

ANTIBE THERAPEUTICS INC.
Consolidated Financial Statements
March 31, 2016 and 2015
(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Antibe Therapeutics Inc.

We have audited the accompanying consolidated financial statements of Antibe Therapeutics Inc., which comprise the consolidated statements of financial position as at March 31, 2016 and 2015, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Antibe Therapeutics Inc. as at March 31, 2016 and 2015, and its financial position and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2(c) of the consolidated financial statements which describe conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Zeifmans LLP

Toronto, Ontario
July 18, 2016

Chartered Accountants
Licensed Public Accountants

ANTIBE THERAPEUTICS INC.
Consolidated Statements of Financial Position
As at March 31, 2016 and 2015

(Expressed in Canadian Dollars)

	2016	2015
ASSETS		
CURRENT		
Cash	\$ 386,064	\$ 397,086
Term deposits (note 9)	25,000	25,000
Accounts receivable (note 6)	1,247,421	50,577
Inventory	2,373,687	-
Restricted cash (note 12)	545,000	-
Prepaid expenses	185,057	42,898
Due from Antibe Holdings Inc. (note 10)	248,290	213,073
	<u>5,010,519</u>	<u>728,634</u>
LONG-TERM		
Deferred share issuance costs	6,673	60,689
Deposits	18,453	-
Property and equipment (note 7)	80,450	-
Deferred income taxes (note 18)	125,475	-
Intangible assets (note 8)	3,215,351	-
Goodwill (note 5)	1,283,221	-
	<u>4,729,623</u>	<u>60,689</u>
TOTAL ASSETS	<u>\$ 9,740,142</u>	<u>\$ 789,323</u>

See accompanying notes to consolidated financial statements

ANTIBE THERAPEUTICS INC.**Consolidated Statements of Financial Position (Continued)****As at March 31, 2016 and 2015**

(Expressed in Canadian Dollars)

	2016	2015
LIABILITIES		
CURRENT		
Bank indebtedness (note 9)	\$ 1,544,637	\$ -
Accounts payable and accrued liabilities (note 12)	1,362,018	427,132
Current portion of long-term debt (note 11)	98,569	-
Deposits received	-	25,000
	<u>3,005,224</u>	452,132
LONG-TERM		
Convertible debentures (note 12)	<u>2,027,295</u>	-
TOTAL LIABILITIES	<u>5,032,519</u>	452,132
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (note 13)	13,112,541	8,237,721
COMMON SHARE PURCHASE WARRANTS (note 13)	2,082,995	826,148
CONTRIBUTED SURPLUS (note 13)	3,096,208	2,248,471
ACCUMULATED OTHER COMPREHENSIVE INCOME	22,172	-
DEFICIT	<u>(13,606,293)</u>	<u>(10,975,149)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>4,707,623</u>	337,191
	<u>\$ 9,740,142</u>	<u>\$ 789,323</u>
COMMITMENTS (note 22)		
SUBSEQUENT EVENTS (note 23)		

APPROVED BY THE BOARD ON JULY 18, 2016*(Signed) Daniel Legault* Daniel Legault, Director*(Signed) John Wallace* John Wallace, Director

See accompanying notes to consolidated financial statements

ANTIBE THERAPEUTICS INC.

Consolidated Statements of Changes in Shareholders' Equity
For the Years Ended March 31, 2016 and 2015

(Expressed in Canadian Dollars)

	Number of common shares	Share capital	Accumulated			Deficit	Total
			Common shares purchase warrants	Contributed surplus	other comprehensive income		
Balance, March 31, 2014	34,931,591	\$ 7,205,614	\$ 826,148	\$ 1,860,857	\$ -	\$ (6,573,979)	\$ 3,318,640
Shares issued (<i>note 13</i>)	2,074,267	1,244,560	-	-	-	-	1,244,560
Share issuance costs (<i>note 13</i>)	-	(212,453)	-	95,722	-	-	(116,731)
Stock-based compensation (<i>note 13</i>)	-	-	-	291,892	-	-	291,892
Net loss and comprehensive loss	-	-	-	-	-	(4,401,170)	(4,401,170)
Balance, March 31, 2015	37,005,858	8,237,721	826,148	2,248,471	-	(10,975,149)	337,191
Shares issued (<i>note 13</i>)	41,382,857	5,057,038	538,050	-	-	-	5,595,088
Share issuance costs (<i>note 13</i>)	-	(244,272)	-	113,010	-	-	(131,262)
Stock-based compensation (<i>note 13</i>)	-	-	-	515,116	-	-	515,116
Equity component of convertible debentures (<i>note 12</i>)	-	-	790,828	247,123	-	-	1,037,951
Convertible debentures issue costs (<i>note 12</i>)	-	-	(72,031)	(16,102)	-	-	(88,133)
Broker warrants issued (<i>note 12</i>)	-	-	-	22,253	-	-	22,253
Exercise of warrants (<i>note 13</i>)	251,400	62,054	-	(33,663)	-	-	28,391
Net loss for the year	-	-	-	-	-	(2,631,144)	(2,631,144)
Foreign currency translation gain	-	-	-	-	22,172	-	22,172
Balance, March 31, 2016	78,640,115	\$ 13,112,541	\$ 2,082,995	\$ 3,096,208	\$ 22,172	\$ (13,606,293)	\$ 4,707,623

See accompanying notes to consolidated financial statements

ANTIBE THERAPEUTICS INC.
Consolidated Statements of Loss
For the Years Ended March 31, 2016 and 2015
(Expressed in Canadian Dollars)

