

**ANTIBE THERAPEUTICS INC.**  
**Consolidated Financial Statements**  
**March 31, 2014**  
*(Expressed in Canadian Dollars)*

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## INDEPENDENT AUDITORS' REPORT

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To the Shareholders of Antibe Therapeutics Inc.

We have audited the accompanying consolidated financial statements of Antibe Therapeutics Inc., which comprise the consolidated statements of financial position as at March 31, 2014 and March 31, 2013 and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditors' Responsibility*

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

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

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

*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Antibe Therapeutics Inc. as at March 31, 2014 and March 31, 2013 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) of the consolidated financial statements which describe conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Toronto, Ontario  
July 24, 2014

*Zeifmans LLP*

Chartered Accountants  
Licensed Public Accountants

**ANTIBE THERAPEUTICS INC.**  
**(Incorporated Under the Laws of Ontario)**  
**Consolidated Statements of Financial Position**  
**As at March 31, 2014**

(Expressed in Canadian Dollars)

	<b>2014</b>	<b>2013</b>
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	\$ 3,754,862	\$ 194,301
Harmonized sales tax recoverable	330,344	130,767
Prepaid expenses	123,548	46,125
Due from Antibe Holdings Inc. (note 5)	<u>142,752</u>	<u>85,941</u>
	<b>4,351,506</b>	457,134
<b>OTHER</b>		
Deferred share issuance costs (note 7)	<u>-</u>	<u>280,891</u>
<b>TOTAL ASSETS</b>	<b>\$ 4,351,506</b>	<b>\$ 738,025</b>

See accompanying notes to consolidated financial statements

**ANTIBE THERAPEUTICS INC.**  
**Consolidated Statements of Financial Position**  
**As at March 31, 2014**

(Expressed in Canadian Dollars)

	2014	2013
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	\$ 473,826	\$ 536,988
Deposit received ( <i>note 16</i> )	225,000	-
Payable to Schmed Enterprises Inc. ( <i>note 5</i> )	121,734	-
Payable to AltaPharm International Ltd. ( <i>note 5</i> )	212,306	-
Convertible debentures ( <i>note 6</i> )	-	761,876
	<u>1,032,866</u>	<u>1,298,864</u>
<b>LONG-TERM</b>		
Payable to AltaPharm International Ltd. ( <i>note 5</i> )	-	283,490
Payable to Schmed Enterprises Inc. ( <i>note 5</i> )	-	162,550
	<u>-</u>	<u>446,040</u>
<b>TOTAL LIABILITIES</b>	<u>1,032,866</u>	<u>1,744,904</u>
<b>SHAREHOLDERS' EQUITY (DEFICIENCY)</b>		
SHARE CAPITAL ( <i>note 7</i> )	7,205,614	1,372,233
COMMON SHARES PURCHASE WARRANTS ( <i>note 7</i> )	826,148	449,067
CONTRIBUTED SURPLUS	1,860,857	1,065,739
DEFICIT	<u>(6,573,979)</u>	<u>(3,893,918)</u>
<b>TOTAL SHAREHOLDERS' EQUITY (DEFICIENCY)</b>	<u>3,318,640</u>	<u>(1,006,879)</u>
	<u>\$ 4,351,506</u>	<u>\$ 738,025</u>

COMMITMENTS (*note 15*)

**APPROVED BY THE BOARD ON JULY 24, 2014**

(Signed) Daniel Legault Daniel Legault, Director

(Signed) John Wallace John Wallace, Director

See accompanying notes to consolidated financial statements

**ANTIBE THERAPEUTICS INC.**
**Consolidated Statements of Changes in Shareholders' Equity (Deficiency)**
**Year Ended March 31, 2014**

(Expressed in Canadian Dollars)

	Number of common shares	Share capital	Common shares purchase warrants	Contributed Surplus	Deficit	Total
Balance, March 31, 2012	19,482,000	\$ 1,320,345	\$ 415,955	\$ 886,759	\$ (2,848,815)	\$ (225,756)
Shares and warrants issued (note 7(b)(iii))	204,000	57,074	27,926	-	-	85,000
Equity component of convertible debentures (note 6)	-	-	-	54,483	-	54,483
Effect of modification (note 7(b)(iii))	-	(5,186)	5,186	-	-	-
Stock-based compensation (note 7(c))	-	-	-	124,497	-	124,497
Net loss and comprehensive loss	-	-	-	-	(1,045,103)	(1,045,103)
Balance, March 31, 2013	19,686,000	1,372,233	449,067	1,065,739	(3,893,918)	(1,006,879)
Shares issued from initial public offering (note 7(b)(i))	5,736,545	3,155,100	-	-	-	3,155,100
Share issuance costs from initial public offering (note 7(b)(i))	-	(1,184,713)	-	245,467	-	(939,246)
Conversion of debentures (note 6)	2,215,339	831,524	-	(54,483)	-	777,041
Shares and warrants issued from private placements (note 7(b)(ii))	7,293,707	3,885,741	377,081	-	-	4,262,822
Share issuance costs from private placements (note 7(b)(ii))	-	(854,271)	-	418,814	-	(435,457)
Stock-based compensation (note 7(c))	-	-	-	185,320	-	185,320
Net loss and comprehensive loss	-	-	-	-	(2,680,061)	(2,680,061)
<b>Balance, March 31, 2014</b>	<b>34,931,591</b>	<b>\$ 7,205,614</b>	<b>\$ 826,148</b>	<b>\$ 1,860,857</b>	<b>\$ (6,573,979)</b>	<b>\$ 3,318,640</b>

