Portage Biotech Inc.

Consolidated Interim Financial Statements

For the three and nine months ended December 31, 2014

Unaudited – Prepared by Management

(US Dollars)

Portage Biotech Inc.

Consolidated Interim Financial Statements
For the Three and Nine Months Ended December 31, 2014

(US Dollars)

Index

NOTICE TO READER OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The consolidated interim financial statements for Portage Biotech Inc. comprised of the consolidated interim statements of financial position as at December 31, 2014 and for the year ended March 31, 2014, the consolidated interim statement of operations for the three and nine month period ended December 31, 2014, and the statement of changes in equity and cash flows for the nine month period ended December 31, 2014 are the responsibility of the Company's management.

The consolidated interim financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these consolidated interim financial statements in accordance with International Financial Reporting Standards.

The consolidated interim financial statements have not been reviewed by the Company's independent external auditors, Schwartz Levitsky Feldman LLP.

"signed"
Kam Shah CPA,C.A., Director

"signed"
Declan Doogan MD, Director

February 10, 2015

Portage Biotech Inc.

Consolidated Interim Statements of Financial Position
(US Dollars)
(Unaudited – see Notice to Reader dated January 30, 2015)

As at ,	Note	December 31, 2014	March 31, 2014
Assets			
Current			
Cash	4	$ 2,725,987	$ 2,032,058
Advances and other receivable		15,443	227,233
		$ 2,741,430	$ 2,259,291
Long-term assets			
Goodwill and Intangible assets	5	3,000,000	3,000,000
Office equipment and furniture		3,396	4,122
Total assets		$ 5,744,826	$ 5,263,413
Liabilities and Shareholders' equity			
Current liabilities			
Accounts payable and accrued liabilities	7(d)	1,016,493	191,972
		$ 1,016,493	$ 191,972
Shareholders' Equity			
Capital stock	6	9,571,715	7,256,715
Stock option reserve	7	600,661	362,440
Warrants	8(a)	1,108,402	1,108,402
Deficit		(8,485,939)	(6,334,433)
Total Shareholders' equity		$ 2,794,839	$ 2,393,124
Non-controlling interests		$ 1,933,494	$ 2,678,317
Total equity		4,728,333	5,071,441
Total liabilities and Shareholders' equity		$ 5,744,826	$ 5,263,413
Commitments and Contingent Liabilities (Note 10)			
Related Party Transactions (Note 12)			

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

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

Portage Biotech Inc.

Consolidated Interim Statements of Operations and Comprehensive Loss
(US Dollars)
(Unaudited – see Notice to Reader dated January 30, 2015)

		Three months ended December 31,		Nine months ended December 31	
	Note	**2014**	2013	**2014**	2013
Expenses					
Research and development	**7(d) ,10((b) to (f)))**	**703,138**	114,047	**2,231,849**	402,790
Consulting fees	**10(a), 11 and 12**	**77,179**	85,427	**383,700**	150,704
Professional fees		**71,133**	31,085	**174,377**	141,165
Bank charges and interest	**6(b)(i)**	**1,685**	811	**18,497**	2,884
Office and general		**23,822**	15,755	**36,001**	31,962
Payroll		**(120)**	13,885	**9,341**	28,283
Travel, meals and promotions	**12**	**834**	6,588	**9,036**	11,911
Shareholders' information		**3,500**	4,695	**11,651**	16,304
Rent		**3,596**	4,977	**11,174**	13,403
Transfer agents fees		**2,815**	5,104	**5,772**	10,345
Exchange loss (gain)		**(56)**	211	**1,413**	(8,092)
Communication		**1,144**	1,365	**2,792**	2,267
Amortization		**242**	297	**726**	759
Acquisition related costs		**-**	7,973	**-**	3,834,298
		$888,912	$292,220	**$2,896,329**	$4,638,983
Net loss and comprehensive loss for period		**$ (888,912)**	$ (292,220)	**$ (2,896,329)**	$ (4,638,983)
Net loss and comprehensive loss attributable to :					
Owners of the Company		**$ (637,153)**	**$ (292,220)**	**(2,151,506)**	(4,638,983)
Non-controlling interest		**(251,759)**	-	**(744,823)**	-
		$ (888,912)	$ (292,220)	**$ (2,896,329)**	$ (4,638,983)
Basic and diluted loss per share					
Net Loss per share	**9**	**$ (0.00)**	$ (0.00)	**$ (0.01)**	**$ (0.03)**

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

Portage Biotech Inc.

