ANTIBE THERAPEUTICS INC.

Consolidated Financial Statements

March 31, 2017 and 2016

(Expressed in Canadian Dollars)

See accompanying notes to the consolidated financial statements

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Antibe Therapeutics Inc.

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

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

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

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

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

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

Restated Comparative Information
The consolidated financial statements of Antibe Therapeutics Inc. for the year ended March 31, 2016 (prior to the restatement of comparative information described in Note 3 to the consolidated financial statements) were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on July 18, 2016.

As part of our audit of the consolidated financial statements of Antibe Therapeutics Inc. for the year ended March 31, 2017, we also audited the adjustments described in Note 3 that were applied to restate the consolidated financial statements for the year ended March 31, 2016. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review or apply any procedures to the consolidated financial statements of Antibe Therapeutics Inc. for the year ended March 31, 2016 other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the consolidated financial statements for the year ended March 31, 2016 taken as a whole.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 2(c) in the consolidated financial statements which indicates that the Company incurred a net loss of $5,745,821 during the year ended March 31, 2017 and, as of that date the Company had an accumulated deficit of $20,085,685. These conditions, along with other matters as set forth in Note 2(c), indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
July 27, 2017

ANTIBE THERAPEUTICS INC.
Consolidated Statements of Financial Position
As at March 31, 2017 and 2016
(Expressed in Canadian Dollars)

	2017	2016 [Note 3 (c)]
	$	$
ASSETS		
Current		
Cash	**1,501,959**	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 6]*	**1,045,003**	1,247,421
Inventory	**2,752,996**	2,373,687
Income taxes recoverable *[note 20]*	**18,862**	-
Prepaid expenses	**197,027**	185,057
Due from Antibe Holdings Inc. *[note 9]*	**137,557**	248,290
Total current assets	**6,223,404**	5,010,519
Non-current		
Property and equipment	**75,294**	80,450
Deferred share issuance costs	**-**	6,673
Deposits	**18,453**	18,453
Intangible assets *[note 7]*	**3,125,325**	3,215,351
Goodwill *[note 4]*	**1,283,221**	1,283,221
Total non-current assets	**4,502,293**	4,604,148
TOTAL ASSETS	**10,725,697**	9,614,667
LIABILITIES		
Current		
Bank indebtedness *[note 8]*	**1,152,264**	1,544,637
Accounts payable and accrued liabilities	**1,994,792**	1,362,018
Current portion of long-term debt	**-**	98,569
Total current liabilities	**3,147,056**	3,005,224
Long-term liabilities		
Convertible debentures *[note 10]*	**2,631,818**	2,027,295
Deferred income taxes *[note 21]*	**309,854**	608,096
Deferred revenue	**1,083,540**	-
Total long-term liabilities	**4,025,212**	2,635,391
TOTAL LIABILITIES	**7,172,268**	5,640,615
SHAREHOLDERS' EQUITY		
SHARE CAPITAL *[note 11]*	**15,517,895**	13,112,541
COMMON SHARE PURCHASE WARRANTS *[note 11]*	**3,728,024**	2,082,995
CONTRIBUTED SURPLUS *[note 11]*	**4,364,112**	3,096,208
ACCUMULATED OTHER COMPREHENSIVE INCOME	**29,083**	22,172
DEFICIT	**(20,085,685)**	(14,339,864)
TOTAL SHAREHOLDERS' EQUITY	**3,553,429**	3,974,052
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**10,725,697**	9,614,667

Commitments and Contingencies (Note 25)

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

ANTIBE THERAPEUTICS INC.
Consolidated Statements of Loss and Comprehensive Loss
For the Years Ended March 31, 2017 and 2016
(Expressed in Canadian Dollars)

	2017	**2016 [Note 3(c)]**
	$	$
REVENUE		
Product sales	**9,054,404**	4,431,154
COST OF SALES	**5,120,594**	2,380,164
GROSS PROFIT	**3,933,810**	2,050,990
General and administrative *[note 15]*	**5,392,866**	3,140,275
Selling and marketing *[note 16]*	**1,540,501**	978,731
Research and development *[note 17]*	**700,796**	406,733
Stock-based compensation *[note 18]*	**1,155,753**	515,116
Amortization and depreciation *[note 7]*	**352,614**	158,738
Total Expenses	**9,142,530**	5,199,593
LOSS FROM OPERATIONS	**(5,208,720)**	(3,148,603)
Finance and related costs *[note 19]*	**905,742**	353,664
Finance income	**(3,638)**	(5,921)
LOSS BEFORE TAXES	**(6,110,824)**	(3,496,346)
RECOVERY OF INCOME TAXES		
Current *[note 20]*	**(63,564)**	-
Deferred *[notes 20 and 21]*	**(301,439)**	(131,631)
Total recovery of income taxes	**(365,003)**	(131,631)
NET LOSS	**(5,745,821)**	(3,364,715)
CHANGES IN OTHER INCOME		
Exchange differences on translation of foreign operations	**6,911**	22,172
COMPREHENSIVE LOSS	**(5,738,910)**	(3,342,543)
Loss per share *[note 12]*		
Basic and diluted loss per share	**(0.06)**	(0.05)
Weighted average number of shares outstanding *[note 12]*		
Basic and diluted	**95,744,799**	62,746,770