See accompanying notes to consolidated financial statements

**ANTIBE THERAPEUTICS INC.****Consolidated Statements of Loss and Comprehensive Loss****For the Year Ended March 31, 2014**

(Expressed in Canadian Dollars)

	<b>2014</b>	<b>2013</b>
<b>EXPENSES</b>		
Research and development ( <i>notes 4, 5 and 9</i> )	\$ 1,227,590	\$ 262,817
Salaries and wages ( <i>note 5</i> )	384,443	70,371
Professional fees	313,157	221,144
Consulting fees	293,805	247,613
Stock-based compensation ( <i>note 7</i> )	185,320	124,497
Advertising and promotion	72,243	10,790
Office and sundry ( <i>note 5</i> )	53,790	13,263
Rent ( <i>note 15</i> )	49,450	36,000
Travel	44,814	17,230
Dues and subscriptions	29,139	-
Accretion interest ( <i>note 6</i> )	15,165	26,359
Telephone	9,623	10,461
Insurance	7,817	4,558
	<b>2,686,356</b>	<b>1,045,103</b>
<b>LOSS FROM OPERATIONS</b>	<b>(2,686,356)</b>	<b>(1,045,103)</b>
<b>INTEREST INCOME</b>	<b>6,295</b>	<b>-</b>
<b>NET LOSS AND COMPREHENSIVE LOSS</b>	<b>\$ (2,680,061)</b>	<b>\$ (1,045,103)</b>
<b>Loss per share (<i>note 8</i>)</b>		
Basic and diluted	<b>\$ (0.10)</b>	<b>\$ (0.05)</b>
<b>Weighted average number of shares outstanding (<i>note 8</i>)</b>		
Basic and diluted	<b>26,173,467</b>	<b>19,677,551</b>

See accompanying notes to consolidated financial statements

**ANTIBE THERAPEUTICS INC.**  
**Consolidated Statements of Cash Flows**  
**For the Year Ended March 31, 2014**

(Expressed in Canadian Dollars)

	<b>2014</b>	<b>2013</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss and comprehensive loss	\$ (2,680,061)	\$ (1,045,103)
Items not affecting cash:		
Accretion interest	15,165	26,359
Stock-based compensation	185,320	124,497
	<u>(2,479,576)</u>	<u>(894,247)</u>
Changes in non-cash working capital:		
Accounts payable and accrued liabilities	(175,162)	586,424
Prepaid expenses	(77,423)	(42,735)
Harmonized sales tax recoverable	(199,577)	(130,767)
	<u>(452,162)</u>	<u>412,922</u>
Cash flows from operating activities	<u>(2,931,738)</u>	<u>(481,325)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipt from Antibe Holdings Inc.	-	38,695
Advances to Antibe Holdings Inc.	(56,811)	(106,564)
Proceeds on issuance of shares and warrants	7,417,923	85,000
Proceeds on issuance of convertible debentures	-	790,000
Share issuance costs	(1,093,813)	(224,891)
Proceeds from deposit on issuance of shares	225,000	-
Cash flows from financing activities	<u>6,492,299</u>	<u>582,240</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS FOR THE YEAR</b>	<b>3,560,561</b>	<b>100,915</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>194,301</b>	<b>93,386</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 3,754,862</b>	<b>\$ 194,301</b>
<b>CASH CONSISTS OF:</b>		
Cash	\$ 3,104,862	\$ 194,301
Term deposits	650,000	-
	<u>\$ 3,754,862</u>	<u>\$ 194,301</u>

See accompanying notes to consolidated financial statements



# ANTIBE THERAPEUTICS INC.

## Notes to Consolidated Financial Statements

March 31, 2014

(Expressed in Canadian Dollars)

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### 1. DESCRIPTION OF BUSINESS

Antibe Therapeutics Inc. (the "Company") was incorporated under the Business Corporations Act (Ontario) on May 5, 2009 as a private company. 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 "Closing Date"), the Company completed its initial public offering ("IPO") and was listed on the TSX Venture Exchange.

The Company originates, develops and out-licenses patent-protected new pharmaceuticals that are improved versions of existing drugs. Antibe's lead compound, ATB-346, combines hydrogen sulfide with naproxen, an approved, marketed and off-patent non-steroidal anti-inflammatory drug. The Company's main objective is to develop ATB-346 to the end of Phase II, a possible strategic exit point, by satisfying the requirements of both the drug regulatory authorities and potential commercial licensors and global partners. The Company has established a development plan for its lead compound through to the end of Phase III human clinical studies for regulatory discussion purposes and intends to move through this development program quickly and efficiently. Additionally, the Company continues to investigate other assets in its pipeline as well as additional development opportunities that it has access to while not losing sight of its main objective.

