

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

Annual Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

For the Fiscal Year Ended _____

or

Transition Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

For the transition period from January 1, 2016 to March 31, 2016

Commission File Number: 000-54717

Bionik Laboratories Corp.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

27-1340346
(I.R.S. Employer
Identification No.)

483 Bay Street N105, Toronto, Ontario M5G 2C9
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(416) 640-7887**

Securities registered pursuant to Section 12(b) of the Act:
None

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, \$0.001 par value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company.

| | | | |
|-------------------------|--------------------------|---------------------------|-------------------------------------|
| Large accelerated filer | <input type="checkbox"/> | Accelerated filer | <input type="checkbox"/> |
| Non-accelerated filer | <input type="checkbox"/> | Smaller reporting company | <input checked="" type="checkbox"/> |

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant based on the closing sales price, or the average bid and asked price on such stock, as of September 30, 2015 was \$42,575,795.

The number of shares of the registrant's common stock outstanding as of June 22, 2016 was 22,712,541 shares of common stock, par value \$0.001 per share.

BIONIK LABORATORIES CORP.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

The information contained in this Transition Report on Form 10-K, including in documents that may be incorporated by reference into this Report, includes some statements that are not purely historical and that are “forward-looking statements.” Such forward-looking statements include, but are not limited to, statements regarding the Company and its management’s expectations, hopes, beliefs, intentions or strategies regarding the future, including its financial condition and results of operations. In addition, any statements that refer to projections, forecasts or other characterizations of future events or circumstances, including any underlying assumptions, are forward-looking statements. The words “anticipates,” “believes,” “continue,” “could,” “estimates,” “expects,” “intends,” “may,” “might,” “plans,” “possible,” “potential,” “predicts,” “projects,” “seeks,” “should,” “will,” “would” and similar expressions, or the negatives of such terms, may identify forward-looking statements, but the absence of these words does not mean that a statement is not forward-looking.

The forward-looking statements contained in this Transition Report on Form 10-K are based on current expectations and beliefs concerning future developments. There can be no assurance that future developments actually affecting the Company will be those anticipated. These forward-looking statements involve a number of risks, uncertainties (some of which are beyond the parties’ control) or other assumptions that may cause actual results or performance to be materially different from those expressed or implied by these forward-looking statements, some of which are described in the Section of this Form 10-K entitled “Risk Factors”.

Should one or more of these risks or uncertainties materialize, or should any of the Company’s assumptions prove incorrect, actual results may vary in material respects from those projected in these forward-looking statements. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required under applicable securities laws.

PART I

ITEM 1. BUSINESS.

Description of Business

We are a global pioneering robotics company focused on providing rehabilitation solutions to individuals with neurological disorders, specializing in designing, developing and commercializing cost-effective physical rehabilitation technologies, prosthetics, and assisted robotic products. We strive to innovate and build devices that can rehabilitate and improve an individual's health, comfort, accessibility and quality of life through the use of advanced algorithms and sensing technologies that anticipate a user's every move.

On April 21, 2016, we acquired all of the outstanding shares and, accordingly, all assets and liabilities of Interactive Motion Technologies, Inc., a Boston, Massachusetts-based global pioneer and leader in providing effective robotic products for neurorehabilitation, pursuant to an Agreement and Plan of Merger, dated March 1, 2016, with IMT, Hermano Igo Krebs, and Bionik Mergerco Inc., a Massachusetts corporation and our wholly owned subsidiary. The merger agreement provided for the merger of Bionik Mergerco with and into IMT, with IMT surviving the merger as our wholly-owned subsidiary. In return for acquiring IMT, IMT shareholders will receive up to an aggregate of 23,650,000 shares of our common stock.

Through the acquisition of IMT, Bionik has added a portfolio of products focused on upper and lower extremity rehabilitation of stroke patients. We now have three products on the market and three products in varying stages of development that we are currently pursuing.

The InMotion ARM, InMotion ARM/HAND, and InMotion Wrist have been characterized as Class II medical devices by the U.S. Food and Drug Administration and are listed by the FDA to market and sell in the United States. In addition to these in-market products, the InMotion Ankle is in development. All of these products are designed to provide intelligent, patient-adaptive therapy in a manner that has been clinically verified to maximize neuro-recovery.

IMT also has a License Agreement with MIT for certain research and possible transfer of technology being done at MIT in the robotics area where Dr. Hermano Igo Krebs, our newly appointed Chief Science Officer, and Neville Hogan, an advisor and former director of IMT, are professors.

The IMT clinical products have been sold in over 20 countries, including the United States. IMT has a growing body of clinical data for its products. In addition, IMT's manufacturing facility is compliant with ISO-13485 and FDA regulations.

In addition, we are developing for commercialization the ARKE lower body exoskeleton and another lower body product that will be transferred under the MIT license. We plan to develop other biomechatronic solutions through internal research and development and we may further augment our product portfolio through strategic and accretive acquisition opportunities in the future.

We also have two earlier stage development technologies: APOLLO, an intelligent prosthetic knee; and Chronos, a cloud-based intelligent patient queuing system. We currently do not have the financial capability or personnel to develop APOLLO and Chronos now that our business model has changed to include the InMotion products – both existing and in development. Accordingly, our investment in APOLLO and Chronos is on hold. We intend to continue to revisit developing our technologies and the markets for our technologies as we grow.

Since our founding, we have partnered with industry partners in manufacturing and design and have also expanded our development team through partnerships with researchers and academia. From inception through February 25, 2015, which was immediately prior to our going-public transaction, we secured cash funding of approximately \$5.5 million, which included grants as well as Scientific Research and Experimental Development tax refunds provided through the Canadian government that support our creation of technologies that could lower the costs of medical devices and medical care.

We currently hold an intellectual property portfolio that includes 5 U.S. and international patents pending, 13 U.S. provisional patents, and other patents under development. The provisional patents may not be filed as full patents and new provisional patents may be filed as the technology evolves or changes. Additionally, as a result of our acquisition of IMT, we hold exclusive licenses to three additional patents.

Through March 31, 2016, we have not generated any revenue and have a history of net losses. IMT had approximately \$2.0 million of revenue for the fiscal year ended December 31, 2015 and approximately \$119,000 for the fiscal quarter ended March 31, 2016.

Recent Developments

Change in Fiscal Year

On April 26, 2016, our Board of Directors authorized the changing of our fiscal year-end from December 31 to March 31. The audited financial statements for the new fiscal year are reflected in this Transition Report on Form 10-K for the transition period ended March 31, 2016.

Restatement of Unaudited Financial Statements

On March 11, 2016, we announced that, during the preparation of our financial statements for the year-end December 31, 2015, we were advised by MNP LLP, our independent registered public accounting firm, to re-evaluate our accounting relating to the common stock purchase warrants issued in 2015 as part of the Offering, and to consider restating our previously issued reviewed, unaudited condensed consolidated financial statements included in our Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2015, June 30, 2015 and September 30, 2015.

Management promptly engaged outside advisors to consult on this matter, including a Big 4 accounting firm, and on March 9, 2016, management, with and upon advice of such advisors and further discussions with its auditors, determined that the financial statements included in such Quarterly Reports should no longer be relied upon and would be restated due to non-cash errors identified in the accounting for the warrants.

As a result, we filed restated Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2015, June 30, 2015 and September 30, 2015.

Please see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our audited financial statements later in this Transition Report on Form 10-K.

The Acquisition Transaction and Offering

On February 26, 2015, we entered into an Investment Agreement with Bionik Acquisition Inc., a company existing under the laws of Canada and our wholly owned subsidiary (“Acquireco”), and Bionik Laboratories, Inc. (“Bionik Canada”) (the “Investment Agreement”), whereby we acquired 100 Class 1 common shares of Bionik Canada representing 100% of the outstanding Class 1 common shares of Bionik Canada, taking into account the Exchangeable Share Transaction (as defined below) (the “Acquisition Transaction”). After giving effect to the Acquisition Transaction, we commenced operations through Bionik Canada.

Bionik Canada was incorporated on March 24, 2011 under the Canada Business Corporations Act. Bionik Canada’s principal executive office is located at 483 Bay Street, N105, Toronto, ON Canada M5G 2C9 and its telephone number is (416) 640-7887. Our website address is www.bioniklabs.com.

Immediately prior to the closing of the Acquisition Transaction and the First Closing (as defined below), we transferred all of the business, properties, assets, operations and goodwill of the Company (other than cash and cash equivalents), and liabilities as of March 6, 2013, to our then-existing wholly owned subsidiary, Strategic Dental Alliance, Inc., a Colorado corporation (“Strategic Dental Alliance”), and then transferred all of the capital stock of Strategic Dental Alliance to Brian E. Ray, a former officer and existing director (through March 20, 2015) and Jon Lundgreen, a former officer and director, pursuant to a Spin-Off Agreement (the “Spin-Off Agreement”). Also as of immediately prior to the closing of the Acquisition Transaction and the First Closing, we entered into an Assignment and Assumption Agreement with Tungsten 74 LLC, pursuant to which Tungsten 74 LLC assumed all of our remaining liabilities through the closing of the Acquisition Transaction (the “Assignment and Assumption Agreement”). Accordingly, as of the closing of the Acquisition Transaction and the First Closing, we had no assets or liabilities.

As a condition of the closing of the Acquisition Transaction, Bionik Canada created a new class of exchangeable shares (the “Exchangeable Shares”), which were issued to the existing common shareholders of Bionik Canada in exchange for all of their outstanding common shares, all of which were cancelled (the “Exchangeable Share Transaction”).

Pursuant to the rights and privileges of the Exchangeable Shares, the holders of such Exchangeable Shares maintain the right to (i) receive dividends equal to, and paid concurrently with, dividends paid by the Company to the holders of Common Stock; (ii) vote, through the Trustee’s voting of the Special Voting Preferred Stock (as defined herein) on all matters that the holders of Common Stock are entitled to vote upon; and (iii) receive shares of Common Stock upon the liquidation or insolvency of the Company upon the redemption of such Exchangeable Shares by Acquireco. The Exchangeable Shares do not give the holders any economic, voting or other control rights over Bionik Canada.

As part of the Exchangeable Share Transaction, we entered into the following agreements, each dated February 26, 2015:

- Voting and Exchange Trust Agreement (the “Trust Agreement”) with Bionik Canada and Computershare Trust Company of Canada (the “Trustee”); and
- Support Agreement (the “Support Agreement”) with Acquireco and Bionik Canada.

Pursuant to the terms of the Trust Agreement, the parties created a trust for the benefit of its beneficiaries, which are the holders of the Exchangeable Shares, enabling the Trustee to exercise the voting rights of such holders until such time as they choose to redeem their Exchangeable Shares for shares of the common stock of the Company, and allowing the Trustee to hold certain exchange rights in respect of the Exchangeable Shares.

As a condition of the Trust Agreement and prior to the execution thereof, we filed a Certificate of Designation with the Delaware Secretary of State, effective February 20, 2015, designating a class of our preferred shares as The Special Voting Preferred Stock (the “Special Voting Preferred Stock”) and issued one share of The Special Voting Preferred Stock to the Trustee.

The Special Voting Preferred Stock entitles the Trustee to exercise the number of votes equal to the number of Exchangeable Shares outstanding on a one-for-one basis during the term of the Trust Agreement. The Trust Agreement further sets out the terms and conditions under which holders of the Exchangeable Shares are entitled to instruct the Trustee as to how to vote during any stockholder meetings of our company.

Pursuant to the terms of the Trust Agreement, we granted the Trustee the right to require our Company to purchase the Exchangeable Shares from any beneficiary upon the occurrence of certain events including in the event that we are bankrupt, insolvent or our business is wound up. The Trust Agreement continues to remain in force until the earliest of the following events: (i) no outstanding Exchangeable Shares are held by any beneficiary under the Trust Agreement; and (ii) each of Bionik Canada and us elects to terminate the Trust Agreement in writing and the termination is approved by the beneficiaries.

Pursuant to the terms of the Support Agreement, we agreed to certain covenants while the Exchangeable Shares were outstanding, including: (i) not to declare or pay any dividends on our common stock unless simultaneously declaring the equivalent dividend for the holders of the Exchangeable Shares, (ii) advising Bionik Canada in advance of any dividend declaration by our company, (iii) ensure that the record date for any dividend or other distribution declared on the shares of the Company is not less than seven days after the declaration date of such dividend or other distribution; (iv) taking all actions reasonably necessary to enable Bionik Canada to pay and otherwise perform its obligations with respect to the issued and outstanding Exchangeable Shares, (iv) to ensure that shares of the Company are delivered to holders of Exchangeable Shares upon exercise of certain redemption rights set out in the agreement and in the rights and restrictions of the Exchangeable Shares, and (v) reserving for issuance and keeping available from our authorized common stock such number of shares as may be equal to: (A) the number of Exchangeable Shares issued and outstanding from time to time; and (B) the number of Exchangeable Shares issuable upon the exercise of all rights to acquire Exchangeable Shares from time to time.

The Support Agreement also outlines certain restrictions on our ability to issue any dividends, rights, options or warrants to all or substantially all of our stockholders during the term of the agreement unless the economic equivalent is provided to the holders of Exchangeable Shares. The Support Agreement is governed by the laws of the Province of Ontario.

Concurrently with the closing of the Acquisition Transaction and in contemplation of the Acquisition Transaction, we sold 7,735,750 units (the "Units") for gross proceeds of \$6,188,600 (including \$500,000 of outstanding bridge loans converted into Units at the offering price) at a purchase price of \$0.80 per Unit (the "Purchase Price") in a private placement offering (the "Offering"). Each Unit consists of one share of common stock, par value \$0.001 per share (the "Common Stock") and a warrant (the "Warrant") to purchase one share of Common Stock at an initial exercise price of \$1.40 per share (the "Warrant Shares").

The Offering was being offered with a minimum offering amount of \$6,000,000 (the "Minimum Offering Amount") and up to a maximum offering amount of \$12,800,000 (subject to an up-to \$2,600,000 overallotment option). Once the Minimum Offering amount was reached and held in escrow and other conditions to closing were satisfied (including the simultaneous closing of the Acquisition Transaction), the Company and the placement agent were able to conduct a first closing (the "First Closing"). Pursuant to the terms of a Registration Rights Agreement, we filed a registration statement on Form S-1 (or any other applicable form exclusively for the Offering) (the "Registration Statement") registering for resale under the Securities Act all of the shares of Common Stock sold in the Offering and Warrant Shares underlying the Warrants. As a result of the Offering, after payment of placement agent fees and expenses but before the payment of other offering expenses such as legal and accounting expenses, we received net proceeds of approximately \$5,339,778 at the First Closing, including the \$500,000 in bridge loans we previously received that were taken into account as part of the Minimum Offering Amount. In addition, the placement agent is entitled to 10% warrant coverage for all Units sold in the Offering, which we intend to issue upon the last closing of the Offering for all Units sold in the Offering. The warrants will be exercisable at \$0.80 per share for a period of 4 years.

As of the Acquisition Transaction and the First Closing, an aggregate of 90,575,126 shares of our Common Stock were deemed cancelled, of which 90,207,241 were held by our former Chief Executive Officer.

Immediately following the Acquisition Transaction, the Exchangeable Share Transaction and the First Closing, there were approximately 63,735,813 shares of our common stock and equivalents issued and outstanding of which approximately 6,000,063 were held by existing stockholders, 7,735,750 were held by the investors in the Offering and Bionik Canada shareholders held an equivalent of 50,000,000 shares of our common stock through their ownership of 100% of the Exchangeable Shares.

On March 27, 2015, we sold to accredited investors in a second closing, 1,212,500 Units for gross proceeds of \$970,000 at the Purchase Price. After payment of placement agent fees and expenses but before the payment of other Offering expenses such as legal and accounting expenses, we received net proceeds of \$828,900.

On March 31, 2015, we sold to accredited investors in a third closing of the Offering, 891,250 Units for gross proceeds of \$713,000 at the Purchase Price. After payment of placement agent fees and expenses but before the payment of other offering expenses such as legal and accounting expenses, we received net proceeds of \$615,901.

On April 21, 2015, we sold to accredited investors in a fourth closing of the Offering, 3,115,000 Units for gross proceeds of \$2,492,000 at the Purchase Price. After payment of placement agent fees and expenses but before the payment of other offering expenses such as legal and accounting expenses, we received net proceeds of \$2,153,040.

On May 27, 2015, we sold to accredited investors in a fifth closing of the Offering, 1,418,750 Units for gross proceeds of \$1,135,000 at the Purchase Price. After payment of placement agent fees and expenses but before the payment of other offering expenses such as legal and accounting expenses, we received net proceeds of \$987,434.

On June 30, 2015, we sold to accredited investors in a sixth and final closing of the Offering, 2,035,000 Units for gross proceeds of \$1,628,000 at the Purchase Price. After payment of placement agent fees and expenses but before the payment of other offering expenses such as legal and accounting expenses, we received net proceeds of approximately \$1,416,344.

Through the final closing of the Offering on June 30, 2015, we raised in the Offering aggregate gross proceeds of \$13,126,600. As a result, assuming there are no transfers of our common stock by the holder thereof, our pre-Acquisition Transaction stockholders hold approximately 8.3% of our issued and outstanding shares of Common Stock, the former stockholders of Bionik Canada hold the right to approximately 69.0% of our issued and outstanding shares of Common Stock through their ownership of 100% of the Exchangeable Shares, and the investors in the Offering hold approximately 22.7% of our issued and outstanding shares of Common Stock.

Products in Market

InMotion ARM

The InMotion ARM is characterized as a Class II medical device by the U.S. and is FDA listed 510(k) exempt, allowing the product to be marketed in the United States. The product is an evidence-based intelligent interactive rehabilitation technology that senses patient movements and limitations, providing assistance as needed in real time. It allows clinicians to effectively deliver optimum intensive sensormotor therapy to the shoulder and elbow to achieve the development of new neural pathways.

InMotion ARM/HAND

The InMotion ARM/Hand is characterized as a Class II medical device by the U.S. and is FDA listed 510(k) exempt, allowing the product to be marketed in the United States. The product is an add-on module to be used with the InMotion ARM. The two work together to provide as needed support for reaching with grasp and release movements, or independently for focused training on individual hand movements. It allows clinicians to efficiently deliver optimum intensive sensormotor therapy to the hand to achieve the development of new neural pathways.

InMotion WRIST

The InMotion WRIST is characterized as a Class II medical device by the U.S. and is FDA listed 510(k) exempt, allowing the product to be marketed in the United States. The product is an evidence based interactive rehabilitation device that senses patient movements and limitations, and provides assistance as needed. It can accommodate the range of motion of a normal wrist in everyday tasks and can be used by clinicians as a stand-alone treatment option or in addition to the InMotion ARM. The InMotion WRIST enables clinicians to efficiently deliver optimum intensive sensormotor wrist and forearm therapy to patients with neurological conditions.

The InMotion products have been sold in over 20 countries, including the United States, for rehabilitation. Extensive research has shown them to be effective, especially for stroke and cerebral palsy.

There is currently a clinical study – the Robot Assisted Training for the Upper Limb after Stroke (RATULS) study – which is funded by the NIHR Health Technology Assessment (HTA) Programme conducted throughout the United Kingdom, that employs our InMotion upper extremity robotic gym. The study contemplates the enrollment of 720 stroke patients in a multi-center, randomized controlled research trial to evaluate the clinical and cost effectiveness of robot-assisted training in post-stroke care, that is expected to be completed before the end of 2018 with results to be published in 2019.

Product Pipeline

InMotion ANKLE

The InMotion ANKLE is an exoskeletal robotic system using the same principles as used in the InMotion upper extremity rehabilitation products described above. The product was designed in close collaboration with the Newman Laboratory for Biomechanics and Human Rehabilitation at MIT. The product is currently in multiple clinics used for research and a clinical plan to obtain FDA clearance to market and for use in the United States is being developed.

ARKE

The ARKE is a robotic lower body exoskeleton designed for wheelchair bound individuals suffering from spinal cord injuries, stroke and other mobility disabilities. It is designed with a control system with adaptive walking and step recovery, and a system that collects data from all sensors on the device which could allow patients to restore proper walking gait, rehabilitate more efficiently and finally could improve current methods of manual rehabilitation and its future results. The ARKE incorporates a built-in removable data interface that will give the physiotherapist full control of the product but also will allow the patient to visually see their own progress.

The ARKE is expected to complement or replace existing rehabilitation methods by enabling a patient full motion control and increasing feedback for physicians and care providers during the rehabilitation process. Further, the ability to walk during rehabilitation has the potential to reduce bone density loss, muscle atrophy, secondary illness and the frequency of re-hospitalization, while potentially helping to increase blood flow and nutrient delivery throughout the body. It is also believed that additional potential improvements in patients is expected to include but are not limited to better bowel control, better bladder control and medication reduction. Additionally, the ARKE will have the capability to interface with the provided tablet computer to allow the clinician or a rehabilitation specialist to program, change, edit and select different features within the ARKE system platform, such as selecting or saving a patient's profile, adjusting the rehabilitation movement speed or walking gait. The tablet interface is designed to allow for the staff to be in close proximity to the user, allowing for them to closely monitor the ARKE at all times during use, making the process safer and more reliable and facilitating post session data analysis.

We have achieved significant progression in the ARKE development. Generation 2 of the ARKE exoskeleton development was completed in the second quarter of 2015 as planned and currently the manufacturing phase of the entire system is underway. We are currently collaborating on ongoing product feasibility and development of the ARKE with the University of Ottawa Rehabilitation Hospital and plan to start clinical trials in Canada in 2017. We are currently focused on the Canadian market due to lower costs and faster possible approval from Health Canada, which is expected in 2017. We are also investigating the possibility of clinical trials in Europe in 2017 in cooperation with clinical trials in Canada, with the goal of achieving CE Mark certification by the European authorities in 2017 or 2018. We currently do not have the resources to do clinical trials in the United States and will reevaluate our ability to do clinical trials in the United States after obtaining Health Canada and CE Mark certification.

On February 1, 2016, we announced that we are working with IBM to develop a unique analytics system and apply sophisticated machine learning algorithms to improve the outcomes of neurological rehabilitation. Use of IBM's cognitive computing infrastructure would enable access to the exoskeleton's performance, patient data, and results of ARKE rehabilitation from multiple sites, including rehabilitation centers, physicians' offices, physiotherapists' offices, patients' homes, research centers or any other location at any time. Phase one of the IBM development project for ARKE is expected to be completed in 2016. Phase one will include the full backend required to capture the information needed for future use. As part of phases two and three of the project, Bionik engineers together with data scientists at IBM are expected to develop machine-learning algorithms designed to analyze large volumes of sensor data generated by ARKE. The analytical program is expected to be an important tool in identifying the correlation between different rehabilitation regimens using the ARKE exoskeleton and understanding the therapeutic results from these physio-protocol programs over certain measures of time.

Other Prospective Products

A lower extremity product is under development at MIT connected to our MIT License Agreement, which is expected to be transferred to us later in 2016, at which time clinical plans will be determined. We also have the early-stage APOLLO, a microprocessor-driven, above the knee prosthetic, and Chronos, a cloud-based intelligent patient queuing system, of which no prototypes have been developed. We can give no assurance at this time that any such prototypes will be developed or, if developed, commercialized. In addition, we intend to expand our product offerings and enhance the strength of our Company through, not only internal development, but also strategic and accretive partnerships or acquisitions from time to time.

Competition and Competitive Advantage

The medical technology equipment industry is characterized by strong competition and rapid technological change. There are a number of companies developing technologies that are competitive to our existing and proposed products, many of them, when compared to our Company, having significantly longer operational history and greater financial and other resources.

The ARKE faces competition from companies that are focused on technologies for rehabilitation of patients suffering from spinal cord injuries, stroke and related neurological disabilities. Our competitors that we expect to compete with the ARKE in spinal cord rehabilitation therapies include Rewalk Robotics, Ekso Bionics, and Rex Bionics, each of which sell over-ground, weight bearing exoskeletons. The IMT product line may compete with products developed or sold by Parker Hannifin, Cyberdyne, Hocoma, AlterG, Aretech, Ekso Bionics, Parker Hannifin and Reha Technology.

We believe that the ARKE's primary advantage over the aforementioned products is that it has been designed to facilitate a selling price, which we believe could be more affordable to the market than currently-approved products. When comparing the ARKE to treadmill-based products available to the rehabilitation market, the ARKE has a smaller footprint, uses standard power sources, does not need any special infrastructure and is expected to be more affordable. Importantly, the ARKE is expected to be able to mobilize pre- or non-ambulatory patients as it is a full weight-bearing product. The ARKE is also expected to be less expensive than currently approved competitors in the spinal cord rehabilitation market for over-ground exoskeleton products. Additional advantages include our patented patient profiling system, and 3D trigger point system.

The primary competitor for the InMotion product line of upper-body rehabilitation robots is Hocoma, a Swiss-based company. We believe that the InMotion product line's primary advantage over Hocoma is the evidence based, research proven data that supports each of our products. Evidence based, research proven data is used to support reimbursement from health systems, insurance companies and governments.

Our challenge will be achieving rapid market awareness and adoption of our emerging technology in rehabilitation and mobility centers throughout the U.S., Canada and any other market we may enter. The acquisition of IMT is expected to significantly help with our clinical trials and ability to launch ARKE, InMotion Ankle and the lower-extremity development product into the market, as IMT has clinical data on its rehabilitative products and IMT has international distributorships and relationships with rehabilitation centers around the world which we intend to leverage.

Robotic technology and its use in clinical settings is a new and emerging industry and is regulated by medical device regulatory agencies (such as the US Food and Drug Administration). We believe that we will face challenges of increased regulatory scrutiny, possible changes in regulator's requirements, meeting quality control standards of various government regulators, increased competition in the future based on other new technologies, additional features and customizability, reduced pricing, clinical outcomes and other factors. Our strength in this market will depend on our ability to achieve market acceptance, develop new technologies, develop new products, implement production plans, develop marketing strategies, secure regulatory approvals, secure necessary data for reimbursement, protect our intellectual property and have sufficient funding to meet all these challenges.

The market for the Company's other prospective products also has competition and is subject to rapid technological change and regulatory requirements. There can be no assurance that the Company will be in a strong position to respond quickly to potential acquisitions and other market opportunities, new or emerging technologies and changes in customer requirements. Failure to maintain and enhance our competitive position could materially affect the business and our prospects.

Market Strategy

The Company's products are designed to be rehabilitation tools for hospitals and clinics. We are currently selling three robotic products listed to market and for use by the FDA, through our own sales team in the United States, as well as through third party distributors around the world.

We are currently completing the safety testing and general proof of concept testing for our ARKE and InMotion ANKLE development products. We have also prepared feasibility protocols, which will test the ARKE product on paraplegic patients and gauge the medical benefits and other parameters before doing clinical trials. For the ARKE, we anticipate receiving clearance from Health Canada in 2017, and later pursue approval with the FDA if we have the funds to do so. We plan to focus initially on clinical trials in Canada and Europe before the U.S. due to the lower cost of trials in Canada and Europe.

We expect that the InMotion ANKLE will rely on certain clinical data obtained from research sites it is currently located at, as well as data that supports the upper extremity InMotion product line, and we expect to do the clinical work required by the FDA within 2 years.

Our market strategy will be the development of hospital and clinic relationships that will allow us to gain acceptance of the technology among experts and patients. We are also seeking a number of government grants in collaboration with various hospitals and clinics to allow us to partially fund trials and research projects. We expect to gain traction among the doctors and experts involved in the distribution and buying groups that are established within those selected partner hospitals. We expect to also conduct clinical trials in other countries for the purpose of gaining traction in those markets.

During the first market phase, we may sell or lease at a monthly or other fee structure for our products to hospitals, clinics, distribution companies and/or buying groups that supply those rehabilitation facilities. We are also considering other revenue models.

We intend on developing, licensing or acquiring other related vertical products to introduce to the market.

Intellectual Property

We use intellectual property developed or acquired, including patents, trade secrets and technical innovations to provide our future growth and to build our competitive position. We have 5 U.S. and international patents pending and 13 U.S. provisional patents. As we continue to expand our intellectual property portfolio, it is critical for us to continue to invest in filing patent applications to protect our technology, inventions, and improvements. However, we can give no assurance that competitors will not infringe on our patent rights or otherwise create similar or non infringing competing products that are technically patentable in their own right.

Our patents pending, all of which are expected to expire in 2033 or 2034, are as follows:

| | |
|------------------------------|--------------------------|
| Algorithms & Control Systems | Filed US & International |
| Sensory Technology | Filed US & International |
| Robotics | Filed US & International |
| Robotics | Filed US & International |
| Robotics | Filed US & International |

Bionik has also filed 13 provisional patents in the areas of Robotics, Algorithms & Controls Systems, Sensory Technology and Cloud Computing. The provisional patents may not be filed as full patents and new provisional patents may be filed as the technology evolves or changes.

IMT has historically relied upon a combination of patents, exclusive licenses and contractual rights to protect its intellectual property. The following are the patents owned by or licensed to IMT as of March 31, 2016:

| Patent # | Description | Date | Expiration |
|-----------------|--|-------------|-------------------|
| 7,618,381 | Wrist and Upper Extremity Motion (MIT License) | 11/17/09 | 11/17/2029 |
| 7,556,606 | Pelvis Interface: key components for effective motor neuro- Rehabilitation of lower extremities (MIT License) | 07/07/09 | 07/07/2029 |
| 8,613,691 | Dynamic Lower Limb Rehabilitation Robotic Apparatus And Method of Rehabilitating Human Gait (Krebs/Bosecker License) | 12/24/13 | 12/24/2033 |

IMT entered into an Agreement, executed on December 31, 1999, to license the above-referenced patents from MIT with a royalty of 3% on sales within the United States and 1.5% for sales outside the United States, with a minimum annual royalty of \$10,000.

Dr. Krebs, our Chief Science Officer, is a co-licensor pursuant to an Agreement dated June 8, 2009, of patent #8,613,691, pursuant to which IMT pays Dr. Krebs and Caitlyn Joyce Bosecker an aggregate royalty of 1% of sales based on such patent.

We, and we believe IMT, have to date and generally plan to continue to enter into non-disclosure, confidentially and intellectual property assignment agreements with all new employees as a condition of employment. In addition, we intend to also generally enter into confidentiality and non-disclosure agreements with consultants, manufacturers' representatives, distributors, suppliers and others to attempt to limit access to, use and disclosure of our proprietary information.

Research and Development

Our research and development programs are pursued by engineers and scientists employed by us in Toronto on a full-time basis or hired as per diem consultants. Our recently-acquired InMotion products are based on research and development performed at our Boston facilities and through the work of Dr. Hermano Igo Krebs and Dr. Neville Hogan that we license from MIT or directly from Dr. Krebs.

We also work with advisors who are industry leaders in manufacturing and design and researchers and academia. These include Dr. Dany Gagnon of the University of Montreal Interdisciplinary Research Centre, Dr. Edward Lemaire of the University of Ottawa, Dr. Isadore Lieberman of the Texas Back Institute, Dr. Kaamran Raahemifar of Ryerson University and Gary Henley, a former CEO of medical device and technology companies. We are also working with subcontractors in developing specific components of our technologies. The primary objective of our research and development program is to advance the development of our existing and proposed products, to enhance the commercial value of such products. Furthermore, with our acquisition of IMT, we have significantly strengthened our robotics knowledge and access to additional products and know-how, as Dr. Krebs joined the Company as Chief Science Officer and Dr. Hogan is now an adviser to the Company. Both individuals are currently professors with MIT's Robotics Engineering Department and well-known leaders in the field of robotics around the world.

For the fiscal year ended March 31, 2016 and the three month period ended March 31, 2016, we incurred \$1,397,554 and \$343,742, respectively, in research and development costs.

