SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** For the quarterly period ended December 31, 2017

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _________________ to __________________

Commission File Number: 000-54905

Cantabio Pharmaceuticals Inc.
(Exact name of registrant as specified in its charter)

Delaware	**000-54905**	**99-0373067**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

1250 Oakmead Pkwy **Sunnyvale, California**	**94085**
(Address of principal executive offices)	(Zip Code)

844-200-2826
Registrant's telephone number, including area code

N/A
(Former name or former address, if changed since last report)

Indicate by check mark whether the issuer (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐		Accelerated filer	☐
Non-accelerated filer	☐	(Do not check if a smaller reporting company)	Smaller reporting company	☒
			Emerging Growth Company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐Yes ☒ No

As of February 16th, 2018, there were 36,355,468 shares of the issuer's common stock issued and outstanding.

CANTABIO PHARMACEUTICALS, INC

FORM 10-Q

TABLE OF CONTENTS

PART I – FINANCIAL INFORMATION
CANTABIO PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	December 31, 2017	March 31, 2017
ASSETS		
Current Assets		
Cash	$ 26,774	$ 32,275
Prepaid expenses	-	1,248
Total Current Assets	**26,774**	**33,523**
TOTAL ASSETS	**$ 26,774**	**$ 33,523**
LIABILITIES & STOCKHOLDERS' EQUITY (DEFICIT)		
Current Liabilities		
Accounts payable and accrued expenses	672,281	377,893
Accrued technology access fee	163,703	140,142
Convertible debentures payable	723,000	322,256
Convertible debt related party	267,922	-
Note payable related party	-	47,154
Total Current Liabilities	1,826,906	887,445
TOTAL LIABILITIES	**$ 1,826.906**	**$ 887,445**
Commitments		
Stockholders' equity (deficit)		
Common stock, $0.001 par value, (250,000,000 shares authorized, 30.4 and 26.8 million shares issued and outstanding as of December 31, 2017 and March 31, 2017 respectively)	30,396	26,805
Stock Subscriptions	1,060,000	1,060,000
Additional paid in capital	378,695	167,324
Accumulated deficit	(3,269,223)	(2,108,051)
Total Stockholders' Equity (Deficit)	(1,800,132)	(853,922)
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY (DEFICIT)	**$ 26,774**	**$ 33,523**

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

CANTABIO PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the three months ended December 31,		For the nine months ended December 31,	
	2017	**2016**	**2017**	**2016**
Operating expenses:				
Research & development	$ 58,480	$ 86,872	$ 254,576	$ 268,674
General & administrative	107,549	136,927	475,718	506,676
Total operating expenses	166,029	223,799	730,294	775,350
Loss from operations	**(166,029)**	**(223,799)**	**(730,294)**	**(775,350)**
Other income (expense):				
Interest expense	(204,962)	(3,508)	(392,386)	(11,372)
Change in fair value of embedded derivatives	77,000	-	131,000	-
Loss on extinguishment of debt	(169,492)	-	(169,492)	-
Total other expense, net	(297,454)	(3,508)	(430,878)	(11,372)
Net loss	**$ (463,483)**	**$ (227,307)**	**$ (1,161,172)**	**$ (786,722)**
Net loss per share - basic and diluted	$ (0.02)	$ (0.01)	$ (0.04)	$ (0.03)
Weighted average shares outstanding, basic and diluted	28,700,000	26,805,000	27,667,000	26,805,000

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

CANTABIO PHARMACEUTICALS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended December 31	
	2017	**2016**
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	**$ (1,161,172)**	**$ (786,722)**
Adjustments to reconcile net loss to net cash used in operating activities:		
Accretion to notes payable to related party	-	346
Loss on extinguishment of debt	169,492	-
Amortization of debt discount	293,210	-
Change in fair value of embedded derivative	(131,000)	-
Share based compensation for services	39,549	-
Changes in operating assets and liabilities:		
Accounts payable and accrued expenses	294,390	152,017
Accrued technology access fee	23,561	11,026
Accrued debenture interest	34,721	-
Due to officers	-	(6,420)
Prepaid Expenses	1,248	---
Net cash used in operating activities	**(436,001)**	**(629,753)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of convertible debt related party, net of issuance cost	175,000	-
Proceeds from issuance of convertible debenture, net of issuance cost	255,500	-
Proceeds from notes payable related party		55,022
Repayment to notes payable related party		(26,584)
Share subscriptions	-	560,000
Net cash provided by financing activities	**430,500**	**588,438**
Net increase (decrease) in cash	**(5,501)**	**(41,315)**
Cash at beginning of period	**32,275**	**52,110**
Cash at end of period	**$ 26,774**	**$ 10,795**
Schedule of non-cash financing activities		
Recognition of beneficial conversion feature associated with convertible debentures	**$ 35,000**	**$ -**
Conversion of Secured Convertible Debentures (Principal and Interest) into Common Shares	**139,000**	**-**

