APAC RESOURCES INC.

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS TO BE HELD ON DECEMBER 8, 2017

AND

MANAGEMENT INFORMATION CIRCULAR

DATED NOVEMBER 10, 2017

APAC RESOURCES INC.

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

TAKE NOTICE THAT a special meeting (the "**Meeting**") of the shareholders of APAC Resources Inc. (the "**Corporation**") will be held at Suite 1750, 1185 West Georgia Street, Vancouver, British Columbia, on December 8, 2017 at 10 a.m. for the following purposes:

1. to consider and, if deemed advisable, approve, with or without variation, an ordinary resolution to approve, among other things, the support agreement dated August 8, 2017 (the "**Definitive Agreement**") between the Corporation and XORTX Pharma Corp. ("**XORTX**"), pursuant to which the Corporation will acquire all of the issued and outstanding common shares of XORTX in exchange for common shares of the Corporation ("**Common Shares**"), and the consummation of the transactions contemplated thereby (the "**Transaction**"), as more particularly described in the Definitive Agreement; and

2. to transact such other business as may be properly brought before the Meeting or any postponement or adjournment thereof.

Information relating to the items above is set forth in the Information Circular of the Corporation dated November 10, 2017.

Only shareholders of record as of October 11, 2017 are entitled to notice of the Meeting and to vote at the Meeting and at any adjournment or postponement thereof.

IMPORTANT

It is desirable that as many Common Shares as possible be represented at the Meeting. If you do not expect to attend the Meeting and would like your Common Shares represented, please complete the enclosed instrument of proxy and return it as soon as possible in the envelope provided for that purpose. To be valid, all instruments of proxy must be deposited at the office of the Registrar and Transfer Agent of the Corporation, TSX Trust Company, 301-100 Adelaide Street West, Toronto, Ontario, M5H 4H1, not later than forty-eight (48) hours, excluding Saturdays, Sundays and holidays, prior to the time of the Meeting or any postponement or adjournment thereof. Late instruments of proxy may be accepted or rejected by the Chairman of the Meeting in his discretion and the Chairman is under no obligation to accept or reject any particular late instruments of proxy.

DATED at Vancouver, British Columbia this 10th day of November, 2017.

By Order of the Board of Directors of APAC Resources Inc.

(signed) "*Robert Coltura*"
Robert Coltura
Chief Executive Officer

APAC RESOURCES INC.

MANAGEMENT INFORMATION CIRCULAR

SOLICITATION OF PROXIES

This management information circular (this "Information Circular") is provided in connection with the solicitation of proxies by management of APAC Resources Inc. (the "Corporation") for use at the Special Meeting (the "Meeting") of the holders ("Shareholders") of common shares ("Common Shares") in the capital of the Corporation. The Meeting will be held on December 8, 2017 at 10 a.m. at Suite 1750, 1185 West Georgia Street, Vancouver, British Columbia, or at such other time or place to which the Meeting may be adjourned, for the purposes set forth in the notice of special meeting accompanying this Information Circular (the "**Notice**").

Although it is expected that the solicitation of proxies will be primarily by mail, proxies may also be solicited personally or by telephone, facsimile or other means of electronic communication. In accordance with National Instrument 54-101 - *Communication with Beneficial Owners of Securities of a Reporting Issuer* ("**NI 54-101**"), arrangements have been made with brokerage houses and other intermediaries, clearing agencies, custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of the Common Shares held of record by such persons and the Corporation may reimburse such persons for reasonable fees and disbursements incurred by them in doing so. The costs thereof will be borne by the Corporation.

These securityholder materials are being sent to both registered and non-registered owners of the securities. If you are a non-registered owner, and the Corporation or its agent has sent these materials directly to you, your name and address and information about your holdings or securities, have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf.

Accompanying this Information Circular (and filed with applicable securities regulatory authorities) is a form of proxy for use at the Meeting ("**Instrument of Proxy**"). Each Shareholder who is entitled to attend at Shareholders' meetings is encouraged to participate in the Meeting and Shareholders are urged to vote on matters to be considered in person or by proxy.

Unless otherwise stated, the information contained in this Information Circular is given as of November 10, 2017 (the "**Effective Date**").

Unless otherwise stated, all references to numbers of Common Shares and other securities are pre-consolidation numbers (that is, prior to giving effect to the consolidation of the Common Shares on a basis of one (1) post-consolidation Common Share for every four (4) pre-consolidation Common Shares, approved at the Corporation's annual general meeting held on August 9, 2017.

All time references in this Information Circular are references to Vancouver time.

APPOINTMENT AND REVOCATION OF PROXIES

Appointment of a Proxy

Those Shareholders who wish to be represented at the Meeting by proxy must complete and deliver a proper form of proxy to TSX Trust Company (the "Transfer Agent") either in person, or by mail or courier, to 301-100 Adelaide Street West, Toronto, Ontario, M5H 4H1, by fax at (416) 595-9593 or via the internet at www.voteproxyonline.com.

The persons named as proxyholders in the Instrument of Proxy accompanying this Information Circular are directors or officers of the Corporation, or persons designated by management of the

Corporation, and are representatives of the Corporation's management for the Meeting. A Shareholder who wishes to appoint some other person (who need not be a Shareholder) to attend and act for him, her or it and on his, her or its behalf at the Meeting other than the management nominee designated in the Instrument of Proxy may do so by either: (i) crossing out the names of the management nominees AND legibly printing the other person's name in the blank space provided in the accompanying Instrument of Proxy; or (ii) completing another valid form of proxy. In either case, the completed form of proxy must be delivered to the Transfer Agent, at the place and within the time specified herein for the deposit of proxies. A Shareholder who appoints a proxy who is someone other than the management representatives named in the Instrument of Proxy should notify the nominee of the appointment, obtain the nominee's consent to act as proxy, and provide instructions on how the Common Shares are to be voted. The nominee should bring personal identification to the Meeting. In any case, the form of proxy should be dated and executed by the Shareholder or an attorney authorized in writing, with proof of such authorization attached (where an attorney executed the proxy form).

In order to validly appoint a proxy, Instruments of Proxy must be received by the Transfer Agent (the address is stated above or in the Instrument of Proxy) at least 48 hours, excluding Saturdays, Sundays and holidays, prior to the Meeting or any adjournment or postponement thereof. After such time, the Chairman of the Meeting may accept or reject a form of proxy delivered to him in his discretion but is under no obligation to accept or reject any particular late form of proxy.

Revoking a Proxy

A Shareholder who has validly given a proxy may revoke it for any matter upon which a vote has not already been cast by the proxyholder appointed therein. In addition to revocation in any other manner permitted by law, a proxy may be revoked with an instrument in writing signed and delivered to either the registered office of the Corporation or the Transfer Agent, at the address noted above, at any time up to and including the last business day preceding the date of the Meeting, or any postponement or adjournment thereof at which the proxy is to be used, or deposited with the Chairman of such Meeting on the day of the Meeting, or any postponement or adjournment thereof. The document used to revoke a proxy must be in writing and completed and signed by the Shareholder or his or her attorney authorized in writing or, if the Shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized.

A Shareholder who has given a proxy may attend the Meeting in person, or where the Shareholder is a corporation, its authorized representative may attend, revoke the proxy (by indicating such intention to the Chairman before the proxy is exercised) and vote in person (or withhold from voting).

Signature on Proxies

The form of proxy must be executed by the Shareholder or his or her duly appointed attorney authorized in writing or, if the Shareholder is a corporation, by a duly authorized officer whose title must be indicated. A form of proxy signed by a person acting as attorney or in some other representative capacity should indicate that person's capacity (following his signature) and should be accompanied by the appropriate instrument evidencing qualification and authority to act (unless such instrument has been previously filed with the Corporation).

Voting of Proxies

Each Shareholder may instruct his, her or its proxy how to vote his, her or its Common Shares by completing the blanks on the Instrument of Proxy.

The Common Shares represented by the enclosed Instrument of Proxy will be voted or withheld from voting on any motion, by ballot or otherwise, in accordance with any indicated instructions. If a Shareholder specifies a choice with respect to any matter to be acted upon, the Common

Shares will be voted accordingly. In the absence of such direction, such Common Shares will be voted IN FAVOUR OF PASSING THE RESOLUTIONS DESCRIBED IN THE INSTRUMENT OF PROXY AND BELOW. If any amendment or variation to the matters identified in the Notice is proposed at the Meeting or any adjournment or postponement thereof, or if any other matters properly come before the Meeting or any adjournment or postponement thereof, the accompanying Instrument of Proxy confers discretionary authority to vote on such amendments or variations or such other matters according to the best judgment of the appointed proxyholder. Unless otherwise stated, the Common Shares represented by a valid Instrument of Proxy will be voted in favour of the election of nominees set forth in this Information Circular except where a vacancy among such nominees occurs prior to the Meeting, in which case, such Common Shares may be voted in favour of another nominee in the proxyholder's discretion. As at the Effective Date, management of the Corporation knows of no such amendments or variations or other matters to come before the Meeting.

Advice to Beneficial Shareholders

The information set forth in this section is of importance to many Shareholders, as a substantial number of Shareholders do not hold Common Shares in their own name. Shareholders who hold their Common Shares through brokers, intermediaries, trustees or other persons, or who otherwise do not hold their Common Shares in their own name (referred to in this Information Circular as "**Beneficial Shareholders**") should note that only proxies deposited by Shareholders who are registered shareholders (that is, shareholders whose names appear on the records maintained by the registrar and transfer agent for the Common Shares as registered holders of Common Shares) will be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a Beneficial Shareholder by a broker, those Common Shares will, in all likelihood, not be registered in the Shareholder's name. Such Common Shares will more likely be registered under the name of the Shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for CDS Clearing and Depository Services Inc., which acts as nominee for many Canadian brokerage firms). Common Shares held by brokers (or their agents or nominees) on behalf of a broker's client can only be voted at the direction of the Beneficial Shareholder. Without specific instructions, brokers (or their agents and nominees) are prohibited from voting shares for the broker's clients. Subject to the following discussion in relation to NOBOs (as defined below), the Corporation does not know for whose benefit the shares of the Corporation registered in the name of CDS & Co., a broker or another nominee, are held.

There are two categories of Beneficial Shareholders for the purposes of applicable securities regulatory policy in relation to the mechanism of dissemination to Beneficial Shareholders of proxy-related materials and other securityholder materials and the request for voting instructions from such Beneficial Shareholders. Non-objecting beneficial owners ("**NOBOs**") are Beneficial Shareholders who have advised their intermediary (such as brokers or other nominees) that they do not object to their intermediary disclosing ownership information to the Corporation, consisting of their name, address, e-mail address, securities holdings and preferred language of communication. **Securities legislation restricts the use of that information to matters strictly relating to the affairs of the Corporation.** Objecting beneficial owners ("**OBOs**") are Beneficial Shareholders who have advised their intermediary that they object to their intermediary disclosing such ownership information to the Corporation.

In accordance with the requirements of NI 54-101, the Corporation is sending the Notice, this Information Circular, and a voting instruction form or a form of proxy, as applicable (collectively, the "**Meeting Materials**"), directly to NOBOs and indirectly through intermediaries to OBOs. NI 54-101 permits the Corporation, in its discretion, to obtain a list of its NOBOs from intermediaries and use such NOBO list for the purpose of distributing the Meeting Materials directly to, and seeking voting instructions directly from, such NOBOs. As a result, the Corporation is entitled to deliver Meeting Materials to Beneficial Shareholders in two manners: (a) directly to NOBOs and indirectly through intermediaries to OBOs; or (b) indirectly to all Beneficial Shareholders through intermediaries. In accordance with the requirements of NI 54-101, the Corporation is sending the Meeting Materials directly to NOBOs and indirectly through intermediaries to OBOs. The Corporation will pay the fees and expenses of intermediaries for their services in delivering Meeting Materials to OBOs in accordance with NI 54-101.

The Corporation has used a NOBO list to send the Meeting Materials directly to NOBOs whose names appear on that list. If the Transfer Agent has sent these materials directly to a NOBO, such NOBO's name and address and information about its holdings of Common Shares have been obtained from the intermediary holding such shares on the NOBO's behalf in accordance with applicable securities regulatory requirements. As a result, any NOBO of the Corporation can expect to receive a voting instruction form from the Transfer Agent. NOBOs should complete and return the voting instruction form to the Transfer Agent in the envelope provided. In addition, Internet voting is available. Instructions in respect of the procedure for Internet voting can be found in the voting instruction form. The Transfer Agent will tabulate the results of voting instruction forms received from NOBOs and will provide appropriate instructions at the Meeting with respect to the shares represented by such voting instruction forms.

Applicable securities regulatory policy requires intermediaries, on receipt of Meeting Materials that seek voting instructions from Beneficial Shareholders indirectly, to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings on Form 54-101F7 – *Request for Voting Instructions Made by Intermediaries* ("**Form 54-101F7**"). Every intermediary/broker has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting or any adjournment(s) or postponement(s) thereof. Often, the form of proxy supplied to a Beneficial Shareholder by its broker is identical to the form of proxy provided to registered shareholders; however, its purpose is limited to instructing the registered shareholder how to vote on behalf of the Beneficial Shareholder. Beneficial Shareholders who wish to appear in person and vote at the Meeting should be appointed as their own representatives at the Meeting in accordance with the directions of their intermediaries and Form 54-101F7. Beneficial Shareholders can also write the name of someone else whom they wish to attend at the Meeting and vote on their behalf. Unless prohibited by law, the person whose name is written in the space provided in Form 54-101F7 will have full authority to present matters to the Meeting and vote on all matters that are presented at the Meeting, even if those matters are not set out in Form 54-101F7 or this Information Circular. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**"). Broadridge typically mails a voting instruction form in lieu of the form of proxy. Beneficial Shareholders are requested to complete and return the voting instruction form to Broadridge by mail or facsimile. Broadridge will then provide aggregate voting instructions to the Transfer Agent, which tabulates the results and provides appropriate instructions respecting the voting of shares to be represented at the Meeting or any adjournment or postponement thereof. By choosing to send the Meeting Materials to NOBOs directly, the Corporation (and not the intermediary holding Common Shares on your behalf) has assumed responsibility for: (i) delivering these materials to you; and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

All references to Shareholders in this Information Circular and the accompanying Instrument of Proxy and Notice are to registered Shareholders unless specifically stated otherwise.

SUMMARY INFORMATION

The following is a summary of certain information contained elsewhere in this Information Circular, including the Appendices hereto, and is qualified in its entirety by reference to more detailed information contained or referred to elsewhere in this Information Circular or in the Appendices hereto. For details on the matters to be considered by Shareholders, see "*Matters to be Considered at the Meeting*."

The Corporations

APAC

APAC was incorporated on May 31, 2011 under the laws of British Columbia, with its corporate office and principal place of business located at 200 – 551, Howe Street, Vancouver, British Columbia, Canada.

APAC's principal business activities include the acquisition and exploration of mineral property assets. As at May 31, 2017, APAC had not yet determined whether the Company's mineral property asset contains ore reserves that are economically recoverable.

For a more complete description of APAC's business, see "*General Development of the Business of APAC*" in the Transaction Statement attached hereto as Appendix "A" (the "**Transaction Statement**").

XORTX

XORTX Pharma Corp. ("**XORTX**") was formed by Certificate of Continuance on February 27, 2013, under the *Canada Business Corporations Act*. Its head and registered office are located at Suite 4000, 421 – 7th Avenue S.W., Calgary, Alberta, T2P 4K9.

XORTX is a drug development company primarily focused on orphan disease indications which have a uric acid imbalance as well as metabolic syndrome, diabetes and diabetic nephropathy. XORTX possesses patents and patent applications that include U.S. and Worldwide rights for the development of uric acid lowering agents for the treatment of hypertension, insulin resistance, diabetes, metabolic syndrome and kidney Injury.

For a more complete description of XORTX's business, see "*General Development of the Business of XORTX*" in the Transaction Statement.

The Meeting

The Meeting will be held in the will be held at Suite 1750, 1185 West Georgia Street, Vancouver, British Columbia, on December 8, 2017 at 10 a.m., for the purposes set forth in the accompanying notice of meeting.

Background to the Transaction

The execution of a support agreement with XORTX on August 8, 2017 (the "**Definitive Agreement**") represented the culmination of a comprehensive negotiations undertaken by the board of directors of the Corporation (the "**Board**") and management with management and the board of directors of XORTX (the "**XORTX Board**").

APAC was identified with the assistance of two XORTX shareholders who conducted a search of public vehicles that would be suitable candidate public companies that would accommodate XORTX technology development plans.

During the period of negotiations with XORTX, the Board, with the assistance of management, legal counsel and its financial advisors, negotiated the terms of the Definitive Agreement and the parties conducted mutual due diligence in respect of the transaction. The Board also received advice of legal counsel in respect of the terms of the Definitive Agreement and considered a number of additional factors including:

- the terms of the Definitive Agreement and related transactions (the "**Transaction**");
- the benefits of the Definitive Agreement with XORTX: and
- the historical results of the Corporation and prospects for the future.

Entering into the Definitive Agreement and Subsequent Steps

The negotiation of the definitive terms and conditions of the Definitive Agreement was completed and the Definitive Agreement was executed on August 8, 2017. The Corporation issued a news release on August 8, 2017 announcing the entering into of the Definitive Agreement. The Corporation also announced the intention to raise a minimum of $2,000,000 by way of a private placement of units of the Corporation (the "**Units**"), at a price of $0.50 per Unit, to be completed concurrently with the completion of the Transaction (the "**Financing**").

On November 10, 2017, the Board approved the contents and mailing of this Information Circular to Shareholders.

Reasons For the Transaction

APAC

Following receipt of the advice and assistance of its financial advisors and legal counsel, the Board carefully evaluated the terms of the proposed Transaction and unanimously: (i) determined that the Transaction is in the best interests of the Corporation; (ii) approved the Transaction and the entering into of the Definitive Agreement and completion of all transactions contemplated thereby; and (iii) resolved to recommend that Shareholders vote in favour of the Definitive Agreement and other matters in connection with the Transaction.

In reaching these determinations and approvals, the Board considered the fact that the Corporation's work programs on its resource properties had not produced the desired results. In view of the continuing depressed markets for junior resource exploration issuers, the Corporation believed it would serve the interests of shareholders to consider a change of business and pursue a transaction with XORTX, a company that appeared to management to have a promising future. Since the Corporation was not actively pursuing any other transactions at the time, it decided to pursue the proposed Transaction with XORTX.

While management and the Board expect that the Corporation will receive the benefits noted above, the Transaction does expose the Corporation to additional risks, including the risk that the Corporation may fail to complete the Transaction in accordance with the terms of the Definitive Agreement or at all or fail to realize the anticipated benefits of the Transaction.

