ANTIBE THERAPEUTICS INC.

Interim Consolidated Financial Statements

For the Three months ended June 30, 2016 and 2015

(Expressed in Canadian Dollars)

ANTIBE THERAPEUTICS INC.

Interim Consolidated Statements of Financial Position

As at June 30, 2016

(with comparative figures as at March 31, 2016)

(Expressed in Canadian Dollars)

	June 30, 2016	March 31, 2016
ASSETS		
CURRENT		
Cash	**$ 1,093,216**	$ 386,064
Term deposits *(note 7)*	**25,000**	25,000
Accounts receivable *(note 5)*	**1,373,949**	1,247,421
Inventory	**2,678,597**	2,373,687
Restricted cash	**545,000**	545,000
Prepaid expenses	**145,144**	185,057
Due to Antibe Holdings Inc. *(note 8)*	**100,975**	248,290
	5,961,881	5,010,519
LONG-TERM		
Deferred share issuance costs	**8,605**	6,673
Deposits	**18,453**	18,453
Property and equipment	**78,858**	80,450
Deferred income taxes	**126,520**	125,475
Intangible assets *(note 6)*	**3,135,439**	3,215,351
Goodwill	**1,283,221**	1,283,221
	4,651,096	4,729,623
TOTAL ASSETS	**$ 10,612,977**	$ 9,740,142

See accompanying notes to consolidated financial statements

ANTIBE THERAPEUTICS INC.

Interim Consolidated Statements of Financial Position *(Continued)*

As at June 30, 2016

(with comparative figures as at March 31, 2016)

(Expressed in Canadian Dollars)

	June 30, 2016	March 31, 2016
LIABILITIES		
CURRENT		
Bank indebtedness *(note 7)*	**$ 1,269,494**	$ 1,544,637
Accounts payable and accrued liabilities	**1,930,689**	1,362,018
Current portion of long-term debt *(note 9)*	**67,617**	98,569
	3,267,800	3,005,224
LONG-TERM		
Convertible debentures	**2,189,839**	2,027,295
TOTAL LIABILITIES	**5,457,639**	5,032,519
SHAREHOLDERS' EQUITY		
SHARE CAPITAL *(note 10)*	**13,949,485**	13,112,541
COMMON SHARE PURCHASE WARRANTS *(note 10)*	**2,555,938**	2,082,995
CONTRIBUTED SURPLUS *(note 10)*	**3,338,991**	3,096,208
ACCUMULATED OTHER COMPREHENSIVE INCOME	**23,940**	22,172
DEFICIT	**(14,713,016)**	(13,606,293)
TOTAL SHAREHOLDERS' EQUITY	**5,155,338**	4,707,623
	$ 10,612,977	$ 9,740,142

COMMITMENTS *(note 15)*

SUBSEQUENT EVENTS *(note 16)*

APPROVED BY THE BOARD ON AUGUST 29, 2016

(Signed) Daniel Legault Daniel Legault, Director

(Signed) John Wallace John Wallace, Director

See accompanying notes to consolidated financial statements

ANTIBE THERAPEUTICS INC.

Interim Consolidated Statements of Changes in Shareholders' Equity

For the Three Months ended June 30, 2016 and 2015

(Expressed in Canadian Dollars)