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

Approximately 43% of the Company's common shares are held by Antibe Holdings Inc. ("AHI").

Certain comparative amounts have been reclassified to conform with presentation adopted in the current year.

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### 2. BASIS OF PRESENTATION

#### (a) General -

The Consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS).

#### (b) Consolidation -

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Antibe Terapiya Rus LLC, which was incorporated by the Company on April 24, 2012. All intercompany accounts and transactions have been eliminated on consolidation.

#### (c) Going concern -

The financial statements have been prepared assuming that the Company will continue as a going concern. As at March 31, 2014, the Company had a working capital of \$3,318,640 (2013 - \$(841,730)), for the year then ended incurred a net loss of \$2,680,061 (2013 - \$1,045,103), and had negative cash flow from operations of \$2,931,738 (2013 - \$481,325).

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## ANTIBE THERAPEUTICS INC.

### Notes to Consolidated Financial Statements

March 31, 2014

(Expressed in Canadian Dollars)

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#### 2. BASIS OF PRESENTATION *(continued)*

All of the factors above raise substantial 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 to generate 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 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.

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

##### **(d) Basis of measurement -**

These consolidated financial statements are prepared on a historical cost basis, except for certain financial instruments and stock-based compensation that are measured on a fair value basis.

##### **(e) 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 revenue and 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 period in which such adjustments become known. Significant estimates in these consolidated financial statements include deferred income tax valuations, valuation of convertible debentures, determination of eligible expenditures for investment tax credit ("ITC") purposes and inputs related to the calculation of fair value of stock-based compensation and warrants.

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#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### **Cash and cash equivalents -**

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

##### **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.

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**ANTIBE THERAPEUTICS INC.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2014**

(Expressed in Canadian Dollars)

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

**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. A valuation allowance is provided for the portion of the deferred tax assets that is probable to remain unrealized. Deferred tax assets and liabilities are measured using tax rates enacted by tax law or substantially enacted for the years in which deferred future 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 cost -**

These costs related directly to the proposed issuance of shares by the Company pursuant to the initial public offering and private placements. Upon completion of the initial public offering and private placements, the costs were 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 credit -**

Amounts received or receivable resulting from government assistance programs are recognized where 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.

ITC receivable are amounts refundable from the Canadian federal and provincial government under the Scientific Research & Experimental Development ("SR&ED") 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.

**Research and development expense**

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

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**ANTIBE THERAPEUTICS INC.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2014**

(Expressed in Canadian Dollars)

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

**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 may include multiple elements, which are reviewed in order to determine whether the multiple 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.

Interest income is recognized on an effective interest method as earned.

**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 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.

**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.

**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.

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**ANTIBE THERAPEUTICS INC.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2014**

(Expressed in Canadian Dollars)

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

(i) FVTPL financial instruments -

Financial assets are classified as FVTPL when the financial asset is held for trading or it is designated as FVTPL. A financial asset 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-taking; or it is a derivative that is not designated and effective as a hedging instrument. Financial assets classified as FVTPL are initially measured at fair value with any subsequent gain or loss recognized in other income. The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. The Company classifies cash and term deposits 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) 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, held-to-maturity, 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.

(iv) 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

(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, payable to Schmed Enterprises Ltd. ("Schmed"), payable to AltaPharm International Ltd. ("AltaPharm") and convertible debentures as other financial liabilities.

**Future changes in significant accounting policies -**

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

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## ANTIBE THERAPEUTICS INC.

### Notes to Consolidated Financial Statements

March 31, 2014

(Expressed in Canadian Dollars)

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

The IASB intends to replace IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"), in its entirety with IFRS 9, Financial Instruments: Classification and Measurement, ("IFRS 9"), in three main phases. IFRS 9 will then be the new standard for the financial reporting of financial instruments that is principles-based and less complex than IAS 39. In November 2009 and October 2010, phase 1 of IFRS 9 was issued and amended, respectively, which addressed the classification and measurement of financial assets and financial liabilities. IFRS 9 requires that all financial assets be classified as subsequently measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified as subsequently measured at amortized cost except for financial liabilities classified as FVTPL, financial guarantees and certain other exceptions. In response to delays to the completion of the remaining phases of the project, on December 16, 2011, the IASB issued amendments to IFRS 9 which deferred the mandatory effective date of IFRS 9 from January 1, 2013, to annual periods beginning on or after January 1, 2015. The amendments also provided relief from the requirement to restate comparative financial statements for the effects of applying IFRS 9.

In February 2014, the mandatory effective date of the IFRS was tentatively amended from January 1, 2015 to annual periods beginning on or after January 1, 2018

Management anticipates that this standard will be adopted in the Company's financial statements for the period beginning April 1, 2018 and has not yet considered the potential impact of the adoption of IFRS 9.

In December 2011, the IASB amended IAS 32 - Financial Instruments: Presentation to clarify certain requirements for offsetting financial assets and liabilities. This amendment is required for accounting periods beginning on or after January 1, 2014. The Company does not anticipate this amendment to have a significant impact on its financial statements.

