ANTIBE THERAPEUTICS INC.

Condensed Interim Consolidated Financial Statements

For the Three and Nine Months ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

(Unaudited)

Antibe Therapeutics Inc.
15 Prince Arthur Avenue,
Toronto, ON M5R 1B2

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor have not performed a review of the condensed interim consolidated financial statements, as at and for the period ending December 31, 2015, in accordance with the standards established by Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Daniel Legault	Alain Wilson
Chief Executive Officer	Chief Financial Officer

ANTIBE THERAPEUTICS INC.
Interim Consolidated Balance Sheets
As at December 31, 2016 and March 31, 2016
(Expressed in Canadian Dollars)

(Unaudited)

	December 31 2016 $	March 31 2016 $
ASSETS		
Current		
Cash	**1,954,240**	386,064
Restricted cash *[note 10]*	**545,000**	545,000
Term deposits *[note 8]*	**25,000**	25,000
Accounts receivable , less allowance for doubtful accounts *[note 5]*	**1,007,153**	1,247,421
Inventory	**2,713,061**	2,373,687
Prepaids	**210,155**	185,057
Due from Antibe Holdings Inc. *[note 9]*	**109,455**	248,290
Total current assets	**6,564,064**	5,010,519
Non-current		
Property, plant and equipment	**78,492**	80,450
Deferred share issuance costs	—	6,673
Deferred income tax	—	125,475
Deposits	**18,453**	18,453
Intangible assets *[note 7]*	**3,142,860**	3,215,351
Goodwill	**1,283,221**	1,283,221
Total non-current assets	**4,523,026**	4,729,623
TOTAL ASSETS	**11,087,090**	9,740,142
LIABILITIES		
Current		
Bank indebtedness *[note 8]*	**1,352,975**	1,544,637
Accounts payable and accrued liabilities	**1,998,378**	1,362,018
Current portion of long term debt	—	98,569
Total current liabilites	**3,351,353**	3,005,224
Long-term liabilities		
Convertible debentures *[note 10]*	**2,535,506**	2,027,295
Total long-term liabilities	**2,535,506**	**2,027,295**
TOTAL LIABILITIES	**5,886,859**	5,032,519
SHAREHOLDERS' EQUITY		
SHARE CAPTIAL *[note 11]*	**15,211,468**	13,112,541
COMMON SHARE PURCHASE WARRANTS *[note 11]*	**3,759,453**	2,082,995
CONTRIBUTED SURPLUS *[note 11]*	**3,933,213**	3,096,208
ACCUMULATED OTHER COMPREHENSIVE INCOME	**28,472**	22,172
DEFICIT	**(17,732,375)**	(13,606,293)
TOTAL SHAREHOLDERS' EQUITY	**5,200,231**	4,707,623
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**11,087,090**	9,740,142

See accompanying notes

On behalf of the Board:

ANTIBE THERAPEUTICS INC.
Interim Consolidated Statements of Loss and Comprehensive Loss
For the Three and Nine Months Ended December 31, 2016 and 2015
(Expressed in Canadian Dollars)

(Unaudited)

	For the Three months ended Dec 31, 2016 $	For the Three months ended Dec 31, 2015 $	For the Nine months ended Dec 31, 2016 $	For the Nine months ended Dec 31, 2015 $
REVENUE	**1,960,842**	2,100,460	**6,778,297**	2,100,460
COST OF SALES	**1,110,081**	1,063,328	**3,863,163**	1,063,328
GROSS PROFIT	**850,761**	1,037,132	**2,915,134**	1,037,132
EXPENSES				
Salaries and wages	**828,638**	610,538	**2,251,350**	800,086
Professional fees	**284,962**	318,122	**631,468**	547,045
Stock based compensstion	**351,260**	42,498	**650,056**	157,631
Commissions	**155,681**	141,671	**503,398**	141,671
Research and development *[note 5]*	**206,302**	(90,974)	**540,524**	322,832
Consulting fees	**29,500**	59,480	**226,526**	146,891
Travel	**91,431**	115,047	**298,930**	124,775
Advertising and promotion	**34,019**	80,367	**184,050**	86,714
Office and sundry	**42,746**	102,114	**139,188**	125,940
Occupancy costs	**81,713**	59,512	**239,306**	87,751
Interest on long-term debt	**101,521**	52,623	**287,646**	52,623
Amortization of intangible assets	**89,520**	2,784	**249,570**	2,784
Dues and subscriptions	**43,549**	53,017	**103,269**	81,762
Accretion interest	**78,878**	45,629	**223,590**	45,629
Interest and bank charges	**39,034**	36,550	**107,918**	36,550
Insurance	**15,382**	20,139	**54,305**	25,889
Depreciation	**4,160**	4,978	**13,811**	4,978
Licensing fees *[note 9]*	**—**	—	**150,000**	—
Bad debt expense (recovery)	**3,377**	(3,825)	**(3,054)**	(3,825)
Foreign exchange gain	**65,499**	137,322	**112,328**	137,322
Total Expenses	**2,547,172**	1,787,592	**6,964,179**	2,925,048
LOSS FROM OPERATIONS	**(1,696,411)**	(750,460)	**(4,049,045)**	(1,887,916)
INTEREST INCOME	**506**	1,135	**2,248**	4,529
PROVISION FOR INCOME TAXES				
Current	**—**	(3,452)	**(43,164)**	(3,452)
Future	**161,340**	—	**122,449**	—
Total Provision for income Taxes	**161,340**	(3,452)	**79,285**	(3,452)
NET LOSS	**(1,857,245)**	(745,873)	**(4,126,082)**	(1,879,935)
CHANGES IN OTHER COMPREHENSIVE LOSS				
Exchange differences on translation of foreign operations	**4,120**	—	**6,300**	—
NET LOSS AND COMPREHENSIVE LOSS	**(1,853,125)**	(745,873)	**(4,119,783)**	(1,879,935)
Loss per share *[note 11]*				
Basic and diluted loss per share	**.02**	.01	**.04**	.02
Weighted average number of shares outstanding *[note 11]*				
Basic and diluted	**96,121,599**	73,853,334	**90,399,465**	57,633,686

