

Condensed Interim Financial Statements
(Expressed in Canadian Dollars)

WAVERLEY PHARMA INC.
(previously Buffalo Capital Inc.)

Three and Nine months ended September 30, 2017
(Unaudited)

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited financial statements for the three and nine months ended September 30, 2017.

Waverley Pharma Inc. (previously Buffalo Capital Inc.)
Condensed Interim Statements of Financial Position
(expressed in Canadian dollars)
(unaudited)

	Note	September 30, 2017	December 31, 2016
Assets			
Current assets:			
Cash		\$ 309,460	\$ 100,000
Amounts receivable		3,069	-
Prepaid expenses		-	7,044
Total current assets		312,529	107,044
Total assets		\$ 312,529	\$ 107,044
Liabilities and Equity			
Current liabilities:			
Accounts payable and accrued liabilities		\$ 74,815	\$ 8,021
Total current liabilities		74,815	8,021
Total liabilities		74,815	8,021
Equity:			
Share capital	4(b)	358,509	100,000
Warrants	4(c)	25,800	-
Contributed surplus		63,900	-
Deficit		(210,495)	(977)
Total equity		237,714	99,023
Nature and continuance of operations	1		
Subsequent events	6		
Total liabilities and equity		\$ 312,529	\$ 107,044

On behalf of the board

"Dr. Albert D. Friesen"
Director

"Mr. Pieter de Visser"
Director

See accompanying notes to the condensed interim financial statements.

Waverley Pharma Inc. (previously Buffalo Capital Inc.)
Condensed Interim Statements of Net Loss and Comprehensive Loss
(expressed in Canadian dollars)
(unaudited)

	Note	Three Months Ended September 30, 2017	Nine months ended September 30, 2017
Expenses			
General and administrative		\$ 129,479	\$ 209,446
Other Expenses			
Finance expense, net		44	72
Net loss and comprehensive loss		\$ (129,523)	\$ (209,518)
Loss per share attributable to shareholders:			
Basic and Diluted		\$ (0.04)	\$ (0.10)
Weighted average shares outstanding:			
Basic and Diluted		3,000,000	2,150,183

See accompanying notes to the condensed interim financial statements.

Waverley Pharma Inc. (Previously Buffalo Capital Inc.)
Condensed Interim Statements of Changes in Equity
(expressed in Canadian dollars)
(unaudited)

	Note	Share Capital	Warrants	Contributed Surplus	Equity (Deficit)	Total
Balance, December 14, 2016		\$ -	-	-	\$ -	\$ -
Net loss for 18 days ended December 31, 2016		-	-	-	(977)	(977)
Transactions with owners, recorded directly in equity						
Issuance of common shares	4(b)	100,000	-	-	-	100,000
Total transactions with owners		100,000	-	-	-	100,000
Balance, December 31, 2016		\$ 100,000	-	-	\$ (977)	\$ 99,023
Balance, December 31, 2016		\$ 100,000	-	-	\$ (977)	\$ 99,023
Net loss for the nine months ended September 30, 2017		-	-	-	(209,518)	(209,518)
Transactions with owners, recorded directly in equity						
Issuance of common shares	4(b)	258,509	-	-	-	258,509
Issuance of warrants	4(c)	-	25,800	-	-	25,800
Share-based payments	4(d)	-	-	63,900	-	63,900
		258,509	25,800	63,900	-	348,209
Balance, September 30, 2017		\$ 358,509	25,800	63,900	\$ (210,495)	\$ 237,714

See accompanying notes to the condensed interim financial statements.

Waverley Pharma Inc. (Previously Buffalo Capital Inc.)
Condensed Interim Statements of Cash Flows
(expressed in Canadian dollars)
(unaudited)

	Note	Nine months ended September 30, 2017
Cash (used in) provided by:		
Operating activities:		
Net loss for the period		\$ (209,518)
Stock-based compensation	4(d)	63,900
Change in accounts receivable		(3,069)
Change in prepaid expenses		7,044
Change in accounts payable and accrued liabilities		66,794
Cash flows used in operating activities		(74,849)
Financing activities:		
Issuance of common shares	4(b)	284,309
Cash flows from financing activities		284,309
Increase in cash		209,460
Cash, beginning of period		100,000
Cash, end of period		\$ 309,460

Supplementary information:

Non-cash financing activities		
Broker warrants issued as share issuance costs	4(b)	\$ 25,800

See accompanying notes to the condensed interim financial statements.

