

ADVANCED PROTEOME THERAPEUTICS CORPORATION

Management's Discussion and Analysis of Financial Condition and Results of Operations for the six months ended January 31, 2019

General

The following Management's discussion and analysis (MD&A) is dated March 28, 2019 and should be read in conjunction with the unaudited interim financial statements for the six months ended January 31, 2019 and 2018 and the audited consolidated financial statements and notes for fiscal years ended July 31, 2018 and 2017. Additional information relating to Advanced Proteome Therapeutics Corporation ("the Company") can be found on the SEDAR website at www.sedar.com

The preparation of financial statements require management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

The interim condensed consolidated financial statements are unaudited and have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting*, using accounting policies consistent with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations of the International Reporting Interpretations Committee (IFRIC). They do not include all of the information required for full annual financial statements

All dollar amounts are in United States dollars unless otherwise stated.

The MD&A and unaudited interim condensed consolidated financial statements were reviewed by the Company's Audit Committee and approved for issue on March 28, 2019 by the Company's Board of Directors

Forward-Looking Statements

Certain statements contained in this document constitute "forward-looking statements". When used in this document, the words "may", "would", "could", "will", "intend", "plan", "propose", "progressing", "anticipate", "believe", "forecast", "estimate", "expect" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Such statements reflect the Company's current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, particularly as they relate to product research and development, regulatory approval and compliance, and commercialization of new products and the timing or magnitude of such events as they are inherently risky and uncertain. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements.

These forward-looking statements include but are not limited to, statements concerning:

- Our strategies and objectives;
- Our reliance on the accuracy of results from collaborators;
- Our ability to maintain and enforce our intellectual property rights and otherwise protect our proprietary technologies;
- Our ability to secure new financing to fund our operations;
- Our ability to meet our financial obligations as they become due;
- Our outstanding indebtedness, and our intentions with respect to the repayment;
- Market acceptance of the Company's technology and products;
- The Company's ability to manufacture its products cost effectively and produce favorable research results;
- The competitive environment and impact of technological change;

Inherent in forward-looking statements are risks and uncertainties beyond our ability to predict or control, including risks that may affect our operations or plans; risks associated with

- general business and economic conditions;
- fluctuations in exchange rates and interest rate;
- timing and receipt of regulatory approvals and government approvals;
- changes in credit market conditions and conditions in financial market generally;
- changes in tax laws or their interpretation;

Readers are cautioned that the foregoing list of important factors and assumptions is not exhaustive. Events or circumstances could cause actual results to differ materially from those estimated or projected and expressed in, or implied by these forward-looking statements. Readers should also carefully consider the matters discussed under “Risk Factors”.

Overview

Advanced Proteome Therapeutics Corporation through the operations of its subsidiary, Advanced Proteome Therapeutics Inc. (APTI), is a biotechnology company founded to develop and commercialize a new technology platform that is intended for the chemical modification of protein therapeutics. The Company's technology is applicable to the rapid growth areas of therapeutics and diagnostics, Protein Drugs, and Personalized Medicine, respectively, and is being applied to cancer therapeutics in the field of antibody-drug conjugates.

The Company's platform is broadly dedicated to applications in the field of protein therapeutics, particularly antibody-drug conjugates and is focused on protein conjugates (therapeutic proteins whose properties are modified and further enhanced by chemically attached entities) and immunomodulation. APTI's technology involves a way of using proprietary techniques to modify therapeutic proteins to improve critical properties, i.e., duration of action, creation of targeted therapeutics. Such "chemoselective" methodologies have heretofore been lacking in the fields of chemistry and biochemistry. (The same APTI technology can be applied to target diagnostic imaging agents by linking imaging entities to the protein target site-specifically.)

APTI uses advanced protein modification technologies intended to produce proprietary human protein drugs and other protein products which are to be tested for enhanced therapeutic, diagnostic and analytical properties. Most protein pharmaceuticals are rapidly eliminated by the body, which limit their effectiveness and require that they be administered by frequent, often daily, injection. By developing and applying technology that can selectively attach life-time enhancing entities to therapeutic proteins, APTI products will be designed to last longer in the body. This feature will allow them to be administered less frequently and maximize their therapeutic benefits to patients. Historically, losses of biological activity and product heterogeneity have been the two most common problems encountered in the development of long-acting protein pharmaceuticals. Many drugs fail in development or in the clinic because of toxic side effects associated with their broad dissemination *in vivo*. The targeted protein modification technologies used by APTI are intended to overcome these problems and are being applied to the development of cancer therapeutics.

APTI is applying a platform technology designed to modify proteins at a single site and attach entities to their surfaces to produce homogeneous protein drugs. The platform is designed to exploit proteins that specifically bind to cells that are “stressed”, or certain cancer cells that express specific “patches” on their surfaces. On the one hand, such proteins can be used to transport the attached entities to cancer cells with the intention of destroying them. On the other hand, the high affinity of the protein delivery system for stressed cells undergoing elevated apoptosis (programmed cell death), provides a basis for delivering, and concentrating the attached drugs at sites of injury or derangement, with the intention of repairing tissue.

Highlights of Developments

On September 28, 2017 the Company issued 11,637,466 units and on October 6, 2017 issued an additional 1,000,000 units pursuant to a private placement of 12,637,466 units at a purchase price of \$0.05 Cdn per unit for gross proceeds of \$508,308 (\$631,873 Cdn). Each unit consists of one common share and one non-transferable share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of

\$0.10 Cdn per share. The fair value of the warrants issued, recorded as an allocation of the proceeds received, was estimated at \$125,043 (\$155,428 Cdn) using the Black-Scholes Option Pricing Model. The Company paid an aggregate finder's fee consisting of \$17,342 (\$21,508 Cdn) in cash and the issuance of 430,150 warrants as a finder's fee, exercisable into one common share at a price of \$0.10 Cdn per share.

Included in the private placement was the issuance of 1,062,466 units for the conversion of the short-term loan from one of the private lenders (See "Short Term Loans"). The loan amount converted to common shares was \$50,000 Cdn plus accrued interest of \$3,123 Cdn.

During the fiscal year ended July 31, 2018, the Company completed a private placement by issuing 11,395,000 units at a purchase price of \$0.08 Cdn per unit for gross proceeds of \$703,930 (\$911,600 Cdn). Each unit consists of one common share and one non-transferable share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of \$0.10 Cdn per share. The fair value of the warrants issued, recorded as an allocation of the proceeds received, was estimated at \$520,635 (\$674,310 Cdn) using the Black-Scholes Option Pricing Model. The Company paid an aggregate finder's fee consisting of \$50,142 (\$64,928 Cdn) in cash and the issuance of 811,600 warrants as a finder's fee, exercisable into one common share at a price of \$0.10 Cdn per share.

Included in the private placement was the issuance of 1,250,000 units for the conversion of the short-term loan from one of the private lenders (See "Short Term Loans"). The loan amount converted to common shares was \$100,000 Cdn.

During the fiscal year ended July 31, 2018 the company issued 1,667,915 common shares pursuant to the exercise of warrants and 990,000 common shares pursuant to the exercise of stock options. (see below)

During the fiscal year ended July 31, 2018, the Company issued 990,000 common shares pursuant to the exercise of stock options at a price of \$0.05 Cdn per share for net proceeds in the amount of \$38,393 (\$49,500 Cdn). The fair value of the options at the time of issue was \$86,436 (\$71,400 Cdn).

During the fiscal year ended July 31, 2018 the company issued 1,666,665 common shares at \$0.06 Cdn and 1,250 common shares at \$0.10 Cdn per common share pursuant to the exercise of warrants.