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

CANTABIO PHARMACEUTICALS, INC.
Notes to Condensed Consolidated Financial Statements
(Unaudited)

NOTE 1 – ORGANIZATION AND DESCRIPTION OF THE BUSINESS

Cantabio Pharmaceuticals Inc. (the “Company” or “Cantabio”) is a preclinical stage biotechnology company focusing on commercializing novel therapies and the intellectual property generated from research and development activities for Parkinson’s disease (PD) and Alzheimer’s disease (AD). The Company’s strategy involves integration of therapeutic focus, the targeting of family biophysics, drug discovery technology and expertise into an innovative drug discovery approach, which synergizes to identify and develop small molecule pharmacological chaperones for clinical trials. In addition, the Company’s research efforts concentrate on the development of therapeutic proteins that can pass through the blood-brain barrier and supplement in vivo levels of proteins with display loss of function during disease conditions.

NOTE 2 – LIQUIDITY AND GOING CONCERN

As of December 31, 2017, the Company had a working capital deficit and continues to have losses from operations due to its research and development activities.

The Company typically raises capital which it spends on maintaining its research and corporate operations. At this early stage in the life of the Company funding is often short term in nature. While the Company has been proficient in raising funds in the past the short-term nature of these funding cycles raises substantial doubt about the Company's ability to continue as a going concern within one year from the date of this filing.

Management is addressing going concern risk by seeking new sources of capital and is continuing initiatives to raise capital through private placements, related party loans and other institutional sources to meet future working capital requirements. Furthermore, strategic partnerships, most likely with larger pharmaceutical industry companies, will be needed to continue to fund research and development costs as our projects expand. These measures, if successful, may contribute to reduce the risk of going concern uncertainties for the Company for at least twelve months from issuance of these condensed consolidated financial statements.

The ability of the Company to continue as a going concern is dependent upon its ability to raise additional capital and achieve profitable operations. The accompanying financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company has developed the additional accounting policies below. Aside from these additions to the Company’s accounting policies there have been no material changes in the Company’s significant accounting policies to those previously disclosed in the Company’s annual report on Form 10-K, which was filed with the SEC on June 30, 2017.

Warrant Liability

The Company accounts for certain common stock warrants outstanding as a liability at fair value and adjusts the instruments to fair value at each reporting period. This liability is subject to re-measurement at each balance sheet date until exercised, and any change in fair value is recognized in the Company's statements of operations. The fair value of the warrants issued by the Company has been estimated using a valuation pricing model, at each measurement date that incorporates various inputs including remaining contractual term, stock volatility, risk free rate and dividend yield.

Equity-linked Financial Instruments

Certain of the Company's debt instruments include embedded derivatives that require bifurcation from the host contract under the provisions of ASC 815, Derivatives and Hedging. Under this guidance, the Company recognizes the embedded derivatives at fair value and records a gain or loss resulting from the change in fair values at the end of each reporting period. In connection with issuance of the Company's Zhu Notes, beginning on July 3, 2017, the Company became contingently obligated to issue shares in excess of the 250 million authorized by shareholders. Consequently, the ability to settle these obligations with shares would be unavailable causing these and other share-settled obligations to potentially be settled in cash.

The Company applies a sequencing policy regarding share settlement wherein equity-linked financial instruments with the earliest issuance date would be settled first. Thus, all equity-linked financial instruments, which are convertible or exercisable into common stock, issued concurrent or subsequent to the Zhu Notes are classified as derivative liabilities, with the exception of instruments related to employee share-based compensation.