	Number of common shares	Share capital	Common shares purchase warrants	Contributed surplus	Accumulated other comprehensive income	Deficit	Total
Balance, March 31, 2015	**37,005,858**	**$ 8,237,721**	**$ 826,148**	**$ 2,248,471**	**$ -**	**$ (10,975,149)**	**$ 337,191**
Shares issued	12,500,000	711,950	538,050	-		-	1,250,000
Share issuance costs	-	(249,458)	-	113,011	-	-	(136,447)
Stock-based compensation	-	-	-	41,409	-	-	41,409
Shares issued to settle debt	148,936	35,000	-	-	-	-	35,000
Net loss for the period	-	-	-	-	-	(378,905)	(378,905)
Balance, June 30, 2015	**49,654,794**	**$ 8,735,213**	**$ 1,364,198**	**$ 2,402,891**	**$ -**	**$ (11,354,054)**	**$ 1,148,248**
Balance, March 31, 2016	**78,640,115**	**$ 13,112,541**	**$ 2,082,995**	**$ 3,096,208**	**$ 22,172**	**$ (13,606,293)**	**$ 4,707,623**
Shares issued *(note 10)*	14,550,000	982,057	472,943	-	-	-	1,455,000
Share issuance costs *(note 10)*	-	(145,113)	-	68,150	-	-	(76,963)
Stock-based compensation *(note 10(c))*	-	-	-	174,633	-	-	174,633
Net loss for the period	-	-	-	-	-	(1,106,723)	(1,106,723)
Foreign currency translation gain	-	-	-	-	1,768	-	1,768
Balance, June 30, 2016	**93,190,115**	**$ 13,949,485**	**$ 2,555,938**	**$ 3,338,991**	**$ 23,940**	**$ (14,713,016)**	**$ 5,155,338**

See accompanying notes to consolidated financial statements

ANTIBE THERAPEUTICS INC.

Interim Consolidated Statements of Loss

For the Three Months ended June 30, 2016 and 2015

(Expressed in Canadian Dollars)

	2016	2015
REVENUE	**$ 2,630,744**	$ 1,453
COST OF SALES	**1,471,913**	-
GROSS PROFIT	**1,158,831**	1,453
EXPENSES		
Salary and wages *(note 8)*	**684,121**	112,104
Commissions	**197,768**	-
Professional fees	**192,611**	16,433
Stock-based compensation *(notes 8, 10)*	**174,633**	41,409
Licensing fees	**150,000**	-
Advertising and promotion	**120,432**	5,433
Consulting fees	**114,226**	35,134
Research and development *(note 8)*	**102,459**	123,173
Interest on long term debt	**91,258**	-
Amortization of intangible assets	**79,912**	-
Travel	**79,314**	3,843
Accretion expense	**70,028**	-
Rental	**66,521**	13,487
Office	**40,121**	12,621
Interest and bank charges	**35,508**	15
Dues and subscriptions	**29,118**	12,295
Foreign currency translation gain	**28,754**	-
Insurance	**22,659**	1,700
Meals and entertainment	**12,243**	-
Telephone	**11,350**	2,711
Depreciation of property and equipment	**4,483**	-
Repairs and maintenance	**2,881**	-
	2,310,400	380,358
LOSS BEFORE INCOME TAXES	**(1,151,569)**	(378,905)
RECOVERY OF INCOME TAXES		
Recovery of prior year income taxes due to loss carryback	**(43,164)**	-
Deferred	**(1,682)**	-
	(44,846)	-
NET LOSS	**$ (1,106,723)**	$ (378,905)
Loss per share *(note 11)*		
Basic and diluted	**$ (0.01)**	$ (0.01)
Weighted average number of shares outstanding *(note 11)*		
Basic and diluted	**81,143,412**	49,052,236

See accompanying notes to consolidated financial statements

ANTIBE THERAPEUTICS INC.

Interim Consolidated Statements of Other Comprehensive Loss

For the Three Months ended June 30, 2016 and 2015

(Expressed in Canadian Dollars)

	2016	2015
NET LOSS	**$ (1,106,723)**	$ (378,905)
CHANGES IN OTHER COMPREHENSIVE LOSS		
Items that may be reclassified subsequently to profit or loss:		
Exchange gain on translation of foreign subsidiary (net of deferred income taxes of $637)	**1,768**	-
COMPREHENSIVE LOSS FOR THE PERIOD	**$ (1,104,955)**	$ (378,905)

See accompanying notes to consolidated financial statements

ANTIBE THERAPEUTICS INC.