On August 22, 2018 the Company closed a non-brokered private placement pursuant to which it issued 6,040,000 units at a price of \$0.05 Cdn per unit for gross proceeds of \$302,000 Cdn. Each unit consists of one common share and one transferable common share purchase warrant, with each warrant being exercisable on or before August 22, 2020 at a price of \$0.075 Cdn per share. On September 11, 2018 the Company closed the final tranche of the private placement by issuing an additional 200,000 units for an additional \$10,000 Cdn, with each additional warrant being exercisable on or before September 11, 2020 at a price of \$0.075 Cdn per share. The Company paid a cash commission in the amount of \$14,285 (\$18,600 Cdn) and issued 356,000 non-transferable finder's warrants exercisable on or before August 22, 2020 and 16,000 non-transferable finder's warrants exercisable on or before September 11, 2018, at a price of \$0.075 Cdn per share.

See "Subsequent Events" for transactions occurring after January 31, 2019.

In April 2018 the Company announced that it had accepted the resignation of Randal Chase as President, CEO and a Director of the Company. It further announced the resignation of Paul Kirkconnell and Thom Skinner as Directors of the Company. Additionally, the Company announced the appointments of Dr. John R. Garret and Paul Woodward to its Board of Directors.

In June 2018 the Company announced the appointment of Bill Dickie as Chief Executive Officer, President and Director.

In December 2018, Paul Woodward assumed the position of Chief Executive Officer and President of the Company. Mr. Woodward remains as a director of the Company. Dr. Alexander Krantz, Mr. William Dickie and Dr. John Garrett resigned all positions with the Company and have been replaced on the board by former

directors, Mr. Martin Woodward and Mr. Benjamin Catalano. Mr. Dickie, Dr. Garrett, Dr. Benjamin Krantz and Mr. Paul Woodward were installed as directors of the Company's 80% owned subsidiary.

During the six months ended January 31, 2019, the Company incurred a net loss and comprehensive loss of \$(138,375) (2018 - \$(872,703)). The portion of the loss attributable to operating expenses in the period ended January 31, 2019 was \$478,526 (2018 - \$571,213) of which \$129,600 (2018 - \$220,707) was attributable to general and administrative expenditures (including share-based payments of \$20,377 (2018 - \$35,792), and \$348,927 (2018 - \$350,506) attributable toward research and development activities. Other income and expenses incurred (for interest income, foreign exchange losses, interest expense, and the change in fair value of share purchase warrants) decreased the loss by \$340,151 in the six months ended January 31, 2019. (2018 - increase the loss by \$301,490).

Research and development expenditures decreased by \$1,579 in the six months ended January 31, 2019 compared to expenditures incurred during the three months ended January 31, 2018. See "Research and Development Costs".

The Company emphasizes that attention should be drawn to matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. These financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to develop profitable operations in the future. The Company has incurred losses since its inception. The application of the going concern concept is dependent on the Company's ability to obtain a viable operation and receive continued financial support from its shareholders and from external financing. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments. The Company plans to obtain external financing when cash reserves fall below the Company's anticipated requirements. Private placements were completed during the six months ended January 31, 2019 and during the fiscal years ended July 31, 2018 and 2017 (See "Outstanding Share Data").

The Company is actively seeking additional funds to advance its core technologies for partnering and other potential revenue streams. There can be no assurances that the Company will be successful in raising additional cash to finance operations or that the continued support of creditors and shareholders will be available. These factors cast significant doubt that the Company will carry on operations. The financial statements do not include any adjustments relating to the recoverability of assets and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

To the extent possible, management endeavors to implement strategies aimed at reducing or mitigating the risks and uncertainties associated with the Company's business. Operating risks include (i) market acceptance of the Company's technology and products, (ii) the Company's ability to obtain and enforce timely patent protection of its technology and products, (iii) the Company's ability to manufacture its products cost effectively and produce favorable research results, (iv) the competitive environment and impact of technological change, and (v) the continued availability of capital to finance the Company's activities. The reader is referred to the applicable general risk and uncertainties described in the Company's July 31, 2018 annual report and the risk factors enumerated below in this MD&A.

Selected Annual Information

| | 2018 | 2017 | 2016 |
|--|---------|---------|---------|
| | \$ | \$ | \$ |
| Other income | - | 6 | 23 |
| Net loss and comprehensive loss | 892,887 | 901,765 | 867,448 |
| Net loss and comprehensive loss attributable to Non-Controlling Interest | 148,114 | 180,043 | 194,598 |
| Net loss and comprehensive loss attributable to Owners of Parent | 744,773 | 721,722 | 672,850 |
| Total assets | 183,638 | 180,061 | 121,747 |
| Loss per share attributed to Owners of Parent | 0.01 | 0.01 | 0.01 |
| Total non-current financial liability | 413,851 | 117,741 | 66,649 |

Non-controlling interest

Effective October 25, 2006, the Company acquired 56% of the outstanding common shares of APTI. Subsequent to the acquisition of the APTI shares, pursuant to the acquisition agreement, the number of issued and outstanding shares of APTI owned by the Company shall at all times equal the number of issued and outstanding shares of the Company. Consequently, during the year ended July 31, 2008, the Company acquired an additional 18,977,164 APTI shares. As at January 31, 2019, the Company is entitled to acquire an additional 95,767,555 (July 31, 2018 – 89,527,555) APTI shares yet to be issued. At January 31, 2019, the non-controlling interest reflects the transactions as if the Company has already acquired the additional shares and is therefore recorded at 20% (January 31, 2018 – 22%; July 31, 2018 - 20%) of the outstanding APTI shares.

On September 23, 2016, the Company acquired all 6,875,000 outstanding common shares of its subsidiary, 1090573 B.C. Ltd (“PrivCo”), a company incorporated under the laws of British Columbia. PrivCo issued an additional 625,000 common shares for services rendered to November 15, 2016 at a price of \$0.06 Cdn per share. On December 22, 2016, PrivCo issued an additional 4,000,000 common shares pursuant to a non-brokered private placement at a price of \$0.06 Cdn per share. As at January 31, 2019 and 2018 the Company held a 59.8% interest in Privco and the non-controlling interest reflects 40.2% of the transactions of the PrivCo.

The following is summarized financial information for the two subsidiaries, APTI and PrivCo prepared in accordance with IFRS 10, modified for fair value adjustments on acquisitions. The information is before inter-company eliminations within the group companies.

| | APTI | | PrivCo | |
|--------------------------|------------------|------------------|------------------|------------------|
| | January 31, 2019 | January 31, 2018 | January 31, 2019 | January 31, 2018 |
| Revenue | \$ - | \$ - | \$ - | \$ - |
| Operating Expense | 338,490 | 391,488 | - | 9 |
| Net loss | 342,027 | 395,047 | - | 9 |
| Loss attributable to NCI | \$ 68,405 | \$ 86,914 | \$ - | \$ 3 |
| Current assets | \$ 32,467 | \$ 58,411 | \$ 171,291 | \$ 171,291 |
| Non-current assets | 11,561 | 16,515 | - | - |
| Current liabilities | 7,965,896 | 7,309,071 | 563 | 563 |
| Net (liabilities)/assets | \$ (7,921,868) | \$ (7,234,145) | \$ 171,854 | \$ 170,728 |

Research and development costs

Research costs are expensed as incurred. Development costs which meet generally accepted criteria, including reasonable assurance regarding recoverability, are capitalized and amortized when they are ready for their internal use. Annually, the Company reviews commercially viable prospects of a project. Through an evaluation of the expected future cash flows from commercialization of the associated products, the Company determines whether impairment in the recoverable amount exists. To date, no development costs have met the criteria to be capitalized.