See accompanying notes

ANTIBE THERAPEUTICS INC.
Interim Consolidated Statements of Changes in Shareholders' Equity
For the Three and Nine Months Ended December 31, 2016 and 2015
(Unaudited)

	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	41,405,321	5,282,340	1,256,847	231,021	—	—	6,770,208
Share issuance costs	—	(249,458)	—	113,011	—	—	(136,447)
Stock based compensation	—	—	—	157,631	—	—	157,631
Shares issued to settle debt	148,936	35,000	—	—	—	—	35,000
Net loss for the period	—	—	—	—	—	(1,879,935)	(1,879,935)
Balance, December 31, 2015	**78,560,115**	**13,305,603**	**2,082,995**	**2,750,134**	**—**	**(12,855,084)**	**5,283,648**
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	32,713,299	2,476,135	1,703,360	—	—	—	4,179,495
Share issuance costs	—	(454,889)	—	189,253	—	—	(265,636)
Shares issued for exercised warrants	328,500	77,681	(26,902)	(2,304)	—	—	48,475
Stock based compensation	—	—	—	650,056	—	—	650,056
Net loss for the period	—	—	—	—	—	(4,126,082)	(4,126,082)
Exchange differences on translation of foreign operations	—	—	—	—	6,300	—	6,300
Balance, December 31, 2016	**111,681,914**	**15,211,468**	**3,759,453**	**3,933,213**	**28,472**	**(17,732,375)**	**5,200,231**

See accompanying notes

ANTIBE THERAPEUTICS INC.

Interim Consolidated Statements of Cash Flow

For the Three and Nine Months Ended December 31, 2016 and 2015

(Expressed in Canadian Dollars)

(Unaudited)

	For the Three months ended Dec 31, 2016	For the Three months ended Dec 31, 2015	For the Nine months ended Dec 31, 2016	For the Nine months ended Dec 31, 2015
	$	$	$	$
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss	**(1,857,245)**	(745,873)	**(4,126,082)**	(1,879,935)
Items not affecting cash:				
Stock based compensation	**351,260**	42,498	**650,056**	157,631
Accretion interest	**78,878**	45,629	**223,590**	45,629
Amortization of transaction costs	**15,092**	—	**45,112**	—
Depreciation of property and equipment	**4,160**	4,978	**13,811**	4,978
Amortization of intangible assets	**89,520**	2,784	**249,570**	2,784
Amortization of deferred finance charges	**3,736**	—	**7,471**	—
Interest paid in kind	**82,400**	—	**239,509**	—
	(1,232,199)	(649,984)	**(2,696,963)**	(1,668,913)
Net change in non-cash working capital:				
Accounts receivable	**217,407**	47,425	**241,664**	39,558
Inventory	**(85,702)**	291,786	**(339,374)**	291,786
Prepaids	**(41,036)**	648	**(25,098)**	(23,961)
Income taxes recoverable	—	(3,278)	—	(3,278)
Deferred income tax	**162,825**	—	**125,475**	—
Deposits	—	(3,452)	—	(3,452)
Accounts payable and accrued liabilities	**424,993**	(675,693)	**634,966**	(714,410)
	678,487	(342,564)	**637,633**	(413,757)
Cash flows from operating activities	**(553,712)**	(992,548)	**(2,059,330)**	(2,082,670)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Citagenix	—	(400,000)	—	(400,000)
Purchase of customer lists	**(178,528)**	—	**(178,528)**	—
Proceeds on disposal	—	1,136	—	1,136
Purchase of equipment	**(5,111)**	(34,901)	**(10,404)**	(34,901)
Cash flows from investing activities	**(183,639)**	(433,765)	**(188,932)**	(433,765)
CASH FLOWS FROM FINANCING ACTIVITIES				
Advances from Antibe Holdings Inc.	**(1,794)**	(1,861)	**138,834**	(10,181)
Repayment of long term liabilities	**(40,007)**	(23,150)	**(106,040)**	(23,150)
Conversion of debt to equity	—	—	—	35,000
Net change to bank indebtedness	**(335,380)**	1,488,982	**(191,663)**	1,488,982
Net change to restricted cash and term deposits	—	(570,000)	—	(570,000)
Issuances:				
Gross proceeds from convertible debentures	—	3,050,000	—	3,050,000
Gross proceeds from share warrant issuance	**2,724,495**	—	**4,179,495**	1,250,000
Proceeds from warrants	**15,000**	15,750	**48,475**	20,390
Issuance costs	**(188,673)**	(261,887)	**(258,361)**	(261,887)
Transaction costs	—	—	**(7,275)**	(136,447)
Deferred expenses	**10,560**	—	**6,673**	45,200
Prepaid proceeds	—	—	—	(25,000)
Cash flows from financing activities	**2,184,201**	3,697,834	**3,810,138**	4,862,907
Net increase in cash during the period	**1,446,850**	2,271,521	**1,561,876**	2,346,472
Exchange gain on translation of foreign subsidiary	4,120	—	6,300	—
Cash, beginning of the period	**503,270**	(980,714)	**386,064**	(1,055,665)
Cash, end of the period	**1,954,240**	1,290,807	**1,954,240**	1,290,807

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 and the US 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 13.4% of the Company's common shares are held by Antibe Holdings Inc. ("AHI").