XORTX

Following receipt of the advice and assistance of its financial advisors and legal counsel, the XORTX Board carefully evaluated the terms of the proposed Transaction and unanimously: (i) determined that the Transaction is in the best interests of XORTX; and (ii) approved the Transaction and the entering into of the Definitive Agreement and completion of all transactions contemplated thereby.

In reaching these determinations and approvals, the XORTX Board considered, among other things, the following factors and potential benefits of the Transaction:

- increased liquidity for XORTX securities;
- increased access to development capital; and
- enhanced opportunity to create value for shareholders.

While management and the XORTX Board expect that XORTX will receive the benefits noted above, the Transaction does expose XORTX to additional risks, including the risk that XORTX may fail to complete

the Transaction in accordance with the terms of the Definitive Agreement or at all or fail to realize the anticipated benefits of the Transaction.

Lock-Up Agreements

Pursuant to the Definitive Agreement, the Corporation and XORTX have committed to obtaining lock-up agreements from each of the directors and officers of each of the Corporation and XORTX (collectively, the "**Lock-up Agreements**") pursuant to which: (i) all of the directors and officers of the Corporation will agree to vote all of the Common Shares owned or controlled by them in favour of the Transaction at the Meeting and otherwise support the completion of the Transaction, and (ii) all of the directors and officers of XORTX will agree to tender all of the common shares in the capital of XORTX (the "**XORTX Shares**") owned or controlled by them (including any XORTX Shares acquired after the date of the Definitive Agreement pursuant to the exercise of any options to acquire XORTX Shares or the conversion of any convertible loans which are convertible into XORTX Shares) to the Offer (as defined herein) and not withdraw such shares and otherwise support the completion of the Transaction.

Recommendations of the Board

The Board has considered the Transaction, and after considering, among other things: (A) the anticipated benefits of the Transaction; (B) the historical market price and future prospects of the Corporation; and (C) the risks associated with completing the Transaction, unanimously: (i) determined that the Transaction is in the best interests of the Corporation and the Shareholders; (ii) determined that the Transaction is fair to Shareholders; (iii) approved the Transaction and the entering into of the Definitive Agreement and completion of all transactions contemplated thereby; and (iv) recommends that Shareholders vote in favour of the Transaction Resolution (as defined herein).

The discussion of the information and factors considered and given weight to by the Board discussed herein is not intended to be exhaustive. In reaching the determination to approve and recommend the Transaction Resolution, the Board did not assign any relative or specific weight to the factors that were considered, and individual directors may have given a different weight to each factor.

Notwithstanding the recommendation of the Board that Shareholders vote in favour of the Transaction Resolution, Shareholders should make their own decision whether to vote Common Shares in favour of the Transaction Resolution and, if appropriate, should consult their own legal, financial and other professional advisors in making that decision.

Effect of the Transaction

General

Pursuant to the Transaction, the Corporation has agreed to offer to purchase all of the issued and outstanding XORTX Shares (the "**Offer**") to each of the shareholders of XORTX (the "**XORTX Shareholders**"). Each XORTX Shareholder that accept the Offer will exchange, transfer and assign all of the XORTX Shares such XORTX Shareholder owns or will own at the Closing Time to the Corporation ("**Closing Time**" is defined as 10:00 a.m. on such date as the Corporation and XORTX shall determine for closing of the Transaction (the "**Closing**") but in any event, no later than December 31, 2017).

Pursuant to the terms of the Definitive Agreement, immediately prior to Closing, the Corporation shall effect a share consolidation of Common Shares on the basis of one post-consolidation Common Share for every four pre-consolidation Common Shares (the "**Consolidation**"). In addition, it is a condition of Closing that the Financing be completed.

Immediately following Closing (and assuming all of the XORTX Shareholders accept the Offer), the Corporation will directly own all of the XORTX Shares, and the former XORTX Shareholders will in the aggregate own approximately 91% of the aggregate number of Common Shares, prior to the completion of the Financing.

The parties acknowledged that, as of the date of the Definitive Agreement, 62,228,717 post-Consolidation Common Shares will be issued and outstanding after the Closing of which (i) an aggregate of up to 53,195,717 post-Consolidation Common Shares shall be held by XORTX Shareholders (assuming the exercise of 337,000 "in-the-money" option to purchase XORTX Shares ("**XORTX Options**") and the

conversion of all of the certain secured convertible loan agreements entered into by XORTX), (ii) an aggregate of 4,000,000 post-Consolidation Common Shares shall be held by participants in the Financing (assuming the Financing is completed for the minimum amount); and (iii) an aggregate of 5,033,000 post-Consolidation Common Shares shall be held by the current Shareholders of APAC, in all cases subject to rounding to account for fractional post-share Consolidation Common Shares.

Name Change

Concurrent with the completion of the Consolidation and pursuant to the terms of the Definitive Agreement, the Board will effect a change of name of the Corporation from "APAC Resources Inc." to "XORTX Pharma Inc." or any such other name as may be acceptable to the Board.

Directors and Management following Completion of the Transaction

If the Transaction is completed as contemplated, the existing directors and officers of the Corporation will enter into resignation and release agreements with the Corporation, to give effect to their resignations. The Board shall be reconstituted and include Dr. Allen Davidoff, Dr. Alan Moore and Mr. Bruce Rowland.

Following completion of the Transaction, Dr. Davidoff shall be appointed as Chief Executive Officer of the Corporation and John Meekison shall be appointed as Interim Chief Financial Officer of the Corporation.

For more information on the Board and management of the Corporation following the Transaction, including biographical information of Dr. Davidoff, Dr, Moore, Mr. Rowland, and Mr. Meekison, see "*Directors and Officers*" in the Transaction Statement.

The Definitive Agreement

The following is a summary of certain terms of the Definitive Agreement and is qualified in its entirety by the full text of the Definitive Agreement, which is attached as Appendix "B" to this Information Circular.

Representations, Warranties and Covenants

The Definitive Agreement contains customary representations and warranties made by each of the parties in respect of the respective assets, liabilities, financial position, business and operations of the Corporation and XORTX. Both the Corporation and XORTX also provided covenants in favour of each other in the Definitive Agreement which govern the conduct of the operations and affairs of each respective party prior to the date of closing of the Transaction (the "**Transaction Closing Date**").

Conditions to the Transaction

The Definitive Agreement contains certain conditions to the obligations of the Corporation and XORTX to complete the Transaction. Unless all of such conditions are satisfied or waived by the party or parties for whose benefit such conditions exist, the Transaction will not be completed. The following is a summary of the significant conditions contained in the Definitive Agreement:

- the Canadian Securities Exchange (the "**CSE**") having approved the Transaction;
- approval of the Shareholders of the Corporation for the matters to be considered at the Meeting;
- the Corporation shall have received fully executed letters of acceptance from holders of XORTX Shares holding in the aggregate not less than 90% of the issued and outstanding XORTX Shares at the Transaction Closing Date, and such letters of acceptance shall be validly tendered and not withdrawn;
- completion of the Financing, to be completed concurrently with the Transaction;
- each of the Corporation and XORTX having obtained all consents, approvals and authorizations, regulatory or otherwise, including any third party approvals and consents, required or necessary to be obtained in connection with the Transaction;

- the Corporation shall cause to be repaid in full, certain legal fees due and owing; and
- the CSE shall have conditionally approved the listing of the common shares of the Resulting Issuer ("**Resulting Issuer Shares**") issuable pursuant to the Transaction and upon exercise of any securities of the Resulting Issuer convertible or exercisable into Resulting Issuer Shares.

Termination of Definitive Agreement

The Definitive Agreement may be terminated at any time prior to Closing:

- by mutual written consent;
- by either XORTX or the Corporation, if there has been a misrepresentation, breach or non-performance by the breaching party of any representation, warranty, covenant or obligation contained in the Definitive Agreement, which could reasonably be expected to have a Material Adverse Effect (as defined in the Definitive Agreement) on the terminating party, provided the breaching party has been given notice of and thirty (30) days to cure any such misrepresentation, breach or non-performance;
- by either XORTX or the Corporation, if a condition for the terminating party's benefit has not been satisfied or waived; or
- by either XORTX or the Corporation, if the Closing has not occurred on or before December 31, 2017 or such later date as may be agreed to by XORTX and the Corporation (provided, that the right to terminate the Definitive Agreement shall not be available to any party whose failure to fulfill any of its obligations under the Definitive Agreement has been the cause of or resulted in the failure to consummate the transactions contemplated thereby).

Risk Factors Related to the Arrangement

The completion of the Definitive Agreement is subject to certain risks. The following is a list of certain risk factors which Shareholders should carefully consider before making a decision to approve the Transaction Resolution:

- the Corporation may not realize the anticipated benefits of the Transaction;
- the Corporation and XORTX may not satisfy all regulatory requirements or obtain the necessary approvals for completion of the Transaction on satisfactory terms or at all;
- the Definitive Agreement may be terminated in certain circumstances;
- the Transaction may not be completed due to the failure to satisfy any conditions set out in the Definitive Agreement, including certain conditions which are not in the control of the Corporation or XORTX;
- the market price for the Common Shares may decline;
- the Corporation and XORTX expect to incur significant costs associated with the Transaction;
- if the Transaction is not completed, the Corporation's future business and operations could be harmed;
- general economic conditions of Canada and the United States and globally;
- the Common Shares issued in connection with the Transaction may have a market value that is different than expected; and

- no cash dividends are expected to be paid on the Common Shares in the foreseeable future.

There are additional risk factors contained within the Transaction Statement which Shareholders should carefully consider and review.

Stock Exchange Listing Approval

The Common Shares are listed on the CSE under the symbol "APG".

It is a mutual condition to the completion of the Transaction that the CSE shall have: (i) approved the Definitive Agreement and the Transaction; and (ii) agreed to list the Common Shares issued in connection with the Definitive Agreement and the Transaction and the Common Shares issued in connection with the Financing.

TRANSACTION WITH XORTX PHARMA CORP.

The Corporation entered into the Definitive Agreement with XORTX on August 8, 2017 in respect of a proposed transaction whereby the Corporation will acquire all of the issued and outstanding XORTX Shares by way of an exempt take-over bid. XORTX Shareholders who tender their XORTX Shares to the bid will receive 2.311 post-Consolidation Common Shares of the Corporation for each one XORTX Share held by such XORTX Shareholder. Upon completion of the Transaction, the Corporation will change its name to "**XORTX Pharma Inc.**" or such other name as may be determined. All references herein to "**Resulting Issuer**" refer to the Corporation after completion of the Transaction.

It is expected that upon completion of the Transaction, XORTX will continue as a wholly-owned subsidiary of the Corporation and will continue to exist as the same legal entity as previously existed.

Upon the completion of the Transaction, in accordance with the terms of the Definitive Agreement, the Resulting Issuer will carry on business, through its subsidiary XORTX, as a drug development company, primarily focused on orphan disease indications.

Shareholder approval is required to approve the Transaction. Full details regarding XORTX, the Transaction and the Resulting Issuer are disclosed in the summary above and in the Transaction Statement attached hereto as Appendix "A". A Listing Statement has been prepared and will be filed in accordance with the policies of the CSE. Subject to the approval of the CSE, the Listing Statement will be filed with applicable Canadian securities regulatory authorities and posted on SEDAR at www.sedar.com.

Shareholders are urged to review the Transaction Statement as it contains important disclosure regarding the Resulting Issuer and the Transaction.

Management of the Corporation believes that all material consents, rulings, approvals and assurances required for the completion of the Transaction will be obtained prior to the Transaction Closing Date in the normal course upon application therefore, however, there can be no assurance that all of the conditions to the Transaction will be fulfilled prior to the anticipated Transaction Closing Date. The fulfilment of certain of the conditions may be waived by the parties to the Definitive Agreement.

The aforementioned is only a summary of the Definitive Agreement. Readers are encouraged to refer to the Definitive Agreement, a copy of which is attached hereto and which has also been filed by the Corporation with the Canadian securities regulatory authorities and is available at www.sedar.com.

Subject to receipt of all approvals, including from the CSE, the Transaction is scheduled to close not later than December 31, 2017 or such other date as may be agreed to in writing by the Corporation and XORTX. Certain of the resolutions sought to be passed by the Shareholders at the Meeting will be conditions to the completion of the Transaction. Failure to pass these resolutions could impede or prevent the completion of the Transaction.

VOTING SHARES AND PRINCIPAL HOLDERS OF VOTING SECURITIES

Shareholders of record as of October 11, 2017 (the "**Record Date**") are entitled to receive notice and attend and vote at the Meeting. As at the Record Date, the Corporation had 20,382,000 issued and outstanding Common Shares. These Common Shares are the only voting shares of the Corporation which are issued and outstanding as of the Record Date. Each Common Share entitles the holder to one vote in respect of any matter that may come before the Meeting.

To the knowledge of the directors and officers of the Corporation, as at the Effective Date, no person or corporation beneficially owns, directly or indirectly, or exercises control or direction over, more than 10% of the voting rights attached to issued and outstanding Common Shares.

INDEBTEDNESS OF DIRECTORS AND OFFICERS

No directors or officers of the Corporation, nor any associate or affiliate of any one of them, is or was indebted, directly or indirectly, to the Corporation or its subsidiaries at any time since the beginning of the financial period ended February 28, 2017.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Except as disclosed in this Information Circular, no director or officer of the Corporation, or informed person, nor any other insider of the Corporation, nor any associate or affiliate of any one of them, has or has had, at any time since the beginning of the financial period ended February 28, 2017, any material interest, direct or indirect, in any transaction or proposed transaction that has materially affected or would materially affect the Corporation.

INTEREST OF DIRECTORS AND OFFICERS IN MATTERS TO BE ACTED UPON

Except as disclosed in this Information Circular, no director or senior officer of the Corporation has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting.

MANAGEMENT CONTRACTS

No management functions of the Corporation are to any substantial degree performed by any other person or company other than by the directors or executive officers of the Corporation.

AUDITOR

The auditor of the Corporation is Manning Elliott LLP, located at 1050 West Pender Street, 11th Floor, Vancouver, British Columbia. Manning Elliott LLP has served as the Corporation's auditor since incorporation.

MATTERS TO BE CONSIDERED AT THE MEETING

To the knowledge of the board of directors, the only matters to be brought before the Meeting are set forth in the accompanying Notice. These matters are described in more detail under the headings below.

1. Approval of the Transaction

At the Meeting, the Shareholders will be asked to consider, and if deemed advisable, approve, with or without variation, an ordinary resolution to approve, among other things: the Definitive Agreement and the Transaction. The text of the ordinary resolution is as follows:

"**BE IT HEREBY RESOLVED** as an ordinary resolution of the Corporation that:

(1) the support agreement between the Corporation and XORTX Pharma Corp. dated August 8, 2017, and the transactions contemplated therein, including the issuance of common shares of the Corporation, are hereby authorized, approved, ratified and confirmed; and

(2) any one director or officer be and is hereby authorized and directed to execute on behalf of the Corporation, and to deliver and to cause to be delivered all such documents, agreements and instruments and to do and to cause to be done all such other acts or things as he shall determine to be necessary or desirable to carry out the intent of this special resolution",

(the "**Transaction Resolution**").

Full details regarding XORTX, the Transaction and the Resulting Issuer are disclosed in the Transaction Statement attached hereto as Appendix "A". A Listing Statement has been prepared and will be filed in accordance with the policies of the CSE. Subject to the approval of the CSE, the Listing Statement will be filed with applicable Canadian securities regulatory authorities and posted on SEDAR at www.sedar.com.

Vote Required

To be effective, the Transaction Resolution must be passed by a majority of the votes cast by the holders of Common Shares at the Meeting, with each holder of Common Shares entitled to one vote for each share held. Shareholder approval of the Transaction is required in order to complete the Transaction. If the holders of Common Shares do not approve the Transaction Resolution, the Transaction will not proceed.

Management recommends that Shareholders vote FOR the adoption of the Transaction Resolution.

PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED FOR THE APPROVAL OF THE TRANSACTION RESOLUTION UNLESS A SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT THE COMMON SHARES ARE TO BE VOTED AGAINST THE TRANSACTION RESOLUTION.

ADDITIONAL INFORMATION

Additional Information relating to the Corporation is available on the SEDAR website at www.sedar.com.

DIRECTOR APPROVAL

The contents of this Information Circular and the sending thereof to the Shareholders of the Corporation have been approved by the board of directors of the Corporation.

November 10, 2017

(signed) "*Robert Coltura*"
Robert Coltura
Chief Executive Officer

APPENDIX "A"

TRANSACTION STATEMENT

(Please see the following page)

TRANSACTION STATEMENT

XORTX PHARMA INC.

November 10, 2017

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1. GLOSSARY OF TERMS

Unless otherwise indicated, the following terms used in this Transaction Statement and the Schedules hereto shall have the meanings ascribed to them as set forth below:

"**ADPKD**" means autosomal dominant polycystic kidney disease;

"**APAC**" means APAC Resources Inc. prior to completion of the Transaction;

"**APAC Financing Warrants**" means share purchase warrants issued pursuant to the Financing, each warrant entitling the holder to purchase one additional post-Consolidation APAC Share at a price of $0.80 for a period of two years from the date of issuance of the APAC Units and containing a proviso that in the event that the APAC Shares trade on the CSE at a closing price of greater than $1.20 per APAC Share for a period of 10 consecutive trading days at any time after four months and one day after the date of issuance of the APAC Units, APAC may accelerate the expiry date of such warrants by giving notice to the holders thereof by way of a news release and, in such case, the warrants will expire on the 30th day after the date of dissemination of the news release;

"**APAC Options**" means options to purchase APAC Shares;

"**APAC Shareholders**" means, collectively, the registered and beneficial holders of all the APAC Shares;

"**APAC Shares**" means the issued and outstanding common shares in the capital of APAC;

"**APAC Units**" means the units to be issued by APAC pursuant to the Financing, each unit consisting of one post-Consolidation APAC Share and one APAC Financing Warrant,

"**APAC Warrants**" means the 6,774,400 share purchase warrants to acquire APAC Shares each such warrant entitling the holder thereof to acquire one pre-hare Consolidation APAC Share at $0.08 (in respect of 6,432,000 APAC Warrants) and $0.15 (in respect of 342,400 APAC Warrants) until September 29, 2017;

"**Closing**" means the completion of the Transaction;

"**Closing Date**" means the date of the Closing;

"**Consolidation**" means the consolidation of APAC Shares, prior to the completion of the Transaction, on the basis of one (1) post-Consolidation APAC Share for each four (4) pre-Consolidation APAC Shares;

"**CSE**" means the Canadian Securities Exchange Inc.;

"**Definitive Agreement**" means the support agreement dated August 8, 2017 between APAC and XORTX Pharma Corp., relating to the Transaction, and includes any subsequent amending agreement or instrument supplementary or auxiliary thereto;

"**Financing**" means the proposed private placement of not less than 4,000,000 APAC Units at a price of $0.50 per APAC Unit for aggregate gross proceeds of not less than $2,000,000 to be completed concurrently with the Transaction;

"**FDA**" means the U.S. Food and Drug Administration;

"**IND**" means an investigational new drug application;

"**Meeting**" means the special meeting of the APAC Shareholders, to be held on December 8, 2017;

"**Name Change**" means a change of the name of APAC from "APAC Resources Inc." to "XORTX Pharma Inc." or such other name as selected by the board of directors of the Resulting Issuer;

"**NDA**" means new drug application;

"**Resulting Issuer**", "**our**", or "**we**" means XORTX Pharma Inc., formerly APAC, the company resulting from the completion of the Transaction and after giving effect to the Name Change;

"**Resulting Issuer Shares**" means the issued and outstanding common shares in the capital of the Resulting Issuer, after giving effect to the Transaction;

"**Securities Commissions**" means, collectively, the securities commissions or similar regulatory authorities in each of Alberta, British Columbia and Ontario;

"**T2DN**" means type 2 diabetic nephropathy;

"**Transaction Statement**" means this Transaction Statement including the Schedules hereto;

"**Transfer Agent**" means TSX Trust Company, at 200 University Avenue, Suite 300, Toronto, Ontario, M5H 4H1;

"**Transaction**" means the reverse takeover of APAC by XORTX by way of an exempt take-over bid by APAC to all of the XORTX Shareholders, as contemplated in the Definitive Agreement;

"**XORLO**" means a formulation of oxypurinol – a xanthine oxidase inhibitor, two clinically important features of the formulation are substantially increased aqueous solubility and bioavailability of oxypurinol;

"**XORTX**" means XORTX Pharma Corp;

"**XORTX Options**" means options to purchase XORTX Shares;

"**XORTX Shareholders**" means all shareholders of XORTX at any given time; and

"**XORTX Shares**" means the issued and outstanding common shares in the capital of XORTX.