Research and development costs included in the amount disclosed in the statement of comprehensive loss for the six months ending January 31, 2019 and 2018 are as follows:

| | Three months ended January 31 2019 | Three months ended January 31 2018 |
|---------------------------------|--|--|
| Research and development | | |
| Depreciation of equipment | \$ 2,040 | \$ 2,915 |
| Insurance | 2,500 | 2,220 |
| Legal – intellectual property | 59,600 | 13,441 |
| Rent | 55,841 | 54,720 |
| Supplies | 10,400 | 21,331 |
| Technical services | 4,977 | 10,725 |
| Wages and benefits | <u>213,560</u> | <u>245,154</u> |
| | <u>\$ 348,927</u> | <u>\$ 350,506</u> |

Research and development expenditures decreased by \$1,579 in the six months ended January 31, 2019 compared to expenditures incurred during the same fiscal period ended January 31, 2018. The decrease was primarily attributable to a \$5,748 reduction in technical services, a \$10,922 reduction in supplies and \$31,594 reductions in wages and benefits offset by a \$46,159 increase in legal fees. Legal fees incurred with respect to the Company's intellectual property during the six months ended January 31, 2019 were \$59,600 (2018 - \$13,441). Rental of laboratory space increased by \$1,121 in connection to the establishment of additional research facilities in Toronto.

New standards, amendments and interpretations not yet effected

There has been no change in future accounting changes from those described in the Company's July 31, 2018 and 2017 annual audited consolidated financial statements and the previous July 31, 2018 Management Discussion and Analysis.

Financial Instruments

The Company is exposed to certain financial risks as listed below. There has been no change in the exposure to risk, nor its objectives, policies and process for managing the risk from the prior year.

Credit risk

Credit risk is the risk of loss associated with counterparty's inability to fulfill its payment obligations. The Company's cash in the amount of \$53,047 (July 31, 2018 - \$135,716), held at financial institutions, subjects the Company to a significant concentration of credit risk which represents the maximum exposure to the risk. The financial institutions are major United States and Canadian banks which the Company believes lessens the degree of credit risk.

Liquidity risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at January 31, 2019, the Company had a cash balance of \$53,047 (July 31, 2018 -

\$135,716) to settle current liabilities of \$795,866 (July 31, 2018 - \$666,150). All the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

(a) Interest rate risk

The Company has interest-bearing debt of \$156,292 (July 31, 2018 - \$152,756) payable to the estate of the late Dr. Allen Krantz, the former COO/CSO and Secretary of the Company. The Company believes it does not have significant interest rate risk because all interest rates are fixed and therefore does not vary with changes in market interest rates.

(b) Foreign currency risk

As at January 31, 2019 and July 31, 2018, the majority of the Company's expenditures are in U.S. dollars. Any future equity raised is expected to be predominantly in Canadian dollars.

While the Company's functional currency is the U.S. dollar, it does have transactions in Canadian dollars. Accordingly, the related financial assets and liabilities are subject to fluctuations in exchange rates and can have an effect on the Company's reported results. The Company manages its exposure to foreign currency fluctuations by maintaining foreign currency bank accounts to offset foreign currency payables where possible. Management relies on the natural hedge created by this matching process and thus has chosen not to otherwise hedge its foreign exchange risk.

The significant balances in foreign currencies, as expressed in terms of U.S. dollars, are as follows:

| Canadian assets and liabilities | January 31, 2019 | July 31, 2018 |
|---|-----------------------------|--------------------------|
| Cash | \$ 28,558 | \$ 75,294 |
| Accounts receivable and prepaid expenses | 10,376 | 24,926 |
| Short term loans and accrued interest | (55,921) | (53,348) |
| Trade payables and accrued liabilities | (55,682) | (26,271) |
| Net Canadian dollar denominated financial assets | \$ (72,669) | \$ 20,601 |

The translation impact to the Company of a 1 percent increase in the Canadian dollar versus the U.S. dollar would have increased the net loss by \$727 (July 31, 2018 - \$206 decrease). Conversely, a 1 percent decrease in the Canadian dollar versus the U.S. dollar would have decreased the net loss by \$727 (July 31, 2018 - \$206 increase).

(c) Fair value

The fair value of the Company's financial assets and liabilities approximates their carrying amount.

The Company categorizes its financial assets and liabilities measured at the fair value into one of three different levels depending on the observation of the inputs used in the measurement. For the 2019 and 2018 fiscal years, the Company has financial instruments in Level 1 and Level 3. As at January 31, 2019, the Company's financial instruments are cash for an amount of \$53,047 (July 31, 2018 - \$135,716) which are measured at Level 1 inputs of the fair value hierarchy as the market value is readily available. Share purchase warrants for an amount of \$178,522 (July 31, 2018 - \$413,851) are measured at Level 3 inputs of the fair value hierarchy as it uses a combination of observable and unobservable inputs in calculating fair value (Note 9). There were no transfers between levels during the year.

- Level 1: Fair value is based on unadjusted quoted prices for identical assets or liabilities in active markets.
 Level 2: Fair value is based on inputs other than quoted prices included within Level 1 that are not observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
 Level 3: Fair value is based on valuation techniques that require one or more significant unobservable inputs.

| | Fair value hierarchy | January 31, 2019 | July 31, 2018 |
|---|-------------------------|---------------------|------------------|
| Financial Assets | | | |
| Financial Assets at FVTPL | | | |
| Cash | Level 1 | \$ 53,047 | \$ 135,716 |
| Financial Liabilities | | | |
| Financial liabilities at FVTPL | | | |
| Share purchase warrants | Level 3 | \$ 178,522 | \$ 413,851 |
| | | January 31, 2019 | July 31, 2018 |
| Balance – beginning of year | | \$ 413,851 | \$ 117,741 |
| Issuances during the year | | 112,251 | 645,679 |
| Change in fair value of share purchase warrants | | (347,579) | (349,569) |
| Balance – end of period | | \$ 178,522 | \$ 413,851 |

Short-term loans

The Company entered into loan agreements with three lenders for loans in the aggregate amount of \$183,075 (\$250,000 Cdn). The Loans bear interest at an annual rate of 12% and will be repayable in full on or before April 7, 2018. In addition, the Company may prepay all or a portion of the Loans in advance at any time without penalty. As at January 31, 2018 the principal loan balance was \$38,045 (\$50,000 Cdn) and as at July 31, 2018 was \$38,410 (\$50,000 Cdn), and as at January 31, 2019 a liability for accrued interest was \$16,336 (July 31, 2018 - \$14,938).

During the fiscal year ended July 31, 2018, the Company completed a private placement by issuing 12,637,466 units. Included in the private placement was the issuance of 1,062,466 units for the conversion of the short-term loan from one of the private lenders. The loan amount converted to common shares was \$50,000 Cdn plus accrued interest of \$3,123 Cdn.

During the fiscal year ended July 31, 2018, the Company completed a private placement by issuing 11,395,000 units. Included in the private placement was the issuance of 1,250,000 units for the conversion of the short-term loan from one of the private lenders. The loan amount converted to common shares was \$100,000 Cdn.

