THE CANADIAN BIOCEUTICAL CORPORATION

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

THREE AND SIX MONTHS ENDED
SEPTEMBER 30, 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	September 30, 2016	March 31, 2016
Assets		
Current		
Cash	$ 9,646	$ 8,135
HST receivable	6,897	10,181
Deposits	25,092	25,092
Total current assets	41,635	43,408
Non-current		
Deposits	44,814	44,814
Total non-current assets	44,814	44,814
Total Assets	$ 86,449	$ 88,222
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 515,757	$ 351,215
Sales return reserve	989	993
Due to related parties (Note 7)	56,138	22,000
Total current liabilities	572,884	374,208
Non-current		
Lease inducement (Note 9)	836,263	557,509
Convertible debentures (Note 3)	73,038	-
Option component of convertible debentures (Note 3)	27,362	-
Total Liabilities	1,509,547	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	93,167	100,973
Deficit	(8,990,882)	(8,368,835)
Equity attributable to shareholders of the Company	(1,121,286)	(541,683)
Non-controlling interest	(301,812)	(301,812)
Total Shareholders' Equity (Deficit)	(1,423,098)	(843,495)
Total Liabilities and Shareholders' Equity (Deficit)	$ 86,449	$ 88,222

Nature of Operations and Going Concern (Note 1)
Commitments and Contingency (Notes 5 and 9)

Approved on behalf of the Board

Signed "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 September 30, 2016	Three Months Ended September 30, 2015	Six Months Ended September 30, 2016	Six Months Ended September 30, 2015
REVENUE				
Sales	**$ -**	$ 2,047	**$ -**	$ 5,073
Cost of Sales	**-**	(1,460)	**-**	(1,866)
	-	587	**-**	3,207
EXPENSES				
General and administrative (Note 8)	**291,619**	298,784	**560,625**	584,610
	(291,619)	(298,197)	**(560,625)**	(581,403)
OTHER INCOME (EXPENSE)				
Accretion expense	**(3,316)**	-	**(6,160)**	-
Foreign exchange	**(683)**	(3,105)	**5,694**	(2,735)
Fair value change of option component of convertible debentures (Note 3)	**5,401**	-	**16,038**	-
Interest expense	**(2,849)**	-	**(2,849)**	-
Transaction costs (Note 10)	**-**	-	**(74,145)**	-
NET LOSS FOR THE PERIOD	**(293,066)**	(301,302)	**(622,047)**	(584,138)
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss				
Currency translation reserve	**7**	8,464	**(7,806)**	7,406
COMPREHENSIVE LOSS FOR THE PERIOD	**$ (293,059)**	$ (292,838)	**$ (629,853)**	$ (576,732)
NET LOSS ATTRIBUTABLE TO:				
Parent company	**$ (293,066)**	$ (301,276)	**$ (622,047)**	$ (584,086)
Non-controlling interest	**-**	(26)	**-**	(52)
	$ (293,066)	$ (301,302)	**$ (622,047)**	$ (584,138)
COMPREHENSIVE LOSS ATTRIBUTABLE TO:				
Parent company	**$ (293,059)**	$ (292,812)	**$ (629,853)**	$ (576,680)
Non-controlling interest	**-**	(26)	**-**	(52)
	$ (293,059)	$ (292,838)	**$ (629,853)**	$ (576,732)
LOSS PER SHARE ATTRIBUTABLE TO PARENT COMPANY BASIC AND DILUTED	**$ (0.01)**	$ (0.01)	**$ (0.01)**	$ (0.02)
WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING BASIC AND DILUTED	**41,856,292**	39,329,352	**41,633,378**	38,889,244

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	750	-	-	-	-	750
Fair value of options exercised	890	(890)	-	-	-	-
Private placements	377,500	-	-	-	-	377,500
Cost of issue	(38,250)	-	-	-	-	(38,250)
Stock-based compensation	-	73,230	-	-	-	73,230
Net loss and comprehensive loss for the period	-	-	7,406	(584,086)	(52)	(576,732)
Balance, September 30, 2015	**$ 6,412,792**	**$ 1,257,862**	**$ 103,232**	**$ (6,056,290)**	**$ (301,759)**	**$ 1,415,837**

	Share capital	Contributed surplus	Accumulated other comprehensive (loss) income	Deficit	Non-controlling interest	Total
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 (Note 6)	2,461	(2,461)	-	-	-	-
Exercise of options (Note 5)	17,750	-	-	-	-	17,750
Fair value of options exercised (Note 5)	21,064	(21,064)	-	-	-	-
Net loss and comprehensive loss for the period	-	-	(7,806)	(622,047)	-	(629,853)
Balance, September 30, 2016	**$ 6,489,300**	**$ 1,287,129**	**$ 93,167**	**$ (8,990,882)**	**$ (301,812)**	**$ (1,423,098)**

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)