See accompanying notes to the consolidated financial statements

ANTIBE THERAPEUTICS INC.
Consolidated Statements of Changes in Shareholders' Equity
For the Years Ended March 31, 2017 and 2016
(Expressed in Canadian Dollars)

	Number of common shares	**Share capital**	**Common shares purchase warrants**	**Contributed surplus**	**Accumulated other comprehensive income**	**Deficit**	**Total shareholders' equity**
		$	$	$	$	$	$
Balance, March 31, 2015	**37,005,858**	**8,237,721**	**826,148**	**2,248,471**	**-**	**(10,975,149)**	**337,191**
Shares issued	41,233,921	5,022,038	1,256,847	253,274	-	-	6,532,159
Share issuance costs	-	(244,271)	-	113,010	-	-	(131,261)
Shares issued for exercised warrants	251,400	62,053	-	(33,663)	-	-	28,390
Stock-based compensation	-	-	-	515,116	-	-	515,116
Shares issued to settle debt	148,936	35,000	-	-	-	-	35,000
Net loss for the year *[note 3(c)]*	-	-	-	-	-	(3,364,715)	(3,364,715)
Exchange differences on translation of foreign operations	-	-	-	-	22,172	-	22,172
Balance, March 31, 2016 *[note 3(c)]*	**78,640,115**	**13,112,541**	**2,082,995**	**3,096,208**	**22,172**	**(14,339,864)**	**3,974,052**
Balance, March 31, 2016	**78,640,115**	**13,112,541**	**2,082,995**	**3,096,208**	**22,172**	**(14,339,864)**	**3,974,052**
Shares issued	32,953,299	2,521,735	1,716,619	-	-	-	4,238,354
Share issuance costs	-	(454,890)	-	189,254	-	-	(265,636)
Shares issued for exercised warrants	1,424,900	338,508	(71,590)	(77,103)	-	-	189,815
Stock-based compensation	-	-	-	1,155,753	-	-	1,155,753
Net loss for the year	-	-	-	-	-	(5,745,821)	(5,745,821)
Exchange differences on translation of foreign operations	-	-	-	-	6,911	-	6,911
Balance, March 31, 2017	**113,018,314**	**15,517,895**	**3,728,024**	**4,364,112**	**29,083**	**(20,085,685)**	**3,553,429**

See accompanying notes to the consolidated financial statements

ANTIBE THERAPEUTICS INC.
Consolidated Statements of Cash Flows
For the Years Ended March 31, 2017 and 2016
(Expressed in Canadian Dollars)

	2017	2016 [Note 3(c)]
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	**(5,745,821)**	(3,364,715)
Items not affecting cash:		
Deferred income taxes *[note 21]*	**(298,242)**	(123,638)
Stock-based compensation *[note 18]*	**1,155,753**	515,116
Accretion interest *[notes 10 and 19]*	**305,138**	105,466
Amortization of transaction costs *[note 10]*	**59,876**	21,517
Depreciation of property and equipment	**18,699**	13,748
Amortization of intangible assets *[note 7]*	**333,915**	147,540
Amortization of deferred finance charges	**7,471**	-
Interest paid in kind *[note 10]*	**239,509**	62,014
Shares and warrants paid in kind *[note 11]*	**58,860**	-
Broker fees paid in kind *[note 11]*	**-**	22,253
Severance paid in kind *[note 11]*	**-**	35,000
	(3,864,842)	(2,565,699)
Changes in non-cash working capital:		
Accounts receivable *[note 6]*	**202,418**	(152,915)
Inventory	**(379,309)**	466,699
Prepaid expenses	**(18,862)**	(5,699)
Income taxes recoverable *[note 20]*	**(11,970)**	-
Deposits	**-**	36,948
Accounts payable and accrued liabilities	**632,774**	(526,276)
	425,051	(181,243)
Cash flows used in operating activities	**(3,439,791)**	(2,746,942)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Citagenix *[note 4]*	**-**	(400,000)
Purchase of customer lists *[note 7]*	**(177,080)**	-
Purchase of licence *[note 7]*	**(66,810)**	(250,000)
Purchase of equipment	**(13,543)**	(38,954)
Cash flows used in investing activities	**(257,433)**	(688,954)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from Antibe Holdings Inc. *[notes 9 and 25]*	**110,733**	(35,217)
Repayment of long-term liabilities	**(106,040)**	(48,227)
Increase in deferred revenue	**1,083,540**	
Net change to bank indebtedness *[note 8]*	**(392,373)**	66,886
Net change to restricted cash and term deposits	**-**	(45,000)
Issuances:		
Gross proceeds from convertible debentures *[note 11]*	**-**	2,550,000
Gross proceeds from shares and warrant issuance *[note 11]*	**4,179,495**	1,225,000
Proceeds from warrants *[note 11]*	**189,815**	28,390
Issuance costs *[note 11]*	**(258,361)**	(70,573)
Transaction costs *[note 11]*	**(7,275)**	(261,884)
Deferred expenses	**6,673**	(6,673)
Cash flows from financing activities	**4,806,208**	3,402,702
Net increase (decrease) in cash during the year	**1,108,984**	(33,194)
Exchange gain on translation of foreign subsidiary	**6,911**	22,172
Cash, beginning of the year	**386,064**	397,086
Cash, end of the year	**1,501,959**	386,064

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. Citagenix has grown a comprehensive portfolio of 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 13.3% of the Company's common shares are held by Antibe Holdings Inc. ("AHI").

