



*Immunotherapy approaches to **breast** cancer management*

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BriaCell Therapeutics Corp.
(formerly Ansell Capital Corp)

Consolidated Financial Statements

For the Years Ended July 31, 2016 and 2015

Expressed in Canadian Dollars

Independent Auditors' Report

To the Shareholders of BriaCell Therapeutics Corp. (formerly Ansell Capital Corp.)

We have audited the accompanying consolidated financial statements of BriaCell Therapeutics Corp. (formerly Ansell Capital Corp.), which comprise the consolidated statements of financial position as at July 31, 2016 and 2015, and the consolidated statements of operations and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of BriaCell Therapeutics Corp. (formerly Ansell Capital Corp.) as at July 31, 2016 and 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 to the consolidated financial statements which highlights the existence of a material uncertainty relating to conditions that cast significant doubt on BriaCell Therapeutics Corp.'s (formerly Ansell Capital Corp.) ability to continue as a going concern.

MNP LLP

**Chartered Professional Accountants
Licensed Public Accountants**

Mississauga, Ontario
November 14, 2016

BriaCell Therapeutics Corp.
(formerly Ansell Capital Corp.)
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	July 31, 2016	July 31, 2015
ASSETS		
Current assets		
Cash and cash equivalents	\$ 171,865	\$ 464,732
Short-term investments	900,000	1,107,400
Amounts receivables	3,487	35,338
Prepaid expenses	13,164	13,363
Total current assets	1,088,516	1,620,833
Investments (Note 6)	2	6,894
Security deposits	2,481	30,861
Office equipment	587	1,699
Intellectual property (Note 7)	1	1
Total Assets	\$ 1,091,587	\$ 1,660,288
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities (Note 11)	\$ 63,470	\$ 152,425
Total liabilities	63,470	152,425
Shareholders' equity		
Share capital (Note 8(b))	4,489,797	3,847,782
Share-based payment reserve (Note 9)	1,042,207	502,636
Warrant reserve (Note 8(c) and (d))	1,107,863	702,437
Accumulated other comprehensive loss	(30,346)	(69,792)
Deficit	(5,581,404)	(3,475,200)
Total shareholders' equity	1,028,117	1,507,863
Total liabilities and shareholders' equity	\$ 1,091,587	\$ 1,660,288

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

Nature of Operations and Going Concern (Note 1)

Reverse Takeover (Note 2)

Event After the Reporting Period (Note 18)

Approved on behalf of the Board:

“Rahoul Sharan”

Director

“Saeid Babaei”

Director

BriaCell Therapeutics Corp.
(formerly Ansell Capital Corp.)
Consolidated Statements of Operations and Comprehensive Loss
(Expressed in Canadian Dollars)

	Years ended	
	July 31	
	2016	2015
Expenses:		
Research and development costs (Note 14)	\$ 944,942	\$ 390,036
General and administration costs (Note 15)	584,105	892,611
Share-based compensation (Note 9)	648,149	516,288
Listing costs (Note 2)	-	1,599,488
Surrender of royalty rights (Note 7)	-	150,000
	2,177,196	3,548,423
Interest income	4,738	9,227
(Loss) on available for sale investments (Note 6)	(27,763)	-
Foreign exchange (loss) gain	(14,561)	50,385
Loss for the year	(2,214,782)	(3,488,811)
Items That Will Subsequently Be Reclassified To		
Profit Or Loss		
Foreign currency translation adjustment	18,575	(48,921)
Unrealized loss on available for sale investments (Note 6)	(6,892)	(20,871)
	11,683	(69,792)
Items Reclassified To Profit Or Loss		
Reclass of unrealized losses on available for sale investments (Note 6)	27,763	-
	27,763	-
Comprehensive loss for the year	\$ (2,175,336)	\$ (3,558,603)
Basic and Fully Diluted Loss Per Share	(0.03)	\$ (0.05)
Weighted Average Number Of Shares Outstanding	86,541,678	74,761,026

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

BriaCell Therapeutics Corp.
(formerly Ansell Capital Corp.)
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)

	Years ended July 31	
	2016	2015
Cash flow from operating activities		
Net loss for the year	\$ (2,214,782)	\$ (3,488,811)
Items not affecting cash:		
Depreciation	1,185	565
Listing costs	-	1,599,488
Share-based compensation	648,149	601,190
Surrender of royalty rights	-	150,000
Forgiveness of accounts payable	-	(75,000)
Accrued Interest	-	(7,400)
Unrealized foreign exchange gain	177	(50,664)
Unrealized loss on available for sale investments	27,763	-
Changes in non-cash working capital:		
Advances	-	81,512
Amounts receivable	31,850	(25,486)
Prepaid expenses	381	(13,108)
Security deposits	29,054	(30,861)
Accounts payable and accrued liabilities	(90,060)	41,873
	(1,566,283)	(1,216,702)
Cash flow from investing activities		
Cash acquired on reverse take over	-	690,898
Purchase of equipment	-	(2,264)
Change in short-term investments	207,400	(1,100,000)
	207,400	(411,366)
Cash flow from financing activities		
Proceeds from share issuance	-	11
Proceeds for private placements, net	1,043,841	2,021,335
Proceeds from exercise of warrants	3,600	43,641
	1,047,441	2,064,987
Increase in cash and cash equivalents	(311,442)	436,919
Effect of changes in foreign exchange rates	18,575	1,743
Cash and cash equivalents, beginning of year	464,732	26,070
	Cash and cash equivalents, end of year	\$ 464,732
	\$ 171,865	\$ 464,732
Supplementary information		
Interest paid	-	-
Income taxes paid	-	-

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

BriaCell Therapeutics Corp.
(formerly Ansell Capital Corp.)
Statement of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	SHARE CAPITAL SHARES	AMOUNT	SHARE-BASED PAYMENT RESERVE	WARRANT RESERVE	ACCUMULATED OTHER COMPREHENSIVE LOSS	ACCUMULATED DEFICIT	TOTAL SHAREHOLDERS' EQUITY
Balance, July 31, 2014	53,111,568	\$ 11	\$ 1	\$ -	\$ -	\$ (1,242)	\$ (1,230)
Acquisition of Ansell Capital Corp. (notes 2 and 8(b)(i))	17,703,856	2,250,330	1,200	-	-	-	2,251,530
Private placement (note 8(b)(ii))	12,557,097	1,386,230	-	635,105	-	-	2,021,335
Units issued for intellectual property (note 8(b)(iii))	833,333	105,921	-	44,079	-	-	150,000
Shares and warrants issued for shareholder advisory services (note 8(b)(iv))	288,011	57,602	-	27,300	-	-	84,902
Exercise of compensation warrants (note 8(b)(v))	242,451	47,688	-	(4,047)	-	-	43,641
Cancellation of stock options (note 9(vi))	-	-	(1,200)	-	-	1,200	-
Share-based compensation (note 9(vi))	-	-	516,288	-	-	-	516,288
Expiry of stock options	-	-	(13,653)	-	-	13,653	-
Change in market value of investments	-	-	-	-	(20,871)	-	(20,871)
Foreign exchange translation	-	-	-	-	(48,921)	-	(48,921)
Loss for the period	-	-	-	-	-	(3,488,811)	(3,488,811)
Balance, July 31, 2015	84,736,316	\$ 3,847,782	\$ 502,636	\$ 702,437	\$ (69,792)	\$ (3,475,200)	\$ 1,507,863

