Condensed Consolidated Interim Financial Statements
(Expressed in Canadian Dollars)

WAVERLEY PHARMA INC.

Three and six months ended June 30, 2018
(unaudited)

In accordance with National Instruments 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2018.

Condensed Consolidated Interim Statements of Financial Position
(expressed in Canadian dollars)
(unaudited)

	Note	June 30, 2018	December 31, 2017
Assets			
Current assets:			
Cash		**$ 3,379,160**	$ 4,856,242
Amounts receivable		**69,007**	28,226
Prepaid expenses and other current assets		**12,082**	17,100
Total current assets		**3,460,249**	4,901,568
Non-current assets			
Intangible assets	**4**	**1,843,520**	1,756,300
Total non-current assets		**1,843,520**	1,756,300
Total assets		**$ 5,303,769**	$ 6,657,868
Liabilities and Equity			
Current liabilities:			
Accounts payable and accrued liabilities	**7(b)**	**$ 46,579**	$ 189,826
Current portion of license fee payable	**6**	**987,600**	470,438
Total current liabilities		**1,034,179**	660,264
Non-current liabilities			
License fee payable	**6**	**-**	940,875
Total non-current liabilities		**-**	940,875
Total liabilities		**1,034,179**	1,601,139
Equity:			
Share capital	**5(b)**	**7,000,100**	7,000,100
Warrants		**244,097**	244,097
Contributed surplus		**309,347**	182,264
Accumulated other comprehensive income (loss)		**43,884**	(468)
Deficit		**(3,327,838)**	(2,369,264)
Total equity		**4,269,590**	5,056,729
Commitments and contingencies	**6**		
Subsequent events	**9**		
Total liabilities and equity		**$ 5,303,769**	$ 6,657,868

See accompanying notes to the condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Net Loss and Comprehensive Loss
(expressed in Canadian dollars)
(unaudited)

	Note	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Expenses					
General and administrative		**$ 157,614**	$ 15,063	**$ 292,274**	$ 15,193
Research and development		**468,335**	**-**	**698,644**	**-**
		625,949	15,063	**990,918**	15,193
Finance (income) expense					
Finance (income) expense, net		**(14,756)**	70	**(32,041)**	70
Foreign exchange gain		**(258)**	(167)	**(303)**	(167)
		(15,014)	(97)	**(32,344)**	(97)
Net loss		**$ (610,935)**	$ (14,966)	**$ (958,574)**	$ (15,096)
Translation adjustment		**22,545**	**-**	**44,352**	**-**
Comprehensive loss		**$ (588,390)**	$ (14,966)	**$ (914,222)**	$ (15,096)
Loss per share attributable to shareholders:					
Basic and Diluted	**5(e)**	**$ (0.01)**	**$ (0.00)**	**$ (0.02)**	**$ (0.00)**
Weighted average shares outstanding:					
Basic and Diluted	**5(e)**	**54,000,000**	**40,000,000**	**54,000,000**	**40,000,000**

See accompanying notes to the condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Changes in Equity (Deficit)
(expressed in Canadian dollars)
(unaudited)

	Note	Share Capital	Warrants	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total
Balance, December 31, 2016		$ 100	$ -	$ -	$ -	$ (11,724)	$ (11,624)
Net loss for the six months ended June 30, 2017		-	-	-	-	(15,096)	(15,096)
Balance, June 30, 2017		$ 100	$ -	$ -	$ -	$ (26,820)	$ (26,720)
Balance, December 31, 2017		**$ 7,000,100**	**$ 244,097**	**$ 182,264**	**$ (468)**	**$ (2,369,264)**	**$ 5,056,729**
Net loss for the six months ended June 30, 2018		**-**	**-**	**-**	**-**	**(958,574)**	**(958,574)**
Other comprehensive income for the six months ended June 30, 2018		**-**	**-**	**-**	**44,352**	**-**	**44,352**
Stock-based compensation	**5(c)**	**-**	**-**	**127,083**	**-**	**-**	**127,083**
Balance, June 30, 2018		**$ 7,000,100**	**$ 244,097**	**$ 309,347**	**$ 43,884**	**$ (3,327,838)**	**$ 4,269,590**