Consolidated Interim Statements of Changes in Shareholders' Equity
For the Nine Months ended December 31, 2014
(US Dollars)
(Unaudited – see Notice to Reader dated January 30, 2015)

	Number of Shares	Capital Stock	Stock Option Reserve	Warrants	Accumulated Deficit	Non-controlling interest	Total Equity
Balance, April 1, 2013	**81,759,076**	**$ 503,495**	**$ -**	**$ -**	**$ (29,486)**	**$ -**	**$ 474,009**
Issued on reverse acquisition (Note 2)	81,759,076	1,761,413		1,108,402			2,869,815
Issued for financial advisory services	9,811,091	3,826,325					3,826,325
Exercise of warrants	950,000	125,000					125,000
Issued as compensation	4,000,000	691,000					691,000
Options vested			94,207				94,207
Exercise of options	1,996,547	299,482					299,482
Net loss for year					(4,638,983)	-	(4,638,983)
Balance, December 31, 2013	**180,275,790**	**$ 7,206,715**	**$ 94,207**	**$ 1,108,402**	**$ (4,668,469)**	**$ -**	**$ 3,740,855**
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
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 common shares	1,000,000	100,000					100,000
Private placement underwriting costs		(100,000)					(100,000)
Net loss for period					(2,151,506)	(744,823)	(2,896,329)
Balance, December 31, 2014	**205,275,791**	**$ 9,571,715**	**$ 600,661**	**$ 1,108,402**	**(8,485,939)**	**$ 1,933,494**	**$ 4,728,333**

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

Portage Biotech Inc.

Consolidated Interim Statements of Cash Flows
(US Dollars)
(Unaudited – see Notice to Reader dated January 30, 2015

For the nine months ended December 31,		2014	2013
Cash flows from operating activities			
Net loss for period		$ (2,896,329)	(4,638,983)
Adjustments for non-cash items:			
Amortization of office equipment and furniture		726	759
Value of shares and options expensed as consulting fee upon vesting		238,221	40,723
Value of shares issued to settle coupons expensed as interest		15,000	-
Value of options granted to two PPL consultants expensed upon vesting		84,881	-
Acquisition related costs		-	3,826,325
Net change in working capital components			
Advances and other receivables		211,790	230,077
Accounts payable and accrued liabilities		739,640	(213,992)
		$ (1,606,071)	$ (755,091)
Cash flows from financing activities			
Cash received on reverse acquisition		-	3,006,593
Options and warrants excercised		-	424,482
Capital contribution (note 6(i) and (ii))		2,300,000	192,858
		$ 2,300,000	$ 3,623,933
(Decrease) Increase in cash during period		693,929	2,868,842
Cash at beginning of period		2,032,058	190,960
Cash at end of period		$ 2,725,987	$ 3,059,802
Supplemental disclosures			
Non-cash investing activities			
Value of shares and warrants issued on acquisition		-	(2,869,815)
		-	(2,869,815)

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Portage Biotech Inc. ("the Company") was operating as an Ontario, Canada incorporated company, Bontan Corporation Inc. ("Bontan"), until July 5, 2013. On July 5, 2013 Bontan changed its name to the current name and was issued a certificate of Continuance by the Registrar of Corporate Affairs of the British Virgin Islands ("BVI").

The Company now continues as a BVI incorporated company with its registered office located at FH Chambers, P.O. Box 4649, Road Town, Tortola, BVI. Its Toronto agent is located at 47 Avenue Road, Suite 200, Toronto, Ontario, M5R 2G3, Canada.

