THE CANADIAN BIOCEUTICAL CORPORATION

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE AND NINE MONTHS ENDED
DECEMBER 31, 2016

(EXPRESSED IN CANADIAN DOLLARS)

(UNAUDITED)

Management's Responsibility for Condensed Interim Consolidated Financial Statements

The accompanying unaudited condensed interim consolidated financial statements of The Canadian Bioceutical Corporation (the "Company") are the responsibility of management and the Board of Directors.

The unaudited condensed interim consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the unaudited condensed interim consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the financial position reporting date. In the opinion of management, the unaudited condensed interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34-Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes, which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the unaudited condensed interim consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make the statements not misleading in light of the circumstances under which it is made, at of the date of, and for the periods presented by, the unaudited condensed interim consolidated financial statements and (ii) the unaudited condensed interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as at the date at and for the periods presented by the unaudited condensed interim consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited condensed interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited condensed interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company’s affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

The Canadian Bioceutical Corporation
Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)
(Unaudited)

As at	December 31, 2016	March 31, 2016
Assets		
Current		
Cash	**$ 14,498**	$ 8,135
HST receivable	**12,473**	10,181
Deposits	**25,000**	25,092
Total current assets	**51,971**	43,408
Non-current		
Deposits	**44,814**	44,814
Total non-current assets	**44,814**	44,814
Total Assets	**$ 96,785**	$ 88,222
Liabilities		
Current		
Accounts payable and accrued liabilities	**$ 911,604**	$ 351,215
Sales return reserve	**-**	993
Shareholder loans (Note 7)	**63,426**	-
Due to related parties (Note 8)	**22,000**	22,000
Total current liabilities	**997,030**	374,208
Non-current		
Lease inducement (Note 10)	**975,640**	557,509
Convertible debentures (Note 3)	**74,863**	-
Option component of convertible debentures (Note 3)	**25,216**	-
Total Liabilities	**2,072,749**	931,717
Shareholders' Equity (Deficit)		
Capital stock (Note 4)	**6,489,300**	6,415,525
Contributed surplus	**1,287,129**	1,310,654
Accumulated other comprehensive income	**91,565**	100,973
Deficit	**(9,542,146)**	(8,368,835)
Deficit attributable to shareholders of the Company	**(1,674,152)**	(541,683)
Non-controlling interest	**(301,812)**	(301,812)
Total Shareholders' Equity (Deficit)	**(1,975,964)**	(843,495)
Total Liabilities and Shareholders' Equity (Deficit)	**$ 96,785**	$ 88,222

Nature of Operations and Going Concern (Note 1)
Commitments and Contingency (Note 10)

Approved on behalf of the Board

Signed "W. Scott Boyes"
Director

Signed "David Layman"
Director

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

The Canadian Bioceutical Corporation
Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)
(Unaudited)

	Three Months Ended December 31, 2016	Three Months Ended December 31, 2015	Nine Months Ended December 31, 2016	Nine Months Ended December 31, 2015
REVENUE				
Sales	**$ -**	$ 440	**$ -**	$ 5,513
Cost of Sales	**-**	(185)	**-**	(2,051)
	-	255	**-**	3,462
EXPENSES				
General and administrative (Note 9)	**371,310**	188,343	**931,935**	774,363
	(371,310)	(188,088)	**(931,935)**	(770,901)
OTHER INCOME (EXPENSE)				
Accretion expense	**(5,141)**	-	**(7,985)**	-
Foreign exchange	**(3,131)**	(3,720)	**3,246**	(6,455)
Fair value change of option component of convertible debentures (Note 3)	**7,548**	-	**18,185**	-
Interest expense	**(11,240)**	-	**(11,240)**	-
Transaction costs	**(169,437)**	(66,928)	**(243,582)**	(65,518)
NET LOSS FOR THE PERIOD	**(552,711)**	(258,736)	**(1,173,311)**	(842,874)
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Currency translation reserve	**(1,595)**	30,664	**(9,408)**	38,070
COMPREHENSIVE LOSS FOR THE PERIOD	**$ (554,306)**	$ (228,072)	**$ (1,182,719)**	$ (804,804)
NET LOSS ATTRIBUTABLE TO:				
Parent company	**$ (552,711)**	$ (258,709)	**$ (1,173,311)**	$ (842,795)
Non-controlling interest	**-**	(27)	**-**	(79)
	$ (552,711)	$ (258,736)	**$ (1,173,311)**	$ (842,874)
COMPREHENSIVE LOSS ATTRIBUTABLE TO:				
Parent company	**$ (554,306)**	$ (228,045)	**$ (1,182,719)**	$ (804,725)
Non-controlling interest	**-**	(27)	**-**	(79)
	$ (554,306)	$ (228,072)	**$ (1,182,719)**	$ (804,804)
LOSS PER SHARE ATTRIBUTABLE TO PARENT COMPANY BASIC AND DILUTED	**$ (0.01)**	$ (0.01)	**$ (0.02)**	$ (0.02)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING BASIC AND DILUTED	**41,949,553**	41,249,895	**47,739,153**	39,684,293