Words importing the singular number only include the plural and vice versa, and words importing any gender include all genders.

SPECIAL NOTE REGARDING FORWARD LOOKING STATEMENTS

This Transaction Statement contains forward-looking statements. All statements other than statements of historical fact contained in this Transaction Statement, including statements regarding the Resulting Issuer's strategy, future operations, future financial position, future revenue, projected costs, prospects, plans, objectives of management and expected market growth are forward-looking statements. These statements involve known and unknown risks, uncertainties and other important factors that may cause the Resulting Issuer's actual results,

performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

The words “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “should,” “target,” “will,” “would” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These forward-looking statements include, among other things, statements about:

- the growth plans of the Resulting Issuer;
- the Resulting Issuer’s ability to obtain additional financing and the consequences of such financing;
- the availability and use of funds;
- the accuracy of the Resulting Issuer’s estimates regarding expenses, future revenues and capital requirements;
- the intention to develop short and long term compensation plans with directors and officers of the Resulting Issuer, the anticipated composition of such plans, and the consequences of implementation of such plans;
- the intention to enter into confidentiality, nondisclosure, employment and consulting agreements with directors and officers of the Resulting Issuer;
- the loss, addition or retention of key scientific or management personnel;
- the composition of the Resulting Issuer’s committees and boards;
- the success, timing and number of the Resulting Issuer’s preclinical studies and clinical trials;
- the probability of translating clinical trial testing;
- the timing of the Resulting Issuer’s required regulatory applications;
- the Resulting Issuer’s ability to obtain and maintain regulatory approval of XORLO and any other product candidates the Resulting Issuer may develop, and the labeling under any approval the Resulting Issuer may obtain;
- the Resulting Issuer’s compliance with regulatory standards and requirements;
- anticipated extensions to patent applications;
- regulatory developments in the United States and other countries;
- the timing for licensing of the ADPKD and T2DN programs;
- the use of third-party manufacturers and the performance of such manufacturers;
- the Resulting Issuer’s plans to develop and commercialize product candidates;
- the Resulting Issuer’s ability to obtain and maintain intellectual property protection for product candidates, and potential reliance on trade secrets where patent protection is unavailable;
- the successful development of the Resulting Issuer’s sales and marketing capabilities;
- the potential markets for the Resulting Issuer’s product candidates and the Resulting Issuer’s ability to serve those markets;
- the rate and degree of market acceptance of any future products;
- the expected benefits of XORLO and any other product candidates the Resulting Issuer may develop;
- the success of competing drugs that are, or become available, as well as the intellectual property protections acquired for such competing drugs; and
- expectations regarding the payment of dividends.

Forward-looking information is also contained in this Transaction Statement, respecting:

- the perceived benefits of the Transaction;
- the attributes of the Resulting Issuer following completion of the Transaction;
- the structure and effect of the Transaction which are based upon the terms of the Definitive Agreement and the transactions contemplated thereby; and
- certain steps in, and timing of, the Transaction.

XORTX and APAC rely on certain key expectations and assumptions in making the forecasts, projections, predictions or estimations set out in forward-looking information. These factors and assumptions are based on information available at the time that the forward-looking information is provided. These include, but are not limited to, expectations and assumptions concerning:

- the availability of capital to fund planned expenditures;
- prevailing regulatory, tax and environmental laws and regulations;
- the ability to secure necessary personnel, equipment and services;
- the ability to complete research and development activities in a timely manner, or at all;
- the success of clinical trials and testing, including the Resulting Issuer's clinical strategy; and
- the receipt of required approvals in respect of the Transaction, including without limitation, the approval of the CSE.

Undue reliance should not be placed on forward-looking information because a number of risks and factors may cause actual results to differ materially from those set out in such forward-looking information. These include:

- incorrect assessments of the value of acquisitions and development programs;
- incorrect assessments of the Resulting Issuer's clinical strategy and research and development efforts;
- reliance on third parties to conduct development and clinical trials;
- technical and processing problems;
- the ability to establish a sales, marketing and distribution infrastructure or enter into collaborations with partners to perform these functions;
- market acceptance of the Resulting Issuer's product candidates;
- the ability to obtain necessary regulatory approvals;
- the potential for product liability exposure and other claims brought against the Resulting Issuer that may divert resources from normal operations;
- the actions of competitors in the pharmaceutical research and development industry;
- the ability to maintain and enforce intellectual property rights;
- the possibility that the Resulting Issuer may be the subject of an intellectual property infringement claim;
- the ability to license patent rights in order to develop our product candidates;
- the possibility that a regulatory authority may grant an orphan drug designation for a drug and indication combination that is similar to a drug and indication combination of the Resulting Issuer to a competitor;
- actions by governmental authorities, including increases in taxes;
- the availability of capital on acceptable terms;
- fluctuations in foreign exchange, currency, or interest rates and stock market volatility;
- failure to receive regulatory and shareholder approvals or to otherwise satisfy conditions precedent to the completion of the Transaction;
- the other factors specifically identified as risk factors in this Transaction Statement and the documents incorporated by reference herein; and
- potential labour unrest.

Readers are cautioned that the foregoing list of factors should not be construed as exhaustive.

The forward-looking statements included in this Transaction Statement expressly qualified by this cautionary statement and are made as of the date of this Transaction Statement. Neither APAC, XORTX nor the Resulting Issuer undertake any obligation to publicly update or revise any forward-looking statements, except as required by applicable securities laws.

2. CORPORATE STRUCTURE

2.1 Corporate Name

The full corporate name of the Resulting Issuer will be XORTX Pharma Inc. (formerly, APAC Resources Inc.). The head office and registered office of XORTX are located at Suite 4000, 421 – 7th Avenue S.W., Calgary, Alberta, T2P 4K9.

The head office and registered office of APAC Resources Inc. is 551 Howe Street, Suite 200, Vancouver, British Columbia, V6C 2C2.

The head and registered office of the Resulting Issuer is anticipated to be Suite 2400, 745 Thurlow Street, Vancouver, British Columbia, V6E 0C5.

2.2 Incorporation

APAC Resources Inc.

APAC was incorporated pursuant to the *Business Corporations Act* (British Columbia) on May 31, 2011.

APAC's head office is located at Suite 200 - 551 Howe Street, Vancouver, British Columbia, V6C 2C2 and the registered office is located at Salley Bowes Harwardt Law Corp., Barristers and Solicitors, Suite 1750, 1185 West Georgia Street, Vancouver, British Columbia, V6E 4E6.

XORTX Pharma Corp.

XORTX Pharma Corp. was formed by Certificate of Continuance on February 27, 2013, under the *Canada Business Corporations Act*. Its Registration No. is 8448213. Its principal business office is located at 29 Aspen Meadows Park SW Calgary, AB, T3H 5Z7. Prior to the continuance, XORTX was named Revascor, Inc., a corporation incorporated under the *Business Corporations Act* (Alberta) on August 24, 2012. XORTX was extra-provincially registered in Alberta on February 14, 2014 and in British Columbia on February 28, 2013.

2.3 Intercorporate Relationships

APAC Resources Inc.

APAC has no subsidiaries.

XORTX Pharma Corp.

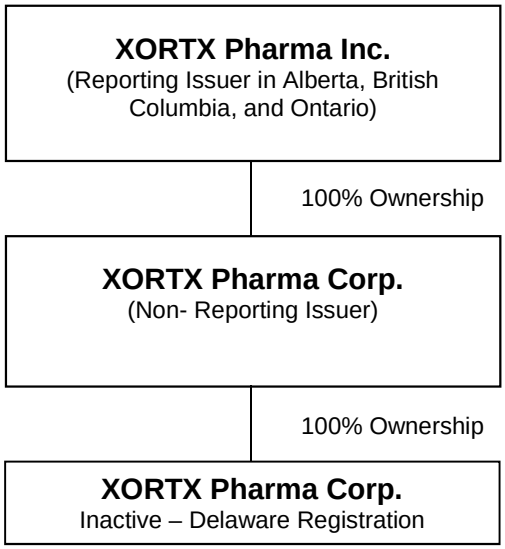
XORTX has a wholly-owned U.S. subsidiary named XORTX Pharma Corp. (Del.), which was incorporated under the laws of the State of Delaware on July 27, 2012 as Revascor, Inc. (Del.). The capital stock of Revascor, Inc. (Del.) was assigned to XORTX on October 9, 2012. It changed its name to XORTX Pharma Corp. (Del.) on February 7, 2013, and is now an inactive subsidiary of XORTX.

2.4 Fundamental Change

In conjunction with the Transaction, APAC will undergo a fundamental change as defined by the policies of the CSE. A fundamental change pursuant to CSE policies involves a fundamental change or change of business of a listed issuer which effectively results in a new issuer.

Following completion of the Transaction and Name Change, the Resulting Issuer will own all of the outstanding XORTX Shares. The Resulting Issuer will carry on its business through XORTX as a wholly-owned subsidiary.

The corporate structure of Resulting Issuer will be as follows:



Management of APAC and XORTX have determined that a reverse take-over transaction on the terms set out in the Definitive Agreement would permit APAC and XORTX to achieve their respective goals, and would be fair and reasonable to, and in the best interests of, the shareholders of APAC and XORTX.

3. GENERAL DEVELOPMENT OF THE BUSINESS

General Development of the Business of APAC

APAC has since inception been engaged in the business of mineral exploration in British Columbia. Its objective was to locate and develop economic precious and base metals properties of merit.

To this end, APAC entered into the an option agreement (the "**Lekcin Option Agreement**") with John A. Chapman, KGE Management Ltd., Michael Blady and Christopher Paul (the "**Lekcin Optionors**") dated February 18, 2015, and amended June 3, 2015 and July 23, 2015, pursuant to which the Optionors granted APAC an option to earn a 100% in the Lekcin property (the "**Lekcin Property**"), consisting of 23 contiguous mineral claims comprising approximately 7,178 hectares, located in the New Westminster Mining Division, British Columbia, Canada.

To exercise its option to acquire a 100% interest in the Lekcin Property, pursuant to the terms of the Lekcin Option Agreement, APAC agreed to pay an aggregate $145,000 and issue an aggregate 700,000 APAC Shares to the Lekcin Optionors and to incur an aggregate minimum $2,000,000 in exploration expenditures on the Lekcin Property over a period of four years.

During the year ended February 29, 2016, based on the results of work programs conducted on the Lekcin Property, management decided not to pursue further work on the Lekcin Property and thereafter terminated the Lekcin Option Agreement.

On February 15, 2017, APAC entered into an option agreement (the "**Shuswap Option Agreement**") with Craig A. Lynes and Rich River Exploration Ltd. (the "**Shuswap Optionors**") whereby APAC was granted an option to acquire a 100% interest in the Shuswap Silver Project, consisting of 20 mineral claims (comprising approximately 3,208 hectares) located approximately 8 km southwest of Sicamous, British Columbia (the "**Shuswap Property**"). To exercise its option to acquire a 100% interest in the Shuswap Property, pursuant to the terms of the Shuswap Option Agreement, APAC agreed to pay an aggregate $100,000 and issue an aggregate 750,000 APAC Shares to the Shuswap Optionors and to incur an aggregate minimum $1,100,000 in exploration expenditures on the Shuswap Property over a period of five years. The Optionors have retained a 2% net smelter returns royalty of which 1% can be purchased by APAC in consideration for a payment of $750,000 to the Optionors and the remaining 1% can be purchased for a further payment of $750,000 to the Optionors.

To date, APAC has paid a total of $5,000 to the Optionors pursuant to the Shuswap Option Agreement but has decided to make no further payments, share issuances or program expenditures pending completion of the Transaction. In the event the Transaction is completed, management will assess whether or not to pursue further work on the Shuswap Property or dispose of its interests in the Shuswap Option Agreement.

General Development of the Business of XORTX

XORTX is a bio-pharmaceutical company, dedicated to developing and commercialization of therapies regarding progressive kidney disease modulated by aberrant purine and uric acid metabolism in orphan disease indications and larger market type 2 diabetic nephropathy, fatty liver disease.

The primary development program for XORTX is at the clinical stage and is focused on demonstrating first-in-class therapy for autosomal dominant polycystic kidney disease ("**ADPKD**"), an orphan disease. XORTX has a second, clinical stage program that is currently evaluating two new chemical entities for the treatment of type 2 diabetic nephropathy ("**T2DN**").

The Transaction

On August 8, 2017, APAC entered into a support agreement with XORTX, which set out the terms and conditions pursuant to which APAC and XORTX would complete a reverse takeover transaction by way of an exempt take-over bid by APAC to all of the XORTX Shareholders (the "**Definitive Agreement**").

Under the Definitive Agreement, APAC agreed to offer to purchase all of the issued and outstanding common shares of XORTX. Each shareholder of XORTX who accepts the offer to purchase will exchange, transfer and assign all of the XORTX shares such XORTX Shareholder owns or will own at the Closing Time to APAC, in consideration for the issuance by APAC on the basis of 2.311 post-Consolidation APAC Shares for each one XORTX Share. Prior to the

Closing of the Transaction, APAC shall effect a share consolidation of the APAC Shares on the basis of one post-consolidation APAC Share for every four pre-consolidation APAC Shares (the "**Consolidation**").

Fractional APAC Shares shall not be issued or otherwise provided for. The number of APAC Shares issuable to a particular XORTX Shareholder shall be rounded up to the next whole number of APAC Shares if the fractional entitlement is equal to or greater than 0.5 and shall, without any additional compensation, be rounded down to the next whole number of APAC Shares if the fractional entitlement is less than 0.5.

Under the terms of the Definitive Agreement a number of conditions have to be satisfied prior to the Closing of the Transaction, including:

(a) the CSE having approved the Transaction;

(b) approval of the APAC Shareholders for the matters to be considered at the Meeting including: (i) the Definitive Agreement and Transaction; (ii) the Consolidation; and (iii) the Name Change;

(c) APAC shall have received fully executed letters of acceptance from holders of XORTX Shares holding in the aggregate not less than 90% of the issued and outstanding XORTX Shares at the Closing Date, and such letters of acceptance shall be validly tendered and not withdrawn;

(d) APAC having effected the Consolidation;

(e) closing of the Financing;

(f) payment by APAC of certain legal fees due and owing;

(g) each of APAC and XORTX having obtained all consents, approvals and authorizations, regulatory or otherwise, including any third party approvals and consents, required or necessary to be obtained in connection with the Transaction; and

(h) the CSE shall have conditionally approved the listing of the common shares of the Resulting Issuer ("**Resulting Issuer Shares**") issuable pursuant to the Transaction and upon exercise of any securities of the Resulting Issuer convertible or exercisable into Resulting Issuer Shares.

The Definitive Agreement contains customary representations and warranties made by each of APAC and XORTX relating to, among other things, corporate status, capitalization, corporate authorization and enforceability of the Definitive Agreement and the Transaction. The representations and warranties also address various matters relating to the business, operations and properties of the parties, including APAC's public documents; ownership of XORTX's intellectual property; absence of undisclosed liabilities; absence of material adverse effects and certain other changes or events since the date of the last audited financial statements; disclosure of litigation or certain other actions; compliance with laws, licenses and permits; tax matters; and financial statements. The representations and warranties were made solely for the purposes of the Definitive Agreement and are subject to important qualifications and limitations agreed to by the parties in connection with negotiating the terms of the Transaction.

APAC and XORTX have also agreed to a number of customary mutual covenants, including: (i) to satisfy each of the conditions precedent to the Transaction to be satisfied by such party; (ii) to take or cause to be taken all other action and to do, or cause to be done, all other things necessary, proper or advisable to effect the Transaction; and (iii) to obtain all consents, waivers, approvals and authorization necessary to consummate the Transaction or reasonably required to effect the Transaction or in connection therewith. Each of APAC and XORTX have also agreed to a number of mutual covenants in respect of the preparation and mailing of a management information circular of APAC, the holding of an APAC shareholder meeting to approve the Transaction and related matters, the application to the CSE. APAC has agreed, subject to receipt of requisite shareholder approvals, to effect the Consolidation, to carry out the Financing and to complete the Transaction.

4. NARRATIVE DESCRIPTION OF THE BUSINESS

4.1 General Business of APAC

The principal business carried on by APAC since inception has been the acquisition, exploration and development of natural resource properties in British Columbia. A summary of its former and current natural resource property interests is contained in Item 3 herein under the heading "General Development of the Business of APAC".

Based on management's assessment of the prospects of APAC's natural resource properties and the natural resource exploration industry generally, management decided to pursue other business opportunities. In June 2017, APAC entered into a letter of intent with XORTX with respect to the Transaction. In the event the Transaction is approved by APAC's shareholders, APAC intends to focus on the growth and development of the XORTX business, described in Item 4.2 below.

4.2 General Business of XORTX and the Resulting Issuer

Business Objectives

XORTX intends to grow its business by completing two phase II clinical trials in ADPKD and T2DN, and out-licensing these post-phase II programs. In addition, XORTX plans to grow by expanding our knowledge and technical expertise into new programs to treat orphan progressive kidney disease, fatty liver disease, and health issues related to diabetes.

