ANTIBE THERAPEUTICS INC.

Condensed Interim Consolidated Financial Statements

For the Three Months ended June 30, 2018 and 2017

(Expressed in Canadian Dollars)

ANTIBE THERAPEUTICS INC.
Interim Consolidated Statements of Financial Position
As at June 30, 2018 and March 31, 2018
(Expressed in Canadian Dollars)
(Unaudited)

	June 30, 2018	March 31, 2018
	$	$
ASSETS		
Current		
Cash	**4,235,996**	3,725,824
Term deposits	**25,000**	25,000
Accounts receivable, net *[note 4]*	**1,209,594**	1,106,987
Inventory	**3,142,496**	3,106,316
Income taxes recoverable	**2,504**	2,504
Prepaid expenses	**92,922**	169,600
Due from Antibe Holdings Inc. *[note 6]*	**227,230**	174,398
Total current assets	**8,935,742**	8,310,629
Non-current		
Property and equipment, net	**83,604**	94,408
Deposits	**21,289**	22,965
Intangible assets, net	**2,693,514**	2,779,707
Goodwill	**1,283,221**	1,283,221
Total non-current assets	**4,081,628**	4,180,301
TOTAL ASSETS	**13,017,370**	12,490,930
LIABILITIES		
Current		
Bank indebtedness *[note 5]*	**-**	1,291,259
Accounts payable and accrued liabilities *[note 11]*	**2,095,392**	1,894,874
Convertible debentures *[note 7]*	**-**	246,117
Total current liabilities	**2,095,392**	3,432,250
Non-current liabilities		
Loan payable *[note 5]*	**1,965,593**	-
Deferred revenue *[note 12]*	**1,083,540**	1,083,540
Total non-current liabilities	**3,049,133**	1,083,540
TOTAL LIABILITIES	**5,144,525**	4,515,790
SHAREHOLDERS' EQUITY		
Share capital *[note 8]*	**30,468,104**	29,507,301
Common share purchase warrants *[note 8]*	**2,377,117**	503,004
Contributed surplus *[note 8]*	**5,197,078**	5,477,961
Accumulated other comprehensive income	**8,199**	2,391
Deficit	**(30,177,653)**	(27,515,517)
TOTAL SHAREHOLDERS' EQUITY	**7,872,845**	7,975,140
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**13,017,370**	12,490,930

Commitments and contingencies [note 20]

(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, 2018 and 2017
(Expressed in Canadian Dollars)
(Unaudited)

	2018	2017
	$	$
REVENUE		
Product sales	**2,543,088**	2,271,045
COST OF SALES	**1,558,719**	1,300,834
GROSS PROFIT	**984,369**	970,211
General and administrative *[note 13]*	**1,336,298**	896,555
Selling and marketing *[note 14]*	**859,947**	739,426
Research and development *[note 15]*	**1,032,336**	624,058
Stock-based compensation *[note 16]*	**153,796**	277,163
Amortization and depreciation	**96,996**	90,977
Total expenses	**3,479,373**	2,628,179
LOSS FROM OPERATIONS	**(2,495,004)**	(1,657,968)
Finance and related costs *[note 17]*	**176,685**	163,134
Finance income	**(7,459)**	(1,685)
LOSS BEFORE INCOME TAXES	**(2,664,230)**	(1,819,417)
PROVISION FOR (RECOVERY OF) INCOME TAXES		
Current	**-**	25,469
Deferred	**(2,094)**	(112,144)
Total recovery of income taxes	**(2,094)**	(86,675)
NET LOSS	**(2,662,136)**	(1,732,742)
OTHER COMPREHENSIVE INCOME (LOSS)		
Exchange differences on translation of foreign operations subject to future reclassification	**5,808**	(4,778)
COMPREHENSIVE LOSS	**(2,656,328)**	(1,737,520)
Basic and diluted loss per share *[note 9]*	**(0.01)**	(0.02)
Basic and diluted weighted average number of shares outstanding *[note 9]*	**204,838,417**	116,685,479

See accompanying notes to the condensed interim consolidated financial statements

ANTIBE THERAPEUTICS INC.
Interim Consolidated Statements of Changes in Shareholders' Equity
For the Three Months Ended June 30, 2018 and 2017
(Expressed in Canadian Dollars)
(Unaudited)

