

ANTIBE THERAPEUTICS INC.
Consolidated Financial Statements
March 31, 2018 and 2017
(Expressed in Canadian Dollars)

INDEPENDENT AUDITORS' REPORT

To the Shareholders of **Antibe Therapeutics Inc.**

We have audited the accompanying consolidated financial statements of **Antibe Therapeutics Inc.** (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2018 and 2017, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditors' responsibility

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

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

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

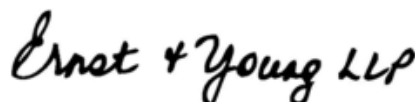
Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Antibe Therapeutics Inc.** as at March 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 2(c) in the consolidated financial statements, which indicates that the Company incurred a net loss of \$7,429,832 during the year ended March 31, 2018 and, as of that date, the Company had an accumulated deficit of \$27,515,517. These conditions, along with other matters as set forth in Note 2(c), indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Toronto, Canada
June 26, 2018

The logo for Ernst & Young LLP, featuring the company name in a stylized, handwritten-style font.

Chartered Professional Accountants
Licensed Public Accountants

ANTIBE THERAPEUTICS INC.
Consolidated Statements of Financial Position
As at March 31, 2018 and 2017
(Expressed in Canadian Dollars)

	2018	2017
	\$	\$
ASSETS		
Current		
Cash	3,725,824	1,501,959
Restricted cash [note 8]	-	545,000
Term deposits [note 6]	25,000	25,000
Accounts receivable, net [note 4]	1,106,987	1,045,003
Inventory	3,106,316	2,752,996
Income taxes recoverable	2,504	18,862
Prepaid expenses	169,600	197,027
Due from Antibe Holdings Inc. [note 7]	174,398	137,557
Total current assets	8,310,629	6,223,404
Non-current		
Property and equipment, net	94,408	75,294
Deposits	22,965	18,453
Intangible assets, net [note 5]	2,779,707	3,125,325
Goodwill	1,283,221	1,283,221
Total non-current assets	4,180,301	4,502,293
TOTAL ASSETS	12,490,930	10,725,697
LIABILITIES		
Current		
Bank indebtedness [note 6]	1,291,259	1,152,264
Accounts payable and accrued liabilities [note 12]	1,894,874	1,994,792
Convertible debentures [notes 8 and 9]	246,117	-
Total current liabilities	3,432,250	3,147,056
Non-current liabilities		
Deferred revenue [note 13]	1,083,540	1,083,540
Convertible debentures [notes 8 and 9]	-	2,631,818
Deferred income taxes [note 20]	-	309,854
Total non-current liabilities	1,083,540	4,025,212
TOTAL LIABILITIES	4,515,790	7,172,268
SHAREHOLDERS' EQUITY		
Share capital [note 9]	29,507,301	15,517,895
Common share purchase warrants [note 9]	503,004	3,728,024
Contributed surplus [note 9]	5,477,961	4,364,112
Accumulated other comprehensive income	2,391	29,083
Deficit	(27,515,517)	(20,085,685)
TOTAL SHAREHOLDERS' EQUITY	7,975,140	3,553,429
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	12,490,930	10,725,697

Commitments and contingencies [note 24]

(Signed) Daniel Legault Daniel Legault, Director
(Signed) John Wallace John Wallace, Director

ANTIBE THERAPEUTICS INC.
Consolidated Statements of Loss and Comprehensive Loss
For the Years Ended March 31, 2018 and 2017
(Expressed in Canadian Dollars)

	2018	2017
	\$	\$
REVENUE		
Product sales	8,510,149	9,054,404
COST OF SALES	5,134,909	5,120,594
GROSS PROFIT	3,375,240	3,933,810
General and administrative <i>[note 14]</i>	2,845,484	3,968,705
Selling and marketing <i>[note 15]</i>	3,381,279	2,964,662
Research and development <i>[note 16]</i>	2,742,476	700,796
Stock-based compensation <i>[note 17]</i>	692,996	1,155,753
Amortization and depreciation <i>[note 5]</i>	377,139	352,614
Total expenses	10,039,374	9,142,530
LOSS FROM OPERATIONS	(6,664,134)	(5,208,720)
Finance and related costs <i>[note 18]</i>	1,057,806	905,742
Finance income	(17,347)	(3,638)
LOSS BEFORE INCOME TAXES	(7,704,593)	(6,110,824)
PROVISION FOR (RECOVERY OF) INCOME TAXES <i>[note 19]</i>		
Current	25,469	(63,564)
Deferred	(300,230)	(301,439)
Total recovery of income taxes	(274,761)	(365,003)
NET LOSS	(7,429,832)	(5,745,821)
OTHER COMPREHENSIVE INCOME (LOSS)		
Exchange differences on translation of foreign operations subject to future reclassification	(26,692)	6,911
COMPREHENSIVE LOSS	(7,456,524)	(5,738,910)
Basic and diluted loss per share <i>[note 10]</i>	(0.05)	(0.06)
Basic and diluted weighted average number of shares outstanding <i>[note 10]</i>	151,621,931	95,744,799

ANTIBE THERAPEUTICS INC.
Consolidated Statements of Changes in Shareholders' Equity
For the Years Ended March 31, 2018 and 2017
(Expressed in Canadian Dollars)

	Number of common shares	Share capital \$	Common share purchase warrants \$	Contributed surplus \$	Accumulated other comprehensive income \$	Deficit \$	Total shareholders' equity \$
Balance, March 31, 2016	78,640,115	13,112,542	2,082,995	3,096,208	22,172	(14,339,864)	3,974,053
Shares issued	32,953,299	2,521,735	1,716,619	-	-	-	4,238,354
Share issuance costs	-	(454,890)	-	189,254	-	-	(265,636)
Shares issued for exercised warrants	1,424,900	338,508	(71,590)	(77,103)	-	-	189,815
Stock-based compensation	-	-	-	1,155,753	-	-	1,155,753
Net loss for the year	-	-	-	-	-	(5,745,821)	(5,745,821)
Exchange differences on translation of foreign operations	-	-	-	-	6,911	-	6,911
Balance, March 31, 2017	113,018,314	15,517,895	3,728,024	4,364,112	29,083	(20,085,685)	3,553,429
Balance, March 31, 2017	113,018,314	15,517,895	3,728,024	4,364,112	29,083	(20,085,685)	3,553,429
Shares issued	49,828,999	3,066,824	1,916,076	-	-	-	4,982,900
Share issuance costs	-	(678,805)	(421,804)	309,030	-	-	(791,579)
Shares issued for exercised warrants	21,699,781	8,520,802	(4,607,468)	-	-	-	3,913,334
Shares issued on debenture conversion	14,002,659	3,080,585	-	-	-	-	3,080,585
Reallocation of exercised warrants	-	-	(111,824)	111,824	-	-	-
Stock-based compensation	-	-	-	762,453	-	-	762,453
Forfeiture of stock options	-	-	-	(69,458)	-	-	(69,458)
Net loss for the year	-	-	-	-	-	(7,429,832)	(7,429,832)
Exchange differences on translation of foreign operations	-	-	-	-	(26,692)	-	(26,692)
Balance, March 31, 2018	198,549,753	29,507,301	503,004	5,477,961	2,391	(27,515,517)	7,975,140

See accompanying notes to the consolidated financial statements

ANTIBE THERAPEUTICS INC.
Consolidated Statements of Cash Flows
For the Years Ended March 31, 2018 and 2017
(Expressed in Canadian Dollars)