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

BriaCell Therapeutics Corp.
(formerly Ansell Capital Corp.)
Statement of Changes in Shareholders' Equity
(Expressed in Canadian Dollars)

	SHARE CAPITAL		SHARE-BASED PAYMENT RESERVE	WARRANT RESERVE	ACCUMULATED OTHER COMPREHENSIVE LOSS	ACCUMULATED DEFECIT	TOTAL SHAREHOLDERS' EQUITY
	SHARES	AMOUNT					
Balance, July 31, 2015	84,736,316	\$ 3,847,782	\$ 502,636	\$ 702,437	\$ (69,792)	(3,475,200)	\$ 1,507,863
Brokered Private Placement (see note 8(b)(vii))	3,421,053	273,488	-	213,641	-	-	487,129
Non-Brokered Private Placement ((see note 8(b)(viii))	3,125,000	363,869	-	192,843	-	-	556,712
Exercise of warrants (see note 8(b)(vi))	20,000	4,658	-	(1,058)	-	-	3,600
Share-based compensation (see note 9(vi))	-	-	648,149	-	-	-	648,149
Cancellation of stock options (see note 9(vii))	-	-	(108,578)	-	-	108,578	-
Foreign exchange translation	-	-	-	-	18,575	-	18,575
Change in market value of investments (see note 6)	-	-	-	-	(6,892)	-	(6,892)
Reclass of unrealized losses on available for sale investments (See note 6)	-	-	-	-	27,763	-	27,763
Loss for the year	-	-	-	-	-	(2,214,782)	(2,214,782)
Balance, July 31, 2016	91,302,369	\$ 4,489,797	\$ 1,042,207	\$ 1,107,863	\$ (30,346)	(5,581,404)	\$ 1,028,117

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

BriaCell Therapeutics Corp.

(Formerly Ansell Capital Corp)

Notes to the Consolidated Financial Statements

For The Years Ended July 31, 2016 and 2015

(Expressed in Canadian Dollars)

1. Nature of Operations and Going Concern

BriaCell Therapeutics Corp. (formerly Ansell Capital Corp) (“BriaCell” or the “Company”) was incorporated under the Business Corporations Act (British Columbia) on July 26, 2006 and is listed on the TSX Venture Exchange (“TSX Venture”). The Company trades on the TSX Venture under the symbol “BCT.V”

The Company’s head office is located at Suite 300 – 235 West 15th Street, West Vancouver, British Columbia, V7T 2X1.

On November 27, 2014, Ansell Capital Corp. completed the acquisition of BriaCell Therapeutics Corp. (“BTC”), a private Delaware company, which was incorporated on April 3, 2014. The transaction was accounted for as a reverse takeover (“RTO”) with the shareholders of BTC acquiring the controlling interest in Ansell. Upon the completion of the transaction, Ansell Capital Corp. changed its name to BriaCell Therapeutics Corp, to distinguish its change of business.

BriaCell is an immuno-oncology biotechnology company with a strong focus on cancer immunotherapy. BriaCell owns the US patent to BriaVax™, a whole-cell cancer vaccine (US Patent No.7674456) (the “Patent”). The Company is currently advancing its vaccine program most notably by prioritizing the manufacturing of sufficient doses of BriaVax™ to complete a 24-subject Phase I/IIa clinical trial and by Research activities in the context of BriaDx™, a companion diagnostic test to identify patients likely benefitting from BriaVax™.

Immunotherapies have come to the forefront in the fight against cancer. They harness the body's own immune system to recognize and selectively destroy the cancer cells, sparing normal ones. Toxicity profiles of immunotherapies are believed to be vastly different from those of standard therapeutic modalities such as chemotherapy.

In April 2016, the Company completed its previously announced brokered and non-brokered private placements of units totaling gross proceeds of \$1,275,000 (notes 8(b)(vii) and (viii)).

The accompanying consolidated financial statements have been prepared on the basis of a going concern which contemplates the realization of assets and liquidation of liabilities in the normal course of business for the foreseeable future. The Company has incurred losses from inception of \$5,581,404, is currently in the development stage, and has not commenced commercial operations. The Company’s ability to continue as a going concern is dependent upon its ability to attain future profitable operations and to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. As at July 31, 2016, the Company had not yet achieved profitable operations and expects to incur further losses in the development of its products; these factors cast significant doubt about the Company’s ability to continue as a going concern. These consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company not be able to continue as a going concern.

These consolidated financial statements were authorized for issue by the Board of Directors on November 14, 2016.

BriaCell Therapeutics Corp.

(Formerly Ansell Capital Corp)

Notes to the Consolidated Financial Statements

For The Years Ended July 31, 2016 and 2015

(Expressed in Canadian Dollars)

2. Reverse Takeover

On November 27, 2014, BriaCell entered into a Share Exchange Agreement with BTC whereby the parties completed a share exchange and BriaCell acquired all the outstanding equity interests of BTC in a transaction whereby the shareholders of BTC received common shares of BriaCell. As a result of the transaction, BriaCell became the sole beneficial owner of all outstanding shares of BTC. Completion of the transaction resulted in a Reverse Takeover (“RTO”) and Change of Business for BriaCell.

The terms of the RTO provided for BriaCell to consolidate its common shares, on the basis of 3.25 old shares for 1 new share, resulting in an aggregate of 17,703,856 shares being outstanding subsequent to consolidation. BriaCell then issued 53,111,568 post consolidation shares to the shareholders of BTC in exchange for 100% of the issued and outstanding share capital of BTC. The shares issued to BTC are subject to an Escrow Arrangement (Note 8(e)).

As a condition of closing of the RTO, a concurrent private placement financing was conducted (Note 8(b)(ii)).

The Transaction has been accounted for as a reverse acquisition that does not constitute a business combination; consequently, the consolidated financial statements are issued under the legal parent BriaCell Therapeutic Corp., but are deemed to be a continuation of the legal subsidiary BTC.

The total purchase price for the acquisition of BriaCell by BTC is as follows:

Fair value of 17,703,856 common shares issued	\$	2,250,330
Fair value of 92,308 stock options issued		1,200
Total Purchase Price	\$	2,251,530
Cash and cash equivalents	\$	690,898
Advance receivable		81,512
Amounts receivable		9,852
Prepaid expenses		255
Investments		27,765
Accounts payable and accrued liabilities		(158,240)
		652,042
Excess attributed to cost of listing recorded as transaction costs		1,599,488
Total	\$	2,251,530

Unrecognized deductible temporary differences of \$67,471 were also acquired.