	2016	2015
REVENUE		
Sales	\$ 4,430,777	\$ -
Interest income	6,403	19,957
	4,437,180	19,957
COST OF SALES	2,381,083	-
GROSS PROFIT	2,056,097	19,957
EXPENSES		
Salaries and wages (note 10)	1,609,918	723,429
Professional fees	732,590	296,440
Stock-based compensation (notes 10, 13)	515,116	291,892
Commissions	503,463	-
Research and development (notes 10, 16)	407,215	2,301,916
Consulting fees	290,748	211,948
Travel	219,904	84,684
Advertising and promotion	202,274	53,279
Office and sundry	187,195	139,632
Rent	153,215	63,000
Interest on long-term debt	148,795	-
Amortization of intangible assets	147,539	-
Dues and subscriptions	137,421	66,731
Accretion interest (note 12)	105,466	-
Interest and bank charges	70,358	384
Insurance	41,892	21,971
Meals and entertainment	37,926	-
Telephone	34,408	15,821
Depreciation	13,748	-
Licensing fees	-	150,000
Bad debt recovery	(2,102)	-
Foreign currency translation gain	(4,646)	-
	5,552,443	4,421,127
LOSS BEFORE INCOME TAXES	(3,496,346)	(4,401,170)
RECOVERY OF DEFERRED INCOME TAXES (note 17)	(865,202)	-
NET LOSS	\$ (2,631,144)	\$ (4,401,170)
Loss per share (note 14)		
Basic and diluted	\$ (0.04)	\$ (0.12)
Weighted average number of shares outstanding (note 14)		
Basic and diluted	62,746,770	36,933,993

See accompanying notes to consolidated financial statements

ANTIBE THERAPEUTICS INC.

Consolidated Statements of Other Comprehensive Loss

For Years Ended March 31, 2016 and 2015

(Expressed in Canadian Dollars)

	2016	2015
NET LOSS	\$ (2,631,144)	\$ (4,401,170)
CHANGES IN OTHER COMPREHENSIVE LOSS		
Items that may be reclassified subsequently to profit or loss:		
Exchange gain on translation of foreign subsidiary (net of deferred income taxes of \$7,994)	<u>22,172</u>	<u>-</u>
COMPREHENSIVE LOSS FOR THE YEAR	<u>\$ (2,608,972)</u>	<u>\$ (4,401,170)</u>

See accompanying notes to consolidated financial statements

ANTIBE THERAPEUTICS INC.
Consolidated Statements of Cash Flows
For the Years Ended March 31, 2016 and 2015

(Expressed in Canadian Dollars)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	\$ (2,631,144)	\$ (4,401,170)
Items not affecting cash:		
Deferred income taxes (<i>note 17</i>)	(865,202)	-
Accretion interest (<i>note 12</i>)	105,466	-
Stock-based compensation (<i>note 13</i>)	515,116	291,892
Amortization of transaction costs (<i>note 12</i>)	21,517	-
Depreciation of property and equipment (<i>note 7</i>)	13,748	-
Amortization of intangible assets (<i>note 8</i>)	147,539	-
Interest paid in kind (<i>note 12</i>)	62,014	-
Broker fees paid in kind (<i>note 12</i>)	22,253	-
Severance paid in kind (<i>note 13</i>)	35,000	-
Exchange gain on translation of foreign subsidiary	30,166	-
	<u>(2,543,527)</u>	<u>(4,109,278)</u>
Changes in non-cash working capital:		
Accounts receivable	(152,915)	279,767
Inventory	466,699	-
Prepaid expenses	(5,699)	80,652
Deposits	36,947	-
Restricted cash	(45,000)	-
Accounts payable and accrued liabilities	(526,276)	(46,696)
	<u>(226,244)</u>	<u>313,723</u>
Cash flows used in operating activities	<u>(2,769,771)</u>	<u>(3,795,555)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of subsidiary	(400,000)	-
Purchase of property and equipment	(38,954)	-
Purchase of license	(250,000)	-
Redemption of term deposits	-	625,000
Cash flows used in investing activities	<u>(688,954)</u>	<u>625,000</u>

See accompanying notes to consolidated financial statements

ANTIBE THERAPEUTICS INC.**Consolidated Statements of Cash Flows** *(continued)***For the Years Ended March 31, 2016 and 2015**

(Expressed in Canadian Dollars)

	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances to Antibe Holdings Inc.	(35,217)	(70,321)
Repayment to related parties	-	(334,040)
Increase in bank indebtedness	66,886	-
Repayment of long-term debt	(48,227)	-
Proceeds on issuance of shares and warrants	1,225,000	1,019,560
Proceeds on issuance of convertible debentures	2,550,000	-
Proceeds from exercise of warrants	28,391	-
Transaction costs	(261,884)	-
Share issuance costs	(70,573)	(116,731)
Proceeds from deposit on issuance of shares	-	25,000
Deferred share issuance costs	(6,673)	(60,689)
	<hr/>	<hr/>
Cash flows from financing activities	3,447,703	462,779
	<hr/>	<hr/>
NET CHANGE IN CASH FOR THE YEAR	(11,022)	(2,707,776)
	<hr/>	<hr/>
CASH, BEGINNING OF YEAR	397,086	3,104,862
	<hr/>	<hr/>
CASH, END OF YEAR	\$ 386,064	\$ 397,086
	<hr/>	<hr/>
CASH FLOWS SUPPLEMENTARY INFORMATION		
Interest paid	\$ 41,979	\$ (384)
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See accompanying notes to consolidated financial statements

ANTIBE THERAPEUTICS INC.

Notes to Consolidated Financial Statements

March 31, 2016 and 2015

1. DESCRIPTION OF BUSINESS

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

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

The Company is also, through its wholly-owned subsidiary, Citagenix Inc. ("Citagenix"), a leader in the promotion of tissue regenerative products servicing the orthopaedic and dental marketplaces. Since its inception in 1997, Citagenix has become an important source of knowledge and experience in the Canadian medical device industry. Citagenix has grown a comprehensive portfolio of high-quality, branded biologics and medical devices that promote bone regeneration. Citagenix operates in Canada through its direct sales force and in Germany and internationally via a network of distributors.

The address of the Company's registered office and principal place of business is 15 Prince Arthur Avenue, Toronto, Ontario, Canada, M5R 1B2.

Approximately 19.07% of the Company's common shares are held by Antibe Holdings Inc. ("AHI"), the parent Company.

2. BASIS OF PRESENTATION

(a) Statement of compliance -

The Company's accounting policies are in accordance with International Financial Reporting Standards (IFRS).

(b) Consolidation -

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

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

Citagenix, the parent company of BMT, was acquired on October 15, 2015 (see note 5). 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.

ANTIBE THERAPEUTICS INC.
Notes to Consolidated Financial Statements
March 31, 2016 and 2015

2. BASIS OF PRESENTATION *(continued)*

(c) Going concern -

The consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As at March 31, 2016, the Company had working capital of \$2,005,295 (2015 - \$276,502), for the year then ended incurred a net loss of \$2,631,144 (2015 - \$4,401,170), and had negative cash flows from operations of \$2,769,771 (2015 - \$3,795,555).