Sequencing

As of July 3, 2017, the Company adopted a sequencing policy whereby all future equity-linked instruments may be classified as a derivative liability with the exception of instruments related to share-based compensation issued to employees or directors.

Income Taxes

The Company recognizes deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The Company estimates the degree to which tax assets and credit carry forwards will result in a benefit based on expected profitability by tax jurisdiction.

In its interim financial statements, the Company follows the guidance in ASC 270, "Interim Reporting" and ASC 740 "Income Taxes", whereby the Company utilizes the expected annual effective tax rate in determining its income tax provisions for the interim periods. That rate differs from U.S. statutory rates primarily as a result of valuation allowance related to the Company's net operating loss carryforward as a result of the historical losses of the Company.

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act makes broad and complex changes to the U.S. tax code that will affect the Company's fiscal year ending March 31, 2018, including, but not limited to, reducing the U.S. federal corporate tax rate. The Tax Act reduces the federal corporate tax rate to 21 percent in the fiscal year ending March 31, 2018. Section 15 of the Internal Revenue Code stipulates that our fiscal year ending March 31, 2018, will have a blended corporate tax rate of approximately 21 percent, which is based on the applicable tax rates before and after the Tax Act and the number of days in the year. The reduction of the corporate tax rate will cause the Company to reduce its deferred tax asset to the lower federal base rate of 21% and adjust the allowance against the deferred tax asset by the same amount. The Company has not yet determined the impact the rate reduction will have on its gross deferred tax asset and liabilities and offsetting valuation allowance. The Company has a full allowance against the deferred tax asset and as a result there was no impact to income tax expense for the quarter ended December 31, 2017.

The changes included in the Tax Act are broad and complex. The final transition impacts of the Tax Act may differ from the above estimate, possibly materially, due to, among other things, changes in interpretations of the Tax Act, any legislative action to address questions that arise because of the Tax Act, any changes in accounting standards for income taxes or related interpretations in response to the Tax Act, or any updates or changes to estimates the company has utilized to calculate the transition impact. The Securities Exchange Commission has issued rules that would allow for a measurement period of up to one year after the enactment date of the Tax Act to finalize the recording of the related tax impacts. We currently anticipate finalizing and recording any resulting adjustments by the end of our current fiscal year ending March 31, 2018.

Recent Accounting Standards

Fiscal 2019 Accounting Pronouncement Adoptions

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. This new standard clarifies certain aspects of the statement of cash flows, including the classification of debt prepayment or debt extinguishment costs or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance policies, distributions received from equity method investees and beneficial interests in securitization transactions. This new standard also clarifies that an entity should determine each separately identifiable source of use within the cash receipts and payments on the basis of the nature of the underlying cash flows. In situations in which cash receipts and payments have aspects of more than one class of cash flows and cannot be separated by source or use, the appropriate classification should depend on the activity that is likely to be the predominant source or use of cash flows for the item. This new standard will be effective for us on April 1, 2018. The Company is currently evaluating the impact of this new standard and does not expect it to have a material impact on our financial statements.

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). ASU 2016-02 increases the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. Certain qualitative and quantitative disclosures are required, as well as a retrospective recognition and measurement of impacted leases. The new ASU is effective for fiscal years and interim periods within those years beginning after December 15, 2018, with early adoption permitted. The Company is currently evaluating the impact of this new standard and does not expect it to have a material impact on our financial statements.

NOTE 4 – RELATED PARTY TRANSACTIONS

Toth and Associates LTD
On July 1, 2016, the Company entered into a consulting agreement with Toth and Associates LTD for Dr. Toth to act as the Company's CEO. The standard monthly fee is approximately $13,000 plus any additional uncontracted hours at the same rate, and bonuses as follows (A) upon raising of capital on behalf of, or as part of the Company, an amount equal to 1.5% of the capital raised, (B) increasing the performance of the Company as measured by valuation in either an agreed valuation in the context of an investment or, in the case of a public company, market capitalization reaching $30.0 million, a fixed bonus of $50,000, payable wholly or in mutually agreed tranches over a 6 month period subsequent to the valuation event, (C) on the issuance of new stock for the purposes of a capital raise of an amount over $5.0 million, common stock equal to 1% of the Company's post-investment issued share capital and (D) in the event of the Company, including any affiliated entities, securing a licensing agreement with any third party, an amount equivalent to 1.5% of any payments to the Company under such licensing agreement.