Government Regulation

General

Our medical technology products and operations are subject to regulation by the U.S. Food and Drug Administration (“FDA”) and various other federal and state agencies, as well as foreign governmental agencies in Canada, Europe, South America and Asia. These agencies enforce laws and regulations that govern the development, testing, manufacturing, labeling, advertising, marketing and distribution, and market surveillance of our medical device products.

In addition to the below, other regulations we encounter are the regulations that are common to all businesses, such as employment legislation, implied warranty laws, and environmental, health and safety standards, to the extent applicable. We will also encounter in the future industry-specific government regulations that would govern our products, if and when developed for commercial use. It may become the case that other regulatory approvals will be required for the design and manufacture of our products and proposed products.

U.S. Regulation

Under the U.S. Federal Food, Drug, and Cosmetic Act, medical devices are classified into one of three classes — Class I, Class II or Class III — depending on the degree of risk associated with each medical device and the extent of control needed to ensure safety and effectiveness. The ARKE is expected to be a Class II product (products similar to the ARKE are currently designated as Class II for supervised use). Class II devices require a 510(k) premarket submission to the US FDA. Equivalent agencies in other countries also require similar submissions prior to the device being marketed. The IMT clinical products have been characterized as Class II medical devices by the US FDA and are currently sold in over 20 countries, including the United States. In addition, IMT's manufacturing facility is compliant with ISO-13485 and FDA regulations.

We also are required to establish a suitable and effective quality management system, which establishes controlled processes for our product design, manufacturing, and distribution. We are doing this in compliance with the internationally recognized standard ISO 13485:2013 Quality Management Systems. Following the introduction of a product, the FDA and foreign agencies engage in periodic reviews of our quality systems, as well as product performance and advertising and promotional materials. These regulatory controls, as well as any changes in FDA or other foreign agencies' policies, can affect the time and cost associated with the development, introduction and continued availability of new products. Where possible, we anticipate these factors in our product development processes. These agencies possess the authority to take various administrative and legal actions against us, such as product recalls, product seizures and other civil and criminal sanctions.

Foreign Regulation

In addition to regulations in the United States, we will be subject to a variety of foreign regulations governing clinical trials and commercial sales and distribution of our products in foreign countries. The ARKE has been designated as the equivalent to a Class I device with Health Canada and IMT products have been designated as Class II devices with Health Canada. Whether or not we obtain FDA clearance for the marketing, sale and use of a product, we must obtain approval of a product by the comparable regulatory authorities of foreign countries before we can commence clinical trials or marketing of the product in those countries. The process varies from country to country, and the time may be longer or shorter than that required by the FDA. The requirements governing the conduct of clinical trials, product licensing, pricing and reimbursement vary greatly from country to country.

The policies of the FDA and foreign regulatory authorities may change and additional government regulations may be enacted which could prevent or delay regulatory approval of our products and could also increase the cost of regulatory compliance. We cannot predict the likelihood, nature or extent of adverse governmental regulation that might arise from future legislative or administrative action, either in the United States or abroad.

Employees

As of March 31, 2016 we had 15 full-time employees and 3 consultants who are based in our principal executive office located in Toronto, Canada. These employees oversee day-to-day operations of the Company supporting management, engineering, manufacturing, and administration functions of the Company. As required, we also engage consultants to provide services to the Company, including quality assurance and corporate services. We have no unionized employees.

We have hired a software engineer and quality manager in the first quarter and plan to hire approximately 5 additional full-time employees within the next 12 months whose principal responsibilities will be the support of our research and development, clinical development, production, sales and marketing and commercialization/ business development activities.

In addition, we acquired an additional 10 employees and 2 consultants based in Boston, MA upon our acquisition of IMT on April 21, 2016.

We consider relations with our employees to be satisfactory.

1A. Risk Factors

The risks set forth below are not the only ones facing our Company. Additional risks and uncertainties may exist that could also adversely affect our business, financial condition, prospects and/or operations. If any of the following or other risks actually materialize, our business, financial condition, prospects and/or operations could suffer. In such event, the value of our securities could decline.

We have a limited operating history upon which investors can evaluate our future prospects.

We have a limited operating history, both as a stand-alone company and as combined with IMT, upon which an evaluation of our business plan or performance and prospects can be made. The business and prospects of the Company must be considered in the light of the potential problems, delays, uncertainties and complications encountered in connection with a newly established business and creating a new industry. The risks include, but are not limited to, the possibility that we will not be able to develop functional and scalable products and services, or that although functional and scalable, our products and services will not be economical to market; that our competitors hold proprietary rights that preclude us from marketing such products; that our competitors market a superior or equivalent product; that we are not able to upgrade and enhance our technologies and products to accommodate new features and expanded service offerings; or the failure to receive necessary regulatory clearances for our products. To successfully introduce and market our products at a profit, we must establish brand name recognition and competitive advantages for our products. There are no assurances that we can successfully address these challenges. If it is unsuccessful, we and our business, financial condition and operating results could be materially and adversely affected.

The current and future expense levels are based largely on estimates of planned operations and future revenues rather than experience. It is difficult to accurately forecast future revenues because the robotics market has not been fully developed, and we can give no assurance that our newly acquired InMotion products will continue to fuel revenue growth. If our forecasts prove incorrect, the business, operating results and financial condition of the Company will be materially and adversely affected. Moreover, we may be unable to adjust our spending in a timely manner to compensate for any unanticipated reduction in revenue we expect to generate as a result of the InMotion products. As a result, the failure to generate revenues would immediately and adversely affect the business, financial condition and operating results of the Company.

We cannot predict when we will achieve profitability.

We have not been profitable and cannot predict when we will achieve profitability. We have experienced net losses since our inception in 2010. We have had no revenues since inception. Although we anticipate generating revenues in 2016 and beyond as a result of the acquisition of IMT and the sale of the InMotion products, we do not anticipate generating significant revenues from the ARKE and our other technologies in development until we successfully develop, commercialize and sell products derived from those technologies, of which we can give no assurance. We are unable to determine when we will generate significant revenues, if any, from the sale of any of such products.

We cannot predict when we will achieve profitability, if ever. Our inability to become profitable may force us to curtail or temporarily discontinue our research and development programs and our day-to-day operations. Furthermore, there can be no assurance that profitability, if achieved, can be sustained on an ongoing basis. As of March 31, 2016, we had an accumulated deficit of \$11,651,980.

Our acquisition of IMT and other companies or technologies in the future could prove difficult to integrate and may disrupt our business and harm our operating results and prospects.

Potential future acquisitions, including the acquisition of IMT, will likely involve risks associated with our assumption of some or all of the liabilities of an acquired company, which may be liabilities that we were or are unaware of at the time of the acquisition, potential write-offs of acquired assets and potential loss of the acquired company's key employees or customers.

We may encounter difficulties in successfully integrating our operations, technologies, services and personnel with that of the acquired company, including IMT, and our financial and management resources may be diverted from our existing operations. Offices outside of Canada or in multiple states or provinces, including IMT's offices in Massachusetts, could create a strain on our ability to effectively manage our operations and key personnel. If we elect to consolidate our facilities, we may lose key personnel unwilling to relocate to the consolidated facility, may have difficulty hiring appropriate personnel at the consolidated facility and may have difficulty providing continuity of service through the consolidation.

End-user satisfaction or performance problems with any future acquired business, technology, service or device, including IMT, could also have a material adverse effect on our reputation. Additionally, potential disputes with the seller of an acquired business or its employees, suppliers or customers and amortization expenses related to intangible assets could adversely affect our business, operating results and financial condition. If we fail to properly evaluate and execute acquisitions, our business may be disrupted and our operating results and prospects may be harmed.

We will require additional capital to support our present business plan and our anticipated business growth, and such capital may not be available on acceptable terms, or at all, which would adversely affect our ability to operate.

We will likely require additional funds to further develop our business plan, including the business plan of IMT. Based on our current operating plans, which now includes the operations of IMT, our resources are no longer sufficient to fund our planned operations necessary to introduce the ARKE into the rehabilitation and ambulation market. Since it is unlikely that we will generate sufficient revenues from our operating activities to fund all of our operating and development plans, we will need to raise additional funds through equity offerings or otherwise in order to meet our expected future liquidity requirements, including development of existing products, introducing other products or pursuing new product opportunities. Any such financing that we undertake will likely be dilutive to current stockholders.

We intend to continue to make investments to support our business growth, including patent or other intellectual property asset creation, the acquisition of other businesses or strategic assets and licensing of technology or other assets. The acquisition of IMT provides an expansion of our product line. To fully execute on our new business plan, we will need additional funds to respond to business opportunities and challenges, including ongoing operating expenses, protecting our intellectual property, satisfying debt payment obligations, developing new lines of business and enhancing our operating infrastructure. While we will need to seek additional funding for such purposes, we may not be able to obtain financing on acceptable terms, or at all. In addition, the terms of our financings may be dilutive to, or otherwise adversely affect, holders of our common stock or common stock equivalents. We may also seek additional funds through arrangements with collaborators or other third parties. We may not be able to negotiate any such arrangements on acceptable terms, if at all. If we are unable to obtain additional funding on a timely basis, we may be required to curtail or terminate some or all of our business plans.

We may never complete the development of the ARKE lower body exoskeleton or any of our other proposed products into marketable products.

We do not know when or whether we will successfully complete the development of the ARKE lower body exoskeleton or any other proposed, developmental or contemplated product, for any of our target markets. We continue to seek to improve our technologies before we are able to produce a commercially viable product. Failure to improve on any of our technologies could delay or prevent their successful development for any of our target markets.

Developing any technology into a marketable product is a risky, time consuming and expensive process. You should anticipate that we will encounter setbacks, discrepancies requiring time consuming and costly redesigns and changes and that there is the possibility of outright failure.

We may not meet our product development, manufacturing, regulatory and commercialization milestones.

We have established milestones, based upon our expectations regarding our technologies at that time, which we use to assess our progress toward developing our products. These milestones relate to technology and design improvements as well as to dates for achieving development goals and regulatory approvals. If our products exhibit technical defects or are unable to meet cost or performance goals or for any other reason, our commercialization schedule could be delayed and potential purchasers of our initial commercial products, may decline to purchase such products or may opt to pursue alternative products. We have updated our schedule for the commercialization of the ARKE and plan to begin clinical tests in Canada in 2017. We are currently working on the timelines on the development products acquired through our acquisition of IMT.

We can give no assurance that our commercialization schedule will be met as we further develop the ARKE or any of our other proposed products.

Customers will be unlikely to buy the ARKE or any of our other proposed, developmental or contemplated products unless we can demonstrate that they can be produced for sale to consumers at attractive prices.

To date, we have focused primarily on research and development of the ARKE. Consequently, we have no experience in manufacturing products on a commercial basis. We may manufacture products through third-party manufacturers, or, as our new Boston location acquired in the IMT transaction is a FDA certified manufacturing facility, we may manufacture and assemble our products at this facility. We can offer no assurance that either we or our manufacturing partners will develop efficient, automated, low-cost manufacturing capabilities and processes to meet the quality, price, engineering, design and production standards or production volumes required to successfully mass market our products. Even if we or our manufacturing partners are successful in developing such manufacturing capability and processes, we do not know whether we or they will be timely in meeting our product commercialization schedule or the production and delivery requirements of potential customers. A failure to develop such manufacturing processes and capabilities could have a material adverse effect on our business and financial results.

The proposed price of our products is in part dependent on material and other manufacturing costs. We are unable to offer any assurance that either we or a manufacturing partner will be able to reduce costs to a level which will allow production of a competitive product or that any product produced using lower cost materials and manufacturing processes will not suffer from a reduction in performance, reliability and longevity. Furthermore, although we have estimated a pricing structure for our products, we can give no assurance that these estimates will be correct in light of any manufacturing process we adopt or distribution channels we use.

Our products may not be accepted in the market.

We cannot be certain that our current products or any other products we may develop or market will achieve or maintain market acceptance. Market acceptance of our products depends on many factors, including our ability to convince key opinion leaders to provide recommendations regarding our products, convince distributors and customers that our technology is an attractive alternative to other technologies, demonstrate that our products are reliable and supported by us in the field, supply and service sufficient quantities of products directly or through marketing alliances, and price products competitively in light of the current macroeconomic environment, which, particularly in the case of the medical device industry, are becoming increasingly price sensitive.

The ARKE can only be used by disabled persons with upper body strength, which limits potential users to a narrower subset of the disabled.

The ARKE has been developed for use by patients that have the upper body strength to properly use forearm crutches. Patients who cannot use forearm crutches, even if the patient would otherwise be a candidate for the ARKE, cannot use the ARKE for rehabilitation. Additionally, the ARKE needs to properly fit each patient, and those potential users who are too small or large to fit the product, may not be able to use the product because of their size. Accordingly, this limits potential users of the ARKE to a narrower subset of the disabled.

We are subject to extensive governmental regulations relating to the manufacturing, labeling and marketing of our products.

Our medical technology products and operations are or are expected to be subject to regulation by the FDA, Health Canada and other governmental authorities both inside and outside of the United States. These agencies enforce laws and regulations that govern the development, testing, manufacturing, labeling, advertising, marketing and distribution, and market surveillance of our medical products.

Under the United States Federal Food, Drug, and Cosmetic Act, medical devices are classified into one of three classes — Class I, Class II or Class III — depending on the degree of risk associated with each medical device and the extent of control needed to ensure safety and effectiveness. We believe the ARKE will be a Class II medical device in the United States, however, it has been designated as the equivalent to a Class I device with Health Canada. Class II devices require a 510(k) premarket submission to the US FDA. The clinical products acquired in the IMT acquisition have been characterized as Class II devices by the FDA.

In addition to regulations in the United States, we will be subject to a variety of foreign regulations governing clinical trials and commercial sales and distribution of our products in foreign countries. Whether or not we obtain FDA approval for a product, we must obtain approval of a product by the comparable regulatory authorities of foreign countries before we can market the product in those countries. The approval process varies from country to country, and the time may be longer or shorter than that required for FDA approval. The requirements governing the conduct of clinical trials, product licensing, pricing and reimbursement vary greatly from country to country.

The policies of the FDA and foreign regulatory authorities may change and additional government regulations may be enacted which could prevent or delay regulatory approval of our products and could also increase the cost of regulatory compliance. We cannot predict the likelihood, nature or extent of adverse governmental regulation that might arise from future legislative or administrative action, either in the United States or abroad.

Following the introduction of a product, these agencies will also periodically review our manufacturing processes and product performance. The process of complying with the applicable good manufacturing practices, adverse event reporting, clinical trial and other requirements can be costly and time consuming, and could delay or prevent the production, manufacturing or sale of our products. In addition, if we fail to comply with applicable regulatory requirements, it could result in fines, delays or suspensions of regulatory clearances, closure of manufacturing sites, seizures or recalls of products and damage to our reputation. Recent changes in enforcement practice by the FDA and other agencies have resulted in increased enforcement activity, which increases the compliance risk for the Company and other companies in our industry. In addition, governmental agencies may impose new requirements regarding registration, labeling or prohibited materials that may require us to modify or re-register products already on the market or otherwise impact our ability to market our products in those countries. Once clearance or approval has been obtained for a product, there is an obligation to ensure that all applicable FDA, Health Canada and other regulatory requirements continue to be met.

We may be subject to penalties and may be precluded from marketing our products if we fail to comply with extensive governmental regulations.

We believe that the ARKE will be categorized as a Class II device in the U.S. Class II devices require a 510(k) premarket submission to the US FDA. However, the FDA has not made any determination about whether our proposed medical products are Class II medical devices and, from time to time, the FDA may disagree with the classification of a new Class II medical device and require the manufacturer of that device to apply for approval as a Class III medical device. In the event that the FDA determines that our medical products should be reclassified as a Class III medical device, we could be precluded from marketing the devices for clinical use within the United States for months, years or longer, depending on the specific changes to the classification. Reclassification of our products as Class III medical devices could significantly increase our regulatory costs, including the timing and expense associated with required clinical trials and other costs.

The FDA and non-U.S. regulatory authorities require that our products be manufactured according to rigorous standards. These regulatory requirements may significantly increase our production costs and may even prevent us from making our products in amounts sufficient to meet market demand. If we change our manufacturing process, regulatory authorities may need to review the process before it may be used. Failure to comply with applicable regulatory requirements discussed could subject us to enforcement actions, including warning letters, fines, injunctions and civil penalties, recall or seizure of our products, operating restrictions, partial suspension or total shutdown of our production and criminal prosecution.

Federal, state and non-U.S. regulations regarding the manufacture and sale of medical devices are subject to future changes. The complexity, timeframes and costs associated with obtaining marketing clearances are unknown. Although we cannot predict the impact, if any, these changes might have on our business, the impact could be material.

Certain of our competitors have reported injuries caused by the malfunction of human exoskeleton devices (in at least one case to the FDA). Injuries caused by the malfunction or misuse of human exoskeleton devices, even where such malfunction or misuse occurs with respect to one of our competitor's products, could cause regulatory agencies to implement more conservative regulations on the medical human exoskeleton industry, which could significantly increase our operating costs.

If we are not able to both obtain and maintain adequate levels of third-party reimbursement for our products, it would have a material adverse effect on our business.

Healthcare providers and related facilities are generally reimbursed for their services through payment systems managed by various governmental agencies worldwide, private insurance companies, and managed care organizations. The manner and level of reimbursement in any given case may depend on the site of care, the procedure(s) performed, the final patient diagnosis, the device(s) utilized, available budget, or a combination of these factors, and coverage and payment levels are determined at each payer's discretion. The coverage policies and reimbursement levels of these third-party payers may impact the decisions of healthcare providers and facilities regarding which medical products they purchase and the prices they are willing to pay for those products. Thus, changes in reimbursement levels or methods may either positively or negatively impact sales of our products.

We have no direct control over payer decision-making with respect to coverage and payment levels for our medical device products. Additionally, we expect many payers to continue to explore cost-containment strategies (e.g., comparative and cost-effectiveness analyses, so-called "pay-for-performance" programs implemented by various public and private payers, and expansion of payment bundling schemes such as Accountable Care Organizations, and other such methods that shift medical cost risk to providers) that may potentially impact coverage and/or payment levels for our current products or products we develop.

As our product offerings are expected to be diverse across healthcare settings, they will likely be affected to varying degrees by the many payment systems. Therefore, individual countries, product lines or product classes may be impacted by changes to these systems.

Changes in reimbursement practices of third-party payers could affect the demand for our products and the prices at which they are sold.

The sales of our clinical and proposed products could depend, in part, on the extent to which healthcare providers and facilities or individual users are reimbursed by government authorities, private insurers and other third-party payers for the costs of our products or the services performed with our products. The coverage policies and reimbursement levels of third-party payers, which can vary among public and private sources and by country, may affect which products are purchased by customers and the prices they are willing to pay for those products in a particular jurisdiction. Reimbursement rates can also affect the acceptance rate of new technologies. Legislative or administrative reforms to reimbursement systems in the United States or abroad, or changes in reimbursement rates by private payers, could significantly reduce reimbursement for procedures using the Company's products or result in denial of reimbursement for those products, which would adversely affect customer demand or the price customers may be willing to pay for such products.

Clinical outcome studies regarding our products may not provide sufficient data to either cause third-party payers to approve reimbursement or to make human exoskeletons a standard of care.

Our business plan in part relies on broad adoption of human exoskeletons and upper and lower body robotic rehabilitation products to provide neuro-rehabilitation to individuals who have suffered a neurological injury or disorder. Although use of human exoskeletons and upper and lower body robotic rehabilitation products in neuro-rehabilitation is new, use of robotic devices has been going on for over a decade and the clinical studies relating to such devices have had both positive and negative outcomes. Much of the rehabilitation community has rejected the use of such devices based on the data from some of these studies. Although we believe that human exoskeletons and upper and lower body robotic rehabilitation products will outperform manual equipment, this has not been widely proven. Furthermore, it may prove impossible to prove an advantage in a timely manner, or at all, which could prevent broad adoption of our products.

Part of our business plan relies on broad adoption of our products to provide "early mobilization" of individuals who have been immobilized by an injury, disease, or other condition. Although the health benefits of other methods of "early mobilization" have been demonstrated in clinical studies in fields such as stroke, those studies did not test early mobilization with human exoskeletons directly. It may be necessary to provide outcome studies on early mobilization with exoskeletons directly in order to convince the medical community of their effectiveness. Such studies have not been designed at this time, and may be too large and too costly for us to conduct.

Product defects could adversely affect the results of our operations.

The design, manufacture and marketing of our products involve certain inherent risks. Manufacturing or design defects, unanticipated use of our products, or inadequate disclosure of risks relating to the use of our products can lead to injury or other adverse events. These events could lead to recalls or safety alerts relating to our products (either voluntary or required by the FDA, Health Canada or similar governmental authorities in other countries), and could result, in certain cases, in the removal of a product from the market. A recall could result in significant costs, as well as negative publicity and damage to our reputation that could reduce demand for our products. Personal injuries relating to the use of our products could also result in product liability claims being brought against us. In some circumstances, such adverse events could also cause delays in new product approvals.

We could be exposed to significant liability claims if we are unable to obtain insurance at acceptable costs and adequate levels or otherwise protect ourselves against potential product liability claims.

The testing, manufacturing, marketing and sale of medical devices entail the inherent risk of liability claims or product recalls. Product liability insurance is expensive and may not be available on acceptable terms, if at all. A successful product liability claim or product recall could inhibit or prevent the successful commercialization of our products, cause a significant financial burden on the Company, or both, which in either case could have a material adverse effect on our business and financial condition.

We cannot predict our future capital needs and we may not be able to secure additional financing.

We will need to raise additional funds in the future to fund our working capital needs, to fund more aggressive expansion of our business or for strategic acquisitions. We may require additional equity or debt financings, collaborative arrangements with corporate partners or funds from other sources for these purposes. No assurance can be given that necessary funds will be available for us to finance our development on acceptable terms, if at all. Furthermore, such additional financings may involve substantial dilution of our stockholders or may require that we relinquish rights to certain of our technologies or products. In addition, we may experience operational difficulties and delays due to working capital restrictions. If adequate funds are not available from operations or additional sources of financing, we may have to delay or scale back our growth plans.

The results of our research and development efforts are uncertain and there can be no assurance of the commercial success of our products.

We believe that we will need to incur additional research and development expenditures to continue development of our existing and proposed products as well as research and development expenditures to develop new products and services. The products and services we are developing and may develop in the future may not be technologically successful. In addition, the length of our product and service development cycle may be greater than we originally expected and we may experience delays in product development. If our resulting products and services are not technologically successful, they may not achieve market acceptance or compete effectively with our competitors' products and services.

If we fail to retain certain of our key personnel and attract and retain additional qualified personnel, we might not be able to pursue our growth strategy.

Our future success will depend upon the continued service of Peter Bloch, our Chief Executive Officer, and his executive team or any qualified replacement of those individuals. There can be no assurance that the services of any of these individuals will continue to be available to us in the future. We do not carry any key man life insurance policies on any of our existing or proposed executive officers. The failure to retain, or attract replacement, qualified personnel could have a material adverse effect on our business and our ability to pursue our growth strategy.

The impact of the Patient Protection and Affordable Care Act remains uncertain.

In 2010, significant reforms to the health care system were adopted as law in the United States. The law includes provisions that, among other things, reduce or limit Medicare reimbursement, require all individuals to have health insurance (with limited exceptions) and impose increased taxes. These factors, in turn, could result in reduced demand for our products and increased downward pricing pressure. Because parts of the 2010 health care law remain subject to implementation, the long-term impact on us is uncertain. The new law or any future legislation could reduce medical procedure volumes, lower reimbursement for our products, and impact the demand for our products or the prices at which we sell our products. Accordingly, while it is too early to understand and predict the ultimate impact of the new law on our business, the legislation and resulting regulations could have a material adverse effect on our business, cash flows, financial condition and results of operations. The law includes a 2.3% tax on sales of medical devices beginning January 1, 2013, which had the effect of increasing company operating expenses by the amount of the tax. Medical devices sold for export are exempt from the tax. On December 18, 2015, President Obama signed into law the Consolidated Appropriations Act, 2016, which includes a two-year moratorium on the medical device excise tax, exempting medical device sales during the period of January 1, 2016 to December 31, 2017 from the tax. Absent further legislative action, the tax will be automatically reinstated on January 1, 2018, which would again result in an increase in our operating expenses.

Our operations in international markets involve inherent risks that we may not be able to control.

Our business plan includes the marketing and sale of our existing and proposed products in international markets. Accordingly, our results could be materially and adversely affected by a variety of uncontrollable and changing factors relating to international business operations, including:

- macroeconomic conditions adversely affecting geographies where we intend to do business;
- foreign currency exchange rates;
- political or social unrest or economic instability in a specific country or region;
- higher costs of doing business in foreign countries;
- infringement claims on foreign patents, copyrights or trademark rights;
- difficulties in staffing and managing operations across disparate geographic areas;
- difficulties associated with enforcing agreements and intellectual property rights through foreign legal systems;
- trade protection measures and other regulatory requirements, which affect our ability to import or export our products from or to various countries;
- adverse tax consequences;
- unexpected changes in legal and regulatory requirements;
- military conflict, terrorist activities, natural disasters and medical epidemics; and
- our ability to recruit and retain channel partners in foreign jurisdictions.

Our financial results may be affected by fluctuations in exchange rates and our current currency hedging strategy may not be sufficient to counter such fluctuations.

Our financial statements are presented in U.S. dollars, while a significant portion of our business is conducted, and a substantial portion of our operating expenses are payable, in currencies other than the U.S. dollar. Due to the substantial volatility of currency exchange rates, exchange rate fluctuations may have an adverse impact on our future revenues or expenses presented in our financial statements. We consider using financial instruments, principally forward foreign currency contracts, in our management of foreign currency exposure, as required. These contracts primarily require us to purchase and sell certain foreign currencies with or for U.S. dollars at contracted rates. We may be exposed to a credit loss in the event of non-performance by the counterparties of these contracts. In addition, these financial instruments may not adequately manage our foreign currency exposure. Our results of operations could be adversely affected if we are unable to successfully manage currency fluctuations in the future.

Risks Relating to the Acquisition of IMT

The acquisition of IMT resulted in our assumption of material indebtedness and other liabilities.

As a result of the acquisition of IMT, we indirectly assumed all of its liabilities which, as of April 21, 2016 was approximately \$1.76 million, based on the internal, unaudited financial information of IMT.

Our combined operations will not initially, if ever, be able to generate sufficient cash flows to meet our debt obligations and other liabilities, which could reduce our financial flexibility, increase interest expenses and adversely impact our operations. The combined business may not generate sufficient cash flow from operations to enable us to repay this indebtedness and to fund other liquidity needs, including capital expenditure requirements. Such indebtedness could affect our operations in several ways, including the following:

- a significant portion of our cash flows could be required to be used to service such indebtedness;
- a high level of debt could increase our vulnerability to general adverse economic and industry conditions;
- any covenants contained in the agreements governing such outstanding indebtedness could limit our ability to borrow additional funds, dispose of assets, pay dividends and make certain investments;

- a high level of debt may place us at a competitive disadvantage compared to our competitors that are less leveraged and, therefore, our competitors may be able to take advantage of opportunities that our indebtedness may prevent us from pursuing; and
- debt covenants to which we may have assumed through the acquisition of IMT may affect our flexibility in planning for, and reacting to, changes in the economy and in our industry.

We may need to refinance or restructure all or a portion of our indebtedness and other liabilities on or before maturity. We may not be able to refinance any of our indebtedness or other liabilities on commercially reasonable terms, or at all.

A high level of indebtedness and other liabilities increases the risk that we may default on our debt obligations and other liabilities. We may not be able to generate sufficient cash flows to pay the principal or interest on our debt. If we cannot service or refinance our indebtedness, we may have to take actions such as selling significant assets, seeking additional equity financing (which will result in additional dilution to stockholders) or reducing or delaying capital expenditures or our research and development programs, any of which could have a material adverse effect on our operations and financial condition. If we do not have sufficient funds and are otherwise unable to arrange financing, our IMT assets may be foreclosed upon which could have a material adverse effect on our business, financial condition and results of operations.

The total number of shares to be issued by us as consideration to the former securityholders of IMT, and the resulting dilution that our current stockholders will experience because of it, will be significant.

The former stockholders of IMT will receive as consideration for the sale of IMT, in the aggregate, up to 23,650,000 shares of our common stock. Although shares held by our current stockholders and Exchangeable Share holders will represent a majority of the company, our issuance of such shares to the former IMT stockholders results in significant dilution to our current stockholders in terms of their ownership percentages. As of June 22, 2016, assuming the issuance of all 23,650,000 shares of our common stock to the former IMT stockholders, such stockholders represent approximately 24.6% of our outstanding shares of common stock and Exchangeable Shares as a single class.

Misrepresentations made to us by IMT in the merger agreement regarding the business, assets and liabilities of IMT could cause us to incur substantial financial obligations and harm our business.

If we were to discover that there were misrepresentations made to us by IMT or its representatives regarding the business, assets and liabilities of IMT, we would explore all possible legal remedies to compensate us for any loss, including our rights to indemnification under the merger agreement. However, there is no assurance that legal remedies would be available or collectible and in any such event, such remedies would result in the cancellation of the merger consideration of our common stock and not the repayment of any cash. If such unknown liabilities exist, we could incur substantial financial obligations, which could materially adversely affect our financial condition and harm our business.

If we are not able to integrate IMT's business into our operations in a timely manner, the anticipated benefits of the acquisition may not be realized in a timely fashion, or at all, and our existing businesses may be materially adversely affected.

The success of the acquisition of IMT will depend, in part, on our ability to realize the growth opportunities and synergies of combining our company with IMT and our ability to effectively utilize the additional resources we will have following the acquisition. For instance, our inability to generate revenues from the sale of the InMotion product line could cause us to seek additional funds earlier than we otherwise contemplate, or cause us to curtail our development projects, among other things. The integration of IMT may involve unforeseen difficulties. These difficulties could disrupt our ongoing business, distract our management and employees and increase our expenses, which could have a material adverse effect on our business, financial condition and operating results.

The acquisition of IMT resulted in significant costs to us.

We are required to pay our costs and we assumed at the closing, the costs of IMT related to the acquisition of IMT, including amounts payable to legal and other advisors and independent accountants, and such costs are significant.

Because our determination to purchase IMT was based in part on certain financial and other projections about future results, and projections are subject to inherent risks and uncertainties, the acquisition consideration may be greater than the fair market value of IMT.

IMT provided financial and other projections to us in connection with the determination to purchase IMT and the consideration to be paid for IMT, and we relied in part on IMT's projections for purposes of valuing IMT and agreeing on the purchase price. The valuation is not necessarily indicative of the actual value of IMT. Accordingly, if actual financial results in the future are lower than the projections we relied upon, the consideration may be greater than the fair market value of IMT, as acquired.

We can give no assurance that the financial and other projections we relied upon are accurate and will be met in the future because the projections reflect numerous estimates and assumptions with respect to industry performance, general business, economic, regulatory, market and financial conditions and other matters, all of which are difficult to predict and many of which are beyond IMT's and our control. As a result, actual results may differ materially from these projections. It is expected that there will be differences between actual and projected results because the projections covered multiple years and such information by its nature becomes less reliable with each successive year.

If the benefits of the acquisition of IMT do not meet the expectations of the marketplace, or financial or industry analysts, the market price of our common stock may decline.

The market price of our common stock may decline as a result of the IMT acquisition if the IMT subsidiary does not perform as expected or we do not otherwise achieve the perceived benefits of the acquisition as rapidly as, or to the extent anticipated by the marketplace or financial or industry analysts. Accordingly, investors may experience a loss as a result of a decreasing stock price and we may not be able to raise future capital, if necessary, in the equity markets.