BriaCell Therapeutics Corp.

(Formerly Ansell Capital Corp)

Notes to the Consolidated Financial Statements

For The Years Ended July 31, 2016 and 2015

(Expressed in Canadian Dollars)

3. Basis of Presentation

Statement of Compliance

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

Basis of Presentation

The consolidated financial statements are prepared on a going concern basis and have been presented in Canadian dollars which is the Company’s reporting currency. A summary of the significant accounting policies is provided in Note 4. Standards and guidelines not effective for the current accounting period are described in Note 5.

Basis of Measurement

These consolidated financial statements have been prepared on a going concern basis, under the historical cost basis, except for financial instruments which have been measured at fair value.

Basis of Consolidation

These consolidated financial statements include the accounts of BriaCell and its wholly-owned subsidiary BCT. The financial statements of BriaCell are included in the consolidated financial statements from the date that control commences until the date control ceases. Control exists when the Company has the power directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

4. Significant Accounting Policies

The significant accounting policies used in the preparation of these consolidated financial statements set out below have been applied consistently in all material respects for all periods presented.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less. As at July 31, 2016 and 2015, the Company had no cash equivalents.

Short-term Investments

Short-term investments consist of variable rate guaranteed investment certificates (“GICs”) with original terms of one year or less but greater than three months. Short-term investments are designated as loans and receivables.

BriaCell Therapeutics Corp.

(Formerly Ansell Capital Corp)

Notes to the Consolidated Financial Statements

For The Years Ended July 31, 2016 and 2015

(Expressed in Canadian Dollars)

4. Significant Accounting Policies (continued)

Translation of Foreign Currencies

These consolidated financial statements are presented in Canadian dollars. The functional currency of BriaCell is the Canadian dollar. The functional currency of BTC is the United States dollar.

Translation gains or losses resulting from the translation of the financial statements of BTC into Canadian dollars for presentation purposes are recorded in other comprehensive (loss) income.

Within each entity, transactions in currencies other than the functional currency (“foreign currencies”) are translated to the functional currency at the rate of exchange prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated to the functional currency at the end of each reporting period at the period-end exchange rate. Exchange gains and losses on the settlement of transactions and the translation of monetary assets and liabilities to the functional currency are recorded in profit or loss.

On November 27, 2014, in conjunction with the RTO, BTC changed its functional currency prospectively from the Canadian Dollar to the United States dollar as it better reflects the underlying transactions, events, and conditions relevant to the entity.

Research and Development

Research and development costs are expensed as incurred.

Expenditures during the development phase are deferred as intangibles if the Company can demonstrate each of the following criteria: (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale, (ii) its intention to complete the intangible asset and to then either use or sell it, (iii) its ability to use or sell the intangible asset, (iv) how the intangible asset will generate probable future economic benefits, (v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and (vi) its ability to measure reliably the expenditure attributable to the intangible asset during its development; otherwise, they are expensed as incurred.

Impairment of Long lived Assets

The Company’s equipment and intangibles with finite lives are reviewed for an indication of impairment at the end of each reporting period. If indication of impairment exists, the asset’s recoverable amount is estimated. The recoverable amount is the greater of the asset’s fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period. An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

BriaCell Therapeutics Corp.

(Formerly Ansell Capital Corp)

Notes to the Consolidated Financial Statements

For The Years Ended July 31, 2016 and 2015

(Expressed in Canadian Dollars)

4. Significant Accounting Policies (continued)

Office Equipment

Office equipment is recorded at cost and depreciated over its estimated useful life at 50% straight line per annum.

The cost of an item includes the purchase price and directly attributable costs to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Where an item of equipment comprises major components with different useful lives, the components are accounted for as separate items of equipment.

Financial Instruments

Financial assets

The Company classifies its financial assets into one of the following categories, depending on the purpose for which the asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or assets acquired or incurred principally for the purpose of being sold or repurchased in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the consolidated statement of operations.

Loans and receivables - These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

Held-to-maturity investments - These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial asset is measured at the present value of estimated future cash flows. Any changes to the carrying amount of the investment, including impairment losses, are recognized in the consolidated statement of operations.

Available-for-sale - Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized in comprehensive income (loss). Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from accumulated other comprehensive income (loss) and recognized in the consolidated statement of operations.

All financial assets except for those at fair value through profit or loss are subject to review for impairment at least at the end of each reporting period.

Financial assets are impaired when there is any objective evidence that the cash flows related to a financial asset or group of financial assets have been negatively impacted. Different criteria to determine impairment are applied for each category of financial assets described above.

BriaCell Therapeutics Corp.

(Formerly Ansell Capital Corp)

Notes to the Consolidated Financial Statements

For The Years Ended July 31, 2016 and 2015

(Expressed in Canadian Dollars)

4. Significant Accounting Policies (continued)

Financial Instruments (continued)

Financial liabilities

The Company classifies its financial liabilities into one of two categories, depending on the purpose for which the corresponding asset was acquired. The Company's accounting policy for each category is as follows:

Fair value through profit or loss - This category comprises derivatives, or liabilities acquired or incurred principally for the purpose of being sold or repurchased in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in the consolidated statement of operations.

Other financial liabilities - This category includes accounts payables and accrued liabilities, all of which are recognized at amortized cost.

The Company's financial instruments consist of the following:

Financial assets:	Classification:
Cash and cash equivalents	Loans and receivables
Short-term investments	Fair Value through Profit or Loss
Amounts receivable (excluding for HST)	Loans and receivables
Investments	Available for sale
Security deposits	Loans and Receivables

Financial liabilities:	Classification:
Accounts payable and accrued liabilities	Other financial liabilities

Financial instruments recorded at fair value in the statement of financial position are classified according to a three level hierarchy that reflects the significance of the inputs used in making the fair value measurements. The three levels of fair value hierarchy are as follows:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for assets or liabilities, either directly or indirectly; and
- Level 3 - Inputs for assets or liabilities that are not based on observable market data.

Financial assets measured at fair value on a recurring basis include the following:

	FAIR VALUE INPUT LEVEL	AS AT July 31, 2016		AS AT July 31, 2015	
		CARRYING AMOUNT	ESTIMATED FAIR VALUE	CARRYING AMOUNT	ESTIMATED FAIR VALUE
Financial Assets:					
Cash	1	\$ 171,865	\$ 171,865	\$ 464,732	\$ 464,732
Investments	2	\$ 2	\$ 2	\$ 6,894	\$ 6,894

BriaCell Therapeutics Corp.