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#### 4. PRODUCTS UNDER LICENSE AND DEVELOPMENT

There are several products currently under license and development:

(i) ATB-346: Acute and Chronic Pain: is a non-steroidal anti-inflammatory (NSAID) product that is designed to improve upon existing treatments for acute and chronic pain with a reduction in the occurrence of undesired gastrointestinal effects.

(ii) ATB-352: Gout: is a product that is designed to improve upon existing treatments for the pain associated with gout.

Since inception, the cumulative research and development costs that have been incurred in developing the products total \$2,188,313.

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#### 5. RELATED PARTY TRANSACTIONS

(i) The Company used AltaPharm, a company controlled by the Company's Chief Scientific Officer ("CSO"), for research and development pursuant to a CSO agreement and for bookkeeping services. During the year, the Company incurred costs of \$238,875 included in research and development expenses (2013 - \$260,000) and \$20,650 included in office and sundry expenses (2013 - \$2,500) related to these services. As at March 31, 2014, \$212,306 (2013 - \$283,490) was outstanding.

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**ANTIBE THERAPEUTICS INC.**

**Notes to Consolidated Financial Statements**

**March 31, 2014**

(Expressed in Canadian Dollars)

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5. RELATED PARTY TRANSACTIONS (*continued*)

On March 1, 2014, the Company terminated its consulting agreement with AltaPharm for research and development pursuant to the CSO agreement, and entered into an employment agreement with John Wallace, CSO of the Company.

The Company used Schmed Enterprises Inc. ("Schmed"), a company controlled by the Company's Chief Executive Officer ("CEO"), for consulting services pursuant to a CEO agreement. During the year, the Company incurred costs of \$108,333 (2013 - \$260,000) related to these services and as at March 31, 2014, \$121,734 (2013 - \$162,550) was outstanding.

On September 1, 2013, the Company terminated its consulting agreement with Schmed and entered into an employment agreement with Dan Legault, CEO of the Company.

The balances bear no interest. Prior to March 26, 2013 (the "Effective Date"), the balances were payable on demand and subsequent to the Effective Date, the balances were payable in accordance with the terms of a forbearance agreement (note 5(ii)).

(ii) On the Effective Date, the Company entered into forbearance agreements with Schmed and AltaPharm whereby the related parties agreed not to enforce, for a period of 24 months from the date thereof, their right to receive earned but unpaid compensation of \$283,490 in the case of AltaPharm and \$162,550 in the case of Schmed pursuant to the terms of their consulting agreements with the Company. The forbearance agreements terminate in the event that the Company completes a debt or equity financing for gross proceeds of not less than \$5,000,000. By March 31, 2014, the Company had completed cumulative equity financing in excess of \$5,000,000 thus terminating the forbearance agreements. Accordingly, the balances were classified as current liabilities (see note 16(b)).

(iii) During the year, the Company advanced \$56,811 (2013 - \$106,564) to AHI and received \$nil (2013 - \$38,695) from AHI. As at March 31, 2014, \$142,752 was receivable (2013 - \$85,941). These balances bear no interest and are payable on demand.

(iv) In association with the IPO, on June 18, 2013 two private placement offerings with gross proceeds of \$155,100 were closed. One of these private placements with gross proceeds of \$100,100 and the issuance of 182,000 shares was made to a company beneficially owned by one of the Company's directors. The shares issued were subject to all of the conditions typically applied to common shares issued under a private placement including a four-month hold period on their trading.

(v) The aggregate compensation of the officers of the Company, paid either directly or indirectly, for the year ended March 31, 2014 was \$906,228 (2013 - \$605,583).

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the parties.

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**ANTIBE THERAPEUTICS INC.****Notes to Consolidated Financial Statements****March 31, 2014**

(Expressed in Canadian Dollars)

**6. CONVERTIBLE DEBENTURES**

During the period from November 13, 2012 to February 27, 2013, the Company issued unsecured convertible debentures totaling \$790,000. The debentures bore interest at 8% per annum and were to mature one year from the date of issue. The debentures were convertible into common shares of the Company at a one-third discount upon a liquidity event. A liquidity event is defined as the completion of a public offering of common shares by the Company and listing of same on a Canadian or US stock exchange; the sale for cash proceeds of all of the issued and outstanding shares in the capital stock of the Company or the amalgamation or any other corporate transaction involving the Company with or into another entity pursuant to which the common shares of the resulting issuer from such transaction are listed on a Canadian or US stock exchange.

The convertible debentures contain both a liability and an equity element represented by the option to convert to common shares. As a result, these two elements were split and classified separately as debt and equity. The Company allocated the amount relating to the issuance of the convertible debentures to those elements based on the residual method. The fair value of the liability component was estimated by calculating the present value of the debentures at a discount rate of 16%, which represents the estimated borrowing rate available for the Company for similar debentures having no conversion rights. The residual value was allocated to the equity component.