These consolidated financial statements were authorized for issuance by the Board of Directors on July 27, 2017.

2. BASIS OF PRESENTATION

(a) Statement of compliance -

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). These consolidated financial statements have been prepared using the accounting policies in note 3. The comparative income statement has been reclassified to conform to the current year's presentation.

(b) Consolidation -

These 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.

2. BASIS OF PRESENTATION *(continued)*

(c) Going concern -

The consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As at March 31, 2017, the Company had working capital of $3,076,348 (March 31, 2016 - $2,005,295), incurred a net loss for the year then ended of $5,745,821 (2016 - $3,364,715), and had negative cash flows from operations of $3,439,791 (2016 - $2,746,943).

All of the factors above may cast significant doubt about the Company's ability to continue as a going concern. Management's plans to address these issues involve actively seeking capital investment and 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 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 statements of financial position. The consolidated financial statements do not include adjustments that would be necessary if the going concern assumption was not appropriate.

(d) Use of estimates -

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of the consolidated financial statements, and the reported amount of expenses during the year. Actual results may vary from the current estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the year in which such adjustments become known. Significant estimates in these consolidated financial statements include determination of eligible expenditures for investment tax credit ("ITC") purposes, 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 AND RESTATEMENT

(a) Significant accounting policies

Cash -

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

Inventory -

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

Property and equipment -

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

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

The Company prorates depreciation for acquisitions made during the year.

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

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

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

Intangible assets -

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

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

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

Impairment of non-financial assets -

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

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

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

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

Goodwill -

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

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

As at March 31, 2017, there is no impairment of goodwill. The Company tests goodwill for impairment annually in the fourth quarter. The impairment test on Citagenix is carried out by comparing the carrying amount of Citagenix and its recoverable amount. The recoverable amount of Citagenix is the higher of its fair value, less costs to sell and its value in use. The recoverable amount has been determined by management using value in use model. This complex valuation process entails the use of methods, such as the discounted cash flow method which requires numerous assumptions to estimate future cash flows. The recoverable amount is impacted significantly by the discount rate used in the discounted cash flow model, as well as the quantum and timing of expected future cash flows and the growth rate used in the projections.

The estimated future cash flows were based on the budget and strategic plan for the next 6 years and a growth rate of 3.0% was applied to derive a terminal value beyond the initial 6-year period. The post-tax discount rate used to calculate the recoverable amount in fiscal year 2017 was 20%.

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

Related party transactions -

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

Income taxes -

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

Deferred share issuance cost -

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

Government grants and investment tax credits -

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

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

Convertible debt instruments -

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

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

Research and development expense -

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

Revenue recognition -

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

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

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

Deferred Revenue -

Revenue from up-front payments are deferred and amortized to the statements of loss and comprehensive loss over time when the risks and rewards have been transferred to the licensee.

Stock-based compensation -

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

Broker warrants -

Warrants issued in a public or private placement to brokers are accounted for under International Financial Reporting Standards 2 and are classified as equity. The Company uses the BSM model to estimate the fair value of these warrants at the time of issuance. Inputs into the BSM require estimates, including such items as estimated volatility of the Company’s stock and the estimated life of the financial instruments being fair valued.

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

Foreign currency translation -

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

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

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

Loss per share -

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

Provisions -

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

Leases -

Assets held under finance leases are recognized as assets of the Company at the lower of fair value at inception of the lease or the present value of the minimum lease payments. The corresponding liability is recognized as a finance lease obligation. Lease payments are apportioned between finance charges and a reduction of the lease obligation to achieve a constant rate of interest on the remaining liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized.

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

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

Measurement of financial instruments -

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

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

(i) FVTPL financial instruments -

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

(ii) HTM financial instruments -

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

(iii) Loans and receivables -

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

(iv) Available-for-sale -

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

(v) Other financial liabilities -

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

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

(b) Future changes in significant accounting policies -

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

(i) Financial Instruments -

International Financial Reporting Standards 9, Financial Instruments ("IFRS 9") was issued in 2010 and is to replace International Accounting Standards 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 -

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 -

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

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

(c) Restatement of prior year consolidated financial statements

The Company restated its March 31, 2016 consolidated financial statements in order to correct for deferred taxes associated with the Citagenix acquisition. Previously, the losses recognized to offset the deferred tax liability associated with the fair value of the intangible assets were related to the parent company and, accordingly, erroneously recorded as of March 31, 2016.