2. BASIS OF PRESENTATION

(a) Statement of compliance -

These condensed interim consolidated 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 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 condensed 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 December 31, 2016, the Company had working capital of $3,304,018 (March 31, 2016 - $2,005,295), incurred a net loss for the nine months of $4,034,755 (2015 - $1,879,935), and had negative cash flows from operations for the nine months of $2,059,330 (2015 - $2,082,670).

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

If the going concern assumption was not appropriate for these condensed interim 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 condensed interim 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 condensed 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 condensed interim consolidated financial statements, and the reported amount of 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 condensed 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 value 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 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 condensed interim consolidated financial statements, the following standards and interpretations which may be applicable to the Company, but have not yet been applied in these condensed 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 sbject 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 -

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers ("IFRS 15"), which covers principles for reporting about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. Entities will transition following either a full or modified retrospective approach. Management is currently evaluating the impact of IFRS 15 on its consolidated financial statements.

(iii) Leases -

January 2016, the IASB issued IFRS 16, Leases ("IFRS 16"), its new leases standard that requires lessees to recognize assets and liabilities for most leases on their balance sheets. Lessees applying IFRS 16 will have a single accounting model for all leases, with certain exemptions. The new standard will be effective for annual periods beginning on or after January 1, 2019 with limited early application permitted. The Company has not yet begun the process of evaluating the impact of this standard on the unaudited interim condensed consolidated financial statements. Other accounting standards or amendments to existing accounting standards that have been issued, but have future effective dates, are either not applicable or are not expected to have a significant impact on the Company's unaudited interim condensed consolidated financial statements. Management is currently evaluating the impact of IFRS 16 on its consolidated financial statements

4. BUSINESS COMBINATION

On October 15, 2015, the Company acquired 85% of the issued and outstanding common shares and 100% of the issued and outstanding preferred shares of Citagenix, a Canadian private company based in Montreal, QC for cash consideration of $400,000 and issuance of 25,876,421 common shares. The Company also purchased the remaining 15% of Citagenix's common shares on February 2, 2016, upon fulfillment of regulatory requirements. In consideration for 15% of the shares of Citagenix, the Company issued 2,857,500 common shares (see also note 13).

As the agreement to purchase the remaining 15% was a binding agreement subject only to TSX Venture approval, the Company has consolidated 100% of Citagenix as at October 15, 2015. The Citagenix vendors have agreed to a lock-up of the Company's common shares they received as consideration, with 25% of such shares released on October 15, 2015, and an additional 25% to be released on each of the six month, nine month and twelve month anniversary of that date.

The total consideration transferred, and the fair value of identifiable assets acquired, liabilities assumed and goodwill recognized, as a result of the acquisition, are as follows:

Total consideration transferred	
Shares	4,310,088
Cash	400,000
	4,710,088
Fair value of identifiable assets acquired:	
Accounts receivable	1,043,929
Inventory	2,840,386
Deferred income tax asset	88,182
Prepaid expenses	136,460
Patents	18,872
Trademarks and brands	3,094,018
Property and equipment	55,244
Other assets	55,400
	7,332,491
Less fair value of liabilities assumed:	
Bank indebtedness	1,477,751
Accounts payable and accrued liabilities	1,461,163
Deferred income tax liability	819,915
Long-term debt	146,795
	3,905,624
Net identifiable assets acquired and liabilities assumed	3,426,867
Goodwill	$ 1,283,221

Acquisition of Citagenix was in line with the Company's strategy to diversify its business and enter the growing regenerative medicine industry. Citagenix owns certain trademarks and brands that it has invested in and it continues to market and sell its products under these brands.

The goodwill recognized on the acquisition of Citagenix is attributable mainly to the expected future growth potential from its strong market presence in the regenerative medicine industry.

The goodwill recognized is not deductible for income tax purposes.

5. 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.

6. ACCOUNTS RECEIVABLE

	December 31, 2016	March 31, 2016
Trade receivables	**889,346**	$ 1,206,934
Income tax recoverable	**89,735**	-
ITCs receivable	**71,963**	92,026
Value-added taxes receivable	**17,690**	8,341
Harmonized sales taxes receivable	**28,535**	38,950
Allowance for doubtful accounts	**(381)**	(98,830)
	$1,096,888	$ 1,247,421

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

	For the nine months ended December 31, 2016	**Year ended March 31, 2016**
Balance, beginning of the period	**98,830**	$ -
Write offs	**(98,099)**	-
Bad Debt	**(1,112)**	
Allowance acquired	**-**	100,932
Bad debt recovery	**-**	(2,102)
	$(381)	$ 98,830

7. INTANGIBLE ASSETS

Intangible assets are comprised as follows:

	Trademarks and Brands	License	Customer List	Patents	Total
Cost					
As at March 31, 2016	$ 3,094,018	$ 250,000	-	$ 18,872	$ 3,362,890
Additions	-	-	177,080	-	177,080
As at December 31, 2016	3,094,018	250,000	177,080	18,872	3,539,970
Amortization					
As at March 31, 2016	142,410	-		5,130	147,540
Charge for the period	234,111	-	8,854	6,605	249,570
As at December 31, 2016	376,521	-	8,854	11,735	397,110
Carrying amount					
As at December 31, 2016	**$ 2,717,497**	**$ 250,000**	**168,226**	**$ 7,137**	**$ 3,142,860**

The term of the license agreement is 10 years from the date of the first commercial sale of the licensed product. As at December 31, 2016, there were no commercial sales of the licensed products. As such, no amortization is recognized in the current period related to this license.