See accompanying notes to the condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Cash Flows
(expressed in Canadian dollars)
(unaudited)

For the six months ended June 30	Note	2018	2017
Cash (used in) provided by:			
Operating activities:			
Net loss for the period		**$ (958,574)**	$ (15,096)
Stock-based compensation	**5(c)**	**127,083**	**-**
Changes in working capital accounts:			
Amounts receivable		**(40,751)**	**-**
Prepaid expenses and other current assets		**5,039**	(26,907)
Accounts payable and accrued liabilities		**(144,280)**	46,045
Cash flows (used in) provided by operating activities		**(1,011,483)**	4,042
Financing activities:			
Payments on license fees payable		**(488,798)**	**-**
Cash flows used in financing activities		**(488,798)**	**-**
(Decrease) Increase in cash		**$ (1,500,281)**	$ 4,042
Effect of exchange rate differences on cash		**23,199**	**-**
Cash, beginning of year		**4,856,242**	100
Cash, end of year		**$ 3,379,160**	$ 4,142

See accompanying notes to the condensed consolidated interim financial statements.

1. Reporting entity:

Waverley Pharma Inc. ("**Waverley**" or the "**Company**") was incorporated as Buffalo Capital Inc. ("**Buffalo**") pursuant to the provisions of the Canada Business Corporations Act ("**CBCA**") on December 14, 2016 and was classified as a Capital Pool Corporation ("**CPC**") as defined by Policy 2.4 of the TSX Venture Exchange. On October 24, 2017, the Company completed a qualifying transaction (the "**QT**") with Waverley Pharma Inc. ("**Old Waverley**") and the name of the Company was changed to Waverley Pharma Inc. Old Waverley has been identified for accounting purposes as the acquirer, and accordingly the entity is considered to be a continuation of Old Waverley and the net assets of Buffalo are deemed to have been acquired by Old Waverley. The comparative figures are those of Old Waverley prior to the QT.

The Company is domiciled and incorporated in Canada and as of October 27, 2017, its Common Shares are listed on Tier 2 of the TSX Venture Exchange (the "**Exchange**") under the symbol "WAVE". The address of the Company's registered office and head office is 4-1250 Waverley Street, Winnipeg, Manitoba, Canada, R3T 6C6.

The Company is a biopharmaceutical company engaged in the research, development and commercialization of human therapeutics focused on oncology. Through its subsidiary, Waverley Pharma International Inc., the Company has entered into a license, manufacture, supply, marketing and distribution agreement with Reliance Life Sciences Inc. ("**RLS**" or the "**Licensor**") by which the Licensor granted the Company an exclusive territorial license to market and sell Capecitabine in the United Kingdom (the "**UK**") and Germany as well as a non-exclusive territorial license to market and sell Temozolmide in the UK. Additionally, the Company has acquired exclusive territorial licenses to two oncologic drugs currently under development, WAV-101 and WAV-102 in the United States and its territories (the "**USA**"), Canada, and the European Union (the "**EU**"), excluding the UK, where a non-exclusive territorial license has been acquired from RLS.

2. Basis of preparation:

(a) Statement of compliance

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**") and interpretations issued by the International Financial Reporting Interpretations Committee ("**IFRIC**").

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard ("**IAS**") 34 *Interim Financial Reporting* and have been prepared using the same accounting policies and methods of application as those used in the Company's audited consolidated financial statements for the year ended December 31, 2017. These condensed consolidated interim financial statements do not include all of the information required for full annual consolidated financial statements and should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2017.

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on August 28, 2018.

(b) Basis of presentation

These condensed consolidated interim financial statements have been prepared on the historical cost basis except for financial instruments at fair value through profit or loss are measured at fair value.

(c) Functional and presentation currency

These condensed consolidated interim financial statements are presented in Canadian dollars, which is the Company's functional currency. All financial information presented has been rounded to the nearest dollar except where indicated otherwise.

2. Basis of preparation (continued):

(d) Use of estimates and judgments

The preparation of these condensed consolidated interim financial statements in conformity with IFRS requires management to make estimates, judgements and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses during the period. 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.