	Number of common shares	Share capital	Common share purchase warrants	Contributed surplus	Accumulated other comprehensive income	Deficit	Total shareholders' equity
		$	$	$	$	$	$
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	-	(853,198)	-	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**	**17,175,210**	**5,296,691**	**4,879,195**	**24,305**	**(21,818,427)**	**5,556,974**
Balance, March 31, 2018	**198,549,753**	**29,507,301**	**503,004**	**5,477,961**	**2,391**	**(27,515,517)**	**7,975,140**
Revision of exercised warrants and options *[note 2(f)]*	-	(2,586,642)	2,586,642	-	-	-	-
Shares issued for exercised warrants	8,163,107	2,215,695	(712,529)	-	-	-	1,503,166
Shares issued for exercised options	2,860,206	881,456	-	(434,679)	-	-	446,777
Shares issued on debenture conversion	1,231,534	270,937	-	-	-	-	270,937
Stock-based compensation	-	-	-	153,796	-	-	153,796
Shares issued for Citagenix loan facility	578,572	179,357	-	-	-	-	179,357
Net loss for the period	-	-	-	-	-	(2,662,136)	(2,662,136)
Exchange differences on translation of foreign operations	-	-	-	-	5,808	-	5,808
Balance, June 30, 2018	**211,383,172**	**30,468,104**	**2,377,117**	**5,197,078**	**8,199**	**(30,177,653)**	**7,872,845**

ANTIBE THERAPEUTICS INC.
Interim Consolidated Statements of Cash Flows
Three months ended June 30, 2018 and 2017
(Expressed in Canadian Dollars)
(Unaudited)

	2018	2017
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	**(2,662,136)**	(1,732,742)
Items not affecting cash:		
Deferred income taxes	**-**	(113,867)
Stock-based compensation *[note 16]*	**153,796**	277,163
Accretion interest *[notes 7 and 17]*	**15,876**	87,086
Amortization of transaction costs *[note 7]*	**8,944**	14,928
Depreciation of property and equipment	**10,803**	4,784
Amortization of intangible assets	**86,193**	86,193
	(2,386,524)	(1,376,455)
Changes in non-cash working capital:		
Accounts receivable *[note 4]*	**(102,607)**	(61,599)
Inventory	**(36,180)**	(147,355)
Prepaid expenses	**76,678**	71,566
Income taxes recoverable	**-**	16,358
Deposits	**1,676**	-
Accounts payable and accrued liabilities	**200,518**	123,950
Net change in non-cash working capital balances	**140,085**	2,920
Cash flows used in operating activities	**(2,246,439)**	(1,373,535)
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash flows from investing activities	**-**	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances to Antibe Holdings Inc. *[note 6]*	**(52,833)**	(16,733)
Net proceeds from loan payable *[note 5]*	**1,965,593**	-
Advances in (repayments of) of bank indebtedness *[note 5]*	**(1,291,257)**	131,561
Issuances:		
Gross proceeds from shares and warrant issuance *[note 8]*	**-**	4,049,900
Proceeds from warrants *[note 8]*	**1,503,166**	12,000
Proceeds from options *[note 8]*	**446,777**	-
Proceeds from shares issued *[note 5]*	**179,357**	-
Issuance costs *[note 8]*	**-**	(597,998)
Cash flows provided by financing activities	**2,750,803**	3,578,730
Net increase in cash during the period	**504,364**	2,205,195
Foreign exchange gain (loss) on translation	**5,808**	(4,778)
Cash, beginning of the period	**3,725,824**	1,501,959
Cash, end of the period	**4,235,996**	3,702,376

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. On October 1, 2017, the Company changed trading platforms to the OTCQB Exchange.

The Company originates, develops and out-licenses patent-protected new pharmaceuticals. 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 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.

The Company is also, through its wholly owned subsidiary, Citagenix Inc. ("Citagenix"), a seller of tissue regenerative products servicing the orthopaedic and dental marketplaces. Citagenix's portfolio consists of branded biologics and medical devices that promote bone regeneration. Citagenix operates in Canada through its direct sales force and in the US, 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 7.1 % of the Company's common shares are held by Antibe Holdings Inc. ("AHI") as at June 30, 2018.