	2018	2017
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	(7,429,832)	(5,745,821)
Items not affecting cash:		
Deferred income taxes	(309,854)	(298,242)
Stock-based compensation [note 17]	692,996	1,155,753
Accretion interest [notes 8 and 18]	611,471	305,138
Amortization of transaction costs [note 8]	83,413	59,876
Depreciation of property and equipment	31,521	18,699
Amortization of intangible assets [note 5]	345,618	333,915
Amortization of deferred finance charges	-	7,471
Interest paid-in-kind [note 8]	-	239,509
Shares and warrants paid-in-kind	-	58,860
	(5,974,667)	(3,864,842)
Changes in non-cash working capital:		
Accounts receivable [note 4]	(61,984)	202,418
Inventory	(353,320)	(379,309)
Prepaid expenses	27,427	(18,862)
Income taxes recoverable	16,358	(11,970)
Deposits	(4,512)	-
Accounts payable and accrued liabilities	(99,918)	632,774
	(475,949)	425,051
Cash flows used in operating activities	(6,450,616)	(3,439,791)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of customer lists	-	(177,080)
Purchase of license	-	(66,810)
Purchase of equipment	(50,636)	(13,543)
Cash flows used in investing activities	(50,636)	(257,433)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from (to) Antibe Holdings Inc. [notes 7 and 24]	(36,841)	110,733
Repayment of long-term liabilities	-	(106,040)
Increase in deferred revenue	-	1,083,540
Net increase (decrease) in bank indebtedness [note 6]	138,995	(392,373)
Net change to restricted cash and term deposits [note 8]	545,000	-
Issuances:		
Gross proceeds from shares and warrant issuance [note 9]	4,982,900	4,179,495
Proceeds from warrants [note 9]	3,913,334	189,815
Issuance costs [note 9]	(791,579)	(265,636)
Deferred expenses	-	6,673
Cash flows provided by financing activities	8,751,809	4,806,207
Net increase in cash during the year	2,250,557	1,108,983
Exchange gain (loss) on translation of foreign subsidiary	(26,692)	6,911
Cash, beginning of the year	1,501,959	386,065
Cash, end of the year	3,725,824	1,501,959

ANTIBE THERAPEUTICS INC.
Notes to Consolidated Financial Statements
March 31, 2018 and 2017

1. DESCRIPTION OF BUSINESS

Antibe Therapeutics Inc. (the “Company” or “Antibe”) was incorporated under the *Business Corporations Act* (Ontario) on May 5, 2009. The Company was originally established under the legal name 2205405 Ontario Inc. On December 16, 2009, the Company changed its name to Antibe Therapeutics Inc. On June 18, 2013, the Company completed its initial public offering and was listed on the TSX Venture Exchange. On September 15, 2014, the Company began trading in the United States on the OTCQX Exchange. On October 1, 2017, the Company changed trading platforms to the OTCQB Exchange.

The Company originates, develops and out-licenses patent-protected new pharmaceuticals. Antibe’s lead compound, ATB-346, combines hydrogen sulfide with naproxen, an approved, marketed and off-patent non-steroidal anti-inflammatory drug (“NSAID”). The Company’s main objective is to develop ATB-346 to the end of Phase II by satisfying the requirements of the relevant drug regulatory authorities while also satisfying the commercial licensing objectives of prospective global partners. The Company has also established a development plan for its lead compound through to the end of Phase III human clinical studies for regulatory discussion purposes. Additionally, the Company continues to investigate other research projects as well as additional development opportunities that it has access to while not losing sight of its main objective.

The Company is also, through its wholly owned subsidiary, Citagenix Inc. (“Citagenix”), a seller of tissue regenerative products servicing the orthopaedic and dental marketplaces. Citagenix has grown a comprehensive portfolio of branded biologics and medical devices that promote bone regeneration. Citagenix operates in Canada through its direct sales force and in the US, Germany and internationally via a network of distributors.

The address of the Company's registered head office and principal place of business is 15 Prince Arthur Avenue, Toronto, Ontario, Canada, M5R 1B2.

Approximately 7.6 % of the Company’s common shares are held by Antibe Holdings Inc. (“AHI”) as at March 31, 2018.

These consolidated financial statements were authorized for issuance by the Board of Directors on June 26, 2018.

2. BASIS OF PRESENTATION

(a) Statement of compliance -

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”). These consolidated financial statements have been prepared using the accounting policies in note 3.

(b) Consolidation -

These consolidated financial statements include the accounts of the Company and its subsidiaries, as follows:

	<u>Percentage ownership</u>
Antibe Terapiya Rus LLP (“Tera”)	100%
Citagenix	100%
BMT Medizintechnik GmbH (“BMT”)	100%

Citagenix, the parent company of BMT, was acquired on October 15, 2015. Citagenix was incorporated under the *Business Corporations Act* (Quebec) on December 8, 1997 and operates in Canada. BMT was incorporated and operates in Germany.

All intercompany balances and transactions have been eliminated on consolidation.

ANTIBE THERAPEUTICS INC.
Notes to Consolidated Financial Statements
March 31, 2018 and 2017

2. BASIS OF PRESENTATION *(continued)*

(c) Going concern -

The consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As at March 31, 2018, the Company had working capital of \$4,878,379 (March 31, 2017 - \$3,076,348), incurred a net loss for the year then ended of \$7,429,832 (2017 - \$5,745,821), and had negative cash flows from operations of \$6,450,616 (2017 - \$3,439,791).

All of the factors above may cast significant doubt about the Company's ability to continue as a going concern. Management's plans to address these issues involve actively seeking capital investment and generating revenue and profit from the commercialization of its products. The Company's ability to continue as a going concern is subject to management's ability to successfully implement this plan. Failure to implement this plan could have a material adverse effect on the Company's financial condition and financial performance.

Until such time as the Company's pharmaceutical products are patented and approved for sale, the Company's liquidity requirements are dependent on its ability to raise additional capital by selling additional equity, from proceeds from the exercise of stock options and common share warrants or by obtaining credit facilities. The Company's future capital requirements will depend on many factors, including, but not limited to, the market acceptance of its products and services. No assurance can be given that any such additional funding will be available or that, if available, it can be obtained on terms favourable to the Company. See notes 6 and 22.

If the going concern assumption were not appropriate for these consolidated financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported revenue and expenses, and the classifications used in the consolidated statements of financial position. The consolidated financial statements do not include adjustments that would be necessary if the going concern assumption was not appropriate.

(d) Use of estimates -

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of the consolidated financial statements, and the reported amount of expenses during the year. Actual results may vary from the current estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the year in which such adjustments become known. Significant estimates in these consolidated financial statements include determination of eligible expenditures for investment tax credit ("ITC") purposes, inventory, intangible assets, impairment of goodwill, intangible assets not yet subject to amortization, and inputs related to the calculation of fair value of stock-based compensation and warrants.

(e) Comparative figures -

Certain reclassifications of amounts in fiscal 2017 have been made to facilitate comparison with the current year. Exercised warrants have been reallocated from contributed surplus to common share purchase warrants. Certain expense amounts have been reclassified from general and administrative to sales and marketing.

ANTIBE THERAPEUTICS INC.
Notes to Consolidated Financial Statements
March 31, 2018 and 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Significant accounting policies

Cash -

Cash includes cash and liquid investments with a term to maturity of 90 days or less when acquired.

Inventory -

Inventory consists of ready for sale goods. Inventory is valued at the lower of cost and net realizable value. Cost is determined based on the average cost. Net realizable value is the estimated selling price less the estimated costs necessary to make the sale.

Property and equipment -

Property and equipment are stated at cost or deemed cost less accumulated depreciation and accumulated impairment losses. Property and equipment are amortized over their estimated useful life at the following rates and methods:

Furniture and fixtures	20% per annum	declining balance method
Computer equipment	3 years	straight-line method
Leasehold improvements	10 years	straight-line method
Vehicles	5 years	straight-line method

The Company prorates depreciation for acquisitions made during the year.

The depreciation method, useful life and residual values are assessed annually.