8. BANK INDEBTEDNESS

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

1. A moveable hypothec in the amount of $10,000,000 covering the Company's present and future claims and universality of the Company's present and future property and assets with all risk of insurance and with losses payable to the Bank; and

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

The line of credit is subject to certain financial tests and covenants measured based on the Company's non-consolidated year-end financial statements. As at March 31, 2016 (last measurement date), the Company was not in compliance with the covenants. However, the bank issued a waiver until the next renewal date of September 1, 2016. The banking agreement was subsequently renewed and amended on October 26, 2016. As at December 31, 2016 was not in compliance with one of the covenants which according to the terms of its agreement with the Bank it is obliged to meet by the year ended March 31, 2017.

On October 26, 2016, the Company renewed its credit facility agreement with the Bank under the following terms and conditions:

Credit facility A - An operating line of credit to a maximum of $2,000,000. Amounts outstanding under the line are due on demand and bear interest at the Bank’s prime lending rate plus 0.50% per annum.

8. BANK INDEBTEDNESS *(continued)*

Credit facility C - Foreign exchange contracts to a maximum of USD$750,000. The outstanding draws under facility C are due on demand and bear interest in accordance with the bank's pricing schedule at the time of the withdrawal.

Credit facility D - An operating line of credit to a maximum of $225,000 for the purpose of financing the advances to BMT. Amounts outstanding under this line of credit are due on demand and bear interest at Bank's prime lending rate plus 0.50% per annum.

Credit Facility E - Operating Visa Business credit cards to a maximum of $100,000 due on demand. Interest rate applicable to facility E are in accordance with the terms and conditions governing the issue of the Visa Business credit cards.

Facilities A, C and E have the following security:

1. A first ranking moveable hypothec in the amount of $10,000,000 covering the Company's present and future claims and universality of the Company's present and future property and assets with all risk of insurance and with losses payable to Laurentian; and

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

Facility D is secured by a second ranking moveable hypothec in the amount of $300,000 covering the Company's present and future claims and universality of the Company's present and future property and assets with all risk of insurance and with losses payable to the Bank.

As at December 31, 2016, $1,352,975 was outstanding on the operating line of credit.

The Company holds a corporate credit card facility, administered by a Canadian Chartered Bank. 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.

9. 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 and nine months ended December 31, 2016, the Company advanced a net $1,794 and $138,834 respectively, to AHI (three and nine months ended December 31, 2015 - $1,861 and $10,181 respectively). As at December 31, 2016, $109,455 (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.

10. CONVERTIBLE DEBENTURES

On October 15, 2015, the Company completed a non-brokered private placement of senior secured convertible debentures (the "CDC1a Debentures") and warrants (the "CDC1a Warrants") to the Bloom Burton Healthcare Lending Trust raising gross proceeds of $1,800,000. The CDC1a Debentures mature on October 15, 2018, bear interest at a rate of 10% per annum, are convertible at the option of the holder into common shares of the Company at a price of $0.22 per share and are secured by the assets of the Company. Purchasers of the CDC1a Debentures were issued an aggregate of 3,600,000 CDC1a Warrants to purchase common shares of the Company. The CDC1a Warrants are each exercisable for the purchase of one common share of the Company at a price of $0.31, which are exercisable until October 15, 2018.

On November 13, 2015 the Company closed a second tranche of the non-brokered private placement of convertible debentures ("CDC1b Debentures") led by Knight Therapeutics Inc. ("Knight") for gross proceeds of $800,000. The CDC1b Debentures mature on October 15, 2018, bear interest at a rate of 10% per year, and are convertible at the holder's option into common shares of the Company at a price of $0.22 per share. In addition, the new holders received an aggregate of 1,600,000 warrants (the “CDC1b Warrants”) to purchase common shares of the Company at a price of $0.31, which are exercisable until October 15, 2018.

On December 23, 2015 the Company completed a closing of a brokered private placement (the "Private Placement") on the same financial terms as the previously disclosed non-brokered private placements. The Private Placement of 45 units (each, a "Unit") yielded gross proceeds of $450,000. Each Unit was priced at $10,000 and consists of a senior secured convertible debenture in the principal amount of $10,000 (each, a "CDC2a Debenture") and 20,000 warrants (each, a "CDC2a Warrant").

CDC2a Debentures mature on October 15, 2018, bear interest at a rate of 10% per annum and are secured by the assets of the Company. The principal amount of the CDC2a Debentures is convertible at the option of the holder into Antibe common shares at a price of $0.22 per common share. Purchasers of the CDC2a Debentures were issued an aggregate of 900,000 CDC2a Warrants to purchase common shares of Antibe. Each CDC2a Warrant are exercisable for the purchase of one common share at a price of $0.31 and expires on October 15, 2018.

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

In connection with the above brokered private placement, the Company paid in cash commission to agents equal to 7% of the gross proceeds. The Company also issued 143,182 broker warrants to agents entitling the holder to purchase one common share of the Company at a price of $0.22. These broker warrants expire on December 23, 2017. The estimated fair value of these warrants calculated using the BSM was $22,253 and was included in the contributed surplus. In addition, the Company incurred legal fees of $26,131 directly related to the issuance of convertible debentures.