(Formerly Ansell Capital Corp)

Notes to the Consolidated Financial Statements

For The Years Ended July 31, 2016 and 2015

(Expressed in Canadian Dollars)

4. Significant Accounting Policies (continued)

Share-based Payments

Equity-settled share based payments for directors, officers and employees are measured at fair value at the date of grant and recorded as compensation expense with a corresponding increase to share-based payment reserve in the financial statements.

The fair value determined at the grant date of equity-settled share based payments is expensed using the graded vesting method over the vesting period based on the Company's estimate of shares that will eventually vest. Upon exercise of the stock options, consideration paid by the option holder together with the amount previously recognized in share-based payment reserve is recorded as an increase to share capital. Upon expiry, the amounts recorded for share-based compensation are transferred to the deficit from the share-based payment reserve. Shares are issued from treasury upon the exercise of equity-settled share based instruments.

Compensation expense on stock options granted to non-employees is measured at the earlier of the completion of performance and the date the options are vested using the fair value method and is recorded as an expense in the same period as if the Company had paid cash for the goods or services received.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a Black-Scholes valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

Share Capital

Common shares are classified as equity. Proceeds from unit placements are allocated between shares and warrants issued using the relative fair value method. Costs directly identifiable with share capital financing are charged against share capital. Share issuance costs incurred in advance of share subscriptions are recorded as non-current deferred assets. Share issuance costs related to uncompleted share subscriptions are charged to operations in the period they are incurred.

Warrant Reserve

The fair value of warrants is determined upon their issuance either as part of unit private placements or in settlement of share issuance costs and finders fees, using the Black-Scholes model. All such warrants are classified in a warrant reserve within equity. If the warrants are converted, the value attributable to the warrants is transferred to common share capital. Upon expiry, the amounts recorded for expired warrants is transferred to the deficit from the warrant reserve. Shares are issued from treasury upon the exercise of share purchase warrants.

BriaCell Therapeutics Corp.

(Formerly Ansell Capital Corp)

Notes to the Consolidated Financial Statements

For The Years Ended July 31, 2016 and 2015

(Expressed in Canadian Dollars)

4. Significant Accounting Policies (continued)

Income Taxes

Income tax expense consists of current and deferred tax expense. Current and deferred tax are recognized in profit or loss except to the extent they relate to items recognized directly in equity or other comprehensive income.

Current tax is recognized and measured at the amount expected to be recovered from or payable to the taxation authorities based on the income tax rates enacted or substantively enacted at the end of the reporting period and includes any adjustment to taxes payable in respect of previous years.

Deferred tax is recognized on any temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable earnings. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized and the liability is settled. The effect of a change in the enacted or substantively enacted tax rates is recognized in profit or loss and comprehensive income (loss) or equity depending on the item to which the adjustment relates.

Deferred tax assets are recognized to the extent future recovery is probable. At the end of each reporting period, deferred tax assets are reduced to the extent that it is no longer probable that sufficient taxable earnings will be available to allow all of part of the asset to be recovered.

Basic and Diluted Loss per Share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted earnings per share reflect the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock.

The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method. Diluted amounts are not presented when the effect of the computations are anti-dilutive. Accordingly, at present, there is no difference in the amounts presented for basic and diluted loss per share.

Significant Accounting Judgments and Estimates

The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. The financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and also in future periods when the revision affects both current and future periods.

The critical judgments and significant estimates in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are:

- The series of loans made to the subsidiary company are considered part of the parent company's net investment in a foreign operation as the Company does not plan to settle these balances in the foreseeable future. As a result of this assessment, the unrealized foreign exchange gains and losses on the intercompany loans are recorded through comprehensive loss. If the Company determined that settlement of these amounts was planned or likely in the foreseeable future, the resultant foreign exchange gains and losses would be recorded through profit or loss.
- The determination that the unrealized decrease in the fair value of available for sale investments is other than temporary.

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4. Significant Accounting Policies (continued)

Significant Accounting Judgments and Estimates – (continued)

- The determination that the RTO constituted an asset acquisition and not a business combination (Note 2).
- The fair value of the share consideration deemed issued to acquire BriaCell (Notes 2 and 8(b)(i)).

5. Standards Issued but Not Yet Effective

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for future accounting periods. Many are not applicable to or do not have a significant impact on Briacell and have been excluded from the list below. The following have not yet been adopted and are being evaluated to determine their impact on Briacell.

(i) IFRS 9 – Financial instruments (“IFRS 9”) was issued by the IASB its final form in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS39. The standard is effective for annual periods beginning on or after January 1, 2018. The Company has yet to evaluate the impact of this new standard.

(ii) IFRS 15 - Revenue from contracts with customers (“IFRS 15”) proposes to replace IAS 18 – Revenue, IAS 11 – Construction contracts and some revenue-related interpretations. The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five step analysis of transaction to determine whether, how much and when revenue is recognized. New estimates and judgemental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. Earlier adoption is permitted. The Company has yet to evaluate the impact of this new standard.

(iii) IFRS 16 - Leases (“IFRS 16”) replaces IAS 17, Leases (“IAS 17”). The new model requires the recognition of almost all lease contracts on a lessee’s statement of financial position as a lease liability reflecting future lease payments and a ‘right-of-use asset’ with exceptions for certain short-term leases and leases of low-value assets. In addition, the lease payments are required to be presented on the statement of cash flow within operating and financing activities for the interest and principal portions, respectively. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted if IFRS 15, Revenue from Contracts with Customers, is also applied. The Company has yet to evaluate the impact of this new standard.

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6. Investments

	July 31, 2016	July 31, 2015
GreenFlag Ventures Inc. ("GreenFlag") – 300,000 common shares measured at fair value	\$ 1	\$ 3,000
Entourage Mining Ltd. ("Entourage") – 300,000 common shares measured at fair value	1	3,894
	\$ 2	\$ 6,894

The investments are held in BriaCell and were acquired in the RTO transaction at a fair value of \$27,765 (Note 2). During the year ended July 31, 2015, the Company recorded a fair value adjustment of \$20,871 which was included as an unrealized loss in other comprehensive loss. During the year ended July 31, 2016, the Company recorded an additional fair value adjustment of \$6,892 which was included as an unrealized loss in other comprehensive loss.

At the end of the reporting period, the Company determined the reduction of the fair value in the investments was other than temporary and has reclassified \$27,763 (July 31, 2015 - \$Nil) of unrealized loss from accumulated other comprehensive loss to profit or loss.

7. Intellectual Property

	July 31, 2016	July 31, 2015
Patented whole-cell-vaccine therapy assigned to the Company by Dr. C Wiseman in April 2014 (US Patent No 7674456)	\$ 1	\$ 1

On April 8, 2014, Dr. Charles Wiseman, the primary shareholder, assigned certain intellectual property (US Patent No. 7,674,456) (the "Patent") to the Company which has been recorded as contributed surplus and ascribed a nominal value (\$1).