Any weakness in internal control over financial reporting or disclosure controls and procedures could result in a loss of investor confidence in our financial reports and lead to a stock price decline.

We are required to evaluate our internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act of 2002 and report the results in our annual report on Form 10-K. We are also required to maintain effective disclosure controls and procedures. After the acquisition of IMT, our internal controls and our disclosure controls and procedures will need to expand to encompass activities related to those assets. If material weakness arise as a result and they are not remedied, we will be unable to assert that our internal controls are effective. Any failure to have effective internal control over financial reporting or disclosure controls and procedures covering the combined business post-acquisition could cause investors to lose confidence in the accuracy and completeness of our financial reports, limit our ability to raise financing or lead to regulatory sanctions, any of which could result in a material adverse effect on our business or decline in the market price of our common stock.

The loss of key executives could adversely affect our operations following the closing of the acquisition of IMT.

The success of the acquisition of IMT will be dependent upon the continued service of and relationship with, Hermano Igo Krebs, our Chief Science Officer, and Dr. Neville Hogan, an advisor. The unexpected loss of the services of Drs. Krebs and Hogan could adversely affect our ability to fully support our technologies and manage the business going forward.

Risks Related to Our Industry

The industries in which we operate are highly competitive and subject to rapid technological change. If our competitors are better able to develop and market products that are safer, more effective, less costly, easier to use, or are otherwise more attractive, we may be unable to compete effectively with other companies.

The medical technology industry is characterized by intense competition and rapid technological change and we will face competition on the basis of product features, clinical outcomes, price, services and other factors. Competitors may include large medical device and other companies, some of which have significantly greater financial and marketing resources than we do, and firms that are more specialized than we are with respect to particular markets. Our competition may respond more quickly to new or emerging technologies, undertake more extensive marketing campaigns, have greater financial, marketing and other resources than ours or may be more successful in attracting potential customers, employees and strategic partners.

Our competitive position will depend on multiple, complex factors, including our ability to achieve market acceptance for our products, develop new products, implement production and marketing plans, secure regulatory approvals for products under development and protect our intellectual property. In some instances, competitors may also offer, or may attempt to develop, alternative therapies that may be delivered without a medical device or a medical device superior to ours. The development of new or improved products, processes or technologies by other companies may render our products or proposed products obsolete or less competitive. The entry into the market of manufacturers located in low-cost manufacturing locations may also create pricing pressure, particularly in developing markets. Our future success depends, among other things, upon our ability to compete effectively against current technology, as well as to respond effectively to technological advances, and upon our ability to successfully implement our marketing strategies and execute our research and development plan.

We face competition from other medical device companies that focus on robotic rehabilitation solutions to individuals with neurological disorders.

We face competition from other companies that also focus on robotic rehabilitation solutions to individuals with neurological disorders. With respect to exoskeleton devices, Argo Medical Technologies, Ekso Bionics, Parker Hannifin and Rex Bionics compete against the ARKE. Additionally, with respect to the IMT products that we are marketing to patients with stroke-related conditions, Cyberdyne, Hocoma, AlterG, Aretech and Reha Technology are each currently selling products that may compete with such products. These companies have longer operating histories and may have greater name recognition and substantially greater financial, technical and marketing resources than us. Many of these companies also have FDA or other applicable governmental approval to market and sell their products, and more extensive customer bases, broader customer relationships and broader industry alliances than us, including relationships with many of our potential customers. Increased competition from any of these sources could result in our failure to achieve and maintain an adequate level of customers and market share to support the cost of our operations.

We expect similar strong competition with respect to any other product or technology we develop or acquire.

Our industry is experiencing greater scrutiny and regulation by governmental authorities, which may lead to greater governmental regulation in the future.

In recent years, the medical device industry has been subject to increased regulatory scrutiny, including by the FDA, Health Canada and numerous other federal, state, provincial and foreign governmental authorities. This has included increased regulation, enforcement, inspections, and governmental investigations of the medical device industry and disclosure of financial relationships with health care professionals. We anticipate that governments will continue to scrutinize our industry closely, and that additional regulation by governmental authorities, both foreign and domestic, may increase compliance costs, exposure to litigation and other adverse effects to our operations.

Unsuccessful clinical trials or procedures relating to products under development could have a material adverse effect on our prospects.

The regulatory approval process for new products and new indications for existing products requires extensive clinical trials and procedures, including early clinical experiences and regulatory studies. Unfavorable or inconsistent clinical data from current or future clinical trials or procedures conducted by us, our competitors, or third parties, or perceptions regarding this clinical data, could adversely affect our ability to obtain necessary approvals and the market's view of our future prospects. Such clinical trials and procedures are inherently uncertain and there can be no assurance that these trials or procedures will be completed in a timely or cost-effective manner or result in a commercially viable product. Failure to successfully complete these trials or procedures in a timely and cost-effective manner could have a material adverse effect on our prospects. Clinical trials or procedures may experience significant setbacks even after earlier trials have shown promising results. Further, preliminary results from clinical trials or procedures may be contradicted by subsequent clinical analysis. In addition, results from our clinical trials or procedures may not be supported by actual long-term studies or clinical experience. If preliminary clinical results are later contradicted, or if initial results cannot be supported by actual long-term studies or clinical experience, our business could be adversely affected. Clinical trials or procedures may be suspended or terminated by us, the FDA or other regulatory authorities at any time if it is believed that the trial participants face unacceptable health risks.

Intellectual property litigation and infringement claims could cause us to incur significant expenses or prevent us from selling certain of our products.

The industries in which we operate, including, in particular, the medical device industry, are characterized by extensive intellectual property litigation and, from time to time, we might be the subject of claims by third parties of potential infringement or misappropriation. Regardless of outcome, such claims are expensive to defend and divert the time and effort of our management and operating personnel from other business issues. A successful claim or claims of patent or other intellectual property infringement against us could result in our payment of significant monetary damages and/or royalty payments or negatively impact our ability to sell current or future products in the affected category and could have a material adverse effect on its business, cash flows, financial condition or results of operations.

If we are unable to protect our patents or other proprietary rights, or if we infringe on the patents or other proprietary rights of others, our competitiveness and business prospects may be materially damaged.

We own 5 U.S. and international patents pending and 13 U.S. provisional patents. We also acquired through the IMT acquisition the exclusive licensing rights to three patents. We intend to continue to seek legal protection, primarily through patents, trade secrets and contractual provisions, for our proprietary technology. Such methods may not be adequate to protect us or permit us to gain or maintain a competitive advantage. Seeking patent protection is a lengthy and costly process, and there can be no assurance that patents will be issued from any pending applications, or that any claims allowed from existing or pending patents will be sufficiently broad or strong to protect our proprietary technology. There is also no guarantee that any patents we hold will not be challenged, invalidated or circumvented, or that the patent rights granted will provide competitive advantages to us. Our competitors have developed and may continue to develop and obtain patents for technologies that are similar or superior to our technologies. In addition, the laws of foreign jurisdictions in which we develop, manufacture or sell our products may not protect our intellectual property rights to the same extent as do the laws of the United States and Canada.

Despite our efforts to safeguard our unpatented and unregistered intellectual property rights, we may not be successful in doing so or the steps taken by us in this regard may not be adequate to detect or deter misappropriation of our technologies or to prevent an unauthorized third party from copying or otherwise obtaining and using our products, technologies or other information that we regard as proprietary. Additionally, third parties may be able to design around our patents. Our inability to adequately protect our intellectual property could allow our competitors and others to produce products based on our technologies, which could substantially impair our ability to compete.

Adverse outcomes in current or future legal disputes regarding patent and other intellectual property rights could result in the loss of our intellectual property rights, subject us to significant liabilities to third parties, require us to seek licenses from third parties on terms that may not be reasonable or favorable to us, prevent us from manufacturing, importing or selling our products, or compel us to redesign our products to avoid infringing third parties' intellectual property. As a result, we may be required to incur substantial costs to prosecute, enforce or defend our intellectual property rights if they are challenged. Any of these circumstances could have a material adverse effect on our business, financial condition and resources or results of operations.

Our ability to develop intellectual property depends in large part on hiring, retaining and motivating highly qualified design and engineering staff with the knowledge and technical competence to advance our technology and productivity goals. We have entered into confidentiality and/or intellectual property assignment agreements with many of our employees and consultants as one of the ways we seek to protect our intellectual property and other proprietary technologies. However, these agreements may not be enforceable or may not provide meaningful protection for our trade secrets or other proprietary information in the event of unauthorized use or disclosure or other breaches of the agreements.

Our employees and consultants may unintentionally or willfully disclose our confidential information to competitors, and confidentiality agreements may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. Enforcing a claim that a third party illegally obtained and is using our proprietary know-how is expensive and time-consuming, and the outcome is unpredictable. In addition, courts outside the United States are sometimes less willing to protect know-how than courts in the United States. Moreover, our competitors may independently develop equivalent knowledge, methods and know-how. Failure to obtain or maintain intellectual property protection could adversely affect our competitive business position.

Dependence on patent and other proprietary rights and failing to protect such rights or to be successful in litigation related to such rights may result in our payment of significant monetary damages or impact offerings in our product portfolios.

Our long-term success largely depends on our ability to market technologically competitive products. If we fail to obtain or maintain adequate intellectual property protection, we may not be able to prevent third parties from using our proprietary technologies or may lose access to technologies critical to our products. Also, our currently pending or future patent applications may not result in issued patents, and issued patents could be subject to claims concerning priority, scope and other issues.

Furthermore, we have not filed applications for all of our patents internationally and we may not be able to prevent third parties from using our proprietary technologies or may lose access to technologies critical to our products in other countries.

If we fail to meet our obligations under our license agreements, we may lose our rights to technologies on which the IMT business depends.

Our newly-acquired IMT business depends in part on licenses from third parties and in one instance, Dr. Hermano Igo Krebs, our Chief Science Officer. These license agreements impose obligations on us, such as payment obligations and obligations to diligently pursue development of commercial products under the licensed patents. If a licensor believes that we have failed to meet our obligations under a license agreement, the licensor could seek to limit or terminate our license rights, which could lead to costly and time consuming litigation and, potentially, a loss of the licensed rights. During the period of any such litigation, our ability to carry out the development and commercialization of potential products could be significantly and negatively affected. If our license rights were restricted or ultimately lost, our ability to continue our IMT business based on the affected technology platform could be affected adversely.

Risks Related to our Securities and Governance Matters

Our executive officers, through their ownership of common stock and/or Exchangeable Shares, can substantially influence the outcome of matters requiring shareholder approval and may prevent you and other stockholders from influencing significant corporate decisions, which could result in conflicts of interest that could cause the Company's stock price to decline.

Our executive officers collectively beneficially own shares of common stock and Exchangeable Shares, which may be exchanged for common stock, equal to approximately 27.8% of our outstanding shares of Common Stock and Exchangeable Shares as a single class. As a result, such individuals will have the ability, acting together, to substantially influence the election of our directors and the outcome of corporate actions requiring shareholder approval, such as: (i) a merger or a sale of our Company, (ii) a sale of all or substantially all of our assets, and (iii) amendments to our articles of incorporation and bylaws. This concentration of voting power and control could have a significant effect in delaying, deferring or preventing an action that might otherwise be beneficial to our other shareholders and be disadvantageous to our shareholders with interests different from those individuals. These individuals also have significant control over our business, policies and affairs as officers and/or directors of our Company. These stockholders may exert influence in delaying or preventing a change in control of the Company, even if such change in control would benefit the other stockholders of the Company. Lastly, the significant concentration of stock ownership may adversely affect the market value of the Company's common stock due to investors' perception that conflicts of interest may exist or arise. Therefore, you should not invest in reliance on your ability to have any control over the Company.

We do not currently have a majority of independent directors on our Board, which limits our ability to establish effective independent corporate governance procedures.

Our board of directors has significant control over us and we have not established committees comprised of independent directors. We have five directors, two of whom hold executive officer positions and are not independent. Furthermore, a third director who is a former executive officer should not be considered independent. Accordingly, they have significant control over all corporate issues. We do not have an audit, compensation, governance or nominating committee comprised of independent directors. Our directors as a whole perform these functions. Thus, there is a potential conflict in that our directors also engaged in management and participate in decisions concerning management compensation and audit issues, among other issues, may affect management performance.

Although we intend to add additional members to our Board of Directors as qualified candidates become available, until we have a board of directors that would include a majority of independent members, if ever, there will be limited independent oversight of our directors' decisions and activities.

We may have undisclosed liabilities and any such liabilities could harm our revenues, business, prospects, financial condition and results of operations.

Before the Acquisition Transaction with Drywave, Bionik Canada conducted due diligence on the Company it believed was customary and appropriate for a transaction such as the Acquisition Transaction. However, the due diligence process may not have revealed all material liabilities of the Company then existing or which may be asserted in the future against us relating to the Company's activities before the consummation of the Acquisition Transaction with Drywave. In addition, the agreement with the Company contains representations with respect to the absence of any liabilities and indemnification for any breach thereof. However, there can be no assurance that the Company had no liabilities upon the closing of the Acquisition Transaction with Drywave or that we will be successful in enforcing the indemnification provisions or that such indemnification provisions will be adequate to reimburse us. Any such liabilities of the Company that survive the Acquisition Transaction with Drywave could harm our revenues, business, prospects, financial condition and results of operations.

We do not expect to pay cash dividends on our common stock.

We anticipate that we will retain our earnings, if any, for future growth and therefore do not anticipate paying cash dividends on our common stock in the future. Investors seeking cash dividends should not invest in our common stock for that purpose.

Anti-takeover provisions in the Company's charter and bylaws may prevent or frustrate attempts by stockholders to change the board of directors or current management and could make a third-party acquisition of the Company difficult.

The Company's Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws contain provisions that may discourage, delay or prevent a merger, acquisition or other change in control that stockholders may consider favorable, including transactions in which stockholders might otherwise receive a premium for their shares. These provisions could limit the price that investors might be willing to pay in the future for shares of the Company's common stock.

We cannot assure you that the Company's Common Stock will be listed on any national securities exchange.

We cannot assure you that the Company's Common Stock will be listed on any national securities exchange. We cannot assure you that we will ever be able to meet the initial listing standards of any of the NASDAQ markets or any other stock exchange, or that, if quoted, we would be able to maintain a listing of Common Stock on any of the NASDAQ markets or any other stock exchange. If our Common Stock remains quoted on an over-the-counter system rather than being listed on a national securities exchange, an investor may find it more difficult to dispose of shares or obtain accurate quotations as to the market value of the Company's Common Stock.

Because Bionik Canada became a reporting company by means of the Acquisition Transaction, we may not be able to establish a liquid market for the Company's Common Stock or attract the attention of research analysts at major brokerage firms

Because Bionik Canada did not become a reporting company by the traditional means of conducting an initial public offering of common stock, we may be unable to establish a liquid market for the Company's Common Stock. Moreover, we do not expect security analysts of brokerage firms to provide coverage of the Company in the near future. In addition, investment banks may be less likely to agree to underwrite secondary offerings on behalf of the Company or our stockholders than they would if we were to become a public reporting company by means of an initial public offering of Common Stock. If all or any of the foregoing risks occur, it would have a material adverse effect on the Company.

An active and visible public trading market for the Company's Common Stock may not develop.

We cannot predict whether an active market for the Company's Common Stock will ever develop in the future. In the absence of an active trading market:

- Investors may have difficulty buying and selling or obtaining market quotations;
- Market visibility for shares of the Company's Common Stock may be limited; and
- A lack of visibility for shares of the Company's Common Stock may have a depressive effect on the market price for shares of the Company's Common Stock.

The Company's Common Stock is quoted on the OTCQX marketplace operated by OTC Markets Group, Inc. These markets are relatively unorganized, inter-dealer, over-the-counter markets that provide significantly less liquidity than NASDAQ or the NYSE. No assurances can be given that our Common Stock, even if quoted on such markets, will ever actively trade on such markets, much less a senior market like NASDAQ or NYSE. In this event, there would be a highly illiquid market for the Company's Common Stock and you may be unable to dispose of your Common Stock at desirable prices or at all.

The market for our Common Stock is limited.

Our Common Stock is thinly-traded and any recently reported sales price may not be a true market-based valuation of our Common Stock. There can be no assurance that an active market for our Common Stock will develop, even with the move from the OTC Pink marketplace to the OTCQX marketplace. In addition, the stock market in general has experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to operating performance. Consequently, holders of shares of our common stock may not be able to liquidate their investment in the Company's shares at prices that they may deem appropriate.

The market price for our Common Stock may be volatile.

The market price for our Common Stock may be volatile and subject to wide fluctuations in response to factors including the following:

- actual or anticipated fluctuations in our quarterly or annual operating results;
- changes in financial or operational estimates or projections;
- conditions in markets generally;
- changes in the economic performance or market valuations of companies similar to ours;
- announcements by us or our competitors of new products, acquisitions, strategic partnerships, joint ventures or capital commitments;
- our intellectual property position; and
- general economic or political conditions in the United States, Canada or elsewhere.

In addition, the securities market has from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of shares of our Common Stock.

The issuance of shares upon exercise of outstanding warrants could cause immediate and substantial dilution to existing stockholders.

The issuance of shares upon exercise of warrants could result in substantial dilution to the interests of other stockholders since the holders of such warrants may ultimately convert and sell the full amount issuable on conversion.

A large number of our shares may be sold in the market, which may depress the market price of our Common Stock.

We have commitments to register an aggregate of approximately 79,691,102 shares of our outstanding common stock, and common stock underlying outstanding Exchangeable Shares and outstanding warrants. The issuance and sale of such shares may depress the market price of our Common Stock. Sales of a substantial number of shares of our Common Stock in the public market could cause the market price of our Common Stock to decline.

As our Common Stock is subject to the SEC's penny stock rules, broker-dealers may experience difficulty in completing customer transactions and trading activity in our securities may be adversely affected.

The SEC has adopted regulations, which generally define "penny stock" to be an equity security that has a market price of less than \$5.00 per share, subject to specific exemptions. The market price of our Common Stock is now and may in the future continue to be less than \$5.00 per share and therefore would be a "penny stock" according to SEC rules, unless we are listed on a national securities exchange. Under these rules, broker-dealers who recommend such securities to persons other than institutional accredited investors must:

- make a special written suitability determination for the purchaser;
- receive the purchaser's prior written agreement to the transaction;
- provide the purchaser with risk disclosure documents which identify certain risks associated with investing in "penny stocks" and which describe the market for these "penny stocks" as well as a purchaser's legal remedies; and
- obtain a signed and dated acknowledgment from the purchaser demonstrating that the purchaser has actually received the required risk disclosure document before a transaction in a "penny stock" can be completed.

If our Common Stock becomes subject to these rules, broker-dealers may find it difficult to effectuate customer transactions and trading activity in our securities may be adversely affected. As a result, the market price of our securities may be depressed, and you may find it more difficult to sell your securities.

IN ADDITION TO THE ABOVE RISKS, BUSINESSES ARE OFTEN SUBJECT TO RISKS NOT FORESEEN OR FULLY APPRECIATED BY MANAGEMENT. IN REVIEWING THIS TRANSITION REPORT ON FORM 10-K, POTENTIAL INVESTORS SHOULD KEEP IN MIND THAT THERE MAY BE OTHER POSSIBLE RISKS THAT COULD BE IMPORTANT.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties.

Our principal executive office is located in premises of approximately 3,655 square feet at 483 Bay Street, N105, Toronto, Ontario Canada M5G 2C9. The facilities have been leased on our behalf by Ryerson University and we receive a subsidy on lease payments to the University. We are also renting additional temporary space. We intend to move to larger Canadian premises in the future to allow for infrastructure to accommodate our development work based on our current operating plan.

IMT's principal offices, which are now our U.S. base of operations, is located in approximately 9,300 square feet of leased space at 80 Coolidge Hill Road, Watertown, Massachusetts 02472. We believe these facilities are adequate for our current needs.

We do not own any real estate.

Item 3. Legal Proceedings.

From time to time, we may become involved in various lawsuits and legal proceedings, which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm business.

We are not currently a party in any legal proceeding or governmental regulatory proceeding nor are we currently aware of any pending or potential legal proceeding or governmental regulatory proceeding proposed to be initiated against us that would have a material adverse effect on us or our business.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Market Information

Our common stock is traded on the OTCQX marketplace under the symbol “BNKL” since August 19, 2015. Prior to that, our common stock was traded on the OTC Pink marketplace and was traded on such market prior to March 13, 2015 under the symbol “DWTP”. Our common stock did not trade between approximately July 15, 2013 and February 23, 2015. The following table sets forth the range of high and low bid prices for our common stock for each of the periods indicated as reported by such marketplaces. These quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions. On June 22, 2016, the closing price of our common stock as reported on the OTCQX marketplace was \$0.98 per share.

| Period | High | Low |
|--------------------|-------------|------------|
| March 31, 2016 | \$ 1.210 | \$ 0.735 |
| March 31, 2015 | \$ 3.000 | \$ 2.000 |
| June 30, 2015 | \$ 2.400 | \$ 1.050 |
| September 30, 2015 | \$ 1.900 | \$ 1.450 |
| December 31, 2015 | \$ 1.550 | \$ 0.600 |
| March 31, 2014 | – | – |
| June 30, 2014 | – | – |
| September 30, 2014 | – | – |
| December 31, 2014 | – | – |

We consider our common stock to be thinly traded and, accordingly, reported sales prices or quotations may not be a true market-based valuation of our common stock.

Holder

As of June 22, 2016, 22,712,541 shares of Common Stock were issued and outstanding, which were held by approximately 210 holders of record. This does not include up to 23,650,000 shares of our common stock to the approximately 78 former security holders of IMT, of which 3,809,601 are subject to forfeiture pursuant to indemnification obligations resulting from our acquisition IMT on April 21, 2016. These shares will be issued as and when we receive the letters of transmittal and other relevant documents from the former IMT shareholders. In addition, as of June 22, 2016, 50,000,000 Exchangeable Shares were issued and outstanding, which were held by approximately 37 holders of record. We also believe there are more owners of our common stock whose shares are held by nominees or in street name.

Dividends

We have not paid any dividends and we do not anticipate paying any cash dividends in the foreseeable future and we intend to retain all of our earnings, if any, to finance our growth and operations and to fund the expansion of our business. Payment of any dividends will be made in the discretion of our Board of Directors, after our taking into account various factors, including our financial condition, operating results, current and anticipated cash needs and plans for expansion.

Equity Compensation Plan Information

Stock Option and Incentive Plans

We adopted, and a majority of our stockholders approved, the 2014 Equity Incentive Plan (the “2014 Plan”). Under such plan, we may grant equity based incentive awards, including options, restricted stock, and other stock-based awards, to any directors, employees, advisers, and consultants that provide services to us or any of our subsidiaries on terms and conditions that are from time to time determined by us. An aggregate of 10,800,000 shares of our common stock are reserved for issuance under the 2014 Plan, and options for the purchase of 6,604,880 shares of our common stock have been granted and are outstanding as of March 31, 2016. The purpose of the 2014 Plan is to provide financial incentives for selected directors, employees, advisers, and consultants of the Company and/or its subsidiaries, thereby promoting the long-term growth and financial success of the Company.

The table below sets forth information as of March 31, 2016 with respect to compensation plans under which our common stock or Exchangeable Shares are authorized for issuance.

| Plan category | (a) Number of securities to be issued upon exercise of outstanding options, warrants and rights | (b) Weighted-average exercise price of outstanding options, warrants and rights | (c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) |
|--|--|--|--|
| Equity compensation plans approved by security holders | 6,604,880 | \$ 0.57 | 4,195,120 |
| Equity compensation plans not approved by security holders | - | - | - |
| Total | 6,604,880 | - | 4,195,120 |

Issuance of Securities

Between January 1, 2016 and March 31, 2016, an aggregate of 117,481 shares of our common stock were issued to consultants for services rendered or to be rendered, and 45,508 shares of our common stock were issued as a result of the cashless exercise of 148,787 outstanding warrants. The securities were issued in private transactions in reliance upon exemptions from registration pursuant to Section 4(a)(2) of the Securities Act, as transactions not involving any public offering.

Item 6. Selected Financial Data.

This item is not required for a smaller reporting company.

Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The following Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”) covers information pertaining to the Company up to March 31, 2016 and should be read in conjunction with the audited financial statements and related notes of the Company as of and for the transitional three month period ended March 31, 2016, the fiscal year ended March 31, 2016, and the year ended December 31, 2015 and the nine month period ended December 31, 2014. Except as otherwise noted, the financial information contained in this MD&A and in the financial statements has been prepared in accordance with accounting principles generally accepted in the United States of America. All amounts are expressed in U.S. dollars unless otherwise noted.

The preparation of consolidated financial statements in conformity with U.S. GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent liabilities at the financial statement date and reported amounts of revenue and expenses during the reporting period. On an on-going basis we review our estimates and assumptions. The estimates were based on historical experience and other assumptions that we believe to be reasonable under the circumstances. Actual results are likely to differ from those estimates under different assumptions or conditions, but we do not believe such differences will materially affect our financial position or results of operations.

Forward Looking Statements

Certain information contained in this MD&A includes “forward-looking statements.” Statements which are not historical reflect our current expectations and projections about our future results, performance, liquidity, financial condition and results of operations, prospects and opportunities and are based upon information currently available to us and our management and their interpretation of what is believed to be significant factors affecting our existing and proposed business, including many assumptions regarding future events. In some cases, you can identify forward-looking statements by terminology such as “may,” “will” “should,” “expect,” “intend,” “plan,” “anticipate,” “believe,” “estimate,” “predict,” “potential,” “continue,” or similar terms, variations of such terms or the negative of such terms. These statements are only predictions and involve known and unknown risks, uncertainties and other factors. Although forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment, actual results could differ materially from those anticipated in such statements. Actual results, performance, liquidity, financial condition and results of operations, prospects and opportunities could differ materially and perhaps substantially from those expressed in, or implied by, these forward-looking statements as a result of various risks, uncertainties and other factors, including those risks described in detail in the section of this Annual Report on Form 10-K entitled “Risk Factors” as well as elsewhere in this Annual Report.

In light of these risks and uncertainties, and especially given the nature of our existing and proposed business, there can be no assurance that the forward-looking statements contained in this section and elsewhere in this Annual Report on Form 10-KT will in fact occur. Potential investors should not place undue reliance on any forward-looking statements. Except as expressly required by the federal securities laws, there is no undertaking to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason.

Plan of Operation and Recent Corporate Developments

Bionik Laboratories Corp. was incorporated on January 8, 2010 in the State of Colorado. At the time of our incorporation the name of our company was Strategic Dental Management Corp. On July 16, 2013, the Company changed its name from Strategic Dental Management Corp. to Drywave Technologies, Inc. and changed its state of incorporation from Colorado to Delaware. Effective February 13, 2015, we filed with the Secretary of State of Delaware a Certificate of Amendment to our Articles of Incorporation whereby, among other things, we changed our name to Bionik Laboratories Corp. and reduced the authorized number of shares of Common Stock from 200,000,000 to 150,000,000. Additionally, on September 24, 2014, our stockholders approved a 1-for-0.831105 reverse stock split of the issued and outstanding shares of our Common Stock, and adopted an equity incentive plan. The reverse stock split was implemented on February 13, 2015.

Bionik Canada was incorporated on March 24, 2011 under the Canada Business Corporations Act. On February 26, 2015, we entered into an Investment Agreement with Acquireco, our wholly owned subsidiary, and Bionik Canada, whereby we acquired 100 Class 1 common shares of Bionik Canada representing 100% of the outstanding Class 1 common shares of Bionik Canada. After giving effect to this transaction, we commenced operations through Bionik Canada.

Immediately prior to the closing of the Acquisition Transaction and the First Closing, we transferred all of the business, properties, assets, operations and goodwill of the Company (other than cash and cash equivalents), and liabilities as of March 6, 2013, to our then-existing wholly owned subsidiary, Strategic Dental Alliance, Inc., and then transferred all of the capital stock of Strategic Dental Alliance to Brian E. Ray, a former officer and existing director (through March 20, 2015) and Jon Lundgreen, a former officer and director, pursuant to a Spin-Off Agreement. Also as of immediately prior to the closing of the Acquisition Transaction and the First Closing, we entered into an Assignment and Assumption Agreement with Tungsten 74 LLC, pursuant to which Tungsten 74 LLC assumed all of our remaining liabilities through the closing of the Acquisition Transaction. Accordingly, as of the closing of the Acquisition Transaction and the First Closing, we had no assets or liabilities.

On April 21, 2016, we acquired all of the outstanding shares and, accordingly, all assets and liabilities of IMT, a Boston, Massachusetts-based global pioneer and leader in providing effective robotic tools for neurorehabilitation, pursuant to an Agreement and Plan of Merger, dated March 1, 2016, with IMT, Hermano Igo Krebs, and Bionik Mergerco Inc., a Massachusetts corporation and our wholly owned subsidiary, which provided for the merger of Bionik Mergerco with and into IMT, with IMT surviving the merger as our wholly-owned subsidiary. In return for acquiring IMT, IMT shareholders will receive up to an aggregate of 23,650,000 shares of our common stock.

As a result of the acquisition of IMT, our product line now includes three FDA listed upper extremity clinical rehabilitation products currently on the market for clinical use, a lower-body product available for research use being developed for clinical trials, as well as a potential pipeline to other new product candidates based on recent research being done at MIT connected to Hermano Igo Krebs, our newly appointed Chief Science Officer, and Neville Hogan, an advisor and former director of IMT. The clinical products have been characterized as Class II medical devices by the U.S. Food and Drug Administration and are currently sold in over 20 countries, including the United States. IMT has a growing body of clinical data for its products. In addition, IMT's manufacturing facility is compliant with ISO-13485 and FDA regulations.

We are a global pioneering robotics company focused on providing rehabilitation solutions to individuals with neurological disorders, specializing in the designing, developing and commercializing of cost-effective physical rehabilitation technologies, prosthetics, and assisted robotic products. We strive to innovate and build devices that improve an individual's health, comfort, accessibility and quality of life through the use of advanced algorithms and sensing technologies that anticipate a user's every move.

On April 26, 2016, our Board of Directors authorized the changing of our fiscal year-end from December 31 to March 31. The audited financial statements for the new fiscal year is reflected in this Transition Report on Form 10-K for the transition period from January 1, 2016 to March 31, 2016.

Significant Accounting Policies and Estimates

The discussion and analysis of the financial condition and results of operations are based upon the financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of any contingent liabilities at the financial statement date and reported amounts of revenue and expenses during the reporting period. On an on-going basis we review our estimates and assumptions. The estimates were based on historical experience and other assumptions that we believe to be reasonable under the circumstances. Actual results are likely to differ from those estimates under different assumptions or conditions, but we do not believe such differences will materially affect our financial position or results of operations.

Results of Operations

From the inception of Bionik Canada on March 24, 2011 through March 31, 2016, we have generated a deficit of \$11,651,980. We expect to incur additional operating losses during the fiscal year ending March 31, 2017 and perhaps beyond, principally as a result of our continuing research and development, sales and marketing and production costs connected to the ARKE and our newly-acquired products and planned products from the IMT acquisition, expected liabilities and operating costs resulting from our merger with IMT, and general and administrative costs associated with being a public company.

Our results of operations are presented for the three month transition period ended March 31, 2016, the fiscal year ended March 31, 2016, the fiscal year ended March 31, 2015, the fiscal year ended December 31, 2015 and the nine-month transition period ended December 31, 2014.