	Six Months Ended September 30, 2016	2015
Cash (used in) provided by:		
Operating Activities		
Net loss for the period	**$ (622,047)**	$ (584,138)
Items not affecting cash		
Amortization	**-**	3,207
Foreign exchange	**712**	-
Stock-based compensation	**-**	73,230
Accretion expense	**6,160**	-
Fair value change of option component of convertible debentures	**(16,038)**	-
Occupancy cost (Note 9)	**278,754**	-
	(352,459)	(507,701)
Net changes in non-cash working capital		
Inventory	**-**	(42,531)
HST receivable	**3,284**	(462)
Prepaid expenses and deposits	**-**	(68,769)
Accounts payable and accrued liabilities	**164,542**	5,035
Taxes payable	**-**	(167)
Sales return reserve	**(4)**	1,023
Contingent payable	**-**	39,200
Net cash used in operating activities	**(184,637)**	(574,372)
Investing Activities		
Purchase of intangibles	**-**	(2,066)
Net cash provided by (used in) investing activities	**-**	(2,066)
Financing Activities		
Proceeds from private placements	**-**	377,500
Issuance cost	**-**	(38,250)
Deferred financing costs	**-**	(91,272)
Proceeds from convertible debentures	**110,278**	-
Proceeds from warrant exercise	**32,500**	100,000
Proceeds from option exercise	**17,750**	750
Advances from related parties	**33,426**	-
Net cash provided by financing activities	**193,954**	348,728
Change in cash during the period	**9,317**	(227,710)
Cash, beginning of year	**8,135**	320,027
Effect of exchange rate fluctuations on cash held	**(7,806)**	7,037
Cash, end of period	**$ 9,646**	$ 99,354

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 office is located at 4576 Yonge Street, Suite 400, Toronto, Ontario, M2N 6N4, Canada. The Company is a publicly traded company whose shares trade on the TSX Venture Exchange (the "Exchange"), 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 Exchange 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 September 30, 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 six months ended September 30, 2016, the Company incurred net loss of $622,047 (six months ended September 30, 2015 - $584,138) and, as at that date, the Company has an accumulated deficit of $8,990,882 (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. Although the Company has been successful in obtaining financing from related parties and private placements in the past, the Company will likely require continued support. 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 November 23, 2016.

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 November 23, 2016, 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.

Basis of presentation

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

2. Significant Accounting Policies (continued)

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 September 30, 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 September 30, 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 September 30, 2016, the fair value of the option component of convertible debentures was estimated at $27,362 using the Black-Scholes option pricing model with the following weighted average assumptions: expected dividend yield of 0%; expected volatility of 125%; risk free interest rate of 0.58%; and an expected life of 2.5 years. As a result the Company recorded an unrealized gain on option component of convertible debentures for the six months ended September 30, 2016 of $16,038.

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**	**$**	**5,917,004**
Shares issued on private placement (i)	1,078,572		377,500
Transaction costs (i)	-		(38,250)
Exercise of warrants (Note 6)	2,000,000		100,000
Fair value of warrants	-		54,898
Exercise of options (Note 5)	15,000		750
Fair value of options	-		890
Balance, September 30, 2015	**41,244,553**	**$**	**6,412,792**
Balance, March 31, 2016	**41,269,553**	**$**	**6,415,525**
Exercise of warrants (Note 6)	325,000		32,500
Fair value of warrants	-		2,461
Exercise of options (Note 5)	355,000		17,750
Fair value of options	-		21,064
Balance, September 30, 2016	**41,949,553**	**$**	**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 September 30, 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 (ii), (iii)	550,000	0.25
Exercised	(15,000)	0.05
Balance, September 30, 2015	**3,567,000**	**$ 0.10**
Balance, March 31, 2016	**3,292,000**	**$ 0.10**
Exercised (iv)	(355,000)	0.05
Expired	(332,000)	0.30
Balance, September 30, 2016	**2,605,000**	**$ 0.08**

(i) On June 9, 2015 the Company entered into a consulting agreement with Greenlight Capital ("GLC") whereby GLC will, on a non-exclusive basis, source and introduce financing candidates to BCC for the purposes of providing additional equity or convertible debt private placement financing on a best efforts basis. As part of this agreement GLC was granted 300,000 stock options. The vesting of the options is contingent on GLC securing a minimum of $2,750,000 in financing. The exercise price of these stock options is $0.25 and they will expire on December 16, 2017. No amounts have been recorded as services have not yet been provided.

(ii) On June 22, 2015 the Company entered into a consultancy agreement with Dr. Miles Thompson, B.Sc, Ph.D. to advise and assist the Company in the development of its nutraceutical products, including derivatives and concentrates of cannabinoid-based medicinal. In return for his services, Dr. Thompson was granted 250,000 stock options which vest 180 days from the date of the agreement. The Company cancelled these stock options during the vesting period. In the absence of a reliable measurement of the fair value of the services received, the services have been measured at the fair value of the options issued. The exercise price of these stock options is $0.25 and they expire on December 22, 2017. 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 160%; (iii) risk-free interest rate of 0.62%; (iv) share price of $0.27; forfeiture rate of 0; and (v) expected life of 2.5 years. The expected volatility is based on the Company's historical trading prices. The Company recognized an expense of $54,275 in the condensed interim consolidated statement of loss and comprehensive loss.