The Patent carried certain royalty provisions payable to the St. Vincent Medical Centre ("SVMC"). On June 26, 2014, Dr. Wiseman and the Company entered into an agreement with SVMC pursuant to which SVMC would surrender its royalty rights on the intellectual property and in exchange would receive 875 of Dr. Wiseman's common shares in the Company (prior to the RTO), which were subsequently exchanged for 4,647,262 shares of BriaCell, and 833,333 Units with the same terms and conditions as the Subscription Units described in Note 8(b)(iii). The fair value of the unit issuance was \$150,000 (Note 8(b)(iv)) and this amount has been expensed as termination of royalty obligations.

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8. Share Capital and Warrant Reserve

a) Authorized share capital

The authorized share capital consists of an unlimited number of common shares with no par value.

b) Issued share capital

- (i) On November 27, 2014, BriaCell and BTC completed an RTO transaction. Under the RTO accounting, BTC is considered to have issued 17,703,856 common shares and 92,308 stock options to acquire the net assets and public listing status of BriaCell.

The fair value of the 17,703,856 common shares issued of \$2,250,330 was determined by reference to the fair value assigned to one common share in a concurrent private placement transaction (Note 8(b)(ii)).

The fair value of the 92,308 stock options issued of \$1,200 was determined using the Black Scholes option pricing model and the following weighted average assumptions: share price - \$0.1271; exercise price - \$0.38; expected life - 1.56 years; annualized volatility - 100%; dividend yield - 0%; risk free rate - 1.25%.

- (ii) On November 27, 2014, and concurrent to the RTO, the Company completed a private placement financing under which 12,557,097 Units were issued at \$0.18 per Unit for total gross proceeds of \$2,224,277. Each Unit comprises one common share of BriaCell and one share purchase warrant. Each share purchase warrant is exercisable into one common share of BriaCell at an exercise price of \$0.25 for a period of 12 months following closing of the transaction and at \$0.35 for the subsequent 24 months. In the event that the closing price of the shares on the TSX Venture Exchange is \$0.50 or greater per share during any twenty (20) consecutive trading day period at any time after the initial 12 months following the closing transaction, the warrants will expire, at the sole discretion of BriaCell, on the 30th day after the date on which BriaCell provides notice of such fact to the subscribers of the financing.

The fair value of each common share purchase warrant was determined using the Black Scholes option pricing model and the following assumptions: share price - \$0.1271; exercise price - \$0.35; expected life - 3 years; annualized volatility - 100%; dividend yield - 0%; risk free rate - 1.25%.

The share price was determined such that the sum of the share price and the resulting warrant value was equal to the \$0.18 Unit price. Accordingly the resulting fair values of the common shares and the share purchase warrants are \$0.1271 and \$0.0529 respectively.

The Company retained Sunel Securities Inc. and M Partners Inc. as Agents for the Financing. The Agents received a finance fee of \$25,000, an 8% cash commission of \$177,942, and 988,568 compensation warrants and the issuance of 200,000 common shares valued at \$25,422.

Each Compensation warrant entitles the holder to acquire a Unit of BriaCell (with the same terms described above) at an exercise price of \$0.18 for a period of 3 years following the closing of the transaction. The fair value of the compensation warrants was determined to be \$68,800 using the Black-Scholes option pricing model and the following assumptions: unit price - \$0.18; exercise price - \$0.18; expected life - 3 years; annualized volatility - 100%; dividend yield - 0%; risk free rate - 1.25%.

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8. Share Capital and Warrant Reserve (continued)

b) Issued share capital (continued)

- (ii) The net cash proceeds of the private placement of \$2,021,335 were allocated proportionally to share capital (71% - \$1,360,808) and warrant reserve (29% - \$566,305) based on their relative fair values after consideration of the non-cash costs of \$68,800 allocated to warrants reserve for the 988,568 compensation warrants and \$25,422 to share capital for the 200,000 compensation shares.
- (iii) During July 2014, BriaCell and BTC came to an agreement with St. Vincents Medical Centre (“SVMC”) whereby SVMC agreed to release BTC from a royalty agreement relating to revenues generated on BTC’s intellectual property. In consideration for the release, SVMC received personally from Dr. Wiseman 875 shares of BTC (which were subsequently exchanged for 4,647,262 shares of BriaCell pursuant to the RTO), and 833,333 Units of BriaCell. These units of BriaCell were issued on November 27, 2014 and have the same terms and conditions as those issued pursuant to the private placement financing described in Note 8(b)(ii) and have a fair value of \$0.18 per unit (\$150,000) with \$105,921 assigned to the common shares and \$44,079 assigned to the warrants based on the relative fair value of the common shares and share purchase warrants as noted above.
- (iv) On February 4, 2015, in exchange for shareholder advisory services received, the Company issued 288,011 common shares with a fair value of \$57,602 and 288,011 compensation warrants with a fair value of \$27,300. Each compensation warrant is exercisable at \$0.18 into one common share and one share purchase warrant until February 4, 2017. Each resultant share purchase warrant acquired can be exercised into an additional common share of BriaCell at \$0.25 if exercised by February 4, 2016 and at \$0.35 if exercised between February 5, 2016 and February 4, 2017. The fair value of the compensation warrants was determined using the Black-Scholes option pricing model and the following assumptions: unit price - \$0.18; exercise price - \$0.18; expected life – 3 years; annualized volatility – 100%; dividend yield – 0%; risk free rate – 1.25%.
- (v) On April 29, 2015, 242,451 compensation warrants were exercised at \$0.18 for aggregate cash proceeds of \$43,641. Upon the exercise of the compensation warrant 242,451 units were issued. Each Unit comprises one common share and one common share purchase warrant exercisable into one common share of BriaCell at an exercise price of \$0.25 for a period of 12 months following closing of the transaction and at \$0.35 for the subsequent 24 months.

The value of the resulting units was determined to be \$60,514 based on the proportionate value originally assigned to the compensation warrants in Note 8 (b)(iii) of \$16,873 plus \$43,641 of cash proceeds. This \$60,514 was allocated proportionally to share capital (79% - \$47,688) and warrant reserve (21% - \$12,826) based on their relative fair values.

The fair value of the common share purchase warrant was determined using the Black Scholes option pricing model and the following assumptions: share price - \$0.33; exercise price - \$0.35; expected life – 1.7 years; annualized volatility – 100%; dividend yield – 0%; risk free rate – 1.25%.

The exercise results in a net decrease to warrants reserve of \$4,047 (\$12,826 less \$16,873) and an increase to share capital of \$47,688.

- (vi) On April 1, 2016, 20,000 warrants were exercised into 20,000 common shares for a total consideration of \$4,658.

Gross proceeds, less issuance costs paid in cash and less the total fair value of the Brokered Warrants and Broker Warrants were charged against share capital in the statement of changes in shareholders’ equity.