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

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

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

(d) Basis of measurement -

These consolidated financial statements are prepared on a historical cost basis, except for certain financial instruments, stock-based compensation and assets acquired and liabilities assumed upon acquisition that are measured on a fair value basis.

(e) Use of estimates -

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

ANTIBE THERAPEUTICS INC.

Notes to Consolidated Financial Statements

March 31, 2016 and 2015

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Cash and cash equivalents -

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

Inventory -

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

Property and equipment -

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

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

The Company prorates depreciation for acquisitions made during the year.

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

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

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

Intangible assets -

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

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

ANTIBE THERAPEUTICS INC.

Notes to Consolidated Financial Statements

March 31, 2016 and 2015

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

Impairment of non-financial assets -

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

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

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

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

Goodwill -

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

For the purpose of impairment testing, goodwill is allocated to each of the Company's CGU that is expected to benefit from the synergies of the combination. If the recoverable amount of the CGU is less than its carrying amount, excluding any goodwill, the impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then reduces the carrying amount of the other assets of the CGU on a pro rata basis. An impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods. At March 31, 2016, there is no impairment of goodwill.

Related party transactions -

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

ANTIBE THERAPEUTICS INC.

Notes to Consolidated Financial Statements

March 31, 2016 and 2015

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

Income taxes -

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

Deferred share issuance cost -

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

Government grants and investment tax credits -

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

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

Convertible debt instruments -

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

Research and development expense

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

ANTIBE THERAPEUTICS INC.

Notes to Consolidated Financial Statements

March 31, 2016 and 2015

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

Revenue recognition -

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

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

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

Stock-based compensation -

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

Broker warrants -

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

Foreign currency translation -

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

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

For its subsidiary 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.

ANTIBE THERAPEUTICS INC.

Notes to Consolidated Financial Statements

March 31, 2016 and 2015

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

Loss per share -

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

Provisions -

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

Leases -

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

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

ANTIBE THERAPEUTICS INC.

Notes to Consolidated Financial Statements

March 31, 2016 and 2015

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

Measurement of financial instruments -

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

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

(i) FVTPL financial instruments -

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

(ii) HTM financial instruments -

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

(iii) Available-for-sale -

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

(iv) Loans and receivables -

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

(v) Other financial liabilities -

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

ANTIBE THERAPEUTICS INC.
Notes to Consolidated Financial Statements
March 31, 2016 and 2015

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

Future changes in significant accounting policies -

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

(i) Financial Instruments -

IFRS 9, Financial Instruments ("IFRS 9") was issued in 2010 and is to replace IAS 39. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. In addition, under IFRS 9 the same impairment model is applied to all financial instruments that are subject to impairment accounting. The current impairment model is replaced with an expected credit loss model which means that a loss event will no longer need to occur before an impairment allowance is recognized. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

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

(ii) Revenue -

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

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

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

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

(iii) Leases -

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

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

ANTIBE THERAPEUTICS INC.

Notes to Consolidated Financial Statements

March 31, 2016 and 2015

4. PRODUCTS UNDER LICENSE AND DEVELOPMENT

There are several products currently under license and development:

(i) ATB-346: Acute and Chronic Pain is a non-steroidal anti-inflammatory (NSAID) product that is designed to improve upon existing treatments for acute and chronic pain with a reduction in the occurrence of undesired gastrointestinal effects.

(ii) ATB-352 is a product targeting the urgent global need for a safer analgesic for treating severe acute pain.

Since inception, the cumulative research and development costs that have been incurred in developing the products total \$4,894,978, net of \$402,237 of cumulative ITCs received.

ANTIBE THERAPEUTICS INC.**Notes to Consolidated Financial Statements****March 31, 2016 and 2015**

5. BUSINESS COMBINATION

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

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

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

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

ANTIBE THERAPEUTICS INC.**Notes to Consolidated Financial Statements****March 31, 2016 and 2015**

5. BUSINESS COMBINATION *(continued)*

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

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

The goodwill recognized is not deductible for income tax purposes.

Citagenix's consolidated revenue for the period from October 15, 2015 to March 31, 2016 was \$4,430,777 and consolidated net loss and comprehensive loss for the same period was \$595,968.

6. ACCOUNTS RECEIVABLE

	<u>2016</u>	<u>2015</u>
Trade receivables	\$ 1,206,934	\$ -
ITCs receivable	92,026	-
Value-added taxes receivable	8,341	-
Harmonized sales taxes receivable	38,950	50,577
Allowance for doubtful accounts	<u>(98,830)</u>	-
	<u>\$ 1,247,421</u>	<u>\$ 50,577</u>

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

Balance, beginning of the year	\$ -	\$ -
Allowance acquired	100,932	-
Bad debt recovery	<u>(2,102)</u>	-
	<u>\$ 98,830</u>	<u>\$ -</u>

ANTIBE THERAPEUTICS INC.
Notes to Consolidated Financial Statements
March 31, 2016 and 2015

7. PROPERTY AND EQUIPMENT

Property and equipment is comprised as follows:

	Furniture and fixtures	Computer equipment	Leaseholds improvements	Vehicles	Total
Cost					
At March 31, 2015	\$ -	\$ -	\$ -	\$ -	\$ -
Assets acquired in business combination (note 5)	32,338	20,569	-	2,337	55,244
Additions	-	4,251	34,703	-	38,954
As at March 31, 2016	<u>32,338</u>	<u>24,820</u>	<u>34,703</u>	<u>2,337</u>	<u>94,198</u>
Depreciation					
At March 31, 2015	-	-	-	-	-
Charge for the year	7,493	3,820	1,454	981	13,748
As at March 31, 2016	<u>7,493</u>	<u>3,820</u>	<u>1,454</u>	<u>981</u>	<u>13,748</u>
Net book value					
As at March 31, 2016	<u>\$ 24,845</u>	<u>\$ 21,000</u>	<u>\$ 33,249</u>	<u>\$ 1,356</u>	<u>\$ 80,450</u>

8. INTANGIBLE ASSETS

Intangible assets is comprised as follows:

	Trademarks and Brands	License	Patents	Total
Cost				
At March 31, 2015	\$ -	\$ -	\$ -	\$ -
Assets acquired in business combination (note 5)	3,094,018	-	18,872	3,112,890
Additions	-	250,000	-	250,000
As at March 31, 2016	<u>3,094,018</u>	<u>250,000</u>	<u>18,872</u>	<u>3,362,890</u>
Amortization				
At March 31, 2015	-	-	-	-
Charge for the year	142,410	-	5,129	147,539
As at March 31, 2016	<u>142,410</u>	<u>-</u>	<u>5,129</u>	<u>147,539</u>
Net book value				
As at March 31, 2016	<u>\$ 2,951,608</u>	<u>\$ 250,000</u>	<u>\$ 13,743</u>	<u>\$ 3,215,351</u>

The terms of the license agreement are 10 years from the date of the first commercial sale of the licensed products (see also note 22). As at March 31, 2016, there were no commercial sales of the licensed products. As such, no amortization is recognized in the current year related to this license.

ANTIBE THERAPEUTICS INC.
Notes to Consolidated Financial Statements
March 31, 2016 and 2015

9. BANK INDEBTEDNESS

Citagenix has an operating line of credit with the Laurentian Bank of Canada ("Laurentian") to a maximum of \$2,000,000. The outstanding line of credit balance is due on demand and bears interest at Laurentian's prime lending rate plus 0.50% per annum. The following have been provided as security:

1. A moveable hypothec in the amount of \$10,000,000 covering Citagenix's present and future claims and universality of Citagenix's present and future property and assets with all risk of insurance and with losses payable to Laurentian; and
2. Assignment of inventory, in virtue of Section 427 of the Bank Act.

The line of credit is subject to certain financial tests and covenants. As at March 31, 2016, Citagenix was not in compliance with these covenants, however the bank has issued a waiver until the next renewal date of September 1, 2016.

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

10. RELATED PARTY TRANSACTIONS

On June 26, 2014, with the enrolment of the first patient in a Phase I clinical trial, the Company triggered a milestone payment of \$150,000 to AHI as detailed in a licensing Agreement between the two companies entered into on December 22, 2009 (see note 22). AHI is also permitted to draw down funds against future milestone payments.

During the year, the Company advanced \$35,217 (2015 - \$70,321) to AHI. As at March 31, 2016, \$248,290 (2015 - \$213,073) was receivable. This balance bears no interest, is payable on demand and is unsecured.

During the year, \$241,881 (2015 - \$274,994) of the Chief Scientific Officer's compensation was included in the research and development expenses for SR&ED purposes.

The aggregate compensation of the key management personnel of the Company, paid either directly or indirectly, for the year ended March 31, 2016 was \$1,401,278 (2015 - \$1,480,913), of which \$431,925 (2015 - \$280,890) was stock-based compensation.

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.

ANTIBE THERAPEUTICS INC.
Notes to Consolidated Financial Statements
March 31, 2016 and 2015

11. LONG-TERM DEBT

	2016	2015
Term loan bearing interest at the greater of 10% or bank's prime lending rate plus 3% per annum, repayable in monthly principal payments of \$4,630. The loan matures on March 31, 2017 and is secured by a moveable hypothec covering the universality of all property, present and future.	\$ 55,540	\$ -
Term loan bearing interest at 10% per annum, repayable in monthly principal payments of \$6,310. The loan matures on November 30, 2016 and is secured by a moveable hypothec covering the universality of all property, present and future.	50,500	-
	106,040	-
Less unamortized transaction costs	(7,471)	-
	98,569	-
Less: Current portion	98,569	-
	\$ -	\$ -

12. CONVERTIBLE DEBENTURES

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

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

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

ANTIBE THERAPEUTICS INC.**Notes to Consolidated Financial Statements****March 31, 2016 and 2015**

12. CONVERTIBLE DEBENTURES *(continued)*

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

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

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

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

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

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

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

ANTIBE THERAPEUTICS INC.**Notes to Consolidated Financial Statements****March 31, 2016 and 2015****12. CONVERTIBLE DEBENTURES (continued)**

The Debenture agreements provide that the Company may, at its sole option, elect to pay in kind certain interest payments. On January 27, 2016, the Company announced its election to pay in-kind all interest due January 15, 2016 under the above convertible debentures. The aggregate January 15, 2016 interest payment under the Debentures in the amount of \$62,014 has been added to the principal amount of the Debentures (the "Added Principal Amount"). The holders of Debentures may convert the principal amount of each Debenture into the Company's common shares at a price of \$0.22 per common share. As a result of the addition of the Added Principal Amount to the principal amount of the Debentures, an additional 281,882 common shares in the capital of the Company will be issuable on the conversion of the principal amount of the Debentures. The in-kind election has received TSX Venture Exchange approval.

As at March 31, 2016, the Company accrued interest of \$64,798 (2015 - \$nil), which has been included in accounts payable and accrued liabilities.

	Host debt component	Common Share Purchase Warrants	Equity component of convertible debentures feature	Total
Balance March 31, 2015	\$ -	\$ -	\$ -	\$ -
Debentures issued	2,012,049	790,828	247,123	3,050,000
Issue costs	(173,751)	(72,031)	(16,102)	(261,884)
Amortized issue costs	21,517			21,517
Interest paid in kind	62,014	-	-	62,014
Accretion	105,466	-	-	105,466
Balance March 31, 2016	\$ 2,027,295	\$ 718,797	\$ 231,021	\$ 2,977,113

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.

ANTIBE THERAPEUTICS INC.
Notes to Consolidated Financial Statements
March 31, 2016 and 2015

13. SHARE CAPITAL

(a) Authorized

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

(b) Common shares

	2016		2015	
	Shares	Amount	Shares	Amount
Balance, beginning of the year	37,005,858	\$ 8,237,721	34,931,591	\$ 7,205,614
Private placement ("PP2b") (a)	-	-	1,516,600	909,960
Private placement ("PP2c") (b)	-	-	557,667	334,600
Private placement ("PB3a") (c)	7,860,000	786,000	-	-
Private placement ("PB3b") (d)	4,640,000	464,000	-	-
Settlement of debt (e)	148,936	35,000	-	-
Acquisition of Citagenix (note 5)	28,733,921	4,310,088	-	-
Warrants exercised	251,400	62,054	-	-
Fair value of warrants issued (c) and (d)	-	(538,050)	-	-
Share issuance costs (f)	-	(244,272)	-	(212,453)
Balance, end of the year	78,640,115	\$ 13,112,541	37,005,858	\$ 8,237,721

(a) On April 7, 2014 (the "PP2b Closing Date"), the Company successfully completed the second closing (the "PP2b") of the non-brokered private placement that first closed on March 31, 2014. Pursuant to the PP2b, the Company issued 1,516,600 common shares at a price of \$0.60 per common share for gross proceeds of \$909,960.