Areas where management has made critical judgments in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the condensed consolidated interim financial statements include the recognition of development costs as an expense when they are incurred as they do not meet the conditions for capitalization under IAS 38 – *Intangible Assets* and therefore all research and development costs have been expensed.

Information about key assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying value amount of assets and liabilities within the next financial year are included in the following notes to the consolidated financial statements for the year ended December 31, 2017:

- Note 2(f): The measurement and period of use of intangible assets
- Note 2(g): The measurement of the amount and assessment of the recoverability of income tax assets
- Note 2(i): The assumptions and model used to estimate the value of share-based payment transactions

3. New standards and interpretations:

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements for the three and six months ended June 30, 2018 are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2017, except for the adoption of new standards effective as of January 1, 2018. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Set out below is the impact of the mandatory adoption of new standards:

IFRS 9, *Financial Instruments* ("IFRS 9")

Effective January 1, 2018, the Company has adopted IFRS 9 retrospectively. Prior periods were not restated and no material changes resulted from adoption of this new standard. IFRS 9 introduced a revised model for classification and measurement, which has resulted in several financial instrument reclassification changes by the Company. There were no quantitative impacts from the adoption of IFRS 9.

Upon recognition of a financial asset, classification is made based on the business model for managing the asset and the asset's contractual cash flow characteristics. The financial asset is initially recognized at its fair value and subsequently classified and measured as (i) amortized cost; (ii) fair value through other comprehensive income ("**FVOCI**"); or (iii) fair value through profit or loss ("**FVTPL**"). Financial assets are classified as FVTPL if they have not been classified as measured at amortized cost or FVOCI. Upon initial recognition of an equity instrument that is not held-for-trading, the Company may irrevocable designate the presentation of subsequent changes in the fair value of such equity instrument as FVTPL. As a result of the adoption of IFRS 9, the Company measures its cash and amounts receivable at amortized cost.

The Company recognizes a financial liability on the trade date in which it becomes a party to the contractual provisions of the instrument at fair value plus any directly attributable costs. Financial liabilities are subsequently measured at amortized cost or FVTPL, and are not subsequently reclassified. As a result of the adoption of IFRS 9, the Company measures its accounts payable and accrued liabilities, current portion of license fees payable and license fees payable at amortized cost.

(expressed in Canadian dollars)

3. New standards and interpretations (continued):

IFRS 9, *Financial Instruments* ("IFRS 9") (continued)

An "expected credit loss" impairment model applies which requires a loss allowance to be recorded on financial assets measured at amortized cost based on their expected credit losses. An estimate is made to determine the present value of future cash flows associated with the asset, and if required, an impairment loss is recorded. The impairment loss reduces the carrying value of the impaired financial asset to the value of the estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate is recorded either directly or through the use of an allowance account and the resulting impairment loss is recorded in profit or loss.

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15")

Effective January 1, 2018, the Company has adopted IFRS 15 retrospectively. Prior periods were not restated and no material changes resulted from adoption of this new standard. IFRS 15 and provides a model for the recognition and measurement of gains or losses from sales of some non-financial assets. The core principle is that revenue is recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. There were not quantitative impacts from adoption of IFRS 15.

As at June 30, 2018, the following standard has been issued but is not yet effective:

IFRS 16, *Leases* ("IFRS 16")

In January 2016, the IASB issued IFRS 16 which requires lessees to recognize assets and liabilities for most leases. Lessees will have a single accounting model for all leases, with certain exemptions. The new standard is effective January 1, 2019, with limited early application permitted. The new standard permits lessees to use either a full retrospective or a modified retrospective approach on transition for leases existing at the date of transition, with options to use certain transition reliefs. The Company is currently evaluating the impact of the above amendments on its condensed consolidated interim financial statements.

4. Intangible assets:

Cost		Licenses
Balance, December 31, 2016	$	-
Acquisitions		1,765,454
Effects of movements in exchange rates		(9,154)
Balance, December 31, 2017	$	1,756,300
Effects of movements in exchange rates		**87,220**
Balance, June 30, 2018	**$**	**1,843,520**

On August 30, 2017 the Company acquired exclusive territorial licenses to two generic cancer drugs from RLS, in the United States of America and its territories, Canada and the EU (excluding the UK where a non-exclusive territorial license was acquired). As the intangible assets relate to products under development, they are not currently available for use and as such, no amortization has been recorded for the three and six months ended June 30, 2018.