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

The Canadian Bioceutical Corporation
Condensed Interim Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)
(Unaudited)

	Share capital	Contributed surplus	Accumulated other comprehensive (loss) income	Deficit	Non-controlling interest	Total
Balance, March 31, 2015	**$ 5,917,004**	**$ 1,240,420**	**$ 95,826**	**$ (5,472,204)**	**$ (301,707)**	**$ 1,479,339**
Exercise of warrants	100,000	-	-	-	-	100,000
Fair value of warrants exercised	54,898	(54,898)	-	-	-	-
Exercise of options	2,000	-	-	-	-	2,000
Fair value of options exercised	2,373	(2,373)	-	-	-	-
Private placements	377,500	-	-	-	-	377,500
Cost of issue	(38,250)	-	-	-	-	(38,250)
Stock-based compensation	-	127,505	-	-	-	127,505
Net loss and comprehensive loss for the period	-	-	38,070	(842,795)	(79)	(804,804)
Balance, December 31, 2015	**$ 6,415,525**	**$ 1,310,654**	**$ 133,896**	**$ (6,314,999)**	**$ (301,786)**	**$ 1,243,290**

Balance, March 31, 2016	**$ 6,415,525**	**$ 1,310,654**	**$ 100,973**	**$ (8,368,835)**	**$ (301,812)**	**$ (843,495)**
Exercise of warrants (Note 6)	32,500	-	-	-	-	32,500
Fair value of warrants exercised	2,461	(2,461)	-	-	-	-
Exercise of options (Note 5)	17,750	-	-	-	-	17,750
Fair value of options exercised	21,064	(21,064)	-	-	-	-
Net loss and comprehensive loss for the period	-	-	(9,408)	(1,173,311)	-	(1,182,719)
Balance, December 31, 2016	**$ 6,489,300**	**$ 1,287,129**	**$ 91,565**	**$ (9,542,146)**	**$ (301,812)**	**$ (1,975,964)**

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

The Canadian Bioceutical Corporation
Condensed Interim Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
(Unaudited)

	Nine Months Ended December 31, 2016	Nine Months Ended December 31, 2015
Cash (used in) provided by:		
Operating Activities		
Net loss for the period	**$ (1,173,311)**	$ (842,874)
Items not affecting cash		
Amortization	**-**	4,810
Stock-based compensation	**-**	127,505
Accretion expense	**7,985**	-
Fair value change of option component of convertible debentures	**(18,185)**	-
Occupancy cost (Note 10)	**418,131**	-
	(765,380)	(710,559)
Net changes in non-cash working capital		
Inventory	**-**	(46,632)
HST receivable	**(2,292)**	6,874
Prepaid expenses and deposits	**92**	712
Accounts payable and accrued liabilities	**560,389**	(22,845)
Taxes payable	**-**	(458)
Sales return reserve	**(993)**	(1,893)
Contingent payable	**-**	39,200
Net cash used in operating activities	**(208,184)**	(735,601)
Investing Activities		
Purchase of intangibles	**-**	(2,066)
Net cash used in investing activities	**-**	(2,066)
Financing Activities		
Proceeds from private placements	**-**	377,500
Issuance cost	**-**	(38,250)
Deferred financing costs	**-**	(40,000)
Proceeds from convertible debentures	**110,278**	-
Proceeds from warrant exercise	**32,500**	100,000
Proceeds from option exercise	**17,750**	2,000
Advances from related parties	**-**	22,000
Proceeds from shareholder loans	**63,426**	-
Net cash provided by financing activities	**223,954**	423,250
Change in cash during the period	**15,770**	(314,417)
Cash, beginning of year	**8,135**	320,027
Effect of exchange rate fluctuations on cash held	**(9,407)**	37,517
Cash, end of period	**$ 14,498**	$ 43,127