(b) On April 28, 2014 (the "PP2c Closing Date"), the Company successfully completed the third closing (the "PP2c") of the non-brokered private placement that first closed on March 31, 2014. Pursuant to the PP2c, the Company issued 557,667 common shares at a price of \$0.60 per common share for gross proceeds of \$334,600.

(c) On April 1, 2015 (the "PP3a Closing Date"), the Company successfully completed a non-brokered private placement (the "PP3a"). Pursuant to the PP3a, the Company issued 7,860,000 units at a price of \$0.10 per unit for gross proceeds of \$786,000. Each unit was comprised of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at an exercise price of \$0.15 per common share and expires on April 1, 2018.

The \$786,000 gross proceeds have been allocated to share capital and warrants based on the relative fair value of each component. The 3,930,000 warrants issued pursuant to the PP3a were valued using the BSM model, which resulted in allocating \$338,313 to warrants and \$447,687 to share capital.

ANTIBE THERAPEUTICS INC.

Notes to Consolidated Financial Statements

March 31, 2016 and 2015

13. SHARE CAPITAL *(continued)*

- (d) On April 9, 2015 (the PP3b Closing Date"), the Company successfully completed a non-brokered private placement (the "PP3b"). Pursuant to the PP3b, the Company issued 4,640,000 units at a price of \$0.10 per unit for gross proceeds of \$464,000. Each unit was comprised of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at an exercise price of \$0.15 per common share and expires on April 9, 2018.

The \$464,000 gross proceeds have been allocated to share capital and warrants based on the relative fair value of each component. The 2,320,000 warrants issued pursuant to the PP3b were valued using the BSM model, which resulted in allocating \$199,737 to warrants and \$264,263 to share capital.

- (e) On May 5, 2015, the Company granted one of its previous officers 148,936 common shares in the stock of the Company at the closing market price of \$0.235 per common share for a total value of \$35,000. The grant was made in exchange for the officer waiving a portion of the cash component of the officer's severance which was included in the accounts payable and accrued liabilities at March 31, 2015.
- (f) Total issuance costs related to the private placements were \$244,272 (2015 - \$212,453), of which \$113,010 (2015 - \$95,722) was non-cash from the issuance of warrants to the finders (see note 13(d)). All issuance costs were offset against share capital at each of the closings.

(c) Stock options

The Company has established a stock option plan which provides a limited issuance of options, capped at 15,140,523 common shares. The plan is to encourage ownership of common shares by directors, senior officers and consultants of the Company. The fair value of the options is measured as of the grant date, using the BSM, and is recognized over the vesting period. The fair value is recognized as an expense or netted against share capital in relation to share or debt issuance with a corresponding increase in contributed surplus. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

On October 22, 2013, the Company granted options on 250,000 common shares with an exercise price of \$0.55 per share to its directors and employees. 25% of the options vest at the grant date while the remainder vest over 36 months, commencing the month subsequent to the grant date. The estimated fair value of these options calculated using the BSM was \$136,966. \$9,131 (2015 - \$38,809) was expensed during the year and included in contributed surplus.

On March 4, 2014, the Company granted options on 1,025,000 common shares with an exercise price of \$0.66 per share to its directors and employees. Of the total 1,025,000 options granted, 440,000 options consist of the base option (the "Base Options") and the remaining 585,000 are bonus options ("Bonus Options"). 25% of the Base Options vested at the grant date while the remainder vests over 36 months, commencing two months after the grant date. 585,000 Bonus Options are subject to certain performance conditions. Once the conditions are met, 25% of the options vest immediately while the remainder vest over 36 months, commencing two months after the date it is determined the conditions are met. The estimated fair value of the Base and Bonus Options calculated using the BSM was \$735,251. \$45,640 (2015 - \$142,276) was expensed during the year and included in contributed surplus.

On August 8, 2014, an employee satisfied the performance conditions and 6,000 options began vesting according to the vesting schedule for the Bonus Options.

On May 12, 2014, the Company granted options on 100,000 common shares with an exercise price of \$0.54 per share to its directors and employees. 25% of the options vest at the grant date while the remainder vest over 36 months, commencing the month subsequent to the grant date. The estimated fair value of these options calculated using the BSM was \$53,788 and \$7,972 (2015 - \$39,613) was expensed during the year and included in contributed surplus.

ANTIBE THERAPEUTICS INC.

Notes to Consolidated Financial Statements

March 31, 2016 and 2015

13. SHARE CAPITAL *(continued)*

On July 17, 2014, the Company granted options on 150,000 common shares with an exercise price of \$0.59 per share to its directors and employees. 25% of the options vest at the grant date while the remainder vest over 36 months, commencing the month subsequent to the grant date. The estimated fair value of these options calculated using the BSM was \$88,150 and \$60,192 was expensed in fiscal 2015 and included in contributed surplus.

On December 16, 2014, the Company entered into an investor relations consulting agreement with Stonegate Capital Partners Inc. ("Stonegate") wherein Stonegate is to provide the Company with investor relations services focused on the US investment market for a six month period starting from the date of the execution of the contract. As per the terms of the agreement, the Company granted Stonegate options on 24,000 common shares with an exercise price of \$0.52 per share. 25% of the options vest at the grant date while the remainder will vest quarterly starting on the date of the grant. The estimated fair value of these options calculated using the BSM was \$19,502 and \$8,500 (2015 - \$11,002) was expensed during the year and included in contributed surplus.

