planned. The current uncertainty in global markets could have an impact on the Company's future ability to access capital on terms that are acceptable to the Company. There can be no assurance that required financing will be available to the Company.

16. CAPITAL DISCLOSURES

The Company considers the items included in Shareholders' Equity as capital. The Company had payables of approximately \$ 0.1 million as at March 31, 2017 (approximately \$ 0.3 million as at March 31, 2016) and current assets, mostly in cash, of approximately \$0.2 million (approximately \$4.9 million as at March 31, 2016). The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue new business opportunities and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets or adjust the amount of cash.

As at March 31, 2017, the shareholders' equity was approximately \$ 59.6 million (approximately \$ 10.2 million as at March 31, 2016), \$0.2 million (\$ 4.7 million as at March 31, 2016) of it was held in the form of cash. In addition, as at March 31, 2017, the Company holds equity investment in Biohaven whose common shares have, subsequent to the balance sheet date, began trading on New York Stock Exchange. The Biohaven common shares held by the Company are currently under trading restrictions until November 2017. However, after the expiry of the trading restriction, the Company may decide to generate required cash through disposal of some of its Biohaven shares in the open market.

The Company is not subject to any externally imposed capital requirements and does not presently utilize any quantitative measures to monitor its capital. There have been no changes to the Company's approach to capital management during the years ended March 31, 2017 and March 31, 2016.

17. EVENTS AFTER THE BALANCE SHEET DATE

- (i) In May 2017, Biohaven closed an initial public offering of 11,385,000 common shares at \$17 per share for aggregate gross proceeds of approximately \$193.5 million,
- (ii) On June 14, 2017, a director of the Company exercised 3,239,589 of his options for \$485,938.