The historical fiscal year end of Bionik Canada was March 31. In connection with our acquisition of Bionik Canada, we filed a Current Report on Form 8-K presenting "Form 10" information with respect to Bionik Canada, including audited financial statements and other information with respect to Bionik Canada as of and for its fiscal year ended March 31, 2014. Upon the acquisition, we retained our December 31 fiscal year and Bionik Canada adopted our fiscal year of December 31, thereby changing its fiscal year end from March 31 to December 31. This action created a transition period of April 1, 2014 through December 31, 2014. Accordingly, we filed a Transition Report on Form 10-K containing the audited consolidated financial statements of Bionik Canada for the nine month transition period ended December 31, 2014. On April 26, 2016, our Board of Directors authorized the changing of our fiscal year-end from December 31 to March 31. The audited consolidated financial statements for the new fiscal year are reflected in this Transition Report on Form 10-K for the transition period ended March 31, 2016.

For the Three Month Transition Period Ended March 31, 2016 Compared to the Three Month Period Ended March 31, 2015

Operating Expenses

Total operating expenses for the three month transition period ended March 31, 2016 were \$1,954,926 and for the three month period ended March 31, 2015 were \$1,246,817.

For the three month transition period ended March 31, 2016, we incurred research and development expenses of \$343,742 (three month period ended March 31, 2015 - \$435,671). The decrease in research and development expenses relates primarily to a decrease in the use of external engineering consultants.

We incurred general and administrative expenses of \$1,438,553 for the three month transition period ended March 31, 2016, and \$167,747 in general and administrative expenses and \$261,350 of professional and consulting fees for the three month period ended March 31, 2015. The increase in general and administrative expenses relate primarily to the hiring of our CFO on a full-time basis, increased investor relations activity, payments to consultants hired to assist the Company, professional fees with respect to the restatement of our financial statements and with respect to our acquisition of IMT, insurance expense as a result of being a public company, severance costs and other administration costs connected with going public and the growth of the Company.

Stock compensation expense was \$158,244 for the three month transition period ended March 31, 2016, compared to \$371,637 for the three month period ended March 31, 2015, due to a greater number of outstanding options vesting during 2015.

Other Expenses

For the three month transition period ended March 31, 2016, we incurred interest expense of \$Nil, and for the three month period ended March 31, 2015, we incurred interest expense of \$179. The change is due to the Company earning interest on its cash and investments versus in interest expenses which relates primarily to amounts owed to third parties in 2015.

The Company's outstanding warrants include price protection provisions that allow for a reduction in the exercise price of the warrants in the event the Company subsequently issues common stock or options, rights, warrants or securities convertible or exchangeable for shares of common stock at a price lower than the exercise price of the warrants. Simultaneously with any reduction to the exercise price, the number of shares of common stock that may be purchased upon exercise of each of these warrants shall be increased based on a pre-defined formula. During the three month transition period ended March 31, 2016, the Company recorded a gain of \$870,913 on re-measurement to fair value at March 31, 2016 (loss of \$6,387,473 for the three month period ended March 31, 2015), which was recorded within the Company's consolidated statements of operations and comprehensive loss and represents a non-cash item.

Other Income

For the three month transition period ended March 31, 2016, other income was \$8,522 and for the three month period ended March 31, 2015, \$323 related to interest and other income. The Company has also filed its final claim for refundable SR&ED credits from the Government of Canada and will record this income when it is received.

Comprehensive Loss

Comprehensive loss for the three month transition period ended March 31, 2016 was \$1,004,092, resulting in a loss per share of \$0.01, and for the three month period ended March 31, 2015 was a comprehensive loss of \$7,609,347, resulting in a loss per share of \$0.14. The decrease in the comprehensive loss is primarily due to a non-cash loss of \$6,387,473 resulting from the warrant derivative liability recognition and re-measurement in 2015 offset by increased operating expenses in 2016, due to costs associated with becoming a public company and lower stock compensation expense.

For the Year Ended March 31, 2016 Compared to the Year Ended March 31, 2015

Operating Expenses

Total operating expenses for the year ended March 31, 2016 were \$6,632,970 and for the year ended March 31, 2015 was \$3,687,490, as further described below.

For the year ended March 31, 2016, we incurred research and development expenses of \$1,397,554 (year ended March 31, 2015 - \$1,537,491). The decrease in research and development expenses relates primarily to less third party engineering staff being used to meet technology and regulatory requirements, and to further develop the ARKE.

We incurred general and administrative expenses of \$3,676,125 for the year ended March 31, 2016 and \$1,621,341 for the year ended March 31, 2015. The increase in general and administrative expenses relate primarily to the hiring of our CFO on a full-time basis, increased investor relations activity, payments to consultants hired to assist the Company, professional fees with respect to the restatement of our financial statements and with respect to our acquisition of IMT, insurance expense as a result of being a public company, severance costs and other administration costs connected with going public and the growth of the Company.

Stock compensation expense was \$1,495,837 for the year ended March 31, 2016, compared to \$484,210 for the year ended March 31, 2015, due to a greater number of outstanding options vesting during the year ended March 31, 2016.

Other Expenses

For the year ended March 31, 2016, we incurred interest expense and imputed interest expense of \$2,839 and \$nil, respectively, and for the year ended March 31, 2015, we incurred interest expense and imputed interest expense of \$6,391 and \$27,677, respectively. The change in interest expenses relates primarily to a change in amounts owed to third parties and the decrease in imputed interest expenses relates primarily to the decrease in below market loan arrangements.

For the year ended March 31, 2016, we incurred a foreign exchange loss of \$112,771 and in the year ended March 31, 2015 we had a loss of \$36,211. Losses and gains on foreign currency for the year ended March 31, 2016 and 2015 resulted from the translation of foreign currency transactions to the Company's functional currency. On April 1, 2015, Bionik Canada and Bionik Acquisitions Inc. changed its functional currency from the Canadian Dollar to the U.S. Dollar. This reflects the fact that the majority of the Company's business is influenced by an economic environment denominated in U.S. currency as well as that the Company anticipates revenues to be earned in U.S. dollars.

The Company's outstanding warrants include price protection provisions that allow for a reduction in the exercise price of the warrants in the event the Company subsequently issues common stock or options, rights, warrants or securities convertible or exchangeable for shares of common stock at a price lower than the exercise price of the warrants. Simultaneously with any reduction to the exercise price, the number of shares of common stock that may be purchased upon exercise of each of these warrants shall be increased based on a pre-defined formula. During the year ended March 31, 2016 and 2015, the Company recorded a loss of \$548,046 and \$350,814 respectively, on initial recognition of the warrant derivative liability and a gain of \$8,290,556 and loss of \$6,036,659 respectively, on re-measurement to fair value at year end. The net result is a gain of \$7,742,555 and loss of \$6,387,473, for the year ended March 31, 2016 and 2015, respectively, which was recorded within the Company's consolidated statements of operations and comprehensive loss and represents a non-cash item.

Other Income

For the year ended March 31, 2016, other income was \$42,173 and for the year ended March 31, 2015, other income was \$46,349, in each case related to interest and other income. The Company has also filed its final claim for refundable SR&ED credits from the Government of Canada and will record this income when it is received.

Comprehensive (Loss) Income

Comprehensive income for the year ended March 31, 2016 was \$1,036,148, resulting in income per share of \$0.01, and for the year ended March 31, 2015, comprehensive loss was \$10,098,484, resulting in a loss per share of \$0.20. The decrease in the comprehensive loss is primarily due to a non-cash gain of \$7,742,555 resulting from the warrant derivative liability recognition and re-measurement offset by increased operating expenses in 2016, as well as costs associated with becoming a public company and larger stock compensation expense.

For the Year Ended December 31, 2015 Compared to the Nine Month Period Ended December 31, 2014

Comparisons of results below compare results for the year ended December 31, 2015 to the nine-month transition period from April 1, 2014 through December 31, 2014, and accordingly are not comparing results for comparable periods of time.

Operating Expenses

Total operating expenses for the year ended December 31, 2015 were \$5,924,861 and for the nine month period ended December 31, 2014 were \$2,440,673, as further described below.

For the year ended December 31, 2015, we incurred research and development expenses of \$1,489,483 (nine month period ended December 31, 2014 - \$1,101,820). The increase in research and development expenses relates primarily to additional engineering staff being added to meet technology and regulatory requirements, and further develop ARKE.

We incurred general and administrative expenses of \$2,666,669 for the year ended December 31, 2015 and \$1,192,244 for the nine month period ended December 31, 2014. The increase in general and administrative expenses relate primarily to the hiring of a full time CFO, increased investor relations activity, consultants hired to assist the company, insurance for a public company and other administration costs connected with going public and the growth of the Company.

Stock compensation expenses increased to \$1,709,230 compared to \$112,573 in the nine month period ended December 31, 2014 due to a substantial number of options grants vesting during 2015, compared to 2014.

Other Expenses

For the year ended December 31, 2015, we incurred interest expenses and imputed interest expense of \$3,018 and \$nil, respectively, and for the nine month period ended December 31, 2014 we incurred \$6,212 and \$27,677, respectively. The change in interest expenses relates primarily to a change in amounts owed to third parties and the decrease in imputed interest expenses relates primarily to the decrease in below market loan arrangements.

For the year ended December 31, 2015, we incurred a foreign exchange loss of \$184,125 and in the nine month period ended December 31, 2014 we had a loss of \$36,211. Losses and gains on foreign currency for the year ended December 31, 2015 and 2014 resulted from the translation of foreign currency transactions to the Company's functional currency. On April 1, 2015, Bionik Canada and Bionik Acquisitions Inc. changed its functional currency from the Canadian Dollar to the U.S. Dollar. This reflects the fact that the majority of the Company's business is influenced by an economic environment denominated in U.S. currency as well as that the Company anticipates revenues to be earned in U.S. dollars.

The Company's outstanding warrants include price protection provisions that allow for a reduction in the exercise price of the warrants in the event the Company subsequently issues common stock or options, rights, warrants or securities convertible or exchangeable for shares of common stock at a price lower than the exercise price of the warrants. Simultaneously with any reduction to the exercise price, the number of shares of common stock that may be purchased upon exercise of each of these warrants shall be increased based on a pre-defined formula. During the year ended December 31, 2015, the Company recorded a loss of \$898,860 on initial recognition of the warrant derivative liability and a gain of \$1,382,984 on re-measurement to fair value at year end. The net result is a gain of \$484,124 for the year ended December 31, 2015, which was recorded within the Company's consolidated statements of operations and comprehensive loss and represents a non-cash item. There were no such amounts in the nine month transition period.

Other Income

For the year ended December 31, 2015 other income was \$33,974 and for the transition period ended December 31, 2014, \$46,026, related to interest and other income. The Company has also filed its final claim for refundable SR&ED credits from the Government of Canada and will record this income when it is received.

Comprehensive Loss

Comprehensive loss for the year ended December 31, 2015 was \$5,569,107, resulting in a loss per share of \$0.08, and for the nine month period ended December 31, 2014 was \$2,489,137, resulting in a loss per share of \$0.05. The increase in the comprehensive loss is primarily due to increased operating expenses in 2015, due to increased research and development as well as costs associated with becoming a public company and larger stock compensation expense, offset by a non-cash gain of \$484,124 resulting from the warrant derivative liability recognition and re-measurement.

Liquidity and Capital Resources

We have not yet realized any revenues from our planned operations, although we expect to generate revenues through the sale of InMotion products acquired in the IMT transaction. In 2015, IMT generated approximately \$2,000,000 of revenue – we can give no assurance that we will generate similar or greater revenues in 2016 as a result of the InMotion products. We have incurred a deficit of \$11,651,980 from inception on March 24, 2011 to March 31, 2016.

We have funded operations through the issuance of capital stock, loans, grants and investment tax credits received from the Government of Canada. We raised in our 2015 private offering aggregate gross proceeds of \$13,126,600 which resulted in net proceeds after costs of \$11,341,397. At March 31, 2016, we had cash and cash equivalents of \$5,381,757. Assuming our current burn rate and that our newly acquired products from IMT will generate similar revenues in 2016 as in 2015, we expect that we will have sufficient funds to continue operations for at least the next 12 months, including with the acquisition of IMT and the assumption of its liabilities discussed further below; however, we will need to raise additional funds through equity offerings or otherwise to meet expected future liquidity requirements. In the event we are unable to so generate revenues from our IMT products in fiscal 2016, we will be required to delay or scale back our growth plans as early as December 2016, until we are able to raise additional funds or generate revenue, of which we can give no assurance of success.

As we proceed with the ARKE product development, the marketing of the three commercial products of IMT and the development of other IMT development-stage products, we have devoted and expect to continue to devote significant resources in the areas of capital expenditures and research and development costs and operations, marketing, clinical trials and sales expenditures.

As a result of the acquisition of IMT, the Company indirectly assumed an aggregate of approximately \$1.76 million of debts and other liabilities of IMT, based on the internal, unaudited financial information of IMT, which numbers may change as we integrate IMT into our operations and audit IMT's financial information.

Of such liabilities, we believe that:

- An aggregate of approximately \$112,000 in principal amount of loans is payable to Rodolfo Rohr, a former executive officer of IMT, which with accrued interest are due and payable the earlier of December 31, 2017 and the date the Company raises new capital exceeding \$15 million in cash.
- An aggregate of \$125,000 in principal amount is payable to Hermano Igo Krebs, which with accrued interest are due and payable the earlier of December 31, 2017 and the date the Company raises new capital exceeding \$15 million in cash.
- An aggregate of (a) \$50,000 in principal amount is payable to Neville Hogan, a co-founder of IMT and a former board member, which with accrued interest are due and payable the earlier of December 31, 2017 and the date the Company raises new capital exceeding \$15 million in cash and (b) approximately \$36,000 in principal and accrued interest on demand loans made by Mr. Hogan, which amount was paid at or about the effective date of the merger.
- An aggregate of approximately \$130,000 was due to Hermano Igo Krebs for past-due compensation and an aggregate of approximately \$123,000 was due to Jules Fried for past-due compensation, which amounts were paid at or about the effective date of the Merger.
- An aggregate of \$200,000 in principal amount plus interest is payable to Park Hill Capital Inc., the maturity date of which is September 1, 2016.
- An aggregate of \$25,000 in principal amount drawn down under a maximum \$200,000 line of credit from Business Credit Direct Corp., which amount was paid at or about the effective date of the merger and the line of credit was cancelled.
- An aggregate of approximately \$33,000 in principal and interest on demand loans in favor of Dr. Krebs' wife, which amount was paid at or about the effective date of the merger.
- An aggregate of approximately \$645,000 in accounts payable is due to various vendors, suppliers, licensors and consultants for services rendered and unpaid, some of which were paid at or about the effective date of the merger.

On or about the effective date of the acquisition, we repaid or settled an aggregate of approximately \$806,000 of such liabilities.

During our review and due diligence of IMT prior to the execution of the Merger Agreement, we loaned an aggregate of \$300,000 to IMT, which loans were secured by certain assets of IMT. On March 7, 2016, we loaned an additional \$68,750 to IMT to fund certain IMT expenses in contemplation of the closing of the merger. The loans matured upon the effective date of the merger. We also advanced IMT \$172,324 for closing and operating costs during 2016 before the closing of the acquisition.

We will likely require additional funds to further develop our expanded business plan, including the anticipated commercialization of the ARKE, the marketing of IMT's products and the development of IMT's product pipeline. Since it is impossible to predict with certainty the timing and amount of funds required to launch our new business plans since the IMT acquisition, we anticipate that we will need to raise additional funds through equity or debt offerings or otherwise in order to meet our expected future liquidity requirements. Any such financing that we undertake will likely be dilutive to existing stockholders.

We expect to need additional funds to respond to business opportunities including potential acquisitions of complementary technologies or business, protect our intellectual property, develop new lines of business and enhance our operating infrastructure. While we may need to seek additional funding for any such purposes, we may not be able to obtain financing on acceptable terms, or at all. In addition, the terms of our financings may be dilutive to, or otherwise adversely affect, holders of our common stock. We may seek additional funds through arrangements with collaborators or other third parties. We may not be able to negotiate any such arrangements on acceptable terms, if at all. If we are unable to obtain additional funding on a timely basis, we may be required to curtail or terminate some or all of our product lines.

Net Cash Used in Operating Activities

During the three month transition period ended March 31, 2016, we used cash in operating activities of \$1,038,390 compared to \$825,483 for the three month period ended March 31, 2015 (\$4,590,387 for the year ended December 31, 2015). The increased use of cash is mainly attributable to the larger loss for the year ended March 31, 2016. The change in fair value of warrant derivative liability did not have any impact on cash used in operating activities as it is a non-cash item.

During the fiscal year ended March 31, 2015, we used cash in operating activities of \$2,464,961. The increased use of cash during the fiscal year ended March 31, 2016 of \$2,282,875 is mainly attributable to the larger cash loss for the fiscal year ended March 31, 2016 once the gain to the fair value of the warrant derivative liability is not included.

During the nine month period ended December 31, 2014, we used cash in operating activities of \$1,639,478. The increased use of cash in operating activities during the year ended December 31, 2015 of \$4,590,387 is mainly attributable to the larger loss for the year ended December 31, 2015. The change in fair value of warrant derivative liability did not have any impact on cash used in operating activities as it is a non-cash item.

Net Cash Used in Investing Activities

During the three month transition period ended March 31, 2016, net cash used in investing activities was \$196,935, compared to \$38,820 for the three month period ended March 31, 2015.

During the fiscal year ended March 31, 2015, net cash used in investing activities was \$148,136, compared to \$547,924 for the fiscal year ended March 31, 2016. The increase in the year ended March 31, 2016 is due to providing funds to IMT before the close of the acquisition.

Net cash used in investing was \$380,195 for the year ended December 31, 2015. During the nine month period ended December 31, 2014, net cash used in investing activities was \$109,316. The increase in the year ended December 31, 2015 is due to providing funds to IMT before the close of the acquisition.

Net cash used in investing activities in 2014, 2015 and 2016 was used for the acquisition of equipment and, in 2015 the Company provided a series of interest-bearing loans to Interactive Motion in the aggregate principal amount of \$368,750 and other cash advances, which amounts were offset on consolidation upon the acquisition of that company in April 2016. The Company's purchase of additional computer equipment was due to the increase in engineers and equipment to help with the development of our technology.

Net Cash Provided by Financing Activities

Net cash provided by financing activities was \$nil for the three month transition period ended March 31, 2016, compared to \$6,788,988 for the three month period ended March 31, 2015.

Net cash provided by financing activities was \$11,341,397 for the year ended December 31, 2015.

Net cash provided by financing activities was \$8,777,666 for the fiscal year ended March 31, 2015 compared to \$4,552,409 for the year ended March 31, 2016. The principal reason for the decrease from the 2015 period to the 2016 period is due to our private offering in 2015, of which the majority of the funds raised took place during the 2015 period.

Net cash provided by financing activities was \$1,988,678 for the nine month period ended December 31, 2014. The principal reason for the increase from the year ended December 31, 2015 is due to our private offering in 2015, which was much larger than the funds raised in 2014.

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)". The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The accounting standard is effective for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2017. Early adoption is not permitted. The impact on our consolidated financial statements of adopting ASU 2014-09 will be assessed by management.

In August 2014, the FASB issued a new financial accounting standard on going concern, ASU No. 2014-15, "Presentation of Financial Statements – Going Concern (Sub-Topic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern." The standard provides guidance about management's responsibility to evaluate whether there is a substantial doubt about the organization's ability to continue as a going concern. The amendments in this Update apply to all companies. They become effective in the annual period ending after December 15, 2016, with early application permitted. The impact on the consolidated financial statements of adopting ASU 2014-15 will be assessed by management.

In November 2015, the FASB issued ASU No. 2015-17, "Balance Sheet Classification of Deferred Taxes," which requires that deferred tax liabilities and assets be classified on our Consolidated Balance Sheets as noncurrent based on an analysis of each taxpaying component within a jurisdiction. ASU No. 2015-17 is effective for the fiscal year commencing on January 1, 2017. We do not anticipate that the adoption of ASU No. 2015-17 will have a material effect on our consolidated financial position or consolidated results of operations.

In March 2016, the FASB issued ASU 2016-09, "Compensation - Stock Compensation: Improvements to Employee Share-Based Payment Accounting". Several aspects of the accounting for share-based payment award transaction are simplified, including (a) income tax consequences; (b) classification of awards as either equity or liabilities; and (c) classification on the statement of cash flows. The amendments are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. We are still assessing the impact that the adoption of ASI 2016-09 will have on our consolidated financial position and consolidated results of operations.

In February 2016, the FASB issued ASU 2016-02, Leases. This update requires organizations that lease assets to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. The new guidance will also require additional disclosure about the amount, timing and uncertainty of cash flows arising from leases. The provisions of this update are effective for annual and interim periods beginning after December 15, 2018. We are still assessing the impact that the adoption of ASI 2016-02 will have on our consolidated financial position and consolidated results of operations.

In September 2015, the FASB issued ASU No. 2015-16, "Simplifying the Accounting for Measurement-Period Adjustments," which illustrates certain guidance governing adjustments to the provisional amounts recognized at the acquisition date with a corresponding adjustment to goodwill. Such adjustments are required when new information is obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement amounts initially recognized or would have resulted in the recognition of additional assets and liabilities. ASU No. 2015-16 eliminates the requirement to retrospectively account for such adjustments. ASU No. 2015-16 is effective for the fiscal year commencing on January 1, 2016. We have adopted ASU No. 2015-16 as at and for the three and twelve month periods ended March 31, 2016. There was no material effect on our consolidated financial position or consolidated results of operations and comprehensive loss.

Management does not believe that any other recently issued, but not yet effective accounting pronouncements, if adopted, would have a material effect on the accompanying consolidated financial statements.

Off-Balance Sheet Arrangements

We had no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

This item is not required for a smaller reporting company.

Item 8. Financial Statements and Supplementary Data.

Our consolidated financial statements and corresponding notes thereto called for by this item appear at the end of this document commencing on page F-1.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and the principal financial officer, we have conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as of the end of the period covered by this report. Based on this evaluation, our principal executive officer and principal financial officer concluded as of the evaluation date that our disclosure controls and procedures were not effective to ensure that the material information required to be included in our Securities and Exchange Commission reports is accumulated and communicated to our management, including our principal executive and financial officer, recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms relating to our company, as a result of the late filing of a single Form 8-K in January 2016.

Furthermore, in connection with the 2015 year-end closing process, management determined that the financial statements included in our Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2015, June 30, 2015 and September 30, 2015 (the "Original Filings") should no longer be relied upon, and were restated due to non-cash errors identified in the accounting for the common stock purchase warrants issued in 2015 as part of the Offering. We have determined that this error represents a material weakness in our internal control over financial reporting. We intend to evaluate what actions need to be taken to remediate this weakness. See "– Management's Annual Report on Internal Control Over Financial Reporting" below.

Management's Annual Report on Internal Control Over Financial Reporting

Management of Bionik Laboratories Corp. is responsible for establishing and maintaining adequate internal control over financial reporting for our company and its subsidiaries Bionik Laboratories Inc. and Bionik Acquisition Inc. Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, for the company.

Internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of its management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Management recognizes that there are inherent limitations in the effectiveness of any system of internal control, and accordingly, even effective internal control can provide only reasonable assurance with respect to financial statement preparation and may not prevent or detect material misstatements. In addition, effective internal control at a point in time may become ineffective in future periods because of changes in conditions or due to deterioration in the degree of compliance with our established policies and procedures.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in there being a more than remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected.

Under the supervision and with the participation of our Chief Executive Officer, management conducted an evaluation of the effectiveness of our internal control over financial reporting, as of March 31, 2016 based on the framework set forth in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our evaluation under this framework, management concluded that our internal control over financial reporting was not effective as of the evaluation date due to the factors stated below.

Management assessed the effectiveness of the Company's internal control over financial reporting as of the evaluation date and identified the following material weaknesses:

- **INADEQUATE SEGREGATION OF DUTIES:** we have a lack of segregation of duties with internal accounting control functions limited to a relatively few individuals.
- **LACK OF AN AUDIT COMMITTEE & OUTSIDE DIRECTORS ON THE COMPANY'S BOARD OF DIRECTORS:** We do not have a functioning audit committee nor do we have a majority of independent directors, as only two of our five directors are independent with the remaining three members being members of management or former members of management, resulting in ineffective oversight in the establishment and monitoring of required internal controls and procedures. The Company plans to add directors in 2016 and 2017 to allow for the creation of an independent Audit Committee.
- **RESTATEMENT OF UNAUDITED INTERIM FINANCIAL STATEMENTS:** We did not maintain effective controls over the accounting of our common stock purchase warrants issued as part of the Offering. Specifically, controls were not designed to ensure that the warrants were properly accounted for as a derivative liability, instead of as equity, and management's review process was not effective in detecting this error. This control weakness resulted in an error in the Company's unaudited condensed consolidated financial statements contained in the Original Filings, resulting in the filing of amendments to each of the Original Filings to reflect the proper accounting treatment.

Management is committed to improving its internal controls and will:

- continue to use third party specialists to address shortfalls in staffing and to assist the Company with accounting and finance responsibilities
- increase the frequency of independent reconciliations of significant accounts which will mitigate the lack of segregation of duties until there are sufficient personnel and
- may consider appointing outside directors and audit committee members in the future.

Management, including our Chief Executive Officer, has discussed the material weaknesses noted above with our independent registered public accounting firm. Due to the nature of these material weaknesses, there is a more than remote likelihood that misstatements which could be material to the annual or interim financial statements could occur that would not be prevented or detected.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management’s report was not subject to attestation by the our registered public accounting firm pursuant to temporary rules of the SEC that permit us to provide only management’s report in this annual report.

Changes in Internal Controls

There was no change in our internal controls over financial reporting that occurred during the period covered by this report, which has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

Item 9B. Other Information.

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Our executive officers and directors are as follows:

| Name | Age | Position |
|----------------------------------|------------|--|
| Peter Bloch | 56 | Chief Executive Officer and Chairman of the Board of Directors |
| Michal Prywata | 24 | Chief Operating Officer and Director |
| Leslie N. Markow | 55 | Chief Financial Officer |
| Hermano Igo Krebs ⁽¹⁾ | 57 | Chief Science Officer |
| Jules Fried ⁽²⁾ | 69 | Vice President, US Operations |
| Thiago Caires ⁽³⁾ | 28 | Director |
| Robert Hariri | 56 | Director |
| Marc Mathieu | 56 | Director |

(1) Dr. Krebs has been our Chief Science Officer since April 21, 2016 and appointed a director as of July 1, 2016.

(2) Mr. Fried has been our Vice President, US Operations since April 21, 2016.

(3) Mr. Caires was the Company’s Chief Technical Officer until April 8, 2016.

Peter Bloch: Chief Executive Officer and Chairman of the Board of Directors. Mr. Bloch has served as the Company’s Chief Executive Officer since April 2013 and as Chairman of the Board of Directors since February 2014. From April 2012 to April 2013, Mr. Bloch served as our Chief Financial Officer. Mr. Bloch is a CPA, CA with a track record of building both public and private technology companies, mainly in the life sciences industry. Mr. Bloch currently serves as a Director of HB Agri Products Inc., a manufacturer of organic fertilizers from waste, since February 2014. From January 2008 to February 2009, Mr. Bloch served as the Chief Financial Officer of Just Energy, a public electricity and gas company. Since December 2011, Mr. Bloch has also served as a Director for Walmer Capital Corp., an acquisition company. His past 25 years of executive management experience includes serving as Chief Financial Officer and joint interim CEO of Sanofi Canada Inc., the Canadian affiliate of Sanofi, a global healthcare leader; Chief Financial Officer of Intellivax Inc., a biotechnology company which was sold to GlaxoSmithKline for \$1.75 billion; founder of Tribute Pharmaceuticals, a specialty pharmaceutical company; and Chief Financial Officer of Gennum Corporation, a public semiconductor company focused on the TV and medical device market. These companies have ranged in size from start-ups to companies with revenues of over \$2 billion. In these roles, Mr. Bloch has secured significant funding for both private and public companies, gained experience with initial public offerings and led a number of acquisitions and partnership transactions. We believe Mr. Bloch is qualified to serve as Chairman of the Board of Directors due to his public service experience, experience in the biotechnology and pharmaceuticals industries and his business contacts.

Michal Prywata: Chief Operating Officer and Director. Mr. Prywata is the co-founder of Bionik Canada and has served as our Chief Operating Officer since April 2013 and as a Director since March 2011. Mr. Prywata previously served as our Chief Executive Officer from March 2011 to April 2013. Mr. Prywata studied biomedical engineering at Ryerson University until the end of his second year, with a focus on electronics and software development for medical products. He has a track record of winning technology showcases and inventing technologies that address significant unmet needs and untapped markets. He has spent the past 5 years with Bionik Canada, managing technological advancements, managing day-to-day operations, and developing concepts into products. In addition, Mr. Prywata, together with Mr. Caires, was responsible for raising and securing initial seed capital – subsequent capital raises were done together with Mr. Bloch. Mr. Prywata is the co-inventor of all current intellectual property of the Company. Mr. Prywata serves as a member of the Board of Directors due to his being a founder of the Company and his current executive position with the Company. We also believe that Mr. Prywata is qualified due to his experience in the medical device industry.

Leslie N. Markow: Chief Financial Officer. Ms. Markow has served as the Company's Chief Financial Officer since September 2014. She is a CPA CA in Canada, a US CPA (Illinois) and Chartered Director. From 2002 to 2004 and since 2010, Ms. Markow has provided outsourced CFO, controller and financial services on a part-time basis to numerous public and private companies. In addition, in 2012-2013, Ms. Markow was the Chief Financial Officer of Stewardship Ontario, a supply chain operator of Blue Box and Orange Drop Programs for industry in the Province of Ontario. In 2010-2012, Ms. Markow was the Chief Financial Officer of Blue Ocean NutraSciences Inc. (formerly Solutions4CO2 Inc.), a public CO2 solution industrial company. From 2004 to 2010, Ms. Markow was the Director of Client Service for Resources Global Professionals, a Nasdaq-listed global consulting firm. From 1991-2002, she held various positions at SunOpta Inc. a TSX-Nasdaq listed company, which at that time was named Stake Technology Ltd. and was an industrial technology manufacturer, including as Chief Administrative Officer, Vice-President Regulatory Reporting & Compliance, Chief Financial Officer and Vice-President-Finance and Controller. Ms. Markow started her career in 1983 with predecessors of PricewaterhouseCoopers, ultimately holding a position as Senior Audit Manager and in 1991, she moved to SunOpta Inc. Ms. Markow is a member of the Board of Directors and Chairperson of the Audit Committee of Jemtec Inc., a Canadian public company that sells monitoring hardware and software. She also is a member of Financial Executives Canada, where she is a past National Board Director, Toronto Board Director, Toronto Chapter President and the winner of the Toronto Leadership Award, and is a faculty member of The Directors College, which is a joint venture of McMaster University and The Conference Board of Canada.