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

1. Nature of Operations and Going Concern

The Canadian Bioceutical Corporation (formerly Allegiance Equity Corporation) (the "Company") was incorporated under the Business Corporations Act (Ontario) on April 2, 1974. The Company's registered office is located at 477 Mount Pleasant Road, Suite 110, Toronto, ON M4S 2L9, Canada. The Company is a reporting issuer in Alberta, British Columbia and Ontario, Canada and is involved in the natural health products industry, engaged in the manufacture and distribution of nutraceuticals to the North American marketplace and providing financial and business expertise to emerging corporations primarily in the pharmaceutical, medical and biotechnology industries. As well the Company's goal is to broaden its natural products offering by becoming a large-scale Licensed Producer of medical marijuana and cannabis-infused medicinals in Canada and to seek opportunities for expansion into the various US states. The Company's significant operations are in Canada.

On November 18, 2014, the Company acquired CGX Life Sciences Inc., changed its name to The Canadian Bioceutical Corporation and began trading on the TSX Venture Exchange under the symbol "BCC". On January 17, 2017, the Company's shares were delisted from the TSX Venture Exchange. On January 17, 2017 the Company's shares commenced trading on the Canadian Securities Exchange ("CSE") under the symbol "BCC".

These unaudited condensed interim consolidated financial statements are prepared using International Financial Reporting Standards ("IFRS") and are presented on a going concern basis, which assumes the Company will continue to operate at least twelve months subsequent to December 31, 2016.

These unaudited condensed interim consolidated financial statements have been prepared on the basis that the Company is a going concern and do not include adjustments that may be necessary should the Company be unable to continue as a going concern. Such adjustments may be material. The Company's continued existence as a going concern is dependent upon, amongst other things, its ability to continue to obtain adequate ongoing debt and/or equity financing with creditors, officers, directors and stakeholders. In addition, the Company must also ultimately become profitable.

During the nine months ended December 31, 2016, the Company incurred a net loss of $1,173,311 (nine months ended December 31, 2015 - $842,874) and, as at that date, the Company has an accumulated deficit of $9,542,146 (March 31, 2016 - $8,368,835). The ability of the Company to carry out its business plan rests with its ability to secure additional equity and other financing (see note 11). These material uncertainties cast significant doubt about the Company's ability to continue as a going concern.

These unaudited condensed interim consolidated financial statements were approved and authorized by the Board of Directors on February 25, 2017.

2. Significant Accounting Policies

Statement of compliance

The Company applies IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC. The policies applied in these unaudited condensed interim consolidated financial statements are based on IFRSs issued and outstanding as at February 25, 2017, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim consolidated financial statements as compared with the most recent annual consolidated financial statements as at and for the year ended March 31, 2016. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending March 31, 2017 could result in restatement of these unaudited condensed interim consolidated financial statements.

2. Significant Accounting Policies (continued)

Basis of presentation

These unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis.

Basis of consolidation

These unaudited condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries Prime Pharmaceutical Corporation ("Prime Pharmaceutical"), Primapharm Funding Corporation ("Primapharm"), Biocannabis Products Ltd. ("Biocannabis") and CGX Life Sciences Inc. ("CGX"). All intercompany transactions and balances have been eliminated. The financial statements of the subsidiaries are consolidated from the date that control commences until the date that control ceases.

CGX has two wholly-owned subsidiaries the CinG-X Corporation (“CinG-X”) and the CinG-X Corporation of America (“CinG-X America”), whose financial statements have been consolidated.

The Company's equity interest in Prime Pharmaceutical as at December 31, 2016 is 37.4% (March 31, 2016 - 37.4%). The Company has the right and the ability to obtain future economic benefits from the resources of Prime Pharmaceutical and is exposed to the related risks. The Company owns directly and indirectly, an equity interest that carries the right to elect the majority of the members of the Prime Pharmaceutical Board of Directors. The financial statements of Prime Pharmaceutical have been consolidated. Prime Pharmaceutical is not engaged in active operating activities.