The CDC1a, CDC1b and CDC2a Debentures were determined to be compound financial instruments comprising a host debt component, a component attributed to the fair value of the common share purchase warrants issued along with the Debentures and a residual equity component representing the conversion feature. The host or liability component of the convertible debenture was recognized initially at the fair value, by discounting the stream of future payments of interest and principal at the prevailing market rate for a similar liability of comparable credit status and providing substantially the same cash flows that do not have an associated share purchase warrants and conversion option. The fair value of the warrants was determined based on the BSM model using the weighted average assumptions set out as follows:

	CDC1a Debenture	**CDC1b Debenture**	**CDC2a Debenture**
Risk free rate	0.56%	0.68%	0.50%
Expected volatility	170%	170%	170%
Dividend yield	nil	nil	nil
Expected life (in years)	3	2.9	2.8
Antibe's share price	$0.15	$0.17	$0.19

11.

The carrying amount of the debenture conversion feature was estimated using the residual method, comprising the difference between the principal amount and the initial carrying values of the host debt component and the common share purchase warrants.

In connection with the issuance of the convertible debentures, the Company incurred issue costs totaling $261,884 which have been allocated proportionally between the host debt component, common share purchase warrants and equity component of convertible debentures in the amounts of $173,751, $72,031 and $16,102, respectively.

The Debenture agreements provide that the Company may, at its sole option, elect to pay in kind certain interest payments. On January 27, 2016, the Company announced its election to pay in-kind all interest due January 15, 2016 under the above convertible debentures. The aggregate January 15, 2016 interest payment under the Debentures in the amount of $62,014 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 the Company's 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 281,882 common shares in the capital of the Company will be issuable on the conversion of the principal amount of the Debentures. The in-kind election has received TSX Venture Exchange approval.

On April 18, 2016, the Company announced its election to pay in kind all interest due April 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 April 15, 2016 interest payment under the Debentures in the amount of $77,587 has been added to the principal amount of the Debentures. 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 352,669 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.

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 $79,522 has been added to the principal amount of the Debentures. 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.

On October 14, 2016, the Company announced its election to pay in kind all interest due October 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 October 15, 2016 interest payment under the Debentures in the amount of $82,400 has been added to the principal amount of the Debentures. 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 374,545 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.

The following is a continuity of the convertible debentures:

		Nine months ended December 31, 2016		Year ended March 31, 2016
Convertible debentures - beginning of the period	**$**	**2,027,295**	$	-
Debentures issued in the period		**-**		2,012,049
Issue costs		**-**		(173,751)
Interest paid in kind		**239,509**		62,014
Accretion		**223,590**		105,466
Amortization of issue costs		**45,112**		21,517
Convertible debentures - end of the period	**$**	**2,535,506**	$	2,027,295

Of the total amount of the cash proceeds received on the issuance of convertible debentures, $545,000 is designated as restricted cash and held as additional security for one of the convertible debenture holders pending the achievement of certain milestones.

11. SHARE CAPITAL

(a) Authorized

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

(b) Common shares

	Nine months ended December 31, 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	-	-
Private placement ("PP5a") (d)	16,178,299	2,426,745	-	-
Private placement ("PP5b") (e)	1,985,000	297,750	-	-
Settlement of debt	-	-	148,936	35,000
Acquisition of Citagenix	-	-	28,733,921	4,310,088
Warrants exercised	328,500	77,680	251,400	62,054
Fair value of warrants issued (a) and (b)	-	(472,943)	-	(538,050)
Fair value of warrants issued (d) and (e)	-	(1,230,416)	-	-
Share issuance costs (c)	-	(145,113)	-	
Share issuance costs (f)	-	(309,776)	-	(244,272)
Balance, end of the period	**111,681,914**	**$ 15,211,468**	**78,640,115**	**$ 13,112,541**

On April 1, 2015 (the "PP3a Closing Date"), the Company successfully completed a non-brokered private placement (the "PP3a"). Pursuant to the PP3a, the Company sold 7,860,000 units (the "Units") at a price of $0.10 per Unit wherein each Unit comprised one common share and one-half common share purchase warrant. Each full common share purchase warrant ("PP3a Warrants") entitles the bearer to purchase one common share for a price of $0.15 and expires three years from the date of issuance, i.e. the PP3a Warrants expire on April 1, 2018. The PP3a resulted in gross proceeds of $786,000. After the company incurred and paid $57,680 in finder fees, the net proceeds of the PP3a were $728,320.

The $786,000 gross proceeds were allocated into share capital and PP3a Warrants using the residual method. The 3,930,000 PP3a Warrants were valued using the Black-Scholes Options Pricing Model ("BSOPM"), which resulted in allocating $338,313 to PP3a Warrants and $447,687 to share capital.

On April 9, 2015 (the "PP3b Closing Date"), the Company successfully completed a non-brokered private placement (the "PP3b"). Pursuant to the PP3b, the Company sold 4,640,000 units (the "Units") at a price of $0.10 per Unit wherein each Unit comprised one common share and one-half common share purchase warrant. Each full common share purchase warrant ("PP3b Warrants") entitles the bearer to purchase one common share for a price of $0.15 and expires three years from the date of issuance, i.e. the PP3b Warrants expire on April 9, 2018. The PP3b resulted in gross proceeds of $464,000. After the company incurred and paid $20,800 in finder fees, the net proceeds of the PP3a were $443,200.

The $464,000 gross proceeds were allocated into share capital and PP3b Warrants using the residual method. The 2,320,000 PP3b Warrants were valued using the Black-Scholes Options Pricing Model ("BSOPM"), which resulted in allocating $199,737 to PP3b Warrants and $264,263 to share capital.

Issuance expenses incurred for PP3a and PP3b (including $78,480 of finders' fees) totaled $244,272 of which $113,011 was a non-cash expense resulting from the issuance of finder warrants. All issuance expenses were offset against share capital at the PP3a and PP3b Closing Dates.