The Company is a reporting issuer with Ontario Securities Commission and US Securities and Exchange Commission and its shares trade in 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.

The Company is in the pre-clinical stage, and as such no revenue has been generated from its operations. The Company has accumulated losses of approximately $8.5 million and has negative cash flows from operating activities of approximately $1.6 million during the nine months ended December 31, 2014.

Management has secured sufficient equity financing which it believes will enable it to complete its pre-clinical work and other commitments. However, it will require additional resources to continue into clinical trials and/or for additional acquisitions The Company continues to obtain financing, although there are no assurances that the management's plan will be realized. These conditions indicate the existence of a material uncertainty that raises substantial doubt about the Company's ability to continue as a going concern. The consolidated Interim financial statements do not include any adjustments related to the recoverability and classification of recorded asset amounts, or the amounts and classification of liabilities, which might be necessary should the Company be unable to continue its operations.

2. BASIS OF PRESENTATION

(a) Statement of Compliance and Basis of presentation

These consolidated Interim financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), IAS 34 *Interim Financial Reporting* and interpretations of the International Financial Reporting Interpretations Committee. These consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the audited consolidated financial statements of the Company for the year ended March 31, 2014.

These consolidated interim financial statements have been prepared on a historical cost basis except for stock based compensation and warrants which are measured at fair value as detailed in Notes 7 and 8 to these financial statements. In addition, these consolidated interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The Company has no requirement to report on segments as it operates as only one segment.

These consolidated interim financial statements were approved and authorized for issue by the Audit Committee and Board of Directors on January 30, 2015.

(b) Consolidation

The consolidated interim 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. a wholly owned subsidiary incorporated on April 5, 2013 under the laws of the BVI, as a BVI business company.
c. Biohaven Pharmaceutical Holding Company Limited ("Biohaven), a private corporation incorporated in BVI on September 25, 2013. The Company acquired approximately 54% equity in Biohaven on January 6, 2014.

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 interim 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 and measurement of share- based compensation.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies are set out in Note 4 to the fiscal 2014 audited consolidated financial statements. These policies have been applied consistently to all periods presented in these consolidated interim financial statements,

New standards and interpretations not yet adopted

Standards issued but not yet effective up to the date of issuance of the Company's interim 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.

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.

4. CASH

Cash includes $ 1,476,509 (2013: Nil) held in trust by a US lawyer, pending opening of a bank account by Biohaven. There are no restrictions on use of cash.

5. GOODWILL AND INTANGIBLE ASSETS

On January 6, 2014, the Company acquired approximately 54% equity in Biohaven. The non-controlling interests in Biohaven on the date of acquisition was valued at $ 3 million based on their 46% equity being valued on the basis of the price the Company paid for 54% equity in Biohaven. In absence of any net tangible assets in Biohaven on the date of the acquisition, the entire amount was treated as goodwill and intangible assets as per *IFRS 3 – business combinations*.

The initial accounting for the business combination was incomplete by the end of the reporting period in which the combination occurred and as a result the Company has reported provisional amounts for the items during the measurement period (which cannot exceed one year from January 6, 2014) and which may result in additional assets or liabilities, including income taxes, being recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

As at December 31, 2014 no new information was available which would change the amount recognized.

6. CAPITAL STOCK

(a) Authorized**:** Unlimited number of common shares

(b) Issued

	As at December 31, 2014		As at March 31, 2014	
	Common Shares	**Amount**	Common Shares	Amount
Balance , beginning of period	**180,775,790**	**$ 7,256,715**	81,759,076	$ 503,495
Issued on acquisition of PPL	**-**	**-**	81,759,076	1,761,413
Issued for financial advisory services in connection with the acquisition of PPL	**-**	**-**	9,811,091	3,826,325
Conversion of debts and coupons (i)	**3,500,001**	**315,000**	-	-
Exercise of warrants	**-**	**-**	1,450,000	175,000
Exercise of options	**-**	**-**	1,996,547	299,482
Issued under private placement (ii)	**20,000,000**	**2,000,000**		
commitment fee settled in common shares (ii)	**1,000,000**	**100,000**		
Underwriting costs		**(100,000)**		
Shares issued as compensation	**-**	**-**	4,000,000	691,000
Balance, end of period	**205,275,791**	**$ 9,571,715**	180,775,790	$ 7,256,715