Prime Pharmaceutical holds a 90.9% equity interest in Primapharm, an inactive corporation, as at December 31, 2016 (March 31, 2016 - 90.9%). The Company owns directly and indirectly, an equity interest that carries the right to elect the majority of the members of the Primapharm Board of Directors. Given this and its substantial interest in Primapharm, the financial statements of Primapharm have been consolidated.

Changes in accounting policies

IAS 1 – Presentation of Financial Statements (“IAS 1”) was amended in December 2014 in order to clarify, among other things, that information should not be obscured by aggregating or by providing immaterial information, that materiality consideration apply to all parts of the financial statements and that even when a standard requires a specific disclosure, materiality considerations do apply. At April 1, 2016, the Company adopted the amendments and there was no material impact on the Company's unaudited condensed interim consolidated financial statements.

New standards not yet adopted and interpretations issued but not yet effective

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2016 or later periods. Many are not applicable or do not have a significant impact to the Company and have been excluded. The following have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 – Financial Instruments (“IFRS 9”) replaces the requirements in IAS 39 Financial Instruments: Recognition and Measurement for classification and measurement of financial assets. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. IFRS 9 also incorporates requirements for financial liabilities, most of which were carried forward unchanged from IAS 39. Certain changes were made to the fair value option for financial liabilities to address the issue of own credit risk. IFRS 9 removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. Requirements related to hedge accounting, representing a new hedge accounting model, have been added to IFRS 9. The new model represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. In addition, a single, forward-looking expected loss impairment model is introduced, which will require more timely recognition of expected credit losses.

2. Significant Accounting Policies (continued)

New standards not yet adopted and interpretations issued but not yet effective (continued)

IFRS 15 Revenue from Contracts with Customers ("IFRS 15") was issued by the IASB in May 2014. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new 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. Earlier application is permitted. IFRS 15 supersedes the following standards: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue—Barter Transactions Involving Advertising Services.

IFRS 16, Leases ("IFRS 16") was issued in January 2016, and supersedes IAS 17, Leases. This standard introduces a single lessee accounting model. The new standard will reflect the initial present value of unavoidable future lease payments as lease assets and lease liabilities on the statement of financial position, including for most leases which are currently accounted for as operating leases. The Standard is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted.

3. Convertible Debt

On April 4, 2016 and June 7, 2016 the Company closed convertible debenture tranches of $72,743 and $37,535, respectively, of its private placement offering of the Debentures to arm's length investors. No fees or commissions were paid as part of the financing.

The Debentures are unsecured and pay 6% interest per annum, calculated and paid annually and mature three years from the date of issuance. The Debentures are convertible into units of the Company (the "Units") at the option of the subscriber at any time until maturity at a price of either (a) $0.35 per Share; or (b) on the same terms and conditions (including (without limitation) at the same price per share) as those applicable to any sale of capital stock to any other investor at any time between the date of issuance and the date the subscriber exercises its right of conversion, but, in any case, not less than $0.35 (the "Conversion Price").

Each Unit is comprised of one common share in the capital of the Company (a "Common Share") and one common share purchase warrant of the Company (a "Warrant"). Each Warrant entitles the holder thereof to purchase one Common Share (a "Warrant Share") for thirty-six months following the closing date at either (at the option of the holder): (a) $0.65 per Warrant Share; or (b) on the same terms and conditions (including (without limitation) at the same price per share) as those applicable to any sale of capital stock to any other investor at any time between the date of issuance of the debenture and the date of the holder exercising its right of conversion, but, in any case, not less than $0.65 (the "Warrant Share Price").

The Debentures, and any common shares issuable upon conversion thereof, will be subject to a four-month hold period in accordance with applicable securities laws.

The Company used the residual value method to allocate the principal amount of the convertible debentures between the liability and option component of convertible debentures. The option component of convertible debentures is considered a derivative liability. The Company valued the conversion option of the debentures by using the Black-Scholes option pricing option pricing model with the following weighted average assumptions: expected dividend of 0%; expected volatility of 163%; risk free interest rate if 0.53%; and an expected life of 3 years. The liability component of convertible debentures was initially valued as the difference between the face value of the debentures and the conversion option calculated above. Based on this calculation, the liability component was $66,878 and the option component of convertible debentures was $43,400 on issuance.