Interim Consolidated Statements of Cash Flow

For the Three Months ended June 30, 2016 and 2015

(Expressed in Canadian Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	**$ (1,106,723)**	$ (378,905)
Items not affecting cash:		
Deferred income taxes	**(1,682)**	-
Accretion expense	**70,028**	-
Stock-based compensation *(note 10)*	**174,633**	41,409
Amortization of transaction costs	**16,796**	-
Depreciation of property and equipment	**4,483**	-
Amortization of intangible assets	**79,912**	-
Interest paid in kind	**77,588**	-
Severance paid in kind	**-**	35,000
Exchange gain on translation of foreign subsidiary	**2,405**	-
	(682,560)	(302,496)
Changes in non-cash working capital:		
Accounts receivable	**(126,528)**	11,890
Inventory	**(304,909)**	-
Prepaid expenses	**39,913**	(9,813)
Accounts payable and accrued liabilities	**568,670**	(36,549)
	177,146	(34,472)
Cash flows used in operating activities	**(505,414)**	(336,968)

See accompanying notes to consolidated financial statements

ANTIBE THERAPEUTICS INC.

Interim Consolidated Statements of Cash Flow *(continued)*

For the Three Months ended June 30, 2016 and 2015

(Expressed in Canadian Dollars)

	2016	2015
CASH FLOWS FROM INVESTING ACTIVITY		
Purchase equipment	**(2,891)**	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of (advances to) Antibe Holdings Inc.	**147,315**	(1,956)
Decrease in bank indebtedness	**(275,143)**	-
Repayment of long-term debt	**(32,820)**	-
Proceeds on issuance of shares and warrants	**1,455,000**	1,250,000
Transaction costs	**-**	(57,967)
Share issuance costs	**(76,963)**	(33,280)
Proceeds from deposit on issuance of shares	**-**	(25,000)
Deferred share issuance costs	**(1,932)**	-
Cash flows from financing activities	**1,215,457**	1,131,797
NET CHANGE IN CASH FOR THE PERIOD	**707,152**	794,829
CASH, BEGINNING OF PERIOD	**386,064**	397,086
CASH, END OF PERIOD	**$ 1,093,216**	$ 1,191,915
CASH FLOW SUPPLEMENTARY INFORMATION		
Interest paid	**$ (47,563)**	$ 15

See accompanying notes to consolidated financial statements

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.

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 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 leader in the promotion of tissue regenerative products servicing the orthopaedic and dental marketplaces. Since its inception in 1997, Citagenix has become an important source of knowledge and experience in the Canadian medical device industry. Citagenix has grown a comprehensive portfolio of high-quality, branded biologics and medical devices that promote bone regeneration. Citagenix operates in Canada through its direct sales force and in 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 16.1% of the Company's common shares are held by Antibe Holdings Inc. ("AHI"), the parent Company.

2. BASIS OF PRESENTATION

(a) Statement of compliance -

These condensed interim financial statements have been prepared in conformity with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*, using the same accounting policies as detailed in the Company's audited annual financial statements for the year ended March 31, 2016. They do not include all the information required for complete annual financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") and therefore should be read together with the audited annual financial statements for the year ended March 31, 2016.

2. BASIS OF PRESENTATION *(continued)*

(b) Consolidation -

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

	Percentage ownership
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.

(c) Going concern -

The consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As at June 30, 2016, the Company had working capital of $2,694,081 (March 31, 2016 - $2,005,295), incurred a net loss for the three months of $1,106,723 (2015 - $378,905), and had negative cash flows from operations for the three months of $505,414 (2015 - $336,968).

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 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 statement of financial position. The consolidated financial statements do not include adjustments that would be necessary if the going concern assumption was not appropriate.

2. BASIS OF PRESENTATION *(continued)*

(d) Use of estimates -

The preparation of interim 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 interim consolidated financial statements, and the reported amount of revenue and expenses during the period. 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 interim consolidated financial statements include determination of eligible expenditures for investment tax credit ("ITC") purposes, allowance for doubtful accounts, inventory obsolescence, warranty provision, useful life of equipment, property and intangible assets, valuation of deferred income taxes, impairment of goodwill, valuation of equity component of convertible debentures, fair valuation of assets acquired and liabilities assumed on business combination, warranty accrual, and inputs related to the calculation of fair value of stock-based compensation and warrants.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 the 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 statements of net 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.