Outstanding Share Data

The authorized share capital of Advanced Proteome Therapeutics Corporation is an unlimited number of common shares, without par value. As at January 31, 2019 there were 166,752,016 (July 31, 2018 – 160,512,016) shares issued and outstanding.

| <u>Capital stock</u> | <u>Number of shares</u> |
|--|-------------------------|
| Balance, July 31, 2017 | <u>133,821,634</u> |
| Issuance of common shares pursuant to private placement of Units | <u>12,637,466</u> |
| Balance, January 31, 2018 | <u>146,459,100</u> |
| Issuance of common shares pursuant to private placement of Units | 11,395,000 |
| Issuance of common shares pursuant to exercise of stock options | 990,000 |
| Issuance of common shares pursuant to the exercise of warrants | <u>1,667,916</u> |
| Balance, July 31, 2018 | <u>160,512,016</u> |
| Issuance of common shares pursuant to private placement | <u>6,040,000</u> |
| Balance, January 31, 2019 | <u>166,752,016</u> |
| Issuance of common shares in lieu of debt | <u>228,923</u> |
| Balance, at report date | <u>166,980,939</u> |

During the fiscal year ended July 31, 2018, the Company completed a private placement by issuing 12,637,466 units at a purchase price of \$0.05 Cdn per unit for gross proceeds of \$508,308 (\$631,873 Cdn). Each unit consists of one common share and one non-transferable share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of \$0.10 Cdn per share. The fair value of the warrants issued, recorded as an allocation of the proceeds received, was estimated at \$125,043 (\$155,428 Cdn) using the Black-Scholes Option Pricing Model. The Company paid an aggregate finder's fee consisting of \$17,342 (\$21,508 Cdn) in cash and the issuance of 430,150 warrants as a finder's fee, exercisable into one common share at a price of \$0.10 Cdn per share. Included in the private placement was the issuance of 1,062,466 units for the conversion of the short-term loan from one of the private lenders. See "Short Term Loans".

During the fiscal year ended July 31, 2018, the Company completed a private placement by issuing 11,395,000 units at a purchase price of \$0.08 Cdn per unit for gross proceeds of \$703,930 (\$911,600 Cdn). Each unit consists of one common share and one non-transferable share purchase warrant. Each warrant entitles the holder to purchase one additional common share at a price of \$0.10 Cdn per share. The fair value of the warrants issued, recorded as an allocation of the proceeds received, was estimated at \$520,635 (\$674,310 Cdn) using the Black-Scholes Option Pricing Model. The Company paid an aggregate finder's fee consisting of \$50,142 (\$64,928 Cdn) in cash and the issuance of 811,600 warrants as a finder's fee, exercisable into one common share at a price of \$0.10 Cdn per share.

During the fiscal year ended July 31, 2018 the company issued 1,666,665 common shares at \$0.06 Cdn and 1,250 common shares at \$0.10 Cdn per common share pursuant to the exercise of warrants, and 990,000 common shares at \$0.05 Cdn per common share pursuant to the exercise of stock options.

On August 22, 2018 the Company closed a non-brokered private placement pursuant to which it issued 6,040,000 units at a price of \$0.05 Cdn per unit for gross proceeds of \$232,027 (\$302,000 Cdn). Each unit consists of one common share and one transferable common share purchase warrant, with each warrant being exercisable on or before August 22, 2020 at a price of \$0.075 Cdn per share. On September 11, 2018 the Company closed the final tranche of the private placement by issuing an additional 200,000 units for an additional \$7,610 (\$10,000 Cdn), with each additional warrant being exercisable on or before September 11,

2020 at a price of \$0.075 Cdn per share. The fair value of the warrants issued, recorded as an as an allocation of the proceeds received, was estimated at \$112,251 (\$146,148 Cdn) using the Black-Scholes Option Pricing. The Company paid a cash commission in the amount of \$14,284 (\$18,600 Cdn) and issued 356,000 non-transferable finder's warrants exercisable on or before August 22, 2020 and 16,000 non-transferable finder's warrants exercisable on or before September 11, 2018, at a price of \$0.075 Cdn per share.

Warrants

A summary of warrant activity is as follows:

| | Number of warrants | Exercise price |
|--|-------------------------------|---------------------------|
| Balance July 31, 2017 | 11,961,773 | \$ 0. 10 Cdn |
| Expired during the period | (4,227,000) | 0. 10 Cdn |
| Issued and expiring on or before September 28, 2018* | 11,997,616 | 0. 10 Cdn |
| Issued and expiring on or before October 6, 2018* | 1,070,000 | 0. 10 Cdn |
| Balance January 31, 2018 | 20,802,389 | \$ 0. 10 Cdn |
| Expired during the fiscal year | (2,500,000) | 0. 06 Cdn |
| Expired during the fiscal year | (3,566,858) | 0. 10 Cdn |
| Exercised during the fiscal year | (1,666,665) | 0. 06 Cdn |
| Exercised during the fiscal year | (1,250) | 0. 10 Cdn |
| Issued and expiring on or before March 5, 2022 | 11,024,000 | 0. 10 Cdn |
| Issued and expiring on or before March 12, 2022 | 1,182,600 | 0. 10 Cdn |
| Balance July 31, 2018 | 25,274,216 | \$ 0. 10 Cdn |
| Expired during the period | (13,067,616) | 0. 10 Cdn |
| Issued and expiring on or before August 22, 2020 | 6,396,000 | 0.075 Cdn |
| Issued and expiring on or before September 11, 2020 | 216,000 | 0.075 Cdn |
| Balance January 31, 2019 | 18,818,600 | \$ 0.09 Cdn |

* Expiry dates were extended to November 30, 2018.

During fiscal year ended July 31, 2018, the Company issued 13,067,616 warrants, including 430,150 warrants related to finders' fee, pursuant to a private placement of 12,637,466 units. Each warrant entitles the holder to purchase one additional common share at a price of \$0.10 Cdn per share. 11,997,616 warrants expire on or before September 28, 2018 and 1,070,000 on or before October 6, 2018. The expiry dates of these warrants were extended to November 30, 2018, with the exception of the 430,150 finder's warrants expired during the six months ended January 31, 2019.

During the fiscal year ended July 31, 2018, the Company issued 12,206,600 warrants, including 811,600 warrants related to finders' fee, pursuant to a private placement of 11,395,000 units. Each warrant entitles the holder to purchase one additional common share at a price of \$0.10 Cdn per share. 11,024,000 warrants expire on or before March 5, 2022 and 1,182,600 on or before March 12, 2022.

During the six months ended January 31, 2019, the Company incurred transaction costs related to the issuance of share purchase warrants in the amount of \$9,827 (2018 - \$4,159). These costs represent period costs, based on an allocation of the warrants of amounts paid for finder's fees.

As at January 31, 2019, the warrants have a weighted average remaining life of 2.55 years (July 31, 2018 – 1.82 years).

Other than common share purchase warrants issued as a finder's fee, the common share purchase warrants are classified as a derivative financial liability due to the currency of their exercise price differing from the functional currency of the Company. The common share purchase warrants are re-valued at each reporting date, with a gain or loss reported in profit or loss.

The value of the warrants was calculated using the Black-Scholes Option Pricing Model and the assumptions were as follows:

| | Six months ended January 31, 2019 | Fiscal Year ended July 31, 2018 |
|-------------------------|--|--|
| Risk-free interest rate | 1.80% - 2.41% | 1.21% - 2.18% |
| Expected life | 0.00 – 4.0 years | 0.00 - 5.0 years |
| Volatility | 99.48% - 126.12% | 38.93% - 132.00% |
| Dividend yield | 0% | 0% |
| Fair value (Cdn.) | \$0.01 - \$0.05 | \$0.001 - \$0.03 |

During the six months ended January 31, 2019, the Company recorded an unrealized gain of \$347,579 and during the six months ended January 31, 2018 recorded an unrealized gain of \$244,911 due to change in fair value of the derivative financial liability.

Also see "Subsequent Events".

