

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 June 30, 2018
- 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)

<b>Delaware</b> (State or other jurisdiction of incorporation)	<b>000-54905</b> (Commission File Number)	<b>99-0373067</b> (IRS Employer Identification No.)
<b>1250 Oakmead Pkwy</b> <b>Sunnyvale, California</b> (Address of principal executive offices)		<b>94085</b> (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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging Growth Company	<input type="checkbox"/>

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 August 17, 2018, there were 56,510,521 shares of the issuer's common stock issued and outstanding.

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CANTABIO PHARMACEUTICALS, INC

FORM 10-Q

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PART I – FINANCIAL INFORMATION

CANTABIO PHARMACEUTICALS, INC.  
CONSOLIDATED BALANCE SHEETS  
(Unaudited)

	<u>June 30,</u> <u>2018</u>	<u>March 31,</u> <u>2018</u>
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	\$ 185,236	\$ 109,426
Prepaid expenses	-	-
<b>Total Current Assets</b>	<u>185,236</u>	<u>109,426</u>
<b>TOTAL ASSETS</b>	<u>\$ 185,236</u>	<u>\$ 109,426</u>
<b>LIABILITIES &amp; STOCKHOLDERS' EQUITY (DEFICIT)</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	657,871	606,751
Accrued technology access fee	158,968	171,105
Secured convertible debentures	1,371,126	947,160
Convertible debt related party	<u>300,512</u>	<u>257,614</u>
<b>Total Current Liabilities</b>	<u>2,488,477</u>	<u>1,982,630</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 2,488,477</u>	<u>\$ 1,982,630</u>
<b>Stockholders' Equity (Deficit)</b>		
Common stock, \$0.001 par value, (250,000,000 shares authorized, 53.9 million and 51.9 million shares issued and outstanding as of June 30, 2018 and March 31, 2018, respectively)	53,864	51,857
Stock subscriptions	1,060,000	1,060,000
Additional paid in capital	1,169,584	1,134,763
Accumulated deficit	(4,586,689)	(4,119,824)
Total Stockholders' Equity (Deficit)	<u>(2,303,241)</u>	<u>(1,873,204)</u>
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY (DEFICIT)</b>	<u>\$ 185,236</u>	<u>\$ 109,426</u>

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

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

	<b>June 30, 2018</b>	<b>June 30,2017</b>
<b>Operating Expenses</b>		
Research and development	\$ 111,220	\$ 97,192
General & administrative	124,653	190,733
<b>Total Operating Expenses</b>	<u>235,873</u>	<u>287,925</u>
<b>Loss From Operations</b>	<b>(235,873)</b>	<b>(287,925)</b>
<b>Other Income &amp; (Expenses)</b>		
Interest expense	(348,992)	(74,471)
Change in fair value of embedded derivatives, including modification accounting	118,000	10,000
<b>Total Other Income &amp; (Expenses)</b>	<u>(230,992)</u>	<u>(64,471)</u>
<b>Net Loss</b>	<b>\$ (466,865)</b>	<b>\$ (352,396)</b>
<b>Basic and Diluted Loss per share</b>	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
<b>Weighted average number of common shares outstanding</b>	53,031,199	27,004,613