These condensed interim consolidated financial statements were authorized for issuance by the Board of Directors on August 28, 2018.

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*. Accordingly, 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, 2018, 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, 2018, the Company had working capital of $6,840,350 (March 31, 2018 - $4,878,379), incurred a net loss for the three months ended June 30, 2018 $2,662,136 (2017 - $1,732,742), and had negative cash flows from operations for the three months ended June 30, 2018 $2,246,439 (2017 - $1,373,535).

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. See notes 5 and 19.

If the going concern assumption were 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 were 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, inventory, intangible assets, impairment of goodwill, intangible assets not yet subject to amortization, and inputs related to the calculation of fair value of stock-based compensation and warrants.

2. BASIS OF PRESENTATION *(continued)*

(e) 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 (loss).

(f) Revised allocation of previously exercised warrants –

During the quarter, the Company revised the presentation of warrants exercised prior to April 1, 2018. IFRS 2 *Share-based Payments*, does not preclude an entity from recognizing a transfer from one component of equity to another. The result of the revised allocation of previously exercised warrants is a decrease in share capital of $2,586,642 and a corresponding increase to the common share purchase warrant reserve. As a result of this revision, there is no net impact to equity, no impact to the Consolidated Statement of Loss, and no impact to the cash flows of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Accounting standards adopted and applied –

(i) Financial Instruments -

IFRS 9, *Financial Instruments* ("IFRS 9"), was issued in 2010 and is to replace International Accounting Standard 39, *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 is effective for annual periods beginning on or after January 1, 2018. For the Company, the standard was effective as of April 1, 2018. The Company has adopted the new standard using the modified retrospective application method with no restatement of comparative information.

Classification and measurement

Except for certain trade receivables, under IFRS 9, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Under IFRS 9, financial liabilities are subsequently measured at fair value through profit or loss ("FVPL"), amortized cost, or fair value through other comprehensive income ("FVOCI").

The classification is based on two criteria: the Company's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding.

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

On the date of initial application, April 1, 2018, the financial instruments of the Company were as follows:

	IAS 39	**IFRS 9**
Financial assets		
Cash	Amortized cost	Amortized cost
Term deposits	Amortized cost	Amortized cost
Accounts receivable	Amortized cost	Amortized cost
Due from AHI	Amortized cost	Amortized cost
Deposits	Amortized cost	Amortized cost
Financial liabilities		
Bank indebtedness	FVPL	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Convertible debentures	Amortized cost	Amortized cost

The Company assessed the classification and measurement of the financial instruments it held at the date of initial application of IFRS 9 and has classified its financial instruments into the appropriate IFRS 9 categories. There were no changes to the carrying value of the Company's financial instruments resulting from this reclassification and accordingly there was no impact to the Company's opening balance of deficit as at April 1, 2018 as a result of the adoption of IFRS 9.

Impairment of Financial Assets

The Company assesses on a forward-looking basis the expected credit losses ("ECLs") associated with its financial instruments carried at amortized cost. Accounts receivable are subject to lifetime ECLs which are measured as the difference in the present value of the contractual cash flows that are due under the contract, and the cash flows that are expected to be received. The Company applies the simplified approach at each reporting date on its trade and other receivables and considers current and forward-looking macro-economic factors that may affect historical default rates when estimating ECL.

Financial assets, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or decreased by adjusting the carrying value of the loan or receivable. If a past write-off is later recovered, the recovery is recognized in the Consolidated Statement of Loss.

There were no changes to the carrying value of the Company's financial instruments resulting from this new impairment model and accordingly there was no impact to the Company's opening balance of deficit as at April 1, 2018 as a result of the adoption of IFRS 9.

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

(ii) Revenue -

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"), was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. For the Company, the standard was effective as of April 1, 2018.

Other than the inclusion of additional revenue disclosures required under IFRS 15, the adoption of this standard did not have an impact on the condensed interim consolidated financial statements.

(b) 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:

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.

4. ACCOUNTS RECEIVABLE

	June 30, 2018	**March 31, 2018**
	$	$
Trade receivables	**1,006,839**	897,593
Value-added taxes receivable	**6,074**	4,696
Harmonized Sales Taxes receivable	**181,779**	188,932
Allowance for doubtful accounts	**(1,075)**	(793)
	1,193,617	1,090,428
Employee advances *[note 6]*	**15,977**	16,559
	1,209,594	1,106,987

5. CREDIT FACILITY INDEBTEDNESS

On June 29, 2018 Citagenix fully repaid all of the outstanding amounts on its operating line facility with a Canadian Chartered Bank and as at that date the facility was cancelled.