(expressed in Canadian dollars)

5. Capital stock:

(a) Authorized

The Company has authorized share capital of an unlimited number of common voting shares.

(b) Shares issued and outstanding

Shares issued and outstanding are as follows:

	Number of Common Shares		Amount
Balance, December 31, 2016	100	$	100
Elimination of Old Waverley Shares	(100)		-
Conversion to Resulting Issuer Shares at 400,000 per Old Waverley Share	40,000,000		-
Shares issued to Buffalo Shareholders	14,000,000		7,000,000
Balance, December 31, 2017	54,000,000	$	7,000,100
Balance, June 30, 2018	**54,000,000**	**$**	**7,000,100**

(c) Stock option plan

The Company has an incentive stock option plan (the "**Plan**") whereby the Company may grant to directors, officers, employees and contractors incentive stock options (the "**Options**") to purchase voting common shares of the Company. The terms and conditions of each Option granted under the Plan are determined by the Board of Directors. The number of common shares reserved for issuance of Options is limited to a maximum of 10% of the issued and outstanding common shares of the Company at any time. The Options generally have a maximum term of ten years.

Stock-based compensation expense for the three and six months ended June 30, 2018 totaling $63,892 and $127,083, respectively (2017 – nil and nil) was recorded in general and administrative expenses during the period.

Changes in the number of Options outstanding during the six months ended June 30, 2018 and 2017 are as follows:

For the six months ended June 30	**2018**		2017	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Balance, beginning of period	**1,300,000**	**$ 0.43**	-	$ -
Balance, end of period	**1,300,000**	**$ 0.43**	-	$ -
Options exercisable, end of period	**300,000**	**$ 0.20**	-	$ -

The following is a summary of the 1,300,000 outstanding Options issued under the Plan as at June 30, 2018:

Exercise price	Number outstanding	Weighted average remaining contractual life	Number exercisable	Weighted average remaining vesting period
$0.20	300,000	8.8 years	300,000	-
$0.50	1,000,000	9.3 years	-	1.3 years
	1,300,000		300,000	

(expressed in Canadian dollars)

5. Capital stock (continued):

(d) Warrants

Changes in the number of warrants outstanding during the six months ended June 30, 2018 and 2017 are as follows:

For the six months ended June 30	**2018**		2017	
	Number of warrants	**Weighted average exercise price**	Number of warrants	Weighted average exercise price
Balance, beginning of period	**970,000**	**$ 0.44**	-	**$ -**
Balance, end of period	**970,000**	**$ 0.44**	-	**$ -**

On April 27, 2017, Buffalo granted 200,000 warrants to an agent as partial compensation for their role in a completed financing. The warrants converted into warrants of Waverley upon the completion of the QT. Each warrant entitles the holder to purchase one (1) common share of Waverley and are exercisable within 24 months of the date of grant at an exercise price of $0.20 per common share.

On October 24, 2017, immediately prior to the QT, Buffalo granted 770,000 warrants to an agent as partial compensation for their role in a completed financing. The warrants converted into warrants of Waverley upon the completion of the QT. Each warrant entitles the holder to purchase one (1) common share of Waverley and are exercisable within 24 months of the date of grant at an exercise price of $0.50 per common share.

(e) Per share amounts

The weighted average number of common voting shares outstanding for the three and six months ended June 30, 2018 was 54,000,000 and 54,000,000, respectively. The weighted average number of common voting shares outstanding for the three and six months ended June 30, 2017 was 40,000,000 and 40,000,000 respectively, adjusted for the conversion ratio of 400,000 shares of the Company issued for each share held in Old Waverley. Effects of dilution from 1,300,000 Options and 970,000 Warrants were excluded from the calculation of weighted average shares outstanding for diluted earnings per share for the three and six months ended June 30, 2018 as they are anti-dilutive.