When an item of property and equipment comprises significant components with different useful lives, the components are accounted for as separate items of property or equipment. Expenditures incurred to replace a component of an item of property or equipment that is accounted for separately are capitalized.

Gains and losses on disposal of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized within other income in the consolidated statements of loss and comprehensive loss.

Intangible assets -

Intangible assets with finite lives are stated at cost less accumulated amortization. Amortization is based on the estimated useful life of the asset and is calculated as follows:

Trademarks and brands	10 years	straight-line method
License and customer lists	10 years	straight-line method
Patents	17 years	straight-line method

ANTIBE THERAPEUTICS INC.
Notes to Consolidated Financial Statements
March 31, 2018 and 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Impairment of non-financial assets -

The Company's property, equipment and intangible assets with finite lives are reviewed for indications of impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit ("CGU"), exceeds its recoverable amount. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the year. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the CGU's fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. The Company has two CGUs: Antibe, the pharmaceutical development and out-licensing business, and Citagenix, the tissue regenerative products business.

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Intangible assets that are not yet available for use are not amortized, but are tested for impairment at least annually or sooner if there is an indication of impairment.

Goodwill -

Goodwill represents the excess of the purchase price of business acquisitions over the fair value of identifiable net assets acquired in such acquisitions. Goodwill is determined at the date of the business combination. Goodwill is not amortized, but is tested for impairment annually, or more frequently if events or changes in circumstances indicate the asset might be impaired.

For the purpose of impairment testing, goodwill is allocated to each of the Company's CGUs that is expected to benefit from the synergies of the combination. If the recoverable amount of the CGU is less than its carrying amount, excluding any goodwill, the impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then reduces the carrying amount of the other assets of the CGU on a pro rata basis. An impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

All of the Company's goodwill on the Consolidated statements of financial position has been allocated to the Citagenix CGU. As at March 31, 2018, there is no impairment of goodwill. The Company tests goodwill for impairment annually in the fourth quarter. The impairment test on Citagenix is carried out by comparing the carrying amount of Citagenix and its recoverable amount. The recoverable amount of Citagenix is the higher of its fair value, less costs to sell, and its value in use. The recoverable amount has been determined by management using the value in use model. This complex valuation process entails the use of methods such as the discounted cash flow method, which requires numerous assumptions to estimate future cash flows. The recoverable amount is impacted significantly by the discount rate used in the discounted cash flow model, as well as the quantum and timing of expected future cash flows and the growth rate used in the projections. A reasonable possible change in the assumptions used could result in an impairment. However, management concluded that the assumptions used in the value-in-use analysis were the best estimate of the recoverable amount as at March 31, 2018.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

The estimated future cash flows were based on the budget and strategic plan for the next five years, and a growth rate of 3.0% was applied to derive a terminal value beyond the initial five-year period. The post-tax discount rate used to calculate the recoverable amount in fiscal year 2017 was 20%.

Related party transactions -

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

Income taxes -

Income taxes are accounted for using the liability method. Deferred tax assets and liabilities are recognized based on the temporary differences between the assets and liabilities for accounting purposes and the amounts used for tax purposes and the benefit of unutilized tax losses for which it is probable they will be realized and carried forward to future years to reduce income taxes. Deferred tax assets and liabilities are not recognized if the temporary differences arise from goodwill or from initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred tax assets and liabilities are measured using tax rates enacted by tax laws or substantively enacted for the years in which deferred income tax assets are likely to be realized or deferred income tax liabilities settled. The effect of a change in tax rates on deferred income tax assets and liabilities is included in loss and comprehensive loss in the period when the change is substantially enacted.

Deferred share issuance costs -

These are costs related directly to the proposed issuance of shares by the Company pursuant to private placements and public share offerings. Upon completion of the share issuance, these costs are charged against share capital. Such costs are recognized as an expense in the event that it is determined that such transaction will not be completed.

Government grants and investment tax credits -

Amounts received or receivable resulting from government assistance programs are recognized when there is reasonable assurance that the amount of government assistance will be received and all attached conditions will be complied with. When the amount relates to an expense item, it is recognized into income as reduction to the costs that it is intended to compensate. When the amount relates to an asset, it reduces the carrying amount of the asset and is then recognized as income over the useful life of the depreciable asset by way of a reduced depreciation charge.

ITCs receivable are amounts refundable from the Canadian federal and provincial governments under the Scientific Research & Experimental Development incentive program. The amounts claimed under the program represent the amounts submitted by management based on research and development costs paid during the period and included a number of estimates and assumptions made by management in determining the eligible expenditures. ITCs are recorded when there is reasonable assurance that the Company will realize the ITCs. Recorded ITCs are subject to review and approval by tax authorities and, therefore, could be different from the amounts recorded.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Convertible debt instruments -

The Company's convertible debt instruments are segregated into their debt and equity elements at the date of issue, based on the relative fair market values of these elements. The debt element of the instruments is classified as a liability and recorded as the present value of the Company's obligation to make future interest payments in cash and settle the redemption value of the instrument in cash. The carrying value of the debt element is accreted to the original face value of the instruments, over their life, using the effective interest method.

Research and development expense -

Research costs are expensed as incurred. Development costs are expensed in the year incurred unless they meet certain criteria for capitalization. No development costs have been capitalized to date.

Revenue recognition -

Revenue from license fees is recognized based on the terms of the license agreement, when there is persuasive evidence of an arrangement, delivery or performance has occurred, the fee is fixed or determinable, and when collection is reasonably assured. The licensing arrangements are reviewed in order to determine whether the elements can be divided into separate units of accounting, if certain criteria are met. If separable, the consideration received is allocated among the separate units of accounting based on their respective fair values and the applicable revenue recognition criteria are applied to each of the separate units. If not separable, the applicable revenue recognition criteria are applied to combined elements as a single unit of accounting.

The Company recognizes revenue from sales of medical equipment when persuasive evidence of an arrangement exists, delivery has occurred, fees are fixed or determinable and collection is reasonably assured.

Interest income is recognized using the effective interest method as earned.

Deferred revenue -

Revenue from up-front payments is deferred and amortized to the consolidated statements of loss and comprehensive loss at the point in time when the risks and rewards have been transferred to the licensee.

Stock-based compensation -

The Company accounts for options and warrants using the fair value-based method of accounting for stock-based compensation. Fair values are determined using the Black-Scholes-Merton option-pricing model ("BSM"). Management exercises judgment in determining the underlying share price volatility, expected life of the option, expected forfeitures and other parameters of the calculations. Compensation costs are recognized over the vesting period as an increase to stock-based compensation expense and contributed surplus. If, and when, stock options and warrants are ultimately exercised, the applicable amounts of contributed surplus and common share purchase warrants are transferred to share capital.

Broker warrants -

Warrants issued in a public or private placement to brokers are accounted for under IFRS 2 and are classified as equity. Warrants issued to brokers are valued at the fair value of the services received.

ANTIBE THERAPEUTICS INC.
Notes to Consolidated Financial Statements
March 31, 2018 and 2017

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Foreign currency translation -

The Company's presentation currency is the Canadian dollar. The functional currency of the Company and its subsidiary, Citagenix, is the Canadian dollar, while the functional currency of BMT and Tera is the euro.

In preparing the financial statements of the individual entities, transactions in currencies other than the Company's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the date of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Foreign currency translation gains and losses are presented in the consolidated statements of loss and comprehensive loss in the period in which they occur.

For its subsidiaries with a non-Canadian dollar functional currency, results of operations and cash flows are translated at average exchange rates during the period, assets and liabilities are translated at the unified exchange rate at the end of the period, and equity is translated at historical exchange rates. Translation adjustments resulting from the process of translating the local currency financial statements into Canadian dollars are included in other comprehensive income (loss).