On June 29, 2018, Citagenix replaced its bank operating line facility with a $2.25 million secured revolving credit facility (the “Credit Facility”) provided by Bloom Burton Healthcare Lending Trust (“BBHLT”). The Credit Facility matures on June 29, 2020. Amounts outstanding under the Credit Facility bear interest rate of 7% compounded monthly, payable quarterly. Citagenix can prepay any amount of the facility at any time subject to a 1% fee of the prepaid principal amount. Any prepayment of the facility can be reborrowed. Additionally, there are mandatory prepayment terms stipulated in the Credit Facility whereby all proceeds received will be applied against borrowed amounts if any of such following events take place: If Citagenix sells or otherwise disposes of any assets in excess of $300,000.

The obligations of Citagenix under the Credit Facility are secured against all of the assets of Citagenix, and are guaranteed by the Company. In connection with the Credit Facility, the Company agreed to issue to BBHLT 578,572 common shares (“Bonus Shares”) of the Company at a deemed issue price of $0.385 per common share. Given the Bonus Shares will be subject to a statutory hold period of four months and one day from the date of issuance, the fair value was determined to be $0.31 per Bonus Share. The fair value was calculated considering a volatility rate of 88% over a four-month time period.

The Credit Facility has been accounted for using amortized cost. Transaction costs directly attributable to the Credit Facility include the aforementioned Bonus Shares Credit Facility fees, legal costs and other issuance costs which totalled $284,407. These costs were proportionally allocated based on the relative fair value of the components of the Credit Facility and are amortized over the two-year term of the facility.

6. RELATED PARTY TRANSACTIONS

During the three months ended June 30, 2018, the Company advanced $52,833 (2017 - $16,733) to AHI. As at June 30, 2018, $227,230 (March 31, 2018 - $174,398) was receivable. This balance bears no interest, is payable on demand and is unsecured.

Employee advances consist of cash advances, payments to the Company cell phone plan on behalf of employees, and petty cash in foreign currencies. Currently, the Company has one employee receiving cash advances.

7. CONVERTIBLE DEBENTURES

As at March 31, 2018, six of the senior secured convertible debentures, including all interest paid-in-kind, were converted to common shares of the Company. In total, 14,002,659 common shares were issued at $0.22 per share for a total conversion of $3,080,585. All remaining outstanding secured convertible debentures were converted to common shares of the Company in the quarter ended June 30, 2018.

The following is a continuity of the convertible debentures:

	Three months ended June 30, 2018	Year ended March 31, 2018
	$	$
Balance, beginning of the period	**246,117**	2,631,818
Interest paid-in-kind	**-**	-
Accretion	**15,876**	611,471
Amortization of issue costs	**8,944**	83,413
Debentures converted to shares	**(270,937)**	(3,080,585)
Balance, end of the period	**-**	246,117

On April 10, 2018 and April 13, 2018, the remaining senior secured convertible debentures, including all interest paid-in-kind were converted to common shares of the Company. In total, 1,231,534 common shares were issued at $0.22 per share for a total conversion of $270,937.

8. 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, 2018		Year ended March 31, 2018	
	Shares	**Amount**	**Shares**	**Amount**
		$		$
Balance, beginning of the period	198,549,753	29,507,301	113,018,314	15,517,895
Revision of exercised warrants *[note 2(f)]*	-	(2,586,642)	-	-
Warrants exercised	8,163,107	2,215,695	21,699,781	8,520,802
Options exercised	2,860,206	881,456	-	-
Debentures converted	1,231,534	270,937	14,002,659	3,080,585
Shares issued for Citagenix loan facility *[note 5]*	578,572	179,357	-	-
Prospectus (“P2017a”)	-	-	40,498,999	2,481,234
Prospectus (“P2017b”)	-	-	9,330,000	585,590
Share issuance costs (P2017a, P2017b)	-	-	-	(678,805)
Balance, end of the period	**211,383,172**	**30,468,104**	198,549,753	29,507,301

8. SHARE CAPITAL *(continued)*

The following is a summary of all warrants exercised during the three months ended June 30, 2018 and 2017:

	2018		2017	
Exercise price	Number of warrants exercised	Gross proceeds	Number of warrants exercised	Gross proceeds
$		$		$
0.10	50,000	5,000	120,000	12,000
0.15	6,153,107	922,966	-	-
0.22	360,000	79,200	-	-
0.31	1,600,000	496,000	-	-
Total	8,163,107	1,503,166	120,000	12,000

Each of the warrants entitled the bearer to purchase one common share of the Company.