The effects of the adjustments to the consolidated financial statements are presented below. The adjustments had no effect on the previously reported amounts of net cash flows from operating activities, investing activities or financing activities. The adjusted line items are as follows:

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

Consolidated Statement of Financial Position – March 31, 2016	**As Previously Reported**	**Adjustments**	**Restated**
	$	$	$
ASSETS			
Non-current			
Deferred income taxes	125,475	(125,475)	-
Total non-current assets	4,729,623	(125,475)	4,604,148
TOTAL ASSETS	9,740,142	(125,475)	9,614,667
LIABILITIES			
Long-term liabilities			
Deferred Income taxes	-	608,096	608,096
Total long-term liabilities	2,027,295	608,096	2,635,391
TOTAL LIABILITIES	5,032,519	608,096	5,640,615
SHAREHOLDERS' EQUITY			
DEFICIT	(13,606,293)	(733,571)	(14,339,864)
TOTAL SHAREHOLDERS' EQUITY	4,707,623	(733,571)	3,974,052
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	9,740,142	(125,475)	9,614,667

Consolidated Statements of Loss and Comprehensive Loss for the year ended March 31, 2016	**As Previously Reported**	**Adjustments**	**Restated**
	$	$	$
RECOVERY OF INCOME TAXES			
Deferred	(865,202)	733,571	(131,631)
Total Provision for (Recovery of) Income Taxes	(865,202)	733,571	(131,631)
NET LOSS	(2,631,144)	733,571	(3,364,715)
COMPREHENSIVE LOSS	(2,608,972)	733,571	(3,342,543)

The restatement above did not have any impact on the Company's consolidated statement of cash flows.

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 Montréal, Québec 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 fulfilment of regulatory requirements. In consideration for 15% of the shares of Citagenix, the Company issued 2,857,500 common shares (see also note 11).

As the agreement to purchase the remaining 15% was a binding agreement subject only to TSX Venture approval, the Company consolidated 100% of Citagenix as at October 15, 2015. The Citagenix vendors 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

	2017	**2016**
	$	$
Trade receivables	**983,306**	1,206,934
ITCs receivable	**-**	92,026
Value-added taxes receivable	**2,329**	8,341
Harmonized sales taxes receivable	**39,287**	38,950
Allowance for doubtful accounts	**(569)**	(98,830)
	1,024,353	1,247,421
Employee advances	**20,700**	-
	1,045,003	1,247,421

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

	2017	**2016**
	$	$
Balance, beginning of the year	**98,830**	-
Write-offs	**(98,099)**	-
Bad debt	**(1,300)**	-
Allowance acquired	**-**	(100,932)
Bad debts recovery	**-**	2,102
	(569)	(98,830)

7. INTANGIBLE ASSETS

Intangible assets consist of the following:

	Trademarks and Brands	License	Customer List	Patents	Total
	$	$	$	$	$
Cost					
As at March 31, 2016	3,094,018	250,000	-	18,872	3,362,890
Additions	-	66,810	177,080	-	243,890
As at March 31, 2017	3,094,018	316,810	177,080	18,872	3,606,780
Amortization					
As at March 31, 2016	142,410	-	-	5,130	147,540
Charge for the year	309,402	-	17,708	6,805	333,915
As at March 31, 2017	451,812	-	17,708	11,935	481,455
Carrying amount					
As at March 31, 2017	**2,642,206**	**316,810**	**159,372**	**6,937**	**3,125,325**

The term of the license agreement is 10 years from the date of the first commercial sale of the licensed product. As at March 31, 2017, there were no commercial sales of the licensed products. As such, no amortization is recognized in the current year related to this license.

8. BANK INDEBTEDNESS

The Company has an operating line of credit with a Canadian Chartered Bank ("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, 2017, the Company was in compliance with these respective covenants.

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 the 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 March 31, 2017, $1,152,264 was outstanding on the operating line of credit.

The Company holds a corporate credit card facility with a $25,000 limit and the bank holds $25,000 of term deposits in-trust as collateral. This amount is presented as term 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 dated December 22, 2009. See note 25 for details of the license agreement and potential future commitments.

During the year, the Company advanced $39,268 (2016 - $35,217) to AHI. As at March 31, 2017, $137,557 (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 is exercisable for the purchase of one common share at a price of $0.31 and expires on October 15, 2018.

CDC1a, CDC1b 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.

10. CONVERTIBLE DEBENTURES *(continued)*

The CDC1a, CDC1b and CDC2a Debentures (collectively, the "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 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 Black-Scholes Options Pricing model ("BSM") 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

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 totalling $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 Debenture agreements, in the amount of $62,014, has been added to the principal amount of the Debentures (the "Added Principal Amount"). The holders of the 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. These respective 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 agreement, in the amount of $77,587, has been added to the principal amount of the debentures due October 15, 2018. The holders of these 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.