Capro LTD
On July 1, 2016, the Company entered a consulting agreement with Capro, LTD for Dr. Thomas Sawyer to act as the Company's COO. The standard monthly fee is approximately $11,000 plus any additional uncontracted hours at the same rate, and bonuses as follows (A) upon raising of capital on behalf of, or as part of the Company, an amount equal to 1.5% of the capital raised, (B) increasing the performance of the Company as measured by valuation in either an agreed valuation in the context of an investment or, in the case of a public company, market capitalization reaching $30.0 million, a fixed bonus of $50,000, payable wholly or in mutually agreed tranches over a 6 month period subsequent to the valuation event and (C) on the issuance of new stock for the purposes of a capital raise of an amount over $5.0 million, common stock equal to 1% of the Company's post-investment issued share capital and (D) in the event of the Company, including any affiliated entities, securing a licensing agreement with any third party, an amount equivalent to 1.5% of any payments to the Company under such licensing agreement.

Eden Professional LTD
On July 1, 2016, the Company entered a consulting agreement with Eden Professional LTD for Mr. Simon Peace to act as the Company's CFO. The standard monthly fee is approximately $7,000 plus any additional uncontracted hours at the same rate, and bonuses as follows (A) upon raising of capital on behalf of, or as part of the Company, an amount equal to 1.5% of the capital raised, (B) increasing the performance of the Company as measured by valuation in either an agreed valuation in the context of an investment or, in the case of a public company, market capitalization reaching $30.0 million, a fixed bonus of $50,000, payable wholly or in mutually agreed tranches over a 6 month period subsequent to the valuation event and (C) on the issuance of new stock for the purposes of a capital raise of an amount over $5.0 million, common stock equal to 1% of the Company's post-investment issued share capital and (D) in the event of the Company, including any affiliated entities, securing a licensing agreement with any third party, an amount equivalent to 1.5% of any payments to the Company under such licensing agreement.

Costs incurred associated with related party transactions noted above included in general and administrative in the statement of operations are as follows:

	For the three months ended December 31,		For the nine months ended December 31,	
	2017	2016	2017	2016
Operating expenses:				
Toth and Associates LTD	$ 40,000	$ 36,000	$ 120,000	$ 108,000
Capro LTD	18,000	30,000	84,000	90,000
Eden Professional LTD	21,000	19,000	63,000	57,000
Max Zhu Consulting (1)	3,000	6,000	12,000	18,000
Total related party transactions	$ 82,000	$ 91,000	$ 279,000	$ 273,000

(1) Max Zhu, an investor in and lender to the Company, also works as Head of Computer Aided Drug Design for the Company under a consultancy contract.

Accounts payable and accrued expenses includes amounts payable to related parties of $0.5 and $0.3 million for the period ended December 31, 2017 and March 31, 2017, respectively.

NOTE 5 – CONVERTIBLE DEBENTURES AS AMENDED

Original issuance

The Company entered into several securities purchase agreements with an accredited investor to place Convertible Debentures (as amended the “Debentures”) in the aggregate principal amount of up to $750,000 (the “Transaction”), provided that in case of an event of default, the Debentures may become at the holder’s election immediately due and payable. The Debentures bear interest at the rate of 5% per annum. In addition, the Company must pay to the holder a fee equal to 7% of the amount of the Debentures to assist in their monitoring costs for the Debentures. The net proceeds of the financing were used for general corporate matters and for other expenses.

Conversion Feature

The Debentures may be converted at any time on or prior to maturity at the lower of $0.10 or 93% of the average of the three lowest daily volume weighted average price (“VWAP”) during the 10 consecutive trading days immediately preceding the conversion date, provided that as long as we are not in default under the Debenture and the conversion price is never lower than a stated floor price. The Debentures have been amended several times, including most recently in the third quarter with the floor price being $0.01 and the due date November 2018.