(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 over the vesting period in the interim consolidated statements of loss and comprehensive loss. The amount recognized as an expense is adjusted to reflect the number of share options expected to vest.

Included in the options granted are 3,500,000 performance options granted to key senior executives of Antibe and Citagenix. Vesting of these performance options is subject to the successful achievement of certain goals related to advancements in the clinical development of the Company's lead drug, capital efficiency, and corporate profitability. The determination that the goals have been met is the responsibility of the Board of Directors.

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.

The following is a summary of all options to purchase common shares that are outstanding as at June 30, 2018, as well as details on exercise prices and expiry dates:

8. SHARE CAPITAL *(continued)*

	Three months ended June 30, 2018		**Three months ended June 30, 2017**	
	Options	**Weighted average exercise price**	**Options**	**Weighted average exercise price**
		$		$
Balance, beginning of the period	**20,840,368**	**0.25**	21,134,000	0.25
Granted during the period	**311,393**	**$0.44**	-	-
Exercised during the period	**(2,860,206)**	**$0.16**	-	-
Expired during the period	**(84,948)**	**$0.50**	-	-
Balance, end of the period	**18,206,607**	**$0.27**	21,134,000	0.25

Number of options	**Exercise price**	**Expiry date**
	$	
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
37,500	0.09	October 20, 2020
36,000	0.29	February 27, 2021
18,000	0.38	June 25, 2021
150,000	0.55	October 21, 2023
805,000	0.66	March 4, 2024
560,000	0.14	July 13, 2025
4,229,714	0.15	March 9, 2026
150,000	0.19	January 18, 2027
9,137,000	0.20	March 31, 2027
151,515	0.50	April 11, 2028
41,878	0.40	May 8, 2028
100,000	0.37	June 25, 2028
18,206,607		

The number of options exercisable as at June 30, 2018 is 12,197,493, and the weighted average exercise price of these options is $0.24.

8. 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, 2018	**Year ended March 31, 2018**
Risk-free interest rate	**1.84% - 2.30%**	1.53% - 1.89%
Expected volatility	**114% - 149%**	121% - 173%
Expected dividend yield	**0.00%**	0.00%
Expected life of options	**3 - 10 years**	3 years
Weighted average share price	**$0.43**	$0.19
Exercise price	**$0.37 - $0.495**	$0.085 - $0.29

(d) Restricted share unit plan

On June 25, 2018, the Company adopted a restricted share unit (the "RSU") plan with certain performance criteria. The Board of Directors of the Company has the full power to administer the RSU plan including determining to whom RSUs may be awarded, and the terms and conditions of such awards.

The maximum number of shares issuable is limited to 18,623,589 shares. As at June 30, 2018, no RSUs had been granted.

(e) Common share purchase warrants

In conjunction with the prospectus capital raise, the following broker and finder warrants were granted during the year ended March 31, 2018 and the three months ended June 30, 2018:

Closing date	Private placement / prospectus	Number of broker / finder warrants issued	Non-cash cost from issuance of warrants to brokers / finders	Broker / finder warrant exercise price	Broker / finder warrant expiry date
			$	$	
June 21, 2017	P2017a	2,834,930	255,200	0.10	June 21, 2019
August 18, 2017	P2017b	653,101	53,830	0.10	June 21, 2019
March 31, 2018*	P2017a and P2017b	1,045,928	-	0.15	June 21, 2020
June 30, 2018*	P2017a and P2017b	25,000	-	0.15	June 21, 2020

*The broker warrants issued under the June 21, 2017 and August 18, 2017 prospectus capital raise entitle the holder, upon exercise, to receive one common share of the Company and one-half broker warrant. Each whole broker warrant entitles the holder to purchase one common share of the Company at an exercise price of $0.15 and expires June 21, 2020. For the three months ended June 30, 2018, 50,000 (March 31, 2018 - 2,091,854) P2017a and P2017b broker warrants were exercised resulting in the issuance of 25,000 (March 31, 2018 - 1,045,928) broker warrants. The estimated fair value of the broker/finder warrants was calculated using the BSM and was offset against share capital and common share purchase warrants as share issuance costs. The assumptions used for the BSM are summarized at the end of this note.