The allocation of the \$790,000 convertible debentures based on the residual method resulted in an allocation of \$735,517 to convertible debentures and \$54,483 to equity. The carrying value of the convertible debentures is accreted over their life through interest charges to the statement of loss and comprehensive loss being amortized on the effective yield basis using a discount rate of 16% so that the carrying value of the debt instrument at maturity will equal the face value of the outstanding convertible debentures plus accrued and unpaid interest. The following is a summary of changes in the Company's convertible debentures for the year:

	<b>2014</b>	<b>2013</b>
Balance, beginning of the year	\$ 761,876	\$ -
Issuance of convertible debenture at face value	-	790,000
Equity component of convertible debentures	-	(54,483)
Add: Accretion	7,021	12,203
Add: Accrued interest	8,144	14,156
Less: Conversion	(777,041)	-
Balance, end of the year	\$ -	\$ 761,876

On the closing date of the IPO, the outstanding convertible debentures plus the accrued but unpaid interest of \$22,300 were converted into 2,215,339 common shares (see note 7). This amount plus accrued accretion expense to June 18, 2013 of \$19,224, totaling \$831,524, was converted to share capital pursuant to the terms of the debenture agreement.



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7. SHARE CAPITAL

**(a) Authorized**

The Company has an unlimited number of authorized common shares.

**(b) Common shares**

(i) Initial public offering

Pursuant to the IPO, the Company issued 3,868,000 common shares at a price of \$0.55 per common share (the "Offering Price"), for gross proceeds of \$2,127,400. In addition, on the Closing Date the company completed private placements with two investors pursuant to which it issued an aggregate of 282,000 common shares at a price of \$0.55 per common share, for gross proceeds of \$155,100. The shares issued pursuant to this private placement were subject to a hold period that expired October 19, 2013.

Burgeonvest Bick Securities Limited and Euro Pacific Canada Inc. (together the "Agents") acted as the Company's agents during the offering process. Pursuant to the offering and private placements, the Company granted the Agents an aggregate of 405,000 options entitling them to purchase common shares, at the Offering Price, with an expiry period of 24 months from the Closing Date (see note 7(c)). In addition, the Agents were granted an over-allotment option to purchase up to an additional number of common shares equal to 15% of the number of common shares sold under the IPO. The exercise price of such options was equal to the Offering Price and the options expired 30 days after the closing of the offering. The Agents did not purchase additional shares under the over-allotment option.

Immediately following the closing of the IPO, all outstanding convertible debentures including accrued but unpaid interest were converted into common shares at a one-third discount to the Offering Price. The conversion resulted in the issuance of 2,215,339 common shares (see note 6)

On August 14, 2013 (the "Second Closing Date"), the Company successfully completed a second closing of its IPO (the "Second Closing"). Pursuant to the Second Closing, the Company issued 1,096,000 common shares at a price of \$0.55 per common share, resulting in gross proceeds of \$602,800. Pursuant to the Second Closing, the Agents were granted 109,600 options entitling them to purchase common shares, at the Offering Price of \$0.55 per common share, with an expiry period of 24 months from the Second Closing Date (see note 7(c)).

On August 22, 2013 (the "Third Closing Date"), the Company successfully completed a third closing of its IPO (the "Third Closing"). Pursuant to the Third Closing, the Company issued 490,545 common shares at a price of \$0.55 per common share, resulting in gross proceeds of \$269,800. Pursuant to Third Closing, the Agents were granted 49,054 options entitling them to purchase common shares, at the Offering Price, with an expiry period of 24 months from the Third Closing Date (see note 7(c)).

As at the Third Closing Date, the gross proceeds of the Company's IPO offering, including the Second and Third Closings, totaled the maximum allowed under the filed final prospectus of \$3,000,000. Including the two concurrent private placements, gross proceeds were \$3,155,100.

As a result of the IPO, total issuance costs of \$1,184,713 were incurred, of which \$245,467 was non-cash from the issuance of options to the Agents (see note 7(c)). All issuance costs were offset against share capital at each of the closing.

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**ANTIBE THERAPEUTICS INC.**  
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7. SHARE CAPITAL *(continued)*

(ii) Non-brokered private placements

On December 30, 2013 (the "PP1a Closing Date"), the Company successfully completed a private placement (the "PP1a"). Pursuant to the PP1a, the Company issued 1,635,354 units at a price of \$0.55 per unit for gross proceeds of \$899,445. Each unit was comprised of one common share and one-half warrant. Each warrant entitles the holder to purchase one common share at an exercise price of \$0.80 per common share and expires three years from the date of issuance. The gross proceeds have been prorated to common shares and warrants based on the relative fair value of each component as follows: common shares - \$628,962; warrants - \$270,483.

On January 28, 2014 (the "PP1b Closing Date"), the Company successfully completed a private placement (the "PP1b"). Pursuant to the PP1b, the Company issued 632,689 units at a price of \$0.55 per unit for gross proceeds of \$347,979. Each unit was comprised of one common share and one-half warrant. Each warrant entitles the holder to purchase one common share at an exercise price of \$0.80 per common share and expires three years from the date of issuance. The gross proceeds have been prorated to common shares and warrants based on the relative fair value of each component as follows: common shares - \$241,381; warrants - \$106,598.