(i) On July 24, 2014, The Company raised $ 300,000 through issuance of convertible promissory notes to three lenders, each advancing $ 100,000. Two of the lenders are the directors of the Company. The note was for one year, carried a 5% coupon, payable in shares, to be valued at 10% discount to the next financing, due on maturity at the time of conversion or repayment. The amount repayable under the notes was convertible at the lender's' option into common shares of the Company at the time of the next financing to be priced at the price set for the next financing discounted by 10%. On September 29, 2014, all notes and related coupons were settled through issuance of 3,500,001 restricted common shares at the option of the note holders. The common shares were valued at $ 0.09 being the price of $ 0.10 per common share of a recent private placement (see (ii) below) discounted by 10% as per the conversion terms. $ 15,000 being the value of the coupons was expensed as interest cost.

(ii) On October 15, 2014, the Company completed a private placement comprising non-brokered offering of 20 million restricted common shares at a price of US$ 0.10 per share for gross proceeds of o $ 2 million to accredited investors .Two directors of the Company who agreed to provide standby commitments in respect of the Private Placement by subscribing for that portion of the Private Placement not otherwise subscribed for by outside investors, up to a maximum of US$ 1 million each, received a standby commitment fee of $50,000 each, settled in one million restricted common shares of the Company.

(c) As at December 31, 2014, the Company had the following active Consultant Stock Compensation Plan:

	Date of registration *	**Registered shares under Plan**	**Issued to March 31, 2014**	**As at April 1, 2014**	**(see (c) above)**	**Cancelled (i)**	**Balance at December 31, 2014**
2011 Plan	11-Apr-11	6,000,000	(1,938,333)	4,061,667	-	-	4,061,667

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

(f) 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 have 88,444,293 of its common shares and 68,724,447 of its warrants issued to four insiders under an escrow arrangement. The escrowed shares and warrants will be released in agreed tranches over the period of three years. As at December 31 2014, 53,066,580 common shares and 41,234,670 warrants are still under escrow.

7. STOCK OPTION PLANS

(a) Stock option reserve:

	As at December 31, 2014	As at March 31, 2014
Balance, at beginning of period	**$ 362,440**	$ -
Vested during the period (net) (a)	**238,221**	362,440
Balance, end of period	**$ 600,661**	$ 362,440

Stock option reserve comprises value of vested options granted and fully vested up to December 31, 2014. The value of the options vested during the period was expensed as consulting fee (note 11, after offsetting the value of options not vested of $3,394 related to employee who left the service during the period.

(b) The following is a summary of all active Stock Option Plans as at December 31, 2014:

Plan	2005 Stock Option Plan	2013 Option Plan	
Date of Registration	Dec. 5, 2005	Dec 19, 2013	Total
Registered *	1,000,000	4,450,000	5,450,000
Issued	1,000,000	4,450,000	5,450,000
Outstanding, April 1, 2014	560,000	4,450,000	5,010,000
Issued	-	-	-
Exercised	-	-	-
Expired	-	(50,000)	(50,000)
Outstanding, September 30, 2014	**560,000**	**4,400,000**	**4,960,000**

All options were fully vested as at December 31, 2014.

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

(c) The weighted average exercise price of the outstanding stock options was US$0.22 as at December 31, 2014 and weighted average remaining contractual life was approximately 3.58 years.

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 December 31, 2014.