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

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

	<b>Three Months Ended</b>	
	<b>June 30, 2018</b>	<b>June 30, 2017</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Net loss</b>	<b>\$ (466,865)</b>	<b>\$ (352,396)</b>
Adjustments to reconcile net loss to net cash used in operating activities:		
Accretion to notes payable to related party	-	1,266
Amortization of debt discount	328,233	58,130
Change in fair value of embedded derivative	(118,000)	(10,000)
Share based compensation for services	10,000	39,549
Changes in operating assets and liabilities:		
Accounts payable and accrued expenses	51,120	87,955
Accrued technology access fee	(12,137)	10,012
Accrued debenture interest	18,459	10,062
Due to officers	-	-
Prepaid Expenses	-	1,248
<b>Net cash used in operating activities</b>	<b>(189,190)</b>	<b>(154,274)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of convertible debt related party, net of issuance cost	265,000	127,000
Proceeds from issuance of convertible debenture, net of issuance cost	-	-
Proceeds from notes payable related party	-	-
Repayment to notes payable related party	-	-
Share subscriptions	-	-
<b>Net cash provided by financing activities</b>	<b>265,000</b>	<b>127,000</b>
<b>Net increase (decrease) in cash</b>	<b>75,810</b>	<b>(27,274)</b>
<b>Cash at beginning of period</b>	<b>109,426</b>	<b>32,275</b>
<b>Cash at end of period</b>	<b>\$ 185,236</b>	<b>\$ 5,001</b>
<i>Schedule of non-cash financing activities</i>		
<b>Recognition of beneficial conversion feature associated with convertible debentures</b>	<b>\$ -</b>	<b>\$ 35,000</b>
<b>Conversion of secured convertible debentures</b>	<b>58,733</b>	<b>-</b>
<b>Share based compensation for services</b>	<b>10,000</b>	<b>39,549</b>

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 June 30, 2018, the Company had a working capital deficit of approximately \$2.3 million 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**

*Interim Reporting*

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, certain information and footnote disclosures normally included in annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such Securities and Exchange Commission (“SEC”) rules and regulations and accounting principles applicable for interim periods. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Events subsequent to the balance sheet date have been evaluated for inclusion in the accompanying condensed consolidated financial statements through the date of issuance. Operating results for the three months ended June 30, 2018 are not necessarily indicative of the results that may be expected for the year ending March 31, 2019. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Annual Report on Form 10-K for the fiscal year ended March 31, 2018.

*Use of Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the year. Management bases its estimates on historical experience and on other assumptions considered to be reasonable under the circumstances. However, actual results may differ from the estimates.

*Earnings (Loss) per Share*

The Company calculates earnings per share using basic net income (loss) per common share be computed by dividing net income (loss) for the period by the weighted average number of common shares outstanding during the period. The Company does not compute diluted earnings per share because to do so would be anti-dilutive.

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

*Potentially dilutive securities*

	<b>June 30,</b> <b>2018</b>	<b>June 30,</b> <b>2017</b>
Convertible debentures (Note 6)	25,007,000	5,865,000
Convertible debt related party (Note 7)	5,908,000	-
Stock subscriptions	530,000	530,000

*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 became effective the Company for us on April 1, 2018. The new standard does not have a material impact on our financial statements.

**Recently Issued Accounting Pronouncements**

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.

In June 2018, the FASB issued Accounting Standards Update (ASU) 2018-07 intended to reduce cost and complexity and to improve financial reporting for nonemployee share-based payments. Currently, the accounting requirements for nonemployee and employee share-based payment transactions are significantly different. This ASU expands the scope of Topic 718, Compensation-Stock Compensation (which currently only includes share-based payments to employees) to include share-based payments issued to nonemployees for goods or services. Consequently, the accounting for share-based payments to nonemployees and employees will be substantially aligned. This ASU supersedes Subtopic 505-50, Equity-Equity-Based Payments to Nonemployees. The amendments in this ASU are effective for public companies for fiscal years beginning after December 15, 2018, including interim periods within that fiscal year. For all other companies, the amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted, but no earlier than a company's adoption date of Topic 606, Revenue from Contracts with Customers. 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.

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

**NOTE 4 – RELATED PARTY TRANSACTIONS**

There have been no changes to the Company's related party consulting arrangements as they have been disclosed in our most recently filed form 10K.

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

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

	<b>For the three months ended June 30,</b>	
	<b>2018</b>	<b>2017</b>
<b>Operating expenses:</b>		
<i>Toth and Associates LTD</i>	\$ 44,000	\$ 40,000
<i>Capro LTD</i>	24,000	33,000
<i>Eden Professional LTD</i>	23,000	21,000
<i>Max Zhu Consulting (1)</i>	<u>3,000</u>	<u>6,000</u>
<b>Total related party transactions</b>	<u>\$ 94,000</u>	<u>\$ 100,000</u>

(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 \$0.7 and \$0.6 million for the period ended June 30, 2018 and March 31, 2018, respectively.