Stock options

The Company's Plan allows the directors to grant stock options to directors, officers, employees and consultants to purchase up to a total of 10% of the issued and outstanding common shares, provided that stock options in favour of any one individual may not exceed 5% of the issued and outstanding common shares. No stock option granted under the Plan is transferable by the optionee other than by will or the laws of descent and distribution, and each stock option is exercisable during the lifetime of the optionee only by such optionee.

The exercise price of all stock options granted under the Plan must not be less than the Discounted Market Price (the last closing price of the listed shares before the date of the grant less the applicable discount), subject to a minimum price of \$0.05 Cdn per share, and the maximum term of each stock option may not exceed ten years. Vesting is provided at the discretion of the directors and once vested; options are exercisable at any time. Any shares issued to insiders or at discount market price on the exercise of stock options must be legended with a four-month holding period commencing on the date the stock options were granted.

Stock option transactions and the number of share options outstanding are summarized as follows:

| | Number of options | | Weighted average exercise price |
|---|----------------------|----|--|
| Balance July 31, 2017 | 10,475,000 | \$ | 0.11 Cdn |
| Granted and expiring on or before November 20, 2019 | 500,000 | | 0.055 Cdn |
| Cancelled during the period | (150,000) | | 0.09 Cdn |
| Cancelled during the period | (950,000) | | 0.10 Cdn |
| Balance January 31, 2018 | 9,875,000 | \$ | 0.11 Cdn |
| Granted and expiring on or before April 5, 2020 | 300,000 | | 0.055 Cdn |
| Granted and expiring on or before April 6, 2020 | 1,630,000 | | 0.065 Cdn |
| Granted and expiring on or before May 17, 2023 | 600,000 | | 0.055 Cdn |
| Granted and expiring on or before June 19, 2023 | 1,000,000 | | 0.06 Cdn |
| Cancelled or expired during the period | (2,490,000) | | 0.07 Cdn |
| Exercised during fiscal 2018 | (990,000) | | 0.05 Cdn |
| Balance July 31, 2018 | 9,925,000 | \$ | 0.11 Cdn |
| Cancelled or expired during the period | (893,750) | | 0.10 Cdn |
| Balance January 31, 2019 | 9,081,250 | \$ | 0.11 Cdn |
| Terminated during fiscal 2019 (see" subsequent events") | (300,000) | | 0.055 Cdn |
| Balance, as at reporting date | 8,78,250 | \$ | 0.11 Cdn |

Stock options outstanding and exercisable as at January 31, 2019:

| Number of options outstanding | Number of options exercisable | Exercise price per option | Years to expiry | Expiry date |
|-------------------------------------|-------------------------------------|---------------------------------|--------------------|-------------------|
| 1,391,250 | 1,391,250 | 0.24 Cdn | 0.56 | August 25, 2019 |
| 500,000 | 500,000 | 0.055 Cdn | 0.80 | November 20, 2019 |
| 100,000 | 100,000 | 0.24 Cdn | 1.10 | March 7, 2020 |
| 250,000 | 250,000 | 0.16 Cdn | 1.17 | April 2, 2020 |
| 300,000* | 255,000 | 0.055 Cdn | 1.18 | April 5, 2020 |
| 765,000 | 382,500 | 0.065 Cdn | 1.18 | April 6, 2020 |
| 100,000 | 100,000 | 0.22 Cdn | 1.32 | May 28, 2020 |
| 515,000 | 515,000 | 0.05 Cdn | 1.91 | December 29, 2020 |
| 185,000 | 185,000 | 0.30 Cdn | 2.02 | February 8, 2021 |
| 50,000 | 50,000 | 0.20 Cdn | 2.59 | September 1, 2021 |
| 135,000 | 135,000 | 0.10 Cdn | 2.89 | December 21, 2021 |
| 640,000 | 640,000 | 0.05 Cdn | 2.98 | January 23, 2022 |
| 100,000 | 100,000 | 0.06 Cdn | 3.01 | February 2, 2022 |
| 2,150,000 | 2,150,000 | 0.10 Cdn | 3.21 | April 16, 2022 |
| 150,000 | 150,000 | 0.05 Cdn | 3.37 | June 13, 2022 |
| 150,000 | 150,000 | 0.055 Cdn | 3.50 | July 31, 2022 |
| 600,000 | 150,000 | 0.055 Cdn | 4.29 | May 17, 2023 |
| 1,000,000 | 1,000,000 | 0.055 Cdn | 4.38 | June 19, 2023 |
| 9,081,250 | 8,736,250 | \$ 0.11 Cdn | 2.42 | |

*Terminated subsequent to January 31, 2019

During the fiscal year ended July 31, 2018, the Company granted incentive stock options to a consultant to purchase up to 500,000 common shares in the capital of the Company, exercisable at a price of \$0.055 Cdn per share on or before November 20, 2019, vesting immediately on the date of grant. The fair value of each option granted has been estimated as of the date of the grant using the Black-Scholes Option Pricing Model with the following assumptions: risk-free interest rate of 1.45%, dividend yield 0%, an expected volatility of 138.711%, and expected term of 2 years, equal to the full life of the options as the Company does not expect any options to be exercised early.

During the fiscal year ended July 31, 2018, the Company granted incentive stock options to a consultant to purchase up to 300,000 common shares in the capital of the Company, exercisable at a price of \$0.055 Cdn per share on or before April 5, 2020, vesting every three months from the date of grant. The fair value of each option granted has been estimated as of the date of the grant using the Black-Scholes Option Pricing Model with the following assumptions: risk-free interest rate of 1.84%, dividend yield 0%, an expected volatility of 113.00%, and expected term of 2 years, equal to the full life of the options as the Company does not expect any options to be exercised early.

During the fiscal year ended July 31, 2018, the Company granted incentive stock options to directors, employees and consultants to purchase up to 1,630,000 common shares in the capital of the Company, exercisable at a price of \$0.065 Cdn per share on or before April 6, 2020, vesting as to one half in three months and one half in six months from the date of grant. The fair value of each option granted has been estimated as of the date of the grant using the Black-Scholes Option Pricing Model with the following assumptions: risk-free interest rate of 1.84%, dividend yield 0%, an expected volatility of 113.00%, and expected term of 2 years, equal to the full life of the options as the Company does not expect any options to be exercised early. 865,000 of these options were cancelled prior to vesting upon the resignation of certain director, officers and consultants, resulting in a balance 765,000 options being outstanding as at July 31, 2018.

During the year ended July 31, 2018, the Company granted incentive stock options to directors to purchase up to 600,000 common shares in the capital of the Company, exercisable at a price of \$0.055 Cdn per share on or before May 17, 2023, vesting as to 25% every three months. The fair value of each option granted has been estimated as of the date of the grant using the Black-Scholes Option Pricing Model with the following assumptions: risk-free interest rate of 2.27%, dividend yield 0%, an expected volatility of 120.00%, and expected term of 5 years, equal to the full life of the options as the Company does not expect any options to be exercised early.

During the year ended July 31, 2018, the Company granted incentive stock options to the Chief Executive Officer to purchase up to 1,000,000 common shares in the capital of the Company, exercisable at a price of \$0.055 Cdn per share on or before June 19, 2023, vesting immediately. The fair value of each option granted has been estimated as of the date of the grant using the Black-Scholes Option Pricing Model with the following assumptions: risk-free interest rate of 2.27%, dividend yield 0%, an expected volatility of 120.00%, and expected term of 5 years, equal to the full life of the options as the Company does not expect any options to be exercised early.