6. Commitments and contingencies:

On August 30, 2017 the Company acquired exclusive territorial licenses to sell and market two generic cancer drugs with RLS, in the United States of America and its territories, Canada and the EU (excluding the UK where a non-exclusive license was acquired). An up-front payment of US $20,000 was made upon signing of the term sheet on July 5, 2017 and a US $180,000 payment was made upon signing of the signing of definitive documentation on August 30, 2017. Additional payments of US $1,200,000 are payable upon certain development and approval based milestones being met and as at June 30, 2018, the Company has paid US $450,000 of this amount. Additionally, the Company will purchase inventory and pay a royalty of 7.5% of its net sales from these two products to the Licensor.

On June 7, 2018, the Company, through its subsidiary, Waverley Pharma International Inc. entered into a license, manufacture, supply, marketing and distribution agreement with RLS by which the Licensor granted the Company an exclusive territorial license to market and sell Capecitabine in the UK and Germany and non-exclusive territorial license to market and sell Temozolomide in the UK. Additionally, the Company will purchase inventory and has entered into a profit sharing arrangement resulting in a portion of the net profits of Capecitabine, Temozolomide to be paid to the Licensor. Additionally, the Company has assumed the obligations associated with a binding contract held by the Licensor for the supply of these products to the UK National Health Service.

(expressed in Canadian dollars)

7. Related party transactions:

(a) Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Board of Directors (the "**Board**"), the Former CEO (as defined by note 9) and Chief Financial Officer ("**CFO**") of the Company are key management personnel.

The following table details the compensation paid to key management personnel during the three and six months ended June 30, 2018 and 2017:

	Three months ended June 30, 2018	Three months ended June 30, 2017	**Six months ended June 30, 2018**	Six months ended June 30, 2017
Salaries, fees and short-term benefits	**$ 31,250**	$ -	**$ 62,500**	$ -
Stock-based compensation	**57,503**	-	**114,375**	-
	$ 88,753	$ -	**$ 176,875**	$ -

Directors and key management personnel control 75% of the voting shares of the Company as at June 30, 2018 (December 31, 2017 - 76%).

(b) Transactions with related parties

During the three and six months ended June 30, 2018, the Company paid CanAm BioResearch Inc. ("**CanAm**"), a company controlled by a director of the Company a total of $32,812 and $65,625 (2017 – nil and nil) for contract CEO services.

During the three and six months ended June 30, 2018, the Company paid Genesys Venture Inc. ("**GVI**"), a company controlled by a director of the Company, a total of $2,362 and $4,725, respectively (2017 – nil and nil) for rental of office space. Additionally, during the three and six months ended June 30, 2017 GVI paid expenses on behalf of the Company totaling nil and $130, respectively.

During the three and six months ended June 30, 2018, the Company paid GVI Clinical Development Solutions ("**GVI CDS**"), a company controlled by a director of the Company, a total of $8,162 and $8,771 (2017 – nil and nil) for regulatory affairs consulting. During the three and six months ended June 30, 2017, GVI CDS advanced Canadian amounts totaling $6,000 and $6,000, respectively and US amounts totaling $26,125 and $26,125, respectively to fund the Company's operations.

As at June 30, 2018, included in accounts payable and accrued liabilities is $611 (December 31, 2017 - $2,186) payable to GVI, $3,211 (December 31, 2017 - $32,774) payable to GVI CDS and $10,938 (December 31, 2017 - $21,875) payable to CanAm, which are unsecured, payable on demand and non-interest bearing.

8. Segmented information:

The Company operates in one business segment, the biopharmaceutical industry. The Company's intangible assets are located in Barbados.

9. Subsequent events:

On July 23, 2018, the Company announced that its Board had accepted the resignation of Dr. George Thomas as President and Chief Executive Officer (the "**Former CEO**"), effective July 26, 2018. Additionally, the Company announced the concurrent appointment of Dr. Theron (Ted) Odlaug as Chief Executive Officer (the "**Current CEO**"), subject to approval of the Exchange.

On August 1, 2018, the Company granted 400,000 Options to certain directors and officers of the Company and its subsidiaries, in accordance with the Plan. Each Option will be exercisable into one (1) common share of the Company at an exercise price of $0.26 per common share, for a period of five years from the date of grant, subject to approval of the Exchange.