XORTX's overall strategic goal is to have two phase II trials underway within 14 months, advancing two proprietary products into scientifically rigorous phase II testing. Based upon recently published and successful phase II clinical pilot trials, progression of kidney disease in ADPKD and chronic kidney disease (~50% T2DN) can be slowed or perhaps stopped by decreasing uric acid levels into the mid-normal range of serum concentration.[1] Given the existing, successful clinical data showing the benefit of lowering uric acid levels in progressive kidney disease, we anticipate that the probability of translating our clinical trial testing will be

[1] See (i) Helal, et al., Serum Uric Acid, Kidney Volume, and Progression in Autosomal-Dominant Polycystic Kidney Disease, Nephrol Dial Transplant, 2013 28:380-385; (ii) Han M, et al., Hyperuricemai and Deterioration of Renal Function in Autosomal Dominant Polycystic Kidney Disease, BMC Nephrol, 2014, 15:63; (iii) Goicochea M, et al., Effect of Allopurinol in CKD Am J Kidney Dis 2010, 5, 1388; (iv) Goicochea M et al., Allopurinol and CKD-AJKD and CV events-followup, Am J Kid Dis, 2015; and (v) Zioppini G., et al., Serum Uric Acid Levels and Incident Chronic Kidney Disease in Patients with Type 2 Diabetes and Preserved Kidney Function, Diabetes Care 2012 35: 99-104.

increased, with the further implementation of a dose escalation protocol to optimize the amount of uric acid lowering for each individual patient.

Operational Milestones

The following sets forth the operational milestones relating XORTX's business objectives:

With respect to ADPKD:

1. Submit an IND to advance XORLO into phase II trials within 10 months for the treatment of ADPKD and receive 'orphan designation' for this program.
2. Initiate and complete a phase II trial in ADPKD within the next 30 months.
3. Complete licensing agreements for the ADPKD program within the next 36 months with Global Pharmaceutical Company partners in Europe, Japan, Korean and/or North American partners resulting in upfront, milestone and royalty payments upon NDA approval.
4. Co-develop XORLO through a single phase III trial with a licensing partner (optional).

With respect to T2DN:

1. Select a candidate from two proprietary xanthine oxidase inhibitors and complete in-license of molecule for at least US and European markets.
2. Submit an IND to advance the XRx-221 molecule into phase II trials within 14 months for the treatment of T2DN.
3. Initiate and complete a phase II proof of concept trial for T2DN within the next 36 months.
4. Complete licensing agreement with large market pharmaceutical partner for phase IIIa and IIIb development of T2DN followed by NDA submission to the FDA.

XORTX is also involved in ongoing discussions with a number of specialty pharmaceutical companies from varied jurisdictions with respect to partnering of the ADPKD program once phase II clinical trial data is complete.

Tertiary programs of interest to XORTX include several orphan disease indications where aberrant purine and uric acid metabolism could be accelerating kidney and liver disease progression. Those orphan diseases include "Follow-On Orphan Market Opportunities": IgA Nephropathy, Lupus Nephritis, Nephropathy associated with Cystic Fibrosis, and type 1 Diabetic Nephropathy, which will proceed with pre-clinical evaluation of the contribution of high serum uric acid to disease progression as available funding, staff, and time capacity permit.

The Orphan Disease Value Proposition

Orphan disease programs provide a "fast track" and lower development cost opportunity owing to shorter developmental timelines, decreased trial sizes and a robust market value. In addition, upon marketing approval, 7 year market exclusivity in the US (10 years in Europe and Japan) as well as strong pricing and margin protection creates the environment for development. The ADPKD orphan disease program is anticipated to have phase II clinical results within 30 months of closing $10 million in financing and, as a result, provide for potential licensing as early as 2020. Positioning oxypurinol for orphan disease markets is an effective approach to de-risk

development, by utilizing a drug with a well characterized chemistry and manufacturing, excellent clinical safety and efficacy profile.

Principal Products and Patents

Products

XORTX's primary development program is at the clinical stage and is focused on demonstrating the potential of our first-in-class therapy for ADPKD, an orphan disease. XORTX outsources substantial portions of its operations to third-party service providers, including the conduct of preclinical studies and clinical trials, collection and analysis of data and manufacturing. XORTX has a second clinical stage, currently evaluating two proprietary, candidate chemical entities under development for T2DN.

XORLO, a proprietary formulation of oxypurinol designed to decrease and maintain serum uric acid levels, is intended to treat certain prevalent conditions including pre-diabetes, insulin resistance, and metabolic syndrome, as well as the health consequences of diabetes, including diabetic nephropathy and fatty liver disease, by lowering serum uric acid levels.

Oxypurinol is the primary active metabolite of allopurinol and was previously under development for congestive heart failure and allopurinol intolerant gout, but is not approved for marketing anywhere in the world for disease indication. To the knowledge of XORTX management as of the date of this Transaction Statement, no clinical development of the molecule has been conducted since 2005. Oxypurinol was previously developed clinically through the NDA stage and so is characterized as effective and clinically safe by regulatory agencies. The new formulation of XORLO is designed to increase bioavailability of oxypurinol. For this reason, XORTX will initiate clinical development of XORLO in phase II trials.

XORTX has two additional 'second generation' drug candidates under development that target xanthine oxidase. In addition, XORTX is currently in negotiations to license additional uric acid lowering agents for development in our programs. Successful completion of these steps is expected to advance other progressive kidney disease programs available to XORTX.

The management team of XORTX is experienced with drug development of xanthine oxidase inhibitors, oxypurinol, and drug development processes and procedures. That experience includes work on products marketed in Europe and the US. Individuals comprising the drug development team have 10 years or more industry experience in their respective disciplines.

Patents

XORTX has 3 U.S. granted patents with claims to the use of all uric acid lowering agents to treat high blood pressure, insulin resistance and diabetic nephropathy, and 4 U.S. patent applications with similar claims for the treatment of metabolic syndrome, diabetes, fatty liver disease as well as a composition of matter patent for formulations of xanthine oxidase inhibitors. Applications have also been submitted for some of the above diseases in Europe, Japan, and other jurisdictions.

Timing and Stage of Research and Development Programs

XORTX is currently preparing regulatory applications and clinical protocols for submission to the FDA, in support of both the ADPKD and T2DN programs.

Subsequent to submission to the FDA, XORTX plans to complete its first phase II clinical studies of ADPKD, followed by phase II clinical studies of T2DN. Assuming completion of the Transaction, XORTX anticipates initiation of those trials in approximately one year's time.

Autosomal Dominant Polycystic Kidney Disease (Primary Program)

XORTX's primary program is focused on development of XORLO for the treatment of ADPKD. XORTX is currently developing submissions to the FDA for Orphan Designation, a New Investigational drug application and Phase II clinical trial protocol. Orphan designation generates the opportunity to apply for granted funding of clinical trials which XORTX plans to pursue. These preliminary steps are expected to be completed within 10 months of the date of this Transaction Statement, assuming completion of the Transaction. During the second and third year of the program, XORTX plans to conduct phase II trials of XORLO in patients with ADPKD.

Diabetic Nephropathy (Secondary Program)

XORTX will initiate its secondary program for the disease indication of type 2 diabetic nephropathy, with an IND application to the FDA that will include a phase II clinical trial protocol. XORTX plans to conduct a Phase II trial for this program. The trial design has not yet been established, however, it is expected that a 160 patient clinical trial would be required.

Overview of Industry

At present, no drugs have been approved to treat progressive kidney disease associated with polycystic kidney disease or diabetic nephropathy in the US. Oxypurinol formulation is not approved as a therapeutic anywhere in the world and as such there is no available clinical supply. Our patent application for a proprietary formulation of oxypurinol will have an expiry date no earlier than March 2034 and is anticipated to receive a regulatory extension beyond this time.

This formulation, XORLO, has the unique property of increasing bioavailability of oxypurinol and is anticipated to increase the effective range over which the drug can be dosed orally.

A number of uric acid lowering agents are approved and restricted to the treatment of gout, classes of xanthine oxidase inhibitors, uricosurics and uricase. Xanthine oxidase inhibitors are the preferred class of uric acid lowering agent as they inhibit production of uric acid. Uricosuric drugs inhibit the reabsorption of uric acid from the urine resulting in uric acid lowering, but increase the probability of developing kidney stones, a state already increase in the presence of ADPKD or DN. Uricase use is restricted to acute cases of hyperuricemia.

Xanthine oxidase inhibitors, allopurinol and febuxostat, have a restriction on their product monographs warning that these drugs are not innocuous and warning against their use in any setting other than gout. XORTX does not consider the currently approved gout drugs to be competitors for the above reason.

Available Funds

As of the date of this Transaction Statement, the Resulting Issuer is expected to have approximately $1,768,000 available to it on the Closing of the Transaction. The source of these funds will be from an non-brokered private placement of APAC Units pursuant to the Financing.

Assuming that the Financing is fully subscribed for to the maximum offering amount, the Resulting Issuer is expected to have approximately $5,000,000 available to it on the Closing of the Transaction.

The Resulting Issuer is expected to use the funds available to it in furtherance of its stated business objectives, which are summarized below:

Use of Available Funds	Amount[(1)] ($)	Amount[(2)] ($)
Costs related to the Transaction	**90,000**	**90,000**
General administrative expenses (professional fees, office equipment, intellectual property costs)	**226,500**	**302,000**
Salaries, wages, benefits	**450,000**	**750,000**
Rent and utilities	**96,000**	**146,000**
Research and Development – ADPKD	**1,025,000**	**1,795,000**
Research and Development – Diabetic Nephropathy	**Nil**	**1,107,000**
Research and Development – Fatty liver disease	**Nil**	**750,000**

Notes:
(1) Assuming the current amount subscribed for under the Financing ($2.0 million) plus cash on hand.
(2) Assuming the maximum offering amount ($5 million) under the Financing is received plus cash on hand.

Assuming the minimum raise of $2,000,000, XORTX will focus activities on completing the following: 1) Submission of orphan designation (approximately $75,000); 2) Submission of ADPKD IND (approximately $500,000); 3) Pre-Clinical studies to characterize effects of XORLO (approximately $125,000); and 4) Manufacturing and formulation development for XORLO (approximately $325,000).

Assuming a maximum raise of $5,000,000, all of the activities above with additional manufacturing and formulation development in advance of phase II clinical trials (approximately $765,000). In addition, research and development work for the diabetic nephropathy program including: 1) Submission of an IND for Type 2 diabetic nephropathy (approximately $500,000); 2) Pre-clinical studies to characterize the effects of XRx-221 on animal models of type 2 diabetic nephropathy (approximately $530,000); 3) research and development activities in support of fatty liver disease will focus on pre-clinical work in support of future IND submissions (approximately $750,000).

In the event that the minimum proceeds are raised from the Financing, XORTX will focus on completing regulatory, support operations and research and development projects.

Any unallocated funds will be placed in a trust or escrow account, invested or added to the working capital of the Resulting Issuer. As of the date of this Transaction Statement, no specific arrangements have been made regarding the foregoing and any unallocated funds will be added to the working capital.

The estimated consolidated working capital (deficiency) as of June 30, 2017 for XORTX was $(394,970).

As of the date of this Transaction Statement, XORTX has one (1) employee.

5. SELECTED CONSOLIDATED FINANCIAL INFORMATION

5.1(a) Annual and Quarterly Information of APAC

APAC has incurred costs in seeking, evaluating and negotiating a potential reverse takeover transaction, and in meeting the disclosure obligations imposed upon it as a reporting issuer. The following table sets out selected historical financial information for APAC for the last three completed financial years and any period subsequent to the most recent financial year end for which financial statements have been prepared.

	Six Month Period ended August 31, 2017	Year Ended February 28, 2017 (audited)	Year Ended February 29, 2016 (audited)	Year Ended February 28, 2015 (audited)
Total revenues	Nil	Nil	Nil	Nil
Exploration expenditures	Nil	Nil	$33,000	$6,700
Management fees	$34,500	$69,000	$53,000	$16,500
General and administrative expenses	$63,316	$109,533	$93,576	$11,422
Share-based compensation expense	Nil	Nil	$48,315	Nil
Rent	$17,470	$15,000	$9,750	$9,000
Net Loss	<$115,286>	<$424,063>	<$204,641>	<$36,922>
Basic and diluted loss per common share	<$0.01>	<$0.02>	<$0.02>	<$0.00>
Total assets	$69,054	$190,785	$275,678	$180,089
Long-term financial liabilities	Nil	Nil	Nil	Nil
Cash dividends per share	Nil	Nil	Nil	Nil

Such information is derived from the audited and unaudited financial statements of APAC and should be read in conjunction with such financial statements. See "Schedule A – *Financial Statements of APAC and XORTX*".

5.1(b) Annual Information of XORTX

The following table summarizes selected information from XORTX's audited financial statements for the financial year ended December 31, 2016 and the period ended December 31, 2015. The financial information reported herein has been prepared in accordance with IFRS. XORTX uses the Canadian dollar ("**CDN**") as its reporting and functional currency.

The information set forth below should be read in conjunction with XORTX's management's discussion and analysis and the historical financial statement of XORTX and related notes contained elsewhere in this Transaction Statement. XORTX's historical financial information may not be indicative of the Resulting Issuer's future performance and does not necessarily reflect what the financial position and results of XORTX would have been had it operated as a separate, stand-alone public entity during the periods covered.

Selected Statement of Operations Data

	2016	2015	Change $	Change %
Amortization of intangible assets	$16,024	$14,005	+$2,019	+14.4%
Foreign Exchange	$870	$21,166	-$20,296	-95.9%
Insurance	$6,141	$5,782	+$359	+6.2%
Interest	$8,625	-	+8,625	N/A

Investor Relations and Consulting Fees	$15,000	$203	+14,797	+7,289%
Office, postage and misc.	$ 6,088	$14,097	-$8,009	-56.8%
Professional Fees	$20,493	$36,853	-$16,360	-44.4%
Share Based Payments	$203,875	$62,211	+$141,664	+227%
Telephone & Utilities	$3,925	$3,005	+$920	+30.6%
Trade shows and seminars	$3,092	-	+$3,092	N/A
Travel	$8,303	$296	+8,007	+2,705%
Wages & Benefits	$122,398	$121,691	+$707	+0.6%
Comprehensive Loss for the Year	$414,834	$279,309	+$135,525	+48.5%
Loss per Share	$0.02	$0.01	+$0.01	+100%

Selected Statement of Financial Position Data

	Dec. 31, 2016	**Dec. 31, 2015**
Cash and cash equivalents	$16,769	$34,113
Net working capital	$(581,190)	$(376,695)
Total assets	$282,463	$293,062
Total Liabilities	$599,525	$414,165
Shareholders' Equity	$(317,062)	$(121,103)

XORTX's MD&A provides an analysis of its financial results for the years ended December 31, 2016, and should be read in conjunction with the financial statements of XORTX for such period and the notes thereto. See "Schedule A – *Financial Statements of APAC and XORTX*" and "Schedule C – *XORTX MD&A*".

5.2(b) Quarterly Information of APAC

Please view the annual and quarterly information of APAC above, under the heading "Annual and Quarterly Information of APAC".

5.2(b) Quarterly Information of XORTX

The following table presents selected financial information for XORTX for each of the eight most recently completed quarters ending at the most recently complete financial year.

(unaudited)	**2016 Q4**	**2016 Q3**	**2016 Q2**	**2016 Q1**
Revenue	-	-	-	-
Total Comprehensive Loss (Gain)	$177,551	$158,207	$43,927	$35,149
Loss per Share, Basic and Fully Diluted	$(0.01)	$(0.01)	$0.00	$0.00
(unaudited)	**2015 Q4**	**2015 Q3**	**2015 Q2**	**2015 Q1**
Amortization of Intangible Assets	-	-	-	-
Total Comprehensive Loss (Gain)	$46,105	$57,696	$89,186	$86,322
Loss per Share, Basic and Fully Diluted	$(0.00)	$(0.00)	$0.00	$0.00

5.3 Dividends

Neither APAC nor XORTX have paid any dividends on its common shares since incorporation.

Other than statutory rules provided by the BCBCA, there are no restrictions in APAC's or XORTX's articles that prevent the declaration of dividends.

With respect to the Resulting Issuer, the payment of dividends, if any, rests within the sole discretion of the directors of the Resulting Issuer. The decision to declare and pay dividends depends upon earnings, capital requirements and financial condition, as well as other relevant factors. Since incorporation, XORTX has not declared any cash dividends and it intends to retain its earnings to finance the growth and expansion of its operations. As such, the Resulting Issuer does not anticipate paying any dividends on its common shares or other securities in the foreseeable future.

5.4 Foreign GAAP

The financial statements for APAC and XORTX are both prepared in accordance with IFRS.

6. MANAGEMENT'S DISCUSSION AND ANALYSIS

APAC's management's discussion and analysis for the year ended February 28, 2017 and the six months ended August 31, 2017 are attached as Schedule B hereto.

XORTX's management's discussion and analysis for year ended December 31, 2016 and the six-month period ended June 30, 2017 are attached as Schedule C hereto.

7. MARKET FOR SECURITIES

7.1 Listings

The APAC Shares are currently listed on the CSE under the trading symbol "APG". The closing trading price of the APAC Shares on the CSE on August 10, 2017 (the last day that any APAC Shares were traded) was $0.06. The APAC Shares were halted for trading on August 10, 2017 pending the completion of the Transaction.

None of the securities of XORTX have been listed for trading on any stock exchange or quotation system.

APAC and XORTX have applied to list the shares of the Resulting Issuer on the CSE. Listing is subject to fulfilling all of the requirements of the CSE.

8. CONSOLIDATED CAPITALIZATION

Consolidated Capitalization – Resulting Issuer

The following table sets out the capitalization of the Resulting Issuer after giving effect to the Transaction, and should be read with the unaudited *pro forma* consolidated financial statements of the Resulting Issuer included as Schedule D hereto:

Designation of Security	Authorized Amount	Amount Outstanding after Transaction (assuming minimum raise of $2,000,000 under Financing)	Amount Outstanding after Transaction (assuming maximum raise of $5,000,000 under Financing)
Resulting Issuer Shares	Unlimited	62,291,217	68,291,217
Resulting Issuer Warrants	N/A	4,000,000	10,000,000
Resulting Issuer Agent's Options	N/A	N/A	N/A
Resulting Issuer Stock Options	10% of issued and outstanding common shares	N/A	N/A

9. OPTIONS TO PURCHASE SECURITIES

The material attributes and features of each stock option to purchase common shares of the Resulting Issuer will be the same as the material attributes and features associated with the APAC Options.

The Resulting Issuer will adopt APAC's current stock option plan (the "**Stock Option Plan**"), which authorizes the issuance of incentive stock options to directors, officers, employees and consultants up to an aggregate of 10% of the issued shares from time to time. Incentive stock options under the Stock Option Plan may be granted by the Board of Directors to eligible persons who are directors, officers or consultants of the Resulting Issuer or its subsidiaries, or who are employees of a company providing management services to the Resulting Issuer, or who are eligible charitable organizations.