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8. Share Capital and Warrant Reserve (continued)

b) Issued share capital (continued)

- (vii) On April 26, 2016, the Company completed a brokered private placement resulting in gross proceeds of \$650,000. The brokered private placement involved the sale of 3,421,053 units at a price of \$0.19 per unit (the “Brokered Units”). Each Brokered Unit comprised one Common Share and one common share purchase warrant (the “Brokered Warrant”). Each Brokered Warrant entitles the holder thereof to acquire one additional Common Share for a period of 60 months from April 26, 2016 at an exercise price of \$0.30.

The agent for the brokered private placement received a cash commission in the amount of \$58,500 and 273,685 broker warrants (the “Broker Warrants”). Each Broker Warrant is exercisable into one Common Share in of the Company for a period of 60 months from April 26, 2016 at a price of \$0.30 per Common Share.

The total fair value of each Brokered Warrant and Broker Warrant was \$213,641 and was determined using the Black Scholes option pricing model and the following assumptions: share price - \$0.19; exercise price - \$0.30; expected life – 5 years; annualized volatility – 95.34%; dividend yield – 0%; risk free rate – 0.64%. This amount was charged against warrant reserve in the statement of changes in shareholders’ equity.

Gross proceeds, less issuance costs paid in cash and less the total fair value of the Non-Brokered Warrants and Finder’s Options were charged against share capital in the statement of changes in shareholders’ equity.

- (vii) On April 29, 2016, the Company completed a non-brokered private placement resulting in gross proceeds of \$625,000. The non-brokered private placement involved the sale of 3,125,000 units at a price of \$0.20 per unit (the “Non-Brokered Units”). Each Non-Brokered Unit comprised of one Common Share and one-half of one common share purchase warrant (each whole warrant a “Non-Brokered Warrant”). Each Non-Brokered Warrant entitles the holder thereof to acquire one additional Common Share for a period of 36 months from April 29, 2016 at an exercise price of \$0.30 during the first 12 months and \$0.35 thereafter.

Certain finders received a cash commission of \$32,500 plus 176,000 finder's options (the “Finder's Options”) exercisable into one Non-Brokered Unit at any time until April 29, 2018 at an exercise price of \$0.20.

The total fair value of each Non-Brokered Warrant and Finder’s Option was \$192,843 and was determined using the Black Scholes option pricing model and the following assumptions: Non-Brokered Warrants - share price - \$0.20; exercise price - \$0.35; expected life – 3 years; annualized volatility – 92.86%; dividend yield – 0%; risk free rate – 0.64%. Finder’s Options - share price - \$0.20; exercise price - \$0.20; expected life – 5 years; annualized volatility – 92.86%; dividend yield – 0%; risk free rate – 0.64%.

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8. Share Capital and Warrant Reserve (continued)

c) Share Purchase Warrants

A summary of changes in share purchase warrants for the years ended July 31, 2016 and 2015 is presented below:

	Number	Weighted Average Exercise Price
Balance, July 31, 2014	-	\$ -
Granted on private placement (see note 8(b)(ii))	12,357,097	0.25
Granted on termination of royalty obligation (see note 8(b)(iii))	833,333	0.25
Granted on exercise of compensation warrants (see note 8(v))	242,451	0.25
Balance, July 31, 2015	13,432,881	\$ 0.25
Granted on brokered private placement (see note 8(b)(vii))	3,421,053	0.30
Compensation warrants (see note 8(b)(viii))	176,000	0.36
Granted on non-brokered private placement (see note 8(b)(viii))	1,562,500	0.35
Balance, July 31, 2016	18,592,434	\$ 0.27

As at July 31, 2016, share purchase warrants outstanding were as follows:

Number Of Warrants	Exercise Price	Exercisable At July 31, 2016	Expiry Date
13,432,881	\$ 0.25	13,412,881	November 27, 2017
3,421,053	0.30	3,421,053	April 26, 2021
176,000	0.20	176,000	April 29, 2018
1,562,500	0.35	1,562,500	April 29, 2018
18,592,434		18,592,434	

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8. Share Capital and Warrant Reserve (continued)

d) Compensation Warrants

A summary of changes in compensation warrants for the years ended July 31, 2016 and 2015 is presented below:

	Number	Weighted Average Exercise Price
Balance, July 31, 2014	-	\$ -
Granted on private placement	988,568	0.18
Granted in exchange for shareholder advisory services	288,011	0.18
Exercise of compensation warrants	(242,451)	0.18
Balance, July 31, 2015	1,034,128	\$ 0.18
Granted on brokered private placement (see note 8(b)(vii))	273,685	0.30
Exercised (see note 8(b)(vi))	(20,000)	0.18
Balance, July 31, 2016	1,287,813	\$ 0.11

As at July 31, 2016, compensation warrants outstanding were as follows:

Number Of Compensation Warrants	Exercise Price	Exercisable At July 31, 2016	Expiry Date
726,117	\$ 0.18	726,117	November 27, 2017 (i)
288,011	0.18	288,011	February 4, 2018 (ii)
273,685	0.30	273,685	April 26, 2021 (iii)
<u>1,287,813</u>		<u>1,287,813</u>	

- i) Each compensation warrant can be exercised at \$0.18 into one unit of BriaCell comprising one common share and one share purchase warrant. Each resultant share purchase warrant acquired can be exercised into an additional common share of BriaCell at \$0.35 if exercised between November 28, 2015 and November 27, 2017, subject to accelerated exercise.
- ii) Each compensation warrant can be exercised at \$0.18 into one unit of BriaCell comprising one common share and one share purchase warrant. Each resultant share purchase warrant acquired can be exercised into an additional common share of BriaCell at \$0.35 if exercised between February 5, 2016 and February 4, 2018, subject to accelerated exercise.
- iii) Each compensation warrant can be exercised at \$0.30 into one unit of BriaCell comprising one common share and one share purchase warrant. Each resultant share purchase warrant acquired can be exercised into an additional common share of BriaCell an exercise price of \$0.30 through to April 28, 2017 and \$0.35 for the 24 months thereafter.

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8. Share Capital and Warrant Reserve (continued)

e) **Shares Held in Escrow**

The escrow agreement relating to the RTO (Note 2) provides share release equal to 10% upon completion of the initial public offering or purchase agreement and listing on the TSX Venture with the remaining shares to be released in 6 equal tranches (15%) every six months. On December 1, 2014 the Company received final approval of its change of business and trading of the Company's shares under the new name and ticker symbol commenced on December 3, 2014.

As of July 31, 2016, a total of 23,395,919 (July 31, 2015 – 9,610,849) shares have been released and a total of 30,887,033 (July 31, 2015 – 44,672,103) shares remain in escrow.

9. Share-Based Compensation and Share-Based Payment Reserve

The Company has adopted a stock option plan (the "Plan") under which it is authorized to grant options to officers, directors, employees and consultants enabling them to acquire up to 10% of the issued and outstanding common stock of the Company. The options can be granted for a maximum of 5 years and vest as determined by the Board of Directors. The exercise price of each option granted may not be less than the fair market value of the common shares at the time of grant.