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 interim consolidated financial statements, were in issue but not yet effective:

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

Future changes in significant accounting policies *(continued)* -

(i) Financial Instruments -

IFRS 9, Financial Instruments (“IFRS 9”) was issued in 2010 and is to replace 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.

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

(ii) Revenue -

IFRS 15, Revenue from Contracts with Customers provides a single, principles-based, five-step model to be applied to all contracts with customers. The five steps in the model are as follows:

1. Identify the contract with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. This standard is effective for annual periods beginning on or after January 1, 2018.

Management is currently evaluating the impact of IFRS 15 on its consolidated financial statements.

(iii) Leases -

In January 2016, the IASB issued IFRS 16, Leases ("IFRS 16"). IFRS 16 is to replace IAS 17, Leases ("IAS 17") and eliminates the classification of leases as either operating or finance leases by the lessee. Classification of leases by the lessor under IFRS 16 continues as either an operating or a finance lease, as was the treatment under IAS 17. The treatment of leases by the lessee will require capitalization of all leases resulting in accounting treatment similar to finance leases under IAS 17. Exemptions for leases of very low value or short-term leases will be applicable. The new standard is to result in an increase in lease assets and liabilities for the lessee. Under the new standard the treatment of all lease expense is aligned in the statement of income (loss) with depreciation, and an interest expense component recognized for each lease, in line with finance lease accounting under IAS 17. IFRS 16 is effective for the Company prospectively for annual periods beginning on or after January 1, 2019.

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

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 is a product targeting the urgent global need for a safer analgesic for treating severe acute pain.

Since inception, the cumulative research and development costs that have been incurred in developing the products total $4,997,303, net of $402,237 of cumulative ITCs received.

5. ACCOUNTS RECEIVABLE

	Three months ended June 30, 2016	Year ended March 31, 2016
Trade receivables	**$ 1,302,028**	$ 1,206,934
ITCs receivable	**85,026**	92,026
Value-added taxes receivable	**3,966**	8,341
Harmonized sales taxes receivable	**78,943**	38,950
Allowance for doubtful accounts	**(96,014)**	(98,830)
	$ 1,373,949	$ 1,247,421

The change in the allowance for doubtful accounts is as follows:

Balance, beginning of the period	**$ 98,830**	$ -
Allowance adjustment due to foreign exchange	**(2,816)**	-
Allowance acquired	**-**	100,932
Bad debt recovery	**-**	(2,102)
	$ 96,014	$ 98,830

6. INTANGIBLE ASSETS

Intangible assets is comprised as follows:

	Trademarks and Brands	License	Patents	Total
Cost				
At April 1, 2016	$ 3,094,018	$ 250,000	$ 18,872	$ 3,362,890
Additions	-	-	-	-
As at June 30, 2016	3,094,018	250,000	18,872	3,362,890
Amortization				
At April 1, 2016	142,410	-	5,129	147,539
Charge for the period	77,139	-	2,773	79,912
As at June 30, 2016	219,549	-	7,902	227,451
Net book value				
As at June 30, 2016	**$ 2,874,469**	**$ 250,000**	**$ 10,970**	**$ 3,135,439**

The terms of the license agreement are 10 years from the date of the first commercial sale of the licensed products. As at June 30, 2016, there were no commercial sales of the licensed products. As such, no amortization is recognized in the current period related to this license.

7. BANK INDEBTEDNESS

Citagenix has an operating line of credit with the Laurentian Bank of Canada ("Laurentian") to a maximum of $2,000,000. The outstanding line of credit balance is due on demand and bears interest at Laurentian'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 Citagenix's present and future claims and universality of Citagenix's present and future property and assets with all risk of insurance and with losses payable to Laurentian; and

2. Assignment of inventory, in virtue of Section 427 of the Bank Act.

The line of credit is subject to certain financial tests and covenants. As at June 30, 2016, Citagenix was not in compliance with these covenants, however the bank has issued a waiver until the next renewal date of September 1, 2016.