(iii) 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.

(iv) 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.

(Expressed in Canadian Dollars)

5. Stock Options (continued)

The following table reflects the outstanding and exercisable stock options as at September 30, 2016:

Number of Options Outstanding and Exercisable	Remaining Life (Years)	Average Exercise Price ($)	Expiry Date
300,000	0.77	0.1875	July 9, 2017
2,305,000	1.21	0.05	December 16, 2017
2,605,000	1.16	0.07	

6. Warrants

	Number of Warrants	Amount
Balance, March 31, 2015	**15,846,155**	**$ 211,669**
Exercised	(2,000,000)	(54,898)
Balance, September 30, 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, September 30, 2016	**12,675,000**	**$ 95,985**

The following table reflects the outstanding warrants as at September 30, 2016:

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

7. 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.

(ii) During the six months ended September 30, 2016, shareholders of the Company advanced £20,000 ($34,138) to the Company. The advance is interest free, has no fixed repayment date and is due on demand.

(Expressed in Canadian Dollars)

7. Related Party Transactions (continued)

Related party transactions not disclosed elsewhere are summarized below: (continued)

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 September 30, 2016	Three Months Ended September 30, 2015	Six Months Ended September 30, 2016	Six Months Ended September 30, 2015
Salaries and benefits	**$ 44,000**	$ 66,000	**$ 88,000**	$ 132,000
Stock-based compensation	**-**	73,230	**-**	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.

At September 30, 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.

8. General and Administrative

	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Six Months Ended September 30, 2016	Six Months Ended September 30, 2015
Amortization	**$ -**	$ 1,604	**$ -**	$ 3,207
Occupancy cost	**139,377**	-	**278,754**	-
Office and general	**14,257**	35,765	**37,013**	90,836
Professional fees	**64,885**	30,723	**76,998**	62,066
Project costs	**-**	(19,580)	**-**	(1,410)
Salaries and benefits	**67,083**	130,707	**134,166**	269,718
Sales and marketing	**-**	2,836	**-**	5,026
Stock-based compensation (Note 5)	**-**	73,230	**-**	73,230
Trustee fees, regulatory and corporate services	**6,017**	43,499	**33,694**	81,937
	$ 291,619	$ 298,784	**$ 560,625**	$ 584,610

9. 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 set up on the unaudited condensed interim consolidated statements of financial position.

(Expressed in Canadian Dollars)

9. Commitments and Contingency (continued)

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 six months ended September 30, 2016. The Company recognized $278,754 (six months ended September 30, 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	$ 285,180
2018	570,360
2019	570,360
2020	607,779
2021	607,779
2022 and beyond	6,190,054
	$ 8,831,512

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:

- $7 per bottle of inventory held by the seller, payable only from the actual proceeds of sales made by CGX for the actual inventory sold, calculated and payable monthly; and
- 10% of gross revenue before any sales taxes and net of returns, calculated and payable monthly.

10. Proposed transactions

On September 1, 2016, the Company entered into a Consultancy and Advisory Agreement with U.K-based, Island Investments Holdings Limited and Walmer Capital Limited to provide advice and assistance in respect of the January 21, 2016 Letter of Intent in which the Company sought to enter medical marijuana related business in the United States. The Agreement provides for an advisory fee of $500,000 and a finder's fee equal to 1% of any financing arranged as a result of the advice of the two advisors. All fees are paid only on the successful completion of the targeted acquisition.

On September 9, 2016, the Company successfully re-negotiated a Letter of Intent to acquire a group of related companies currently engaged in the supply of management and logistical services to medical marijuana dispensaries, production and cultivation businesses in the United States (the "Business").

The Business owns and leases real estate, acquires and leases cultivation and processing equipment, provides accounting, marketing and other support services and supervises cultivation and production operations for medical marijuana enterprises.

As the LOI 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).

The purchase price for the Business will be US $25 million, payable in US $15 million cash on closing and the issuance of a promissory note of US$10 million. The promissory note shall have a 3-year term, with interest paid quarterly at the rate of 8% per annum and will be secured by the assets of the Business. The Company shall have the option to pre-pay the promissory note at any time without penalty.

On September 9, 2016, Company formally engaged Chrystal Capital Partners LLP, a London-based capital advisory group to work with the Company in arranging financing for up to US $20 million to complete the purchase and provide for expansion capital as well as general working capital.

As of the date of these financial statements, due diligence has substantially been concluded, much of the financing has been arranged and work is completed in respect of the negotiation and drafting of closing documents. The transaction is in a position to close in escrow in the near future subject to final approval of the Exchange. The Company has expensed $74,145 directly related to this transaction during the six months ended September 30, 2016.