ANTIBE THERAPEUTICS INC.

Condensed Interim Consolidated Financial Statements

For the Three Months ended June 30, 2017 and 2016

(Expressed in Canadian Dollars)

(Unaudited)

ANTIBE THERAPEUTICS INC.
Interim Consolidated Statements of Financial Position
As at June 30, 2017 and March 31, 2017
(Expressed in Canadian Dollars)
(Unaudited)

	June 30, 2017	March 31, 2017
	$	$
ASSETS		
Current		
Cash	**3,702,376**	1,501,959
Restricted cash *[note 9]*	**545,000**	545,000
Term deposits *[note 7]*	**25,000**	25,000
Accounts receivable, less allowance for doubtful accounts *[note 5]*	**1,106,602**	1,045,003
Inventory	**2,900,350**	2,752,996
Income taxes recoverable	**2,504**	18,862
Prepaid expenses	**125,461**	197,027
Due from Antibe Holdings Inc. *[note 8]*	**154,290**	137,557
Total current assets	**8,561,583**	6,223,404
Non-current		
Property and equipment	**70,510**	75,294
Deposits	**18,453**	18,453
Intangible assets *[note 6]*	**3,039,133**	3,125,325
Goodwill	**1,283,221**	1,283,221
Total non-current assets	**4,411,317**	4,502,293
TOTAL ASSETS	**12,972,900**	10,725,697
LIABILITIES		
Current		
Bank indebtedness *[note 7]*	**1,283,825**	1,152,264
Accounts payable and accrued liabilities	**2,118,742**	1,994,792
Total current liabilities	**3,402,567**	3,147,056
Non-current liabilities		
Deferred revenue *[note 13]*	**1,083,540**	1,083,540
Convertible debentures *[note 9]*	**2,733,832**	2,631,818
Deferred income taxes	**195,987**	309,854
Total non-current liabilities	**4,013,359**	4,025,212
TOTAL LIABILITIES	**7,415,926**	7,172,268
SHAREHOLDERS' EQUITY		
SHARE CAPITAL *[note 10]*	**17,505,683**	15,517,895
COMMON SHARE PURCHASE WARRANTS *[note 10]*	**4,966,218**	3,728,024
CONTRIBUTED SURPLUS *[note 10]*	**4,879,195**	4,364,112
ACCUMULATED OTHER COMPREHENSIVE INCOME	**24,305**	29,083
DEFICIT	**(21,818,427)**	(20,085,685)
TOTAL SHAREHOLDERS' EQUITY	**5,556,974**	3,553,429
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**12,972,900**	10,725,697

Commitments and contingencies [note 22]

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

ANTIBE THERAPEUTICS INC.
Interim Consolidated Statements of Loss and Comprehensive Loss
For the Three Months Ended June 30, 2017 and 2016
(Expressed in Canadian Dollars)
(Unaudited)

	2017	2016 [Note 3]
	$	$
REVENUE		
Product sales	**2,271,045**	2,630,372
COST OF SALES	**1,300,834**	1,471,913
GROSS PROFIT	**970,211**	1,158,459
General and administrative *[note 14]*	**1,322,176**	1,310,323
Selling and marketing *[note 15]*	**313,805**	412,110
Research and development *[note 16]*	**624,058**	102,459
Stock-based compensation *[note 17]*	**277,163**	174,633
Amortization and depreciation *[note 6]*	**90,977**	84,395
Total expenses	**2,628,179**	2,083,920
LOSS FROM OPERATIONS	**(1,657,968)**	(925,461)
Finance and related costs *[note 18]*	**163,134**	226,481
Finance income	**(1,685)**	(373)
LOSS BEFORE INCOME TAXES	**(1,819,417)**	(1,151,569)
EXPENSE (RECOVERY) OF INCOME TAXES		
Current	**25,469**	(43,164)
Deferred	**(112,144)**	(29,705)
Total expense (recovery) of income taxes	**(86,675)**	(72,869)
NET LOSS	**(1,732,742)**	(1,078,700)
CHANGES IN OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**(4,778)**	1,768
COMPREHENSIVE LOSS	**(1,737,520)**	(1,076,932)
Loss per share *[note 11]*		
Basic and diluted loss per share	**(0.02)**	(0.01)
Weighted average number of shares outstanding *[note 11]*		
Basic and diluted	**116,685,479**	81,303,302