The Company holds a corporate credit card facility, administered by the Royal Bank of Canada. The facility has a $25,000 limit and the bank holds $25,000 of term deposits in-trust as collateral. This amount is presented as term deposit 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.

8. 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 entered into on December 22, 2009 (see note 15). AHI is also permitted to draw down funds against future milestone payments.

During the three months ended June 30, 2016, the Company advanced $2,686 (during the three months ended June 30, 2015 - $1,956) to AHI. As at June 30, 2016, $100,975 (as at March 31, 2016 - $248,290) was receivable. This balance bears no interest, is payable on demand and is unsecured.

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.

9. CONVERTIBLE DEBENTURES

The following is a continuity of the convertible debentures:

	Three months ended June 30, 2016	**Year ended March 31, 2016**
Convertible debentures - beginning of the period	**$ 2,027,295**	$ -
Debetures issued in the period	**-**	2,012,049
Issue costs	**-**	(173,751)
Interest paid in kind	**77,588**	62,014
Accretion	**70,028**	105,466
Amortization of issue costs	**14,928**	21,517
Convertible debentures - end of the period	**$ 2,189,839**	$ 2,027,295

10. SHARE CAPITAL

(a) Authorized

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

(b) Common shares

	Three months ended June 30, 2016		Year ended March 31, 2016	
	Shares	**Amount**	**Shares**	**Amount**
Balance, beginning of the period	78,640,115	$ 13,112,541	37,005,858	$ 8,237,721
Private placement ("PP3a")	-	-	7,860,000	786,000
Private placement ("PP3b")	-	-	4,640,000	464,000
Private placement ("PP4a") (a)	9,685,000	968,500	-	-
Private placement ("PP4b") (b)	4,865,000	486,500	-	-
Settlement of debt	-	-	148,936	35,000
Acquisition of Citagenix	-	-	28,733,921	4,310,088
Warrants exercised	-	-	251,400	62,054
Fair value of warrants issued (a) and (b)	-	(472,943)	-	(538,050)
Share issuance costs (c)	-	(145,113)	-	(244,272)
Balance, end of the period	**93,190,115**	**$ 13,949,485**	**78,640,115**	**$ 13,112,541**

(a) On June 10, 2016 ("the PP4a Closing Date"), the Company successfully completed a non-brokered private placement (the "PP4a"). Pursuant to the PP4a, the Company issued 9,685,000 units at a price of $0.10 per unit for gross proceeds of $968,500. Each unit was comprised of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at an exercise price of $0.15 per common share and expires on June 10, 2018.

The $968,500 gross proceeds have been allocated to share capital and warrants based on the relative fair value of each component. The 4,842,500 warrants issued pursuant to the PP4a were valued using the Black-Scholes-Merton option-pricing model ("BSM"), which resulted in allocating $318,018 to warrants and $650,482 to share capital.

(b) On June 20, 2016 ("the PP4b Closing Date"), the Company successfully completed a non-brokered private placement (the "PP4b"). Pursuant to the PP4b, the Company issued 4,865,000 units at a price of $0.10 per unit for gross proceeds of $486,500. Each unit was comprised of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at an exercise price of $0.15 per common share and expires on June 20, 2018.

The $486,500 gross proceeds have been allocated to share capital and warrants based on the relative fair value of each component. The 2,432,500 warrants issued pursuant to the PP4b were valued using the BSM model, which resulted in allocating $154,925 to warrants and $331,575 to share capital.

(c) Total issuance costs related to the PP4a and PP4b were $145,113 of which $68,150 were non-cash from the issuance of warrants to the finders (see note 10(d)). All issuance costs were offset against share capital at each of the closings.