Loss per share -

Basic loss per share is calculated on the basis of loss attributable to the holders of common shares divided by the weighted average number of common shares outstanding during the period. Diluted per share amounts are calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares. The treasury stock method assumes that proceeds received from the exercise of in-the-money stock options and common share purchase warrants are used to repurchase common shares at the prevailing market rate. Diluted loss per share is equal to basic loss per share when the effect of otherwise dilutive securities is anti-dilutive.

Provisions -

The Company recognizes a provision when it has a present obligation (legal or constructive) as a result of a past event, it is probable it will be required to settle the obligation, and it can make a reliable estimate of its amount. The amount it recognizes as a provision is its best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the surrounding risks and uncertainties. Where it measures a provision using the cash flows estimated to settle the present obligation, the carrying amount is the present value of those cash flows, calculated using a pre-tax discount rate reflecting the risks specific to the liability. The Company adjusts the liability at the end of each reporting period for the unwinding of the discount rate and for changes to the discount rate or to the amount or timing of the estimated cash flows underlying the obligation.

Leases -

As at March 31, 2018, all leases are classified as operating leases.

Operating lease payments are expensed on a straight-line basis over the term of the relevant lease.

ANTIBE THERAPEUTICS INC.
Notes to Consolidated Financial Statements
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

Measurement of financial instruments -

Financial instruments are classified into one of five categories: fair value through profit or loss (“FVTPL”); held to maturity (“HTM”); loans and receivables; available for sale (“AFS”); or other financial liabilities.

The classification is determined at initial recognition and depends on the nature and purpose of the financial instruments.

(i) FVTPL financial instruments -

Financial assets and financial liabilities are classified as FVTPL when the financial asset or financial liability is held for trading or it is designated as FVTPL. A financial asset or financial liability is classified as held for trading if it has been acquired principally for the purpose of selling in the near future; it is part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit making; or it is a derivative that is not designated and effective as a hedging instrument. Financial assets classified or designated as FVTPL are initially measured at fair value with any subsequent gain or loss recognized in other income (loss). The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. Financial liabilities classified or designated as FVTPL are initially measured at fair value and with any subsequent gain or loss recognized in net income (loss). Interest and dividends paid on financial liabilities are recognized in other income (loss). The Company classifies cash, term deposits, restricted cash and bank indebtedness as FVTPL.

(ii) HTM financial instruments -

HTM financial instruments having a fixed maturity date and fixed or determinable payments, where the Company intends and has the ability to hold the financial instrument to maturity, are classified as HTM and measured at amortized cost using the effective interest rate method. Any gains or losses arising from the sale of HTM financial instruments are included in other income. Currently, the Company has no HTM financial instruments.

(iii) Loans and receivables -

Items classified as loans and receivables are measured at amortized cost using the effective interest method. Any gains or losses on the realization of loans and receivables are included in other income. The Company classifies due from AHI as loans and receivables.

(iv) Available-for-sale -

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale, or that are not classified as FVTPL, HTM, or loans and receivables. Available-for-sale financial assets are carried at fair value with unrealized gains and losses included in accumulated other comprehensive income until realized when the cumulative gain or loss is transferred to other income. Currently, the Company has no AFS financial instruments.

(v) Other financial liabilities -

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. The Company has classified accounts payable and accrued liabilities, long-term debt and convertible debentures as other financial liabilities.

ANTIBE THERAPEUTICS INC.
Notes to Consolidated Financial Statements
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*continued*)

(b) Future changes in significant accounting policies -

At the date of approval of these consolidated financial statements, the following standards and interpretations, which may be applicable to the Company, but have not yet been applied in these consolidated financial statements, were in issue but not yet effective:

(i) Financial Instruments -

IFRS 9, *Financial Instruments* (“IFRS 9”), was issued in 2010 and is to replace International Accounting Standard 39, *Financial Instruments: Recognition and Measurement* (“IAS 39”).

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. In addition, under IFRS 9, the same impairment model is applied to all financial instruments that are subject to impairment accounting. The current impairment model is replaced with an expected credit loss model, which means that a loss event will no longer need to occur before an impairment allowance is recognized.

IFRS 9 is effective for annual periods beginning on or after January 1, 2018. For the Company, the standard was effective as of April 1, 2018.

Management is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

(ii) Revenue -

IFRS 15, *Revenue from Contracts with Customers* (“IFRS 15”), was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. For the Company, the standard was effective as of April 1, 2018.

Management is in the process of assessing a sample of contracts to evaluate any potential impacts of IFRS 15.

(iii) Leases -

In January 2016, the IASB issued IFRS 16, *Leases* (“IFRS 16”), its new leases standard that requires lessees to recognize assets and liabilities for most leases on their balance sheets. Lessees applying IFRS 16 will have a single accounting model for all leases, with certain exemptions. The new standard will be effective for annual periods beginning on or after January 1, 2019, with limited early application permitted.

Management is currently evaluating the impact of IFRS 16 on its consolidated financial statements.

ANTIBE THERAPEUTICS INC.
Notes to Consolidated Financial Statements
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4. ACCOUNTS RECEIVABLE

	2018	2017
	\$	\$
Trade receivables	897,593	983,256
Value-added taxes receivable	4,696	2,329
Harmonized Sales Taxes receivable	188,932	39,287
Allowance for doubtful accounts	(793)	(569)
	1,090,428	1,024,303
Employee advances <i>[note 7]</i>	16,559	20,700
	1,106,987	1,045,003

5. INTANGIBLE ASSETS

Intangible assets consist of the following:

	Trademarks and brands	License	Customer list	Patents	Total
	\$	\$	\$	\$	\$
Cost					
As at March 31, 2016	3,094,018	250,000	-	18,872	3,362,890
Additions	-	66,810	177,080	-	243,890
As at March 31, 2017	3,094,018	316,810	177,080	18,872	3,606,780
As at April 1, 2017	3,094,018	316,810	177,080	18,872	3,606,780
Additions	-	-	-	-	-
As at March 31, 2018	3,094,018	316,810	177,080	18,872	3,606,780
Amortization					
As at March 31, 2016	142,410	-	-	5,130	147,540
Charge for the year	309,402	-	17,708	6,805	333,915
As at March 31, 2017	451,812	-	17,708	11,935	481,455
As at April 1, 2017	451,812	-	17,708	11,935	481,455
Charge for the year	309,402	-	35,416	800	345,618
As at March 31, 2018	761,214	-	53,124	12,735	827,073
Carrying amount					
As at March 31, 2017	2,642,206	316,810	159,372	6,937	3,125,325
As at March 31, 2018	2,332,804	316,810	123,956	6,137	2,779,707

The term of the license agreement is 10 years from the date of the first commercial sale of the licensed product. As at March 31, 2018, there were no commercial sales of the licensed products. As such, no amortization is recognized in the current year related to this license. There were no indicators of impairment on this license.

ANTIBE THERAPEUTICS INC.
Notes to Consolidated Financial Statements
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6. BANK INDEBTEDNESS

The Company has an operating line of credit with a Canadian Chartered Bank (the “Bank”) to a maximum of \$2,000,000. The outstanding line of credit balance is due on demand and bears interest at the Bank’s prime lending rate plus 0.50% per annum. The following have been provided as security:

1. A moveable hypothec in the amount of \$10,000,000 covering the Company's present and future claims and universality of the Company's present and future property and assets with all risk of insurance and with losses payable to the Bank; and
2. Assignment of inventory, in virtue of Section 427 of the *Bank Act* (Canada).

The line of credit is subject to certain financial tests and covenants measured based on the Company's non-consolidated year-end financial statements of Citagenix. As at March 31, 2018, the Company was in compliance with these respective covenants. The line of credit matures on June 30, 2018.

As at March 31, 2018, \$1,283,241 was outstanding on the operating line of credit.