Monthly Redemption Feature

Any time after the six-month anniversary of the issuance of a Debenture that the daily VWAP is less than $0.01 for a period of twenty consecutive trading days (the “Triggering Date”) and only for so long as such conditions exist after a Triggering Date, the Company shall make monthly payments beginning on the last calendar day of the month when the Triggering Date occurred. Each monthly payment shall be in an amount equal to the sum of (i) the principal amount outstanding as of the Triggering Date divided by the number of such monthly payments until maturity, (ii) a redemption premium of 20% in respect of such principal amount and (iii) accrued and unpaid interest hereunder as of each payment date. The Company may, no more than twice, obtain a thirty-day deferral of a monthly payment due as a result of a Triggering Date through the payment of a deferral fee in the amount equal to 10% of the total amount of such monthly payment. Each deferral payment may be paid by the issuance of such number of shares as is equal to the applicable deferral payment divided by a price per share equal to 93% of the average of the four lowest daily VWAPs during the 10 consecutive Trading Days immediately preceding the due date in respect of such monthly payment begin deferred, provided that such shares issued will be immediately freely tradable shares in the hands of the holder.

In the third quarter a Triggering Date occurred and the Company recorded a premium of $50,000 included in accounts payable and accrued expense.

In the third quarter the Company, entered into an amended agreement with the investor which included a change to the due date and an adjustment to the floor price. The terms of the new debt instrument was considered to be substantially different such that the changes were sufficient to recognize the amendment as an extinguishment of the debt. A loss on extinguishment of approximately $0.2 million was recorded in other income (expense). Debt discount of approximately $0.6 million was recorded as a result of the new issuance due to the conversion features.

Beneficial Conversion Feature
At the time of each closing, the Debenture's effective conversion price was below the quoted market price of the Company's common stock. As such, the Company recognized a beneficial conversion feature equal to the intrinsic value of the conversion feature on each issuance date, resulting in a discount to the Debenture with a corresponding credit to additional paid-in capital.

Embedded Derivatives
The monthly payment provision within the Debentures is a contingent put option that is required to be separately measured at fair value, with subsequent changes in fair value recognized in the Condensed Consolidated Statements of Operations. The Company estimated the fair value of the monthly payment provision, as of the issuance date and December 31, 2017 using probability analysis of the occurrence of a Triggering Date applied to the discounted maximum redemption premium for any given payment. The probability analysis utilized in calculating the embedded derivative upon issuance and at December 31, 2017 was calculated using the following key inputs:

	Contingent Put
Stock price	$ 0.03
Probability of Triggering Date	100%
Volatility	282%
Risk-free rate	1%
Discount rate	0%

Due to the extinguishment of the notes and the Company's sequencing policy the amended notes the Company recorded an embedded derivative associated with the conversion feature. The following are the inputs associated with the conversion feature.

	Conversion Feature
Stock price	$ 0.03
Exercise price	$ 0.03
Volatility	282%
Contractual term	1 year
Risk-free rate	1%
Discount rate	0%

The fair value estimate of the embedded derivatives is a Level 3 measurement. The roll-forward of the Level 3 fair value measurement, for the nine months ended December 31, 2017, is as follows:

Balance at March 31, 2017	Issuance	Net unrealized (gain)/loss	Balance at December 31, 2017
24,000	$ 555,000	$ 131,000	$ 710,000

The carrying value of the Debentures, as of December 31, 2017, is comprised of the following:

Secured Convertible Debenture at December 31, 2017:	
Principal value of 5%, convertible	$ 633,000
Fair value of embedded derivative	710,000
Accrued interest	14,000
Debt discount	(634,000)
Carrying value of Secured Convertible Debenture Note	**$ 723,000**

As of December 31, 2017, the estimated aggregate fair value of outstanding convertible notes payable is approximately $0.8 million. The fair value estimate is based on the estimated option value of the conversion terms. The estimated fair value represents a Level 3 measurement.

During the current financial year, holders of approximately $0.1 million in principal amount and accrued interest with respect to Secured Convertible Debentures exercised the conversion option and converted into 3.3 million shares of common stock.

Events of Default or Financial covenants

The Company is in compliance with all terms associated with the convertible note.

NOTE 6 – CONVERTIBLE DEBT RELATED PARTY

In the second quarter of fiscal 2018 the Company issued convertible notes payable to Max Zhu for an aggregate principal balance of $220,000, in exchange for cash of $175,000 and the exchange of a note payable to Mr. Zhu with a principal balance of $45,000. The extinguished notes payable was fully matured.