On May 5, 2015, the Company granted a previous officer 148,936 common shares at the May 4, 2015 closing market price of $0.235 per common share for a total value of $35,000. The grant was made in exchange for the officer waiving a portion of the cash component of the officer's severance package.

On October 13, 2015, 60,000 PP3a Finders Warrants were exercised and the Company issued 60,000 common shares for gross proceeds of $6,000. Each of the PP3a Finder Warrants entitled the bearer to purchase one share in the capital stock of the Company at an exercise price of $0.10.

On October 15, 2015 (the CDC1a Closing Date"), the Company completed a non-brokered private placement of senior secured convertible debentures (the "CDC1a Debentures") and warrants (the "CDC1a Warrants") for gross proceeds of $1.8 million. The CDC1a Debentures have a term of three years from the date of their issuance, bear interest at a rate of 10% per year, are convertible at the option of the holder into common shares of the Company at a price of $0.22 per share and are secured by the assets of the Company. Purchasers of the CDC1a Debentures received an aggregate of 3,600,000 CDC1a Warrants to purchase common shares of the Company. The CDC1a Warrants will be each exercisable for the purchase of one common share of the Company at a price of $0.31 for a period of 3 years.

On October 19, 2015, 65,000 PP3a Investor Warrants were exercised and the Company issued 65,000 common shares for gross proceeds of $9,750. 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.

On November 13, 2015, the Company announced a second closing of the non-brokered private placement of convertible debentures ("CDC1b Debentures") announced October 15, 2015, bringing the total proceeds to $2.6M. The CDC1b Debentures will mature on October 15, 2018, bear interest at a rate of 10% per year, and are convertible at the holder's option into common shares of Antibe at a price of $0.22 per share. In addition, the new holders received an aggregate of 1.6 million Warrants ("CDC1b Warrants") to purchase common shares of Antibe at a price of $0.31, which are exercisable until October 15, 2018.

On December 23, 2015, the Company completed a first closing of a brokered private placement for gross proceeds of $450,000. The Debentures ("CDC2a Debentures") will mature on October 15, 2018, bear interest at a rate of 10% per annum, are convertible at the holder's option into common shares of Antibe at a price of $0.22 per common share, and are secured by the assets of the Company. Purchasers of the CDC2a Debentures were issued an aggregate of 900,000 Warrants ("CDC2a Warrants") to purchase common shares of Antibe. Each CDC2a Warrant is exercisable for the purchase of one Antibe common share at a price of $0.31 and expires on October 15, 2018. Agents participating in the private placement were paid an aggregate commission of 7% of the gross proceeds raised pursuant to the Private Placement and issued an aggregate of 143,182 Broker Warrants ("CDC2a Broker Warrants"). Each CDC2a Broker Warrant entitles the holder to purchase one Antibe common share at a price of $0.22 and expires on December 23, 2017. The CDC2a Debentures, Warrants and Broker Warrants are all subject to a hold period, which expired on April 24, 2016.

On January 18, 2016, 40,000 PP3a Finders Warrants were exercised and the Company issued 40,000 common shares for gross proceeds of $4,000. 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 $0.10.

On March 18, 2016, 40,000 PP3a Finders Warrants were exercised and the Company issued 40,000 common shares for gross proceeds of $4,000. 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 $0.10.

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.

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.

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

On December 15, 2016 (“the PP5a Closing Date”), the Company successfully completed a private placement consisting of brokered and non-brokered components (the "PP5a"). Pursuant to the PP5a, the Company issued 16,178,299 units at a price of $0.15 per unit for gross proceeds of $2,426,745. 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 $0.22 per common share and expires on December 15, 2018.

In connection with the PP5a, the Company issued 1,145,088 broker warrants. Each broker warrant entitles the holder to purchase one common share at an exercise price of $0.15 per common share and expires on June 15, 2018.

The $2,426,745 gross proceeds have been allocated to share capital and warrants based on the relative fair value of each component. The 8,089,154 warrants issued pursuant to the PP5a were valued using the Black-Scholes-Merton option-pricing model ("BSM"), which resulted in allocating $1,104,301 to warrants and $1,322,444 to share capital.

On December 21, 2016 (“the PP5b Closing Date”), the Company successfully completed a private placement consisted of brokered and non-brokered components (the "PP5b"). Pursuant to the PP5b, the Company issued 1,985,000 units at a price of $0.15 per unit for gross proceeds of $297,750. 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 $0.22 per common share and expires on December 21, 2018.

In connection with the PP5b, the Company issued 165,150 broker warrants. Each broker warrant entitles the holder to purchase one common share at an exercise price of $0.15 per common share and expires on June 21, 2018.

The $297,750 gross proceeds have been allocated to share capital and warrants based on the relative fair value of each component. The 992,500 warrants issued pursuant to the PP5b were valued using the BSM model, which resulted in allocating $126,115 to warrants and $171,635 to share capital.

Total issuance costs related to the PP5a and PP5b were $309,776 of which $121,103 were non-cash from the issuance of warrants to the brokers and finders (see note 10(d)). All issuance costs were offset against share capital at each of the closings.

11. 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. $45 and $1,336 was expensed during the three and nine months ended December 31, 2016, respectively, and included in contributed surplus (during the three and nine months ended December 31, 2015 - $1,930 and $7,757, respectively).

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. $258,486 and $267,731 was expensed during the three and nine months ended December 31, 2016, respectively, and included in contributed surplus (during the three and nine months ended December 31, 2015 - $9,138 and $38,482, respectively).

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. $508 and $2,315 was expensed during the three and nine months ended December 31, 2016, respectively, and included in contributed surplus (during the three and nine months ended December 31, 2015 - $1,736 and $6,606, respectively).