A summary of changes in stock options for the years ended July 31, 2016 and 2015 is presented below:

	Number of options outstanding	Weighted average exercise price
Balance, July 31, 2014	-	\$ -
Issued on RTO (Note 2)	92,308	(1.24)
Granted (i)	3,850,000	0.23
Cancelled (ii)	(92,308)	(1.24)
Expired (ii)	(100,000)	(0.22)
Balance, July 31, 2015	3,750,000	0.23
Granted (iii), (iv), (v)	4,368,000	0.26
Cancelled (vii)	(1,150,000)	0.25
Balance, July 31, 2016	6,968,000	\$ 0.24

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9. Share-Based Compensation and Share-Based Payment Reserve (continued)

- (i) During the year ended July 31, 2015, the Company issued 3,850,000 stock options valued at \$549,603 using the Black Scholes option pricing model.
- (ii) During the year ended July 31, 2015, 92,308 stock options were cancelled and 100,000 options expired. The fair value of the cancelled options (\$1,200) and expired options (\$13,653) were transferred from share based payment reserve to deficit within the statement of changes in shareholders' equity. All stock options are estimated using the Black Scholes option pricing model.
- (iii) On November 4, 2015, the Company issued 3,668,000 stock options. The options are exercisable at \$0.255 and have the following expiry dates:
- 1,017,500 of the options expire on November 4, 2018, 517,500 vest immediately, and 500,000 vest quarterly over one year;
 - 1,200,500 of the options expire on November 4, 2020, 525,000 of these options were issued to the Company's officers; 100,000 vest immediately, 600,500 vest quarterly over three years and 500,000 vest quarterly over four years;
 - 1,450,000 of the options expire on November 4, 2025; all of these options were issued to three of the Company's directors and all of these options vest immediately.

The fair value of the stock options grant was \$699,220.

The fair value was estimated using the Black Scholes option pricing model and the following weighted average assumptions: share price - \$0.26; exercise price - \$0.26; expected life - 3 to 10 years; annualized volatility - 95%; dividend yield - 0%; risk free rate - 1.78%.

- (iv) On May 9, 2016, the Company issued 500,000 stock options that vest immediately. The options are exercisable at \$0.255 and expire on January 15, 2018. The fair value of the stock options grant was \$38,000.

The fair value was estimated using the Black Scholes option pricing model and the following weighted average assumptions: share price - \$0.19; exercise price - \$0.255; expected life - 1.64 years; annualized volatility - 95%; dividend yield - 0%; risk free rate - 1.25%.

- (v) On May 27, 2016, the Company issued 200,000 stock options that vest immediately. The options are exercisable at \$0.255 and expire on January 15, 2018. The fair value of the stock options grant was \$12,600.

The fair value was estimated using the Black Scholes option pricing model and the following weighted average assumptions: share price - \$0.17; exercise price - \$0.255; expected life - 1.69 years; annualized volatility - 95%; dividend yield - 0%; risk free rate - 1.25%.

- (vi) The Company recognized stock based compensation expense of \$648,149 for the year ended July 31, 2016 (July 31, 2015 - \$516,288).
- (vii) During the year ended July 31, 2016, 1,150,000 option were cancelled. The fair value of the cancelled options, \$108,578 (July 31, 2015 - \$13,652), were transferred from share based payment reserve to accumulated deficit on the statement of changes in shareholders' equity.

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9. Share-Based Compensation and Share-Based Payment Reserve (continued)

(viii) As at July 31, 2016, stock options were outstanding for the purchase of common shares as follows:

Number Of Options Outstanding	Exercise Price	Number Of Options Exercisable	Expiry Date
2,200,000	\$ 0.22	2,200,000	January 15, 2018
750,000	0.22	750,000	April 8, 2018
175,000	0.30	175,000	May 4, 2018
1,450,000	0.255	1,450,000	November 4, 2025
675,500	0.255	100,000	November 4, 2020
1,017,500	0.255	517,500	November 4, 2018
500,000	0.255	500,000	January 15, 2018
200,000	0.255	200,000	January 15, 2018
6,968,000		5,892,500	

As at July 31, 2016, stock options outstanding have a weighted average remaining contractual life of 3.51 years (July 31, 2015 – 2.58 years).

10. Income Taxes

The provision for taxes differs from the amount obtained by applying the combined Canadian Federal and Provincial income tax rate of 26% (2015 - 26%) to loss before income taxes. The differences relate to the following items:

	Year Ended July 31, 2016	Year Ended July 31, 2015
Net loss before recovery of income taxes	\$ 2,214,782	\$ 3,488,811
Expected tax recovery based on statutory Canadian combined federal and provincial tax rates	\$ (575,840)	\$ (907,091)
Differences in foreign tax rates	(167,510)	(93,495)
Tax rate changes and other adjustments	15,870	2,207
Unrealized foreign exchange	1,340	(13,173)
Non-deductible expenses	168,660	562,955
Change in deferred tax assets not recognized	557,480	448,597
Income tax provision	\$ -	\$ -

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10. Income Taxes (continued)

Unrecognized Deferred Tax Assets

Deferred taxes are provided as a result of temporary differences that arise due to the differences between the income tax values and the carrying amount of assets and liabilities. Deferred tax assets have not been recognized in respect of the following deductible temporary differences because it is not probable that the future taxable profit will be available against which the Company can utilize the benefits:

The following table summarizes the components of the unrecognized deductible temporary differences:

	July 31, 2016	July 31, 2015
Deferred Tax Assets		
Non-capital losses carried forward - Canada	\$ 1,233,500	\$ 839,316
Net operating losses carried forward - USA	1,767,020	632,901
Financing costs	264,880	200,585
Marketable securities	107,000	20,871
Office equipment	1,750	565
	\$ 3,374,150	\$ 1,694,238

The Company has Canadian non-capital income tax losses of approximately \$1,233,500 that may be available for tax purposes which expire between 2035 and 2036. The Canadian financing costs will be fully amortized by 2020. The Company also has US tax losses of approximately \$1,767,020 available for tax purposes which begin to expire in fiscal 2034. The remaining deductible temporary differences may be carried forward indefinitely.

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11. Related Party Transactions and Balances

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making operating and financial decisions. This would include the Company's senior management, who are considered to be key management personnel by the Company. Parties are also related if they are subject to common control or significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Employment Agreements

On November 27, 2014, the Company entered into a consulting arrangement with Dr. Charles Wiseman for a term of one year expiring November 26, 2015. Pursuant to the agreement, Dr. Charles Wiseman is to receive US\$10,000 per month over the term of the agreement. The agreement also provides that Dr. Charles Wiseman may participate in the Company's Stock Option Plan. The agreement can be terminated by Dr. Charles Wiseman by giving 30 days written notice to the Company and by the Company delivering 90 days written notice to Dr. Charles Wiseman with no further compensation. Upon conclusion of the above agreement, the Company reduced its monthly payment to Dr. Charles Wiseman from US\$10,000 to CAD\$4,000, effective February 1, 2016. This step was taken primarily in order to cut costs and preserve capital.