On May 5, 2015, the Company granted Hamza Thindal Capital Corporation ("HTCC") options in exchange for consulting services provided by HTCC under the terms of a consulting agreement. The options give HTCC the right to purchase a total of 300,000 common shares pursuant to the Company's stock option plan. These options have an exercise price of \$0.235 and an expiry date of May 5, 2018. The estimated fair value of these options calculated using the BSM was \$62,204. This amount was expensed during the year 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 percent of the granted options vest on the grant date and 1/36th of the remaining options vest in each of the subsequent 36 months starting in the second month following the grant date. The estimated fair value of these options calculated using the BSM was \$85,031 and \$57,507 of this amount was expensed during the year and included in contributed surplus.

On November 17, 2015, the Company granted BND Projects Incorporated ("BND") options in exchange for services provided by BND under the terms of a consulting agreement. The options give BND the right to purchase a total of 12,000 common shares pursuant to the Company's stock option plan. These options have an exercise price of \$0.17 and expire on November 17, 2018. Twenty-five percent of the granted options vest on the grant date and the remainder vests quarterly. The estimated fair value of these options calculated using the BSM was \$1,775 and \$887 was expensed during the year and included in contributed surplus.

On March 9, 2016, the Company granted its directors, officers and employees options to purchase a total of 6,751,000 common shares pursuant to the Company's stock option plan. Each option has an exercise price of \$0.145 and expires on March 9, 2026. Twenty-five percent of the granted options vest on the grant date and 1/36th of the remaining options vest in each of the subsequent 36 months starting in the second month following the grant date. The estimated fair value of these options calculated using the BSM was \$968,409 and \$322,929 was expensed in the current year and included in contributed surplus.

On March 9, 2016, the Company granted BND options under the terms of a consulting agreement. The options give BND the right to purchase a total of 12,000 common shares pursuant to the Company's stock option plan. These options have an exercise price of \$0.145 and expire on March 9, 2019. Twenty-five percent of the granted options vest on the grant date and the remainder vests quarterly. The estimated fair value of these options calculated using the BSM was \$1,457 and \$346 was expensed during the year and included in contributed surplus.

ANTIBE THERAPEUTICS INC.**Notes to Consolidated Financial Statements****March 31, 2016 and 2015**13. SHARE CAPITAL *(continued)*

Option pricing models require the input of highly-subjective assumptions, particularly as to the expected price volatility of the stock and the expected life of the option. Changes in the subjective input assumptions can materially affect the fair value estimate. There is no cash cost to the Company related to these options.

	March 31, 2016		March 31, 2015	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Balance, beginning of the year	4,802,654	\$ 0.44	4,838,654	\$ 0.44
Granted during the year	7,685,000	0.15	274,000	0.57
Expired during the year	(1,038,654)	0.44	(310,000)	0.58
Balance, end of the year	11,449,000	\$ 0.29	4,802,654	\$ 0.44

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
2,700,000	\$ 0.33	January 25, 2020
150,000	\$ 0.55	October 22, 2023
815,000	\$ 0.66	March 4, 2024
75,000	\$ 0.54	May 9, 2024
610,000	\$ 0.14	July 13, 2025
6,763,000	\$ 0.15	March 9, 2026
11,449,000		

The number of options exercisable as at March 31, 2016 is 5,287,371 and the weighted average exercise price of these options is \$0.27.

(d) Common share purchase warrants

In addition to the warrants described in note 12 and 13(b), the following warrants were granted.

On the PP2b Closing Date, the Company granted 135,660 warrants to the finders (the “PP2b Finder Warrants”). Each PP2b Finder Warrant entitles the bearer to purchase one common share for a price of \$0.60 and expires two years from the date of issuance. The estimated fair value of these warrants calculated using the BSM was \$70,179 and was offset against share capital as share issuance costs.

On the PP2c Closing Date, the Company granted 54,100 warrants to the finders (the “PP2c Finder Warrants”). Each PP2c Finder Warrant entitles the bearer to purchase one common share for a price of \$0.60 and expires two years from the date of issuance. The estimated fair value of these warrants calculated using the BSM was \$25,543 and was offset against share capital as share issuance costs.

On PP3a Closing Date, the Company granted 576,800 common share purchase warrants to finders (the “PP3a Finder Warrants”). Each PP3a Finder Warrant entitles the bearer to purchase one common share for a price of \$0.10 and expires two years from the date of issuance. The estimated fair value of these warrants calculated using the BSM was \$83,059 and was offset against share capital as share issuance costs.

ANTIBE THERAPEUTICS INC.

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March 31, 2016 and 2015

13. SHARE CAPITAL *(continued)*

On PP3b Closing Date, the Company granted 208,000 common share purchase warrants to finders (the “PP3b Finder Warrants”). Each PP3b Finder Warrant entitles the bearer to purchase one common share for a price of \$0.10 and expires two years from the date of issuance. The estimated fair value of these warrants calculated using the BSM was \$29,952 and was offset against share capital as share issuance costs.

The following is a summary of all warrants to purchase common shares that are outstanding at March 31, 2016 and 2015 as well as details on exercise prices and expiry dates:

	March 31, 2016		March 31, 2015	
	Warrants	Weighted average exercise price	Warrants	Weighted average exercise price
Balance, beginning of the year	3,872,239	\$ 0.67	3,682,479	\$ 0.68
Granted during the year	13,277,982	0.22	189,760	0.60
Exercised	(251,400)	0.10	-	-
Expired	(685,459)	0.59	-	-
Balance, end of the year	16,213,362	\$ 0.31	3,872,239	\$ 0.67

	Number of warrants	Exercise price	Expiry date
	135,660	\$ 0.60	April 4, 2016
	54,100	\$ 0.60	April 28, 2016
	817,676	\$ 0.80	December 30, 2016
	316,344	\$ 0.80	January 28, 2017
	390,400	\$ 0.10	April 1, 2017
	208,000	\$ 0.10	April 9, 2017
	787,500	\$ 0.10	December 1, 2017
	143,182	\$ 0.22	December 23, 2017
	3,865,000	\$ 0.15	April 1, 2018
	2,320,000	\$ 0.15	April 9, 2018
	6,100,000	\$ 0.31	October 15, 2018
	168,000	\$ 0.83	December 1, 2018
	907,500	\$ 0.83	June 1, 2019
	16,213,362		

ANTIBE THERAPEUTICS INC.**Notes to Consolidated Financial Statements****March 31, 2016 and 2015**

13. SHARE CAPITAL *(continued)*

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

	2016	2015
Risk-free interest rate	0.47-0.56%	1.06%-2.43%
Expected volatility	160-180%	180%
Expected dividend yield	0.00%	0.00%
Expected life of warrants and stock options	2-10 years	2-10 years
Share price	\$0.15 - \$0.24	\$0.54 - \$0.64
Exercise price	\$0.10 - \$0.235	\$0.52 - \$0.60

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

14. 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 year:

	2016	2015
Stock options	11,449,000	4,802,654
Warrants	15,614,962	3,872,239
Convertible debentures	14,145,518	-

15. 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 the Company had only one business segment.