On March 31, 2014 (the "PP2a Closing Date"), the Company successfully completed a private placement (the "PP2a"). Pursuant to the PP2a, the Company issued 5,025,664 common shares at a price of \$0.60 per common share for gross proceeds of \$3,015,398.

As a result of the private placements, total issuance costs of \$854,271 were incurred, of which \$418,814, was non-cash from the issuance of warrants to the finders (see note 7(d)). All issuance costs were offset against share capital at each of the closing.

(iii) Private offering

On February 7, 2013, the Company extended the expiry date of the common share purchase warrants issued in 2010 from December 1, 2016 to December 1, 2017. As a result of the modification, the allocation of the gross proceeds between the common shares and the warrants based on the relative fair value of each component was adjusted by \$5,186.

During the period from April 11, 2012 to May 16, 2012, the Company issued 204,000 units at a price of \$0.42 per unit for gross proceeds of \$85,000. Each unit was comprised of one common share and one-half warrant. Each warrant entitles the holder to purchase one common share at an exercise price of \$0.83 per common share and expires on June 1, 2019. The gross proceeds have been prorated to common shares and warrants based on the relative fair value of each component as follows: common shares - \$57,074; warrants - \$27,926.

**(c) Stock options**

The Company has established a stock option plan which provides a limited issuance of options, capped at 5,527,576 common shares. The plan is to encourage ownership of common shares by its directors, senior officers, subsidiaries and consultants. 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 or netted against share capital with a corresponding increase in contributed surplus. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

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**ANTIBE THERAPEUTICS INC.****Notes to Consolidated Financial Statements****March 31, 2014**

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**7. SHARE CAPITAL (continued)**

On March 4, 2014, the Company granted options on 1,025,000 common shares with an exercise price of \$0.66 per share to its directors and employees. Of 440,000 options (the "Base Options"), 25% of the options vest at the grant date while the remainder vest over 36 months, commencing two months after the grant date. The remaining 585,000 options (the "Bonus Options") are subject to certain performance conditions which have not been met at March 31, 2014. Once the conditions are met, 25% of the options vest immediately while the remainder vest over 36 months, commencing two months after the date it is determined the conditions are met. The estimated fair value of the Base and Bonus Options calculated using the BSM was \$735,251 and \$105,242 was expensed during the year and included in contributed surplus.

On October 22, 2013, the Company granted options on 250,000 common shares with an exercise price of \$0.55 per share to its directors and employees. 25% of the options vest at the grant date while the remainder vest over 36 months, commencing the month subsequent to the grant date. The estimated fair value of these options calculated using the BSM was \$136,966 and \$80,078 was expensed during the year and included in contributed surplus.

On the Third Closing Date, the Company granted options on 49,054 common shares with an exercise price of \$0.55 per share to the Agents. The estimated fair value of these options calculated using the BSM was \$20,246 and was offset against share capital as share issuance costs.

On the Second Closing Date, the Company granted options on 109,600 common shares with an exercise price of \$0.55 per share to the Agents. The estimated fair value of these options calculated using the BSM was \$47,201 and was offset against share capital as share issuance costs.

On the Closing Date, the Company granted options on 405,000 common shares with an exercise price of \$0.55 per share to the Agents. The estimated fair value of these options calculated using the BSM was \$178,020 and was offset against share capital as share issuance costs.

On December 1, 2012, the Company granted options on 300,000 common shares with an exercise price of \$0.42 per share to its Chief Financial Officer. The estimated fair value of these options calculated using the BSM was \$124,497 and was expensed during the year and included in contributed surplus.

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.

	<b>March 31, 2014</b>		<b>March 31, 2013</b>	
	<b>Options</b>	<b>Weighted average exercise price</b>	<b>Options</b>	<b>Weighted average exercise price</b>
Balance, beginning of the year	<b>3,000,000</b>	<b>\$ 0.34</b>	2,700,000	\$ 0.33
Granted during the year	<b>1,838,654</b>	<b>0.61</b>	300,000	0.42
Balance, end of the year	<b>4,838,654</b>	<b>\$ 0.44</b>	3,000,000	\$ 0.34

*(continues)*

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7. SHARE CAPITAL (continued)

Number of options	Exercise price	Expiry date
405,000	\$ 0.55	June 18, 2015
109,600	\$ 0.55	August 14, 2015
49,054	\$ 0.55	August 22, 2015
2,700,000	\$ 0.33	January 25, 2020
300,000	\$ 0.42	December 1, 2022
250,000	\$ 0.55	October 22, 2023
1,025,000	\$ 0.66	March 4, 2024
<b>4,838,654</b>		

**(d) Common share purchase warrants**

In addition to the warrants described in note 7(b)(ii), the following warrants were granted.

On the PP2a Closing Date, the Company granted 494,565 warrants to the finders (the "PP2a Finder Warrants"). Each PP2a Finder Warrant entitles the bearer to purchase one common share for a price of \$0.60 and expires two years from the date of issuance. The estimated fair value of these options calculated using the BSM was \$336,306 and was offset against share capital as share issuance costs.