Stock options may be granted under the Stock Option Plan with a maximum exercise period of up to ten (10) years, as determined by the Board of Directors of the Resulting Issuer. The Stock Option Plan will limit the number of stock options which may be granted to any one individual to not more than 5% of the total issued shares of the Resulting Issuer in any 12 month period (unless otherwise approved by the disinterested shareholders of the Resulting Issuer), and not more than 10% of the total issued shares to all insiders at any time or granted over any 12 month period.

The number of options granted to any one consultant or person employed to provide investor relations activities in any 12 month period must not exceed 2% of the total issued shares of the Resulting Issuer. Any stock options granted under the Stock Option Plan will not be subject to any vesting schedule, unless otherwise determined by the Board of Directors. Options under the Stock Option Plan may be granted at an exercise price which is at or above the current discounted market price on the date of the grant.

In the event of the death or permanent disability of an optionee, any option granted to such optionee will be exercisable upon the earlier of 365 days from the date of death or permanent disability, or the expiry date of the option. In the event of the resignation, or the termination or removal of an optionee without just cause, any option granted to such optionee will be exercisable for a period of 90 days thereafter. In the event of termination for cause, any option granted to such optionee will be cancelled as at the date of termination.

Upon completion of the Transaction, there will be no outstanding stock options of the Resulting Issuer.

10. DESCRIPTION OF SECURITIES

10.1 APAC

The authorized share capital of APAC consists of an unlimited number of APAC Shares without par value. As of the date of this Transaction Statement, 20,382,000 APAC Shares were issued and outstanding.

Holders of APAC Shares are entitled to receive notice of, and to attend and vote at, all meetings of the shareholders of APAC, and each APAC Share confers the right to one vote, provided that the shareholder is a holder on the applicable record date declared by the APAC Board.

Holders of APAC Shares are entitled to receive dividends if, as and when declared by the board of directors of APAC.

In the event of a liquidation, dissolution or winding up of APAC or other distribution of assets of APAC among the APAC Shareholders, holders of APAC Shares shall rank equally as to priority of distribution.

10.2 XORTX

Common Shares

The authorized share capital of XORTX consists of an unlimited number of XORTX Shares without par value. As of the date of this Transaction Statement, 22,558,787 XORTX Shares were issued and outstanding.

Holders of XORTX Shares are entitled to receive notice of, and to attend and vote at, all meetings of the shareholders of XORTX, and each XORTX Share confers the right to one vote, provided that the shareholder is a holder on the applicable record date declared by the XORTX Board.

Holders of XORTX Shares are entitled to receive dividends if, as and when declared by the board of directors of XORTX.

In the event of a liquidation, dissolution or winding up of XORTX or other distribution of assets of XORTX among the XORTX Shareholders, holders of XORTX Shares shall rank equally as to priority of distribution.

Stock Options

As of the date of this Transaction Statement, there are 1,337,000 XORTX Stock Options issued and outstanding. The XORTX Options were issued pursuant to XORTX's stock option plan, approved by the XORTX Board on April 17, 2013.

The XORTX Options are exercisable for one XORTX Share at an exercise price of $0.10 per share (337,000 options) or $0.50 (1,000,000 options) for 36 months from the date such stock options were granted.

Pursuant to the terms of the Definitive Agreement: (i) all outstanding “in-the-money” XORTX Options will be exercised and converted into XORTX Shares prior to completion of the Transaction; and (ii) all outstanding “out-of-the-money” XORTX Options will be cancelled prior to completion of the Transaction.

10.3 Resulting Issuer

Resulting Issuer Shares

The material attributes and features of each Resulting Issuer Share will be the same as the material attributes and features associated with the APAC Shares.

The authorized share capital of the Resulting Issuer upon completion of the Transaction will be an unlimited number of common shares without par value (the "**Resulting Issuer Shares**"), of which: (i) assuming the minimum offering amount is raised under the Financing, there will be approximately 62,291,217 outstanding as fully paid and non-assessable; or (ii) assuming the maximum offering amount is raised under the Financing, there will be approximately 68,291,217 outstanding as fully paid and non-assessable.

Resulting Issuer Warrants

Upon completion of the Transaction: (i) assuming the minimum offering amount is raised under the Financing, there will be 4,000,000 outstanding warrants, each exercisable for one Resulting Issuer Share; or (ii) assuming the maximum offering amount is raised under the Financing, there will be 10,000,000 outstanding warrants, each exercisable for one Resulting Issuer Share.

Resulting Issuer Options

The material attributes and features of each Resulting Issuer stock option will be the same as the material attributes and features associated with the APAC Options. Upon completion of the Transaction, there will be no outstanding stock options of the Resulting Issuer.

10.7 Prior Sales - APAC

No APAC Shares were sold during the 12 month period preceding the date of this Transaction Statement.

10.8 Stock Exchange Price

None of the securities of XORTX are posted for trading on any stock exchange.

APAC Shares trade on the CSE under the symbol “APG”. The table below sets out the reported high and low prices for the common shares of APAC on the CSE along with the volume of APAC Shares traded on a monthly basis of the current quarter and the next preceding seven quarters:

Month(s)	High	Low	Volume
Q3 2017[(1)]	0.06	0.06	22,000

Q2 2017	0.06	0.03	571,500
Q1 2017	0.10	0.055	371,000
Q4 2016	0.14	0.07	540,800
Q3 2016	0.12	0.05	2,727,630
Q2 2016	0.05	0.05	140,000
Q1 2016	0.10	0.03	83,300
Q4 2015	0.11	0.05	415,000

Notes:
(1) APAC Shares were halted for trading on August 10, 2017 pending the completion of the Transaction.

11. ESCROWED SECURITIES

11.1 Escrow of Principal's Securities

Pursuant to an agreement between APAC and TSX Trust Company (the "**Escrow Agreement**") dated as of March 25, 2015, a total of 4,340,000 APAC Shares held by principals of APAC were escrowed for staged release over a period of three years following completion of APAC's initial public offering. As at the date of this Transaction Statement, 3,038,000 of these shares have been released from escrow 1,302,0000 shares remain subject to the Escrow Agreement. 50% of the remaining escrowed shares will be released on March 31, 2018 and 50% will be released on September 30, 2018.

There are no XORTX Shares held in escrow as of the date of this Transaction Statement, however, certain Resulting Issuer Shares to be issued to and held by former XORTX Shareholders who become "related persons" of the Resulting Issuer will be subject to CSE escrow requirements. Additionally, certain former related persons of XORTX who will not be related persons of the Resulting Issuer will be subject to the same escrow requirements as those applied to those who will become related persons of the Resulting Issuer.

The following table outlines those shares which are subject to the CSE's escrow requirements.

Name	No. of Escrowed Resulting Issuer Shares	Percentage of Issued and Outstanding Resulting Issuer Shares (assuming minimum $2 million raise under the Financing)	Percentage of Issued and Outstanding Resulting Issuer Shares (assuming maximum $5 million raise under APAC Financing
Allen Davidoff	3,800,000	6.10	5.56
John Meekison	-	N/A	N/A
Alan Moore	200,000	0.32	0.31
Bruce Rowlands	68,400	0.12	0.10

The Resulting Issuer Shares that are held by new related persons and subject to escrow will be held pursuant to the terms of an escrow agreement to be entered into among the above XORTX

Shareholders and the Escrow Agent and shall be released in accordance with the release schedule set forth therein.

Pursuant to the escrow agreement, 10% of the escrowed Resulting Issuer Shares will be released by the Escrow Agent on the date that the Resulting Issuer Shares commence trading on the Exchange followed by six subsequent releases of 15% every six months thereafter, subject to the rules of the Exchange.

12. PRINCIPAL SHAREHOLDERS

To the knowledge of the directors and officers of APAC and XORTX, there will be no persons or companies who will beneficially own, directly or indirectly, or exercise control or direction over, Resulting Issuer Shares carrying more than 10% of the voting rights attached to the Resulting Issuer Shares.

13. DIRECTORS AND OFFICERS

Upon completion of the Transaction, the Resulting Issuer's board of directors and officers will consist of the individuals set out in the table below:

Name, Province or state and country of residence and proposed position with the Resulting Issuer	Age	Principal occupation during past five years	Director or Officer of Resulting Issuer Since[(2)]	Number and Percentage of Resulting Issuer Shares[(3)]
Allen Davidoff [(1)] Alberta, Canada *Chairman and Chief Executive Officer*	57	Entrepreneur, Chief Scientific Officer, Trillium Therapeutics (Stem Cell Therapeutics), Chief Executive Officer, XORTX Pharma Corp.	N/A	3,800,000 (5.6%)
Alan Moore [(1)] Florida, USA *Director*	69	Entrepreneur, Director, Chief Executive Officer - BetaStem Inc. (Stem Cell Therapeutics)	N/A	200,000 (0.3%)
Bruce Rowlands [(1)] Ontario, Canada *Director*	57	Entrepreneur, Director, Chief Executive officer, Eurocontrols Inc.(Test and measurement technologies)	N/A	68,400 (0.1%)
John Meekison British Columbia, Canada *Chief Financial Officer*	53	Entrepreneur, CFO iCo Therapeutics (Bio-technology), CFO XORTX Pharma Corp.	N/A	Nil
Brian Mangal British Columbia, Canada *VP Business Development*	41	Entrepreneur, CFO iCo Therapeutics (Bio-technology), CFO XORTX Pharma Corp.	N/A	Nil

Notes:
(1) Denotes a proposed member of the Resulting Issuer's audit committee. See "*Board Committees – Composition of the Audit Committee*".

(2) Directors are to hold office until the next annual general meeting of the Resulting Issuer or until their successors are appointed.
(3) Assuming maximum raise under the APAC Financing.

It is anticipated that all of the directors and officers of the Resulting Issuer will enter into confidentiality and nondisclosure agreements with the Resulting Issuer.

Management and Directors

The following biographies provide certain selected information in respect of the persons who will be serving as directors, officers and/or management of the Resulting Issuer:

Dr. Allen Davidoff, Ph.D (Proposed President, CEO and Director of the Resulting Issuer)

Dr. Allen Davidoff, Ph.D. is an experienced businessman, entrepreneur, corporate director and co-founder of XORTX Pharma Corp. Prior thereto, he was the Chief Scientific Officer of Trillium Therapeutics, formerly Stem Cell Therapeutics Inc. ("**Trillium**") (TRIL: NASDAQ). XORTX and Trillium are companies focused on research and development of therapeutics. It is anticipated that following completion of the Transaction, Dr. Davidoff will be an employee of the Resulting Issuer, a Director and its Chief Executive Officer. Dr. Davidoff will devote 100% of his time to the affairs of the Resulting Issuer.

Dr. Alan Moore (Proposed Director of the Resulting Issuer)

Dr. Alan Moore, Ph.D. has extensive experience as a leader in the pharmaceutical and biotechnology industry, with large and small publically traded companies. Dr. Moore has gained years of executive and leadership experience with Proctor and Gamble Co., as well as 6 years of leadership as Chief Executive Officer and Director at Stem Cell Therapeutics Inc. It is anticipated that following completion of the Transaction, Dr. Moore will act as an independent contractor and Director of the Resulting Issuer. Dr. Moore will devote approximately 5% of his time to the affairs of the Resulting Issuer.

Bruce Rowlands (Proposed Director of the Resulting Issuer)

Mr. Bruce Rowlands is an experienced businessman, corporate director and current Chief Executive Officer of Eurocontrols Inc. Mr. Rowlands has extensive experience as an investment banker and executive corporate leader in the biotechnology industry. It is anticipated that following completion of the Transaction, Mr. Rowlands will act as an independent contractor and Director of the Resulting Issuer. Mr. Rowlands will devote approximately 5% of his time to the affairs of the Resulting Issuer.

John Meekison (Proposed Chief Financial Officer and Controller of the Resulting Issuer)

Mr. John Meekison, B.A. is a veteran investment banker with a specialization in both the life sciences and technology sectors at Securities Inc., Diouhy Merchant Group Inc., and Pacific International Securities Inc. (now PI Financial Corp.). Most recently, John acted as the former CFO and co-founder of iCo Pharma. Mr. Meekison will devote 100% of his time to the affairs of the Resulting Issuer. He will be an employee and as the Resulting Issuer's Chief Financial Officer and Controller, will be responsible for managing the day-to-day accounting and all financial reporting obligations for the Resulting Issuer.

Brian Mangal (Proposed Vice Preside of Business Development of the Resulting Issuer)

Mr. Brian Mangal, M.Sc., is an experienced businessman and consultant, with over 14 years of clinical development experience, formerly Director of Biostatistics at Cardiome. It is anticipated that Mr. Mangal will act as Resulting Issuer's Vice President of Business Development and will be responsible for strategic planning, marketing, budgeting and operational strategies, including licensing and acquisition opportunities, to the Board and Management. Mr. Mangal will devote approximately 5% of his time to the affairs of the Resulting Issuer.

13.4 Board Committees

The Resulting Issuer's proposed Audit Committee will consist of Allen Davidoff, Bruce Rowlands and Alan Moore. Other committees of the board of directors may be instituted as the board of the Resulting Issuer deems necessary or advisable.

Audit Committee Charter

The Resulting Issuer's Audit Committee will adopt the Audit Committee Charter of APAC, which is attached to this Transaction Statement as Schedule E.

Composition of the Audit Committee

It is anticipated that the Audit Committee of the Resulting Issuer will consist of Allen Davidoff, Bruce Rowlands and Alan Moore, all of whom are financially literate.

Neither Bruce Rowlands nor Alan Moore will be an executive officer, employee or control person of the Resulting Issuer and are considered independent pursuant to National Instrument 52-110 – "*Audit Committees*".

Relevant Education and Experience

Each member of the Audit Committee has experience reviewing financial statements and will have an appreciation for the relevant accounting principles of the Resulting Issuer's business. Please refer to "Management and Directors" for more information on each of the proposed members of the Audit Committee.

13.6 Corporate Cease Trade Orders or Bankruptcies

No proposed director or officer of the Resulting Issuer is, as of the date of this Transaction Statement or was within ten years before the date hereof, a director, chief executive officer or chief financial officer of any company that was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days, that:

(a) was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or

(b) was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No proposed director or officer of the Resulting Issuer:

(a) is, as of the date of this Transaction Statement or was within ten years before the date hereof, a director, chief executive officer or chief financial officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

(b) has, within ten years before the date of this Transaction Statement, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

13.7 Penalties and Sanctions

No proposed director or officer of the Resulting Issuer has been subject to:

(a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or

(b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

13.9 Personal Bankruptcies

No existing or proposed director, officer, promoter or other member of management of the Resulting Issuer has, during the ten years prior to the date hereof, been declared bankrupt or made a voluntary assignment into bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or has been subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his or her assets.

13.10 Conflicts of Interest

The directors of the Resulting Issuer are required by law to act honestly and in good faith with a view to the best interests of the Resulting Issuer and to disclose any interests, which they may have in any project or opportunity of the Resulting Issuer. If a conflict of interest arises at a meeting of the Board of Directors, any director in a conflict will disclose his interest and abstain from voting on such matter.

To the Resulting Issuer's knowledge and other than disclosed herein, there are no known existing or potential conflicts of interest among the Resulting Issuer, its promoters, directors and

officers or other members of management of the Resulting Issuer or of any proposed promoter, director, officer or other member of management as a result of their outside business interests except that certain of the directors and officers serve as directors and officers of other companies and therefore it is possible that a conflict may arise between their duties to the Resulting Issuer and their duties as a director or officer of such other companies.

14. CAPITALIZATION

The following charts provide information with respect to the Resulting Issuer Shares assuming the maximum offering amount is raised under the Financing:

	Number of Securities (non-diluted)	**Number of Securities (fully-diluted)**	**% of Issued (non-diluted)**	**% of Issued (fully-diluted**
Public Float				
Total Outstanding (A)	68,291,217	68,291,217	100	100
Held by Related Persons or employees of the Resulting Issuer, or by persons or companies who beneficially own or control, directly or indirectly, more than 5% voting position in the Resulting Issuer (including upon exercise or conversion of other securities held) (B)	4,268,400	4,268,400	6.3	6.3
Total Public Float (A-B)	64,022,817	64,022,817	93.7	93.7
Freely-Tradeable Float				
Number of outstanding securities subject to resale restrictions, including restrictions imposed by pooling or other arrangements or in a shareholder agreement and securities held by control block holders (C)	2,500,000	2,500,000	3.7	3.7
Total Tradeable Float (A-C)	65,791,217	65,791,217	96.3	96.3

Public Securityholders (Registered)

Size of Holding	**Number of holders**	**Total number of securities**
1 - 99 securities	-	-
100 - 499 securities	-	-
500 - 999 securities	-	-
1,000 – 1,999 securities	-	-
2,000 – 2,999 securities	-	-
3,000 – 3,999 securities	-	-
4,000 – 4,999 securities	-	-
5,000 or more securities	89	64,291,217

Public Securityholders (Beneficial)[1]

Size of Holding	Number of holders	Total number of securities
1 - 99 securities	1	75
100 - 499 securities	17	4,250
500 - 999 securities	10	5,500
1,000 – 1,999 securities	8	10,250
2,000 – 2,999 securities	5	12,750
3,000 – 3,999 securities	2	7,000
4,000 – 4,999 securities	1	4,500
5,000 or more securities	70	2,371,375
Unable to confirm	~50	N/A

Note:
(1) The amounts included in this table are based on APAC's non-objecting beneficial owner's list. APAC will have other beneficial holders of its securities that it is not aware of.

Convertible or Exchangeable Securities

Description of Security (conversion/exercise terms, including exercise price)	Number of convertible/exercisable securities outstanding	Number of listed securities issuable upon conversion/exercise
APAC Financing Warrants, each warrant entitling the holder to purchase one post-Consolidation APAC Share at a price of $0.80 for a period of two years from the date of issuance	4,000,000 or 10,000,000 depending on the size of the Financing.	4,000,000 or 10,000,000 depending on the size of the Financing.

15. EXECUTIVE COMPENSATION

15.1 Compensation of Executive Officers

The overall objective of the Resulting Issuer's compensation strategy will be to offer medium-term and long-term compensation components to ensure that the Resulting Issuer has in place programs to attract, retain and develop management of the highest caliber and has in place a process to provide for the orderly succession of management, including receipt on an annual basis of any recommendations of the CEO, if any, in this regard. The Resulting Issuer intends to develop short and long-term compensation components.