The convertible notes payable have a six-month term and incurs interest at rates ranging from 18% to 23% through maturity. If the notes are not repaid within the six-month term, the interest rate increases on each note to rates ranging from 23% to 28%. The Company has the option to settle the principal and all accrued interest of each note in cash or shares.

The note holder has the right to convert all or any portion of the outstanding principal and accrued interest of each note into common shares of the Company at a conversion price of the lesser of: (i) $0.08 per share, or (ii) a price equal to 80% of the lowest VWAP during the five consecutive days before the notice of conversion.

Upon issuance of the convertible notes, the Company recognized an aggregate debt discount of approximately $0.2 million relating to the bifurcated embedded conversion option.

The analysis utilized in calculating the embedded derivative upon issuance and at December 31, 2017 was calculated using the following key inputs:

	Key Inputs
Stock price	$0.01- $0.03
Contractual term	0.1 - 0.5 years
Volatility	125%- 159%
Risk-free rate	1%

The fair value estimate of the embedded derivative is a Level 3 measurement. The roll-forward of the Level 3 fair value measurement, for the nine months ended December 31, 2017, is as follows:

Balance at Issuance		Net unrealized (gain)/loss		Balance at December 31, 2017
159,000	$	(90,000)	$	69,000

The carrying value of the Notes, as of December 31, 2017, is comprised of the following:

Secured Convertible Debenture at December 31, 2017:		
Principal value of 5%, convertible	$	220,000
Fair value of embedded conversion option		69,000
Accrued Interest		16,740
Debt discount		(37,818)
Carrying value of Secured Convertible Debenture Note	**$**	**267,922**

As of December 31, 2017, the estimated aggregate fair value of outstanding convertible notes payable is approximately $0.3 million. The fair value estimate is based on the estimated option value of the conversion terms. The estimated fair value represents a Level 3 measurement.

Technical default

The notes which are due in January 2018 are in technical default, although the obligation has not been called by the lender. The note agreement provided for such circumstances with the effect that the Company will record interest at the default interest rate of 23%.

NOTE 7 – CAPITAL STOCK

Issuance of shares for consulting services.

Through December 31, 2017 the Company issued approximately 0.3 million shares with a fair value of approximately $40,000 as compensation for services performed.

Potentially dilutive securities

	December 31, 2017	March 31, 2017
Potentially dilutive securities		
Convertible debentures (Note 6)	26,375,000	3,420,000
Convertible debt related party (Note 7)	10,577,000	-

NOTE 8 – SUBSEQUENT EVENTS

On Jan 8, 2018 the Board agreed a convertible debt deal with Max Zhu for $120,000 on terms similar to those for prior deals, except for the addition of the floor price of $0.01. The note is due July 2018.

On Jan 12, 2018 the Company issued approximately 6 million shares to Max Zhu following conversion of two earlier loans totalling $120,000 principle plus approximately $15,000 interest.

On February 15, 2018, the Company received $150,000 less fees and costs representing the second tranche of funding under the securities purchasing agreement dated November 20, 2017.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial statements and related notes included elsewhere in this report.

This Quarterly Report contains forward-looking statements about our business, financial condition and prospects that reflect management's assumptions and beliefs based on information currently available. The expectations indicated by such forward-looking statements might not be realized. If any of our management's assumptions should prove incorrect, or if any of the risks and uncertainties underlying such expectations should materialize, our actual results may differ materially from those indicated by the forward-looking statements.

The key factors that are not within our control and that may have a direct bearing on operating results include, but are not limited to, managements' ability to raise capital in the future, the retention of key employees and changes in the regulation of our industry. There may be other risks and circumstances that management may be unable to predict.

When used in this Quarterly Report, words such as, "believes," "expects," "intends," "plans," "anticipates," "estimates" and similar expressions are intended to identify forward-looking statements, although there may be certain forward-looking statements not accompanied by such expressions.

As of December 31, 2017, we had approximately $27,000 cash in the bank. This amount will not satisfy our cash requirements for the next twelve months. We plan to satisfy our future cash requirements by additional equity financing. This will likely be in the form of private placements of common stock. Additional equity financing may not be available to us on acceptable terms or at all, and thus we could fail to satisfy our future cash requirements.