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. No amount was expensed during the three and nine months ended December 31, 2016 (during the three and nine months ended December 31, 2015 - $2,762 and $8,287, respectively, 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. No amount was expensed during the three and nine months ended December 31, 2016 (during the three and nine months ended December 31, 2015 - $15,604 and $46,813, respectively, and included in contributed surplus).

11. SHARE CAPITAL *(continued)*

On 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. $4,272 and $16,115 was expensed during the three and nine months ended December 31, 2016, respectively, and included in contributed surplus (during the three and nine months ended December 31, 2015 - $10,884 and $49,241 respectively).

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. No amount and $887 was expensed during the three and nine months ended December 31, 2016, respectively, and included in contributed surplus (during the three months ended December 31, 2015 - $444).

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. $364 and $1,093 was expensed during the three and nine months ended December 31, 2016, respectively, 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. $86,633 and $358,345 was expensed during the three and nine months ended December 31, 2016, respectively, 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. $330 and $991 was expensed during the three and nine months ended December 31, 2016, respectively, and included in contributed surplus.

On September 6, 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 $0.23 and expire on September 6, 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 $2,486. $621 and $1,243 was expensed during the three and nine months ended December 31, 2016, respectively, and included in contributed surplus.

11. 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.

	Nine months ended December 31, 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	**24,000**	**0.18**	7,685,000	0.15
Expired during the period	**(27,000)**	**0.34**	(1,038,654)	0.44
Balance, end of the period	**11,446,000**	**$ 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
12,000	$ 0.23	September 6, 2019
2,700,000	$ 0.33	January 25, 2020
150,000	$ 0.55	October 22, 2023
805,000	$ 0.66	March 4, 2024
75,000	$ 0.54	May 9, 2024
610,000	$ 0.14	July 13, 2025
6,734,000	$ 0.15	March 9, 2026
11,446,000		

The number of options exercisable as at December 31, 2016 is 6,745,318 and the weighted average exercise price of these options is $0.26.

(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.

11. SHARE CAPITAL *(continued)*

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.

On PP5a Closing Date, the Company granted 1,145,088 common share purchase warrants to finders (the "PP5a Finder Warrants"). Each PP5a Finder Warrant entitles the bearer to purchase one common share for a price of $0.15 and expires eighteen months from the date of issuance. The estimated fair value of these warrants calculated using the BSM was $106,891 and was offset against share capital as share issuance costs.

On PP5b Closing Date, the Company granted 165,150 common share purchase warrants to finders (the "PP5b Finder Warrants"). Each PP5b Finder Warrant entitles the bearer to purchase one common share for a price of $0.15 and expires eighteen months from the date of issuance. The estimated fair value of these warrants calculated using the BSM was $14,212 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 December 31, 2016 and March 31, 2016 as well as details on exercise prices and expiry dates:

	Nine months ended December 31, 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	**18,363,772**	**0.18**	13,277,982	0.22
Exercised	**(328,500)**	**0.15**	(251,400)	0.10
Expired	**(1,007,436)**	**0.76**	(685,459)	0.59
Balance, end of the period	**33,241,198**	**$ 0.23**	16,213,362	$ 0.31

Number of warrants	**Exercise price**	**Expiry date**
316,344	$ 0.80	January 28, 2017
390,400	$ 0.10	April 1, 2017
192,000	$ 0.10	April 9, 2017
787,500	$ 0.67	December 1, 2017
143,182	$ 0.22	December 23, 2017
3,552,500	$ 0.15	April 1, 2018
2,320,000	$ 0.15	April 9, 2018
5,160,500	$ 0.15	June 10, 2018
1,145,088	$ 0.15	June 15, 2018
2,811,380	$ 0.15	June 20, 2018
165,150	$ 0.15	June 21, 2018
6,100,000	$ 0.31	October 15, 2018
168,000	$ 0.83	December 1, 2018
8,089,154	$ 0.22	December 15, 2018
992,500	$ 0.22	December 21, 2018
907,500	$ 0.83	June 1, 2019
33,241,198		

11. 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 December 31, 2016	Three months ended December 31, 2015	Nine months ended December 31, 2016	Nine months ended December 31, 2015
Risk-free interest rate	0.80% - 0.83%	0.50% - 0.56%	0.49% - 0.83%	0.47% - 0.56%
Expected volatility	121% - 203%	170%	121% - 203%	170% - 180%
Expected dividend yield	0.00%	0.00%	0.00%	0.00%
Expected life of warrants and options	1.5 - 2 years	2.8 - 3 years	1.5 - 3 years	2 – 10 years
Share price	$0.18	$0.14 - $0.21	$0.16	$0.10 - $0.24
Exercise price	$0.15 - $0.22	$0.17 - $0.31	$0.10 - $0.22	$0.10 - $0.59

12. 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:

	Nine months ended December 31, 2016	Year ended March 31, 2016
Stock options	**8,263,321**	11,449,000
Warrants	**17,504,180**	15,614,962
Convertible debentures	**15,234,191**	14,145,518

13. 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 and nine months ended December 31, 2016 are as follows:

	For the Three months ended December 31, 2016			For the Three months ended December 31, 2015		
	Antibe	Citagenix	Consolidated	**Antibe**	**Citagenix**	**Consolidated**
Revenues	-	$ 1,960,842	$ 1,960,842	-	$2,100,460	$ 2,100,460
Cost of goods sold	-	1,110,081	1,110,081	-	1,063,328	1,063,328
Gross Margin	-	850,761	850,761	-	1,037,132	1,037,132
Expenses	$ 1,088,533	1,458,639	2,547,172	$589,776	1,197,816	1,787,592
Income before tax	**$ (1,088,533)**	**$ (607,878)**	**(1,696,411)**	**$(589,776))**	**$(160,684)**	**$(750,460)**