Waverley Pharma Inc. (previously Buffalo Capital Inc.)
Notes to the Condensed Interim Financial Statements
(expressed in Canadian dollars)
(unaudited)

1. Nature and continuance of operations:

Waverley Pharma Inc. (previously Buffalo Capital Inc.) ("Buffalo" or the "Company") was incorporated pursuant to the provisions of the Canada Business Corporations Act ("CBCA") on December 14, 2016 and was classified as a Capital Pool Company as defined in TSX Venture Exchange (the "Exchange") Policy 2.4. The principal business of the Company was the identification and evaluation of a Qualifying Transaction ("QT") and once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval, if required, and acceptance by regulatory authorities.

The Company's head office is 4 – 1250 Waverley Street, Winnipeg, Manitoba, Canada, R3T 6C6. Its registered office is 301 – 1665 Ellis Street, Kelowna, British Columbia, Canada V1Y 2B3.

On April 27, 2017, the Company completed its initial public offering of 2,000,000 common shares at a price of \$0.20 per common share for gross proceeds to the Company of \$400,000 with the net proceeds to be used to identify and evaluate assets or businesses for acquisition with a view to completing a QT. The Company's common shares were approved for listing on the Exchange and the common shares commenced trading on the Exchange on April 28, 2017 under the symbol "BUFF.P".

These condensed interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation.

The Company's continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition of, a participation in or an interest in properties, assets or businesses. Such an acquisition will be subject to regulatory approval and may be subject to shareholder approval. The condensed interim financial statements do not include any adjustments to assets or liabilities should the Company be unable to continue in existence.

As at September 30, 2017, the Company has working capital of \$237,714.

Subsequent to September 30, 2017 on October 25, 2017, the Company announced the closing of a QT involving Waverley Pharma Inc. ("Waverley") and the Company (note 6). As a result, the Company is now listed as a Tier 2 issuer on the Exchange under the symbol "WAVE". In conjunction with the QT, the Company raised \$5,500,000 through a brokered private placement led by PI Financial Inc. ("PI" or the "Agent").

Management intends to raise additional capital in order to fund its operations, however, the outcome of these matters cannot be predicted at this time. These uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

2. Basis of preparation:

(a) Statement of compliance

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

These condensed interim financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* and do not include all of the information required for full annual financial statements.

The financial statements were authorized for issue by the Board of Directors of the Company on November 27, 2017.

(b) Basis of presentation

These condensed interim financial statements have been prepared on the historical cost basis except for certain financial assets measured at fair value. All dollar amounts presented are in Canadian dollars unless otherwise specified.

(c) Functional and presentation currency

The condensed 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.

(d) Use of estimates and judgments

The preparation of condensed 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.

Waverley Pharma Inc. (previously Buffalo Capital Inc.)
Notes to the Condensed Interim Financial Statements
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2. Basis of preparation (continued):

(d) Use of estimates and judgments (continued)

Although management uses historical experience and its best knowledge of the amount, events or actions to form the basis for judgements and estimates, actual results may differ from these estimates.

The most significant accounts that require estimates as the basis for determining the stated amounts include the valuation of share-based payments and recognition of deferred income tax amounts.

3. New standards and interpretations not yet adopted

IFRS 9 Financial Instruments: Classification and Measurement ("IFRS 9")

IFRS 9 replaces the guidance in IAS 39, *Financial Instruments: Recognition and Measurement*, on the classification and measurement of financial assets. The standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables.

Financial assets will be classified into one of two categories on initial recognition:

- financial assets measured at amortized cost; or
- financial assets measured at fair value.

Under IFRS 9, for financial liabilities measured at fair value under the fair value option, changes in fair value attributable to changes in credit risk will be recognized in other comprehensive loss, with the remainder of the change recognized in profit and loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively with some exemptions. The Company is currently evaluating the impact of the above standard on its financial statements.