(d) The Company's wholly owned subsidiary, PPL granted 33,542 options to its two consultants to acquire equal number of shares in PPL at an exercise price of $1.10 per PPL share. The options are to be vested over two years by March 31, 2016 and are valid for five years from the date of grant. None of the options have so far been exercised. The options were valued at their intrinsic value of $173,406, based on the value offered to PPL for its shares under the reverse take-over transaction explained in Note 2(i) of the fiscal 2014 audited financial statements. This is treated as cash-settled share-based payment transaction as per IFRS 2. $ 84,881 of the total representing the value of options vested during the nine months ended December 31, 2014 was therefore expensed as consulting fee and included as part of research and development expenses and related liability included in accounts payable and accrued liabilities.

8. WARRANTS

(a) . The movements during nine months ended December 31, 2014 and the year ended March 31, 2014 were as follows:

	# of warrants	Weighted average exercise price	Fair value	# of warrants	Weighted average exercise price	Fair value
	nine months to Dec. 31, 2014			Year ended March 31, 2014		
Issued and outstanding, beginning of period	**114,281,420**	**$ 0.31**	**$ 1,108,402**	66,071,420	$ 0.29	
Issued on acquisition (Note 2 and 8(ii))	**-**			71,456,420	$ 0.29	$ 1,108,402
Exercised	**-**			(1,450,000)	$ (0.12)	
Expired	**(10,747,500)**	**$ (0.35)**		(21,796,420)	$ (0.19)	
Issued and outstanding, March 31, 2014 and September 30, 2014	**103,533,920**	**$ 0.31**	**1,108,402**	114,281,420	$ 0.31	$ 1,108,402

(b) Details of weighted average remaining life of the warrants granted and outstanding are as follows:

	As at December 31, 2014		As at March 31, 2014	
	Warrants outstanding & exercisable		Warrants outstanding & exercisable	
Exercise price in US$	**Number**	**Weighted average remaining contractual life (years)**	Number	Weighted average remaining contractual life (years)
0.29	**71,456,420**	**0.42**	71,456,420	1.18
0.35	**150,000**	**0.04**	1,300,000	0.64
0.35	**31,927,500**	**0.23**	41,525,000	1.18
	103,533,920	**0.36**	114,281,420	1.08

9. LOSS PER SHARE

Loss per share is calculated on the weighted average number of common shares outstanding during the three and nine months ended December 31, 2014, which was 205,275,791 and 189,331,346 respectively. (Three and nine months ended December 31, 2013: 177,609,123 and 145,214,63 respectively).

The Company had approximately 104 million warrants (December 31, 2013: 137 million) and 5 million options (December 31, 2013: 8 million) which were not exercised as at December 31, 2014. Inclusion of these warrants and 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.

10. COMMITMENTS AND CONTINGENT LIABILITIES

(a) The Company entered into a consulting contract with Mr. Kam Shah, the Chief Financial Officer on April 1, 2005 for a five-year term. This term was extended by another five years to March 31, 2015 by the audit committee on April 1, 2010. Mr Shah’s monthly fee is $15,000 plus taxes. Further, the contract provides for a lump sum compensation of US$250,000 for early termination of the contract without cause. The contract also provides for entitlement to stock compensation and stock options under appropriate plans as may be decided by the board of directors from time to time.

(b) 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. Total amount that may be payable in future under the terms of the Agreement cannot be reasonably estimated at this time.

(c) PPL has signed consulting contracts with its Chief Executive Officer and Chief Scientific Officer expiring in or around March 2015 and carrying a total monthly commitment of $21,250.Early termination without cause would require a lump sum compensation of $ 75,000 to be paid to the two consultants.

(d) Biohaven has signed a Master Service Agreement on January 31, 2014, as subsequently amended in April 2014, with Biohaven Pharmaceuticals Inc, a private Delaware incorporated research and development company ("BPI"). BPI is owned by non-controlling shareholders of Biohaven and is engaged by Biohaven to conduct, on behalf of Biohaven, research and development services relating to identification and development of clinical stage neuroscience compounds targeting the glutamatergic system. The agreement expires on December 31, 2018 and will automatically renew on a year to year basis. Either party can terminate the agreement upon ninety days prior notice. Agreed fee for the period up to June 30, 2015 is $ 3 million payable in quarterly instalment commencing from March 1, 2014.