(Expressed in Canadian Dollars)

3. Convertible Debt (continued)

On December 31, 2016, the fair value of the option component of convertible debentures was estimated at $25,216 using the Black-Scholes option pricing model with the following weighted average assumptions: expected dividend yield of 0%; expected volatility of 127%; risk free interest rate of 0.74%; and an expected life of 2.25 years. As a result the Company recorded an unrealized gain on option component of convertible debentures for the nine months ended December 31, 2016 of $18,185.

4. Capital Stock

(a) Authorized

Unlimited number of common shares without par value.

(b) Common shares issued

	Number of common shares		Value
Balance, March 31, 2015	**38,150,981**	**$**	**5,917,004**
Shares issued on private placement (i)	1,078,572		377,500
Transaction costs (i)	-		(38,250)
Exercise of warrants (Note 6)	2,000,000		100,000
Fair value of warrants	-		54,898
Exercise of options (Note 5)	40,000		2,000
Fair value of options	-		2,373
Balance, December 31, 2015	**41,269,553**	**$**	**6,415,525**
Balance, March 31, 2016	**41,269,553**	**$**	**6,415,525**
Exercise of warrants (Note 6)	325,000		32,500
Fair value of warrants	-		2,461
Exercise of options (Note 5)	355,000		17,750
Fair value of options	-		21,064
Balance, December 31, 2016	**41,949,553**	**$**	**6,489,300**

(i) On June 22, 2015, the Company closed a private placement for gross proceeds of $377,500 through the issuance of 1,078,572 common shares at a price of $0.35 per share. In relation to the equity financing, an aggregate of $38,250 was paid to companies who acted as agents in the transaction.

5. Stock Options

The Company has a stock option plan (the "Plan") under which the directors of the Company may grant options to acquire common shares of the Company to qualified directors, officers, employees, and consultants of the Company. The maximum number of shares allocated to be made available to be issued under the Plan shall not exceed 10% of the issued and outstanding shares at the time of grant. Exercise prices cannot be less than the closing price of the Company's shares on the trading day preceding the date of grant and the maximum term of any option cannot exceed five years. At December 31, 2016, the Company had the ability to issue options to purchase a further 1,589,955 shares pursuant to the Plan. The following summarizes the stock option activities under the Plan:

(Expressed in Canadian Dollars)

5. Stock Options (continued)

The following table shows the continuity of options:

	Number of Options	Weighted Average Exercise Price
Balance, March 31, 2015	**3,032,000**	**$ 0.08**
Granted (i)	300,000	0.19
Exercised	(40,000)	0.05
Balance, December 31, 2015	**3,292,000**	**$ 0.10**
Balance, March 31, 2016	**3,292,000**	**$ 0.10**
Exercised (ii)	(355,000)	0.05
Expired	(332,000)	0.30
Balance, December 31, 2016	**2,605,000**	**$ 0.08**

(i) On July 9, 2015, the Company granted 300,000 stock options to two officers of the Company with an exercise price of $0.1875. The fair value of the options has been estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions: (i) expected dividend yield of 0%; (ii) expected volatility of 155%; (iii) risk-free interest rate of 0.46%; (iv) share price of $0.31; forfeiture rate of 0; and (v) expected life of 3 years. The expected volatility is based on the Company's historical trading prices. The stock options vested immediately and the Company recognized an expense of $73,230 in the condensed interim consolidated statement of loss and comprehensive loss.

(ii) The weighted average share price on the date of exercise was $0.105. Insiders of the Company exercised 155,000 options at $0.05 for gross proceeds of $7,750.