Dr. Hermano Igo Krebs: Chief Science Officer. Dr. Krebs has been our Chief Science Officer since our acquisition of IMT on April 21, 2016. He is a co-founder of IMT and has been a member of its Board of Directors since March 1998 and Chairman of the Board since April 2015 until its acquisition. He was also IMT's interim CEO in 2015. Dr. Krebs joined the Massachusetts Institute of Technology's Mechanical Engineering Department in 1997 where he is a Principal Research Scientist and Lecturer. He also holds an affiliate position as an Adjunct Professor at University of Maryland School of Medicine, Department of Neurology, and as a Visiting Professor at Fujita Health University, Department of Physical Medicine and Rehabilitation, at University of Newcastle, Institute of Neuroscience, and at Osaka University, Department of Mechanical Sciences and Bioengineering. He received his B.S. and M.S. degrees in Naval Engineering (option electrical) from Politecnica School of University of Sao Paulo – Brazil, in 1980 and 1987, respectively. He received another M.S. degree in Ocean Engineering from Yokohama National University – Japan, in 1989, and the Ph.D. degree in Engineering from the Massachusetts Institute of Technology, Cambridge, in 1997. From 1977 to 1978, he taught electrical design at Escola Tecnica Federal de Sao Paulo. From 1978 to 1979, he worked at University of Sao Paulo in a project aiming at the identification of hydrodynamic coefficients during ship maneuvers. From 1980 to 1986, he was a surveyor of ships, offshore platforms, and container cranes at the American Bureau of Shipping – Sao Paulo office. In 1989, he was a visiting researcher at Sumitomo Heavy Industries – Hiratsuka Laboratories – Japan. From 1993 to 1996, he worked at Casper, Phillips & Associates, Tacoma, WA in container cranes and control systems. He is a Fellow of the IEEE. Dr. Krebs was nominated by two of IEEE societies: IEEE-EMBS (Engineering in Medicine & Biology Society) and IEEE-RAS (Robotics and Automation Society) to this distinguished engineering status “for contributions to rehabilitation robotics and the understanding of neuro-rehabilitation.” His work goes beyond Stroke and has been extended to Cerebral Palsy for which he received “The 2009 Isabelle and Leonard H. Goldenson Technology and Rehabilitation Award,” from the Cerebral Palsy International Research Foundation (CPIRF). In 2015, he received the prestigious IEEE-INABA Technical Award for Innovation leading to Production “for contributions to medical technology innovation and translation into commercial applications for Rehabilitation Robotics.”

Jules Fried: Vice President, US Operations. Mr. Fried has been our Vice President, US Operations since our acquisition of IMT on April 21, 2016. Prior to that, Mr. Fried was first a consultant to, and then the CEO of, IMT since July 2015. Since August 2008, Mr. Fried has been a founder and a director of First Commons Bank, a community bank regulated by the Office of Comptroller of the Currency in Newton, MA, where he also serves as Chairman of the Enterprise Risk Management Committee and as a member of the Audit Committee. From January 2012 until August 2013, Mr. Fried was the Principal of Atlantic VIC, a technology venture development firm specializing in licensing technology from research institutions for new ventures, and from June 2004 to April 2016, he was the Managing Director of JM Fried & Co., a business growth advisory service. From October 2007 to October 2011, Mr. Fried was the Executive Vice President of The Lappin Company, a Boston-based recruitment firm specializing in hard-to-find life science hires. From January 2004 to May 2008, Mr. Fried was a co-founder and Managing Director of Strictly Personal, Inc., a web-based software company that provided correspondence and management tools for non-profit fundraising. From 1987 to 2004, Mr. Fried was a co-founder and Senior Vice President of Roll Systems Inc., a digital printing peripheral device manufacturer and a two-time Inc. 500 awardee. Prior to that, from 1981 to 1986, he was a partner in the corporate and healthcare departments at the law firm of McDermott, Will & Emery, and from 1972 to 1980 was a trial attorney with the United States Department of Justice, Antitrust Division.

Thiago Caires: Director. Mr. Caires is the co-founder of Bionik Canada and has served as its Chief Technical Officer from May 2013 through April 8, 2016. He was its President from March 2011 to April 2013, at which time he was appointed Chief Technology Officer. He started his engineering training, studying one year in Mechatronics at PUC University, Rio de Janeiro, Brazil. Mr. Caires moved to Canada to attend Centennial College where he studied automation and robotics with a focus on robotics and CIM (computer integrated manufacturing) where he received Automation and Robotic Technician certification. After Centennial College he attended Ryerson University until the end of his third year for biomedical engineering, where his major focus was on prosthetics. He has a track record of winning technology showcases and inventing technologies that address significant unmet needs and untapped markets. While at Bionik Canada, Mr. Caires was responsible for managing technological advancements and creating the clinical trials strategy for the approvals of its first product. In addition, Mr. Caires, together with Mr. Prywata, was responsible for raising and securing initial seed capital - subsequent capital raises were done together with Mr. Bloch. Mr. Caires is the co-inventor of all of current intellectual property of the Company. Mr. Caires serves as a member of the Board of Directors due to his being a founder of the Company. We also believe that Mr. Caires is qualified due to his experience in the medical device industry.

Dr. Robert Hariri: Director. Dr. Robert (Bob) Hariri is a surgeon, biomedical scientist and highly successful serial entrepreneur in two technology sectors: biomedicine and aerospace. The Chairman, Founder, Chief Scientific Officer, and former Chief Executive Officer of Celgene Cellular Therapeutics, one of the world's largest human cellular therapeutics companies, Dr. Hariri has pioneered the use of stem cells to treat a range of life threatening diseases and has made transformative contributions in the field of tissue engineering. His activities and experience includes academic neurosurgeon at Cornell, businessman, military surgeon and aviator and aerospace innovator. Dr. Hariri has over 90 issued and pending patents, has authored over 100 published chapters, articles and abstracts and is most recognized for his discovery of pluripotent stem cells from the placenta and as a member of the team which discovered the physiological activities of TNF (tumor necrosis factor). Dr. Hariri was recipient of the Thomas Alva Edison Award in 2007 and 2011, The Fred J. Epstein Lifetime Achievement Award and has received numerous other honors for his many contributions to biomedicine and aviation. Dr. Hariri also serves on numerous Boards of Directors including Myos Corporation and Provista Diagnostics. Dr. Hariri is an Adjunct Associate Professor of Pathology at the Mount Sinai School of Medicine and a member of the Board of Visitors of the Columbia University School of Engineering & Applied Sciences and the Science & Technology Council of the College of Physicians and Surgeons, and is a member of the scientific advisory board for the Archon X PRIZE for Genomics, which is awarded by the X PRIZE Foundation. Dr. Hariri is also a Trustee of the Liberty Science Center and has been appointed Commissioner of Cancer Research by New Jersey Governor Chris Christie. Dr. Hariri is also a member of the Board of Trustees of the J. Craig Venter Institute. A jet-rated commercial pilot with thousands of hours of flight time in over 60 different military and civilian aircraft, Dr. Hariri has also produced several feature films as well as documentaries on global societal issues. We believe Dr. Hariri is qualified to serve as a director due to his public service experience, experience in the biotechnology and pharmaceuticals industries and his business contacts.

Marc Mathieu: Director. Mr. Mathieu has been the U.S. Chief Marketing Officer of Samsung North America since June 2015. Prior to that, from April 2011 to June 2015, he was Senior Vice President of Global Marketing at Unilever, where he was responsible for the development of Unilever’s global marketing strategy. Mr. Mathieu has also overseen the implementation of pivotal programs such as Project Sunlight, the first Unilever brand consumer initiative to motivate millions of people to adopt more sustainable lifestyles, and The Unilever Foundry, a platform that provides a single entry-point for innovative start-ups seeking to partner with Unilever. Since January 2011, Mr. Mathieu has been the Chairman and Co-founder of We&Co, a social app for people who provide and enjoy great service. From January 2009 through August 2011, Mr. Mathieu founded and was principal of the strategic brand consultancy, BeDo, which worked to build brands with purpose and fuse marketing and sustainability agendas. From 1996 through 2008, Mr. Mathieu held various positions at Coca-Cola, culminating in Senior Vice President Global Brand Marketing. He sits on the Advisory Panel of the Guardian Digital and Media network and writes for Marketing Week magazine. He is a regular conference and keynote speaker on themes such as the Future of Marketing. Mr. Mathieu has a passion for theatre and sits on the Board of Directors for the Almeida Theatre and Punchdrunk. We believe Mr. Mathieu is qualified to serve as a member of the Board of Directors due to his marketing experience.

There are no family relationships among any of our current or proposed officers and directors.

Item 11. Executive Compensation

The following table sets forth information regarding each element of compensation that was paid or awarded to the named executive officers of Bionik for the periods indicated.

| Name and Principal Position | Year(1) | Salary (\$) | Bonus (\$) | Stock Awards (\$) | Option Awards (\$) | Non-Equity Incentive Plan Compensation (\$) | All Other Compensation (\$) | Total (\$) |
|------------------------------------|----------------|--------------------|-------------------|--------------------------|---------------------------|--|------------------------------------|-------------------|
| Peter Bloch(2) | | | | | | | | |
| Chief | 2016T | 48,061 | - | - | - | - | 4,757 | 52,818 |
| Executive Officer | 2015 | 260,891 | - | - | 505,185(3,10) | - | 107,533(4) | 873,609 |
| | 2014T | 100,491 | - | - | 419,829(3,5) | - | 80,000 | 600,320 |
| Michal Prywata | | | | | | | | |
| Chief | 2016T | 36,701 | - | - | - | - | 3,633 | 40,334 |
| Operating Officer | 2015 | 198,430 | - | - | 202,074(3,9) | - | 71,285(6) | 471,789 |
| | 2014T | 145,460 | - | - | 419,829(3,5) | - | - | 565,289 |
| Thiago Caires (8) | | | | | | | | |
| Chief | 2016T | 36,701 | - | - | - | - | 3,633 | 40,334 |
| Technology Officer | 2015 | 204,215 | - | - | - | - | 71,808(7) | 276,023 |
| | 2014T | 145,491 | - | - | 419,829(3,5) | - | - | 565,320 |
| Leslie N. Markow (9) | | | | | | | | |
| Chief | 2016T | 36,701 | - | - | - | - | 3,633 | 40,334 |
| Financial Officer | 2015 | 131,727 | 24,000 | - | 488,789(3,11) | - | 4,997 | 649,513 |
| | 2014T | 32,134 | - | - | - | - | - | 32,134 |

(1) “2016T” refers to the Company’s three month transition period ended March 31, 2016. “2015” refers to the Company’s fiscal year ended December 31, 2015. “2014T” refers to the Company’s nine month transition period ended December 31, 2014.

(2) Mr. Bloch was a consultant to Bionik Canada until August 2014. His consulting income is reflected under All Other Compensation in the table.

- (3) For assumptions made in such valuation, see Note 9 to the Company's audited consolidated financial statements included in this Transition Report on Form 10-K, commencing on page F-23.
- (4) Represents additional compensation as a result of the successful consummation of the Company's Acquisition Transaction and Offering of \$99,181 and a contribution to RRSP(Canadian IRA) and other benefits of \$8,352.
- (5) On July 1, 2014, the Company issued 990,864 options to Messrs. Bloch, Prywata and Caires at an exercise price of \$0.23 with a term of 7 years, which vest on May 27, 2015. On February 26, 2015, as a result of the Acquisition Transaction, the options were revalued for each executive to \$419,829 for a total of \$1,259,487. See "Outstanding Equity Awards" below for additional information on options granted to the named executive officers during the nine-month transition period ended December 31, 2014.
- (6) Represents additional compensation as a result of the successful consummation of the Company's Acquisition Transaction and Offering of \$64,468 and RRSP (Canadian IRA) contributions and other benefits of \$6,817.
- (7) Represents additional compensation as a result of the successful consummation of the Company's Acquisition Transaction and Offering of \$64,468 and RRSP (Canadian IRA) contributions and other benefits of \$7,340.
- (8) Mr. Caires ceased as the Company's Chief Technology Officer effective as of April 8, 2016.
- (9) Ms. Markow was hired by Bionik Canada on September 3, 2014 on a part-time basis and became a full time employee on September 16, 2015.
- (10) On December 14, 2015, we issued 1,000,000 options to Mr. Bloch and 400,000 options to Mr. Prywata at an exercise price of \$1.00 that vest equally over three years on the anniversary date starting December 14, 2016.
- (11) On November 24, 2015, we issued 400,000 options to Ms. Markow at an exercise price of \$1.22, that vest equally over three years on the anniversary date starting November 24, 2016.

Outstanding Equity Awards at Fiscal Year-End

The following table presents the outstanding equity awards held by each of the named executive officers as of the end of the fiscal year ended March 31, 2016.

| Name | Option Awards | | | |
|------------------|---|---|-----------------------|------------------------|
| | Number of Securities Underlying Unexercised Options Exercisable | Number of Securities Underlying Unexercised Options Unexercisable | Option Exercise Price | Option Expiration Date |
| Peter Bloch | 990,864(1) | - | \$ 0.23 | July 1, 2021 |
| | - | 1,000,000(2) | \$ 1.00 | December 14, 2022 |
| Michal Prywata | 990,864(1) | - | \$ 0.23 | July 1, 2021 |
| | - | 400,000(2) | \$ 1.00 | December 14, 2022 |
| Thiago Caires | 990,864(1) | - | \$ 0.23 | July 1, 2021 |
| Leslie N. Markow | 94,371(3) | - | \$ 0.23 | February 16, 2022 |
| | - | 47,186(3) | \$ 0.23 | February 16, 2022 |
| | - | 400,000(4) | \$ 1.22 | November 24, 2022 |

- (1) On July 1, 2014, Bionik Canada issued 2,972,592 options (adjusted for post-Acquisition Transaction) equally split between Messrs. Bloch, Prywata and Caires, at an exercise price of \$0.23 with a term of 7 years, which vested May 27, 2015. All of such options were issued subject to and contingent on the successful consummation of the Offering and the Acquisition Transaction, which took place on February 26, 2015. Accordingly, such options are deemed issued as of February 26, 2015.
- (2) On December 14, 2015, we issued 1,000,000 options to Mr. Bloch and 400,000 options to Mr. Prywata at an exercise price of \$1.00 that vest equally over three years on the anniversary date starting December 14, 2016.
- (3) On February 17, 2015, we issued 141,557 options (adjusted for post-Acquisition Transaction) to Ms. Markow at an exercise price of \$0.23, that vest one-third immediately and two thirds over the next two anniversary dates with an expiry date of seven years.

(4) On November 24, 2015, we issued 400,000 options to Ms. Markow at an exercise price of \$1.22, that vest equally over three years on the anniversary date starting November 24, 2016.

On February 25, 2015, 262,904 post-Acquisition Transaction common shares were issued to two former lenders connected with a \$241,185 loan received and repaid in fiscal 2013. As part of the consideration for the initial loan, Messrs. Prywata and Caires transferred 314,560 common shares to the lenders. For contributing the common shares to the lenders, the Company intends to reimburse them 320,000 common shares, however these shares have not yet been issued.

Long-Term Incentive Plans and Awards

Since our incorporation on January 8, 2010 through March 31, 2016, we did not have any long-term incentive plans that provided compensation intended to serve as incentive for performance. No individual grants or agreements regarding future payouts under non-stock price-based plans have been made to any executive officer or any director or any employee or consultant since our inception through March 31, 2016.

Director Compensation

The following table sets forth a summary of the compensation we paid to our non-employee directors during the fiscal year ended March 31, 2016.

| Name | Fees earned or paid in cash | Stock Awards | Option Awards | Non-Equity Incentive Plan Compensation | Nonqualified Deferred Compensation Earnings | All Other Compensation | Total |
|---------------|-----------------------------|--------------|---------------|--|---|------------------------|------------|
| Robert Hariri | \$ 20,000 | - | \$ 128,360(1) | - | - | \$ - | \$ 148,360 |
| Marc Mathieu | - | - | \$ 101,037(1) | - | - | \$ - | \$ 101,037 |

(1) On December 14, 2015, Dr. Hariri and Mr. Mathieu were each granted 200,000 options exercisable at \$1.00, which vest equally over three years on the anniversary date starting December 14, 2016. In addition, Dr. Hariri was granted 62,914 options on February 15, 2015, exercisable at \$0.23, of which one third vested immediately and the remainder vests equally on the one year and two year anniversary of the date of grant.

Our independent directors each receive an annual cash payment of up to \$20,000, as well as reimbursement for expenses incurred by them in connection with attending board meetings. They also are eligible for stock option grants.

Messrs. Bloch, Prywata and Caires received compensation for their respective services to the Company as set forth above under "Compensation of Executive Officers."

Employment Agreements

Peter Bloch

Bionik Canada entered into an employment agreement with Peter Bloch on July 7, 2014, to serve as our Chief Executive Officer, on an indefinite basis subject to the termination provisions described in the agreement. Pursuant to the terms of the agreement, Mr. Bloch received an annual base salary of \$275,000 per annum since February 26, 2015. The salary will be reviewed on an annual basis to determine potential increases based on Mr. Bloch's performance and that of the Company. Mr. Bloch would also be entitled to receive a target annual cash bonus of 50% of base salary.

In the event Mr. Bloch's employment is terminated as a result of death, Mr. Bloch's estate would be entitled to receive the annual salary and a portion of the annual bonus earned up to the date of death. In addition, all vested options and warrants as of the date of death would continue in full force and effect, subject to the terms and conditions of the plan.

In the event Mr. Bloch's employment is terminated as a result of disability, Mr. Bloch would be entitled to receive the annual salary, benefits, a portion of the annual bonus earned up to the date of disability and expenses incurred up to the date of termination.

In the event Mr. Bloch's employment is terminated by us for cause, Mr. Bloch would be entitled to receive his annual salary, benefits and expenses incurred up to the date of termination.

In the event Mr. Bloch's employment is terminated by us without cause, he would be entitled to receive 12 months' pay (salary and bonus) and full benefits, plus one month for each year of service. Furthermore, Mr. Bloch will have six months after termination to exercise all vested options in accordance with the terms of the plan. All unvested options would immediately forfeit upon such notice of termination.

The agreement contains customary non-competition and non-solicitation provisions pursuant to which Mr. Bloch agrees not to compete and solicit with the Company. Mr. Bloch also agreed to customary terms regarding confidentiality and ownership of intellectual property.

Michal Prywata

Bionik Canada entered into an employment agreement with Michal Prywata on July 7, 2014, to serve as our Chief Operating Officer, on an indefinite basis subject to the termination provisions described in the agreement. Pursuant to the terms of the agreement, Mr. Prywata received an annual base salary of \$210,000 since February 26, 2015. The salary will be reviewed on an annual basis to determine potential increases based on Mr. Prywata's performance and that of the Company.

Mr. Prywata would also be entitled to receive a target annual cash bonus of 30% of base salary,. Mr. Prywata is further entitled to a cash and option bonus based on a per patent creation basis, as determined by the Board of Directors.

In the event Mr. Prywata's employment is terminated as a result of death, Mr. Prywata's estate would be entitled to receive the annual salary and a portion of the annual bonus earned up to the date of death. In addition, all vested options and warrants as of the date of death would continue in full force and effect, subject to the terms and conditions of the plan.

In the event Mr. Prywata's employment is terminated as a result of disability, Mr. Prywata would be entitled to receive the annual salary, benefits, a portion of the annual bonus earned up to the date of disability and expenses incurred up to the date of termination.

In the event Mr. Prywata's employment is terminated by us for cause, Mr. Prywata would be entitled to receive his annual salary, benefits and expenses incurred up to the date of termination.

In the event Mr. Prywata's employment is terminated by us without cause, he would be entitled to receive 12 months' pay and full benefits, plus one month for each year of service. Furthermore, Mr. Prywata will have six months after termination to exercise all vested options in accordance with the terms of the plan. All unvested options would immediately forfeit upon such notice of termination.

The agreement contains customary non-competition and non-solicitation provisions pursuant to which Mr. Prywata agrees not to compete and solicit with the Company. Mr. Prywata also agreed to customary terms regarding confidentiality and ownership of intellectual property.

Leslie N. Markow

Bionik Canada entered into an employment agreement with Leslie Markow on September 3, 2014 to serve as our Chief Financial Officer, on a part-time, indefinite basis subject to the termination provisions described in the agreement. On September 16, 2015, Ms. Markow was promoted to full time. Pursuant to the terms of the agreement, as amended, Ms. Markow receives an annual base salary of \$210,000 payable semi-monthly in arrears. The salary will be reviewed on an annual basis to determine potential increases based on Ms. Markow's performance and that of the Company. Ms. Markow would also be entitled to receive a target annual cash bonus of 30% of base salary, and a grant of options in an amount to be determined at the price of the Acquisition Transaction, upon the closing of the Acquisition Transaction, to vest over three years in equal annual installments.

In the event Ms. Markow's employment is terminated as a result of death, Ms. Markow's estate would be entitled to receive the annual salary and a portion of the annual bonus earned up to the date of death. In addition, all vested options and warrants as of the date of death would continue in full force and effect, subject to the terms and conditions of the plan.

In the event Ms. Markow's employment is terminated as a result of disability, Ms. Markow would be entitled to receive the annual salary, benefits, a portion of the annual bonus earned up to the date of disability and expenses incurred up to the date of termination.

In the event Ms. Markow's employment is terminated by us for cause, Ms. Markow would be entitled to receive her annual salary, benefits and expenses incurred up to the date of termination.

In the event Ms. Markow's employment is terminated by us without cause, she would be entitled to receive no more than 9 months' pay and full benefits. Furthermore Ms. Markow will have six months after termination to exercise all vested options in accordance with the terms of the plan. All unvested options would immediately forfeit upon such notice of termination.

The agreement contains customary non-competition and non-solicitation provisions pursuant to which Ms. Markow agrees not to compete and solicit with the Company. Ms. Markow also agreed to customary terms regarding confidentiality and ownership of intellectual property.

Hermano Igo Krebs

Effective as of the effective date of the acquisition of IMT, the Company hired Dr. Hermano Igo Krebs, as a part-time employee and appointed him as the Company's Chief Science Officer, all pursuant to an Employment Agreement with Dr. Krebs dated April 19, 2016 (the "Krebs Employment Agreement"). Dr. Krebs's employment with the Company shall be subject to any conflicting obligations he has to The Massachusetts Institute of Technology ("MIT"), and Dr. Krebs shall not have to perform any services for the Company if the performance of such services may conflict with his obligations or duties to MIT.

Dr. Krebs shall be employed by the Company indefinitely subject to the termination provisions described in the Krebs Employment Agreement. Pursuant to the terms of the Krebs Employment Agreement, Dr. Krebs shall receive an annual base salary of \$218,000 per annum multiplied by his part-time percentage from time to time, which as of the date of this filing is 49%. The annual base salary shall be reviewed on an annual basis or more frequently by mutual agreement. Dr. Krebs will be entitled to participate in the Company's equity incentive plan, and would also be entitled to receive an annual discretionary bonus of 30% of annualized actual base salary.

In the event Dr. Krebs's employment is terminated as a result of death, Dr. Krebs's estate would be entitled to receive the annual salary, outstanding expenses, accrued vacation and a portion of the annual bonus earned up to the date of death. In addition, all options and warrants as of the date of death would continue in full force and effect, subject to the terms and conditions thereof.

In the event Dr. Krebs's employment is terminated as a result of disability, Dr. Krebs would be entitled to receive the annual salary, accrued vacation, benefits, a portion of the annual bonus earned up to the date of disability and expenses incurred up to the date of termination.

In the event Dr. Krebs's employment is terminated by the Company for cause, Dr. Krebs would be entitled to receive his annual salary, accrued vacation, benefits and expenses incurred up to the date of termination.

In the event Dr. Krebs's employment is terminated by the Company without cause or Dr. Krebs terminates for good reason, he would be entitled to receive (a) six months' salary, plus one month's salary for each completed year of service up to a maximum of nine months' salary, (b) unreimbursed expenses and accrued vacation time, subject to certain limitations.

Dr. Krebs will not sell or transfer any shares of the Company's common stock owned by him as a result of the Merger except until such securities are registered for resale along with any Registrant securities it registers on behalf of Peter Bloch.

The Krebs Employment Agreement contains customary non-competition, non-solicitation and non-disparagement provisions in favor of the Company, but subject to his continued right to be employed by MIT or other non-profit entity. Dr. Krebs also agreed to customary terms regarding confidentiality and ownership of intellectual property, but subject to any rights of MIT or other non-profit entity he may work for that are required as a condition to such employment.

Jules Fried

Effective as of the effective date of the acquisition of IMT, the Company hired Jules Fried, as its Vice President of US Operations, all pursuant to an Employment Agreement with Mr. Fried dated April 19, 2016 (the "Fried Employment Agreement").

The term of employment under the Fried Employment Agreement is 3 years subject to the termination provisions described in the Fried Employment Agreement. Pursuant to the terms of the Fried Employment Agreement, Mr. Fried shall receive an annual base salary of \$218,000 per annum, will be entitled to participate in the Company's equity incentive plan, and would also be entitled to receive an annual discretionary bonus of 30% of base salary.

In the event Mr. Fried's employment is terminated as a result of death, Mr. Fried's estate would be entitled to receive the annual salary, accrued vacation and a portion of the annual bonus earned up to the date of death. In addition, all options and warrants as of the date of death would continue in full force and effect, subject to the terms and conditions thereof.

In the event Mr. Fried's employment is terminated as a result of disability, Mr. Fried would be entitled to receive the annual salary, accrued vacation, benefits, a portion of the annual bonus earned up to the date of disability and expenses incurred up to the date of termination.

In the event Mr. Fried's employment is terminated by the Company for cause, Mr. Fried would be entitled to receive his annual salary, accrued vacation, benefits and expenses incurred up to the date of termination.

In the event Mr. Fried's employment is terminated by the Company without cause, he would be entitled to receive 3 months' salary, plus four weeks' salary for each completed year of service up to a maximum of nine months' salary.

Mr. Fried will not sell or transfer any Registrant security owned by him as a result of the Merger except as follows:

· Mr. Fried may rely upon Rule 144 to sell any of such securities.

- Any shares of common stock underlying \$0.25 options shall be released from such restrictions upon the effectiveness of the resale registration statement referred to in the last sentence of Section 3.11 of the Fried Employment Agreement.
- Any shares of common stock underlying \$0.95 options shall not be subject to any restrictions under the Fried Employment Agreement.
- Any other such securities owned by Mr. Fried shall be released from such restrictions upon the effectiveness of the resale registration statement referred to in the last sentence of Section 3.11 of the Fried Employment Agreement.

The Fried Employment Agreement contains customary non-competition, non-solicitation and non-disparagement provisions in favor of the Company. Mr. Fried also agreed to customary terms regarding confidentiality and ownership of intellectual property.

Corporate Governance

The business and affairs of the Company are managed under the direction of our Board of Directors, which as of June 22, 2016, is comprised of Peter Bloch, Michal Prywata, Thiago Caires, Robert Hariri and Marc Mathieu. Pursuant to Board of Director action on May 25, 2016 and as required pursuant to the terms of our acquisition of IMT, Hermano Igo Krebs will join our Board of Directors effective July 1, 2016.

There have been no changes in any state law or other procedures by which security holders may recommend nominees to our board of directors.

Our board of directors does not currently have any committees, such as an audit committee or a compensation committee. However, the board of directors may establish such committees in the future, and will establish an audit committee and a compensation committee (and any other committees that are required) if the Company seeks to be listed on a national securities exchange.

Term of Office

Directors are appointed to hold office until the next annual general meeting of stockholders or until removed from office in accordance with our bylaws. Our officers are appointed by our Board and hold office until removed by our Board.

All officers and directors listed above will remain in office until the next annual meeting of our stockholders, and until their successors have been duly elected and qualified. Our bylaws provide that officers are appointed annually by our Board and each executive officer serves at the discretion of our Board.

Director Independence

We use the definition of “independence” of The NASDAQ Stock Market to make this determination. NASDAQ Listing Rule 5605(a)(2) provides that an “independent director” is a person other than an officer or employee of the company or any other individual having a relationship, which, in the opinion of the Company’s Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The NASDAQ listing rules provide that a director cannot be considered independent if:

- The director is, or at any time during the past three years was, an employee of the company;
- The director or a family member of the director accepted any compensation from the company in excess of \$120,000 during any period of 12 consecutive months within the three years preceding the independence determination (subject to certain exclusions, including, among other things, compensation for board or board committee service);
- A family member of the director is, or at any time during the past three years was, an executive officer of the company;

- The director or a family member of the director is a partner in, controlling stockholder of, or an executive officer of an entity to which the company made, or from which the company received, payments in the current or any of the past three fiscal years that exceed 5% of the recipient's consolidated gross revenue for that year or \$200,000, whichever is greater (subject to certain exclusions);
- The director or a family member of the director is employed as an executive officer of an entity where, at any time during the past three years, any of the executive officers of the company served on the compensation committee of such other entity; or
- The director or a family member of the director is a current partner of the company's outside auditor, or at any time during the past three years was a partner or employee of the company's outside auditor, and who worked on the company's audit.

Under such definitions, Dr. Hariri and Mr. Mathieu are considered independent directors.

Code of Business Conduct and Ethics Policy

We adopted a Code of Business Conduct and Ethics that applies to, among other persons, our principal executive officers, principal financial officer, principal accounting officer or controller, and persons performing similar functions. Our Code of Business Conduct and Ethics is available on our website www.bioniklabs.com.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act requires the Company's officers and directors, and persons who beneficially own more than ten (10%) percent of a class of equity securities registered pursuant to Section 12 of the Exchange Act, to file reports of ownership and changes in ownership with the Securities and Exchange Commission and the principal exchange upon which such securities are traded or quoted. Reporting Persons are also required to furnish copies of such reports filed pursuant to Section 16(a) of the Exchange Act with the Company.

Based on our review of the copies of such forms received by us, and to the best of our knowledge, other than Mr. Mathieu, who did not file a Form 4 disclosing the acquisition of certain options beneficially owned by him, by the deadline, all executive officers, directors and greater than 10% stockholders filed the required reports in a timely manner in the fiscal year ended March 31, 2016.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table shows the beneficial ownership of our Common Stock as of June 22, 2016 held by (i) each person known to us to be the beneficial owner of more than five percent (5%) of our Common Stock; (ii) each director; (iii) each executive officer; and (iv) all directors and executive officers as a group.

Beneficial ownership is determined in accordance with the rules of the SEC, and generally includes voting power and/or investment power with respect to the securities held. Shares of Common Stock subject to options and warrants currently exercisable or which may become exercisable within 60 days of June 22, 2016 are deemed outstanding and beneficially owned by the person holding such options or warrants for purposes of computing the number of shares and percentage beneficially owned by such person, but are not deemed outstanding for purposes of computing the percentage beneficially owned by any other person. Except as indicated in the footnotes to this table, the persons or entities named have sole voting and investment power with respect to all shares of our Common Stock shown as beneficially owned by them.