During the fiscal year ended July 31, 2018, the Company issued 990,000 common shares pursuant to the exercise of stock options at a price of \$0.05 Cdn per share for net proceeds in the amount of \$38,393 (\$49,500 Cdn). The fair value of the options at the time of issue was \$86,436 (\$115,248 Cdn).

During the fiscal year ended July 31, 2018 950,000 options exercisable at \$0.10 expired on January 18, 2018, 300,000 options exercisable at \$0.11 expired on February 20, 2018 and 100,00 options exercisable at 0.05 expired on July 21, 2018.

During the fiscal year ended July 31, 2018, the Company recorded a total of \$20,377 (2018 - \$35,792) in share- based payment expenses related to stock options in profit or loss.

Stock options to purchase shares from the Company are granted to directors, officers, employees and consultants of the Company on the terms and conditions acceptable to the applicable securities' regulatory authorities in Canada, in particular the TSX-V.

Also see "Subsequent Events".

Loss per share

The calculation of the basic and diluted loss per share for the six months ended January 31, 2019 and 2018, was based on the loss attributable to common shareholders of the parent of \$69,970 (2018 - \$785,789) and the weighted average number of common shares outstanding of 166,018,103 (2018 - 142,432,073). Dilutive loss per share does not include the effect of the 9,081,250 (2018 - 9,875,000) stock options and 18,818,600 (2018 - 20,80,389) warrants as they are anti-dilutive.

Results of Operations

Net Loss

The net loss for the six months ended January 31, 2019 was \$(138,375) or \$(0.00) per share, as compared with a net loss of \$(872,703) or \$(0.01) per share for six months ended January 31, 2018.

Amounts by major sub-category for the fiscal periods ended January 31, 2019 and 2018 are as follows:

| | Three months ended January 31 2019 | Three months ended January 31 2018 | Six months ended January 31 2019 | Six months ended January 31 2018 |
|--|---|---|---|---|
| | \$ | \$ | \$ | \$ |
| Operating expenses | | | | |
| Consulting | 7,873 | 34,129 | 17,091 | 60,892 |
| Depreciation | 1,020 | 1,458 | 2,040 | 2,915 |
| General and administration | 4,727 | 12,846 | 11,058 | 20,733 |
| Insurance | 4,288 | 3,264 | 9,580 | 6,673 |
| Professional fees | 35,752 | 28,270 | 85,382 | 10,262 |
| Regulatory filings | 8,349 | 15,495 | 17,439 | 35,500 |
| Rent | 26,898 | 26,063 | 55,841 | 54,720 |
| Share based payments | 5,499 | 22,737 | 20,377 | 35,792 |
| Supplies | 5,860 | 16,274 | 10,409 | 21,032 |
| Technical services | 4,977 | 3,668 | 4,977 | 10,725 |
| Transaction cost – share purchase warrants | - | - | 9,827 | 4,159 |
| Travel and entertainment | 2,702 | 2,450 | 6,362 | 10,781 |
| Wages and benefits | 98,496 | 132,207 | 228,143 | 267,029 |
| | <u>206,441</u> | <u>298,861</u> | <u>478,526</u> | <u>571,213</u> |
| Other income and expenses | | | | |
| Foreign exchange gain (loss) | (5,783) | (4,237) | (812) | (7,005) |
| Interest expense | (3,309) | (3,308) | (6,617) | (50,474) |
| Change in fair value of share purchase warrants | 314,299 | 33,280 | 347,579 | (244,011) |
| | <u>305,207</u> | <u>(388,619)</u> | <u>340,151</u> | <u>(301,490)</u> |
| Net Income (loss) and comprehensive (income) loss | <u>98,766</u> | <u>(687,480)</u> | <u>(138,375)</u> | <u>(872,703)</u> |

Attributable to:

| | | | | |
|--------------------------|-----------------|------------------|------------------|------------------|
| Owners of the parent | 127,466 | (639,112) | (69,970) | (785,789) |
| Non-controlling interest | <u>(28,700)</u> | <u>(48,368)</u> | <u>(68,405)</u> | <u>(86,914)</u> |
| | <u>98,766</u> | <u>(687,480)</u> | <u>(138,375)</u> | <u>(872,703)</u> |

As at January 31, 2019 - 20% (2018 - 22%) of net income (loss) and comprehensive income (loss) for the period from the operations of the Company's subsidiary Advanced Proteome Therapeutics Inc was attributed to the non-controlling interest.

As at January 31, 2019 – 40.2% (2018 40.2%) of net income (loss) and comprehensive income (loss) for the period from the operations of the Company's subsidiary 1090573 B.C. Ltd was attributed to the non-controlling interest.

Operating expenses

Operating expenses were \$478,526 for six months ended January 31, 2019, compared with \$571,213 for six months ended January 31, 2018.

Certain significant expenses incurred during the six months ended January 31, 2019 are as follows:

Consulting fees of \$17,091 (2018 - \$60,892) included \$Nil (2018 - \$42,635) for the services of business development consultants, and \$Nil (2018 - \$18,257) for services of an investor relations consultant. Other miscellaneous consulting services incurred were \$17,091 (2018 -\$Nil).

During the six months ended January 31, 2019, the Company recorded depreciation expense in the amount of \$2,040 (2018 - \$2,915). The Company did not incur any significant acquisitions of laboratory or computer equipment. Laboratory and computer equipment is recorded at cost and is amortized over their remaining estimated useful economic life on a declining balance basis at a rate of 30% per annum.

General and administrative expenses of \$11,058 (2018 - \$20,733) were incurred for maintenance of the Company's office.

Professional fees in the amount of \$85,382 (2018 – \$40,262) were paid or accrued for general legal matters, for drafting and submission of patents with respect to intellectual property, and for matters related to audit and accounting services provided to the Company. The amounts included and expended on professional legal fees related to the Company's intellectual property were \$59,600 (2018 - \$13,441).

Regulatory filing fees of \$17,439 (2018 - \$35,500) were paid or accrued to maintain the Company's status on the TSX-V. Fees vary with respect to the nature and extent of submissions to the regulatory authorities, resulting in regulatory filing fees and transfer agent fees. Fees vary in relationship to the timing of corporate financings.

The Company is committed to lease its Boston laboratory facilities at a monthly rent of \$7,758 (2018 - \$7,459 commencing January 1, 2019). The Company recorded rent expense in the amount of \$55,841 (2018 - \$54,720) for the six months ended January 31, 2019. Rent expense included the Company's Boston Laboratory and the additional Research Facility in Toronto, Canada.

Insurance costs increased during the six months ended January 31, 2019 to \$9,580 (2018 - \$6,673) as insurance coverage was reviewed and adjusted.

Share based payments are associated with the vesting of benefits upon the granting of incentive stock options to employees, directors, and consultants, in accordance with the Company's stock option plan. The Company accrues share-based payments over vesting periods associated with each grant. During the six months ended January 31, 2019, share based compensation expenses of \$20,377 were recorded (2018 - \$35,792).

Acquisition of supplies included customized syntheses of specialty chemicals for the preparation of antibody-drug conjugates. The Company incurred \$10,409 in the six months ended January 31, 2019 compared to \$21,032 for laboratory and chemical, and biochemical supplies associated with research activities in the six months year ended January 31, 2018.

During the six months ended January 31, 2019, technical services decreased to \$4,977 (2018 - \$10,725) due to the hiring of an additional research staff member which resulted in the reduction of the engagement of outside services.

During the six months ended January 31, 2019 the Company recorded transactions costs in the amount of \$9,827 (2018 - \$4,159). The proportion of share issuance costs related to share purchase warrants issued in conjunction to private placements completed by the Company are expensed as transaction costs in the period they are incurred.