The following table reflects the outstanding and exercisable stock options as at December 31, 2016:

Number of Options Outstanding and Exercisable	Remaining Life (Years)	Average Exercise Price ($)	Expiry Date
300,000	0.52	0.1875	July 9, 2017
2,305,000	0.96	0.05	December 16, 2017
2,605,000	0.91	0.07	

6. Warrants

	Number of Warrants	Amount
Balance, March 31, 2015	**15,846,155**	**$ 211,669**
Exercised	(2,000,000)	(54,898)
Balance, December 31, 2015	**13,846,155**	**$ 156,771**
Balance, March 31, 2016	**13,846,155**	**$ 156,771**
Exercised	(325,000)	(2,461)
Expired	(846,155)	(58,325)
Balance, December 31, 2016	**12,675,000**	**$ 95,985**

(Expressed in Canadian Dollars)

6. Warrants (continued)

The following table reflects the outstanding warrants as at December 31, 2016:

Number of Warrants Outstanding	Exercise Price ($)	Expiry Date
12,675,000	0.10	December 15, 2017

7. Shareholder Loans

(i) During the nine months ended December 31, 2016, shareholders of the Company advanced £20,000 ($34,426) to the Company. The advance bears interest at 30% per annum, has no fixed repayment date and is due on demand.

(ii) During the nine months ended December 31, 2016, shareholders of the Company advanced $30,000 to the Company. The advance bears interest at 30% per annum, has no fixed repayment date and is due on demand.

8. Related Party Transactions

Related party transactions not disclosed elsewhere are summarized below:

(i) During the year ended March 31, 2016, the President and CEO advanced $22,000 to the Company. The advance is interest free, has no fixed repayment date and is due on demand.

Key management are those persons having authority and responsibility for planning, directing and controlling activities, directly or indirectly, of the Company. Remuneration of directors and key management personnel of the Company was as follows:

	Three Months Ended December 31,		Nine Months Ended December 31,	
	2016	**2015**	**2016**	**2015**
Salaries and benefits	**$ 44,226**	$ -	**$ 110,226**	$ 132,000
Stock-based compensation	**-**	-	**-**	73,230

The above noted transactions are in the normal course of business and are measured at the exchange amount as agreed to by the parties, and approved by the Board of Directors in strict adherence to conflict of interest laws and regulations.

The Company has no retirement obligations.

Included in accounts payable and accrued liabilities is $176,226 (March 31, 2016 - $nil), owing to W. Scott Boyes, the President and CEO.

At December 31, 2016, each of the directors with control of less than 10% of the common shares of the Company collectively control 7,011,330 common shares of the Company or approximately 16.71% of the total common shares outstanding.

(Expressed in Canadian Dollars)

9. General and Administrative

	Three Months Ended December 31, 2016	Three Months Ended December 31, 2015	Nine Months Ended December 31, 2016	Nine Months Ended December 31, 2015
Amortization	**$ -**	$ 1,603	**$ -**	$ 4,810
Consulting fees	**-**	(5,179)	**-**	(5,179)
Occupancy cost	**139,377**	-	**418,131**	-
Office and general	**49,851**	38,640	**86,864**	129,476
Professional fees	**35,519**	35,568	**112,517**	97,634
Financing costs	**-**	72,272	**-**	72,272
Salaries and benefits	**133,500**	(23,212)	**267,666**	246,506
Sales and marketing	**94**	86	**94**	5,112
Stock-based compensation (Note 5)	**-**	54,275	**-**	127,505
Trustee fees, regulatory and corporate services	**12,969**	14,290	**46,663**	96,227
	$ 371,310	$ 188,343	**$ 931,935**	$ 774,363

10. Commitments and Contingency

Legal Claim

On May 28, 2014, a legal claim was filed against a former director of the Company and Prime Pharmaceutical. The claim is related to a traffic accident involving the plaintiff and the former director. The plaintiff is seeking damages of $1,000,000 and additional legal costs from the former director and Prime Pharmaceutical. Management believes that this claim is without merit. Prime Pharmaceutical's insurance provider is managing the legal defense and will vigorously defend the claim. As such, a contingent liability has not been recorded in the unaudited condensed interim consolidated statements of financial position.

Leases

On February 25, 2015, BioCannabis entered into a lease of a facility in Owen Sound for the production of medical marijuana. The term of the original lease is 15 years and six months, beginning April 1, 2015. However, due to the delay by Health Canada issuing a license to the Company under the Marihuana for Medical Purposes Regulations, a delay outside the control of the Company, the landlord and the Company have entered into discussions to renegotiate the lease obligation including an extension of the rent free period. Due to a lease inducement period and renegotiation with the landlord, no lease payments were made during the year ended March 31, 2016 and nine months ended December 31, 2016. The Company recognized $418,131 (nine months ended December 31, 2015 - $nil) of occupancy costs. In addition to the lease commitments below, the Company has agreed to spend $250,000 in leasehold improvements with the landlord to develop the facility.