10. SHARE CAPITAL *(continued)*

(c) Stock options

The Company has established a stock option plan which provides a limited issuance of options, capped at 15,140,523 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 or netted against share capital in relation to share or debt issuance with a corresponding increase in contributed surplus. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

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. $873 (2015 - $3,272) was expensed during the three months ended June 30, 2016 and included in contributed surplus

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 the total 1,025,000 options granted, 440,000 options consist of the base option (the "Base Options") and the remaining 585,000 are bonus options ("Bonus Options"). 25% of the Base Options vested at the grant date while the remainder vests over 36 months, commencing two months after the grant date. 585,000 Bonus Options are subject to certain performance conditions. 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. $5,416 (2015 - $17,071) was expensed during the three months ended June 30, 2016 and included in contributed surplus.

On May 12, 2014, the Company granted options on 100,000 common shares with an exercise price of $0.54 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 $53,788 and $1,046 (2015 - $2,670) was expensed during the three months ended June 30, 2016 and included in contributed surplus.

On December 16, 2014, the Company entered into an investor relations consulting agreement with Stonegate Capital Partners Inc. ("Stonegate") wherein Stonegate is to provide the Company with investor relations services focused on the US investment market for a six-month period starting from the date of the execution of the contract. As per the terms of the agreement, the Company granted Stonegate options on 24,000 common shares with an exercise price of $0.52 per share. 25% of the options vest at the grant date while the remainder will vest quarterly starting on the date of the grant. The estimated fair value of these options calculated using the BSM was $19,502 and nil (2015 - $2,672) was expensed during the three months ended June 30, 2016 and included in contributed surplus.

On May 5, 2015, the Company granted Hamza Thindal Capital Corporation ("HTCC") options in exchange for consulting services provided by HTCC under the terms of a consulting agreement. The options give HTCC the right to purchase a total of 300,000 common shares pursuant to the Company's stock option plan. These options have an exercise price of $0.235 and an expiry date of May 5, 2018. The estimated fair value of these options calculated using the BSM was $62,204 and nil (2015 - $15,604) was expensed during the three months ended June 30, 2016 and included in contributed surplus

10. SHARE CAPITAL *(continued)*

In July 9, 2015, the Company granted its management team 610,000 stock options pursuant to the Company's stock option plan. Each option has an exercise price of $0.14 and an expiry date of July 13, 2025. Twenty-five percent of the granted options vest on the grant date and 1/36th of the remaining options vest in each of the subsequent 36 months starting in the second month following the grant date. The estimated fair value of these options calculated using the BSM was $85,031 and $6,557 (2015 - nil) of this amount was expensed during the three months ended June 30, 2016 and included in contributed surplus.

On November 17, 2015, the Company granted BND Projects Incorporated ("BND") options in exchange for services provided by BND under the terms of a consulting agreement. The options give BND the right to purchase a total of 12,000 common shares pursuant to the Company's stock option plan. These options have an exercise price of $0.17 and expire on November 17, 2018. Twenty-five percent of the granted options vest on the grant date and the remainder vests quarterly. The estimated fair value of these options calculated using the BSM was $1,775 and $444 (2015 - nil) was expensed during the three months ended June 30, 2016 and included in contributed surplus.

On March 9, 2016, the Company granted BND options under the terms of a consulting agreement. The options give BND the right to purchase a total of 12,000 common shares pursuant to the Company's stock option plan. These options have an exercise price of $0.145 and expire on March 9, 2019. Twenty-five percent of the granted options vest on the grant date and the remainder vests quarterly. The estimated fair value of these options calculated using the BSM was $1,457 and $364 (2015 - nil) was expensed during the three months ended June 30, 2016 and included in contributed surplus.

On March 9, 2016, the Company granted its directors, officers and employees options to purchase a total of 6,751,000 common shares pursuant to the Company's stock option plan. Each option has an exercise price of $0.145 and expires on March 9, 2026. Twenty-five percent of the granted options vest on the grant date and 1/36th of the remaining options vest in each of the subsequent 36 months starting in the second month following the grant date. The estimated fair value of these options calculated using the BSM was $968,409 and $159,603 (2015 - nil) was expensed during the three months ended June 30, 2016 and included in contributed surplus.