IFRS 2, Share-based Payment ("IFRS 2")

In September 2016, the IASB issued amendments to IFRS 2, *Share-based Payment*, clarifying how to account for certain types of share-based payment transactions. The amendments will apply to periods beginning on or after January 1, 2018. The Company is currently evaluating the impact of the above amendments on its financial statements.

4. 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 14, 2016	-	\$	-
Shares issued for cash ⁽¹⁾	1,000,000		100,000
Balance, December 31, 2016	1,000,000	\$	100,000
Shares issued for cash ⁽²⁾	2,000,000		258,509
Balance, September 30, 2017	3,000,000	\$	358,509

⁽¹⁾ On December 19, 2016, the Company issued 1,000,000 common shares at a price of \$0.10 per common share for gross proceeds of \$100,000.

Waverley Pharma Inc. (previously Buffalo Capital Inc.)
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4. Capital stock (continued):

(b) Shares issued and outstanding (continued)

- (2) On April 27, 2017, the Company completed its initial public offering (the "Offering") of 2,000,000 common shares at a price of \$0.20 per common share for gross proceeds to the Company of \$400,000. The Company incurred \$141,491 in share issuance costs in regards to the Offering.

PI acted as the sole lead agent for the Offering. PI received a cash commission equal to \$40,000 or 10% of the gross proceeds of the Offering and warrants to purchase 200,000 common shares at a price of \$0.20 per share for a period of 24 months from the date of listing of the shares on the Exchange. The fair value of the warrants of \$25,800 has been included in share issuance costs. PI also received a corporate finance fee of \$10,000, plus taxes.

The Offering resulted in net proceeds of \$294,309, after share issuance costs excluding the fair value of the warrants issued of \$25,800, a non-cash item.

As a result of the closing of the Offering, the Company had 3,000,000 common shares issued and outstanding (1,000,000 of which are subject to escrow restrictions).

(c) Warrants

Changes in the number of warrants outstanding during the nine months ended September 30, 2017 are as follows:

	Shares	Weighted average exercise price
Balance, beginning of period	-	\$ -
Exercised	200,000	0.20
Balance, end of period	200,000	\$ 0.20
Warrants exercisable, end of period	200,000	\$ 0.20

The fair value of the warrants of \$25,800 was determined based on the Black-Scholes pricing model using the following assumptions:

Expected option life	2 years
Risk free interest rate	0.73%
Dividend yield	nil
Expected volatility	85%

As there is limited historical volatility of the Company's common shares, expected volatility is based on the historical performance of the common shares of other similar companies.

(d) Stock option plan

The Company has a stock option plan which is administered by the Board of Directors of the Company with stock options granted to directors, officers, employees and consultants as a form of compensation. The number of common shares reserved for issuance of stock options is limited to a maximum of 10% of the issued and outstanding common shares of the Company at any time. The stock options generally have a maximum term of between ten years.

Waverley Pharma Inc. (previously Buffalo Capital Inc.)
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4. Capital stock (continued):

(d) Stock options plan (continued)

Upon closing of the Offering described in note 4(b), the Company granted 300,000 incentive stock options, which vested immediately, to its directors and officers, which are exercisable within ten years from the date of the grant at an exercise price of \$0.20 per common share.

Changes in the number of options outstanding during the nine months ended September 30, 2017 are as follows:

	Shares	Weighted average exercise price
Balance, beginning of period	-	\$ -
Granted	300,000	0.20
Balance, end of period	300,000	\$ 0.20
Options exercisable, end of period	300,000	\$ 0.20

Options outstanding at September 30, 2017 consist of the following:

Range of exercise prices	Number outstanding	Weighted average remaining contractual life	Options outstanding weighted average exercise price	Number exercisable
\$0.20	300,000	9.58 years	\$ 0.20	300,000

Compensation expense related to stock options granted during the period under the stock option plan for the three and nine months ended September 30, 2017 is nil and \$63,900, respectively.

The compensation expense for the three and nine months ended September 30, 2017 was determined based on the fair value of the options at the date of measurement using the Black-Scholes option pricing model and the following assumptions:

Expected option life	10 years
Risk free interest rate	1.57%
Dividend yield	nil
Expected volatility	85%

As there is limited historical volatility of the Company's common shares, expected volatility is based on the historical performance of the common shares of other similar companies.