The Company holds a corporate credit card facility with a \$25,000 limit and the Bank holds \$25,000 of term deposits in trust as collateral. This amount is presented as term deposits on the consolidated statements of financial position. The Company will continue its practice of paying all outstanding balances on the corporate credit card in full monthly.

7. RELATED PARTY TRANSACTIONS

On June 29, 2016, with the enrolment of the first patient in a Phase II clinical trial, the Company triggered a milestone payment of \$150,000 to AHI as detailed in a licensing agreement between the two companies dated December 22, 2009. See note 24 for details of the license agreement and potential future commitments.

As part of the prospectus offering during the year ended March 31, 2018, one director of the Company purchased 1,000,000 Units, such investment being a “related party transaction” for purposes of Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* (“MI 61-101”). The Company has relied on the exemptions contained in sections 5.5(a) and 5.7(1)(a) of MI 61-101 from the valuation and minority shareholder approval requirements in MI 61-101 in respect of the director’s participation in the Offering, since neither the fair market value of the subject matter of, nor the fair market value of the consideration for, the director’s investment exceeds 25% of the Company’s market capitalization.

During the year, the Company advanced \$36,841 (2017 - \$39,268) to AHI. As at March 31, 2018, \$174,398 (2017 - \$137,557) was receivable. This balance bears no interest, is payable on demand and is unsecured.

Employee advances consist of cash advances, payments to the Company cell phone plan on behalf of employees, and petty cash in foreign currencies. Currently, the Company has one employee receiving cash advances.

ANTIBE THERAPEUTICS INC.
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8. CONVERTIBLE DEBENTURES

The following is a summary of the private placements of senior secured convertible debentures as at March 31, 2017:

Date	Private placement	Gross proceeds	Interest rate per annum	Debenture conversion price per share	Debenture maturity date	Warrants	Warrant exercise price	Warrant expiry date
		\$		\$			\$	
October 15, 2015	CDC1a	1,800,000	10%	0.22	October 15, 2018	3,600,000	0.31	October 15, 2018
November 13, 2015	CDC1b	800,000	10%	0.22	October 15, 2018	1,600,000	0.31	October 15, 2018
December 23, 2015	CDC2a	450,000	10%	0.22	October 15, 2018	900,000	0.31	October 15, 2018

CDC1a, CDC1b and CDC2a debentures were all secured by a first priority security interest over all assets of Antibe other than the shares of Citagenix.

CDC1a, CDC1b and CDC2a warrants are exercisable for one common share of the Company.

The debentures bore an interest rate of 10% per year, were secured by the assets of Antibe, and, upon maturity, were convertible at the option of the holder into common shares of Antibe at a price of \$0.22 per share.

In connection with CDC2a, a brokered private placement, the Company issued the following broker warrants to agents:

Date	Private placement	Broker warrants	Broker warrant exercise price	Broker warrant expiry date
			\$	
December 23, 2015	CDC2a	143,182	0.22	December 23, 2017

The Debenture agreements provided that the Company may, at its sole option, elect to pay, in kind, certain interest payments. The following is a summary of all payment in-kind elections:

Date interest due	Aggregate interest payment added to principal amount	Debenture conversion price per share	Additional shares issuable upon conversion
	\$	\$	
January 15, 2016	62,014	0.22	281,882
April 15, 2016	77,587	0.22	352,669
July 15, 2016	79,522	0.22	361,462
October 15, 2016	82,400	0.22	374,545

ANTIBE THERAPEUTICS INC.
Notes to Consolidated Financial Statements
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8. CONVERTIBLE DEBENTURES *(continued)*

The following is a continuity of the convertible debentures:

	2018	2017
	\$	\$
Balance, beginning of the year	2,631,818	2,027,295
Interest paid-in-kind	-	239,509
Accretion	611,471	305,138
Amortization of issue costs	83,413	59,876
Debentures converted to shares	(3,080,585)	-
Balance, end of the year	246,117	2,631,818

As at March 31, 2018, six of the senior secured convertible debentures, including all interest paid-in-kind, were converted to common shares of the Company. In total, 14,002,659 common shares were issued at \$0.22 per share for a total conversion of \$3,080,585.

As at March 31, 2017, of the total amount of the cash proceeds received on the issuance of convertible debentures, \$545,000 was designated as restricted cash and held as additional security for one of the convertible debenture holders pending the achievement of certain milestones. As at March 31, 2018, the debenture holder converted to shares the entirety of the debenture including interest paid-in-kind, thereby releasing the restricted cash.

9. SHARE CAPITAL

(a) Authorized

The Company has an unlimited number of authorized common shares without par value.

(b) Common shares

	2018		2017	
	Shares	Amount	Shares	Amount
		\$		\$
Balance, beginning of the year	113,018,314	15,517,895	78,640,115	13,112,541
Private placement ("PP4a")	-	-	9,685,000	651,628
Private placement ("PP4b")	-	-	4,865,000	330,429
Private placement ("PP5a")	-	-	16,178,299	1,322,444
Private placement ("PP5b")	-	-	1,985,000	171,635
Prospectus ("P2017a")	40,498,999	2,481,234	-	-
Prospectus ("P2017b")	9,330,000	585,590	-	-
Return of territory rights	-	-	240,000	45,600
Warrants exercised	21,699,781	8,520,802	1,424,900	338,508
Debentures converted	14,002,659	3,080,585	-	-
Share issuance costs (PP4a, PP4b)	-	-	-	(145,113)
Share issuance costs (PP5a, PP5b)	-	-	-	(309,777)
Share issuance costs (P2017a, P2017b)	-	(678,805)	-	-
Balance, end of the year	198,549,753	29,507,301	113,018,314	15,517,895

ANTIBE THERAPEUTICS INC.
Notes to Consolidated Financial Statements
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9. SHARE CAPITAL (continued)

The following provides additional information on the private placements and prospectus raise completed during the years ended March 31, 2018 and 2017:

Closing date	Private placement / prospectus	Number of units ¹ / shares issued	Number of warrants issued	Price per unit	Gross proceeds ²	Warrant exercise price	Warrant expiry date
				\$	\$	\$	
Jun 10, 2016	PP4a	9,685,000	4,842,500	0.10	968,500	0.15	Jun 10, 2018
Jun 20, 2016	PP4b	4,865,000	2,432,500	0.10	486,500	0.15	Jun 20, 2018
Dec 15, 2016	PP5a	16,178,299	8,089,154	0.15	2,426,745	0.22	Dec 15, 2018
Dec 21, 2016	PP5b	1,985,000	992,500	0.15	297,750	0.22	Dec 21, 2018
Mar 27, 2017	Return of territory rights ³	240,000	120,000	-	-	0.22	Mar 27, 2019
Jun 21, 2017	P2017a	40,498,999	20,249,499	0.10	4,049,900	0.15	Jun 21, 2020
Aug 18, 2017	P2017b	9,330,000	4,665,000	0.10	933,000	0.15	Jun 21, 2020

¹Each unit was composed of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share.

²Gross proceeds have been allocated to share capital and warrants based on the residual method. Warrants were valued using the BSM.

³In connection with Antibe's regional licensing deal with Laboratoires Acbel SA, Antibe issued common shares and common share purchase warrants to Knight Therapeutics Inc. ("Knight") in exchange for the return of the ATB-346 territory rights to Romania (previously granted to Knight in November 2015). Each whole warrant entitles Knight to purchase one common share.