The following table provides for percentage ownership as follows: (a) assuming 96,241,292 shares are outstanding as of June 22, 2016, consisting of 46,362,541 shares of Common Stock (representing 22,712,541 issued and outstanding shares of Common Stock and 23,650,000 shares of our common stock issuable to the approximately 78 former security holders of IMT) and 50,000,000 Common Stock equivalents through the Exchangeable Shares and (b) 72,712,541 issued and outstanding shares as of June 22, 2016, consisting of 22,712,541 shares of Common Stock and 50,000,000 Common Stock equivalents through the Exchangeable Shares. The percentages below also assume the exchange by all of the holders of Exchangeable Shares of Bionik Canada for an equal number of shares of our Common Stock in accordance with the terms of the Exchangeable Shares. Unless otherwise indicated, the address of each beneficial holder of our Common Stock is our corporate address.

| Name of Beneficial Owner | Shares of Common Stock Beneficially Owned | % of Shares of Common Stock Beneficially Owned | |
|---|--|---|--------|
| | | (a) | (b) |
| Peter Bloch (1)(2) | 7,074,768 | 7.28% | 9.60% |
| Michal Prywata (1)(3) | 8,487,215 | 8.73% | 11.52% |
| Thiago Caires (1)(4) | 8,487,215 | 8.73% | 11.52% |
| Olivier Archambaud (1) | 7,210,768 | 7.49% | 9.92% |
| Leslie N. Markow (5) | 94,374 | * | * |
| Hermano Igo Krebs (6) | 5,190,376 | 5.37% | 7.10% |
| Jules Fried (7) | 2,465,825 | 2.52% | 3.32% |
| Robert Hariri (8) | 291,944 | * | * |
| Marc Mathieu | - | - | - |
| All directors and executive officers as a group (8 persons) | 32,091,717 | 31.69% | 41.22% |

* Less than 1%

- (1) Such shares will initially be held as Exchangeable Shares for tax purposes. The Exchangeable Shares have the following attributes, among others:
- Be, as nearly as practicable, the economic equivalent of the Common Stock as of the consummation of the Acquisition Transaction;
 - Have dividend entitlements and other attributes corresponding to the Common Stock;
 - Be exchangeable, at each holder's option, for Common Stock; and
 - Upon the direction of our board of directors, be exchanged for Common Stock on the 10-year anniversary of the First Closing, subject to applicable law, unless exchanged earlier upon the occurrence of certain events.
- The holders of the Exchangeable Shares, through The Special Voting Preferred Stock, will have voting rights and other attributes corresponding to the Common Stock.
- (2) Includes options to acquire 990,864 Exchangeable Shares.
- (3) Includes options to acquire 990,864 Exchangeable Shares. Does not include 160,000 Exchangeable Shares expected to be issued to Mr. Prywata.
- (4) Includes options to acquire 990,864 Exchangeable Shares. Does not include 160,000 Exchangeable Shares expected to be issued to Mr. Caires.
- (5) Represents 94,374 options to acquire shares of our common stock.
- (6) Of such shares, 1,038,075 are held in escrow to satisfy potential indemnifiable losses by the Company under the terms of the merger agreement with IMT. Includes options to acquire 360,231 shares of our common stock.
- (7) Of such shares, 173,729 are held in escrow to satisfy potential indemnifiable losses by the Company under the terms of the merger agreement with IMT. Includes options to acquire 1,597,178 shares of our common stock.
- (8) Includes options to acquire 41,944 shares of our common stock and warrants to acquire 125,000 shares of our common stock.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

Procedures and Policies

We consider "related party transactions" to be transactions between our Company and (i) a director, officer, director nominee or beneficial owner of greater than five percent of our stock; (ii) the spouse, parents, children, siblings or in-laws of any person named in (i); or (iii) an entity in which one of our directors or officers is also a director or officer or has a material financial interest.

Our Board of Directors is vested with the responsibility of evaluating and approving any potential related party transaction, unless a special committee consisting solely of independent directors is appointed by the Board of Directors. We do not have any formal policies or procedures for related party transactions.

Transactions with Related Parties

As of February 26, 2015, as part of the Acquisition Transaction, the Company spun off Strategic Dental Alliance, Inc., a Colorado corporation, a wholly-owned subsidiary of the Company and, until the Acquisition Transaction, the holder of certain of the Company's assets and liabilities, to Messrs. Brian Ray and John Lundgreen, former directors and executive officers of the Company.

As of February 26, 2015, as part of the Acquisition Transaction and the resignation of Mr. Kibler as our Chief Executive Officer, we cancelled an aggregate of 90,207,241 shares of the Company's common stock beneficially owned by AAK Ventures, LLC, a Delaware limited liability company controlled by Mr. Kibler.

In June, 2014, Olivier Archambaud, a former director of Bionik Canada, received payments and fees of CDN\$233,000 for services rendered to Bionik with respect to a capital raise transaction, which he subsequently converted into 247,778 common shares of Bionik Canada at \$0.81 (\$0.90 CAD) per share. Subsequent to March 31, 2014, one advance amounting to \$85,947 was settled by the issuance of 105,555 pre-transaction common shares to Mr. Archambaud.

As of March 31, 2016, we had aggregate advances repayable by Messrs. Prywata and Caires of \$41,445, which bear interest at a prescribed rate of 1% and are repayable on demand in Canadian dollars.

At March 31, 2016, there was \$2,694 owing to Peter Bloch, \$3,284 owing to Thiago Caires, a director and our former CTO, \$8,812 owing to Michal Prywata and \$116 owing to Leslie Markow for sums paid by them on behalf of Bionik Canada for certain of its expenses. Subsequent to March 31, 2016, all of such amounts have been paid.

In connection with a CDN\$250,000 loan obtained by Bionik Canada (which loan has been repaid), Bionik Canada agreed to transfer pre-transaction 83,574 common shares to the lenders. In addition, Messrs. Caires and Prywata also transferred 100,000 pre-transaction common shares to the loan holder and this will be reimbursed by the issuance of 320,000 exchangeable shares to Messrs. Caires and Prywata effective as of the date of the Acquisition Transaction. These shares have not yet been issued.

Dr. Krebs, our Chief Science Officer, is a party to the Agreement and Plan of Merger with IMT, and acts as the shareholders representative pursuant to the terms of that agreement.

At the effective date of the Merger, (a) Dr. Krebs received an aggregate of 5,190,376 shares of Bionik common stock (subject to 20% of such shares held in escrow to satisfy indemnifiable losses by the Company under the terms of the merger agreement) in return for his ownership of IMT securities, in addition to his IMT options which are as of the effective date of the merger exercisable for an aggregate of 360,231 shares of the common stock of the Company and (b) Mr. Fried received an aggregate of 868,647 shares of Bionik common stock (subject to 20% of such shares held in escrow to satisfy indemnifiable losses by the Company under the terms of the merger agreement) in return for his ownership of IMT securities, in addition to his IMT options which are as of the effective date of the merger exercisable for an aggregate of 1,597,178 shares of the common stock of the Company

An aggregate of \$125,000 in principal amount is payable to Dr. Krebs, which with accrued interest are due and payable the earlier of December 31, 2017 and the date we raise new capital exceeding \$15 million in cash. In addition, we paid an aggregate of approximately \$33,000 in principal and interest on demand loans in favor of Dr. Krebs' wife at or about the effective date of the acquisition of IMT.

An aggregate of approximately \$130,000 was due to Dr. Krebs for past-due compensation and an aggregate of approximately \$123,000 was due to Mr. Fried for past-due compensation, which amounts were paid at or about the effective date of the acquisition of IMT.

Dr. Krebs is a licensor to IMT pursuant to an Agreement dated June 8, 2009, of patent #8,613,691, pursuant to which IMT pays Dr. Krebs and the co-licensor an aggregate royalty of 1% of sales based on such patent.

Other than the above transactions and the transaction relating to IMT and its officers and directors included elsewhere in this Transition Report on Form 10-K, there have been no related party transactions, or any other transactions or relationships required to be disclosed pursuant to Item 404 Regulation S-K. The Company is currently not a subsidiary of any company.

Item 14. Principal Accounting Fees and Services.

The Board of Directors has reviewed and discussed the audited consolidated financial statements of Bionik Laboratories Corp. for the transition period and fiscal year ended March 31, 2016, the fiscal year ended December 31, 2015 and the nine-month transition period ended December 31, 2014, with management and have reviewed related written disclosures of MNP LLP, our independent accountants for the transition period and fiscal ended March 31, 2016, the year ended December 31, 2015 and the nine-month transition period ended December 31, 2014, of the matters required to be discussed by SAS 114 (Codification of Statements on Auditing Standards, AU Section 380), as amended, with respect to those statements. We have reviewed the written disclosures and the letter from MNP LLP required by regulatory and professional standards and have discussed with MNP LLP its independence in connection with its audit of our most recent financial statements. Based on this review and these discussions, the Board of Directors recommends that the financial statements be included in our Transition Report on Form 10-KT for the transition period ended March 31, 2016.

We have also reviewed the various fees that we paid or accrued to MNP LLP during the three month transition period ended March 31, 2016, the year ended December 31, 2015 and the nine month transition period ended December 31, 2014 for services they rendered in connection with our annual audits and quarterly reviews, as well as for any other non-audit services they rendered.

The following table shows the fees for professional services rendered by MNP LLP for the audit of our financial statements for the transition period ended March 31, 2016, the fiscal year ended December 31, 2015, the transition period ended December 31, 2014 and the fiscal year ended March 31, 2014, and fees billed for other services rendered by MNP LLP during those periods:

| <u>Fee Category</u> | <u>2016T</u> | <u>2015</u> | <u>2014T</u> |
|---------------------|------------------|-------------------|------------------|
| Audit Fees | \$ 61,912 | \$ 97,995 | \$ 70,216 |
| Audit-Related Fees | - | \$ 11,339 | - |
| Tax Fees | - | \$ 8,998 | \$ 8,955 |
| All Other Fees | <u>\$ 10,618</u> | <u>\$ 2,573</u> | <u>-</u> |
| Total Fees | <u>\$ 72,530</u> | <u>\$ 120,905</u> | <u>\$ 79,171</u> |

Audit fees consist of fees billed for professional services rendered for the audit of our financial statements and review of the interim financial statements included in quarterly reports and services that are normally provided by the above auditors in connection with statutory and regulatory filings or engagements. Audit-related fees consist of fees billed for professional services rendered for the review of SEC filings or other reports containing the audited financial statements. Tax fees consist of fees to prepare the Company’s federal and state income tax returns. Other fees relate to advisory services related research on accounting or other regulatory matters.

Pre-Approval Policies and Procedures

Our board of directors is in the process of adopting a policy on pre-approval of audit and permissible non-audit services.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) Financial Statements

Our financial statements as set forth in the Index to Consolidated Financial Statements attached hereto commencing on page F-1 are hereby incorporated by reference.

(b) Exhibits

The following exhibits, which are numbered in accordance with Item 601 of Regulation S-K, are filed herewith or, as noted, incorporated by reference herein.

| Exhibit Number | Description of Exhibits |
|-----------------------|--|
| 2.1 | Plan of Conversion, dated June 25, 2013 (incorporated by reference to the Company's 10-K filing on April 15, 2014) |
| 2.2 | Agreement and Plan of Merger, dated as of March 1, 2016, by and among Bionik Laboratories Corp., Bionik Mergerco Inc. and Interactive Motion Technologies Inc. (incorporated by reference to the Company's Current Report on Form 8-K filed on March 7, 2016) |
| 2.3 | Waiver and Amendment Agreement, dated as of March 14, 2016, by and among Bionik Laboratories Corp., Hermano Igo Krebs, Bionik Mergerco Inc. and Interactive Motion Technologies, Inc. (incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2015, filed on March 18, 2016) |
| 3.1 | Articles of Conversion, dated June 25, 2013 (incorporated by reference to the Company's 10-K filing on April 15, 2014) |
| 3.2 | Certificate of Conversion, dated June 25, 2013 (incorporated by reference to the Company's 10-K filing on April 15, 2014) |
| 3.3 | Certificate of Incorporation, dated June 25, 2013 (incorporated by reference to the Company's 10-K filing on April 15, 2014) |
| 3.4 | Delaware By-laws, dated June 25, 2013 (incorporated by reference to the Company's 10-K filing on April 15, 2014) |
| 3.5 | Amended and Restated Certificate of Incorporation dated February 10, 2015 (incorporated by reference to the Company's 8-K filing on March 4, 2015) |
| 3.6 | Amended and Restated By-Laws (incorporated by reference to the Company's 8-K filing on March 4, 2015) |
| 4.1 | Certificate of Designation of Preferences, Rights and Limitations of Special Voting Preferred Stock of Bionik Laboratories Corp. (incorporated by reference to the Company's 8-K filing on March 4, 2015) |
| 4.2 | Schedule A to Articles of Amendment of Bionik Laboratories Inc., relating to the Exchangeable Shares of Bionik Laboratories Inc. (incorporated by reference to the Company's 8-K filing on March 4, 2015) |
| 4.3 | Form of Warrant (incorporated by reference to the Company's 8-K filing on March 4, 2015) |
| 4.4 | Form of Warrant to Pope and Company Limited (incorporated by reference to the Company's Quarterly Report on Form 10-Q/A for the Fiscal Quarter Ended September 30, 2015) |
| 10.1 | Investment Agreement, dated February 26, 2015, among Bionik Laboratories Inc., Bionik Acquisition Inc. and Bionik Laboratories Corp. (incorporated by reference to the Company's 8-K filing on March 4, 2015) |
| 10.2 | Voting and Exchange Trust Agreement, made as of February 26, 2015, among Bionik Laboratories Corp., Bionik Laboratories, Inc. and Computershare Trust Company of Canada dated February 26, 2015 (incorporated by reference to the Company's 8-K filing on March 4, 2015) |
| 10.3 | Support Agreement, made as of February 26, 2015, among Bionik Laboratories Inc., Bionik Acquisition Inc. and Bionik Laboratories Corp. (incorporated by reference to the Company's 8-K filing on March 4, 2015) |
| 10.4 | Registration Rights Agreement, made as of February 26, 2015, by and between Bionik Laboratories Inc. and each of the several shareholders signatory thereto (incorporated by reference to the Company's 8-K filing on March 4, 2015) |

- 10.5 Novation Agreement, dated as of February 26, 2015, between Bionik Laboratories Corp. and Bionik Laboratories Inc. (incorporated by reference to the Company's 8-K filing on March 4, 2015)
- 10.6 Spin-Off Agreement, dated as of February 26, 2015, by and among Bionik Laboratories Corp., and Brian E. Ray and Jon Lundgreen (incorporated by reference to the Company's 8-K filing on March 4, 2015)
- 10.7 Assignment and Assumption Agreement, dated as of February 26, 2015, by and between Bionik Laboratories Corp. and Tungsten 74 LLC (incorporated by reference to the Company's 8-K filing on March 4, 2015)
- 10.8 Form of Subscription Agreement (incorporated by reference to the Company's 8-K filing on March 4, 2015)
- 10.9** Peter Bloch Employment Agreement (incorporated by reference to the Company's 8-K filing on March 4, 2015)
- 10.10** Michal Prywata Employment Agreement (incorporated by reference to the Company's 8-K filing on March 4, 2015)
- 10.11** Thiago Caires Employment Agreement (incorporated by reference to the Company's 8-K filing on March 4, 2015)
- 10.12** Leslie Markow's Employment Agreement (incorporated by reference to the Company's 8-K filing on March 4, 2015)
- 10.13** Bionik Laboratories Corp. f/k/a Drywave Technologies, Inc. 2014 Equity Incentive Plan (incorporated by reference to the Company's Definitive Information Statement on Schedule 14C filing on October 6, 2014)
- 10.14 License Agreement with The Massachusetts Institute of Technology, as amended
- 10.15 Exclusive Patent Application and Patent License Agreement between Interactive Motion Technologies, Inc., and Hermano Igo Krebs and Caitlyn Joyce Bosecker
- 10.16 Escrow Agreement dated April 21, 2016, by and among the Registrant, Hermano Igo Krebs as Stockholders Representative, and Ruskin Moscou Faltischek, PC, as escrow agent (incorporated by reference to the Registrant's Current Report on Form 8-K filed on April 26, 2016)
- 10.17 Registration Rights Agreement dated April 21, 2016 (incorporated by reference to the Registrant's Current Report on Form 8-K filed on April 26, 2016)
- 10.18** Employment Agreement with Hermano Igo Krebs dated April 21, 2016 (incorporated by reference to the Registrant's Current Report on Form 8-K filed on April 26, 2016)
- 10.19** Employment Agreement with Jules Fried dated April 21, 2016 (incorporated by reference to the Registrant's Current Report on Form 8-K filed on April 26, 2016)
- 14.1 Code of Business Conduct and Ethics (incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014)
- 21.1 List of Subsidiaries (incorporated by reference to the Company's Registration Statement on Form S-1/A-3 (Registration Number 333-207581), filed with the Commission on May 13, 2016)
- 31.1* Certificate of Chief Executive Officer as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 *
- 31.2* Certificate of Chief Financial Officer as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 *
- 32.1* Certification of Chief Executive Officer as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
- 32.2* Certification of Chief Financial Officer as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
- 101.INS* XBRL Instance Document
- 101.SCH* XBRL Taxonomy Extension Schema Document
- 101.CAL* XBRL Taxonomy Extension Calculation Linkbase Document
- 101.DEF* XBRL Taxonomy Extension Definition Linkbase Document
- 101.LAB* XBRL Taxonomy Extension Label Linkbase Document
- 101.PRE* XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

** Management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Bionik Laboratories Corp.

By: /s/ Peter Bloch

Peter Bloch
Chairman and Chief Executive Officer

Dated: June 30, 2016

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| <u>Signature</u> | <u>Title</u> | <u>Date</u> |
|--|---|---------------|
| <u>/S/ Peter Bloch</u> Peter Bloch | Chief Executive Officer Director and (Principal Executive Officer) | June 30, 2016 |
| <u>/S/ Leslie N. Markow</u> Leslie Markow | Chief Financial Officer (Principal Financial and Accounting Officer) | June 30, 2016 |
| <u>/S/ Michal Prywata</u> Michal Prywata | Chief Operating Officer and Director | June 27, 2016 |
| <u>/S/ Thiago Caires</u> Thiago Caires | Director | June 27, 2016 |
| <u>/S/ Robert Hariri</u> Robert Hariri | Director | June 27, 2016 |
| <u>/S/ Marc Mathieu</u> Marc Mathieu | Director | June 27, 2016 |

BIONIK LABORATORIES CORP.

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2016 and 2015 and December 31, 2015 and 2014

**(Amounts expressed in US Dollars)
Index**

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Bionik Laboratories Corp.:

We have audited the accompanying consolidated balance sheets of Bionik Laboratories Corp. as of March 31, 2016 and 2015 and December 31, 2015 and 2014, and the related consolidated statements of operations and comprehensive (loss) income, changes in shareholders' equity (deficiency), and cash flows for the three month period and year ended March 31, 2016, the year ended December 31, 2015 and the nine month period ended December 31, 2014. Bionik Laboratories Corp.'s management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. Bionik Laboratories Corp. is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Bionik Laboratories Corp.'s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bionik Laboratories Corp. as of March 31, 2016 and 2015 and December 31, 2015 and 2014, and the results of its operations and its cash flows for the three month period and year ended March 31, 2016, the year ended December 31, 2015 and the nine month period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America.

MNP LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
June 29, 2016

Bionik Laboratories Corp.
Consolidated Balance Sheets
(Amounts expressed in US Dollars)

| | As at March 31, 2016 | As at March 31, 2015 | As at December 31, 2015 | As at December 31, 2014 |
|--|----------------------------|----------------------------|-------------------------------|-------------------------------|
| | \$ | \$ | \$ | \$ |
| Assets | | | | |
| Current | | | | |
| Cash and cash equivalents | 5,381,757 | 6,125,108 | 6,617,082 | 209,933 |
| Prepaid expenses and other receivables (Note 3) | 231,733 | 158,419 | 188,217 | 81,130 |
| Due from related parties (Note 7) | 41,445 | 41,480 | 38,554 | 44,986 |
| Short term advances (Note 4) | 125,153 | - | - | - |
| Loans receivable (Note 4) | 379,908 | - | 307,459 | - |
| Total Current Assets | 6,159,996 | 6,325,007 | 7,151,312 | 336,049 |
| Equipment (Note 5) | 76,750 | 100,629 | 87,103 | 77,922 |
| Total Assets | 6,236,746 | 6,425,636 | 7,238,415 | 413,971 |
| Liabilities and Shareholders' Equity (Deficiency) | | | | |
| Current | | | | |
| Accounts payable (Note 7) | 320,871 | 208,787 | 134,718 | 308,947 |
| Accrued liabilities (Note 7) | 515,979 | 332,946 | 57,840 | 155,463 |
| Warrant derivative liability (Note 10) | 5,135,990 | 8,382,648 | 6,067,869 | - |
| Total Liabilities | 5,972,840 | 8,924,381 | 6,260,427 | 464,410 |
| Shareholders' Equity (Deficiency) | | | | |
| Special Voting Preferred Stock, par value \$0.001; Authorized - 1; Issued and outstanding - 1 (December 31, 2014 – Nil) | - | - | - | - |
| Common Shares, par value \$0.001; Authorized - 150,000,000 (December 31, 2014 – 200,000,000); Exchangeable Shares; Authorized – Unlimited, Common shares Issued and outstanding – 22,591,292, 15,839,563, 22,428,313, nil; Exchangeable Shares Issued and Outstanding – 50,000,000 (December 31, 2014 – 49,737,096) (Note 8) | 72,591 | 65,840 | 72,428 | 49,737 |
| Additional paid-in capital | 11,801,146 | 10,081,394 | 11,412,399 | 4,936,456 |
| Shares to be issued (Note 8(xiii)) | - | - | 98,900 | - |
| Deficit | (11,651,980) | (12,688,128) | (10,647,888) | (5,053,982) |
| Accumulated other comprehensive income | 42,149 | 42,149 | 42,149 | 17,350 |
| Total Shareholders' Equity (Deficiency) | 263,906 | (2,498,745) | 977,988 | (50,439) |
| Total Liabilities and Shareholders' Equity (Deficiency) | 6,236,746 | 6,425,636 | 7,238,415 | 413,971 |

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

Bionik Laboratories Corp.
Consolidated Statements of Operations and Comprehensive (Loss) Income
(Amounts expressed in U.S. Dollars)

| | 3 months Ended March 31 2016 | Year Ended March 31 2016 | Year Ended March 31 2015 (Unaudited) | Year Ended December 31 2015 | Nine month period ended December 31 2014 |
|---|---------------------------------------|-----------------------------------|--|--------------------------------------|---|
| | \$ | \$ | \$ | \$ | \$ |
| Operating expenses | | | | | |
| Research and development | 343,742 | 1,397,554 | 1,537,491 | 1,489,483 | 1,101,820 |
| General and administrative | 1,438,553 | 3,676,125 | 1,621,341 | 2,666,669 | 1,192,244 |
| Share-based compensation expense (Notes 8(v), 8(xiii) and 9) | 158,244 | 1,495,837 | 484,210 | 1,709,230 | 112,573 |
| Depreciation (Note 5) | 14,387 | 63,454 | 44,448 | 59,479 | 34,036 |
| Total operating expenses | <u>1,954,926</u> | <u>6,632,970</u> | <u>3,687,490</u> | <u>5,924,861</u> | <u>2,440,673</u> |
| Other expenses (income) | | | | | |
| Imputed interest expense (Note 6) | - | - | 27,677 | - | 27,677 |
| Interest expense | - | 2,839 | 6,391 | 3,018 | 6,212 |
| Other income | (8,522) | (42,173) | (46,349) | (33,974) | (46,026) |
| Foreign exchange loss | (71,399) | 112,771 | 36,211 | 184,125 | 36,211 |
| Change in fair value of warrant derivative liability (Note 10) | (870,913) | (7,742,555) | 6,387,473 | (484,124) | - |
| Total other (income) expenses | <u>(950,834)</u> | <u>(7,669,118)</u> | <u>6,411,403</u> | <u>(330,955)</u> | <u>24,074</u> |
| Net (loss) income for the period | <u>(1,004,092)</u> | <u>1,036,148</u> | <u>(10,098,893)</u> | <u>(5,593,906)</u> | <u>(2,464,747)</u> |
| Foreign exchange translation adjustment | - | - | 409 | 24,799 | (24,390) |
| Net (loss) income and comprehensive (loss) income for the period | <u>(1,004,092)</u> | <u>1,036,148</u> | <u>(10,098,484)</u> | <u>(5,569,107)</u> | <u>(2,489,137)</u> |
| (Loss) income per share - basic (Note 14) | <u>(0.01)</u> | <u>0.01</u> | <u>(0.20)</u> | <u>(0.08)</u> | <u>(0.05)</u> |
| (Loss) income per share – diluted (Note 14) | <u>(0.01)</u> | <u>(0.08)</u> | <u>(0.20)</u> | <u>(0.08)</u> | <u>(0.05)</u> |
| Weighted average number of shares outstanding – basic (Note 14) | 72,455,753 | 71,554,822 | 50,226,548 | 67,210,266 | 48,225,034 |
| Weighted average number of shares outstanding – diluted (Note 14) | 72,455,753 | 79,984,257 | 50,226,548 | 67,210,266 | 48,225,034 |

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

Bionik Laboratories Corp.
Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
(Amounts expressed in US Dollars)

| | Special voting preferred shares | | Common shares | | Additional Paid In Capital | Shares to be Issued | Deficit | Accumulated Other Comprehensive Income | Total |
|--|---------------------------------|--------|-------------------|---------------|----------------------------|---------------------|---------------------|--|--------------------|
| | Shares | Amount | Shares | Amount | | | | | |
| Balance, March 31, 2014 | - | - | 36,621,885 | 36,622 | 1,736,247 | - | (2,589,235) | 41,740 | (774,626) |
| Issuance of common shares for cash | - | - | 10,792,335 | 10,792 | 2,605,270 | - | - | - | 2,616,062 |
| Share issue costs | - | - | - | - | (11,609) | - | - | - | (11,609) |
| Shares issues on conversion of loans | - | - | 1,012,142 | 1,012 | 238,734 | - | - | - | 239,746 |
| Beneficial conversion feature | - | - | - | - | 27,677 | - | - | - | 27,677 |
| Shares issued on exercise of stock options | - | - | 1,310,734 | 1,311 | 227,564 | - | - | - | 228,875 |
| Share compensation expense | - | - | - | - | 112,573 | - | - | - | 112,573 |
| Net loss for the period | - | - | - | - | - | - | (2,464,747) | - | (2,464,747) |
| Foreign currency translation | - | - | - | - | - | - | - | (24,390) | (24,390) |
| Balance, December 31, 2014 | - | - | 49,737,096 | 49,737 | 4,936,456 | - | (5,053,982) | 17,350 | (50,439) |
| Effect of the Reverse Acquisition | 1 | - | 6,000,063 | 6,000 | (6,000) | - | - | - | - |
| Shares issued on private placement | - | - | 9,839,500 | 9,840 | 4,779,564 | - | - | - | 4,789,404 |
| Share compensation expense | - | - | 262,904 | 263 | 371,374 | - | - | - | 371,637 |
| Net loss for the year | - | - | - | - | - | - | (7,634,146) | - | (7,634,146) |
| Foreign currency translation | - | - | - | - | - | - | - | 24,799 | 24,799 |
| Balance, March 31, 2015 | 1 | - | 65,839,563 | 65,840 | 10,081,394 | - | (12,688,128) | 42,149 | (2,498,745) |
| Balance, March 31, 2015 | 1 | - | 65,839,563 | 65,840 | 10,081,394 | - | (12,688,128) | 42,149 | (2,498,745) |
| Shares issued on private placement | - | - | 6,568,750 | 6,568 | (6,568) | - | - | - | - |
| Shares to be issued for services | - | - | - | - | - | 98,900 | - | - | 98,900 |
| Share compensation expense | - | - | 20,000 | 20 | 1,337,573 | - | - | - | 1,337,593 |
| Net income for the period | - | - | - | - | - | - | 2,040,240 | - | 2,040,240 |
| Foreign currency translation | - | - | - | - | - | - | - | - | - |
| Balance, December 31, 2015 | 1 | - | 72,428,313 | 72,428 | 11,412,399 | 98,900 | (10,647,888) | 42,149 | 977,988 |
| Shares issued for services | - | - | 117,471 | 117 | 169,583 | (98,900) | - | - | 70,800 |
| Cashless exercise of warrants | - | - | 45,508 | 46 | 60,920 | - | - | - | 60,966 |
| Share compensation expense | - | - | - | - | 158,244 | - | - | - | 158,244 |
| Net loss for the year | - | - | - | - | - | - | (1,004,092) | - | (1,004,092) |
| Foreign currency translation | - | - | - | - | - | - | - | - | - |
| Balance, March 31, 2016 | 1 | - | 72,591,292 | 72,591 | 11,801,146 | - | (11,651,980) | 42,149 | 263,906 |

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

Bionik Laboratories Corp.
Consolidated Statements of Cash Flows
(Amounts expressed in U.S. Dollars)

| | 3 months ended March 31, 2016 \$ | Year ended March 31, 2016 \$ | Year ended March 31, 2015 (Unaudited) \$ | Year ended December 31, 2015 \$ | Nine month period ended December 31, 2014 \$ |
|--|--|---------------------------------------|--|---|---|
| Operating activities | | | | | |
| Net (loss) income for the period | (1,004,092) | 1,036,148 | (10,098,893) | (5,593,906) | (2,464,747) |
| Adjustment for items not affecting cash | | | | | |
| Depreciation | 14,387 | 63,454 | 44,448 | 59,479 | 34,036 |
| Imputed interest | - | - | 27,677 | - | 27,677 |
| Interest expense (income) | (4,701) | 7,697 | 179 | (7,459) | - |
| Share-based compensation expense | 158,244 | 1,495,837 | 273,887 | 1,709,230 | 112,573 |
| Shares issued for services | 70,800 | 169,700 | 210,323 | - | - |
| Shares to be issued for services | - | - | - | 98,900 | - |
| Change in fair value of warrant derivative liability | (870,913) | (7,742,555) | 6,387,473 | (484,124) | - |
| | <u>(1,636,275)</u> | <u>(4,969,719)</u> | <u>(3,154,906)</u> | <u>(4,217,880)</u> | <u>(2,290,461)</u> |
| Changes in non-cash working capital items | | | | | |
| Prepaid expenses and other receivables | (43,516) | (73,314) | 337,451 | (107,087) | 420,709 |
| Due from related parties | (2,891) | 35 | - | 6,432 | - |
| Accounts payable | 186,153 | 112,129 | 123,654 | (174,229) | 195,427 |
| Accrued liabilities | 458,139 | 183,033 | 228,840 | (97,623) | 34,847 |
| Net cash used in operating activities | <u>(1,038,390)</u> | <u>(4,747,836)</u> | <u>(2,464,961)</u> | <u>(4,590,387)</u> | <u>(1,639,478)</u> |
| Investing activities | | | | | |
| Acquisition of equipment | (3,032) | (42,863) | (148,136) | (80,195) | (109,316) |
| Advances | (125,153) | (125,153) | - | - | - |
| Provision of a loan receivable | (68,750) | (379,908) | - | (300,000) | - |
| Net cash used in investing activities | <u>(196,935)</u> | <u>(547,924)</u> | <u>(148,136)</u> | <u>(380,195)</u> | <u>(109,316)</u> |
| Financing activities | | | | | |
| Proceeds from issuance of shares, net of issue costs | - | 4,552,409 | 9,393,441 | 11,341,397 | 2,604,453 |
| Repayment of proceeds from loans payable | - | - | (733,293) | - | (733,293) |
| Proceeds from the exercise of options | - | - | 228,875 | - | 228,875 |
| Repayment of loans from related parties | - | - | (111,357) | - | (111,357) |
| Net cash provided by financing activities | <u>-</u> | <u>4,552,409</u> | <u>8,777,666</u> | <u>11,341,397</u> | <u>1,988,678</u> |
| Effects of foreign currency exchange rate changes on cash and cash equivalents | - | - | (42,943) | 36,334 | (33,433) |
| Net increase in cash and cash equivalents for the period | (1,235,325) | (743,351) | 6,121,626 | 6,407,149 | 206,451 |
| Cash and cash equivalents, beginning of period | 6,617,082 | 6,125,108 | 3,482 | 209,933 | 3,482 |
| Cash and cash equivalents, end of period | <u>5,381,757</u> | <u>5,381,757</u> | <u>6,125,108</u> | <u>6,617,082</u> | <u>209,933</u> |
| Supplemental information: | | | | | |
| Issuance of shares on conversion of loans | - | - | 500,000 | 500,000 | 239,746 |

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

BIONIK LABORATORIES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three and twelve months ended March 31, 2016 and 2015, the year ended December 31, 2015 and the nine months ended December 31, 2014

(Amounts expressed in U.S. Dollars)

1. NATURE OF OPERATIONS

The Company and its Operations

Bionik Laboratories Corp. (formerly Drywave Technologies Inc., the “Company” or “Bionik”) was incorporated on January 8, 2010 in the State of Colorado as Strategic Dental Management Corp. On July 16, 2013, the Company changed its name to Drywave Technologies Inc. (“Drywave”) and its state of incorporation from Colorado to Delaware. Effective February 13, 2015, the Company changed its name to Bionik Laboratories Corp. and reduced the authorized number of shares of common stock from 200,000,000 to 150,000,000. Concurrently, the Company implemented a 1-for-0.831105 reverse stock split of the common stock, which had previously been approved on September 24, 2014. The consolidated financial statements consolidate the Company, subject to the Exchangeable Shares referred to below, and its wholly-owned subsidiaries Bionik Laboratories Inc. (“Bionik Canada”) and Bionik Acquisition Inc.