The following table discloses the anticipated compensation for the Resulting Issuer's proposed officers and directors for the 12-month period after the closing of the Transaction:

Table of Compensation Excluding Compensation Securities						
Name and Position	Salary, consulting fee ($)	Option based awards ($)	Committee or meeting fees ($)	Value of perquisites ($)	Value of all other compensation ($)	Total Compensation ($)
Allen Davidoff, CEO, President and Chairman	$16,000 per month	N/A	N/A	N/A	N/A	$16,000 per month

Alan Moore, Director	$6,000	N/A	N/A	N/A	N/A	$6,000
Bruce Rowlands, Director	$6,000	N/A	N/A	N/A	N/A	$6,000
John Meekison, CFO, controller, Corporate Secretary	$12,000 per month	N/A	N/A	N/A	N/A	$12,000 per month
Brian Mangal, Director Business Development	$12,000 per month	N/A	N/A	N/A	N/A	$12,000 per month
Grace Jung, Director – Manufacturing & Medicinal Chemistry	$12,000 per month	N/A	N/A	N/A	N/A	$12,000 per month

(1) The current rate method will be used to translate payments made in currencies other than Canadian dollars by which income and expenses are translated at the exchange rates at the dates of the transactions and assets and liabilities for balance sheet are translated at the closing rate at the date of the balance sheet. All resulting exchange differences are recognized in other comprehensive income.

Stock Option Plans and Other Incentive Plans

The Resulting Issuer will continue to maintain the stock option plan of APAC. See "Information Concerning APAC - Stock Option Plans and Other Incentive Plans" for the material terms of the plan.

Employment Contracts

It is anticipated that the Resulting Issuer will enter into employment and consulting agreements on substantially the same terms as those currently in place between XORTX and its employees and consultants.

Director Compensation

The Resulting Issuer does not intend to implement any pension plan or other arrangement for non-cash compensation for its directors (who are not named executive officers), except incentive stock options or per diem compensation to directors for attendance at meetings. The Resulting Issuer may issue stock options to directors, officers, employees and other service providers from time to time.

Other than as set forth in the foregoing, no director of the Resulting Issuer (who is not a named executive officer) has received compensation pursuant to:

(a) any standard arrangement for compensation of directors for their services in their capacity as directors, including any additional amounts payable for committee participation or special assignments;

(b) any other arrangement, in addition to, or in lieu of, any standard arrangement for the compensation of directors in their capacity as directors; or

(c) any arrangement for the compensation of directors for services as consultants or experts.

Compensation Discussion and Analysis – APAC Resources Inc.

The following disclosure of compensation earned by certain executive officers and directors of APAC in connection with their office or employment with APAC is made in accordance with the requirements of National Instrument 51-102 - *Continuous Disclosure Obligations.* Disclosure is required to be made in relation to "**Named Executive Officers**" (or "**NEO**"), being those individuals who served as the Chief Executive Officer, Chief Financial Officer and each of APAC's three most highly compensated executive officers, other than the Chief Executive Officer and Chief Financial Officer, whose total compensation was, individually, more than $150,000 for the financial year. Based on the foregoing, Robert Coltura, Chief Executive Officer and a director of APAC, and Jerry A. Minni, Chief Financial Officer and a director of APAC, are the APAC's only Named Executive Officers during the fiscal year-ended February 28, 2017.

Compensation Discussion and Analysis

As at the date of this Transaction Statement, since the beginning of the financial year ended February 28, 2017, APAC has not paid compensation of any kind to APAC's directors and officers, except for limited fees for consulting services paid to the Chief Executive Officer and Chief Financial Officer, or companies controlled by them, in amounts consistent with prior financial years.

Director and Named Executive Officer Compensation

The following table (presented in accordance with National Instrument Form 51-102F6V – *Statement of Executive Compensation – Venture Issuers*) sets forth all annual and long term compensation for services paid to or earned by each NEO and director for APAC's three most recently completed financial years ended.

Table of Compensation excluding Compensation Securities

Name and Principal Position	Year Ended Feb. 28	Salary ($)	Share-based Awards ($)	Option-based Awards[1] ($)	Non-equity Incentive Plan Compensation ($)		Pension Value ($)	All Other Compensation ($)	Total Compensation ($)
					Annual Incentive Plans	Long-term Incentive Plans			
Robert Coltura President and Chief Executive Officer	2017	Nil	Nil	Nil	Nil	Nil	Nil	$39,000[2]	$39,000
	2016	Nil	Nil	Nil	Nil	Nil	Nil	$25,500[2]	$25,500
	2015	Nil	Nil	Nil	Nil	Nil	Nil	$9,000[3]	$9,000

Name and Principal Position	Year Ended Feb. 28	Salary ($)	Share-based Awards ($)	Option-based Awards[1] ($)	Non-equity Incentive Plan Compensation ($)		Pension Value ($)	All Other Compensation ($)	Total Compensation ($)
					Annual Incentive Plans	Long-term Incentive Plans			
Jerry A. Minni Chief Financial Officer	2017	N/A	N/A	N/A	N/A	N/A	N/A	$30,000[4]	$30,000
	2016	N/A	N/A	N/A	N/A	N/A	N/A	$22,500[4]	$22,500
	2015	N/A	N/A	N/A	N/A	N/A	N/A	$4,800[5]	$4,800

(1) The fair value of stock options granted during the last financial year is based on the difference between the exercise price of the stock options granted, and the last closing price of APAC's shares on the trading date immediately preceding the dates of grant of the stock options, as a reasonable estimate of the benefit conferred at the time of the grant.

(2) Matalia Investments Ltd., a private company controlled by Robert Coltura, provided management and administrative services to APAC for a monthly fee.

(3) Matalia Investments Ltd., a private company controlled by Robert Coltura, provided office premises and corporate secretarial services to APAC.

(4) J.A. Minni & Associates Inc., a private company controlled by Jerry A. Minni, provided management and administrative services to APAC for a monthly fee.

(5) J.A. Minni & Associates Inc., a private company controlled by Jerry A. Minni, provided accounting services to APAC.

Financial Instruments - APAC

APAC has not implemented any policies which restrict its executive officers and directors from purchasing financial instruments, including prepaid variable forward contracts, equity swaps, collars, or units of exchange funds that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the executive officer or director.

Share Based and Non-Equity Incentive Plan Compensation - APAC

APAC has not, since the beginning of the financial year ended February 28, 2017, granted any share-based awards nor has it provided any awards pursuant to a non-equity incentive plan. APAC has no share-based awards nor any awards pursuant to a non-equity incentive plan outstanding as at February 28, 2017.

No director or NEO exercised any compensation securities during the financial year ended February 28, 2017.

Compensation of Directors - APAC

No compensation (including, without limitation, option-based awards and share-based awards) has been paid to APAC's directors since the beginning of the financial year ended February 28, 2017.

XORTX's Statement of Executive Compensation for the financial year ended December 31, 2016 is attached to this Transaction Statement as Schedule F.

16. INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

16.1 – Aggregate Indebtedness

Except as disclosed herein, no proposed director, officer or promoter of the Resulting Issuer is or has been indebted to APAC or XORTX in the most recently completed financial year, nor will they be indebted to the Resulting Issuer upon completion of the Transaction.

Aggregate Indebtedness ($)	
Purpose	**To XORTX**
To provide bridge financing to XORTX	$30,000

16.2 – Indebtedness of Directors and Officers

Indebtedness of Directors and Executive Officers						
Name and Principal Position	**Involvement of Issuer or Subsidiary**	**Largest Amount Outstanding**	**Amount Outstanding as of the date of the Transaction Statement**	**Financially Assisted Securities Purchases**	**Security for Indebtedness**	**Amount Forgiven**
W.B. Rowlands & Co. Ltd.(1)	XORTX – Borrower	$30,000	$30,000	Nil	Nil	Nil

(1) Mr. Rowlands is the sole shareholder of W.B. Rowlands & Co. Ltd.

For a more detailed description of the loan provided by W.B. Rowlands & Co. Ltd. to XORTX, please refer to “Interest of Management and Others in Material Transactions”.

17. RISK FACTORS

Investing in shares of the Resulting Issuer involves a high degree of risk. You should carefully consider the following risk factors, as well as the other information herein, including the financial statements and related notes included in this Filing Statement. Adverse developments such as those described in the following risk factors could materially and adversely harm our business, financial condition, results of operations or prospects, resulting in loss of all or part of your investment. You should consult your own independent advisors as to the tax, business and legal considerations regarding an investment in our securities.

Investment Risk

Our share price may be volatile and is subject to wide fluctuations in response to many risk factors, including those beyond our control, such as:

- results of our clinical trials;
- results of clinical trials of our competitors’ products;
- regulatory actions with respect to our products or our competitors’ products;

- actual or anticipated fluctuations in our financial condition and operating results;
- actual or anticipated changes in our growth rate relative to our competitors;
- actual or anticipated fluctuations in our competitors' operating results or changes in their growth rate;
- competition from existing products or new products that may emerge;
- announcements by us, our collaborators or our competitors of significant acquisitions, strategic collaborations, joint ventures, collaborations or capital commitments;
- issuance of new or updated research or reports by securities analysts;
- fluctuations in the valuation of companies perceived by investors to be comparable to us;
- share price and volume fluctuations attributable to inconsistent trading volume levels of our shares;
- additions or departures of key management or scientific personnel;
- disputes or other developments related to proprietary rights, including patents, litigation matters and our ability to obtain patent protection for our technologies;
- announcement or expectation of additional financing efforts;
- sales of our common stock by us, our insiders or our other stockholders;
- market conditions for biopharmaceutical stocks in general; and
- general economic and market conditions.

We have broad discretion in the use of available proceeds.

We intend to use substantially all of the Resulting Issuer's available proceeds to fund (i) manufacturing of drug products; (ii) the continued clinical development of ADPKD in Phase 2 and other studies and work necessary for anticipated FDA and European Medicines Agency ("**EMA**") filings; (iii) the Phase 3 clinical outcomes trial after the anticipated FDA and EMA filings; (iv) certain pre-commercialization activities of XORLO or other drug candidates; (v) further preclinical development work on XORLO and other drug candidates and, if warranted, potential Phase 1 clinical trials of XORLO; and (v) if warranted, initiation of a Phase 2 clinical trial for an additional indication for XORLO or other drug candidates, such as diabetic nephropathy. Any remaining amounts will be used for general corporate purposes, general and administrative expenses, capital expenditures, working capital and prosecution and maintenance of our intellectual property. Our failure to apply these funds effectively could affect our ability to continue to develop and commercialize our product candidates.

Being a public company will increase our expenses and administrative burden.

Following the Transaction, the Resulting Issuer will incur significant legal, insurance, accounting and other expenses that XORTX did not incur as a private company. In addition, our administrative staff will be required to perform additional tasks. As a public company, the Resulting Issuer will be subject to additional internal controls and disclosure controls and procedures, adopt an insider trading policy and will bear all of the internal and external costs of preparing and distributing periodic public reports in compliance with our obligations under the securities laws.

In addition, laws, regulations and standards applicable to public companies relating to corporate governance and public disclosure implemented by the Securities Commissions and the CSE, are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and

governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment will result in increased general and administrative expenses and may divert management's time and attention from product development activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, regulatory authorities may initiate legal proceedings against us and our business may be harmed. These factors could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our audit committee and qualified executive officers.

Future sales and issuances of our common stock or rights to purchase common stock pursuant to our equity incentive plans and our outstanding warrants could result in additional dilution of the percentage ownership of our stockholders and could cause our share price to fall.

We expect that significant additional capital will be needed in the future to continue our planned operations. To the extent we raise additional capital by issuing equity securities, our stockholders may experience substantial dilution. We may sell common stock, convertible securities or other equity securities in one or more transactions at prices and in a manner we determine from time to time. If we sell common stock, convertible securities or other equity securities in more than one transaction, investors may be materially diluted by subsequent sales. Such sales may also result in material dilution to our existing stockholders, and new investors could gain rights superior to our existing stockholders.

Sales of shares granted under our stock option plans or upon exercise of warrants may result in material dilution to our existing stockholders, which could cause our share price to fall.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our share price and trading volume could decline.

The trading market for our common stock will depend on the research and reports that securities or industry analysts publish about us or our business. We will not have any control over these analysts. There can be no assurance that analysts will cover us or provide favorable coverage. If one or more of the analysts who do cover us, downgrade our stock or change their opinion of our stock, our share price would likely decline. If one or more of these analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline.

CSE may delist our securities from its exchange, which could limit investors' ability to make transactions in our securities and subject us to additional trading restrictions.

Delisting of our shares from the CSE would decrease the liquidity for our common stock and the share price may decrease. In addition, we cannot assure you that, in the future, our securities will meet the continued listing requirements to be listed on CSE. If CSE delists our common stock from trading on its exchange, we could face significant material adverse consequences, including:

- a limited availability of market quotations for our securities;

- a determination that our common stock is a “penny stock” which would require brokers trading in our common stock to adhere to more stringent rules and possibly resulting in a reduced level of trading activity in the secondary trading market for our common stock;
- a limited amount of news and analyst coverage for our company; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

Claims for indemnification by our directors and officers may reduce our available funds.

A corporation may indemnify any director or officer of the corporation against expenses (including attorney’s fees), judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with any action, suit or proceeding brought by reason of the fact that such person is or was a director or officer of the corporation, if such person acted in good faith and in a manner that he reasonably believed to be in, or not opposed to, the best interests of the corporation, and, with respect to any criminal action or proceeding, if he or she had no reason to believe his or her conduct was unlawful. In a derivative action, (i.e., one brought by or on behalf of the corporation), indemnification may be provided only for expenses actually and reasonably incurred by any director or officer in connection with the defense or settlement of such an action or suit if such person acted in good faith and in a manner that he or she reasonably believed to be in, or not opposed to, the best interests of the corporation, except that no indemnification shall be provided if such person shall have been adjudged to be liable to the corporation, unless and only to the extent that the court in which the action or suit was brought shall determine that the defendant is fairly and reasonably entitled to indemnity for such expenses despite such adjudication of liability.

The rights conferred in the *Business Corporations Act* (British Columbia) are not exclusive, and we are authorized to enter into indemnification agreements with our directors, officers, employees and agents and to obtain insurance to indemnify such persons. We have entered into or plan to enter into indemnification agreements with each of our officers and directors.

The above limitations on liability and our indemnification obligations limit the personal liability of our directors and officers for monetary damages for breach of their fiduciary duty as directors by shifting the burden of such losses and expenses to us. Although we plan to increase the coverage under our directors’ and officers’ liability insurance, certain liabilities or expenses covered by our indemnification obligations may not be covered by such insurance or the coverage limitation amounts may be exceeded. As a result, we may need to use a significant amount of our funds to satisfy our indemnification obligations, which could severely harm our business and financial condition and limit the funds available to the Resulting Issuer to carry on its business.

We do not anticipate paying cash dividends, and accordingly, stockholders must rely on stock appreciation for any return on their investment.

We do not anticipate paying cash dividends in the near future. As a result, only appreciation of the market price of our common stock, if any, will provide a return to stockholders.

Issuer Risk

Risks Relating to Our Financial Position and Need for Additional Capital

We are a development stage biopharmaceutical company and have never been profitable. Currently, we have no products approved for commercial sale, and to date we have not generated any revenue from product sales. As a result, our ability to reduce our losses and reach profitability is unproven, and we may never achieve or sustain profitability.

We have never been profitable and do not expect to be profitable in the foreseeable future. We have not yet submitted any product candidates for approval by regulatory authorities in the United States or elsewhere for our lead indication, autosomal dominant polycystic kidney disease or diabetic nephropathy, or any other indications. For 2016 and 2015, we incurred net losses of $414,834 and $279,309, respectively, and our cash used in operating activities was $(107,784) and $24,222, respectively. At June 30, 2017, our accumulated deficit was $2,013,141.

To date, we have devoted most of our financial resources to research and development, including our drug formulation research, clinical development activities and patent applications, as well as to corporate overhead. We have not generated any revenues from product sales. We expect to continue to incur losses for the foreseeable future, and we expect these losses to increase as we continue our development of, and seek regulatory approvals for, XORLO, which is our lead product candidate, as well as other drugs and as we add infrastructure and personnel to support our product development efforts and operations. If XORLO or any of our other product candidates fails in clinical trials or does not gain regulatory approval, or if our product candidates do not achieve market acceptance, we may never become profitable. As a result of the foregoing, we expect to continue to experience net losses and negative cash flows for the foreseeable future. These net losses and negative cash flows have had, and will continue to have, an adverse effect on our shareholders' equity and our working capital.

Because of the numerous risks and uncertainties associated with pharmaceutical product development, we are unable to accurately predict the timing or amount of increased expenses or when, if ever, we will be able to achieve profitability. In addition, our expenses could increase if we are required by the FDA or the EMA, to perform studies or trials in addition to those currently expected, or if there are material delays in completing our clinical trials or the development of any of our product candidates. The amount of future net losses will depend, in part, on the rate of future growth of our expenses and our ability to generate revenues.

We will require substantial additional funding, which may not be available to us on acceptable terms, or at all, and, if not so available, may require us to delay, limit, reduce or cease our operations.

We are currently advancing XORLO through clinical development for multiple indications, with an initial focus on ADPKD. Developing pharmaceutical products, including conducting clinical trials, is expensive. We will require substantial additional future capital in order to complete clinical development and commercialize XORLO for ADPKD, and to conduct the research and development and clinical and regulatory activities necessary to advance XORLO in other indications. If the FDA or EMA requires that we perform additional studies or clinical trials beyond those anticipated and budgeted, our expenses would increase beyond what we

currently expect and the anticipated timing of any potential New Drug Application ("**NDA**") or Marketing Authorization Application ("**MAA**") would likely be delayed.

The amount and timing of our future funding requirements will depend on many factors, including but not limited to:

- the progress, costs, results of and timing of our Phase II trial of XORLO for the treatment of ADPDK, and the clinical development of XORLO for other potential indications;
- the willingness of the FDA and EMA to accept our Phase II trial, as well as our other completed and planned clinical studies and other work, as the basis for review and approval of XORLO for ADPKD;
- the outcome, costs and timing of seeking and obtaining FDA, EMA and any other regulatory approvals;
- the ability of our product candidates to progress through clinical development successfully;
- our need to expand our research and development activities;
- the costs associated with securing and establishing commercialization and manufacturing capabilities;
- market acceptance of our product candidates;
- the costs of acquiring, licensing or investing in businesses, products, product candidates and technologies;
- our ability to maintain, expand and defend the scope of our intellectual property portfolio, including the amount and timing of any payments we may be required to make, or that we may receive, in connection with the licensing, filing, prosecution, defense and enforcement of any patents or other intellectual property rights;
- our need and ability to hire additional management and scientific and medical personnel;
- the effect of competing technological and market developments;
- our need to implement additional internal systems and infrastructure, including financial and reporting systems; and
- the economic and other terms, timing of and success of our existing licensing arrangements and any collaboration, licensing or other arrangements into which we may enter in the future.

We have a limited operating history and we expect a number of factors to cause our operating results to fluctuate on a quarterly and annual basis, which may make it difficult to predict our future performance.