With respect to the private placements and prospectus raise completed during the years ended March 31, 2018 and 2017, the Company issued the following warrants to brokers and finders:

Closing date	Private placement / prospectus	Number of broker / finder warrants issued	Total issuance costs	Non-cash cost from issuance of warrants to brokers / finders	Broker / finder warrant exercise price	Broker / finder warrant expiry date
			\$	\$	\$	
Jun 10, 2016	PP4a	318,000	-	-	0.15	Jun 10, 2018
Jun 20, 2016	PP4b	378,880	145,113	68,150	0.15	Jun 20, 2018
Dec 15, 2016	PP5a	1,145,088	-	-	0.15	Jun 15, 2018
Dec 21, 2016	PP5b	165,150	309,777	121,104	0.15	Jun 21, 2018
Jun 21, 2017	P2017a	2,834,930	522,725	255,200	0.10	Jun 21, 2019
Aug 18, 2017	P2017b	653,101	156,080	53,830	0.10	Jun 21, 2019

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9. SHARE CAPITAL *(continued)*

All issuance costs were offset against share capital and common share purchase warrants in proportion to the allocation of proceeds.

The following is a summary of all warrants exercised during the years ended March 31, 2018 and 2017:

Exercise price	2018		2017	
	Number of warrants exercised	Gross proceeds	Number of warrants exercised	Gross proceeds
\$		\$		\$
0.10	2,211,854	221,185	478,400	47,840
0.15	14,108,509	2,116,276	946,500	141,975
0.22	1,019,419	224,273	-	-
0.31	4,360,000	1,351,600	-	-

Each of the warrants entitled the bearer to purchase one common share of the Company.

(c) Stock options

The Company has established a stock option plan that provides a limited issuance of options, capped at 22,337,983 common shares. The plan is to encourage ownership of common shares by directors, senior officers and consultants of the Company. The fair value of the options is measured as of the grant date, using the BSM, and is recognized over the vesting period. The fair value is recognized as an expense over the vesting period in the consolidated statements of loss and comprehensive loss. The amount recognized as an expense is adjusted to reflect the number of share options expected to vest.

Included in the options granted for the year ended March 31, 2017 are 3,500,000 performance options granted to key senior executives of Antibe and Citagenix. Vesting of these performance options is subject to the successful achievement of certain goals related to advancements in the clinical development of the Company's lead drug, capital efficiency, and corporate profitability. The determination that the goals have been met is the responsibility of the Board of Directors.

Option pricing models require the input of highly subjective assumptions, particularly as to the expected price volatility of the stock and the expected life of the option. Changes in the subjective input assumptions can materially affect the fair value estimate. There is no cash cost to the Company related to these options.

The following is a summary of all options to purchase common shares that are outstanding as at March 31, 2018 and 2017, as well as details on exercise prices and expiry dates:

	2018		2017	
	Options	Weighted average exercise price	Options	Weighted average exercise price
		\$		\$
Balance, beginning of the year	21,134,000	0.25	11,449,000	0.29
Granted during the year	73,500	0.19	9,712,000	0.20
Forfeited during the year	(343,132)	0.19	(27,000)	0.34
Expired during the year	(24,000)	0.52	-	-
Balance, end of the year	20,840,368	0.25	21,134,000	0.25

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Notes to Consolidated Financial Statements
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9. SHARE CAPITAL *(continued)*

Number of options	Exercise price	Expiry date
	\$	
300,000	0.24	May 5, 2018
12,000	0.17	November 17, 2018
12,000	0.15	March 9, 2019
12,000	0.13	June 10, 2019
12,000	0.23	September 6, 2019
24,000	0.19	January 18, 2020
2,700,000	0.33	January 25, 2020
18,000	0.20	March 31, 2020
150,000	0.55	October 21, 2023
805,000	0.66	March 4, 2024
75,000	0.54	May 9, 2024
604,799	0.14	July 13, 2025
6,651,357	0.15	March 9, 2026
150,000	0.19	January 18, 2027
9,240,712	0.20	March 31, 2027
37,500	0.085	October 20, 2020
36,000	0.29	February 27, 2021
20,840,368		

The number of options exercisable as at March 31, 2018 is 14,045,507, and the weighted average exercise price of these options is \$0.23.

The following assumptions were used in the BSM to determine the fair value of the share-based compensation expense relating to stock options in the year:

	2018	2017
Risk-free interest rate	1.53% - 1.89%	0.53% - 1.70%
Expected volatility	121% - 173%	157% - 172%
Expected dividend yield	0.00%	0.00%
Expected life of options	3 years	3 - 10 years
Weighted average share price	\$0.19	\$0.20
Exercise price	\$0.085 - \$0.29	\$0.13 - \$0.23

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9. SHARE CAPITAL *(continued)*

(d) Common share purchase warrants

In conjunction with the private placement or prospectus capital raises, the following broker and finder warrants were granted during the years ended March 31, 2018 and 2017:

Closing date	Private placement / prospectus	Number of broker / finder warrants issued	Non-cash cost from issuance of warrants to brokers / finders	Broker / finder warrant exercise price	Broker / finder warrant expiry date
			\$	\$	
June 10, 2016	PP4a	318,000	31,094	0.15	June 10, 2018
June 20, 2016	PP4b	378,880	37,056	0.15	June 20, 2018
December 15, 2016	PP5a	1,145,088	106,891	0.15	June 15, 2018
December 21, 2016	PP5b	165,150	14,212	0.15	June 21, 2018
June 21, 2017	P2017a	2,834,930	255,200	0.10	June 21, 2019
August 18, 2017	P2017b	653,101	53,830	0.10	June 21, 2019
March 31, 2018*	P2017a and P2017b	1,045,928		0.15	June 21, 2020

*The broker warrants issued under the June 21, 2017 and August 18, 2017 prospectus capital raise entitle the holder, upon exercise, to receive one common share of the Company and one-half broker warrant warrant. Each whole broker warrant warrant entitles the holder to purchase one common share of the company at an exercise price of \$0.15 and expires June 21, 2020. As at March 31, 2018, 2,091,854 P2017a and P2017b broker warrants were exercised resulting in the issuance of 1,045,928 broker warrants.

The estimated fair value of the broker/finder warrants was calculated using the BSM and was offset against share capital and common share purchase warrants as share issuance costs. The assumptions used for the BSM are summarized at the end of this note.

The following is a summary of all warrants to purchase common shares that are outstanding as at March 31, 2018 and 2017, as well as details on exercise prices and expiry dates:

	2018		2017	
	Warrants	Weighted average exercise price	Warrants	Weighted average exercise price
		\$		\$
Balance, beginning of the year	31,948,454	0.23	16,213,362	0.31
Granted during the year	29,448,458	0.14	18,483,772	0.18
Exercised during the year	(21,699,781)	0.18	(1,424,900)	0.13
Expired during the year	(930,683)	0.60	(1,323,780)	0.77
Balance, end of the year	38,766,448	0.18	31,948,454	0.23

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9. SHARE CAPITAL *(continued)*

Number of warrants	Exercise price	Expiry date
	\$	
162,500	0.15	April 1, 2018
125,000	0.15	April 9, 2018
2,067,500	0.15	June 10, 2018
633,297	0.15	June 15, 2018
2,418,000	0.15	June 20, 2018
46,150	0.15	June 21, 2018
1,740,000	0.31	October 15, 2018
168,000	0.83	December 1, 2018
7,094,735	0.22	December 15, 2018
967,500	0.22	December 21, 2018
120,000	0.22	March 27, 2019
907,500	0.83	June 1, 2019
1,396,177	0.10	June 21, 2019
20,920,089	0.15	June 21, 2020
38,766,448		

The following assumptions were used in the BSM to determine the fair value of warrants in the year:

	2018	2017
Risk-free interest rate	0.91% - 1.59%	0.49% - 1.70%
Expected volatility	104% - 176%	121% - 203%
Expected dividend yield	0.00%	0.00%
Expected life of warrants and options	2 - 3 years	1.5 - 10 years
Weighted average share price	\$0.14	\$0.18
Exercise price	\$0.10 - \$0.15	\$0.10 - \$0.23

10. LOSS PER SHARE

Basic loss per share is calculated by dividing the net loss attributable to common shareholders by the weighted average number of common shares outstanding during the year. All unexercised share options and warrants were excluded from calculating diluted loss per share.