If we are unsuccessful in raising the additional proceeds through a private placement offering, we will then have to seek capital from other sources such as debt financing, which may not be available to us. However, if such financing were available, we would likely have to pay additional costs associated with high risk loans and be subject to an above market interest rate. At such time these funds are required, management would evaluate the terms of such debt financing and determine whether the business could manage the debt load. If we cannot raise additional proceeds via a private placement of our common stock or secure debt financing we would be required to cease as a business. As a result, investors in our common stock would lose all of their investment.

Results of Operations for the three months ended December 31, 2017, as compared to the three months ended December 31, 2016.

Our operating expenses decreased to $166,029 for the three months ended December 31, 2017 from $223,799 in the three months ended December 31, 2016. The R&D spend of $58,480 in the three months to December 31, 2017 compares with $86,872 on R&D in the same period in 2016, the decrease being due to most R&D activity taking place in house in the period rather than using third party contract research organisations. There was a decrease of approximately $30,000 in General and Administrative to $107,549 in the three months to December 31, 2017 from $136,927 in the three months to December 31, 2016. The decrease was driven by decreased legal and professional fees related to fundraising activities in 2016 and by careful management of other expenses.

We generated Other Expense in the three months ended December 31, 2017 of $297,454 made up of $204,962 of interest expense the overwhelming majority of which relates to amortization of debt discount connected with convertible instruments and a $169,492 loss upon extinguishment of debt, partially offset by a gain of $77,000 due to change in fair value of an embedded derivative. Other Expense for the same period of 2016 was $3,508 of interest on loans.

Results of Operations for the nine months ended December 31, 2017, as compared to the nine months ended December 31, 2016.

Our operating expenses decreased to $730,294 for the nine months ended December 31, 2017 from $775,350 in the nine months ended December 31, 2016. R&D spend of $254,576 in the nine months to December 31, 2017, compared to $268,674 in the same period in 2016, was driven by lower third-party R&D costs. There was a decrease in General and Administrative expenses to $475,718 in the nine months to December 31, 2017 from $506,676 in the same period in 2016 largely driven by lower legal and professional fees.

Other Expense in the nine months ended December 31, 2017 was $430,878 made up of $392,386 of interest expense the majority of which relates to amortization of debt discount connected with convertible instruments, and a loss upon extinguishment of debt of $169,492 offset by a gain of $131,000 due to change in fair value of an embedded derivative. Other Expense for the same period of 2016 was $11,372 of interest on loans.

Liquidity and Capital Resources

On December 31, 2017, we had $26,774 in current assets, consisting entirely of cash. Our total current liabilities as of December 31, 2017, were $1,826,906. Thus, we had negative working capital of $1,800,132 as of December 31, 2017.

Cash Flows from Financing Activities. During the nine months ended December 31, 2017, financing activities provided $430,500, comprised of $255,500 through a convertible debenture facility, and $175,000 through convertible loan facilities. This compares to approximately $590,000 during the same period last year, comprised of $560,000 raised in funds for issuance of future equity, offset by net proceeds of debt of approximately $26,000.

The Company typically raises capital which it spends on maintaining its research and corporate operations. At this early stage in the life of the Company funding is often short term in nature. While the Company has been proficient in raising funds in the past, the short-term nature of these funding cycles raises substantial risk around the Company's ability to continue as a going concern.

Management is addressing going concern risk by seeking new sources of capital and is continuing initiatives to raise capital through private placements, related party loans and other institutional sources to meet future working capital requirements. Furthermore, strategic partnerships, most likely with larger pharmaceutical industry companies, will be needed to continue to fund research and development costs as our projects expand. These measures, if successful, may contribute to reduce the risk of going concern uncertainties for the Company beyond the next twelve months.

Our financial statements indicate there is substantial doubt about our ability to continue as a going concern as this would depend upon our ability to obtain ongoing financing and ultimately to generate sufficient cash flow to meet our obligations on a timely basis. Our plans and efforts to achieve the above steps might not be successful, which raises substantial doubt about the Company's ability to continue as a going concern within one year from the date of this filing.

OFF BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

Item 4. Controls and Procedures

A set of disclosure controls and procedures designed to ensure that information required to be disclosed by us in the reports filed under the Securities Exchange Act, is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms is required to be maintained by management. Disclosure controls should be designed with the objective of ensuring that this information is accumulated and communicated to our management, including our chief executive officer and our chief financial officer, as appropriate, to allow timely decisions regarding required disclosure. Management has not designed and currently does not maintain a designed set of disclosure controls and procedures.