We are a development stage biopharmaceutical company with a limited operating history. Our operations to date have been limited to developing our technology and development planning of our product candidates for clinical trials. We have not yet obtained regulatory approvals for any of our product candidates. Consequently, any predictions made about our future success or viability may not be as accurate as they could be if we had a longer operating history or approved products on the market.

Risks Relating to Our Intellectual Property

It is difficult and costly to protect our proprietary rights, and we may not be able to ensure their protection. If our patent position does not adequately protect our product candidates, others could compete against us more directly, which would harm our business, possibly materially.

Our commercial success will depend in part on obtaining maintaining and extending patent protection and trade secret protection of our current and future product candidates and the methods used to manufacture them, as well as successfully defending these patents against third-party challenges, if any. Our ability to stop third parties from making, using, selling, offering to sell or importing our product candidates will be dependent upon the extent to which we have rights under valid and enforceable patents or trade secrets that cover these activities.

The patent positions of biotechnology and pharmaceutical companies can be highly uncertain and involve complex legal and factual questions for which important legal principles remain unresolved. No consistent policy regarding the breadth of claims allowed in pharmaceutical patents has emerged to date in the United States or in many jurisdictions outside of the United States. Changes in either the patent laws or interpretations of patent laws in the United States and other countries may diminish the value of our intellectual property. Accordingly, we cannot predict the breadth of claims that may be enforced in the patents that may be issued from the applications we currently or may in the future own or license from third parties. Further, if any patents we obtain or license are deemed invalid and unenforceable, our ability to commercialize or license our technology could be adversely affected.

Others have filed, and in the future are likely to file, patent applications covering products and technologies that are similar, identical or competitive to ours or important to our business. We cannot be certain that any patent application owned by a third party will not have priority over patent applications filed or licensed by us, or that we or our licensors will not be involved in interference, opposition or invalidity proceedings before U.S. or non-U.S. patent offices.

The degree of future protection for our proprietary rights is uncertain because legal means afford only limited protection and may not adequately protect our rights or permit us to gain or keep our competitive advantage. For example:

- others may be able to develop a platform similar to, or better than, ours in a way that is not covered by the claims of our patents;
- others may be able to make compounds that are similar to our product candidates but that are not covered by the claims of our patents;
- we might not have been the first to make the inventions covered by our pending patent applications;
- we might not have been the first to file patent applications for these inventions;
- others may independently develop similar or alternative technologies or duplicate any of our technologies;
- any patents that we obtain may not provide us with any competitive advantages;
- we may not develop additional proprietary technologies that are patentable; or
- the patents of others may have an adverse effect on our business.

As of June 31, 2017, we were the owner or licensee of record of 3 issued or granted U.S. and non-U.S. patents with claims directed to pharmaceutical compositions, and methods of using these compounds in various indications. We were also the owner or licensee of record of 5 pending U.S. and non-U.S. patent applications relating to pharmaceutical compositions, and methods of using these compounds in various indications and using XORLO in these areas.

Patents covering the use of xanthine oxidase inhibitors in hypertension and “XORLO” expire between 2022 and 2034 if the appropriate maintenance fee renewal, annuity, or other government fees are paid. We expect that the other patents and patent applications for the uric

acid lowering portfolio, if issued, and if the appropriate maintenance, renewal, annuity or other governmental fees are paid, would expire from 2022 to 2028, regulatory development extension of the expiry dates may be added to these dates of as much as 5 years, though this is not guaranteed.

Without patent protection on the composition of matter of our product candidates, our ability to assert our patents to stop others from using or selling our product candidates in a non-pharmaceutically acceptable formulation may be limited.

Though not a priority for XORTX, Merck has non-exclusive rights to our hypertension patent. If Merck or any other parties choose to exploit this patents, our competitive position would be affected for this disease indication.

Due to the patent laws of a country, or the decisions of a patent examiner in a country, or our own filing strategies, we may not obtain patent coverage for all of our product candidates or methods involving these candidates in the parent patent application. We plan to pursue divisional patent applications or continuation patent applications in the United States and other countries to obtain claim coverage for inventions which were disclosed but not claimed in the parent patent application.

We may also rely on trade secrets to protect our technology, especially where we do not believe patent protection is appropriate or feasible. However, trade secrets are difficult to protect. We rely in part on confidentiality agreements with our employees, consultants, outside scientific collaborators, sponsored researchers and other advisors to protect our trade secrets and other proprietary information. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. Although we use reasonable efforts to protect our trade secrets, our employees, consultants, contractors, outside scientific collaborators and other advisors may unintentionally or willfully disclose our information to competitors. Enforcing a claim that a third party illegally obtained and is using any of our trade secrets is expensive and time consuming, and the outcome is unpredictable. In addition, courts outside the United States are sometimes less willing to protect trade secrets. Moreover, our competitors may independently develop equivalent knowledge, methods and know-how.

In addition, others may independently discover our trade secrets and proprietary information. For example, the FDA, as part of its Transparency Initiative, is currently considering whether to make additional information publicly available on a routine basis, including information that we may consider to be trade secrets or other proprietary information, and it is not clear at the present time how the FDA's disclosure policies may change in the future, if at all. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our competitive business position.

We may incur substantial costs as a result of litigation or other proceedings relating to patent and other intellectual property rights.

If we choose to go to court to stop another party from using the inventions claimed in any patents we obtain, that individual or company has the right to ask the court to rule that such patents are invalid or should not be enforced against that third party. These lawsuits are expensive and would consume time and resources and divert the attention of managerial and scientific personnel even if we were successful in stopping the infringement of such patents. In

addition, there is a risk that the court would decide that such patents are not valid and that we do not have the right to stop the other party from using the inventions. There is also the risk that, even if the validity of such patents is upheld, the court would refuse to stop the other party on the ground that such other party's activities do not infringe our rights to such patents. In addition, the U.S. Supreme Court has recently modified some tests used by the U.S. Patent and Trademark Office, or USPTO, in granting patents over the past 20 years, which may decrease the likelihood that we will be able to obtain patents and increase the likelihood of challenge of any patents we obtain or license.

We may infringe the intellectual property rights of others, which may prevent or delay our product development efforts and stop us from commercializing or increase the costs of commercializing our product candidates.

Our success will depend in part on our ability to operate without infringing the proprietary rights of third parties. We cannot guarantee that our products, or manufacture or use of our product candidates, will not infringe third-party patents. Furthermore, a third party may claim that we or our manufacturing or commercialization collaborators are using inventions covered by the third party's patent rights and may go to court to stop us from engaging in our normal operations and activities, including making or selling our product candidates. These lawsuits are costly and could affect our results of operations and divert the attention of managerial and scientific personnel. There is a risk that a court would decide that we or our commercialization collaborators are infringing the third party's patents and would order us or our collaborators to stop the activities covered by the patents. In that event, we or our commercialization collaborators may not have a viable way around the patent and may need to halt commercialization of the relevant product. In addition, there is a risk that a court will order us or our collaborators to pay the other party damages for having violated the other party's patents. In the future, we may agree to indemnify our commercial collaborators against certain intellectual property infringement claims brought by third parties. The pharmaceutical and biotechnology industries have produced a proliferation of patents, and it is not always clear to industry participants, including us, which patents cover various types of products or methods of use. The coverage of patents is subject to interpretation by the courts, and the interpretation is not always uniform.

If we are sued for patent infringement, we would need to demonstrate that our products or methods either do not infringe the patent claims of the relevant patent or that the patent claims are invalid, and we may not be able to do this. Proving invalidity is difficult. For example, in the United States, proving invalidity requires a showing of clear and convincing evidence to overcome the presumption of validity enjoyed by issued patents. Even if we are successful in these proceedings, we may incur substantial costs and divert management's time and attention in pursuing these proceedings, which could have a material adverse effect on us. If we are unable to avoid infringing the patent rights of others, we may be required to seek a license, which may not be available, defend an infringement action or challenge the validity of the patents in court. Patent litigation is costly and time consuming. We may not have sufficient resources to bring these actions to a successful conclusion. In addition, if we do not obtain a license, develop or obtain non-infringing technology, fail to defend an infringement action successfully or have infringed patents declared invalid, we may incur substantial monetary damages, encounter significant delays in bringing our product candidates to market and be precluded from manufacturing or selling our product candidates.

We cannot be certain that others have not filed patent applications for technology covered by our pending applications, or that we were the first to invent the technology for a number of

reasons, including:

- some patent applications in the United States may be maintained in secrecy until the patents are issued;
- patent applications in the United States are typically not published until 18 months after the priority date; and
- publications in the scientific literature often lag behind actual discoveries.

Our competitors may have filed, and may in the future file, patent applications covering technology similar to ours. Any such patent application may have priority over our patent applications, which could further require us to obtain rights to issued patents covering such technologies. If another party has filed a U.S. patent application on inventions similar to ours, we may have to participate in an interference proceeding declared by the USPTO to determine priority of invention in the United States. The costs of these proceedings could be substantial, and it is possible that such efforts would be unsuccessful if, unbeknownst to us, the other party had independently arrived at the same or similar invention prior to our own invention, resulting in a loss of our U.S. patent position with respect to such inventions. Other countries have similar laws that permit secrecy of patent applications, and may be entitled to priority over our applications in such jurisdictions.

Some of our competitors may be able to sustain the costs of complex patent litigation more effectively than we can because they have substantially greater resources. In addition, any uncertainties resulting from the initiation and continuation of any litigation could have a material adverse effect on our ability to raise the funds necessary to continue our operations.

Obtaining and maintaining our patent protection depends on compliance with various procedural, document submission, fee payment and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.

Periodic maintenance fees, renewal fees, annuity fees and various other governmental fees on patents must be paid to the USPTO and various governmental patent agencies outside of the United States during several stages over the lifetime of patents. The USPTO and various non-U.S. governmental patent agencies also require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process. We employ reputable law firms and other professionals to help us comply with these requirements, and in many cases, an inadvertent lapse can be cured by payment of a late fee or by other means in accordance with the applicable rules. However, there are situations in which noncompliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. In such an event, our competitors might be able to enter the market and this circumstance would have a material adverse effect on our business.

We may be subject to claims that our employees have wrongfully used or disclosed alleged trade secrets of their former employers. If we are not able to adequately prevent disclosure of trade secrets and other proprietary information, the value of our technology and products could be significantly diminished.

As is common in the biotechnology and pharmaceutical industries, we employ individuals who were previously employed at other biotechnology or pharmaceutical companies, including our competitors or potential competitors. We may be subject to claims that these employees, or we,

have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of their former employers. Litigation may be necessary to defend against these claims. Even if we are successful in defending against these claims, litigation could result in substantial costs and be a distraction to management.

We have not yet registered our trademarks and failure to secure those registrations could adversely affect our business.

If we seek to register any of our trademarks, our trademark applications may not be allowed for registration or our registered trademarks may not be maintained or enforced. During trademark registration proceedings, we may receive rejections. Although we are given an opportunity to respond to those rejections, we may be unable to overcome such rejections. In addition, in the USPTO and in comparable agencies in many other jurisdictions, third parties are given an opportunity to oppose pending trademark applications and to seek to cancel registered trademarks. Opposition or cancellation proceedings may be filed against our trademarks, and our trademarks may not survive such proceedings. If we do not secure registrations for our trademarks, we may encounter more difficulty in enforcing them against third parties than we otherwise would.

In addition, we have not yet proposed a proprietary name for any of our product candidates, including XORLO, in any jurisdiction. Any proprietary name we propose to use with XORLO in the United States must be approved by the FDA, regardless of whether we have registered it, or applied to register it, as a trademark. The FDA typically conducts a review of proposed product names, including an evaluation of potential for confusion with other product names. If the FDA objects to any of our proposed proprietary product names, we may be required to expend significant additional resources in an effort to identify a suitable proprietary product name that would qualify under applicable trademark laws, not infringe the existing rights of third parties and be acceptable to the FDA.

Operating Risks

We face competition from other biotechnology and pharmaceutical companies and our operating results will suffer if we fail to compete effectively.

The biotechnology and pharmaceutical industries are intensely competitive and subject to rapid and significant technological change. We expect to compete with numerous other pharmaceutical and biotechnology companies both in North America and abroad. Many of these are much larger, more experienced, with much greater human and financial resources, better access to capital, stronger relationships throughout the industry and better competitive positions. Technological advances or products developed by our competitors may render our technologies or product candidates obsolete, less competitive or not economical. Competition from generic versions of allopurinol, prescribed off-label by physicians would result in loss of some or all of our market(s). We may not be able to compete effectively in such an environment.

We depend on third-party contractors for a substantial portion of our operations and may not be able to control their work as effectively as if we performed these functions ourselves.

We outsource substantial portions of our operations to third-party service providers, including the conduct of preclinical studies and clinical trials, collection and analysis of data and manufacturing. Because we have relied on third parties, our internal capacity to perform these

functions is limited to management oversight. Outsourcing these functions involves the risk that third parties may not perform to our standards, may not produce results in a timely manner or may fail to perform at all.

We may not be able to manage our business effectively if we are unable to attract and retain key personnel and consultants.

We may not be able to attract or retain qualified management, finance, scientific and clinical personnel and consultants due to the intense competition for qualified personnel and consultants among biotechnology, pharmaceutical and other businesses. If we are not able to attract and retain necessary personnel and consultants to accomplish our business objectives, we may experience constraints that will significantly impede the achievement of our development objectives, our ability to raise additional capital and our ability to implement our business strategy.

Any of our executive officers or key employees or consultants may terminate their employment at any time. Replacing executive officers, key employees and consultants may be difficult and may take an extended period of time because of the limited number of individuals in our industry with the breadth of skills and experience required to develop, gain regulatory approval of and commercialize products successfully. Competition to hire and retain employees and consultants from this limited pool is intense, and we may be unable to hire, train, retain or motivate these additional key personnel and consultants. Our failure to retain key personnel or consultants could materially harm our business.

We have scientific and clinical advisors and consultants who assist us in formulating our research, development and clinical strategies. These advisors are not our employees and may have commitments to, or consulting or advisory contracts with, other entities that may limit their availability to us and typically they will not enter into non-compete agreements with us. If a conflict of interest arises between their work for us and their work for another entity, we may lose their services. In addition, our advisors may have arrangements with other companies to assist those companies in developing products or technologies that may compete with ours.

Management of Growth

The Company's growth will result in substantial increases in the number of its employees, the scope of its operating and financial systems and the geographic area of its operations, resulting in increased responsibility for both existing and new management personnel. The Company's ability to support the growth of its business will be substantially dependent upon having in place highly trained internal and third party resources to conduct product development, marketing, business development, and other tasks.

We may not be able to attract or retain qualified management, finance, scientific and clinical personnel and consultants due to the intense competition for qualified personnel and consultants among biotechnology, pharmaceutical and other businesses. If we are not able to attract and retain necessary personnel and consultants to accomplish our business objectives, we may experience constraints that will significantly impede the achievement of our development objectives, our ability to raise additional capital and our ability to implement our business strategy.

Reliance on Key Personnel

Our industry has experienced a high rate of turnover of management personnel in recent years. We rely heavily on the efforts of Dr. Allen Davidoff, founder, President and CEO, in view of his background and experience in product development, including clinical and regulatory development, commercialization and business development expertise, as well as his relationships throughout the pharmaceutical industry. In the event of the loss of Dr. Davidoff's services for an extended period of time or permanently, our operations and development could be materially adversely affected, including the possibility of a suspension or even termination of certain of our activities or our business. In addition, we rely on certain other key employees. Dr. Grace Jung our manufacturing and medicinal chemistry associate, Brian Mangal our clinical, regulatory and business development consultant, and Richard Johnson, our primary medical advisory board member who provide ongoing consulting services to us. If we lose one or more of our executive officers or key employees or consultants, our ability to implement our business strategy successfully could be seriously harmed. Any of our executive officers or key employees or consultants may terminate their employment at any time. Replacing executive officers, key employees and consultants may be difficult and may take an extended period of time because of the limited number of individuals in our industry with the breadth of skills and experience required to develop, gain regulatory approval of and commercialize products successfully. Competition to hire and retain employees and consultants from this limited pool is intense, and we may be unable to hire, train, retain or motivate these additional key personnel and consultants. Our failure to retain key personnel or consultants could materially harm our business.

Our employees may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements, which could significantly harm our business.

We are exposed to the risk of employee fraud or other misconduct. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of significant fines or other sanctions.

Our insurance policies are expensive and only protect us from some business risks, which will leave us exposed to significant uninsured liabilities.

We do not carry insurance for all categories of risk that our business may encounter. Some of the policies we currently maintain or plan to maintain include general liability, employment practices liability, property, auto, workers' compensation, products liability and directors' and officers' insurance. We do not know, however, if we will be able to maintain insurance with adequate levels of coverage. Any significant uninsured liability may require us to pay substantial amounts, which would adversely affect our financial position and results of operations.

Exchange Rate Fluctuations

The profitability of the Resulting Issuer may be adversely affected by fluctuations in the rate of exchange of Canadian dollars into U.S. dollars. The Resulting Issuer does not expect to have the capital available to take steps to hedge against currency fluctuations.

Industry Risk

Risks Relating to Regulatory Review and Approval of Our Product Candidates

The Resulting Issuer cannot be certain that XORLO or any of our other product candidates will receive regulatory approval, and without regulatory approval we will not be able to market our product candidates.

We are initially developing XORLO for the treatment of patients with ADPKD, hypertension, diabetic nephropathy, insulin resistance/diabetes, and are also consulting with investigators to develop XORLO or other product candidates, for other indications. Our business currently depends entirely on the successful development and commercialization of XORLO and XRx-221. Our ability to generate revenue related to product sales, if ever, will depend on the successful development and regulatory approval of XORLO for the treatment of ADPKD and/or other indications and our other product candidates or successful out-licensing of development programs..

The development of a product candidate and issues relating to its approval and marketing are subject to extensive regulation by the FDA in the United States, the EMA in Europe, the TPD in Canada, and regulatory authorities in other countries, with regulations differing from country to country. We are not permitted to market our product candidates in the United States Canada or Europe until we receive approval of an NDA from the FDA, a NDS from the TPD, or an MAA from the EMA, respectively. We have not submitted any marketing applications for any of our product candidates.

NDAs, NDSs and MAAs must include extensive preclinical and clinical data and supporting information to establish the product candidate's safety and effectiveness for each desired indication. They must also include significant information regarding the chemistry, manufacturing and controls for the product. Obtaining regulatory approval of a product is a lengthy, expensive and uncertain process, and we may not be successful in obtaining approval. In addition, delays in approvals or rejections of applications in the United States, Europe or other countries may be based upon many factors, including regulatory requests for additional analyses, reports, data, preclinical studies and clinical trials, regulatory questions regarding different interpretations of data and results, changes in regulatory policy during the period of product development and the emergence of new information regarding our product candidates or other products. Also, regulatory approval for any of our product candidates may be withdrawn.