	For the Nine months ended December 31, 2016			For the Nine months ended December 31, 2015		
	Antibe	Citagenix	Consolidated	**Antibe**	**Citagenix**	**Consolidated**
Revenues	-	$ 6,778,297	$ 6,778,297	-	$2,100,460	$2,100,460
Cost of goods sold	-	3,863,163	3,863,163	-	1,063,328	1,063,328
Gross Margin	-	2,915,134	2,915,134	-	1,037,132	1,037,132
Expenses	$ 3,033,033	3,931,146	6,964,179	$1,727,232	1,197,816	2,925,048
Income before tax	**$ (3,033,033)**	**$ (1,016,012)**	**$(4,049,045)**	**$(1,727,232)**	**$(160,684)**	**$(1,887,916)**

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

The Company's assets and liabilities by each business as at December 31, 2016 and March 31, 2016 are as follows:

	As at December 31, 2016			As at March 31, 2016		
	Antibe	**Citagenix**	**Consolidated**	**Antibe**	**Citagenix**	**Consolidated**
Assets:						
Current	$ 2,936,844	$ 3,627,180	$ 6,564,064	$ 1,336,440	$ 3,674,079	$ 5,010,519
Non-current	250,000	4,273,026	4,523,026	256,673	4,472,950	4,729,623
Total assets	**$ 3,186,884**	**$ 7,900,206**	**$ 11,087,090**	**$ 1,593,113**	**$ 8,147,029**	**$ 9,740,142**
Liabilities:						
Current	$ 563,943	$ 2,787,410	$ 3,351,353	$ 249,987	$ 2,755,237	$ 3,005,224
Non-current	2,535,506	-	2,535,506	2,027,295	-	2,027,295
Total liabilities	**$ 3,099,449**	**$ 2,787,410**	**$ 5,886,859**	**$ 2,277,282**	**$ 2,755,237**	**$ 5,032,519**

14. FINANCIAL INSTRUMENTS

The carrying values of cash, term deposits, restricted cash, accounts receivable, due from AHI, bank indebtedness, accounts payable and accrued liabilities and current portion of 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, restricted cash and bank indebtedness. At the current time, the Company does not have financial instruments classified in Level 2 or Level 3.

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

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.

15. FINANCIAL RISK MANAGEMENT *(continued)*

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.

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

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

(b) Royalty agreement

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

(c) Licensing and distribution agreement

On January 12, 2016, the Company announced the signing of an exclusive Licensing and Distribution Agreement with Induce Biologics Inc. (“Induce”) for the Canadian rights for Induce’s URIST' ("Licensed Product") biological product for dental and craniofacial applications. URIST' is a novel bone graft substitute that contains bone morphogenetic protein-2 (BMP), and is being developed as a means of promoting the regeneration of bone following dental and oral maxillofacial surgery. The Company is committed to royalty fees paid quarterly based on net sales of the Licensed Product starting at the end of the quarter following the date of the first commercial sale of the URIST' to Canadian market.

(d) Royalty agreement

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

Office lease commitments -

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

No later than 1 year	$	234,150
Later than 1 year but no later than 5 years		806,653
Total	**$**	**1,040,803**

17. SUBSEQUENT EVENTS

(a) On January 18, 2017, the Company granted three new employees options to purchase a total of 150,000 common shares pursuant to the Company's stock option plan. Each option has an exercise price of $0.19 and expires on January 18, 2027. 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 $28,201 and $12,719 (2015 - nil) will be expensed during the fiscal year ending March 31, 2017 and included in contributed surplus.

(b) On January 18, 2017, the Company granted BND Projects Inc. options under the terms of a consulting agreement. The options give BND the right to purchase a total of 24,000 common shares pursuant to the Company's stock option plan. These options have an exercise price of $0.19 and expire on January 18, 2020. 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 $3,946 and $986 (2015 - nil) will be expensed during the fiscal year ending March 31, 2017 and included in contributed surplus.

(c) On January 26, 2017, 8,000 PP4a Investor Warrants were exercised and the Company issued 8,000 common shares for gross proceeds of $1,200. Each of the PP4a Investor Warrants entitled the bearer to purchase one share in the capital stock of the Company at an exercise price of $0.15.

(d) On February 3, 2017, 100,000 PP3a Finder Warrants were exercised and the Company issued 100,000 common shares for gross proceeds of $10,000. 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 $0.10.

(e) On February 3, 2017, 200,000 PP3b Investor Warrants were exercised and the Company issued 200,000 common shares for gross proceeds of $30,000. Each of the PP3b Investor Warrants entitled the bearer to purchase one share in the capital stock of the Company at an exercise price of $0.15.

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

(g) On February 17, 2017, 300,000 PP3b Investor Warrants were exercised and the Company issued 300,000 common shares for gross proceeds of $45,000. Each of the PP3b Investor Warrants entitled the bearer to purchase one share in the capital stock of the Company at an exercise price of $0.15.

(h) On February 23, 2017, 16,000 PP4a Finder Warrants were exercised and the Company issued 16,000 common shares for gross proceeds of $2,400. Each of the PP4a Finder Warrants entitled the bearer to purchase one share in the capital stock of the Company at an exercise price of $0.15.

(i) On February 24, 2017, 50,000 PP4a Investors Warrants were exercised and the Company issued 50,000 common shares for gross proceeds of $7,500. Each of the PP4a Investor Warrants entitled the bearer to purchase one share in the capital stock of the Company at an exercise price of $0.15.