The Company is a bioengineering research and development company targeting diseases and injuries that impact human mobility. The Company is working towards its first product, which will be the “ARKE”, a robotic pair of exoskeleton legs to be used for rehabilitation purposes.

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”), which contemplates continuation of the Company as a going concern, which assumes the realization of assets and satisfaction of liabilities and commitments in the normal course of business.

On February 26, 2015, the Company finalized a Share Exchange Agreement whereby Bionik Canada issued 50,000,000 Exchangeable Shares, representing a 3.14 exchange ratio, for 100% of the common shares of Bionik Canada (the “Merger”). The Exchangeable Shares are exchangeable at the option of the holder, each into one share of the common stock of the Company. In addition, the Company issued one Special Voting Preferred Share (Note 8).

As a result of the shareholders of Bionik Canada having a controlling interest in the Company subsequent to the Merger, for accounting purposes the Merger does not constitute a business combination. The transaction has been accounted for as a recapitalization of the Company with Bionik Canada being the accounting acquirer even though the legal acquirer is Bionik, accordingly, the historic financial statements of Bionik Canada are presented as the comparative balances for the period prior to the Merger. References to the Company refer to the Company and its subsidiaries, Bionik Acquisition Inc. and Bionik Laboratories Inc. References to Drywave relate to the Company prior to the Merger.

The Company has not yet realized any revenues from its planned operations. As at March 31, 2016, the Company had working capital of \$187,156 (March 31, 2015 – shortfall of \$2,599,374, December 31, 2015 and 2014 – \$890,885 and shortfall of \$128,361, respectively) and shareholders’ equity of \$263,906 (March 31, 2015 – deficiency of \$2,498,745, December 31, 2015 and 2014 - \$977,988, deficiency of \$50,439) and incurred a net loss and comprehensive loss of \$1,004,092 for the three months ended March 31, 2016 and net income of \$1,036,148 for the year ended March 31, 2016 (year ended December 31, 2015 loss of \$5,569,107 and nine month period ended December 31, 2014 loss of \$2,489,137). Further, the Company expects that the ARKE will be categorized as a Class I device under Health Canada, and Class IIa in Europe to obtain the CE Mark and be a Class II medical device under the U.S. Food and Drug Administration (“FDA”) and accordingly will be subject to FDA regulations, guidelines and the FDA’s Quality System Regulation (“QSR”) in order to market and sell their product in the U.S. The costs of obtaining the necessary FDA approval and maintaining compliance with the FDA could be significant. The Company’s principal offices are located at 483 Bay Street, N105, Toronto, Ontario, Canada M5G 2C9

BIONIK LABORATORIES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three and twelve months ended March 31, 2016 and 2015, the year ended December 31, 2015 and the nine months ended December 31, 2014

(Amounts expressed in U.S. Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and changes in these estimates are recorded when known. Significant estimates made by management include: the valuation of the warrant derivative liability and the valuation allowance for deferred tax assets.

The selection of the appropriate valuation model to apply to the warrant derivative liability and the related inputs and assumptions that are required to determine that valuation require significant judgment and require management to make estimates and assumptions that affect the reported amount of the related liability and reported amounts of the change in fair value. As the derivative warrant liability is required to be measured at fair value at each reporting date it is reasonably possible that these estimates and assumptions could change in the near term.

Foreign Currency Translation

On April 1, 2015, Bionik Canada and Bionik Acquisition Inc. changed its functional currency from the Canadian Dollar to the U.S. Dollar. This reflects the fact that the majority of the Company's business is influenced by an economic environment denominated in U.S. currency as well the Company anticipates revenues to be earned in U.S. dollars. The change in accounting treatment was applied prospectively. The functional currency is separately determined for the Company and each of its subsidiaries, and is used to measure the financial position and operating results. The functional currency of the Company and its wholly-owned subsidiaries is the U.S. dollar. Transactions denominated in a currency other than the functional currency are recorded on initial recognition at the exchange rate at the date of the transaction. After initial recognition, monetary assets and liabilities denominated in foreign currency are translated at the end of each reporting period into the functional currency at the exchange rate at that date. Exchange differences are recognized in profit or loss. Non-monetary assets and liabilities measured at cost are translated at the exchange rate at the date of the transaction.

Property and Equipment

Property and equipment are recorded at cost. Depreciation is computed using the declining balance method, over the estimated useful lives of these assets. The costs of improvements that extend the life of equipment are capitalized. All ordinary repair and maintenance costs are expensed as incurred. Property and equipment are depreciated as follows:

| | |
|------------------------|---------------|
| Computer & Electronics | 50% per annum |
| Furniture and Fixtures | 20% per annum |
| Tools and Parts | 20% per annum |

BIONIK LABORATORIES CORP.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three and twelve months ended March 31, 2016 and 2015, the year ended December 31, 2015 and the nine months ended December 31, 2014

(Amounts expressed in U.S. Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES – Continued

Revenue Recognition

The Company has yet to recognize any revenue. The Company intends to record revenue when it is realized, or realizable and earned. The Company will consider revenue to be realized, or realizable and earned, when the following revenue recognition requirements are met: persuasive evidence of an arrangement exists; the products or services have been accepted by the customer via delivery or acceptance; the sales price is fixed or determinable; and collectability is reasonably assured.

Government Grant and Input Tax Credit Recoveries

The Company receives certain grant and input tax credit recoveries from the Canadian government in compensation for eligible expenditures. These are presented as other income in the statement of operations and comprehensive loss as they generally relate to a number of the Company's operating expenses, such as salaries and benefits, research and development and professional and consulting fees. The recoveries are recognized in the corresponding period when such expenses are incurred and collection of the grant funds is assured.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid investments with original terms to maturity of 90 days or less at the date of purchase. For all periods presented cash and cash equivalents consisted entirely of cash.

Research and Development

The Company is engaged in research and development work. Research and development costs are charged as operating expense of the Company as incurred.

Warrant Derivative Liability

The Company's derivative warrant instruments are measured at fair value using a simulation model which takes into account, as of the valuation date, factors including the current exercise price, the expected life of the warrant, the current price of the underlying stock, its expected volatility, holding cost and the risk-free interest rate for the term of the warrant (Note 10). The warrant derivative liability is revalued at each reporting period and changes in fair value are recognized in the consolidated statements of operations and comprehensive loss under the caption "Change in fair value of warrant derivative liability".

Segment Reporting

ASC 280-10, "Disclosures about Segments of an Enterprise and Related Information", establishes standards for the way that public business enterprises report information about operating segments in the Company's consolidated financial statements. Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company does not have any reportable segments. All of its operations and assets are domiciled in Canada.

BIONIK LABORATORIES CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(Amounts expressed in U.S. Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES – Continued

Income Taxes

Income taxes are computed in accordance with the provisions of ASC Topic 740, which requires, among other things, a liability approach to calculating deferred income taxes. The Company recognizes deferred tax liabilities and assets for the expected future tax consequences of events that have been recognized in its consolidated financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement carrying amounts and tax bases of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. The Company is required to make certain estimates and judgments about the application of tax law, the expected resolution of uncertain tax positions and other matters. In the event that uncertain tax positions are resolved for amounts different than the Company's estimates, or the related statutes of limitations expire without the assessment of additional income taxes, the Company will be required to adjust the amounts of related assets and liabilities in the period in which such events occur. Such adjustment may have a material impact on Bionik's income tax provision and results of operations.

Fair Value of Financial Instruments

ASC Topic 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Included in the ASC Topic 820 framework is a three level valuation inputs hierarchy with Level 1 being inputs and transactions that can be effectively fully observed by market participants spanning to Level 3 where estimates are unobservable by market participants outside of the Company and must be estimated using assumptions developed by the Company. The Company discloses the lowest level input significant to each category of asset or liability valued within the scope of ASC Topic 820 and the valuation method as exchange, income or use. The Company uses inputs which are as observable as possible and the methods most applicable to the specific situation of each company or valued item.

The carrying amounts reported in the balance sheets for cash and cash equivalents, other receivables, accounts payable, accrued liabilities, and due from related parties' approximate fair value because of the short period of time between the origination of such instruments and their expected realization and their current market rates of interest. Per ASC Topic 820 framework these are considered Level 2 inputs where inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

As at March 31, 2016, the Company's warrant derivative liability is measured at fair value at each reporting period using a simulation model based on Level 3 inputs.

The Company's policy is to recognize transfers into and out of Level 3 as of the date of the event or change in the circumstances that caused the transfer. There were no such transfers during the year.

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2. SIGNIFICANT ACCOUNTING POLICIES – Continued

Basic and Diluted Loss Per Share

Basic and diluted loss per share has been determined by dividing the net loss available to shareholders for the applicable period by the basic and diluted weighted average number of shares outstanding, respectively. The diluted weighted average number of shares outstanding is calculated as if all dilutive options had been exercised or vested at the later of the beginning of the reporting period or date of grant, using the treasury stock method.

Loss per common share is computed by dividing the net loss by the weighted average number of shares of common shares outstanding during the period. Common share equivalents, options and warrants are excluded from the computation of diluted loss per share when their effect is anti-dilutive.

Impairment of Long-Lived Assets

The Company follows the ASC Topic 360, which requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the assets' carrying amounts may not be recoverable. In performing the review for recoverability, if future undiscounted cash flows (excluding interest charges) from the use and ultimate disposition of the assets are less than their carrying values, an impairment loss represented by the difference between its fair value and carrying value, is recognized. When properties are classified as held for sale they are recorded at the lower of the carrying amount or the expected sales price less costs to sell.

Newly Adopted and Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)". The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The accounting standard is effective for annual reporting periods (including interim reporting periods within those periods) beginning after December 15, 2017. Early adoption is not permitted. The impact on the consolidated financial statements of adopting ASU 2014-09 will be assessed by management.

In August 2014, the FASB issued a new financial accounting standard on going concern, ASU No. 2014-15, "Presentation of Financial Statements – Going Concern (Sub-Topic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern." The standard provides guidance about management's responsibility to evaluate whether there is a substantial doubt about the organization's ability to continue as a going concern. The amendments in this Update apply to all companies. They become effective in the annual period ending after December 15, 2016, with early application permitted. The impact on the consolidated financial statements of adopting ASU 2014-15 will be assessed by management.

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(Amounts expressed in U.S. Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES – Continued

Recently Issued Accounting Pronouncements - Continued

In November 2015, the FASB issued ASU No. 2015-17, "Balance Sheet Classification of Deferred Taxes," which requires that deferred tax liabilities and assets be classified on our Consolidated Balance Sheets as noncurrent based on an analysis of each taxpaying component within a jurisdiction. ASU No. 2015-17 is effective for the fiscal year commencing on January 1, 2017. The Company does not anticipate that the adoption of ASU No. 2015-17 will have a material effect on the consolidated financial position or the consolidated results of operations.

In March 2016, the FASB issued ASU 2016-09, "Compensation - Stock Compensation: Improvements to Employee Share-Based Payment Accounting". Several aspects of the accounting for share-based payment award transaction are simplified, including (a) income tax consequences; (b) classification of awards as either equity or liabilities; and (c) classification on the statement of cash flows. The amendments are effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. The Company is still assessing the impact that the adoption of ASI 2016-09 will have on the consolidated financial position and the consolidated results of operations.

In February 2016, the FASB issued ASU 2016-02, Leases. This update requires organizations that lease assets to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. The new guidance will also require additional disclosure about the amount, timing and uncertainty of cash flows arising from leases. The provisions of this update are effective for annual and interim periods beginning after December 15, 2018. The Company is still assessing the impact that the adoption of ASI 2016-02 will have on the consolidated financial position and the consolidated results of operations.

In September 2015, the FASB issued ASU No. 2015-16, "Simplifying the Accounting for Measurement-Period Adjustments," which illustrates certain guidance governing adjustments to the provisional amounts recognized at the acquisition date with a corresponding adjustment to goodwill. Such adjustments are required when new information is obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the measurement amounts initially recognized or would have resulted in the recognition of additional assets and liabilities. ASU No. 2015-16 eliminates the requirement to retrospectively account for such adjustments. ASU No. 2015-16 is effective for the fiscal year commencing on January 1, 2016. The Company has adopted this ASU No. 2015-16 as at and for the three and twelve month periods ended March 31, 2016. There was no material effect on the consolidated financial position or the consolidated results of operations and comprehensive loss.

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(Amounts expressed in U.S. Dollars)

3. PREPAID EXPENSES AND OTHER RECEIVABLES

| | March 31, 2016 | March 31, 2015 | December 31, 2015 | December 31, 2014 |
|--|-------------------|-------------------|----------------------|----------------------|
| | <u>\$</u> | <u>\$</u> | <u>\$</u> | <u>\$</u> |
| Prepaid expenses and other receivables | 87,979 | 6,242 | 120,661 | 18,172 |
| Prepaid insurance | 107,259 | 126,771 | 12,966 | 40,630 |
| Sales taxes receivable (i) | 36,495 | 25,406 | 54,590 | 22,328 |
| | <u>231,733</u> | <u>158,419</u> | <u>188,217</u> | <u>81,130</u> |

i) Sales tax receivable represents net harmonized sales taxes (HST) input tax credits receivable from the Government of Canada.

4. LOANS RECEIVABLE AND SHORT TERM ADVANCES

During the year ended December 31, 2015, the Company provided two loans to Interactive Motion Technologies Inc. (IMT) which the Company has subsequently acquired (the "Acquisition") (Note 16) on April 21, 2016. The original loans were an aggregate amount of \$300,000 under normal commercial terms. The loans both carry an interest rate of 6% and are secured by all assets of the third party subject to a \$200,000 subordination to a third party financial services company, which was released in April, 2016. During the three month period ended March 31, 2016, the Company advanced an additional \$68,750 to IMT. As at March 31, 2016 accrued interest on the loans amounted to \$11,158 (March 31, 2015 - \$nil, December 31, 2015 and 2014 - \$7,459 and \$nil) which was included in the loan balance. During the three months ended March 31, 2016 the Company also advanced IMT \$125,153 included in short term advances on the consolidated balance sheet, for costs related to the Acquisition (Note 16). Subsequent to April 21, 2016 both the loan receivable balance of \$379,908 and the short term advances of \$125,153 will be included in intercompany balances that will be eliminated on consolidation.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(Amounts expressed in U.S. Dollars)

5. EQUIPMENT

Equipment consisted of the following as at March 31, 2016 and March 31, 2015:

| | March 31, 2016 | | | March 31, 2015 | | |
|---------------------------|-----------------------|-------------------------------------|---------------|----------------|-------------------------------------|----------------|
| | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Net</u> | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Net</u> |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Computers and electronics | 152,246 | 96,379 | 55,867 | 107,369 | 33,933 | 73,436 |
| Furniture and fixtures | 22,496 | 10,118 | 12,378 | 23,832 | 7,689 | 16,143 |
| Tools and parts | 11,422 | 2,917 | 8,505 | 12,100 | 1,050 | 11,050 |
| | <u>186,164</u> | <u>109,414</u> | <u>76,750</u> | <u>143,301</u> | <u>42,672</u> | <u>100,629</u> |

Equipment consisted of the following as at December 31, 2015 and December 31, 2014:

| | December 31, 2015 | | | December 31, 2014 | | |
|---------------------------|--------------------------|-------------------------------------|---------------|-------------------|-------------------------------------|---------------|
| | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Net</u> | <u>Cost</u> | <u>Accumulated Depreciation</u> | <u>Net</u> |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Computers and electronics | 148,214 | 84,072 | 64,142 | 77,650 | 27,438 | 50,212 |
| Furniture and fixtures | 23,496 | 9,478 | 14,018 | 24,909 | 7,325 | 17,584 |
| Tools and parts | 11,422 | 2,479 | 8,943 | 11,913 | 1,787 | 10,126 |
| | <u>183,132</u> | <u>96,029</u> | <u>87,103</u> | <u>114,472</u> | <u>36,550</u> | <u>77,922</u> |

Equipment is recorded at cost less accumulated depreciation. Depreciation expense during the three and twelve month periods ended March 31, 2016 was \$14,387 and \$63,454, respectively. Depreciation expense during the 12 month period ended December 31, 2015 and the 9 month period ended December 31, 2014 was \$59,479 and \$34,036, respectively.

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(Amounts expressed in U.S. Dollars)

6. CONVERTIBLE SECURED PROMISSORY NOTE

On December 8, 2011, the Company received \$61,500 CAD from a lender that at the time was non-interest bearing and had no specified terms of repayment. On February 28, 2012, the lender and the Company agreed to the terms of a Convertible Secured Promissory Note, which securitized the previous note plus an additional \$60,000 CAD for a total principal amount of \$121,500 CAD. The note was interest bearing at prime plus 1%, secured by a general security agreement and was to mature on the earlier of a qualifying financing event or February 28, 2014. The lender had an option to convert the principal plus accrued interest at a discount of 20% to the share price in the event of a qualifying financing event prior to February 28, 2014.

The note matured on February 28, 2014, at this point the conversion option expired and the note became due on demand; however, no repayment was demanded. Upon the occurrence of the April financing (Note 8(i)) the Company agreed to honor the original conversion option and a beneficial conversion feature of \$27,677 was recognized. As the note was due on demand the Company immediately recognized imputed interest of \$27,677 in the consolidated statement of operations and comprehensive loss.

On May 9, 2014, the lender converted the note plus accrued interest into common shares based on the 20% discount to the \$0.22 (\$0.24 CAD) per share equity financing that was accomplished in April 2014 and the Company issued these pre-transaction shares in June 2014 (see Note 8(iii)).

7. RELATED PARTY TRANSACTIONS AND BALANCES

Due from related parties

- (a) As of March 31, 2016 the Company had advances receivable from the Chief Operating Officer (“COO”) and the former Chief Technology Officer (“CTO”) for \$41,445 (March 31, 2015 – \$41,480, December 31, 2015 and 2014 - \$38,554 and \$44,986). These advances are unsecured, bear interest at a rate of 1% based on the Canada Revenue Agency’s prescribed rate for such advances and are payable on demand in Canadian dollars. During the year ended March 31, 2016, the Company accrued interest receivable in the amount of \$1,148 (three month period ended March 31, 2016 - \$392, twelve month period ended December 31, 2015 - \$756, nine month period ended December 31, 2014 - \$Nil.); the remaining fluctuation in the balance from the prior year is due to changes in foreign exchange.

Accounts payable and accrued liabilities

- (b) As at March 31, 2016, \$2,694 (March 31, 2015 - \$1,490, December 31, 2015 and 2014 - \$2,970 and \$4,220) was owing to the CEO, \$3,284 (March 31, 2015 - \$9,752, December 31, 2015 and 2014 - \$856 and \$5,930) owing to the former CTO, \$8,812, was owing to the COO (March 31, 2015 - \$7,025, December 31, 2015 and 2014 - \$878 and \$nil) and \$116 (March 31, 2015 – nil, December 31, 2015 and 2014 - \$346 and \$nil) owing to the CFO, related to business expenses, all of which are included in accounts payable or accrued liabilities.

Issuance of shares to settle due to related party

- (c) During the nine months ended December 31, 2014, one advance amounting to \$85,947 (\$95,000 CAD) was settled by issuance of 331,443 common shares to a former director.

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(Amounts expressed in U.S. Dollars)

8. SHARE CAPITAL

| | <u>March 31, 2016</u> | | <u>December 31, 2015</u> | |
|---------------------------------------|-------------------------|---------------|--------------------------|---------------|
| | <u>Number of shares</u> | <u>\$</u> | <u>Number of shares</u> | <u>\$</u> |
| Exchangeable Shares: | | | | |
| Balance, beginning of period | 50,00,000 | 50,000 | 50,000,000 | 50,000 |
| Balance, end of the year | <u>50,000,000</u> | <u>50,000</u> | <u>50,000,000</u> | <u>50,000</u> |
| Common Shares: | | | | |
| Balance, beginning of the period | 22,428,313 | 22,428 | 15,839,563 | 15,840 |
| Shares issued under private placement | - | - | (x)-(xii) 6,568,750 | 6,568 |
| Shares issued for services | (xiii) 117,471 | 117 | (xiii) 20,000 | 20 |
| Cashless exercise of warrants | (xiv) 45,508 | 46 | - | - |
| Balance, end of the period | <u>22,591,292</u> | <u>22,591</u> | <u>22,428,313</u> | <u>22,428</u> |
| TOTAL COMMON SHARES | <u>72,591,292</u> | <u>72,591</u> | <u>72,428,313</u> | <u>72,428</u> |

| | <u>March 31, 2015</u> | | <u>December 31, 2014</u> | |
|--|--------------------------|---------------|--------------------------|---------------|
| | <u>Number of shares</u> | <u>\$</u> | <u>Number of shares</u> | <u>\$</u> |
| Exchangeable Shares: | | | | |
| Balance at beginning of period | 49,737,096 | 49,737 | 36,621,885 | 36,622 |
| Shares issued for services | (v) 262,904 | 263 | - | - |
| Shares issued under private placement | (i) - | - | 10,792,335 | 10,792 |
| Shares issued on conversion and settlement of debt | (ii)(iii) - | - | 1,012,142 | 1,012 |
| Shares issued on the exercise of options | (iv) - | - | 1,310,734 | 1,311 |
| Balance at end of the period | <u>50,000,000</u> | <u>50,000</u> | <u>49,737,096</u> | <u>49,737</u> |
| Common Shares: | | | | |
| Balance at beginning of the period | - | - | - | - |
| Shares issued as Merger consideration | (vii) 6,000,063 | 6,000 | - | - |
| Shares issued under private placement | (vi)(viii)(ix) 9,839,500 | 9,840 | - | - |
| Balance at end of the period | <u>15,839,563</u> | <u>15,840</u> | <u>-</u> | <u>-</u> |
| TOTAL COMMON SHARES | <u>65,839,563</u> | <u>65,840</u> | <u>-</u> | <u>-</u> |

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(Amounts expressed in U.S. Dollars)

8. SHARE CAPITAL – Continued

- (i) In April, 2014, the Company completed a private placement issuing 10,792,335 common shares at a price of \$0.24 per share for gross proceeds of \$2,616,062. A former director of the Company assisted in securing a significant portion of this financing. The Company incurred \$11,609 in share issue costs related to the transaction.
- (ii) In May 2014, the Company issued 436,908 common shares in exchange for the settlement of \$115,223 of unsecured debt.
- (iii) In June, 2014, the Company issued 575,234 common shares on conversion of the convertible secured promissory note (Note 6). The note plus accrued interest totaled \$124,523 and was converted at a 20% discount to the April 2014 private placement.
- (iv) In June 2014, the Company issued 1,310,734 common shares for the exercise of stock options. The Company received cash of \$228,875.
- (v) On February 25, 2015, 262,904 common shares were issued to two former lenders connected with a \$241,185 loan received and repaid during fiscal 2013. The common shares were valued at \$210,323 based on the value of the concurrent private placement (Note 8(vi)), and recorded in stock-based compensation on the consolidated statement of operations and comprehensive loss. As part of the consideration for the initial loan the CTO and COO had transferred 314,560 common shares to the lenders. For contributing the common shares to the lenders, the Company intends to reimburse the CTO and COO 320,000 common shares. As at March 31, 2016, these shares have not yet been issued.
- (vi) Concurrently with the closing of the Merger on February 26, 2015, the Company issued 7,735,750 units (the “Units”) for gross proceeds of \$6,188,600 (the “First Closing”) (including \$500,000 of outstanding bridge loans converted into Units at the offering price) at a purchase price of \$0.80 per Unit (the “Purchase Price”) in a private placement offering (the “Offering”). Each Unit consists of one common share of the Company, and a warrant to purchase one common share of the Company at an exercise price of \$1.40 per share exercisable for 4 years. The Company incurred share issue costs before legal and other costs related to the transaction of \$848,822 and issued 773,575 broker warrants exercisable at \$0.80 for a period of 4 years. The warrants were measured at fair value and recorded as a warrant derivative liability on the consolidated balance sheet (Note 10). After deducting the value of the warrants and the share issue costs, \$4,789,404 was attributed to the value of the common shares.
- (vii) Immediately following the Merger and the First Closing, 6,000,063 common shares were held by existing Drywave stockholders, 7,735,750 were held by the investors in the Offering and Bionik Canada shareholders held an equivalent of 50,000,000 shares of the common shares through their ownership of 100% of the Exchangeable Shares which are held in 1 Special Preferred Share. The Special Preferred Share votes on behalf of the 50,000,000 Exchangeable Shares alongside the common shares of the Company as a single class.

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(Amounts expressed in U.S. Dollars)

8. SHARE CAPITAL – Continued

- (viii) On March 27, 2015, the Company issued 1,212,500 Units for gross proceeds of \$970,000 to accredited investors in a second closing (the “Second Closing”). Each Unit consisted of one common share of the Company, and a warrant to purchase one common share of the Company at an exercise price of \$1.40 per share exercisable for 4 years. The Company incurred share issue costs before legal and other costs related to the Second Closing of \$141,100 and issued 121,250 broker warrants exercisable at \$0.80 for a period of 4 years. The warrants were measured at fair value and recorded as a warrant liability on the consolidated balance sheet (Note 10). The fair value of the warrants exceeded the net proceeds received upon closing and as a result \$207,425 was recorded as a loss on initial recognition of the warrants and included in the change in fair value of warrant derivative liability on the consolidated statements of operations and comprehensive loss.
- (ix) On March 31 2015, the Company issued 891,250 Units for gross proceeds of \$713,000 to accredited investors in a third closing (the “Third Closing”). Each Unit consisted of one common share of the Company, and a warrant to purchase one common share of the Company at an exercise price of \$1.40 per share exercisable for 4 years. The Company incurred share issue costs before legal and other costs related to the Third Closing of \$97,099 and issued 89,125 broker warrants exercisable at \$0.80 for a period of 4 years. The warrants were measured at fair value and recorded as a warrant liability on the consolidated balance sheet (Note 10). The fair value of the warrants exceeded the net proceeds received upon closing and as a result \$143,389 was recorded as a loss on initial recognition of the warrants and included in the change in fair value of warrant derivative liability on the consolidated statements of operations and comprehensive loss.
- (x) On April 21, 2015, the Company issued 3,115,000 Units for gross proceeds of \$2,492,000 to accredited investors in a fourth closing (the “Fourth Closing”). Each Unit consisted of one common share of the Company, and a warrant to purchase one common share of the Company at an exercise price of \$1.40 per share exercisable for 4 years. The Company incurred share issue costs before legal and other related to the Fourth Closing of \$338,960 and issued 311,500 broker warrants exercisable at \$0.80 for a period of 4 years. The warrants were measured at fair value and recorded as a warrant liability on the consolidated balance sheet (Note 10). The fair value of the warrants exceeded the net proceeds received upon closing and as a result \$435,682 was recorded as a loss on initial recognition of the warrants and included in the change in fair value of warrant derivative liability on the consolidated statements of operations and comprehensive loss.

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(Amounts expressed in U.S. Dollars)

8. SHARE CAPITAL – Continued

- (xi) On May 27, 2015, the Company issued 1,418,750 Units for gross proceeds of \$1,135,000 to accredited investors in a fifth closing (the “Fifth Closing”). Each Unit consisted of one common share of the Company, and a warrant to purchase one common share of the Company at an exercise price of \$1.40 per share exercisable for 4 years. The Company incurred share issue costs before legal and other costs related to the Fifth Closing of \$147,566 and issued 141,875 broker warrants exercisable at \$0.80 for a period of 4 years. The warrants were measured at fair value and recorded as a warrant liability on the consolidated balance sheet (Note 10). The fair value of the warrants exceeded the net proceeds received upon closing and as a result \$37,739 was recorded as a loss on initial recognition of the warrants and included in the change in fair value of warrant derivative liability on the consolidated statements of operations and comprehensive loss.
- (xii) On June 30, 2015, the Company issued 2,035,000 Units for gross proceeds of \$1,628,000 to accredited investors in a sixth and final closing (the “Sixth Closing”). Each Unit consisted of one common share of the Company, and a warrant to purchase one common share of the Company at an exercise price of \$1.40 per share exercisable for 4 years. The Company incurred share issue costs before legal and other costs related to the Sixth Closing of \$211,656 and issued 203,500 broker warrants exercisable at \$0.80 for a period of 4 years. The warrants were measured at fair value and recorded as a warrant liability on the consolidated balance sheet (Note 10). The fair value of the warrants exceeded the net proceeds received upon closing and as a result \$74,625 was recorded as a loss on initial recognition of the warrants and included in the change in fair value of warrant derivative liability on the consolidated statements of operations and comprehensive loss.
- (xiii) During the year ended December 31, 2015, the Company entered into service agreements which included paying some of the fees in common shares. During the year ended December 31, 2015, the Company issued 20,000 shares pursuant to these commitments valued at \$31,000 and included in share-based compensation. In addition, pursuant to these commitments the Company was obligated to issue 53,223 common shares valued at \$98,900. During the three month period ended March 31, 2016 the 53,223 common shares related to services provided in 2015 were issued. As a result \$98,900 recorded as shares to be issued at December 31, 2015 was reclassified to additional paid in capital. During the three months ended March 31, 2016, 64,248 common shares were issued related to investor relations and consulting services provided in 2016 valued at \$75,600.

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(Amounts expressed in U.S. Dollars)

8. SHARE CAPITAL – Continued

- (xiv) In February 2016, 45,508 common shares were issued as a result of a cashless exercise of 148,787 warrants with an exercise price of \$0.80 under the terms of the warrant agreement. The value of the warrants on exercise was attributed to the shares on exercise. As a result \$60,966 was reclassified from warrant derivative liability to additional paid in capital.

Special Voting Preferred Share

In connection with the Merger (Note 1), on February 26, 2015, the Company entered into a voting and exchange trust agreement (the “Trust Agreement”). Pursuant to the Trust Agreement, the Company issued one Special Voting Preferred Share to the Trustee, and the parties created a trust for the Trustee to hold the Special Voting Preferred Share for the benefit of the holders of the Exchangeable Shares (the “Beneficiaries”). Pursuant to the Trust Agreement, the Beneficiaries will have voting rights in the Company equivalent to what they would have had, had they received shares of common stock in the same amount as the Exchangeable Shares held by the Beneficiaries.

In connection with the Merger and the Trust Agreement, effective February 20, 2015, the Company filed a certificate of designation of the Special Voting Preferred Share (the “Special Voting Certificate of Designation”) with the Delaware Secretary of State. Pursuant to the Special Voting Certificate of Designation, one share of the Company’s blank check preferred stock was designated as Special Voting Preferred Share. The Special Voting Preferred Share entitles the Trustee to exercise the number of votes equal to the number of Exchangeable Shares outstanding on a one-for-one basis during the term of the Trust Agreement.

The Special Voting Preferred Share is not entitled to receive any dividends or to receive any assets of the Company upon liquidation, and is not convertible into common shares of the Company.

The voting rights of the Special Voting Preferred Share will terminate pursuant to and in accordance with the Trust Agreement. The Special Voting Preferred Share will be automatically cancelled at such time as no Exchangeable Shares are held by a Beneficiary.

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(Amounts expressed in U.S. Dollars)

9. STOCK OPTIONS

The purpose of the Company's stock option plan, is to attract, retain and motivate persons of training, experience and leadership to the Company, including their directors, officers and employees, and to advance the interests of the Company by providing such persons with the opportunity, through share options, to acquire an increased proprietary interest in the Company.