10. CONVERTIBLE DEBENTURES *(continued)*

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. These respective 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 agreement, in the amount of $79,522, has been added to the principal amount of the debentures due October 15, 2018. The holders of these 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. These respective 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 agreement, in the amount of $82,400, has been added to the principal amount of the debentures due October 15, 2018. The holders of these 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:

	2017	**2016**
	$	$
Convertible debentures - beginning of the year	**2,027,295**	-
Debentures issued in the year	-	2,012,049
Issue costs	-	(173,751)
Interest paid in kind	**239,509**	62,014
Accretion	**305,138**	105,466
Amortization of issue costs	**59,876**	21,517
Convertible debentures - end of the year	**2,631,818**	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

	2017		2016	
	Shares	**Amount**	**Shares**	**Amount**
		$		$
Balance, beginning of the year	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
Return of territory rights	240,000	45,600	-	-
Warrants exercised	1,424,900	338,508	251,400	62,054
Fair value of warrants issued (PP3a, PP3b)	-	-	-	(538,050)
Fair value of warrants issued (PP4a, PP4b)	-	(472,943)	-	-
Fair value of warrants issued (PP5a, PP5b)	-	(1,230,416)	-	-
Share issuance costs (PP3a, PP3b)	-	-	-	(244,272)
Share issuance costs (PP4a, PP4b)	-	(145,113)	-	-
Share issuance costs (PP5a, PP5b)	-	(309,777)	-	-
Balance, end of the year	**113,018,314**	**15,517,895**	**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 “PP3a Units”) at a price of $0.10 per PP3a Unit wherein each PP3a 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 BSM, 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 “PP3b Units”) at a price of $0.10 per PP3b Unit wherein each PP3b 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.

11. SHARE CAPITAL *(continued)*

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 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) totalled $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, November 13, 2015 and December 23, 2015, the Company completed a first closing of a non-brokered private placement, a second closing of a non-brokered private placement and a first closing of a brokered private placement, respectively, of senior secured convertible debentures (the "CDC1a Debentures", "CDC1b Debentures" and "CDC2a Debentures", respectively) and warrants (the "CDC1a Warrants", "CDC1b Warrants" and "CDC2a Warrants", respectively) for gross proceeds of $3.05 million. The CDC1a Debentures, CDC1b Debentures and CDC2a Debentures will mature on October 15, 2018, 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, CDC1b Debentures and CDC2a Debentures received an aggregate of 3,600,000 CDC1a Warrants, 1,600,000 CDC1b Warrants and 900,000 CDC2a Warrants, respectively to purchase common shares of the Company. Each CDC1a Warrant, CDC1b Warrant and CDC2a Warrant is exercisable for the purchase of one common share of the Company 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 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 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.

11. SHARE CAPITAL *(continued)*

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 ("PP4a Units") at a price of $0.10 per PP4a Unit for gross proceeds of $968,500. Each PP4a Unit was composed of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share 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 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 ("PP4b Units") at a price of $0.10 per PP4b Unit for gross proceeds of $486,500. Each PP4b Unit was composed of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share 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 11(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 ("PP5a Units") at a price of $0.15 per PP5a Unit for gross proceeds of $2,426,745. Each PP5a Unit was composed of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share 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 BSM model, 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 consisting of brokered and non-brokered components (the "PP5b"). Pursuant to the PP5b, the Company issued 1,985,000 units ("PP5b Units") at a price of $0.15 per PP5b Unit for gross proceeds of $297,750. Each PP5b Unit was composed of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at an exercise price of $0.22 per common share and expires on December 21, 2018.

11. SHARE CAPITAL *(continued)*

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 11(d)). All issuance costs were offset against share capital at each of the closings.

On March 27, 2017, in connection with Antibe's regional licensing deal with Laboratoires Acbel SA, Antibe issued 240,000 common shares and 120,000 common share purchase warrants to Knight in exchange for the return of the ATB-346 territory rights to Romania (previously granted to Knight in November 2015). Each whole warrant entitles Knight to purchase one common share at an exercise price of $0.22 per common share and expires on March 27, 2019.

The 120,000 warrants issued pursuant to the return of the ATB-346 territory rights to Romania were valued using the BSM model, which resulted in allocating $13,260 to warrants and $45,600 to share capital.

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

Date of exercise	Number of warrants exercised	Type of warrant	Number of common shares issued	Gross proceeds	Exercise price
				$	$
January 26, 2017	8,000	PP4a Investor	8,000	1,200	0.15
February 3, 2017	100,000	PP3a Finder	100,000	10,000	0.10
February 3, 2017	200,000	PP3b Investor	200,000	30,000	0.15
February 17, 2017	300,000	PP3b Investor	300,000	45,000	0.15
February 23, 2017	16,000	PP4a Finder	16,000	2,400	0.15
February 24, 2017	50,000	PP4a Investor	50,000	7,500	0.15
March 2, 2017	16,000	PP3b Finder	16,000	1,600	0.10
March 13, 2017	60,000	PP4a Finder	60,000	9,000	0.15
March 22, 2017	120,000	PP3a Finder	120,000	12,000	0.10
March 24, 2017	130,400	PP3a Finder	130,400	13,040	0.10
March 27, 2017	96,000	PP3b Finder	96,000	9,600	0.10

11. SHARE CAPITAL *(continued)*

(c) Stock options

The Company has established a stock option plan that provides a limited issuance of options, capped at 22,337,983 common shares. The plan is to encourage ownership of common shares by directors, senior officers and consultants of the Company. The fair value of the options is measured as of the grant date, using the BSM, and is recognized over the vesting period. The fair value is recognized as an expense 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. Twenty-five per cent 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. $1,336 (2016 – $9,131) was expensed during year 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"). Twenty-five per cent 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. $290,006 (2016 – $45,640) was expensed during the year 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. Twenty-five per cent 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. $2,593 (2016 – $7,972) was expensed during the year 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 provided 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. Twenty-five per cent 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 year (2016 – $8,287, 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 $62,417. No amount was expensed during the year (2016 – $62,417, and included in contributed surplus).