On the PP1b Closing Date, the Company granted 51,450 warrants to the finders (the "PP1b Finder Warrants"). Each PP1b Finder Warrant entitles the bearer to purchase one common share for a price of \$0.80 and expires two years from the date of issuance. The estimated fair value of these options calculated using the BSM was \$23,726 and was offset against share capital as share issuance costs.

On the PP1a Closing Date, the Company granted 139,444 warrants to the finders (the "PP1a Finder Warrants"). Each PP1a Finder Warrant entitles the bearer to purchase one common share for a price of \$0.55 and expires two years from the date of issuance. The estimated fair value of these options calculated using the BSM was \$58,782 and was offset against share capital as share issuance costs.

The following is a summary of all warrants to purchase common shares that are outstanding at March 31, 2014 as well as details on exercise prices and expiry dates:

	March 31, 2014		March 31, 2013	
	Warrants	Weighted average exercise price	Warrants	Weighted average exercise price
Balance, beginning of the year	1,863,000	\$ 0.76	1,761,000	\$ 0.76
Granted during the year	1,819,479	0.59	102,000	0.83
Balance, end of the year	3,682,479	\$ 0.68	1,863,000	\$ 0.76

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7. SHARE CAPITAL (continued)

Number of warrants	Exercise price	Expiry date
139,444	\$ 0.55	December 30, 2015
51,450	\$ 0.80	January 28, 2016
494,565	\$ 0.60	March 31, 2016
817,676	\$ 0.80	December 30, 2016
316,344	\$ 0.55	January 28, 2017
787,500	\$ 0.67	December 1, 2017
168,000	\$ 0.83	January 1, 2018
907,500	\$ 0.83	June 1, 2019
<b>3,682,479</b>		

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

	2014	2013
Risk-free interest rate	<b>0.98%-2.56%</b>	1.67%-1.86%
Expected volatility	<b>180%</b>	180%
Expected dividend yield	<b>0.00%</b>	0.00%
Expected life of warrants and stock options	<b>2-10 years</b>	7-10 years

The Company has determined the forfeiture rate to be nil and volatility was determined in reference to other similar listed entities.

8. 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 period. All unexercised share options and warrants were excluded from calculating diluted loss per share as the effect on the loss per share would be anti-dilutive.

The following securities could potentially dilute basic earnings per share in the future but have not been included in diluted earnings per share because their effect was anti-dilutive in the current year:

	2014	2013
Stock options	<b>4,838,654</b>	3,000,000
Warrants	<b>3,682,479</b>	1,863,000
Convertible debentures	-	2,215,339

**ANTIBE THERAPEUTICS INC.**  
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9. RESEARCH AND DEVELOPMENT

Research and development expenses are as follows:

	<u>2014</u>	<u>2013</u>
Research and development expenses	\$ 1,332,466	\$ 262,817
ITCs	<u>(104,876)</u>	-
	<u>\$ 1,227,590</u>	<u>\$ 262,817</u>

During the year, the Company received ITCs of \$104,876 (2013 -\$nil) for the 2012 research and development expenditures.

10. INCOME TAXES

The income tax provision recorded differs from the income tax obtained by applying the statutory income tax rate of 26.50% (2013 - 15.50%) to the loss before income taxes for the year and is reconciled as follows:

	<u>2014</u>	<u>2013</u>
Loss before income taxes	<u>\$ (2,680,061)</u>	<u>\$ (1,045,103)</u>
Income tax recovery at the combined basic federal and provincial tax rate:	\$ (710,216)	\$ (161,991)
Decrease resulting from:		
Non-deductible expenses	52,428	21,262
Share issuance costs	(72,859)	-
Change in valuation allowance	<u>730,647</u>	<u>140,729</u>
Effective tax expense	<u>\$ -</u>	<u>\$ -</u>

The Company has incurred losses of \$3,826,949 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 will expire as follows:

2030	\$ 258,166
2031	607,722
2032	735,014
2033	661,297
2034	<u>1,564,750</u>
	<u>\$ 3,826,949</u>

The cumulative carry-forward pool of SR&ED expenditures as at March 31, 2014 applicable to future years, with no expiry date, is \$1,636,073.

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11. DEFERRED TAXES

The unrecognized deductible temporary differences and unused tax losses are attributable to the following:

	<u>2014</u>	<u>2013</u>
Amount related to tax loss carry forwards	\$ 1,014,141	\$ 350,641
Amount related to eligible capital property	23,754	14,939
Amount related to SR&ED expenditures	433,559	72,665
Amount related to donation	13,250	-
Amount related to share issuance costs	291,437	-
Less: Valuation allowance	<u>(1,776,141)</u>	<u>(438,245)</u>
	<u>\$ -</u>	<u>\$ -</u>

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12. FINANCIAL INSTRUMENTS

The carrying values of cash and cash equivalents, due from AHI, accounts payable and accrued liabilities, payable to Schmed and payable to AltaPharm approximate fair values due to the relatively short term maturities of these instruments.