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11. SEGMENTED RESULTS

The Company has two primary business segments: Antibe Therapeutics, a pharmaceutical development company, and Citagenix, a marketer and distributor of regenerative medicines serving the dental and orthopaedic market places. Prior to the acquisition of Citagenix on October 15, 2015, the Company had only one business segment.

The segmented performance of these two businesses as at March 31, 2018 and 2017 is as follows:

	2018			2017		
	Antibe	Citagenix	Consolidated	Antibe	Citagenix	Consolidated
	\$	\$	\$	\$	\$	\$
Revenue	-	8,510,149	8,510,149	-	9,054,404	9,054,404
Cost of goods sold	-	5,134,909	5,134,909	-	5,120,594	5,120,594
Gross profit	-	3,375,240	3,375,240	-	3,933,810	3,933,810
Expenses	5,809,100	5,270,733	11,079,833	4,634,166	5,410,468	10,044,634
Loss before income taxes	(5,809,100)	(1,895,493)	(7,704,593)	(4,634,166)	(1,476,658)	(6,110,824)

There is no single customer who comprises more than 10% of revenue.

The Company's assets and liabilities by each business as at March 31, 2018 and 2017 are as follows:

	2018			2017		
	Antibe	Citagenix	Consolidated	Antibe	Citagenix	Consolidated
	\$	\$	\$	\$	\$	\$
Assets:						
Current	4,158,760	4,151,869	8,310,629	2,267,186	3,956,218	6,223,404
Non-current	1,600,031	2,580,270	4,180,301	1,600,081	2,902,212	4,502,293
Total assets	5,758,791	6,732,139	12,490,930	3,867,267	6,858,430	10,725,697
Liabilities:						
Current	526,507	2,905,743	3,432,250	420,139	2,726,917	3,147,056
Non-current	1,083,540	-	1,083,540	4,025,212	-	4,025,212
Total liabilities	1,610,047	2,905,743	4,515,790	4,445,351	2,726,917	7,172,268

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12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The following table summarizes accounts payable and accrued liabilities as at March 31, 2018 and 2017:

	2018	2017
	\$	\$
Accounts payable		
Antibe	114,692	61,212
Citagenix	1,257,619	968,525
BMT	99,800	79,731
	1,472,111	1,109,468
Accrued liabilities		
Antibe	165,696	358,927
Citagenix	158,446	430,822
BMT	98,621	95,575
	422,763	885,324
Total accounts payable and accrued liabilities	1,894,874	1,994,792

13. DEFERRED REVENUE

On February 24, 2017, Antibe entered into an exclusive long-term license and distribution agreement (the "License Agreement") with Acbel for ATB-346 in Albania, Algeria, Bulgaria, Greece, Jordan, Romania and Serbia (the "Territory"). Acbel is an affiliated holding company of Galenica SA and one of the largest pharmaceutical companies in Greece. Under the terms of the license agreement, Antibe was issued an upfront payment of €800,000 and is entitled to receive a 5% royalty on net sales of ATB-346 in the Territory. The upfront revenue is reflected in deferred revenue until the point that Acbel can benefit from the license.

The amount of the license upfront payment is included on the consolidated statements of financial position as deferred revenue.

14. GENERAL AND ADMINISTRATIVE EXPENSES

The nature of the general and administrative expenses for the years ended March 31, 2018 and 2017 is summarized as follows:

	2018	2017
	\$	\$
Salaries and wages	1,284,160	1,792,305
Professional and consulting fees	904,244	1,110,286
Licensing fees	-	150,000
Office expenses	524,471	551,247
Other expenses	132,609	364,867
Total general and administrative	2,845,484	3,968,705

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15. SELLING AND MARKETING

The nature of the selling and marketing expenses for the years ended March 31, 2018 and 2017 is summarized as follows:

	<u>2018</u>	<u>2017</u>
	\$	\$
Salaries and wages	1,866,562	1,667,910
Commissions	544,835	532,052
Advertising and promotions	508,081	318,313
Travel and entertainment	461,801	446,387
Total selling and marketing	<u>3,381,279</u>	<u>2,964,662</u>

16. RESEARCH AND DEVELOPMENT

The nature of the research and development expenses for the years ended March 31, 2018 and 2017 is summarized as follows:

	<u>2018</u>	<u>2017</u>
	\$	\$
Salaries and wages	478,395	71,985
Professional and consulting fees	114,497	329,139
Development costs	2,208,752	117,155
Scientific Research and Experimental Development payment (rebate)	(59,168)	182,517
Total research and development	<u>2,742,476</u>	<u>700,796</u>

17. STOCK-BASED COMPENSATION

The function of the stock-based compensation expense for the years ended March 31, 2018 and 2017 is summarized as follows:

	<u>2018</u>	<u>2017</u>
	\$	\$
General and administrative	469,202	719,928
Research and development	223,794	435,825
Total stock-based compensation	<u>692,996</u>	<u>1,155,753</u>

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18. FINANCE AND RELATED COSTS

The components of the finance and related costs as at March 31, 2018 and 2017 are as follows:

	2018	2017
	\$	\$
Interest on convertible debenture	412,452	384,805
Accretion interest	611,471	305,138
Interest and bank charges	154,029	145,222
Unrealized foreign currency translation	(120,146)	70,577
Total finance and related costs	1,057,806	905,742

19. INCOME TAXES

The income tax provision recorded differs from the income tax obtained by applying the statutory income tax rate of 26.50% (2017 – 26.50%) to the loss before income taxes for the year, and is reconciled as follows:

	2018	2017
	\$	\$
Loss before income taxes	(7,704,593)	(6,110,824)
Expected income tax recovery at the combined basic and provincial tax rate:	(2,041,717)	(1,619,368)
Decrease (increase) resulting from:		
Non-deductible expenses	320,956	412,720
Share issuance costs	(309,362)	(70,394)
Others	28,917	38,997
Amount related to unrecognized deferred tax assets	1,726,445	873,042
Recovery of income taxes	(274,761)	(365,003)

The Company has incurred losses of \$19,375,590 for tax purposes, which are available to reduce future taxable income. Such benefits will be recorded as an adjustment to the tax provision in the year realized. The losses expire as follows:

	\$
In the year ending March 31	
2030	258,166
2031	607,722
2032	735,014
2033	875,160
2034	1,426,628
2035	2,006,240
2036	2,858,123
2037	3,002,487
2038	6,718,598
Indefinitely	887,452
	<u>19,375,590</u>

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19. INCOME TAXES *(continued)*

The cumulative carry-forward pool of SR&ED expenditures as at March 31, 2018 applicable to future years, with no expiry date, is \$4,716,807.

20. DEFERRED INCOME TAXES

The recognized temporary differences and tax losses are attributable to the following:

	2018	2017
	\$	\$
Amount related to tax loss	578,774	471,236
Amount related to intangible assets on business combination	(625,192)	(710,754)
Amount related to foreign exchange translation gains	(20,337)	(10,644)
Amount related to transaction costs	630	867
Amount related capital property	13,723	1,236
Amount related to eligible capital property	52,402	(61,795)
Net deferred income tax liabilities	-	(309,854)

Deferred tax expense of \$9,733 (2017 – \$10,644) related to the foreign exchange translation gains, was recognized in other comprehensive income for the year.

Deferred tax assets have not been recognized in respect of the following temporary differences:

	2018	2017
	\$	\$
Amount related to tax loss carryforwards	4,541,168	3,109,404
Amount related to eligible capital property	67,099	58,141
Amount related to SR&ED expenditures	1,249,954	1,100,595
Amount related to donations	14,178	13,250
Amount related to ITC, net of tax	461,975	380,611
Amount related to ORDTC, net of tax	39,248	-
Amount related to share issuance costs	351,138	194,879
	6,724,760	4,856,880

Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company will be able to use these benefits.