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 per cent of the granted options vested 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. $19,544 (2016 – $57,505), was expensed during the year and included in contributed surplus.

11. SHARE CAPITAL *(continued)*

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 per cent 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. $887 (2016 – $887), was expensed during year 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 per cent 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. $1,093 (2016 – $364), was expensed during the year 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 per cent 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. $427,583 (2016 – $322,911), was expensed during the year 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 per cent 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. $1,322 (2016 – nil), was expensed during the year and included in contributed surplus. The assumptions used for the BSM model are summarized at the end of this note.

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 per cent 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. $1,864 (2016 – nil), was expensed during the year and included in contributed surplus. The assumptions used for the BSM are summarized at the end of this note.

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 per cent 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. $12,719 (2016 – nil), was expensed during the year and included in contributed surplus. The assumptions used for the BSM are summarized at the end of this note.

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 per cent 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. $986 (2016 – nil), was expensed during the year and included in contributed surplus. The assumptions used for the BSM are summarized at the end of this note.

11. SHARE CAPITAL *(continued)*

On March 31, 2017, the Company granted its directors, officers and employees options to purchase a total of 9,496,000 common shares pursuant to the Company's stock option plan. Each option has an exercise price of $0.20, and expires on March 31, 2027. Twenty-five per cent of the granted options vest on the grant date and $1/36^{th}$ of the remaining options vest in each of the subsequent 36 months. In addition, the vesting of 50% of the options granted to key executives will be subject to the achievement of specific performance goals. The estimated fair value of these options calculated using the BSM was $1,876,272. $395,040 (2016 – nil), was expensed during the year and included in contributed surplus. The assumptions used for the BSM are summarized at the end of this note.

On March 31, 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 18,000 common shares pursuant to the Company's stock option plan. These options have an exercise price of $0.195 and expire on March 31, 2020. Twenty-five per cent 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, which approximates the value of the services received, was $3,121. $780 (2016 – nil), was expensed during the year and included in contributed surplus. The assumptions used for the BSM are summarized at the end of this note.

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.

11. SHARE CAPITAL *(continued)*

The following is a summary of all options to purchase common shares that are outstanding as at March 31, 2017 and 2016, as well as details on exercise prices and expiry dates:

	2017		**2016**	
	Options	**Weighted average exercise price**	**Options**	**Weighted average exercise price**
		$		$
Balance, beginning of the year	**11,449,000**	**0.29**	4,802,654	0.44
Granted during the year	**9,712,000**	**0.20**	7,685,000	0.15
Expired during the year	**(27,000)**	**0.34**	(1,038,654)	0.44
Balance, end of the year	**21,134,000**	**0.25**	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
24,000	0.19	January 18, 2020
2,700,000	0.33	January 25, 2020
18,000	0.20	March 31, 2020
150,000	0.55	October 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
150,000	0.19	January 18, 2027
9,496,000	0.20	March 31, 2027
21,134,000		

The number of options exercisable as at March 31, 2017 is 9,032,705 and the weighted average exercise price of these options is $0.26.

11. SHARE CAPITAL *(continued)*

(d) Common share purchase warrants

In addition to the warrants described in note 11(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. The assumptions used for the BSM are summarized at the end of this note.

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. The assumptions used for the BSM are summarized at the end of this note.

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. The assumptions used for the BSM are summarized at the end of this note.

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 assumptions used for the BSM are summarized at the end of this note.

11. SHARE CAPITAL *(continued)*

The following is a summary of all warrants to purchase common shares that are outstanding as at March 31, 2017 and 2016, as well as details on exercise prices and expiry dates:

	2017		**2016**	
	Warrants	**Weighted average exercise price**	**Warrants**	**Weighted average exercise price**
		$		$
Balance, beginning of the year	**16,213,362**	**0.31**	3,872,239	0.67
Granted during the year	**18,483,772**	**0.18**	13,277,982	0.22
Exercised	**(1,424,900)**	**0.13**	(251,400)	0.10
Expired	**(1,323,780)**	**0.77**	(685,459)	0.59
Balance, end of the year	**31,948,454**	**0.26**	16,213,362	0.31

Number of warrants	**Exercise price**	**Expiry date**
	$	
40,000	0.10	April 1, 2017
80,000	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
1,820,000	0.15	April 9, 2018
5,026,500	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
120,000	0.22	March 27, 2019
907,500	0.83	June 1, 2019
31,948,454		

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 year:

	2017	**2016**
Risk-free interest rate	0.49% - 1.70%	0.47% - 1.59%
Expected volatility	121% - 203%	160 - 180%
Expected dividend yield	0.00%	0.00%
Expected life of warrants and options	1.5 - 10 years	2 - 10 years
Share price	\$0.13 - \$0.20	\$0.13 - \$0.18
Exercise price	\$0.10 - \$0.23	\$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 year. All unexercised share options and warrants were excluded from calculating diluted loss per share as the effect on the loss per share would be anti-dilutive.