ANTIBE THERAPEUTICS INC.
Interim Consolidated Statements of Changes in Shareholders' Equity
For the Three Months Ended June 30, 2017 and 2016
(Expressed in Canadian Dollars)
(Unaudited)

	Number of common shares	Share capital	Common shares purchase warrants	Contributed surplus	Accumulated other comprehensive income	Deficit	Total shareholders' equity
		$	$	$	$	$	$
Balance, March 31, 2016	**78,640,115**	**13,112,541**	**2,082,995**	**3,096,208**	**22,172**	**(13,606,293)**	**4,707,623**
Shares issued	14,550,000	982,057	472,943	-	-	-	1,455,000
Share issuance costs	-	(145,113)	-	68,150	-	-	(76,963)
Shares issued for exercised warrants	-	-	-	-	-	-	-
Stock-based compensation	-	-	-	174,633	-	-	174,633
Shares issued to settle debt	-	-	-	-	-	-	-
Net loss for the period	-	-	-	-	-	(1,078,700)	(1,078,700)
Exchange differences on translation of foreign operations	-	-	-	-	1,768	-	1,768
Balance, June 30, 2016	**93,190,115**	**13,949,485**	**2,555,938**	**3,338,991**	**23,940**	**(14,684,993)**	**5,183,361**
Balance, March 31, 2017	**113,018,314**	**15,517,895**	**3,728,024**	**4,364,112**	**29,083**	**(20,085,685)**	**3,553,429**
Shares issued	40,498,999	2,481,233	1,568,667	-	-	-	4,049,900
Share issuance costs	-	(522,725)	(330,473)	255,200	-	-	(597,998)
Shares issued for exercised warrants	120,000	29,280	-	(17,280)	-	-	12,000
Stock-based compensation	-	-	-	277,163	-	-	277,163
Net loss for the period	-	-	-	-	-	(1,732,742)	(1,732,742)
Exchange differences on translation of foreign operations	-	-	-	-	(4,778)	-	(4,778)
Balance, June 30, 2017	**153,637,313**	**17,505,683**	**4,966,218**	**4,879,195**	**24,305**	**(21,818,427)**	**5,556,974**

See accompanying notes to the condensed interim consolidated financial statements

ANTIBE THERAPEUTICS INC.
Interim Consolidated Statements of Cash Flows
For the Three Months Ended June 30, 2017 and 2016
(Expressed in Canadian Dollars)
(Unaudited)

	2017	2016
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	**(1,732,742)**	(1,078,700)
Items not affecting cash:		
Stock-based compensation *[note 17]*	**277,163**	174,633
Accretion interest *[notes 9 and 18]*	**87,086**	70,028
Amortization of transaction costs *[note 9]*	**14,928**	16,796
Depreciation of property and equipment	**4,784**	4,483
Amortization of intangible assets *[note 6]*	**86,193**	79,912
Interest paid in kind *[note 9]*	**-**	77,588
	(1,262,588)	(655,260)
Changes in non-cash working capital:		
Accounts receivable *[note 5]*	**(61,599)**	(126,317)
Inventory	**(147,355)**	(304,909)
Prepaid expenses	**71,566**	(211)
Income taxes recoverable	**16,358**	39,913
Deferred income tax	**(113,867)**	(28,023)
Accounts payable and accrued liabilities	**123,950**	568,812
	(110,947)	149,265
Cash flows used in operating activities	**(1,373,535)**	(505,995)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	**-**	(2,981)
Cash flows used in investing activities	**-**	(2,981)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances from Antibe Holdings Inc. *[notes 8 and 22]*	**(16,733)**	147,315
Repayment of long-term liabilities	**-**	(32,820)
Net change to bank indebtedness *[note 7]*	**131,561**	(276,097)
Issuances:		
Gross proceeds from shares and warrant issuance *[note 10]*	**4,049,900**	1,455,000
Proceeds from warrants *[note 10]*	**12,000**	-
Issuance costs *[note 10]*	**(597,998)**	(76,963)
Deferred expenses	**-**	(1,932)
Cash flows provided by financing activities	**3,578,730**	1,214,503
Net increase in cash during the period	**2,205,195**	705,527
Exchange gain (loss) on translation of foreign subsidiary	**(4,778)**	1,768
Cash, beginning of the period	**1,501,959**	385,921
Cash, end of the period	**3,702,376**	1,093,216