Total lease commitments are as follows:

2017	$ 142,590
2018	570,360
2019	570,360
2020	607,779
2021	607,779
2022 and beyond	6,332,644
	$ 8,831,512

10. Commitments and Contingency (continued)

Acquisition of Equipment

The Company has entered into an agreement to purchase from Roto-Gro International Limited (RIL) no less than 60 Advanced Model 420 Roto-Grow rotary hydroponic garden systems, at $9,000 per unit, which have been specially adapted for the commercial production of medical cannabis. The agreement is conditional on applicable financing. No units have currently been purchased.

RIL has agreed to deliver and install the units at BCC's proposed medical marijuana production facility in Owen Sound Ontario and will provide training in the operation and maintenance of the equipment and with ongoing technical support.

The Agreement also grants the Company a right of first refusal to acquire the exclusive right to acquire Roto-Gro units in Canada and provides for a 10% commission to be paid to the Company in the event that it facilitates a sale to any future affiliated or indirectly-related medical cannabis producers in the U.S.

FertaMax Brand

On April 7, 2015, the Company, through CGX, acquired all assets related to the FertaMax brand (the "Brand"). This included all inventory held with both the seller and the manufacturer, all marketing materials including the website and all intellectual property of the Brand. The aggregate consideration payable for the purchased assets will be $80,000 payable as follows:

- 10% of gross revenue before any sales taxes and net of returns, calculated and payable monthly.

11. Subsequent Events

(i) Acquisition of Arizona Medical Cannabis Management Group and Concurrent Financing

On January 19, 2017, pursuant to the definitive purchase agreement dated January 1, 2017 (the "AZ Purchase Agreement"), the Company, through its wholly-owned subsidiary CGX, completed the acquisition of all of the issued and outstanding membership interests of (i) S8 Industries, LLC, an Arizona limited liability company, (ii) S8 Management, LLC, (iii) S8 Rental Services, LLC, (iv) S8 Transportation, LLC, (v) H4L Management East, LLC and (vi) H4L Management North, LLC (together, the "Acquisition") from the Elizabeth Stavola 2016 NV Irrevocable Trust dated April 21, 2016 and Elizabeth M. Stavola (together, the "Sellers") for the purchase price of USD $25,000,000 to be satisfied by a cash payment of USD $15,000,000, subject to adjustments and a promissory note (the "AZ Promissory Note") in the principal amount of USD $10,000,000 payable to the Sellers. The AZ Promissory Note shall have a three (3) year term and bear interest at the rate of eight percent (8%) per annum, such interest being cumulative but not compounded. Repayment of the AZ Promissory Note shall be secured by a security interest granted by CGX in favour of the Trust over all the assets of the Acquisition, including a first priority mortgage on all real property owned by the Acquisition (the "Collateral") pursuant to a security agreement dated January 19, 2017 between the Company, CGX and the Trust (the "Security Agreement").

The AZ Companies own and lease real estate, acquire and lease cultivation and processing equipment, provide accounting, marketing and other support services and supervise cultivation and production operations for not-for-profit licensees, being Health for Life, Inc. ("HFL") and Soothing Options Inc. ("Soothing Options"), both Arizona not for profit corporations, which directly own, possess or sell marijuana or any marijuana-infused products (the "AZ Business").

As the AZ Purchase Agreement also provides for the extension of these services to several other states, including locations in Nevada, the Company has temporarily postponed its plans for a direct launch of its own operations in Nevada (including, for greater certainty, the proposed license purchase transaction and the proposed financing transaction).

(Expressed in Canadian Dollars)

11. Subsequent Events (continued)

(i) Acquisition of Arizona Medical Cannabis Management Group and Concurrent Financing (continued)

The following table summarizes the allocation of the purchase price of USD $25,000,000 ($32,812,500) to the identifiable assets and liabilities of the Arizona Business on January 19, 2017. The assets acquired and liabilities assumed are to be recorded at their estimated fair market values, which are based on preliminary management estimates and are subject to final valuation adjustments. An amount is expected to be allocated to intangible assets, however at this time a valuation is not reliably estimable. For the purposes of this purchase price allocation, the USD proceeds of the private placement have been translated to CAD at a rate of 1.3329.