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

	2017	**2016**
Stock options	**17,477,315**	11,449,000
Warrants	**17,307,836**	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 as at March 31, 2017 and 2016 are as follows:

	2017			2016		
	Antibe	**Citagenix**	**Consolidated**	**Antibe**	**Citagenix**	**Consolidated**
	$	$	$	$	$	$
Revenue		9,054,404	9,054,404	-	4,431,154	4,431,154
Cost of goods sold	-	5,120,594	5,120,594	-	2,380,164	2,380,164
Gross margin		3,933,810	3,933,810	-	2,050,990	2,050,990
Expenses	4,324,764	5,719,870	10,044,634	2,863,084	2,684,252	5,547,336
Income before taxes	**(4,324,764)**	**(1,786,060)**	**(6,110,824)**	**(2,863,084)**	**(633,262)**	**(3,496,346)**

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

The Company's assets and liabilities by each business as at March 31, 2017 and 2016 are as follows:

	2017			2016 [Note 3]		
	Antibe	**Citagenix**	**Consolidated**	**Antibe**	**Citagenix**	**Consolidated**
	$	$	$	$	$	$
Assets:						
Current	2,267,186	3,956,218	6,223,404	1,336,440	3,674,079	5,010,519
Non-current	1,600,081	2,902,212	4,502,293	131,198	4,472,950	4,604,148
Total assets	**3,867,267**	**6,858,430**	**10,725,697**	**1,467,638**	**8,147,029**	**9,614,667**
Liabilities:						
Current	420,139	2,726,917	3,147,056	249,987	2,755,237	3,005,224
Non-current	4,025,212	-	4,025,212	2,635,391	-	2,635,391
Total liabilities	**4,445,351**	**2,726,917**	**7,172,268**	**2,885,378**	**2,755,237**	**5,640,615**

14. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The following table summarizes accounts payable and accrued liabilities as at March 31, 2017 and 2016:

	2017	2016
	$	$
Accounts payable		
Antibe	61,212	193,420
Citagenix	968,525	466,494
BMT	79,731	112,854
	1,109,468	772,768
Accrued liabilities		
Antibe	358,927	138,680
Citagenix	430,822	345,068
BMT	95,575	105,502
	885,324	589,250
Total accounts payable and accrued liabilities	1,994,792	1,362,018

15. GENERAL AND ADMINISTRATIVE EXPENSES

The nature of the general and administrative expenses for the year ended March 31, 2017 and 2016 is summarized as follows:

	2017	2016
	$	$
Salaries and wages	**3,216,466**	1,609,918
Professional and consulting fees	**1,110,286**	1,007,303
Licensing fees	**150,000**	-
Office expenses	**551,247**	345,843
Other expenses	**364,867**	177,211
Total general and administrative	**5,392,866**	3,140,275

16. SELLING AND MARKETING

The nature of the selling and marketing expenses for the year ended March 31, 2017 and 2016 is summarized as follows:

	2017	2016
	$	$
Commissions	**775,801**	503,463
Advertising and promotions	**318,313**	202,274
Travel and entertainment	**446,387**	272,994
Total selling and marketing	**1,540,501**	978,731

17. RESEARCH AND DEVELOPMENT

The nature of the research and development expenses for the year ended March 31, 2017 and 2016 is summarized as follows:

	2017	2016
	$	$
Salaries and wages	**71,985**	-
Professional and consulting fees	**329,139**	570,429
Development costs	**117,155**	143,145
Scientific Research and Experimental Development (“SR&ED”)	**182,517**	(306,841)
Total research and development	**700,796**	406,733

CRA disallowed certain SR&ED tax credits claimed prior to 2017 due to jurisdictional filing errors.

18. STOCK-BASED COMPENSATION

Of the $1,155,753 (2016 – $515,116) of stock-based compensation expense, $435,825 (2016 - $181,371) relates to the research and development function, while $719,928 (2016 – $333,745) relates to the general and administrative function.

19. FINANCE AND RELATED COSTS

The components of the finance and related costs as at March 31, 2017 and 2016 are as follows:

	2017	2016
	$	$
Interest on long-term debt	**384,805**	148,795
Accretion interest	**305,138**	126,984
Interest and bank charges	**145,222**	71,608
Unrealized foreign currency translation	**70,577**	6,277
Total finance and related costs	**905,742**	353,664

20. INCOME TAXES

The income tax provision recorded differs from the income tax obtained by applying the statutory income tax rate of 26.50% (2016 – 26.50%) to the loss before income taxes for the year, and is reconciled as follows:

	2017	**2016 [Note 3(c)]**
	$	$
Loss before income taxes	**(6,110,824)**	(3,496,346)
Expected income tax recovery at the combined basic federal and provincial tax rate:	**(1,619,368)**	(926,532)
Decrease (increase) resulting from:		
Non-deductible expenses	**412,720**	220,412
Share issuance costs	**(70,394)**	(100,157)
Others	**38,997**	(55,864)
Amount related to unrecognized deferred tax assets	**873,042**	730,509
Recovery of deferred income taxes	**(365,003)**	(131,632)

The Company has incurred losses of $13,648,174 for tax purposes, which are available to reduce future taxable income. Such benefits will be recorded as an adjustment to the tax provision in the year realized. The losses expire as follows:

		$
In the year ending March 31		
	2030	258,166
	2031	607,722
	2032	735,014
	2033	875,160
	2034	1,326,897
	2035	2,206,902
	2036	2,858,123
	2037	4,369,090
	Indefinitely	411,100
		13,648,174

The cumulative carry-forward pool of SR&ED expenditures as at March 31, 2017 applicable to future years, with no expiry date, is $4,153,188.