See accompanying notes to the condensed interim consolidated financial statements

1. DESCRIPTION OF BUSINESS

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

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

The Company is also, through its wholly owned subsidiary, Citagenix Inc. ("Citagenix"), a 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 9.8 % of the Company's common shares are held by Antibe Holdings Inc. ("AHI").

These condensed interim consolidated financial statements were authorized for issuance by the Board of Directors on August 29, 2017.

2. BASIS OF PRESENTATION

(a) Statement of compliance -

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting* (IAS 34). According these condensed interim consolidated financial statements do not include all the disclosures required for annual financial statements and should be read in conjunction with the annual consolidated financial statements of the Company for the year ended March 31, 2017, which are available on sedar.

(b) Consolidation -

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

	Percentage ownership
Antibe Terapiya Rus LLP ("Tera")	100%
Citagenix	100%
BMT Medizintechnik GmbH ("BMT")	100%

2. BASIS OF PRESENTATION *(continued)*

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

All intercompany balances and transactions have been eliminated on consolidation.

(c) Going concern -

The condensed interim consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As at June 30, 2017, the Company had working capital of $5,159,016 (March 31, 2017 - $3,076,348), incurred a net loss for the three months of $1,732,742 (2016 - $1,078,700), and had negative cash flows from operations for the three months of $1,373,535 (2016 - $505,995).

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

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

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

(d) Use of estimates -

The preparation of condensed interim consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, at the date of the condensed interim consolidated financial statements, and the reported amount of expenses during the period. Actual results may vary from the current estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the period in which such adjustments become known. Significant estimates in these condensed interim consolidated financial statements include determination of eligible expenditures for investment tax credit ("ITC") purposes, allowance for doubtful accounts, inventory obsolescence, warranty provision, useful life of equipment, property and intangible assets, valuation of deferred income taxes, impairment of goodwill, valuation of equity component of convertible debentures, fair value of assets acquired and liabilities assumed on business combination, warranty accrual, and inputs related to the calculation of fair value of stock-based compensation and warrants.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Foreign currency translation -

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

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

Future changes in significant accounting policies -

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

(i) Financial Instruments -

IFRS 9, *Financial Instruments* was issued in 2010 and is to replace International Accounting Standard 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 condensed interim 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 condensed interim consolidated financial statements.

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

(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 condensed interim consolidated financial statements.

Restatement of prior year consolidated financial statements –

The Company restated its June 30, 2016 interim 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 June 30, 2016.

The effects of the adjustments to the consolidated financial statements are increase in deferred tax recovery for the three months to June 30, 2016 of $28,023, an increase in deferred tax liability of $195,987 and a decrease in deferred tax assets of $126,520. The adjustments had no effect on the previously reported amounts of net cash flows from operating activities, investing activities or financing activities.

4. PRODUCTS UNDER LICENSE AND DEVELOPMENT

There are several products currently under license and development:

(i) ATB-346: Acute and Chronic Pain is an 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.

5. ACCOUNTS RECEIVABLE

	June 30, 2017	**March 31, 2017**
	$	$
Trade receivables	**941,287**	983,256
Value-added taxes receivable	**2,001**	2,329
Harmonized sales taxes receivable	**145,594**	39,287
Allowance for doubtful accounts	**(444)**	(569)
	1,088,438	1,024,303
Employee advances	**18,164**	20,700
	1,106,602	1,045,003

5. ACCOUNTS RECEIVABLE *(continued)*

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

	June 30, 2017	**March 31, 2017**
	$	$
Balance, beginning of the period	**(569)**	98,830
Write-offs	-	(98,099)
Bad debt	-	(1,300)
Bad debts recovery	**125**	-
Balance, end of the period	**(444)**	(569)

6. INTANGIBLE ASSETS

Intangible assets consist of the following:

	Trademarks and Brands	**License**	**Customer List**	**Patents**	**Total**
	$	$	$	$	$
Cost					
As at March 31, 2017	3,094,018	316,810	177,080	18,872	3,606,780
Additions	-	-	-	-	-
As at June 30, 2017	3,094,018	316,810	177,080	18,872	3,606,780
Amortization					
As at March 31, 2017	451,812	-	17,708	11,935	481,455
Charge for the period	77,139	-	8,854	199	86,192
As at June 30, 2017	528,951	-	26,562	12,134	567,647
Carrying amount					
As at June 30, 2017	**2,565,067**	**316,810**	**150,518**	**6,738**	**3,039,133**

The term of the license agreement is 10 years from the date of the first commercial sale of the licensed product. As at June 30, 2017, there were no commercial sales of the licensed products. As such, no amortization is recognized in the current period related to this license.

7. BANK INDEBTEDNESS

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 June 30, 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.

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 rates 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 June 30, 2017, $1,283,825 was outstanding on the operating line of credit.

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

8. RELATED PARTY TRANSACTIONS

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

During the three months ended June 30, 2017, the Company advanced $16,733 (2016 - $2,686) to AHI. As at June 30, 2017, $154,290 (March 31, 2017 - $137,557) was receivable. This balance bears no interest, is payable on demand and is unsecured.

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

9. CONVERTIBLE DEBENTURES

The following is a summary of the private placements of senior secured convertible debentures:

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

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

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

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

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

9. CONVERTIBLE DEBENTURES *(continued)*

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

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

The following is a continuity of the convertible debentures:

	Three months ended June 30, 2017	**Year ended March 31, 2017**
	$	$
Balance, beginning of the period	**2,631,818**	2,027,295
Interest paid in kind	**-**	239,509
Accretion	**87,086**	305,138
Amortization of issue costs	**14,928**	59,876
Balance, end of the period	**2,733,832**	2,631,818

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.

10. SHARE CAPITAL

(a) Authorized

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

(b) Common shares

	Three months ended June 30, 2017		Year ended March 31, 2017	
	Shares	**Amount**	**Shares**	**Amount**
		$		$
Balance, beginning of the period	113,018,314	15,517,895	78,640,115	13,112,541
Private placement ("PP4a")	-	-	9,685,000	968,500
Private placement ("PP4b")	-	-	4,865,000	486,500
Private placement ("PP5a")	-	-	16,178,299	2,426,745
Private placement ("PP5b")	-	-	1,985,000	297,750
Prospectus ("P2017a")	40,498,999	2,481,234	-	-
Return of territory rights	-	-	240,000	45,600
Warrants exercised	120,000	29,280	1,424,900	338,508
Fair value of warrants issued (PP4a, PP4b)	-	-	-	(472,943)
Fair value of warrants issued (PP5a, PP5b)	-	-	-	(1,230,416)
Share issuance costs (PP4a, PP4b)	-	-	-	(145,113)
Share issuance costs (PP5a, PP5b)	-	-	-	(309,777)
Share issuance costs (P2017a)	-	(522,725)	-	-
Balance, end of the period	**153,637,313**	**17,505,683**	**113,018,314**	**15,517,895**

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 Black-Scholes-Merton option-pricing model ("BSM"), which resulted in allocating $318,018 to warrants and $650,482 to share capital.

On June 20, 2016 ("the PP4b Closing Date"), the Company successfully completed a non-brokered private placement (the "PP4b"). Pursuant to the PP4b, the Company issued 4,865,000 units ("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, which resulted in allocating $154,925 to warrants and $331,575 to share capital.

10. SHARE CAPITAL *(continued)*

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

On December 15, 2016 ("the PP5a Closing Date"), the Company successfully completed a private placement consisting of brokered and non-brokered components (the "PP5a"). Pursuant to the PP5a, the Company issued 16,178,299 units ("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, 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.

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, which resulted in allocating $126,115 to warrants and $171,635 to share capital.

Total issuance costs related to the PP5a and PP5b were $309,777 of which $121,103 were non-cash from the issuance of warrants to the brokers and finders (see note 10(d)). All issuance costs were offset against share capital at each of the closings.