On May 20, 2015, the Company entered into an employment agreement with Dr. Joseph Wagner, which became effective on June 1, 2015. Dr. Joseph Wagner was appointed President and CEO of the Company. The agreement was for a term of one year expiring May 31, 2016, subject to certain renewal options. Pursuant to the agreement, Dr. Joseph Wagner was entitled to receive a base fee of US\$200,000 and a grant of 500,000 stock options during the initial term. The agreement also provided for the possibility of certain milestone-based incentive bonuses. Dr. Wagner resigned his positions as director and officer of the Company on March 25, 2016.

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11. Related Party Transactions and Balances (continued)

Other Items

As at July 31, 2016, included in accounts payable and accrued liabilities are amounts owing to a company controlled by an officer of nil (July 31, 2015 – \$16,945) for accounting fees; amounts owing to two companies each controlled by an individual director of nil (July 31, 2015 – \$4,520) for consulting fees.

During the years ended July 31, 2016 and 2015, the Company also incurred the following expenses by key management personnel or companies controlled by these individuals:

	Years ended July 31	
	2016	2015
a) Received or accrued rent recoveries from a company with a director or officer in common	\$ -	\$ 25,683
b) Received or accrued wage recoveries from a director	-	34,970
c) Paid or accrued professional fees to a company controlled by an officer of the Company	15,000	36,788
d) Paid or accrued consulting fees to Companies controlled by individual directors.	154,221	89,000
e) Paid or accrued wages and consulting fees to directors	327,398	122,537
f) Share based compensation to directors	392,870	353,772

12. Capital Management

The Company's capital comprises share capital, share-based payment reserve, warrant reserve, and accumulated other comprehensive income (loss). The Company manages its capital structure, and makes adjustments to it, based on the funds available to the Company in order to support the Company's business activities. The Board of Directors does not establish quantitative return on capital criteria for management; it relies on the expertise of the Company's management to sustain future development of the business.

The intellectual property in which the Company currently has an interest is in the development stage; as such, the Company is dependent on external financing to fund its activities. In order to carry out the planned research and development and pay for administrative costs, the Company intends to raise additional amounts as needed (Note 1).

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

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13. Financial Risk Factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

a) Credit risk

The Company has no significant concentration of credit risk arising from operations. Management believes that the credit risk concentration with respect to financial instruments is remote.

b) Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they come due. As at July 31, 2016, the Company had a working capital balance of \$1,025,046 (July 31, 2015 - \$1,468,408). As a result, the Company currently has little exposure to liquidity risk. However, as described in Note 1, the Company has not yet achieved profitable operations and expects to incur further losses in the development of its products; these factors cast significant doubt about the Company's ability to continue as a going concern.

c) Market Risk

i) Interest rate risk

As the Company has cash and cash equivalents and short term investment balances and no interest-bearing debt, interest rate risk is remote.

ii) Price risk

As the Company has no revenues, price risk is remote.

iii) Exchange risk

The Company is exposed to foreign exchange risk as its research operations are conducted primarily in the United States of America.

14. Research and Development costs

	Years ended	
	July 31	
	2016	2015
Wages and Salaries	\$ 571,453	\$ 190,194
Clinical Trials	128,750	-
Office Rent	107,355	62,173
Licensing	14,289	1,307
Supplies	34,440	136,362
Vaccine	88,655	-
	\$ 944,942	\$ 390,036

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15. General and Administration costs

	Years ended	
	July 31	
	2016	2015
Conferences	\$ 7,525	\$ 45,126
Consulting (Note 11)	\$ 220,340	\$ 302,495
Depreciation	\$ 1,790	\$ 565
General and Administrative	\$ 40,792	\$ 70,178
Professional fees (Note 11)	\$ 113,499	\$ 379,730
Regulatory, filing and transfer agent fees	\$ 39,530	\$ 46,819
Office Rent, net of recoveries (Note 11)	\$ 7,000	\$ 26,643
Shareholder communications	\$ 44,943	\$ 27,348
Travel	\$ 36,271	\$ 56,095
Wages and salaries, net of recoveries (Note 11)	\$ 72,415	\$ 12,612
Forgiveness of balance payable	\$ -	\$ (75,000)
	\$ 584,105	\$ 892,611

16. Commitments

a) Employment Contract

On November 27, 2014, the Company entered into an Employment Agreement with Dr. Charles Wiseman. The agreement is for a term of five years expiring November 26, 2019. Pursuant to the agreement Dr. Wiseman is to receive US\$10,000 per month over the term of the agreement. The agreement also provides that Dr. Wiseman may participate in the Company's stock option plan. The agreement can be terminated by Dr. Wiseman by giving 30 days written notice to the Company and by the Company delivering 90 days written notice to Dr. Wiseman. Should the agreement be terminated by the Company for any reason other than "cause", Dr. Wiseman will be entitled to termination pay equivalent to 12 months remuneration if termination occurs within the first 12 months of the agreement; or if termination is after the first 12 months of the agreement, 12 months remuneration and an additional US\$20,000 for each additional year served to a maximum of US\$120,000.

b) Office Leases

On March 1, 2015, the Company entered into a lease arrangement expiring February 28, 2018 for its office premises. The annual lease is US\$59,160 plus common area maintenance charges. The lease may be terminated at any time subsequent to August 31, 2015 at the option of the landlord by giving 90 days written notice.

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17. Comparative Information

Certain prior years amounts have been reclassified to conform with the current year's presentation.

18. Event After the Reporting Period

- a) On August 19, 2016, the Company completed a non-brokered private placement resulting in gross proceeds of \$1,700,000. The non-brokered private placement involved the sale of 8,500,000 units at a price of \$0.20 per unit (the "August 2016 Non-Brokered Units"). Each August 2016 Non-Brokered Unit comprised one Common Share and one common share purchase warrant (the "August 2016 Non-Brokered Warrant"). Each August 2016 Non-Brokered Warrant entitles the holder thereof to acquire one additional Common Share for an initial period of 12 months from August 19, 2016 at an exercise price of \$0.30 and at an exercise price of \$0.35 during the subsequent 24 months.

Certain finders received a cash commission of 7% of the gross proceeds plus finder's options (the "Finder's Options") equal to 7% of the number of units sold under the offering. Each Finders' Unit is exercisable at any time until August 19, 2019.

- b) On October 11, 2016, the Company issued 800,000 stock options. The options are exercisable at \$0.25 and expire on October 3, 2019. 25% of the options vest immediately, and 25% every 90 days thereafter.
- c) Subsequent to July 31, 2016, and through to the approval of this report, the Company cancelled 2,017,500 stock options under the Plan.