8. SHARE CAPITAL *(continued)*

The following is a summary of all warrants to purchase common shares that are outstanding as at June 30, 2018, as well as details on exercise prices and expiry dates:

	Three months ended June 30, 2018		**Three months ended June 30, 2017**	
	Warrants	**Weighted average exercise price**	**Warrants**	**Weighted average exercise price**
		$		$
Balance, beginning of the period	**38,766,448**	**0.18**	31,948,454	0.23
Issued during the period	**25,000**	**0.15**	23,084,429	0.14
Exercised during the period	**(8,163,107)**	**0.18**	(120,000)	0.10
Expired during the period	**(166,340)**	**0.15**	-	-
Balance, end of the period	**30,462,001**	**0.18**	54,912,883	0.19

Number of warrants	**Exercise price**	**Expiry date**
	$	
140,000	0.31	October 15, 2018
168,000	0.83	December 1, 2018
6,734,735	0.22	December 15, 2018
967,500	0.22	December 21, 2018
120,000	0.22	March 27, 2019
907,500	0.83	June 1, 2019
1,346,177	0.10	June 21, 2019
20,078,089	0.15	June 21, 2020
30,462,001		

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

	Three months ended June 30, 2018	Year ended March 31, 2018
Risk-free interest rate	**0.97%**	0.91% - 1.59%
Expected volatility	**173%**	104% - 176%
Expected dividend yield	**0.00%**	0.00%
Expected life of warrants and options	**3 years**	2 - 3 years
Weighted average share price	**$0.15**	$0.14
Exercise price	**$0.15**	$0.10 - $0.15

9. 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.

10. 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.

The segmented performance of these two businesses for the three months ended June 30, 2018 is as follows:

	Three months ended June 30, 2018			Three months ended June 30, 2017		
	Antibe	**Citagenix**	**Consolidated**	**Antibe**	**Citagenix**	**Consolidated**
	$	$	$	$	$	$
Revenue	-	2,543,088	2,543,088	-	2,271,045	2,271,045
Cost of sales	-	1,558,719	1,558,719	-	1,300,834	1,300,834
Gross profit	-	984,369	984,369	-	970,211	970,211
Expenses	2,144,898	1,503,701	3,648,599	1,507,602	1,282,026	2,789,628
Loss before income taxes	**(2,144,898)**	**(519,332)**	**(2,664,230)**	**(1,507,602)**	**(311,815)**	**(1,819,417)**

There is no single customer who comprises more than 10% of revenue. Revenue by geographic region for the three month ended June 30, 2018 was as follows:

Canada – 62%
United States – 18%
Europe – 6%
Rest of World – 14%

The Company's assets and liabilities by each business as at June 30, 2018 and March 31, 2018 are as follows:

	As at June 30, 2018			As at March 31, 2018		
	Antibe	**Citagenix**	**Consolidated**	**Antibe**	**Citagenix**	**Consolidated**
	$	$	$	$	$	$
Assets:						
Current	4,126,784	4,808,958	8,935,742	4,158,760	4,151,869	8,310,629
Non-current	1,600,031	2,481,597	4,081,628	1,600,031	2,580,270	4,180,301
Total assets	**5,726,815**	**7,290,555**	**13,017,370**	**5,758,791**	**6,732,139**	**12,490,930**
Liabilities:						
Current	227,222	1,868,170	2,095,392	526,507	2,905,743	3,432,250
Non-current	1,083,540	1,965,593	3,049,133	1,083,540	-	1,083,540
Total liabilities	**1,310,762**	**3,833,763**	**5,144,525**	**1,610,047**	**2,905,743**	**4,515,790**

11. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The following table summarizes accounts payable and accrued liabilities as at June 30, 2018 and March 31, 2018:

	June 30, 2018	March 31, 2018
	$	$
Accounts payable		
Antibe	**163,449**	114,692
Citagenix	**1,451,737**	1,257,619
BMT	**147,885**	99,800
	1,763,071	1,472,111
Accrued liabilities		
Antibe	**63,771**	165,696
Citagenix	**187,092**	158,446
BMT	**81,458**	98,621
	332,321	422,763
Total accounts payable and accrued liabilities	**2,095,392**	1,894,874

12. 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 and one of the largest pharmaceutical companies in Greece. 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 upfront payment is included on the interim consolidated statements of financial position as deferred revenue.