On June 10, 2016, the Company granted BND options under the terms of a consulting agreement. The options give BND the right to purchase a total of 12,000 common shares pursuant to the Company's stock option plan. These options have an exercise price of $0.13 and expire on June 10, 2019. Twenty-five percent of the granted options vest on the grant date and the remainder vests quarterly. The estimated fair value of these options calculated using the BSM was $1,322 and $330 (2015 - nil) was expensed during the three months ended June 30, 2016 and included in contributed surplus.

10. SHARE CAPITAL *(continued)*

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.

	Three months ended June 30, 2016			**Year ended March 31, 2016**		
	Options		**Weighted average exercise price**	**Options**		**Weighted average exercise price**
Balance, beginning of the period	**11,449,000**	**$**	**0.29**	4,802,654	$	0.44
Granted during the period	**12,000**		**0.13**	7,685,000		0.15
Expired during the period	**-**		**-**	(1,038,654)		0.44
Balance, end of the period	**11,461,000**	**$**	**0.29**	11,449,000	$	0.29

Number of options		**Exercise price**	**Expiry date**
24,000	$	0.52	October 31, 2017
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
2,700,000	$	0.33	January 25, 2020
150,000	$	0.55	October 22, 2023
815,000	$	0.66	March 4, 2024
75,000	$	0.54	May 9, 2020
610,000	$	0.14	July 13, 2025
6,751,000	$	0.15	March 9, 2026
11,461,000			

The number of options exercisable as at June 30, 2016 is 5,732,569 and the weighted average exercise price of these options is $0.28.

(d) Common share purchase warrants

In addition to the warrants described in note 10(b), the following warrants were granted.

On PP4a Closing Date, the Company granted 318,000 common share purchase warrants to finders (the "PP4a Finder Warrants"). Each PP4a Finder Warrant entitles the bearer to purchase one common share for a price of $0.15 and expires two years from the date of issuance. The estimated fair value of these warrants calculated using the BSM was $31,094 and was offset against share capital as share issuance costs.

On PP4b Closing Date, the Company granted 378,880 common share purchase warrants to finders (the "PP4b Finder Warrants"). Each PP4b Finder Warrant entitles the bearer to purchase one common share for a price of $0.15 and expires two years from the date of issuance. The estimated fair value of these warrants calculated using the BSM was $37,056 and was offset against share capital as share issuance costs.

10. SHARE CAPITAL *(continued)*

The following is a summary of all warrants to purchase common shares that are outstanding at June 30, 2016 as well as details on exercise prices and expiry dates:

	Three months ended June 30, 2016		Year ended March 31, 2016	
	Warrants	**Weighted average exercise price**	**Warrants**	**Weighted average exercise price**
Balance, beginning of the period	**16,213,362**	**$ 0.31**	3,872,239	$ 0.67
Granted during the period	**7,971,880**	**0.15**	13,277,982	0.22
Exercised	**-**	**-**	(251,400)	0.10
Expired	**(189,760)**	**0.60**	(685,459)	0.59
Balance, end of the period	**23,995,482**	**$ 0.25**	16,213,362	$ 0.31

Number of warrants	**Exercise price**	**Expiry date**
817,676	$ 0.80	December 30, 2016
316,344	$ 0.80	January 28, 2017
390,400	$ 0.10	April 1, 2017
208,000	$ 0.10	April 9, 2017
787,500	$ 0.10	December 1, 2017
143,182	$ 0.22	December 23, 2017
3,865,000	$ 0.15	April 1, 2018
2,320,000	$ 0.15	April 9, 2018
5,160,500	$ 0.15	June 10, 2018
2,811,380	$ 0.15	June 20, 2018
6,100,000	$ 0.31	October 15, 2018
168,000	$ 0.83	December 1, 2018
907,500	$ 0.83	June 1, 2019
23,995,482		