**NOTE 5 – CONVERTIBLE DEBENTURES AS AMENDED**

*New issuance*

On June 5, 2018 the Company entered into a new securities purchase agreement with an accredited investor to place Convertible Debentures (as amended the “Debentures”) in the aggregate principal amount of up to \$300,000 net of issuance costs of \$35,000 (the “Transaction”). The Debentures bear interest at the rate of 5% per annum with a maturity date of June 5, 2019, as may be extended at the option of the note holder. In addition, the Company must pay to the holder an annual 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. The Debentures may be converted at any time on or prior to maturity at the lower of \$0.05 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.

At the same time all previous debentures were amended to align them with the new agreement. All the Debentures may be converted at any time on or prior to maturity at the lower of \$0.05 or (rather than \$0.10 as previously) 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 Company accounted for the amendment as a debt modification which resulted in \$76,000 impact that was recorded in the change in fair value of embedded derivatives in the Company’s statements of operations.

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

*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 June 30, 2018 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 June 30, 2018 was calculated using the following key inputs:

	<b>June 30, 2018</b>	<b>March 31, 2018</b>
Stock price	\$ 0.04	\$ 0.06
Probability of Triggering Date	100%	100%
Volatility	300%	300%
Risk-free rate	1%	1%
Discount rate	0%	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.

	<b>June 30, 2018</b>	<b>March 31, 2018</b>
Stock price	\$0.04 - \$0.06	\$ 0.06
Exercise price	\$0.04 - \$0.06	\$ 0.06
Volatility	300%	300%
Contractual term	0.42 - 1 year	1 year
Risk-free rate	1%	1%
Discount rate	0%	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 three months ended June 30, 2018, is as follows:

<b>Balance at March 31, 2018</b>	<b>Issuance of new debentures</b>	<b>Change due to modification</b>	<b>Net unrealized (gain)/loss</b>	<b>Balance at June 30, 2018</b>
736,000	\$ 281,000	\$ 76,000	\$ (195,000)	\$ 898,000

The approximate carrying value of the Debentures, as of June 30, 2018 and March 31, 2018 is comprised of the following:

	<b>June 30, 2018</b>	<b>March 31, 2018</b>
Principal value of 5%, convertible, net of conversion	\$ 1,000,000	\$ 750,000
Fair value of embedded derivative	898,000	736,000
Accrued interest	23,000	22,264
Debt discount	(550,000)	(561,104)
<b>Carrying value of Secured Convertible Debenture Note</b>	<b>\$ 1,371,000</b>	<b>\$ 947,160</b>

As of June 30, 2018, the estimated aggregate fair value of outstanding convertible notes payable is approximately \$1.4 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.

*Convertible debenture*

During the three months ended June 30, 2018, 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 1.6 million shares of common stock.

*Events of Default or Financial covenants*

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

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

**NOTE 6 – CONVERTIBLE DEBT RELATED PARTY**

The analysis utilized in calculating the embedded derivative at June 30, 2018 and March 31, 2018 was calculated using the following key inputs:

	<b>June 30, 2018</b>	<b>March 31, 2018</b>
Stock price	\$ 0.04	\$0.02- \$0.07
Contractual term	0.1 - 0.5 years	0.1 - 1.0 years
Volatility	300%	275% - 300%
Risk-free rate	1%	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 three months ended June 30, 2018, is as follows:

<b>Balance at March 31, 2018</b>	<b>Net unrealized (gain)/loss</b>	<b>Balance at June 30, 2018</b>
\$ 156,000	\$ (1,000)	\$ 157,000

The carrying value of the Notes, as of June 30, 2018 and March 31, 2018 is comprised of the following:

	<b>June 30, 2018</b>	<b>March 31, 2018</b>
Principal value of 5%, convertible	\$ 220,000	\$ 220,000
Fair value of embedded conversion option	157,000	156,000
Accrued Interest	23,704	15,204
Debt discount	(100,192)	(133,590)
<b>Carrying value of Secured Convertible Debenture Note</b>	<b>\$ 300,512</b>	<b>\$ 257,614</b>

As of June 30, 2018, the estimated aggregate fair value of outstanding convertible notes payable is approximately \$0.2 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 is currently accruing the interest at the default interest rate of 28%.