Management recorded travel and entertainment expenses of \$6,362 (2018 - \$10,781) in the six months ended January 31, 2019 with respect to business meetings, presentations and attendance at conferences focused on anticancer therapeutics. The difference between the years was related to additional travel for business development during the fiscal period ended January 31, 2018.

Wages and employee benefits in the amount of \$228,143 (2018 - \$267,029) was recorded during the six months ended January 31, 2019. Wages and benefits include amounts for the services of the Company's COO/ CSO and for research staff members located at the Company's Boston and Toronto Laboratory Facilities.

Other income and expenses

The Company holds some funds in Canadian dollar accounts and investments. The Company's functional currency is the U.S. dollar. Monetary assets and liabilities denominated in Canadian currency other than the functional currency are translated at the exchange rate prevailing at the balance sheet date. Exchange gains and losses on translation are included in earnings. During the six months ended January 31, 2019, the Company recorded an exchange gain in the amount of \$4,971 compared to an exchange loss of \$7,005 in the six months ended January 31, 2018.

Interest expense was comprised of \$3,537 (2018 - \$3,537) accrued and payable to a related party (See Related Party Transactions). During the fiscal year ended July 31, 2017, the Company obtained loans in the amount of \$186,683 (\$250,000 CAD). After partial repayment, the principal balance of the loans as at July 31, 2018 was \$160,860 (\$200,000 CAD) and as at July 31, 2018 and January 31, 2019 was \$38,045 (\$50,000 CAD). Included in interest expense is an additional \$3,081 (2018 - \$46,938) of interest and accredited interest recorded as loan interest connected to these loans.

The common share purchase warrants are classified as a liability because they are a derivative financial instrument due to their currency differing from the functional currency of the Company. The common share purchase warrants are re-valued at each reporting date, with a gain or loss reported on the consolidated statement of operations and comprehensive loss. During the six months ended January 31, 2019 the Company recognized an unrealized non-cash gain of \$347,579 (2018 - \$244,011 unrealized loss) due to the change in fair value share purchase warrants.

Fiscal quarter ended January 31, 2019

The Company incurred a net operation income during the fiscal quarter ended January 31, 2019 in the amount of \$98,766 or \$0.00 per share compared to a net operating loss in the comparative fiscal period ended January 31, 2017 of \$(687,480) or \$0.00 per share.

Some significant expenses incurred in during the fiscal quarter ended January 31, 2018 are as follows:

Consulting fees of \$7,873 (2018 - \$ 34,129) include the services of a business development consultant engaged for fees plus expenses in the amount of \$Nil (2018 - \$ 26,884)), investor relations services incurred in the amount of \$7,873 (2018 - \$7,245).

Professional fees in the amount of \$35,752 (2018 – \$28,270) were paid or accrued for general legal matters, for drafting and submission of patents with respect to intellectual property, for matters related to audit and accounting services provided to the Company. The amounts expended on professional legal fees related to the Company's intellectual property increased in the current fiscal year. Additional legal fees were incurred in connection with corporate financing during the period.

Regulatory filing fees of \$8,349 (2018- \$15,495) were paid or accrued to maintain the Company's status on the TSX-V. Fees vary with respect to the nature and extent of submissions to the regulatory authorities and increased during the fiscal quarter ended January 31, 2019 in relation to additional corporate financings.

The Company is committed to lease laboratory facilities at its Boston facility at a monthly rent of \$7,758 (2018 - \$7,759) commencing in January 1, 2019. The Company recorded rent expense in the amount of \$26,898 (2018 – \$26,063) for the fiscal quarter ended January 31, 2019. Rent expense increased in the current fiscal period due to the establishment of additional research facilities in Toronto, Canada.

The Company incurred \$5,860 (2018 - \$16,274) in the fiscal quarter ended January 31, 2019, for laboratory and chemical, and biochemical supplies associated with research.

During the fiscal quarter ended January 31, 2019, technical services decreased to \$4,977 (2018 - \$3,668).

Wages and employee benefits in the amount of \$98,496 (2018 - \$132,207) were recorded during the fiscal quarter ended January 31, 2019. Wages and benefits decreased for quarter ended January 31, 2019, due to the passing of the Company's COO/CSO.

The Company holds some funds in Canadian dollar accounts and investments. The Company's functional currency is the U.S. dollar. Monetary assets and liabilities denominated in Canadian currency other than the functional currency are translated at the exchange rate prevailing at the balance sheet date. Exchange gains and losses on translation are included in earnings. During the fiscal quarter ended January 31, 2019, the Company recorded an exchange loss in the amount of \$5,783 (2018 - \$4,267).

Interest expense was comprised of \$1,768 (2018 - \$1,768) accrued and payable to a related party (See Related Party Transactions). During the fiscal year ended July 31, 2017, the Company obtained loans in the amount of \$186,683 (\$250,000 CAD). After partial repayment, the principal balance of the loans as at July 31, 2017 was \$160,860 (\$200,000 CAD) and as at January 31, 2018 was \$122,025 (\$150,000 CAD). As at July 31, 2018 and January 31, 2019 the principal balance was \$38,045 (\$50,000 CAD). Included in interest expense is an additional \$1,541 (2018 - \$11,862) of interest and accredited interest recorded as loan interest connected to these loans.

The common share purchase warrants are classified as a liability because they are a derivative financial instrument due to their currency differing from the functional currency of the Company. The common share purchase warrants are re-valued at each reporting date, with a gain or loss reported on the consolidated statement of operations and comprehensive loss. During the fiscal quarter ended January 31, 2019 the Company recognized a non-cash loss of \$314,299 (2018 – on-cash loss of \$370,722) due to the change in fair value share purchase warrants.

Related Party Transactions

The Company entered into the following transactions with key management personnel, as being those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors and management.

The following amounts are included in the statements of comprehensive loss:

| | | Six Months ended January 31 2019 | Six Months ended January 31 2018 |
|----------------------|---|---|---|
| | Related party | | |
| Salaries | Former COO/CSO, Secretary (Dr. Allen Krantz) | \$58,333 | \$87,500 |
| Professional fees | CFO (Kenneth Phillippe) | 8,614 | 9,149 |
| Share-based payments | Directors & Officers (as below) | 13,153 | 5,996 |
| Interest | COO/CSO, Secretary (Dr. Allen Krantz) | 3,537 | 3,537 |
| Total | | \$83,638 | \$106,182 |

The amounts due to a related party of \$156,292 (July 31, 2018 - \$152,756) is payable on demand to the estate of the former COO/CSO of the Company (the late Dr. Allen Krantz) and bears interest at 5.0% per annum. This loan includes principal of \$141,525 (2018 - \$141,525) and interest accrued of \$14,867 (2018 - \$11,231). During the six months ended January 31, 2019 interest of \$Nil (2018 - \$7,014) was paid in cash. During fiscal year ended July 31, 2018, interest of \$14,090 (2018 - \$Nil) was paid in cash.

Included in trade payables and accrued liabilities is an amount of \$413,411 (July 31, 2018 - \$407,774) payable to the former COO/CSO, Secretary of the Company (the late Dr. Allen Krantz) and \$8,950 (July 31, 2018 - \$Nil) payable to the Company's CFO (Kenneth Phillippe)..

| | Six Months ended January 31 2019 | Six Months ended January 31 2018 |
|-------------------|---|---|
| Dr. Allen Krantz | \$1,806 | \$1,428 |
| Kenneth Phillippe | 451 | 476 |
| Dr. John Garrett | 5,448 | - |
| Paul Woodward | 5,448 | 476 |
| Jean Bellin | - | 1,189 |
| Gary Hayes | - | 1,095 |
| Randall Chase | - | 1,332 |
| | \$13,153 | \$5,996 |

Liquidity and Capital Resources

The Company has financed activities, operations and capital expenditures primarily from public and private equity and repayable loans. Until the Company receives substantial revenue from product sales, it plans to issue more securities at such time as it believes additional capital could be obtained on favorable terms. However, there can be no assurance that such funds can be available on favorable terms, if at all.