We have not evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. As a result, management has concluded that our disclosure controls and procedures were not effective for the year ended December 31, 2017, due to the following:

1. Failure to design and maintain a set of disclosure and control procedures

2. Lack of segregation of duties as a result of limited personnel.

3. Lack of Functioning Audit Committee - We do not have an Audit Committee, our board of directors currently acts as our Audit Committee. We do not have an independent director.

PART II: OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

On July 3, 2017, the Company entered into a convertible debt arrangement with Max Zhu for $75,000 and amended an existing loan of $45,000 to be upon the same terms as the July 3, 2017 convertible debt arrangement.

On August 31, 2017, the Company entered into a further convertible debt arrangement with Max Zhu for $100,000.

The conversion of all these loans shall be at a price which is the lower of $0.08 per share and 80% of the lowest calculated volume-weighted average price of the stock during the five days before the date of the conversion notice. We made these issuances in reliance on the registration exemption provided by Section 4(a)(2) of the Securities Act of 1933, as amended.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

None

Item 5. Other Information

None.

Item 6. Exhibits

31.1	Certification of Principal Executive Officer and Acting Principal Accounting Officer pursuant to Rule 13a-14 and 15d-14 of the Securities Exchange Act of 1934
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14 and 15d-14 of the Securities Exchange Act of 1934
32.1	Certification of the Principal Executive Officer and Acting Principal Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of the Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Exhibit 101
101.INS - XBRL Instance Document
101.SCH - XBRL Taxonomy Extension Schema Document
101.CAL - XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF - XBRL Taxonomy Extension Definition Linkbase Document
101.LAB - XBRL Taxonomy Extension Label Linkbase Document
101.PRE - XBRL Taxonomy Extension Presentation Linkbase Document

SIGNATURES

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Cantabio Pharmaceuticals Inc.

By: /s/ Gergely Toth
Gergely Toth
Its: President, Chief Executive Officer, Director (Principal Executive Officer).
February 20, 2018

By: /s/ Simon Peace
Simon Peace
Its: Chief Financial Officer, Director (Principal Accounting Officer)
February 20, 2018

EXHIBIT 31.1
Certification

I, Gergely Toth, certify that:

(1) I have reviewed this Report on Form 10-Q for the quarterly period ended December 31, 2017of Cantabio Pharmaceuticals Inc.;

(2) Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;

(3) Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Report;

(4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurances regarding the reliability of financial reporting in the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this Report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 20, 2018

/s/ Gergely Toth
By: **Gergely Toth**
Title: Chief Executive Officer, Principal Executive Officer and Acting Principal Accounting Officer

EXHIBIT 31.2
Certification

I, Simon Peace, certify that:

(1) I have reviewed this Report on Form 10-Q for the quarterly period ended December 31, 2017 of Cantabio Pharmaceuticals Inc.;

(2) Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;

(3) Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this Report;

(4) The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurances regarding the reliability of financial reporting in the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this Report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

(5) The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of the internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 20, 2018

/s/ Simon Peace
By: **Simon Peace**
Title: Chief Financial Officer

Exhibit 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, Gergely Toth, the Chief Executive Officer of Cantabio Pharmaceuticals Inc. (the "Company") hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his or her knowledge, the Report on Form 10-Q of Cantabio Pharmaceuticals Inc., for the quarterly period ended December 31, 2017 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and that the information contained in the Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Cantabio Pharmaceuticals Inc.

Date: February 20, 2018

/s/Gergely Toth
By: **Gergely Toth**
Chief Executive Officer

Exhibit 32.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned, Simon Peace, the Chief Financial Officer of Cantabio Pharmaceuticals Inc. (the “Company”) hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his or her knowledge, the Report on Form 10-Q of Cantabio Pharmaceuticals Inc., for the quarterly period ended December 31, 2017 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and that the information contained in the Report on Form 10-Q fairly presents in all material respects the financial condition and results of operations of Cantabio Pharmaceuticals Inc.

Date: February 20, 2018

/s/ Simon Peace
By: **Simon Peace**
Chief Financial Officer