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 and cash equivalents. At the current time, the Company does not have financial instruments classified in Level 2 or Level 3

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13. 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. 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: convertible debentures, common shares, common share purchase warrants, contributed surplus and deficit, which has a balance of \$3,318,640. The Company is not subject to externally imposed capital requirements.

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14. 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 and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance.

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14. FINANCIAL RISK MANAGEMENT

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

Certain of the Company's financial assets are exposed to a degree of credit risk. The Company endeavours to mitigate credit risk by holding its cash with major commercial banks.

Credit risk relating to due from AHI arise from the possibility that AHI fails to perform. The Company does not feel there is significant risk that could have an impact on the fair value of due from AHI.

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. As at March 31, 2014, the Company has accounts payable and accrued liabilities of \$473,826 (2013 - \$536,988), payable to Schmed \$121,734 (2013 - \$162,550) and payable to AltaPharm \$212,306 (2013 - \$283,490) due within 12 months and has cash and cash equivalents of \$3,754,862 (2013 - \$194,301) to meet its current obligation.

Market risk

Market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instruments or its issuer, or factors affecting similar financial instruments traded in the market. The Company is currently not exposed to market 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 not exposed to interest rate risk.

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15. COMMITMENTS

(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 \$157,500 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 Phase I clinical trial or 10% of any milestone payment received from 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 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 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 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 sublicense relation thereto. To date, no royalties or milestone payments have been incurred or paid to AHI.

(b) Lease commitment -

The Company entered into an office lease agreement on March 1, 2013 with Fifteen Prince Arthur Corp. and is committed to monthly gross rent payments of \$5,250 until February 28, 2015, totaling \$57,750 for the year ending March 31, 2015. The gross rent payment includes taxes, maintenance and insurance.

(c) Laboratory lease commitment –

The Company entered into a laboratory lease agreement commencing December 1, 2013 with MaRS Discovery District. This lease commits the Company to monthly gross rent payments of approximately \$2,028 until November 30, 2014, totaling \$16,224 for the year ended March 31, 2015. The gross rent payment includes utilities, taxes, and maintenance. Liability insurance on the laboratory space was covered by an expansion of the Company's existing liability policy. The Company plans to conduct multiple research projects related to its business in the space, and enter into collaborations with various researchers.

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16. SUBSEQUENT EVENTS

(a) On April 7, 2014 (the "PP2b Closing Date"), the Company successfully completed the second closing (the "PP2b") of the non-brokered private placement that first closed on March 31, 2014. Pursuant to the PP2b, the Company sold 1,519,600 Common Shares of Corporation resulting in raising gross proceeds of \$909,960. After the company incurred and paid \$81,396 in finder fees, the net proceeds of PP2b were \$828,564.

In connection with PP2b, the Company granted 135,660 Common Share purchase warrants to the finders. Each of these Finder Warrants entitles the bearer to purchase one common share for a price of \$0.60 and expires two years from the date of issuance.

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16. SUBSEQUENT EVENTS *(continued)*

Prior to the fiscal year end, the Company received \$225,000 from a prospective PP2b investor and held such funds in escrow on the condition that such funds would be returned if PP2b did not close.

(b) On April 10, 2014, the Company settled its outstanding liabilities with AltaPharm and Schmed, previously the subject of the Forbearance Agreements.

(c) On April 28, 2014 (the "PP2c Closing Date"), the Company successfully completed the third and final closing (the "PP2c") of the non-brokered private placement that first closed on March 31, 2014. Pursuant to the PP2b, the Company sold 557,667 Common Shares of Corporation resulting in raising gross proceeds of \$334,600. After the company incurred and paid \$32,460 in finder fees, the net proceeds of PP2c were \$302,140.

In connection with PP2b, the Company granted 54,100 Common Share purchase warrants to finders. Each of these Finder Warrants entitles the bearer to purchase one common share for a price of \$0.60 and expires two years from the date of issuance.

(d) On May 12, 2014, in conjunction with appointing a new board member and with expanding the role of one of its officers, the Company granted options to purchase a total of 100,000 common shares pursuant to its stock option plan. Each option bears an exercise price of \$0.54 and an expiry date of May 9, 2024. 25% of the options vest at the grant date while the remainder vest over 36 months, commencing the month subsequent to the grant date.

(e) On May 21, 2014, the Company completed its application submission to Health Canada requesting approval to begin human testing of its lead drug, ATB-346. On June 18, 2014, Health Canada provided the Company with a 'no objection letter' allowing the company to begin human testing of ATB-346. On June 26, 2014, Phase I human testing of ATB-346 began with the first human dose administered. As provided for in the licensing agreement between the Company and AHI, the Company is required to pay a milestone payment of \$150,000 upon enrolment of the first patient in Phase I clinical trial.

(f) On July 17, 2014, in conjunction with expanding the role of one of its officers, the Company granted options to purchase a total of 150,000 common shares pursuant to its stock option plan. Each option bears an exercise price of \$0.59 and an expiry date of May 17, 2024. 25% of the options vest at the grant date while the remainder vest over 36 months, commencing the month subsequent to the grant date.

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