The segmented performance of these two businesses for the year ended March 31, 2016 are as follows (note the numbers for Citagenix are from October 15, 2015, the date of acquisition, to March 31, 2016):

ANTIBE THERAPEUTICS INC.
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March 31, 2016 and 2015

15. SEGMENTED RESULTS *(continued)*

	Antibe	Citagenix	Consolidated
Revenues	\$ 6,403	\$ 4,430,777	\$ 4,437,180
Cost of sales	-	2,381,083	2,381,083
Gross profit	<u>6,403</u>	<u>2,049,694</u>	<u>2,056,097</u>
Expenses	2,869,488	2,682,955	5,552,443
Loss before income taxes	<u>\$ (2,863,085)</u>	<u>\$ (633,261)</u>	<u>\$ (3,496,346)</u>

For the period April 1, 2015 to March 31, 2016 Citagenix reported a loss from operations of \$809,468. This was comprised of revenue of \$10,207,619, cost of sales of \$5,629,484, gross profit of \$4,578,135 and expenses of \$5,387,603.

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

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

	Antibe	Citagenix	Consolidated
Assets			
Current	\$ 1,336,440	\$ 3,674,079	\$ 5,010,519
Non-current	256,673	4,472,950	4,729,623
Total assets	<u>\$ 1,593,113</u>	<u>\$ 8,147,029</u>	<u>\$ 9,740,142</u>
Liabilities			
Current	\$ 249,987	\$ 2,755,237	\$ 3,005,224
Non-current	2,027,295	-	2,027,295
Total liabilities	<u>\$ 2,277,282</u>	<u>\$ 2,755,237</u>	<u>\$ 5,032,519</u>

The following is an analysis of the Company's sales by geographical area:

	Canada	United States	Others	Consolidated
Revenues	<u>\$ 3,149,727</u>	<u>\$ 377,830</u>	<u>\$ 909,623</u>	<u>\$ 4,437,180</u>

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16. RESEARCH AND DEVELOPMENT

Research and development expenses are as follows:

	<u>2016</u>	<u>2015</u>
Research and development expenses	\$ 713,574	\$ 2,385,311
ITCs	<u>(306,359)</u>	<u>(83,395)</u>
	<u>\$ 407,215</u>	<u>\$ 2,301,916</u>

During the year, the Company received ITCs of \$214,333 for 2015 research and development expenditures (2015 - \$83,395 for the 2013 research and development expenditures). In addition, \$92,026 of ITCs receivable have been accrued at March 31, 2016 (see also note 6).

17. INCOME TAXES

The income tax provision recorded differs from the income tax obtained by applying the statutory income tax rate of 26.50% (2015 - 26.50%) to the loss before income taxes for the year and is reconciled as follows:

	<u>2016</u>	<u>2015</u>
Loss before income taxes	\$ (3,496,346)	\$ (4,401,170)
Expected income tax recovery at the combined basic federal and provincial tax rate:	\$ (926,532)	\$ (1,166,310)
Decrease (increase) resulting from:		
Non-deductible expenses	220,412	79,673
Share issuance costs	(100,157)	(79,046)
Others	(55,864)	-
Amount related to unrecognized deferred tax assets	<u>(3,061)</u>	<u>1,165,683</u>
Recovery of deferred income taxes	<u>\$ (865,202)</u>	<u>\$ -</u>

The Company has incurred losses of \$9,011,719 for tax purposes which are available to reduce future taxable income. Such benefits will be recorded as an adjustment to the tax provision in the year realized. The losses expire as follows:

In the year ending March 31, 2029	\$ 258,166
2030	607,722
2031	735,014
2032	661,297
2033	213,863
2034	1,326,897
2035	2,206,902
2036	<u>3,001,858</u>
	<u>\$ 9,011,719</u>

The cumulative carry-forward pool of SR&ED expenditures as at March 31, 2016 applicable to future years, with no expiry date, is \$4,175,138.

ANTIBE THERAPEUTICS INC.
Notes to Consolidated Financial Statements
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18. DEFERRED INCOME TAXES

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

	<u>2016</u>	<u>2015</u>
Deferred income tax asset acquired	\$ 88,182	\$ -
Amount related to intangible assets on business combination	(819,915)	-
Amount related to foreign exchange translation gains	(7,994)	-
Amount related to tax loss carry forwards	<u>865,202</u>	<u>-</u>
	<u>\$ 125,475</u>	<u>\$ -</u>

Deferred tax expense of \$7,994 (2015 - \$nil) related to the foreign exchange translation gains was recognized in other comprehensive income for the year.

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

	<u>2016</u>	<u>2015</u>
Amount related to tax loss carry forwards	\$ 1,434,721	\$ 1,549,560
Amount related to eligible capital property	43,812	49,836
Amount related to SR&ED expenditures	1,106,412	994,133
Amount related to donation	13,250	13,250
Amount related to share issuance costs	262,922	258,895
Amount related to capital property	<u>1,496</u>	<u>-</u>
	<u>\$ 2,862,613</u>	<u>\$ 2,865,674</u>

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

19. FINANCIAL INSTRUMENTS

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

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

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

Financial instruments classified as Level 1 include cash, term deposits and restricted cash. At the current time, the Company does not have financial instruments classified in Level 2 or Level 3.

ANTIBE THERAPEUTICS INC.**Notes to Consolidated Financial Statements****March 31, 2016 and 2015**

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 \$4,707,623. 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 and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance.

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

Credit risk

The Company's credit risk is primarily attributable to accounts receivable amount due from AHI. 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.