As at January 31, 2019, the Company had a cash balance of \$53,047 (July 31, 2018 - \$135,716), and a working capital deficiency of \$(724,723) (July 31, 2018- \$(496,113)).

During the fiscal year ended July 31, 2018, the Company closed a private placement of 12,637,466 units pursuant to a private placement at \$0.05 CAD for proceeds net of cash commissions in the amount of \$491,014. Included in the private placement was the issuance of 1,062,466 units for the conversion of the short-term loan from one of the private lenders (See "Short Term Loans"). The loan amount converted to common shares was \$50,000 CAD plus accrued interest of \$3,123 CAD.

During the fiscal year ended July 31, 2018, the Company closed a private placement of 11,395,000 units pursuant to a private placement at \$0.08 CAD for proceeds net of cash commissions in the amount of \$653,788 (\$846,672 CAD).. Included in the private placement was the issuance of 1,250,000 units for the conversion of the short-term loan from one of the private lenders (See “Short Term Loans”). The loan amount converted to common shares was \$100,000 CAD.

On August 22, 2018 the Company closed a non-brokered private placement pursuant to which it issued 6,040,000 units at a price of \$0.05 Cdn per unit for gross proceeds of \$302,000. Each unit consists of one common share and one transferable common share purchase warrant, with each warrant being exercisable on or before August 22, 2020 at a price of \$0.075 Cdn per share. On September 11, 2018 the Company closed the final tranche of the private placement by issuing an additional 200,000 units for an additional \$10,000 Cdn, with each additional warrant being exercisable on or before September 11, 2020. In connection therewith, the Company paid a cash commission in the amount of \$18,600 Cdn and issued 356,000 non-transferable finder’s warrants exercisable on or before August 22, 2020 and 16,000 non-transferable finder’s warrants exercisable on or before September 11, 2018, at a price of \$0.075Cdn per share.

Commitments

The Company is currently committed to lease premises at a monthly rent of \$6,817 commencing March 1, 2019, which is renewable on an annual basis and may be terminated on 30-day notice. Included in prepaid expenses is \$6,671 (July 31, 2018 - \$6,671) paid as a deposit for rent.

Subsequent Events

Subsequent to January 31, 2019:

228,983 Common shares were issued at a price of \$0.05 Cdn per share pursuant to a settlement of debt.

300,000 incentive stock options, expiring on or before April 6, 2020 were terminated.

The company’s subsidiary, APTI, entered into loan agreements with 3 persons totaling \$105,000 Cdn. The loans pay 10% interest and contain provisions that provide seniority to other debt for both principal and accrued interest, as well as allowing for participation in any distribution of proceeds as if the loan principal was converted at \$0.05 Cdn per share.

Off-Balance Sheet Arrangements

The Company has not entered into any off-balance sheet arrangements, other than previously disclosed, that has, or is reasonably likely to have, an impact on the current or future results of operations or the financial condition of our company.

Risk Factors Financing Risks

History of Losses - The Company has been in a cumulative net loss position throughout its operating history. The Company’s limited operating history makes it difficult to evaluate the future financial prospects of its business. There is no assurance that the Company will grow or be profitable or that the Company will have earnings or significant improvement in its cash flow from operations in the future. The future earnings on and cash flow from operations are dependent on the Company’s ability to further develop and sell its products and the Company’s operational expenses. Management expects that the Company will continue to have high levels of operating expenses, since the Company needs to make significant up-front expenditures for product development, and corporate development activities. Management anticipates that the operating losses for the Company may continue until such time as the Company consistently generates sufficient revenues to support operations.

Need for Additional Financing - The implementation of the Company’s business plan requires significant capital outlays and operating expenditures over the next several years. There can be no assurance that additional financing will be available to the Company when needed, on commercially reasonable terms, or at all. Any inability to obtain additional financing when needed would have a material adverse effect on the Company. Further, any additional equity financing may involve substantial dilution to the Company’s then existing shareholders. Debt financing, if available, may involve onerous obligations, monetary or otherwise. If

adequate funds are not available, the Company may obtain funds through arrangements with strategic partners or others who may require the Company to relinquish rights to certain technologies, any of which could adversely affect its business, financial condition and results of operations.

Product Risks

Uncertain Demand for Products - Demand for pharmaceutical products is dependent on a number of social, political and economic factors that are beyond the control of the Company. The healthcare industry is likely to continue to change as the public, government, medical practitioners, and the pharmaceutical industries focus on ways to expand medical coverage while controlling the growth in healthcare costs. While the Company believes that demand for pharmaceutical products will continue to grow, there is no assurance that such demand will exist or that the Companies products will be purchased to satisfy that demand.

Dependence on Development of New Products - New technological or product developments in the pharmaceutical industry may render the Company's products obsolete or reduce their value. The Company's future prospects are highly dependent on its ability to develop new products - from new technologies and achieve market acceptance. There can be no assurance that the Company will be successful in these efforts.

Summary of Quarterly Results

The following table sets out selected consolidated quarterly information for the eight most recent fiscal quarters

| Quarter Ended in Fiscal 2019 | July 31 \$ | April 30 \$ | January 31 \$ | October 31 \$ |
|---|-----------------------|------------------------|--------------------------|--------------------------|
| Net income (loss) and comprehensive income (loss0 | | | 98,766 7 | (237,141) |
| Net income (loss) and comprehensive income (loss) attributable to owners of the parent | | | (127,466) | (197,437) |
| Income (Loss) per common share | | | (0.00) | (0.00) |
| Loss per common share attributable to owners of the parent | | | | (0.00) |
| Quarter Ended in Fiscal 2018 | July 31 \$ | April 30 \$ | January 31 \$ | October 31 \$ |
| Net income (loss) and comprehensive income (loss0 | (416,843) | 396,659 | (687,480) | (185,223) |
| Net income (loss) and comprehensive income (loss) attributable to owners of the parent | (401,169) | 442,185 | (639,112) | (146,677) |
| Income (Loss) per common share | (0.00) | (0.00) | (0.00) | (0.00) |
| Loss per common share attributable to owners of the parent | (0.00) | (0.00) | (0.00) | (0.00) |
| Quarter Ended in Fiscal 2017 | July 31 \$ | April 30 \$ | | |
| Net loss and comprehensive loss | (186,338) | (223,622) | | |
| Net loss and comprehensive loss attributable to owners of the parent | (139,750) | (189,263) | | |
| Loss per common share | (0.00) | (0.00) | | |
| Loss per common share attributable to owners of the parent | (0.00) | (0.00) | | |

ADVANCED PROTEOME THERAPEUTICS CORPORATION

CORPORATE DATA

As March 28, 2019

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DIRECTORS AND OFFICERS

Paul Woodward
Kenneth C Phillippe, CPA, CA
Martin Woodward
Ben Catalano

CEO, President, Director
CFO
Director,
Director

INVESTOR CONTACT

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CAPITALIZATION

| | |
|-------------|---|
| Authorized: | No maximum number of common shares, no par value |
| Issued: | 166,980,939 |
| Escrow: | Nil |
| Options: | 8,781,250 |
| Warrants: | 18,818,600 |

LISTINGS

TSX Venture Exchange
Trading Symbol: APC
CUSIP #: 007628100