(e) Per share amounts

The weighted average number of common voting shares outstanding for the three and nine months ended September 30, 2017 was 3,000,000 and 2,150,183, respectively. Effects of dilution from 200,000 warrants and 300,000 stock options were excluded in the calculation of weighted average shares outstanding for the three and nine months ended September 30, 2017 as their effect would be anti-dilutive.

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5. Related party transactions:

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Board of Directors, Chief Executive Officer and Chief Financial Officer are key management personnel. The following table details the compensation paid to key management personnel:

	Three months ended September 30, 2017	Nine months ended September 30, 2017
Share-based payments	\$ -	\$ 63,900
	\$ -	\$ 63,900

Directors and key management personnel control 33% of the voting shares of the Company as at September 30, 2017 (December 31, 2016 - 100%).

6. Subsequent events:

Qualifying Transaction

Subsequent to September 30, 2017 on October 25, 2017, the Company announced the closing of the QT involving the Company and Waverley. As a result, the Company is listed as a Tier 2 issuer on the Exchange under the symbol "WAVE". In conjunction with the QT, the Company raised \$5,500,000 through a brokered private placement led by PI.

Under the agreement, the Company and Waverley completed a non-arm's length business combination (the "Amalgamation") transaction by way of amalgamation pursuant to the CBCA to continue as a new company, Waverley Pharma Inc. (the "Resulting Issuer"). Each common share in the capital of Buffalo (the "Buffalo Shares") that was outstanding immediately prior to the Amalgamation (other than Buffalo Shares held by shareholders of Buffalo (the "Buffalo Shareholders") who exercised their dissent rights) was converted into one (1) issued and fully paid and non-assessable common shares in the share capital of the Resulting Issuer (the "Resulting Issuer Shares") at a deemed price of \$0.50 per Resulting Issuer Share. Each Class "A" common share in the capital of the Waverley (the "Waverley Shares") that was outstanding immediately prior to the Amalgamation (other than Waverley Shares held by shareholders of the Company (the "Waverley Shareholders") who exercised their dissent rights) was converted into 400,000 issued and fully paid and non-assessable Resulting Issuer Shares at a deemed price of \$0.50 per Resulting Issuer Share. As a result, the former holders of Buffalo Shares hold, in the aggregate 14,000,000 Resulting Issuer Shares representing approximately 25.9% of the outstanding Resulting Issuer Shares and the former holder of Waverley Shares hold, in the aggregate 40,000,000 Resulting Issuer Shares representing approximately 74.1% of the outstanding Resulting Issuer Shares.

A condition to the completion of the Amalgamation, was that the Company complete a financing for gross proceeds of up to \$5,000,000 (the "Concurrent Financing"). Immediately prior to the completion of the Amalgamation, the Company completed a brokered private placement of 11,000,000 Buffalo Shares at an issue price of \$0.50 per share for aggregate gross proceeds of \$5,500,000 (the "Financing") and representing an oversubscription of 1,000,000 Buffalo Shares (10%) over the amount of Concurrent Financing previously announced. PI was engaged to act as lead agent in connection with the Concurrent Financing and will be paid a cash commission of 7% of the gross proceeds of the Financing, as well as receiving 770,000 warrants which shall entitle PI to acquire one Resulting Issuer Share for each warrant, at a price of \$0.50 for a period of 24 months following the completion of the Amalgamation.

Proceeds of the Financing are anticipated to be used for planning, preparation and execution of the Resulting Issuer's regulatory strategy and business development and partnering activities, to pay the costs associated with the Financing and for working capital and other corporate purposes.

Concurrent with the completion of the QT, the Resulting Issuer also issued an aggregate of 1,000,000 stock options to certain directors and consultants of the Company. The options have an exercise price of \$0.50, vest over a period of three years and expire 10 years from the date of grant.

6. Subsequent events (continued):

Qualifying Transaction (continued)

On October 27, 2017, the Resulting Issuer began trading on the Exchange under the symbol "WAVE". As a result of the foregoing, the Resulting Issuer has an aggregate of 54,000,000 common shares issued and outstanding and 1,300,000 stock options and 970,000 warrants to purchase common shares outstanding.