21. DEFERRED INCOME TAXES

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

	2017	2016 [Note 3(c)]
	$	$
Amount related to tax loss	**471,236**	241,843
Amount related to intangible assets on business combination	**(710,754)**	(793,983)
Amount related to foreign exchange translation gains	**(10,644)**	(7,994)
Amount related to transaction costs	**867**	-
Amount related capital property	**1,236**	1,518
Amount related to eligible capital property	**(61,795)**	(49,480)
Recovery of deferred income taxes	**(309,854)**	(608,096)

Deferred tax expense of $10,644 (2016 – $7,994) related to the foreign exchange translation gains, was recognized in other comprehensive income for the year.

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

	2017	2016 [Note 3(c)]
	$	$
Amount related to tax loss carryforwards	**3,109,404**	2,221,085
Amount related to eligible capital property	**58,141**	26,307
Amount related to SR&ED expenditures	**1,100,595**	1,100,595
Amount related to donations	**13,250**	13,250
Amount related to ITC	**380,611**	380,611
Amount related to share issuance costs	**194,879**	262,922
	4,856,880	4,004,770

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

22. 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, other than the Convertible Debentures (note 10).

23. CAPITAL RISK MANAGEMENT

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

The Company includes the following in its definition of capital: common shares, common share purchase warrants, contributed surplus, accumulated other comprehensive income and deficit, which total $4,636,969. The Company is not subject to externally imposed capital requirements.

24. FINANCIAL RISK MANAGEMENT

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

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

Credit risk

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

24. FINANCIAL RISK MANAGEMENT *(continued)*

Liquidity risk

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

As at March 31, 2017, the Company's financial obligations, including applicable interest, are due as follows:

	Less than one year	**1 – 2 years**	**After 2 years**	**Total**
	$	**$**	**$**	**$**
Accounts payable and accrued liabilities	1,994,792	-	-	1,994,792
Bank indebtedness	1,152,264	-	-	1,152,264
Convertible debentures	-	3,351,522	-	3,351,522
Interest on the above financial obligations	335,152	152,918	-	488,070
	3,482,208	3,504,440	-	6,986,648

Foreign currency risk

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

Interest rate risk

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

25. COMMITMENTS AND CONTINGENCIES

(a) Royalty and milestone commitment

On December 22, 2009, the Company entered into a License Agreement with AHI that provided for the exclusive right and license to research, develop, and commercialize various patents. Pursuant to the agreement, the Company paid an upfront non-refundable license fee of $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. As at March 31, 2017, the first commercial sale of URIST had not yet occurred.

(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, 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. The upfront revenue is reflected in deferred revenue until the point that Acbel can benefit from the license.

25. COMMITMENTS AND CONTINGENCIES *(continued)*

(e) 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	243,781
Later than 1 year but no later than 5 years	975,125
Total	**1,218,906**

26. SUBSEQUENT EVENTS

(a) On June 21, 2017, the Company completed the first closing of a public offering of units (the "Units") for gross proceeds of approximately $4,050,000 (the "Offering"). The Company issued 40,498,999 Units at a price of $0.10 per Unit. Each Unit is composed of one common share of the Company (a "Common Share") and one-half of one Common Share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder thereof to purchase one Common Share at an exercise price of $0.15 until June 21, 2020.

In consideration for their services, the co-agents for the Offering (together, the "Agents") received a fee consisting of a cash commission in the amount of approximately $283,500, representing 7% of the gross proceeds of the Offering, and non-transferable broker warrants to purchase up to 2,834,930 Units, being the number of Units that is equal to 7% of the aggregate number of Units sold at the closing. Each broker warrant entitles the holder thereof to acquire one Unit at an exercise price of $0.10 until June 21, 2019.

There may be additional closings under the Offering. Pursuant to the Agency Agreement, the Company has granted the Agents an over-allotment option, exercisable in whole or in part, at the Agents' sole discretion, at any time or times during the 30-day period immediately following the final closing date of the Offering, to offer and sell on the same terms as the Offering up to such number of additional Units as is equal to 15% of the number of Units issued under the Offering.

As part of the Offering, one officer of the Company purchased 66,000 Units, such investment being a "related party transaction" for purposes of Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions ("MI 61-101"). The Company has relied on the exemptions contained in sections 5.5(a) and 5.7(1)(a) of MI 61-101 from the valuation and minority shareholder approval requirements in MI 61-101 in respect of the officer's participation in the Offering, since neither the fair market value of the subject matter of, nor the fair market value of the consideration for, the officer's investment exceeds 25% of the Company's market capitalization.