As at March 31, 2016, the Company's financial obligations including applicable interest are due as follows:

	Less than one year	1-2 years	After 2 years	Total
Accounts payable and accrued liabilities	\$ 1,362,018	\$ -	\$ -	\$ 1,362,018
Bank indebtedness	\$ 1,544,637	\$ -	\$ -	\$ 1,544,637
Long-term debt	\$ 106,040	\$ -	\$ -	\$ 106,040
Convertible debentures	\$ -	\$ -	\$ 3,050,000	\$ 3,050,000
Interest on the above financial obligations	\$ 158,655	\$ 305,000	\$ 152,918	\$ 616,573
	<u>\$ 3,171,350</u>	<u>\$ 305,000</u>	<u>\$ 3,202,918</u>	<u>\$ 6,679,268</u>

ANTIBE THERAPEUTICS INC.
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21. FINANCIAL RISK MANAGEMENT

Foreign currency risk

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

Foreign currency sensitivity analysis

A 10% decline of Canadian dollar over US dollar at March 31, 2016 would have resulted in a \$81,883 decrease in the Company's income before income taxes. A 10% decline of Canadian dollar over Euro at March 31, 2016 would have resulted in a \$18,768 decrease in the Company's income before income taxes. The analysis assumes that all other variables remain constant.

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

(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 26, 2014 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 I clinical trial.

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22. COMMITMENTS *(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 8, 2016, the Company signed an exclusive Licensing and Distribution Agreement with Induce Biologics Inc. ("Induce") for the Canadian rights for Induce's URIST™ ("Licensed Product") biological product for dental and craniofacial applications. URIST™ is a novel bone graft substitute that contains bone morphogenetic protein-2 (BMP), and is being developed as a means of promoting the regeneration of bone following dental and oral maxillofacial surgery. The Company is committed to royalty fees paid quarterly based on net sales of the Licensed Product starting at the end of the quarter following the date of the first commercial sale of the URIST™ to Canadian market.

(d) Office lease commitments

The Company has long-term leases which require future minimum payments as follows:

In the year ending March 31, 2017	\$ 236,295
2018	237,961
2019	239,661
2020	211,116
2021	151,038
Total	<u>\$ 1,076,071</u>

23. SUBSEQUENT EVENTS

(a) On March 31, 2016, the Company entered into a consulting agreement with Giordano Group, Inc. to provide investor relations consulting services for the United States. The agreement is for a duration of 6 months and the Company is committed to pay a consulting fee of US\$5,000 per month. The consulting agreement is subject to the TSX Venture Exchange approval.

(b) On April 18, 2016, the Company announced its election to pay in kind all interest due April 15, 2016 under the Company's 10% senior secured convertible debentures due October 15, 2018 (the "Debentures"). The Debentures provide that Antibe may, at its sole option, elect to pay in kind certain interest payments. The aggregate April 15, 2016 interest payment under the Debentures in the amount of \$77,587.19 has been added to the principal amount of the Debentures. The holders of Debentures may convert the principal amount of each Debenture into Antibe common shares at a price of \$0.22 per common share. As a result of the addition of the Added Principal Amount to the principal amount of the Debentures, an additional 352,669 common shares in the capital of Antibe will be issuable on the conversion of the principal amount of the Debentures. The in kind election has received TSX Venture Exchange approval.

ANTIBE THERAPEUTICS INC.

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23. SUBSEQUENT EVENTS (*continued*)

(c) On June 10, 2016, the Company closed the first tranche of a non-brokered private placement of units, raising gross proceeds of \$968,500 (the "Offering"). Under the terms of the Offering, 9,685,000 units (the "Units") were sold at a price of \$0.10 per Unit, each Unit comprised of one Common Share of the Corporation and one-half of one Common Share purchase warrant ("Warrant") with each whole Warrant entitling the holder to purchase an additional Common Share ("Warrant Share") at a price of \$0.15 per Warrant Share until June 10, 2018.

Certain insiders of the Company, including the Chair of the Board and several senior officers, subscribed for an aggregate of 1,150,000 common shares under the Offering for aggregate cash consideration of \$115,000.

The securities issued are subject to a four-month statutory hold period and a TSX Venture Exchange hold period, each expiring on October 11, 2016.

In connection with the private placement, Antibe has paid finder's fees in the amount of \$31,800 in cash and 318,000 Common Share purchase warrants ("Finder's Warrants"). Each Finder's Warrant will entitle the holder to purchase one Common Share at a price of \$0.15 per share until June 10, 2018.

(d) On June 10, 2016, the Company granted BND stock options to acquire up to 12,000 common shares as compensation for the performance of investor relations services. The options have an exercise price of \$0.13 per common share, vest quarterly in equal amounts starting on the date of the grant, and will expire June 10, 2019.

(e) On June 20, 2016, the Company completed second and final closing of a non-brokered private placement of units, raising gross proceeds of \$486,500 (the "Second Offering"). Under the terms of the Second Offering, 4,865,000 units (the "Units") were sold at a price of \$0.10 per Unit, each Unit comprised of one Common Share of the Corporation and one-half of one Common Share purchase warrant ("Warrant") with each whole Warrant entitling the holder to purchase an additional Common Share ("Warrant Share") at a price of \$0.15 per Warrant Share until June 20, 2018.

In connection with this closing, Antibe has agreed to pay finder's fees in the amount of \$37,888 in cash and 378,880 Common Share purchase warrants ("Finder's Warrants"). Each Finder's Warrant will entitle the holder to purchase one Common Share at a price of \$0.15 per share until June 20, 2018.

(f) On July 19, 2016, the Company announced its election to pay in kind all interest due July 15, 2016 under the Company's 10% senior secured convertible debentures due October 15, 2018 (the "Debentures"). The Debentures provide that Antibe may, at its sole option, elect to pay in kind certain interest payments. The aggregate July 15, 2016 interest payment under the Debentures in the amount of \$79,522 has been added to the principal amount of the Debentures (the "Added Principal Amount"). The holders of Debentures may convert the principal amount of each Debenture into Antibe common shares at a price of \$0.22 per common share. As a result of the addition of the Added Principal Amount to the principal amount of the Debentures, an additional 361,462 common shares in the capital of Antibe will be issuable on the conversion of the principal amount of the Debentures. The in kind election has received TSX Venture Exchange approval.