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, which resulted in allocating $13,260 to warrants and $45,600 to share capital.

10. SHARE CAPITAL *(continued)*

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

On June 21, 2017 ("the P2017a Closing Date"), the Company successfully completed the first closing of a public offering (the "P2017a"). Pursuant to the P2017a, the Company issued 40,498,999 units ("P2017a Units") at a price of $0.10 per P2017a Unit for gross proceeds of $4,049,900. Each P2017a 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 21, 2020.

In connection with the P2017a, the Company issued 2,834,930 broker warrants. Each broker warrant entitles the holder to purchase one P2017a Unit at an exercise price of $0.10 per common share and expires on June 21, 2019.

The $4,049,900 gross proceeds have been allocated to share capital and warrants based on the residual method. The 20,249,499 warrants issued pursuant to the P2017a were valued using the BSM, which resulted in allocating $1,568,667 to warrants and $2,481,233 to share capital.

Total issuance costs related to the P2017a were $853,198 of which $255,200 were non-cash from the issuance of warrants to the brokers. All issuance costs were offset against share capital and warrants in proportion to the allocation of proceeds.

The following is a summary of all warrants exercised during the three months ended June 30, 2017:

Date of exercise	Number of warrants exercised	Type of warrant	Number of common shares issued	Gross proceeds	Exercise price
				$	$
April 7, 2017	80,000	PP3b Finder	80,000	8,000	0.10
April 13, 2017	40,000	PP3a Finder	40,000	4,000	0.10

10. 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. No amount was expensed during the period (three months ended June 30, 2016 - $873, 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 options (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. $17,203 (three months ended June 30, 2016 - $5,416) was expensed during the period 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. $67 (three months ended June 30, 2016 - $1,046) was expensed during the period 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. $2,708 (three months ended June 30, 2016 - $6,557) was expensed during the period and included in contributed surplus.

On November 17, 2015, the Company granted BND Projects Incorporated (“BND”) options in exchange for services provided by BND under the terms of a consulting agreement. The options give BND the right to purchase a total of 12,000 common shares pursuant to the Company’s stock option plan. These options have an exercise price of $0.17 and expire on November 17, 2018. Twenty-five per cent of the granted options vest on the grant date and the remainder vest quarterly. The estimated fair value of these options calculated using the BSM was $1,775. No amount was expensed during the period (three months ended June 30, 2016 - $444, and included in contributed surplus).

10. SHARE CAPITAL *(continued)*

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 vest quarterly. The estimated fair value of these options calculated using the BSM was $1,457. No amount was expensed during the period (three months ended June 30, 2016 - $364, 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. $55,933 (three months ended June 30, 2016 - $159,603) was expensed during the period 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 vest quarterly. The estimated fair value of these options calculated using the BSM was $1,322. No amount was expensed during the period (three months ended June 30, 2016 - 330, and included in contributed surplus). The assumptions used for the BSM are summarized at the end of this section.

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. $621 (three months ended June 30, 2016 - nil) was expensed during the period and included in contributed surplus. The assumptions used for the BSM are summarized at the end of this section.

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. $3,609 (three months ended June 30, 2016 - nil) was expensed during the period and included in contributed surplus. The assumptions used for the BSM are summarized at the end of this section.

On January 18, 2017, the Company granted BND 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 vest quarterly. The estimated fair value of these options calculated using the BSM was $3,946. $986 (three months ended June 30, 2016 - nil) was expensed during the period and included in contributed surplus. The assumptions used for the BSM are summarized at the end of this section.

10. 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 1/36th 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. $195,254 (three months ended June 30, 2016 - nil), was expensed during the period and included in contributed surplus. The assumptions used for the BSM are summarized at the end of this section.

On March 31, 2017, the Company granted BND 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 vest quarterly. The estimated fair value of these options calculated using the BSM, which approximates the value of the services received, was $3,121. $780 (three months ended June 30, 2016 - nil) was expensed during the period and included in contributed surplus. The assumptions used for the BSM are summarized at the end of this section.

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.