21. FINANCIAL INSTRUMENTS

The carrying values of cash, term deposits, restricted cash, accounts receivable, due from AHI, bank indebtedness, accounts payable and accrued liabilities approximate fair values due to the relatively short-term maturities of these instruments.

The fair value of convertible debentures approximates their carrying value as the instruments are discounted at market rates.

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into a hierarchy based on the degree to which the fair value is observable. Level 1 fair value measurements are derived from unadjusted, quoted prices in active markets for identical assets or liabilities. Level 2 fair value measurements are derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability directly or indirectly. Level 3 fair value measurements are derived from valuation techniques that include inputs for the assets or liabilities that are not based on observable market data.

Financial instruments classified as Level 1 include cash, term deposits, restricted cash and bank indebtedness. At the current time, the Company does not have financial instruments classified in Level 2 or Level 3, other than the convertible debentures (note 8).

22. CAPITAL RISK MANAGEMENT

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the research, development and patent of drugs and the growth objectives of Citagenix. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity.

The Company includes the following in its definition of capital: common shares, common share purchase warrants, contributed surplus, accumulated other comprehensive income and deficit, which total \$7,975,140 (2017 – 3,553,429). The Company is not subject to externally imposed capital requirements.

23. FINANCIAL RISK MANAGEMENT

The Company is exposed to a variety of financial risks by virtue of its activities: market risk (including interest rate risk), credit risk, liquidity risk and foreign currency risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance.

Risk management is carried out by the officers of the Company as discussed with the Board. The officers of the Company are charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated in accordance with the expectation of the Board as follows:

Credit risk

The Company's credit risk is primarily attributable to accounts receivable, amount due from AHI and the excess of cash held in one financial institution over the deposit insurance by Canadian Deposit Insurance Corporation. The Company, in the normal course of operation, monitors the financial condition of its customers. The Company establishes an allowance for doubtful accounts that corresponds to the specific credit risk of its customers, historical trends and economic conditions.

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23. FINANCIAL RISK MANAGEMENT *(continued)*

Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they become due or can do so only at excessive cost. The Company manages its liquidity risk by forecasting cash flows and anticipated investing and financing activities. Officers of the Company are actively involved in the review and approval of planned expenditures, including actively seeking capital investment and generating revenue and profit from the commercialization of its products.

As at March 31, 2018, the Company's financial obligations, including applicable interest, are due as follows:

	Less than one year	1 – 2 years	After 2 years	Total
	\$	\$	\$	\$
Accounts payable and accrued liabilities	1,894,874	-	-	1,894,874
Bank indebtedness	1,291,259	-	-	1,291,259
Convertible debentures	246,117	-	-	246,117
Interest on the above financial obligations	113,351	-	-	113,351
	<u>3,545,601</u>	<u>-</u>	<u>-</u>	<u>3,545,601</u>

Foreign currency risk

The functional and reporting currency of the Company is the Canadian dollar. The Company undertakes transactions denominated in foreign currencies, including US dollars and euros, and, as such, is exposed to currency risk due to fluctuations in foreign exchange rates against the Canadian dollar. The Company does not use derivative instruments to reduce exposure to foreign exchange risk.

Interest rate risk

Interest risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company is currently exposed to interest rate risk on its credit facility and long-term debt.

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24. COMMITMENTS AND CONTINGENCIES

(a) Royalty and milestone commitment

On December 22, 2009, the Company entered into a License Agreement with AHI that provided for the exclusive right and license to research, develop, and commercialize various patents. Pursuant to the agreement, the Company paid an upfront non-refundable license fee of \$150,000 to obtain exclusive right to the patents. The agreement requires the Company to pay royalties of 4% of all net sales upon the first commercial sale or, if the Company sublicenses the patents, the Company will pay a 15% royalty on royalty revenue earned. Additionally, the Company is required to make milestone payments to AHI at various stages of development, namely:

- the greater of a \$150,000 payment upon enrolment of the first patient in a Phase I clinical trial or 10% of any milestone payment received from a sublicense relation thereto;
- the greater of a \$150,000 payment upon enrolment of the first patient in the first Phase II clinical trial or 10% of any milestone payment received from a sublicense relation thereto;
- the greater of a \$150,000 payment upon enrolment of the first patient in the first Phase III clinical trial or 10% of any milestone payment received from a sublicense relation thereto;
- the greater of a \$250,000 payment upon the first filing of a new drug application or 10% of any milestone payment received from a sublicense relation thereto; and
- the greater of a \$750,000 payment upon receipt of the first regulatory approval from any relevant registration authority or 10% of any milestone payment received from a sublicense relation thereto.

On June 29, 2016, the Company made a milestone payment of \$150,000 to AHI as a result of the enrolment of the first patient in ATB-346's Phase II clinical trial.

(b) Royalty agreement

On November 16, 2015, the Company announced the signing of an exclusive long-term license and distribution agreement with Knight, a leading Canadian specialty pharmaceutical company, for the Company's anti-inflammatory and pain drugs, ATB-346, ATB-352 and ATB-340, as well as the rights to other, future prescription drugs. Under the terms of the license agreement, the Company has granted Knight the exclusive commercial rights for the Company's drug candidates and other future prescription drugs in Canada, Israel, Russia and sub-Saharan Africa. The Company is entitled to royalties on annual sales, along with the potential for \$10 million in payments for sales-based milestones.

(c) Licensing and distribution agreement

On January 12, 2016, the Company announced the signing of an exclusive Licensing and Distribution Agreement with Induce Biologics Inc. ("Induce") for the Canadian rights for Induce's URIST ("Licensed Product") biological product for dental and craniofacial applications. URIST is a bone graft substitute that contains bone morphogenetic protein-2 (BMP), and is being developed as a means of promoting the regeneration of bone following dental and oral maxillofacial surgery. The Company is committed to royalty fees paid quarterly based on net sales of the Licensed Product starting at the end of the quarter following the date of the first commercial sale of the URIST to Canadian market. As at March 31, 2018, the first commercial sale of URIST had not yet occurred. There were no indicators of impairment on this license.

(d) Office lease commitments

The Company has entered into long-term leases for its premises. The future minimum payments under the lease agreements are as follows:

	\$
No later than 1 year	244,875
Later than 1 year but no later than 5 years	979,501
Total	1,224,376

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24. COMMITMENTS AND CONTINGENCIES (*continued*)

(e) Retention Bonus

Certain Company executives are eligible to receive retention bonuses based on achieving certain profitability targets. To date, no accrual has been made for such bonuses as the probability of payout is uncertain.

25. SUBSEQUENT EVENTS

(a) The following is a summary of all options exercised in the period from April 1, 2018 to the date of issuance of these consolidated financial statements:

Exercise price	Number of options exercised	Proceeds
\$		\$
0.140	44,799	6,272
0.145	2,419,570	350,838
0.200	95,837	19,167
0.235	300,000	70,500
	<u>2,860,206</u>	<u>446,777</u>

Each of the options entitled the bearer to purchase one common share of the Company.

(b) The following is a summary of all warrants exercised in the period from April 1, 2018 to the date of issuance of these consolidated financial statements:

Exercise price	Number of warrants exercised	Proceeds
\$		\$
0.100	50,000	5,000
0.150	6,153,107	922,966
0.220	360,000	79,200
0.310	1,600,000	496,000
	<u>8,163,107</u>	<u>1,503,166</u>

Each of the warrants entitled the bearer to purchase one common share of the Company.

(c) On April 10, 2018 and April 13, 2018, the remaining senior secured convertible debentures, including all interest paid-in-kind, were converted to common shares of the Company. In total, 1,231,533 common shares were issued at \$0.22 per share for a total conversion of \$270,937 subsequent to March 31, 2018.