13. GENERAL AND ADMINISTRATIVE EXPENSES

The nature of the general and administrative expenses for the three months ended June 30, 2018 and 2017 is summarized as follows:

	2018	2017
	$	$
Salaries and wages	**542,178**	345,172
Professional and consulting fees	**544,149**	321,664
Licensing fees	**-**	-
Office expenses	**179,262**	166,227
Other expenses	**70,709**	63,492
Total general and administrative	**1,336,298**	896,555

14. SELLING AND MARKETING

The nature of the selling and marketing expenses for the three months ended June 30, 2018 and 2017 is summarized as follows:

	2018	2017
	$	$
Salaries and wages	**393,469**	425,620
Commissions	**153,543**	141,370
Advertising and promotions	**169,320**	75,336
Travel and entertainment	**143,615**	97,100
Total selling and marketing	**859,947**	739,426

15. RESEARCH AND DEVELOPMENT

The nature of the research and development expenses for the three months ended June 30, 2018 and 2017 is summarized as follows:

	2018	2017
	$	$
Salaries and wages	**255,261**	118,650
Professional and consulting fees	**24,566**	41,631
Development costs	**752,509**	463,777
Total research and development	**1,032,336**	624,058

16. STOCK-BASED COMPENSATION

The function of the stock-based compensation expense for the three months ended June 30, 2018 and 2017 is summarized as follows:

	2018	2017
	$	$
General and administrative	**125,095**	196,802
Research and development	**28,701**	80,361
Total stock-based compensation	**153,796**	277,163

17. FINANCE AND RELATED COSTS

The components of the finance and related costs for the three months ended June 30, 2018 and 2017 are as follows:

	2018	2017
	$	$
Interest on convertible debenture	**23,673**	102,798
Accretion interest	**15,876**	87,086
Interest and bank charges	**51,137**	40,432
Unrealized foreign currency translation	**85,999**	(67,182)
Total finance and related costs	**176,685**	163,134

18. 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 $7,872,845 (March 31, 2018 – $7,975,140). The Company is not subject to externally imposed capital requirements.

19. 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.

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, including actively seeking capital investment and generating revenue and profit from the commercialization of its products.

19. FINANCIAL RISK MANAGEMENT *(continued)*

As at June 30, 2018, 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	2,095,392	-	-	2,095,392
Bank indebtedness	-	-	-	-
Loan payable	-	2,250,000	-	2,250,000
Interest on the above financial obligations	158,420	158,857	-	317,277
	2,253,812	2,408,857	-	4,662,669

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 rate 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.

20. 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 $150,000 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.

The Company made no milestone payments in the current period.

(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, 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 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, 2018, the first commercial sale of URIST had not yet occurred. There were no indicators of impairment on this license.

20. COMMITMENTS AND CONTINGENCIES *(continued)*

(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	244,875
Later than 1 year but no later than 5 years	979,501
Total	**1,224,376**

(e) Retention bonus

Certain Company executives are eligible to receive retention bonuses based on achieving certain profitability targets. To date, no accrual has been made for such bonuses as the probability of payout is uncertain.

21. SUBSEQUENT EVENTS

(a) The following is a summary of all warrants exercised in the period from July 1, 2018 to the date of issuance of these condensed interim consolidated financial statements:

Exercise price	Number of warrants exercised	Proceeds
$		$
0.15	350,000	52,500
0.22	120,000	26,400
	470,000	78,900

Each of the warrants entitled the bearer to purchase one common share of the Company.

(b) On March 31, 2017, 3,500,000 options granted to key executives were subject to the achievement of specific performance goals. These options are included in the summary table in note 8(c). On August 28, 2018, the Company's Board of Directors determined that the main performance goals had been met by all executives.