(e) On March 3, 2014, Biohaven signed a contract with an independent manufacturing organization to investigate technical feasibility of developing a new formulation for Bio haven using nanosuspension and emulsion formulation approaches. The contract is approximately for fifty five weeks involving several agreed milestones for a total price of approximately $ 345,000, which is payable by BPI as agent out of the fees payable to BVI as detailed in note 10(d) above.

(f) Under the terms of the License Agreement dated September 16, 2013 signed with Yale University, Biohaven is required to pay to the Licensor a milestone royalty of $ 2 million within six months of receiving approval of an NDA (New Drug Application) and pay earned royalty at 3% on worldwide annual net sales of the licensed products, subject to minimum royalty payment of $ 300,000 in the year one, $ 600,000 in year two, $ 750,000 in year three and $ 1 million from year four onwards subject to reduction ranging from 33% to 95% depending on sales of generic exceeding an agreed market share on a country by country basis and further reduction by 50% is licensee is required to pay third party royalties. Total amount that may be payable in future under the terms of the Agreement cannot be reasonably estimated at this time. Licensor also has right to purchase in cash up to 10% of any securities offered in future financing.

11. CONSULTING FEE

		Three months ended December 31,		Nine months ended December 31,	
	Notes	**2014**	2013	**2014**	2013
Cash fee		**$ 55,000**	44,704	**$ 145,479**	109,981
Options issued to key managemen	7 (a)	**15,179**	-	**155,977**	-
Options issued to others	7 (a)	**7,000**	40,723	**82,244**	40,723
		$ 77,179	$ 85,427	**$ 383,700**	$ 150,704

12. RELATED PARTY TRANSACTIONS

Transactions with related parties are incurred in the normal course of business and are measured at the exchange amount, which is the amount of consideration established and agreed to between the related parties. Related party transactions and balances have been listed below, unless they have been disclosed elsewhere in the consolidated financial statements.

	Three months ended December 31,		**Nine months ended December 31,**	
	2014	2013	**2014**	2013
Business expenses reimbursed to directors	625	2,314	**9,007**	8,722
consulting fee to key management for services	45,000	44,739	**135,000**	103,394

13. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

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

	December 31, 2014		March 31, 2014	
	Carrying value	**Fair value**	Carrying value	Fair value
Financial assets				
Cash	**2,725,987**	**2,725,987**	2,032,058	2,032,058
Advances and other receivable	**15,443**	**15,443**	227,233	227,233
Financial liabilities				
Accounts payable and accrued liabilities	**1,016,493**	**1,016,493**	191,972	191,972

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.

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, advances and receivable and, accounts payable and accrued liabilities.

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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.

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, liquidity risk, other price risk and market 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 a major international financial institution in Canada and a major law firm in the USA and therefore the risk of loss is minimal.
b. Other receivable – The Company is not exposed to major credit risk attributable to customers. A significant portion of this amount is taxes recoverable from Canada Revenue Agency.

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 its existing cash will allow it to finance the drug development work apart from meeting its operational needs for at least another year. However, the exact need for additional cash cannot be reasonably ascertained at this stage Should the Company require further funding, it intends to secure it through further rounds of equity financing.

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.

14. CAPITAL DISCLOSURES

The Company considers the items included in Shareholders' Equity as capital. The Company had payables of approximately $ 1 million as at December 31, 2014 and current assets, mostly in cash, of approximately $2.7 million. As explained in note 6(b) (ii), the Company raised $ 2 million through equity financing in October 2014. 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 December 31, 2014, the shareholders' equity was approximately $ 2.8 million, $2.7 million of it was held in the form of cash.

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 three and nine months ended December 31, 2014.