Options may be granted in respect of authorized and unissued shares, provided that the aggregate number of shares reserved for issuance upon the exercise of all Options granted under the Plan, shall not exceed 10,800,000 or such greater number of shares as may be determined by the Board and approved, if required, by the shareholders of the Company and by any applicable stock exchange or other regulatory authority. Optioned shares in respect of which options are not exercised shall be available for subsequent options.

On April 11, 2014 and June 20, 2014 the Company issued 657,430 and 264,230 options to employees and a consultant at an exercise price of \$0.165 and \$0.23, respectively, with a term of seven years. The options vest one-third on grant date and two thirds equally over the subsequent two years on the anniversary date. During the nine month period ended December 31, 2014, 125,824 of the 657,430 options were cancelled. On February 26, 2015, as a result of the Merger, the options were re-valued. The fair value, as re-measured, of the 531,606 options issued in April 2014 and the 264,230 options issued in June 2014 was \$230,930 and \$118,957 respectively.

On July 1, 2014, the Company issued 2,972,592 options to management of the Company, at an exercise price of \$0.23 with a term of 7 years, which vested May 27, 2015. On February 26, 2015, as a result of the Merger, the options were re-valued at a fair value of \$1,259,487, which vest immediately.

On February 17, 2015, the Company issued 314,560 options to a director, employees and a consultant with an exercise price of \$0.23, that vest one third immediately and two thirds over the next two anniversary dates with an expiry date of seven years. The grant date fair value of the options was \$136,613.

On November 24, 2015, the Company issued 650,000 options granted to employees that vest over three years at the anniversary date. The grant date fair value of the options was \$694,384.

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9. STOCK OPTIONS – Continued

On December 14, 2015, the Company issued 2,495,000 options granted to employees, directors and consultants that vest over three years at the anniversary date. The grant date fair value of the options was \$1,260,437.

During the three and twelve month period ended March 31, 2016 the Company recorded \$158,244 and \$1,464,837, respectively in share based compensation related to the vesting of stock options. During the year ended December 31, 2015 and the nine month period ended December 31, 2014 the Company recorded \$1,467,907 and \$112,573, respectively in share based compensation related to the vesting of stock options.

These options granted and revalued during the year ended March 31, 2016 were valued using the Black-Scholes option pricing model with the following key assumptions:

| Grant date | Expected life in years | Risk free rate | Dividend rate | Forfeiture rate | Expected volatility | Grant date fair value |
|-------------------|---------------------------|-------------------|------------------|--------------------|------------------------|--------------------------|
| February 17, 2015 | 5 | 1.59% | 0% | 0% | 114% | \$ 136,613 |
| July 1, 2014 | 4.35 | 1.59% | 0% | 0% | 114% | \$ 1,259,487 |
| June 20, 2014 | 6.32 | 1.59% | 0% | 0% | 114% | \$ 118,957 |
| April 11, 2014 | 4.14 | 1.59% | 0% | 0% | 114% | \$ 230,930 |
| November 24, 2015 | 7 | 1.59% | 0% | 0% | 114% | \$ 694,384 |
| December 14, 2015 | 7 | 1.59% | 0% | 0% | 114% | \$ 1,260,437 |

A summary of the Company's outstanding options is as follows:

| | Number of Options | Weighted-Average Exercise Price (\$) |
|------------------------------------|--------------------------|---|
| Outstanding, December 31, 2013 | 1,310,665 | 0.19 |
| Exercised | (1,310,665) | 0.19 |
| Issued | 3,894,252 | 0.22 |
| Cancelled | (125,824) | 0.17 |
| Outstanding, December 31, 2014 | 3,768,428 | 0.22 |
| Cancelled as a result of Merger | (3,768,428) | 0.22 |
| Re-issued as part of Merger | 3,768,428 | 0.22 |
| Issued | 314,560 | 0.23 |
| Outstanding March 31, 2015 | 4,082,988 | 0.22 |
| Issued | 3,145,000 | 1.05 |
| Cancelled | (267,379) | 0.22 |
| Outstanding, December 31, 2015 | 6,960,609 | 0.59 |
| Cancelled | (355,729) | 0.97 |
| Outstanding, March 31, 2016 | 6,604,880 | 0.57 |

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9. STOCK OPTIONS – Continued

The following is a summary of stock options outstanding and exercisable as of March 31, 2016:

| Exercise Price (\$) | Number of Options | Expiry Date | Number of Exercisable Options |
|----------------------------|--------------------------|--------------------|--------------------------------------|
| 0.165 | 437,236 | April 1, 2021 | 291,492 |
| 0.23 | 99,610 | June 20, 2021 | 67,107 |
| 0.23 | 2,972,592 | July 1, 2021 | 2,972,592 |
| 0.23 | 225,442 | February 17, 2022 | 157,285 |
| 1.22 | 400,000 | November 24, 2022 | - |
| 1.00 | 2,470,000 | December 14, 2022 | - |
| | 6,604,880 | | 3,488,476 |

The weighted-average remaining contractual term of the outstanding options is 5.89 (March 31, 2015 – 6.27 December 31, 2015 and 2014 – 6.16 and 6.47, respectively) and for the options that are exercisable 5.26 (March 31, 2015 – 6.31, December 31, 2015 and 2014 – 5.49 and 6.33, respectively).

10. WARRANTS

The following is a continuity schedule of the Company's common share purchase warrants:

| | Number of Warrants | Weighted-Average Exercise Price (\$) |
|--|---------------------------|---|
| Outstanding and exercisable, December 31, 2014 | - | - |
| Issued | 10,823,450 | 1.35 |
| Outstanding and exercisable, March 31, 2015 | 10,823,450 | 1.35 |
| Issued | 7,225,625 | 1.35 |
| Outstanding and exercisable, December 31, 2015 | 18,049,075 | 1.35 |
| Issued | 18,049,075 | 1.35 |
| Exercised | (148,787) | (0.80) |
| Outstanding and exercisable, March 31, 2016 | 17,900,288 | 1.35 |

In February 2016, a warrant holder exercised 148,787 warrants on a cash-less basis based on the terms of the warrant agreement and was issued 45,508 common shares. (Note 8 (xiv)).

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10. WARRANTS – Continued**Common share purchase warrants**

The following is a summary of common share purchase warrants outstanding as of March 31, 2016:

| Exercise Price (\$) | | Number of Warrants | Expiry Date |
|----------------------------|--------------|---------------------------|--------------------|
| 1.40 | Note 8(vi) | 7,735,750 | February 26, 2019 |
| 0.80 | Note 8(vi) | 773,575 | February 26, 2019 |
| 1.40 | Note 8(viii) | 1,212,500 | March 27, 2019 |
| 0.80 | Note 8(viii) | 121,250 | February 26, 2019 |
| 1.40 | Note 8(ix) | 891,250 | March 31, 2019 |
| 0.80 | Note 8(ix) | 89,125 | February 26, 2019 |
| 1.40 | Note 8(x) | 3,115,000 | April 21, 2019 |
| 0.80 | Note 8(x) | 311,500 | February 26, 2019 |
| 1.40 | Note 8(xi) | 1,418,750 | May 27, 2019 |
| 0.80 | Note 8(xi) | 141,875 | February 26, 2019 |
| 1.40 | Note 8(xii) | 2,035,000 | June 30, 2019 |
| 0.80 | Note 8(xii) | 54,713 | February 26, 2019 |
| | | <u>17,900,288</u> | |

The weighted-average remaining contractual term of the outstanding warrants is 2.77 (March 31, 2015 – 3.93, December 31, 2015 and 2014 – 3.16 and nil, respectively).

Exchangeable share purchase warrants

In 2014 the Company repaid loans of \$180,940 plus accrued interest of \$12,138 owing to investors introduced by Pope and Co. As part of this transaction the Company was committed to issue these lenders warrants exercisable into 349,522 Exchangeable Shares at an exercise price of \$0.23 per share for a period ending March 21, 2017. During the year ended December 31, 2015, the Company issued these warrants.

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10. WARRANTS – Continued

Warrant derivative liability

The Company's outstanding common share purchase warrants include price protection provisions that allow for a reduction in the exercise price of the warrants in the event the Company subsequently issues common stock or options, rights, warrants or securities convertible or exchangeable for shares of common stock at a price lower than the exercise price of the warrants. Simultaneously with any reduction to the exercise price, the number of shares of common stock that may be purchased upon exercise of each of these warrants shall be increased based on a pre-defined formula.

In addition, prior to the effectiveness of certain resale registration statements or if any such registration statements are no longer effective, the holder of the Company's warrants, at their option, may exercise all or any part of the warrants in a "cashless" or "net-issue" exercise.

The Company has the option to redeem the warrants for \$0.001 per warrant if the daily volume weighted-average price of the common shares is 200% or more of the exercise price for twenty consecutive trading days provided there is an effective registration statement covering the common shares available throughout the thirty day period after the redemption date. The warrant holders then have thirty days to exercise the warrants or receive the redemption amount.

The Company's derivative instruments have been measured at fair value at inception and at each reporting period using a simulation model. The Company recognizes all of its warrants with price protection on its consolidated balance sheet as a derivative liability.

The following summarizes the changes in the value of the warrant derivative liability from inception until March 31, 2016:

| | | Number of Warrants | Value (\$) |
|--|--------------|-----------------------------------|-------------------------|
| Warrants issued in February 26, 2015 financing | Note 8(vi) | 8,509,325 | 550,374 |
| Warrants issued in March 27, 2015 financing | Note 8(viii) | 1,333,750 | 1,036,325 |
| Warrants issued in March 31, 2015 financing | Note 8(ix) | 980,375 | 759,290 |
| Change in fair value of warrant derivative liability | | | <u>6,036,659</u> |
| Balance at March 31, 2015 | | | 8,382,648 |
| Warrants issued in April 21, 2015 financing | Note 8(x) | 3,426,500 | 2,588,722 |
| Warrants issued in May 27, 2015 financing | Note 8(xi) | 1,560,625 | 1,025,173 |
| Warrants issued in June 30, 2015 financing | Note 8(xii) | 2,238,500 | 1,490,969 |
| Change in fair value of warrant derivative liability | | | <u>(7,419,643)</u> |
| Balance at December 31, 2015 | | | 6,067,869 |
| Fair value of warrants exercised | | | (60,966) |
| Change in fair value of warrant derivative liability | | | <u>(870,913)</u> |
| Balance at March 31, 2016 | | | <u><u>5,135,990</u></u> |

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10. WARRANTS - Continued

During the year ended March 31, 2016 and December 31, 2015, the Company recorded a loss of \$548,046 on recognition of the warrant derivative liability and a gain of \$8,290,601 and \$1,382,984, respectively on re-measurement to fair value at year end. The net impact is a gain of \$7,742,555 and \$484,124, respectively recorded as a change in fair value of warrant derivative liability within the Company's consolidated statement of operations and comprehensive (loss) income.

During the three month period ended March 31, 2016, \$870,913 was recorded as a change in fair value of warrant derivative liability within the Company's consolidated statements of operations and comprehensive loss.

The key inputs and assumptions used in the simulation model at inception and at March 31, 2016 and 2015 and December 31, 2015 are as follows:

| Grant date | Number of Warrants | Expected life in years | Exercise Price (\$) | Risk free rate | Dividend rate | Expected volatility | Fair value (\$) |
|-----------------------|--------------------|------------------------|---------------------|----------------|---------------|---------------------|-----------------|
| At Inception: | | | | | | | |
| February 26, 2015 | 7,735,750 | 4 | 1.4 | 0.44% | 0% | 51.83% | 464,784 |
| February 26, 2015 | 773,575 | 4 | 0.8 | 0.44% | 0% | 51.83% | 85,590 |
| March 27, 2015 | 1,212,500 | 3.92 | 1.4 | 0.43% | 0% | 52.37% | 950,913 |
| March 27, 2015 | 121,250 | 3.92 | 0.8 | 0.43% | 0% | 52.37% | 85,412 |
| March 31, 2015 | 891,250 | 3.91 | 1.4 | 0.41% | 0% | 52.45% | 696,582 |
| March 31, 2015 | 89,125 | 3.91 | 0.8 | 0.41% | 0% | 52.45% | 62,708 |
| April 21, 2015 | 3,115,000 | 3.85 | 1.4 | 0.68% | 0% | 51.54% | 2,371,956 |
| April 21, 2015 | 311,500 | 3.85 | 0.8 | 0.68% | 0% | 51.54% | 216,766 |
| May 27, 2015 | 1,418,750 | 3.76 | 1.4 | 0.46% | 0% | 51.74% | 933,065 |
| May 27, 2015 | 141,875 | 3.76 | 0.8 | 0.46% | 0% | 51.74% | 92,108 |
| June 30, 2015 | 2,035,000 | 3.66 | 1.4 | 0.37% | 0% | 52.94% | 1,356,512 |
| June 30, 2015 | 203,500 | 3.66 | 0.8 | 0.37% | 0% | 52.94% | 134,457 |
| At Period End: | | | | | | | |
| March 31, 2016 | 16,408,250 | 2.91 | 1.4 | 0.21% | 0% | 62.96% | 4,585,539 |
| March 31, 2016 | 1,492,038 | 2.91 | 0.8 | 0.21% | 0% | 62.96% | 550,451 |
| At Period End: | | | | | | | |
| December 31, 2015 | 16,408,250 | 3.16 | 1.4 | 0.65% | 0% | 53.58% | 5,315,536 |
| December 31, 2015 | 1,640,825 | 3.16 | 0.8 | 0.65% | 0% | 53.58% | 752,333 |
| At Period End: | | | | | | | |
| March 31, 2015 | 9,839,500 | 3.91 | 1.4 | 0.41% | 0% | 52.45% | 7,690,340 |
| March 31, 2015 | 983,950 | 3.91 | 0.8 | 0.41% | 0% | 52.45% | 692,308 |

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10. WARRANTS – Continued

In addition to the forgoing, the Company also utilized a holding cost to approximate the impact of a holder of the warrant to maintain a hedging strategy in which they maintained a short position. On analysis of comparable companies and other information the Company has determined that the use of 2.25% in the simulation model is a reasonable assumption.

The warrant derivative liability is classified within Level 3 of the fair value hierarchy because on initial recognition and again at each reporting period, it was valued using these significant inputs and assumptions that are unobservable in the market. Changes in the values assumed and used in the simulation model can materially affect the estimate of fair value.

Generally, an increase in the market price of the Company's common shares, an increase in the volatility of the Company's common shares and an increase in the expected life would result in a directionally similar change in the estimated fair value of the warrant derivative liability. An increase in the risk free rate would result in a decrease in the fair value of the warrant derivative liability.

The expected life is based on the remaining contractual term of the warrants. The risk free rate was based on U.S. treasury-note yields with terms commensurate with the remaining term of the warrants. Expected volatility over the expected term of the warrants is estimated based on consideration of historical volatility and other information.

In addition to the assumptions above, the Company also took into consideration the probability of the Company's participation in another round of financing, the type of such financing and the range of the stock price for the financing at that time. At each increment of the simulation, the daily volume weighted-average price was calculated. If this amount was 200% greater than the exercise price of the warrants at the time, and this threshold was maintained for 20 consecutive days, the simulation assumed the trigger of the Company's option to redeem and the exercise of the warrants by the holder within thirty days. In the circumstance where the redemption was not triggered the warrant was valued at its discounted intrinsic value at maturity.

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11. INCOME TAXES

Components of net (loss) income before income taxes consists of the following:

| | 3 months ended March 31, 2016 | Year ended March 31, 2016 | Year ended December 31, 2015 | Nine months ended December 31, 2014 |
|--------|--|--|---|--|
| | <u>\$</u> | <u>\$</u> | <u>\$</u> | <u>\$</u> |
| U.S. | 183,461 | 4,706,413 | (2,372,510) | - |
| Canada | (1,187,553) | (3,670,265) | (3,221,396) | (2,464,747) |
| | <u>(1,004,092)</u> | <u>1,036,148</u> | <u>(5,593,906)</u> | <u>(2,464,747)</u> |

Reconciliation of the statutory tax rate of 35% (2014 - 26.5%) and income tax benefits at those rates to the effective income tax rates and income tax benefits reported in the statement of operations and comprehensive loss is as follows:

| | 3 months ended March 31, 2016 | Year ended March 31, 2016 | Year ended December 31, 2015 | Nine months ended December 31, 2014 |
|--|--|--|---|--|
| | <u>\$</u> | <u>\$</u> | <u>\$</u> | <u>\$</u> |
| Net (loss) income for the period before recovery of income taxes | <u>(1,004,092)</u> | <u>1,036,148</u> | <u>(5,593,906)</u> | <u>(2,464,747)</u> |
| Statutory rate | 35% | 35% | 35% | 26.5% |
| Expected income tax (recovery) expense | (351,432) | 362,652 | (1,957,867) | (653,158) |
| Tax rate changes and other basis adjustments | (162,267) | 195,108 | 364,651 | (29,109) |
| Change in fair value of derivative liability | (304,835) | (2,709,894) | (169,443) | - |
| Stock-based compensation | 55,350 | 512,693 | 587,381 | - |
| Non-deductible expenses | (99,642) | (12,073) | 227,068 | 193,305 |
| Change in valuation allowance | 862,826 | 1,651,514 | 948,210 | 488,962 |
| Recovery of income taxes | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

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11. INCOME TAXES – Continued

Deferred tax reflects the tax effects of temporary differences that gave rise to significant portions of deferred tax assets and liabilities and consisted of the following:

| | <u>March 31,</u> <u>2016</u> | <u>March 31,</u> <u>2015</u> | <u>December 31,</u> <u>2015</u> | <u>December 31,</u> <u>2014</u> |
|-----------------------------|---------------------------------|---------------------------------|------------------------------------|------------------------------------|
| | \$ | \$ | \$ | \$ |
| Property and equipment | 52,331 | 34,556 | 47,495 | 36,940 |
| Share issue costs | 3,586 | 5,838 | 3,877 | 162,350 |
| SR&ED pool | 400,557 | 103,799 | 340,585 | 7,137 |
| Other | 215,202 | 32,447 | 39,947 | 18,621 |
| Non-capital losses – Canada | 1,587,439 | 977,178 | 1,149,389 | 812,522 |
| Net operating losses - U.S. | 589,491 | 43,274 | 404,487 | - |
| Valuation allowance | <u>(2,848,606)</u> | <u>(1,197,092)</u> | <u>(1,985,780)</u> | <u>(1,037,570)</u> |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |

The Company has non-capital losses in its Canadian subsidiary of approximately \$5,990,000, which will expire between 2031 and 2036. The Company has net operating losses in the U.S. parent Company of \$1,684,261, which will expire in 2036.

Income taxes are provided based on the liability method, which results in deferred tax assets and liabilities arising from temporary differences. Temporary differences are differences between the tax basis of assets and liabilities and their reported amounts in the consolidated financial statements that will result in taxable or deductible amounts in future years. The liability method requires the effect of tax rate changes on current and accumulated deferred taxes to be reflected in the period in which the rate change was enacted. The liability method also requires that deferred tax assets be reduced by a valuation allowance unless it is more likely than not that the assets will be realized.

The Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the consolidated financial statements is the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement with the relevant tax authority. The Company recognizes interest accrued on uncertain tax positions as well as interest received from favorable tax settlements within interest expense. The Company recognizes penalties accrued on unrecognized tax benefits within general and administrative expenses. As of March 31, 2016, the Company had no uncertain tax positions.

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11. INCOME TAXES - Continued

In many cases the Company's uncertain tax positions are related to tax years that remain subject to examination by tax authorities. The following describes the open tax years, by major tax jurisdiction, as of March 31, 2016:

| | |
|-------------------------|----------------|
| United States - Federal | 2013 – present |
| United States – State | 2013 – present |
| Canada – Federal | 2012 - present |
| Canada – Provincial | 2012 - present |

12. COMMITMENTS AND CONTINGENCIES

Contingencies

From time to time, the Company may be involved in a variety of claims, suits, investigations and proceedings arising in the ordinary course of our business, collections claims, breach of contract claims, labor and employment claims, tax and other matters. Although claims, suits, investigations and proceedings are inherently uncertain and their results cannot be predicted with certainty, the Company believes that the resolution of current pending matters will not have a material adverse effect on its business, financial position, results of operations or cash flow. Regardless of the outcome, litigation can have an adverse impact on the Company because of legal costs, diversion of management resources and other factors.

13. RISK MANAGEMENT

The Company's cash balances are maintained in two banks in Canada and a Canadian Bank subsidiary in the US. Deposits held in banks in Canada are insured up to \$100,000 CAD per depositor for each bank by The Canada Deposit Insurance Corporation, a federal crown corporation. Actual balances at times may exceed these limits.

Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. The Company has minimal exposure to fluctuations in the market interest rate. In seeking to minimize the risks from interest rate fluctuations, the Company manages exposure through its normal operating and financing activities.

Liquidity Risk

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations, as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due. Accounts payable and accrued liabilities are due within the current operating period.

The Company has funded its operations through the issuance of capital stock, convertible debt and loans in addition to grants and investment tax credits received from the Government of Canada.

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14. (LOSS) PER SHARE

Common share equivalents, options and warrants are were excluded from the computation of diluted loss per share for the three month periods ended March 31, 2016 and 2015 (unaudited), the years ended December 31, 2015 and March 31, 2015 (unaudited) and the nine month period ended December 31, 2014 as their effects are anti-dilutive.

The reconciliation of diluted (loss) per share for the year ended March 31, 2016 is presented below:

Numerator

| | |
|--|-----------------------|
| Net income | \$ 1,036,148 |
| Change in fair value of warrant derivative liability | <u>(7,742,555)</u> |
| Net (loss) used in computation of diluted EPS | <u>\$ (6,706,407)</u> |

Denominator

| | |
|---|-------------------|
| Basic weighted average number of shares outstanding | 71,554,822 |
| Warrants | <u>8,429,435</u> |
| Diluted weighted average number of shares outstanding | <u>79,984,257</u> |
| Diluted loss per share | <u>\$ (0.08)</u> |

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15. TRANSITION PERIOD COMPARATIVE DATA

| | Three months ended March 31, 2015 (Unaudited) |
|---|--|
| | \$ |
| Operating Data: | |
| Expenses | |
| Research and development | 435,671 |
| Professional and consulting fees | 261,350 |
| General and administrative | 167,747 |
| Depreciation | 10,412 |
| Share-based compensation expense | 371,637 |
| | <u>1,246,817</u> |
| Other expenses (income) | |
| Interest expense | 179 |
| Other income | (323) |
| Change in fair value of warrant derivative liability | 6,387,473 |
| Total other expense (income) | <u>6,387,329</u> |
| | <u>(7,634,146)</u> |
| Net loss for the period | <u>(7,634,146)</u> |
| Foreign exchange translation adjustment for the period | 24,799 |
| Net loss and comprehensive loss for the period | <u>(7,609,347)</u> |
| | <u>(0.14)</u> |
| Loss per share - basic and diluted | (0.14) |
| Weighted average number of shares outstanding – basic and diluted | 52,726,746 |
| Cash flow Data: | |
| Net cash used in operating activities | (825,483) |
| Net cash used in investing activities | (38,820) |
| Net cash provided by financing activities | 6,788,988 |
| Effects of foreign currency exchange rate changes | (9,510) |
| Net increase in cash and cash equivalents for the period | 5,915,175 |

16. SUBSEQUENT EVENTS

- 1) Subsequent to March 31, 2016, the Company issued 70,000 common shares to consultants for services valued at \$70,000.
- 2) Subsequent to March 31, 2016, 51,249 common shares were issued as a result of a cashless exercise of 262,045 warrants with an exercise price of \$0.80.
- 3) On April 21, 2016, the Company acquired 100% of the common shares of Interactive Motion Technologies Inc., a Massachusetts corporation ("IMT"), through a transaction where Bionik

BIONIK LABORATORIES CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the three and twelve months ended March 31, 2016 and 2015, the year ended December 31, 2015 and the nine months ended December 31, 2014

(Amounts expressed in U.S. Dollars)

Mergerco Inc., a Massachusetts corporation and a wholly owned subsidiary of the Company (“Merger Subsidiary”), providing for the merger (“Acquisition”) of Merger Subsidiary with and into IMT, with IMT surviving the Merger as a wholly-owned subsidiary of Bionik.

Subject to the indemnification and escrow arrangements described in the Merger Agreement, Bionik will issue (or reserve for issuance) an aggregate of 23,650,000 shares of Company Common Stock in exchange for all shares of IMT Common Stock and IMT Preferred Stock outstanding immediately prior to the effective time.

Bionik will also assume each of the 3,895,000 options to acquire IMT Common Stock granted under IMT’s equity incentive plan or otherwise issued by IMT. These options will represent the right to purchase an aggregate of 3,000,000 shares of Company Common Stock, of which 1,000,000 will have an exercise price of \$0.25, 1,000,000 will have an exercise price of \$0.95 and 1,000,000 will have an exercise price of \$1.05.

Due to the complexities in identifying and valuing the intangible assets acquired, the Company has not yet finalized the purchase price allocation. At this time the Company is not practicably able to estimate the fair value of each identifiable asset. The Company anticipates the intangible assets to consist of clinical data, sales data, license and patents/technology acquired and any excess to result in goodwill.

The following sets forth the preliminary purchase price allocation based on management’s best estimates of fair value, including a summary of major classes of consideration transferred and the recognized amounts of assets acquired and liabilities assumed at the acquisition date.

| | As at |
|--|------------------------------|
| | <u>April 21, 2016</u> |
| | \$ |
| Consideration Paid: | |
| Fair value of 23,650,000 common shares | 23,177,000 |
| Fair value of vested stock options | <u>1,573,229</u> |
| | <u>24,750,229</u> |
| Allocation of purchase price: | |
| Net assets acquired | (2,129,089) |
| Intangible assets and goodwill | <u>26,879,318</u> |
| | <u>24,750,229</u> |

The unaudited pro forma combined statements of operations for the periods presented give effect to the Acquisition as if they had been consummated on January 1, 2014 the start of the December 31, 2014 year-end. The following unaudited pro forma combined financial statements are provided for informational purposes only and do not purport to represent what the actual combined results of operations or the combined financial position of the combined company would be had the Merger occurred on the dates assumed, nor are they necessarily indicative of future combined results of operations or combined financial position. The following unaudited pro forma combined financial statements have been compiled based on information available to management at this time. The unaudited combined financial statements do not reflect any cost savings or synergies that the management of Interactive Motion Technologies Inc. and Bionik Laboratories Corp. could have achieved if they were together through this period.

Bionik Laboratories Corp.
Unaudited Proforma Balance Sheets
(Amounts expressed in US Dollars)

| | As at March 31, 2016 | As at December 31, 2015 | As at March 31, 2015 |
|---|----------------------------|-------------------------------|----------------------------|
| | <u>\$</u> | <u>\$</u> | <u>\$</u> |
| Assets | | | |
| Current | | | |
| Cash and cash equivalents | 5,391,543 | 6,634,754 | 6,198,918 |
| Accounts receivable, net | 27,177 | 430,935 | 216,469 |
| Due from related parties | 41,445 | 38,554 | 41,480 |
| Inventories | 169,325 | 138,156 | 453,893 |
| Prepaid expenses and other receivables | 254,348 | 220,739 | 180,422 |
| Total Current Assets | <u>5,883,838</u> | <u>7,463,138</u> | <u>7,091,182</u> |
| Equipment | 83,031 | 95,793 | 115,383 |
| Other assets | 4,284 | 3,864 | 3,647 |
| Intangible assets and goodwill | 26,879,318 | 26,879,318 | 26,879,318 |
| Total Assets | <u>32,850,471</u> | <u>34,442,113</u> | <u>34,089,530</u> |
| Liabilities and Shareholders' Equity | | | |
| Current | | | |
| Bank indebtedness | 21,495 | 199,886 | - |
| Accounts payable | 907,342 | 739,169 | 876,653 |
| Accrued liabilities | 1,139,663 | 580,883 | 689,649 |
| Customer deposits | 86,487 | 188,187 | 612,197 |
| Demand notes | 345,359 | 268,360 | 258,286 |
| Promissory notes | 200,000 | 200,000 | 181,455 |
| Warrant derivative liability | 5,135,990 | 6,067,869 | 8,382,648 |
| Total Liabilities | <u>7,836,336</u> | <u>8,244,354</u> | <u>11,000,888</u> |
| Shareholders' Equity (Deficiency) | | | |
| Special Voting Preferred Stock | - | - | - |
| Common Shares | 96,241 | 96,078 | 89,490 |
| Additional paid-in capital | 36,527,725 | 36,162,628 | 34,807,973 |
| Shares to be issued | - | 98,900 | - |
| Deficit | (11,651,980) | (10,201,996) | (11,850,970) |
| Accumulated other comprehensive income | 42,149 | 42,149 | 42,149 |
| Total Shareholders' Equity | <u>25,014,135</u> | <u>26,197,759</u> | <u>23,088,642</u> |
| Total Liabilities and Shareholders' Equity | <u>32,850,471</u> | <u>34,442,113</u> | <u>34,089,530</u> |

Bionik Laboratories Corp.
Unaudited Proforma Operations Statement
(Amounts expressed in U.S. Dollars)

| | 3 months Ended March 31 2016 \$ | Year Ended March 31 2016 \$ | Year Ended December 31 2015 \$ |
|---|--|--|---|
| Sales | 119,341 | 1,919,779 | 2,005,837 |
| Cost of sales | 151,689 | 1,342,780 | 1,411,474 |
| Gross profit | <u>(32,348)</u> | <u>576,999</u> | <u>594,363</u> |
| Operating expenses | | | |
| Research and development | 390,260 | 1,597,379 | 1,696,773 |
| General and administrative | 1,715,400 | 4,949,415 | 3,462,721 |
| Sales and marketing | 90,637 | 264,080 | 240,219 |
| Share-based compensation expense | 158,244 | 1,509,717 | 1,709,230 |
| Depreciation | 16,796 | 65,863 | 69,603 |
| Total operating expenses | <u>2,371,337</u> | <u>8,386,454</u> | <u>7,178,546</u> |
| Other income (expenses) | | | |
| Interest expense | (15,344) | (68,058) | (73,836) |
| Other income | 4,034 | (43,594) | 24,875 |
| Foreign exchange loss | 71,399 | 112,771 | (184,125) |
| Change in fair value of warrant derivative liability | 870,913 | (7,742,555) | 484,124 |
| Total other income (expenses) | <u>931,002</u> | <u>(7,741,436)</u> | <u>251,038</u> |
| Net loss for the period | <u>(1,472,683)</u> | <u>(15,550,891)</u> | <u>(6,333,145)</u> |
| Foreign exchange translation adjustment | - | - | 24,799 |
| Net loss and comprehensive loss for the period | <u>(1,472,683)</u> | <u>(15,550,891)</u> | <u>(6,308,346)</u> |

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I Peter Bloch, certify that:

1. I have reviewed this annual report on Form 10-KT of Bionik Laboratories Corp.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 30, 2016

/s/ **Peter Bloch**

Peter Bloch

Chief Executive Officer

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I Leslie Markow, certify that:

1. I have reviewed this annual report on Form 10-KT of Bionik Laboratories Corp.
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 30, 2016
/S/ **Leslie Markow**

Leslie Markow
Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Transition Report of Bionik Laboratories Corporation (the "Company") on Form 10-KT for the transition period ended March 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, **Peter Bloch**, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the company.

/s/ **Peter Bloch**

Peter Bloch
Chief Executive Officer

June 30, 2016

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Transition Report of Bionik Laboratories Corporation (the "Company") on Form 10-KT for the transition period ended March 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, **Leslie Markow**, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Sec. 1350, as adopted pursuant to Sec. 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the company.

/s/ **Leslie Markow**

Leslie Markow
Chief Financial Officer

June 30, 2016