Cash	989,951
Amounts receivable from related parties – current	2,399,220
Amounts receivable from related parties – long term	3,605,459
Investment properties	3,453,675
Equipment	30,677
Promissory note from related parties	3,331,489
Accounts payable	(7,412)
Security deposits	(101,300)
Loan payable	(1,439,095)
Excess of purchase price over identifiable assets and liabilities	21,059,836
Net assets acquired	33,322,500
Cash	19,993,500
Promissory note	13,329,000
Total consideration paid for acquisition	33,322,500

Concurrently, pursuant to a capital advisory agreement with Chrystal Capital ("Chrystal") dated September 9, 2016, the Company undertook a private placement for USD $27,033,759 ($35,481,809) through the issuance of 177,409,011 common shares. Financing costs associated with the private placement are: (i) a 9% work fee - $3,189,104 paid in cash, (ii) 15,913,655 warrants (valued at $3,182,731), each with an exercise price of $0.20 and an expiration of 60 months, (iii) consulting fees of $500,000 (paid with 2,500,000 common shares), (iv) advisory fees of $354,818 (paid in 1,774,090 common shares), and (v) advisory fees of 1,774,090 warrants (valued at $354,818), each with an exercise price of $0.20 and an expiration of 60 months. For the purposes of calculating the common shares to be issued and fees to be paid, the USD proceeds of the private placement have been translated to CAD at a rate of 1.3125.

On January 19, 2017, S8 Management entered into more extensive management services agreements with each of HFL (the "HFL Management Services Agreement") and Soothing (the "Soothing Options Management Services Agreement") concurrently with the closing of the AZ Acquisition.

S8 Management will earn a fee equal to 5% of gross revenues earned by HFL and Soothing Options in consideration for taking the actions necessary to render the Management Services and, as an incentive to more efficiently manage the operations of HFL and Soothing Options, 90% of Net Revenues. The percentage of Net Revenues may be adjusted from time to time by mutual agreement in writing between S8 Management and each of the HFL Board (in respect of the HFL Management Services Agreement) and the Soothing Options Board (in respect of the Soothing Options Management Services Agreement) to reflect the level of input of each of the respective parties to the success of the operation.

The initial term of each of the HFL Management Services Agreement and the Soothing Options Management Services Agreement is twenty (20) years and S8 Management shall have the right to renew each of the HFL Management Services Agreement and the Soothing Options Management Services Agreement for two (2) further twenty (20) year terms.

11. Subsequent Events (continued)

(ii) Senior Management Appointment

On January 24, 2017, the Company appointed Elizabeth (Beth) Stavola as President of the Company's wholly owned subsidiary, CGX.

(iii) Stock Option Grants

The Company granted incentive stock options to certain directors, officers, consultants and employees of the Company and its subsidiaries to purchase up to an aggregate of 19,080,000 Common Shares in the capital of the Issuer as follows:

(a) 12,080,000 common shares at an exercise price of $0.20 per common share for a term of five years, which shall vest immediately;
(b) 3,500,000 common shares at an exercise price of $0.60 per common share for a term of five years, which shall vest after the second anniversary; and
(c) 3,500,000 common shares at an exercise price of $1.00 per common share for a term of five years, which shall vest after the third anniversary.

(iv) Letter of Intent - PerkAZ Property LLC

On February 6, 2017, the Company announced it has signed a Letter of Intent ("LOI") to acquire the assets of PerkAZ Property LLC, an Arizona registered company active in the cannabis space. Completion of the transaction, subject to customary closing conditions, is anticipated shortly.

The transaction is to include a Management Agreement with Healing Center Wellness Center LLC (THC), a licensee under the Arizona Medical Marijuana Act (AMMA), as well as 44.3 acres of land in Chino Valley, AZ.

12. Comparative Figures

Certain comparative figures have been reclassified to conform with the current period presentation of the unaudited condensed interim consolidated financial statements.