10. SHARE CAPITAL *(continued)*

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:

	Three months ended June 30, 2016	**Year ended March 31, 2016**
Risk-free interest rate	**0.49-.057%**	0.47-0.56%
Expected volatility	**169%**	160-180%
Expected dividend yield	**0.00%**	0.00%
Expected life of warrants and stock options	**2-3 years**	2-10 years
Share price	**$0.13**	$0.15 - $0.24
Exercise price	**$0.10 - $0.15**	$0.10 - $0.235

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

11. 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 period:

	Three months ended June 30, 2016	**Year ended March 31, 2016**
Stock options	**11,461,000**	11,449,000
Warrants	**23,390,332**	15,614,962
Convertible debentures	**14,498,171**	14,145,518

12. 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 for the three months ended June 30, 2016 are as follows:

12. SEGMENTED RESULTS *(continued)*

	Antibe	Citagenix	Consolidated
Revenues	$ 372	$ 2,630,372	$ 2,630,744
Cost of sales	-	1,471,913	1,471,913
Gross profit	372	1,158,459	1,158,831
Expenses	1,123,971	1,186,429	2,310,400
Loss before income taxes	$ (1,123,599)	$ (27,970)	$ (1,151,569)

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

The Company's assets and liabilities by each business as at June 30, 2016 are as follows:

	Antibe	Citagenix	Consolidated
Assets			
Current	$ 2,012,508	$ 3,949,373	$ 5,961,881
Non-current	258,605	4,392,491	4,651,096
Total assets	**$ 2,271,113**	**$ 8,341,864**	**$ 10,612,977**
Liabilities			
Current	$ 319,232	$ 2,948,568	$ 3,267,800
Non-current	2,189,839	-	2,189,839
Total liabilities	**$ 2,509,071**	**$ 2,948,568**	**$ 5,457,639**

13. FINANCIAL INSTRUMENTS

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

The fair value of convertible debentures approximates its 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 and restricted cash. At the current time, the Company does not have financial instruments classified in Level 2 or Level 3.

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.

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 and amount due from AHI. 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.

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.

Foreign currency risk

The functional and reporting currency of the Company is 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.

15. COMMITMENTS

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 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.

16. SUBSEQUENT EVENTS

(a) On July 19, 2016, the Company announced its election to pay in kind all interest due July 15, 2016 under the Company’s 10% senior secured convertible debentures due October 15, 2018 (the "Debentures"). The Debentures provide that Antibe may, at its sole option, elect to pay in kind certain interest payments. The aggregate July 15, 2016 interest payment under the Debentures in the amount of $79,521.56 has been added to the principal amount of the Debentures (the "Added Principal Amount"). The holders of Debentures may convert the principal amount of each Debenture into Antibe common shares at a price of $0.22 per common share. As a result of the addition of the Added Principal Amount to the principal amount of the Debentures, an additional 361,462 common shares in the capital of Antibe will be issuable on the conversion of the principal amount of the Debentures. The in kind election has received TSX Venture Exchange approval.

(b) On August 12, 2016, 37,500 PP3a Investor Warrants were exercised and the Company issued 37,500 common shares for gross proceeds of $5,625. Each of the PP3a Investor Warrants entitled the bearer to purchase one share in the capital stock of the Company at an exercise price of $0.15.

(c) On August 12, 2016, 16,000 PP3b Finders Warrants were exercised and the Company issued 16,000 common shares for gross proceeds of $1,600. Each of the PP3b Finders Warrants entitled the bearer to purchase one share in the capital stock of the Company at an exercise price of $0.10.

(d) On August 26, 2016, 150,000 PP3a Investor Warrants were exercised and the Company issued 150,000 common shares for gross proceeds of $22,500. Each of the PP3a Finders Warrants entitled the bearer to purchase one share in the capital stock of the Company at an exercise price of $0.15.