10. SHARE CAPITAL *(continued)*

The following is a summary of all options to purchase common shares that are outstanding as at June 30, 2017, as well as details on exercise prices and expiry dates:

	Three months ended June 30, 2017		**Year ended March 31, 2017**	
	Options	**Weighted average exercise price**	**Options**	**Weighted average exercise price**
		$		$
Balance, beginning of the period	**21,134,000**	**0.25**	11,449,000	0.29
Granted during the period	-	-	9,712,000	0.20
Expired during the period	-	-	(27,000)	0.34
Balance, end of the period	**21,134,000**	**0.25**	21,134,000	0.25

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 June 30, 2017 is 9,804,049 and the weighted average exercise price of these options is $0.25.

10. SHARE CAPITAL *(continued)*

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

	Three months ended June 30, 2017	**Year ended March 31, 2017**
Risk-free interest rate	N/A	0.53% - 1.70%
Expected volatility	N/A	157% - 172%
Expected dividend yield	N/A	0.00%
Expected life of options	N/A	3 - 10 years
Share price	N/A	$0.13 - $0.20
Exercise price	N/A	$0.13 - $0.23

(d) Common share purchase warrants

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

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

10. SHARE CAPITAL *(continued)*

The following is a summary of all warrants to purchase common shares that are outstanding as at June 30, 2017, as well as details on exercise prices and expiry dates:

	Three months ended June 30, 2017		**Year ended March 31, 2017**	
	Warrants	**Weighted average exercise price**	**Warrants**	**Weighted average exercise price**
		$		$
Balance, beginning of the period	**31,948,454**	**0.23**	16,213,362	0.31
Granted during the period	**23,084,429**	**0.14**	18,483,772	0.18
Exercised	**(120,000)**	**0.10**	(1,424,900)	0.13
Expired	**-**	**-**	(1,323,780)	0.77
Balance, end of the period	**54,912,883**	**0.19**	31,948,454	0.23

Number of warrants	**Exercise price**	**Expiry date**
	$	
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
2,834,930	0.10	June 21, 2019
20,249,499	0.15	June 21, 2020
54,912,883		

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

	Three months ended June 30, 2017	**Year ended March 31, 2017**
Risk-free interest rate	0.91% - 0.97%	0.49% - 1.70%
Expected volatility	116% - 173%	121% - 203%
Expected dividend yield	0.00%	0.00%
Expected life of warrants and options	2 - 3 years	1.5 - 10 years
Share price	$0.09	$0.13 - $0.20
Exercise price	$0.10 - $0.15	$0.10 - $0.23

11. LOSS PER SHARE

Basic loss per share is calculated by dividing the net loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. All unexercised share options and warrants were excluded from calculating diluted loss per share as the effect on the loss per share would be anti-dilutive.

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

	Three months ended June 30, 2017	**Year ended March 31, 2017**
Stock options	**21,122,000**	17,477,315
Warrants	**52,077,953**	17,307,836
Convertible debentures	**15,234,191**	15,234,191

12. SEGMENTED RESULTS

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

The segmented performance of these two businesses for the three months ended June 30, 2017 are as follows:

	Three months ended June 30, 2017			**Three months ended June 30, 2016**		
	Antibe	**Citagenix**	**Consolidated**	**Antibe**	**Citagenix**	**Consolidated**
	$	$	$	$	$	$
Revenue	-	2,271,045	2,271,045	-	2,630,372	2,630,372
Cost of goods sold	-	1,300,834	1,300,834	-	1,471,913	1,471,913
Gross profit	-	970,211	970,211	-	1,158,459	1,158,459
Expenses	1,430,463	1,359,165	2,789,628	1,123,598	1,186,430	2,310,028
Loss before income taxes	**(1,430,463)**	**(388,954)**	**(1,819,417)**	**(1,123,598)**	**(27,971)**	**(1,151,569)**

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

12. SEGMENTED RESULTS *(continued)*

The Company's assets and liabilities by each business as at June 30, 2017 and March 31, 2017 are as follows:

	As at June 30, 2017			As at March 31, 2017		
	Antibe	Citagenix	Consolidated	Antibe	Citagenix	Consolidated
	$	$	$	$	$	$
Assets:						
Current	4,597,871	3,963,712	8 561 583	2,267,186	3,956,218	6,223,404
Non-current	1,600,031	2,811,286	4,411,317	1,600,081	2,902,212	4,502,293
Total assets	**6,197,902**	**6,774,998**	**12,972,900**	**3,867,267**	**6,858,430**	**10,725,697**
Liabilities:						
Current	639,214	2,763,353	3,402,567	420,139	2,726,917	3,147,056
Non-current	4,013,359	-	4,013,359	4,025,212	-	4,025,212
Total liabilities	**4,652,573**	**2,763,353**	**7,415,926**	**4,445,351**	**2,726,917**	**7,172,268**

13. DEFERRED REVENUE

On February 24, 2017, Antibe entered into an exclusive long-term license and distribution agreement (the "License Agreement") with Acbel for ATB-346 in Albania, Algeria, Bulgaria, Greece, Jordan, Romania and Serbia (the "Territory"). Acbel is an affiliated holding company of Galenica SA, 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.

The amount of the license up front payment is included on the balance sheet as deferred revenue.

14. GENERAL AND ADMINISTRATIVE EXPENSES

The nature of the general and administrative expenses for the three months ended June 30, 2017 and 2016 is summarized as follows:

	2017	2016
	$	$
Salaries and wages	**770,792**	684,121
Professional and consulting fees	**321,664**	307,149
Licensing fees	**-**	150,000
Office expenses	**166,252**	117,276
Other expenses	**63,468**	51,777
Total general and administrative	**1,322,176**	1,310,323

15. SELLING AND MARKETING

The nature of the selling and marketing expenses for the three months ended June 30, 2017 and 2016 is summarized as follows:

	2017	**2016**
	$	$
Commissions	**141,370**	197,768
Advertising and promotions	**75,335**	120,432
Travel and entertainment	**97,100**	93,910
Total selling and marketing	**313,805**	412,110

16. RESEARCH AND DEVELOPMENT

The nature of the research and development expenses for the three months ended June 30, 2017 and 2016 is summarized as follows:

	2017	**2016**
	$	$
Salaries and wages	**118,650**	-
Professional and consulting fees	**41,631**	70,391
Development costs	**463,777**	32,068
Total research and development	**624,058**	102,459

17. STOCK-BASED COMPENSATION

Of the $277,163 (2016 – $174,633) of stock-based compensation expense for the three months ended June 30, 2017 and 2016, $80,361 (2016 - $69,207) relates to the research and development function, while $196,802 (2016 – $105,426) relates to the general and administrative function.

18. FINANCE AND RELATED COSTS

The components of the finance and related costs for the three months ended June 30, 2017 and 2016 are as follows:

	2017	**2016**
	$	$
Interest on long-term debt	**102,798**	91,258
Accretion interest	**87,086**	70,028
Interest and bank charges	**40,432**	35,846
Unrealized foreign currency translation	**(67,182)**	29,349
Total finance and related costs	**163,134**	226,481

19. FINANCIAL INSTRUMENTS

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

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

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

Financial instruments classified as Level 1 include cash, term deposits, restricted cash and bank indebtedness. At the current time, the Company does not have financial instruments classified in Level 2 or Level 3, other than the convertible debentures (note 9).

20. 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 $5,443,107. The Company is not subject to externally imposed capital requirements.

21. 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.

21. 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.

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.

22. 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.

22. COMMITMENTS AND CONTINGENCIES *(continued)*

(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 June 30, 2017, the first commercial sale of URIST had not yet occurred.

(d) Office lease commitments

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

	$
No later than 1 year	243,781
Later than 1 year but no later than 5 years	975,125
Total	**1,218,906**

23. SUBSEQUENT EVENTS

(a) On August 18, 2017, the Company completed the second and final closing of its previously announced marketed public offering of units (the "Units") for additional gross proceeds of approximately $933,000 (the "Offering"). In total, the Company has raised gross proceeds of $4,983,000 from the sale of 49,830,000 Units.

The Company issued 9,330,000 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 received a fee consisting of a cash commission in the amount of approximately $65,310, representing 7% of the gross proceeds of the Offering, and non-transferable broker warrants to purchase up to 653,100 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.

As part of the Offering, one director of the Company purchased 1,000,000 Units, such investment being a "related party transaction" for purposes of Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions ("MI 61-101").