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

**NOTE 7 – CAPITAL STOCK**

*Issuance of shares for consulting services.*

During the three months ended June 30, 2018 the Company issued approximately 0.4 million shares with a fair value of approximately \$10,000 as compensation for services performed.

**NOTE 8 – SUBSEQUENT EVENTS**

On July 26, 2018 a holder of convertible debentures converted approximately \$0.1 million of principal and interest into approximately 2.6 million shares of common stock.

## **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 June 30, 2018, we had approximately \$185,000 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 June 30, 2018, as compared to the three months ended June 30, 2017.**

Our operating expenses decreased to \$235,873 for the three months ended June 30, 2018 from \$287,925 in the three months ended June 30, 2017. The R&D spend of \$111,220 in the three months to June 30, 2018 compares with \$97,192 on R&D in the same period in 2017, the increase being due additional spend on third party contract research organisations. There was a decrease of approximately \$66,000 in General and Administrative to \$124,653 in the three months to June 30, 2018 from \$190,733 in the three months to June 30, 2017. The decrease was largely driven by decreased legal and professional fees related to fundraising activities and decreased investor relations spend.

We generated Other Expense in the three months ended June 30, 2018 of \$230,992 made up of \$348,992 of interest expense, the overwhelming majority of which relates to amortization of debt discount connected with convertible instruments, and a \$118,000 gain in fair value of an embedded derivative. Other Expense for the same period of 2017 was \$64,471, made up of was \$74,471 of interest expense, partially offset by a \$10,000 gain in fair value of an embedded derivative.

## **Liquidity and Capital Resources**

On June 30, 2018, we had approximately \$185,000 in current assets, consisting entirely of cash. Our total current liabilities as of June 30, 2018, were approximately \$2,488,000. Thus, we had negative working capital of approximately \$2,303,000 as of June 30, 2018.

Cash Flows from Financing Activities. During the three months ended June 30, 2018, financing activities provided \$265,000 from a convertible debenture facility. This compares to approximately \$127,000 from a convertible debenture facility in the same period in 2017.

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 June 30, 2018, 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 April 30, 2018, a holder of a convertible debenture converted \$58,733 of interest and principal on such debenture into 1,636,013 shares of our common stock at \$0.0359 per share pursuant to the terms of such debenture.

On May 12, 2018, we issued 370,370 shares of our common stock to a supplier in satisfaction of invoices worth \$10,000.

On July 26, 2018, a holder of a convertible debenture converted \$51,192 of interest and principal on such debenture into 2,646,937 shares of our common stock at \$0.01934 per share pursuant to the terms of such debenture.

##### **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).

August 20, 2018

By: /s/ Simon Peace

Simon Peace

Its: Chief Financial Officer, Director (Principal Accounting Officer)

August 20, 2018

I, Gergely Toth, certify that:

- (1) I have reviewed this Report on Form 10-Q for the quarterly period ended June 30, 2018 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: August 20, 2018

/s/ Gergely Toth

By: **Gergely Toth**

Title: Chief Executive Officer, Principal Executive Officer and Acting Principal Accounting Officer

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I, Simon Peace, certify that:

- (1) I have reviewed this Report on Form 10-Q for the quarterly period ended June 30, 2018 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: August 20, 2018

/s/ Simon Peace

By: **Simon Peace**

Title: Chief Financial Officer

**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 June 30, 2018 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: August 20, 2018

/s/Gergely Toth

By: **Gergely Toth**

Chief Executive Officer

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**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 June 30, 2018 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: August 20, 2018

*/s/ Simon Peace*

By: **Simon Peace**

Chief Financial Officer

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