We are currently in the process of preparing our IND submission to FDA to allow us to begin clinical trials of XORLO for the treatment of ADPKD. Before we submit an NDA to the FDA or an MAA to the EMA for XORLO for the treatment of patients with ADPDK, we must successfully complete the planned phase II and III trials. We cannot predict whether our proposed clinical development plan will be sufficient for an NDA or MAA application, whether our future trials and studies will be successful, or whether regulators will agree with our conclusions regarding the studies we plan to conduct.

If we are unable to obtain approval from the FDA, the EMA or other regulatory agencies for XORLO, or if, subsequent to approval, we are unable to successfully commercialize XORLO, we will not be able to generate sufficient revenue to become profitable or to continue our

operations without additional financing.

Delays in the commencement, enrollment and completion of clinical trials could result in increased costs to us and delay or limit our ability to obtain regulatory approval for XORLO.

Delays in the commencement, enrollment and completion of clinical trials could increase our product development costs or limit the regulatory approval of our product candidates. In addition, we do not know whether any future trials or studies of our other product candidates, including any confirmatory clinical trial of XORLO, will begin on time or will be completed on schedule, if at all. The commencement, enrollment and completion of clinical trials can be delayed or suspended for a variety of reasons beyond our control, including:

- inability to obtain sufficient funds required for a clinical trial;
- inability to reach agreements on acceptable terms with prospective Contract Research Organizations ("**CRO**") and trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites;
- clinical holds, other regulatory objections to commencing or continuing a clinical trial or the inability to obtain regulatory approval to commence a clinical trial in countries that require such approvals;
- discussions with the FDA or non-U.S. regulators regarding the scope or design of our clinical trials;
- inability to identify and maintain a sufficient number of trial sites, many of which may already be engaged in other clinical trial programs, including some that may be for the same indications targeted by our product candidates;
- inability to obtain approval from institutional review boards, or IRBs, to conduct a clinical trial at their respective sites;
- severe or unexpected drug-related adverse effects experienced by patients;
- inability to timely manufacture sufficient quantities of the product candidate required for a clinical trial;
- difficulty recruiting and enrolling patients to participate in clinical trials for a variety of reasons, including meeting the enrollment criteria for our study and competition from other clinical trial programs for the same indications as our product candidates; and
- inability to retain enrolled patients after a clinical trial is underway.

Changes in regulatory requirements and guidance may also occur and we or any of our collaborators may need to amend clinical trial protocols to reflect these changes with appropriate regulatory authorities. In addition, a clinical trial may be suspended or terminated at any time by us, our future collaborators, the FDA, or other regulatory authorities due to a number of factors beyond our control.

In addition, if we or any of our collaborators are required to conduct additional clinical trials or other preclinical studies of our product candidates beyond those contemplated, our ability to obtain regulatory approval of these product candidates and generate revenue from their sales would be similarly harmed.

Clinical failure can occur at any stage of clinical development.

Clinical failure can occur at any stage of our clinical development. Clinical trials may produce negative or inconclusive results, and we or our collaborators may decide, or regulators may

require us, to conduct additional clinical trials or preclinical studies. Success in preclinical studies and early clinical trials does not ensure that subsequent clinical trials will generate the same or similar results or otherwise provide adequate data to demonstrate the efficacy and safety of a product candidate.

If XORLO is found to be unsafe or lack efficacy, we will not be able to obtain regulatory approval and our business would be harmed. In some instances, there can be significant variability in safety and/or efficacy results between different trials of the same product candidate due to numerous factors, including changes in trial protocols, differences in composition of the patient populations, adherence to the dosing regimen and other trial protocols and the rate of dropout among clinical trial participants.

Our product candidate could be found to have undesirable side effects which may delay or prevent marketing approval, or, if approval is received, require them to be taken off the market, require them to include safety warnings or otherwise limit their sales.

XORLO contains oxypurinol, the primary active metabolite of an already approved drug called Allopurinol, which has been marketed for the treatment of Gout for over 20 years. The side effect profile of Allopurinol is well known, however unforeseen and different side effects from XORLO could arise either during clinical development or, if approved, after the approved product has been marketed.

If our product candidate receives marketing approval and we or others later identify undesirable or unacceptable side effects caused by such products:

- regulatory authorities may require the addition of labeling statements, specific warnings, a contraindication or field alerts to physicians and pharmacies;
- we may be required to change instructions regarding the way the product is administered, conduct additional clinical trials or change the labeling of the product;
- we may be subject to limitations on how we may promote the product;
- sales of the product may decrease significantly;
- regulatory authorities may require us to take our approved product off the market;
- we may be subject to litigation or product liability claims; and
- our reputation may suffer.

Any of these events could prevent us, or our potential future collaborators from achieving or maintaining market acceptance of the affected product or could substantially increase commercialization costs and expenses, which in turn could delay or prevent us from generating significant revenues from the sale of our products.

Reimbursement decisions by third-party payors may have an adverse effect on pricing and market acceptance. If there is not sufficient reimbursement for our products, it is less likely that they will be widely used.

Market acceptance and sales of XORLO or any other product candidates that we develop, if approved, will depend on reimbursement policies and may be affected by future healthcare reform measures. Government authorities and third-party payors, such as private health insurers and health maintenance organizations, decide which drugs they will cover and establish payment levels. We cannot be certain to what extent reimbursement will be available for XORLO or any other product candidates that we develop. Also, we cannot be certain that

reimbursement policies will not reduce the demand for, or the price paid for, our products. If reimbursement is not available or is available on a limited basis, we may not be able to successfully commercialize XORLO or any other product candidates that we develop.

If we do not obtain protection under the Hatch-Waxman Act and similar legislation outside of the United States by extending the patent terms and obtaining data exclusivity for our product candidates, our business may be materially harmed.

Depending upon the timing, duration and specifics of FDA marketing approval of XORLO and our other product candidates, if any, one or more of our U.S. patents may be eligible for limited patent term restoration under the Drug Price Competition and Patent Term Restoration Act of 1984, referred to as the Hatch-Waxman Act. The Hatch-Waxman Act permits a patent restoration term of up to five years as compensation for patent term lost during product development and the FDA regulatory review process. In the event that we are unable to obtain any patent term extensions, the issued use patents for XORLO are expected to expire between 2022 and 2028 assuming they withstand any challenge. We expect that the other patents and patent applications for the XORLO portfolio, if issued, and if the appropriate maintenance, renewal, annuity or other governmental fees are paid, would expire between 2022 and 2033.

If we market products in a manner that violates healthcare fraud and abuse laws, or if we violate government price reporting laws, we may be subject to civil or criminal penalties.

In addition to FDA restrictions on marketing of pharmaceutical products, several other types of state and federal healthcare laws, commonly referred to as “fraud and abuse” laws, have been applied in recent years to restrict certain marketing practices in the pharmaceutical industry. Other jurisdictions such as Europe have similar laws. These laws include false claims and anti-kickback statutes. Notwithstanding our intention to fully comply with all applicable laws, if we market our products and our products are paid for by governmental programs, it is possible that some of our business activities could be subject to challenge under one or more of these laws.

If the FDA and EMA and other regulatory agencies do not approve the manufacturing facilities of our future contract manufacturers for commercial production, we may not be able to commercialize any of our product candidates.

We do not intend to manufacture the pharmaceutical products that we plan to sell. We plan to have agreements with contract manufacturers for the production of the active pharmaceutical ingredients and the formulation of sufficient quantities of drug product for our clinical trials with XORLO that we believe we will need to conduct prior to seeking regulatory approval. However, we do not presently have agreements in place for commercial supplies of XORLO or any of our other product candidates and we may not be able to reach agreements with these or other contract manufacturers for sufficient supplies to commercialize XORLO if it is approved. Additionally, the facilities used by any contract manufacturer to manufacture XORLO or any of our other product candidates must be the subject of a satisfactory inspection before the FDA or the regulators in other jurisdictions approve the product candidate manufactured at that facility. We are completely dependent on these third-party manufacturers for compliance with the requirements of U.S. and non-U.S. regulators for the manufacture of our finished products. If our manufacturers cannot successfully manufacture material that conform to our specifications and current good manufacturing practice requirements of any governmental agency whose jurisdiction to which we are subject, our product candidates will not be approved or, if already approved, may be subject to recalls. Reliance on third-party manufacturers entails risks to which we would not be subject if we manufactured the product candidates, including:

- the possibility that we are unable to enter into a manufacturing agreement with a third party to manufacture our product candidates;
- the possible breach of the manufacturing agreements by the third parties because of factors beyond our control; and
- the possibility of termination or nonrenewal of the agreements by the third parties before we are able to arrange for a qualified replacement third-party manufacturer.

Any of these factors could cause the delay of approval or commercialization of our product candidates, cause us to incur higher costs or prevent us from commercializing our product candidates successfully. Furthermore, if any of our product candidates are approved and contract manufacturers fail to deliver the required commercial quantities of finished product on a timely basis and at commercially reasonable prices and we are unable to find one or more replacement manufacturers capable of production at a substantially equivalent cost, in substantially equivalent volumes and quality and on a timely basis, we would likely be unable to meet demand for our products and could lose potential revenue. It could take up to several years to establish an alternative source of supply for our product candidates and to have any such new source approved by the government agencies that regulate our products.

Even if our product candidates receive regulatory approval, we may still face future development and regulatory difficulties.

Our product candidates, if approved, will also be subject to ongoing regulatory requirements for labeling, packaging, storage, advertising, promotion, record-keeping and submission of safety and other post-market information. In addition, approved products, manufacturers and manufacturers' facilities are required to comply with extensive FDA and EMA requirements and requirements of other similar agencies, including ensuring that quality control and manufacturing procedures conform to current Good Manufacturing Practices ("**CGMP**").

If a regulatory agency discovers previously unknown problems with a product, such as adverse events of unanticipated severity or frequency, or problems with the facility where the product is manufactured, or disagrees with the promotion, marketing or labeling of a product, it may impose restrictions on that product or us, including requiring withdrawal of the product from the market. If our product candidates fail to comply with applicable regulatory requirements, a regulatory agency may:

- issue warning letters;
- mandate modifications to promotional materials or require us to provide corrective information to healthcare practitioners;
- require us or our collaborators to enter into a consent decree or permanent injunction, which can include imposition of various fines, reimbursements for inspection costs, required due dates for specific actions and penalties for noncompliance;
- impose other administrative or judicial civil or criminal penalties;
- withdraw regulatory approval;
- refuse to approve pending applications or supplements to approved applications filed by us, or our potential future collaborators;
- impose restrictions on operations, including costly new manufacturing requirements; or
- seize or detain products.

Risks Relating to the Commercialization of Our Products

Even if approved, our product candidates may not achieve broad market acceptance among physicians, patients and healthcare payors, and as a result our revenues generated from their sales may be limited.

The commercial success of XORLO or our other product candidates, if approved, will depend upon their acceptance among the medical community, including physicians, health care payors and patients. In order for XORLO to be commercially successful, we will need to demonstrate that it is safe and effective for the treatment of patients with the intended indication, and is more safe and/or effective than any other alternatives that may be developed, or currently exist. The degree of market acceptance of our product candidates will depend on a number of factors.

If our product candidates are approved, but do not achieve an adequate level of acceptance by physicians, patients, the medical community and healthcare payors, sufficient revenue may not be generated from these products and we may not become or remain profitable. In addition, efforts to educate the medical community and third-party payors on the benefits of our product candidates may require significant resources and may never be successful.

We have no sales, marketing or distribution experience and we will have to invest significant resources to develop those capabilities or enter into acceptable third-party sales and marketing arrangements.

We have no sales, marketing or distribution experience. To develop internal sales, distribution and marketing capabilities, we will have to invest significant amounts of financial and management resources, some of which will be committed prior to any confirmation that XORLO or any of our other product candidates will be approved. For product candidates where we decide to perform sales, marketing and distribution functions ourselves or through third parties, we could face a number of additional risks.

We may not be successful in establishing and maintaining development and commercialization collaborations, which could adversely affect our ability to develop certain of our product candidates and our financial condition and operating results.

Because developing pharmaceutical products, conducting clinical trials, obtaining regulatory approval, establishing manufacturing capabilities and marketing approved products are expensive, we may seek to enter into, collaborations with companies that have more experience. Additionally, if any of our product candidates receives marketing approval, we may enter into sales and marketing arrangements with third parties with respect to our unlicensed territories. If we are unable to maintain our existing arrangements or enter into any new such arrangements on acceptable terms, of if our collaboration partner fails in its commercialization efforts, we may be unable to effectively market and sell our products in our target markets.

If serious adverse events or other undesirable side effects are identified during the development of XORLO for one indication, we may need to abandon our development of XORLO for other indications.

Product candidates in clinical stages of development have a high risk of failure. We cannot predict when or if XORLO will prove effective or safe in humans or will receive regulatory approval. If undesirable side effects are found during the development of XORLO for any indication, if known side effects are shown to be more severe than previously observed or if

XORLO is found to have other unexpected characteristics, we may need to abandon our development of XORLO for ADPKD and other potential indications. We cannot assure you that additional or more severe adverse side effects with respect to XORLO will not develop in future clinical trials, which could delay or preclude regulatory approval of XORLO or limit its commercial use.

Our product candidates may face competition sooner than expected after the expiration of any patents that are issued.

Our products may be eligible for market exclusivity as drugs under the FDCA, which could delay approval of certain applications. The FDCA provides a five year period of non-patent marketing exclusivity within the U.S. to the first applicant to gain approval of an NDA for a new chemical entity. A drug is a new chemical entity if the FDA has not previously approved any other new drug containing the same active moiety, which is the molecule or ion responsible for the action of the drug substance. During the exclusivity period, the FDA may not accept for review an abbreviated new drug application, or ANDA, or a 505(b) (2) NDA, submitted by another company for another version of such drug where the applicant does not own or have a legal right of reference to all the data required for approval. However, an application may be submitted after four years if it contains a certification of patent invalidity or non- infringement. The FDCA also provides three years of marketing exclusivity for an NDA, 505(b)(2) NDA or supplement to an existing NDA if new clinical investigations, other than bioavailability studies, that were conducted or sponsored by the applicant are deemed by FDA to be essential to the approval of the application, for example, for new indications, dosages, or strengths of an existing drug. This three year exclusivity covers only the conditions associated with the new clinical investigations and does not prohibit the FDA from approving ANDAs for drugs containing the original active agent. Even if our products are considered to be a reference products eligible for five years of exclusivity under the FDCA, another company could market competing products if the FDA approves a full BLA or full NDA for such products containing the sponsor's own preclinical data and data from adequate and well controlled clinical trials to demonstrate the safety, purity and potency of its product.

18. PROMOTERS

Robert Coltura and Jerry A. Minni are considered to be the promoters of APAC in that they took the initiative in organizing APAC. As of the date of this Transaction Statement, Robert Coltura holds 1,590,000 APAC Shares representing 7.8% of the issued and outstanding APAC Shares while Jerry A. Minni holds 1,515,000 APAC Shares representing 7.4% thereof.

The named promoters of APAC have provided management and administrative services to APAC and have rendered accounting services and provided office premises and corporate secretarial services to APAC for a monthly fee.

Allen Davidoff may be considered a promoter of the Reporting Issuer in that he took the initiative in organizing the Resulting Issuer. It is anticipated that Allen Davidoff will hold 3,800,000 Resulting Issuer Shares representing 5.6% of the issued and outstanding Resulting Issuer Shares.

It is anticipated that Dr. Davidoff will become the Chief Executive Officer and President of the Resulting Issuer and will earn a monthly fee for services provided to the Resulting Issuer. For more information, see "Executive Compensation – Compensation of Executive Officers".

19. LEGAL PROCEEDINGS

Neither XORTX nor any of its property was previously a party to, or the subject of, any legal proceeding nor is XORTX currently party to any material legal proceeding or contemplating any legal proceedings which are material to its business. From time to time, however, XORTX may be subject to various claims and legal actions arising in the ordinary course of business. Management of XORTX is not currently aware of any legal proceedings contemplated against XORTX.

Neither APAC nor any of its property was previously a party to, or the subject of, any legal proceeding nor is APAC currently party to any material legal proceeding or contemplating any legal proceedings which are material to its business. From time to time, however, APAC may be subject to various claims and legal actions arising in the ordinary course of business. Management of APAC is not currently aware of any legal proceedings contemplated against APAC.

20. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than in respect of the Transaction or as otherwise disclosed herein, no director or executive officer of the Resulting Issuer or any person or company that is the direct or indirect beneficial owners of, or who exercises control or direction over, more than 10 percent of any class of the Resulting Issuer's outstanding voting securities, or an associate or affiliate of any persons or companies referred to in this paragraph, has any material interest, direct or indirect, in any transaction within the three years before the date of this Transaction Statement, or in any transaction, that has materially affected or will materially affect the Resulting Issuer or a subsidiary of the Resulting Issuer.

W.B. Rowlands & Co. Ltd. is party to a convertible loan agreement with XORTX made as of August 18, 2017 (the "**Convertible Loan Agreement**"). Bruce Rowlands, a director of XORTX and proposed director of the Resulting Issuer, is the sole shareholder of W.B. Rowlands & Co. Ltd. Pursuant to the Convertible Loan Agreement, W.B. Rowlands & Co. Ltd. agreed to provide a convertible loan to XORTX in the amount of $30,000 at an interest rate per annum of 8% for bridge financing purposes. The loan matures on the 18th month anniversary of the effective date of the Convertible Loan Agreement and is convertible into XORTX Shares at the deemed price per share of XORTX Shares in connection with the Transaction. The principal amount of the loan, together with any accrued and unpaid interest thereon, will automatically convert in XORTX Shares immediately prior to the completion of the Transaction.

21. AUDITORS, TRANSFER AGENT AND REGISTRAR

21.1 Auditors

The auditors of APAC are Manning Elliott LLP, through its offices at 1050 West Pender Street, Vancouver, British Columbia, V6E 3S7.

The auditors of XORTX are Morgan & Company LLP, through its offices at 609 Granville Street #1630, Vancouver, British Columbia, V7Y 1A1.

It is anticipated that the auditor of the Resulting Issuer will be Morgan & Company LLP.

21.2 Transfer Agent and Registrar

It is anticipated that the transfer agent and registrar of the Resulting Issuer will be TSX Trust Company, through its offices in Calgary, Alberta.

22. MATERIAL CONTRACTS

22.1 APAC Material Contracts

APAC has not entered into any material contracts, except in the ordinary course of business, which are currently in force or effect, other than:

1. Escrow Agreement among APAC, TMX Trust Company and the principals of APAC dated March 25, 2015;

2. Property Option Agreement dated February 15, 2017 among APAC, Red River Exploration Ltd. and Craig Lynes; and

3. The Definitive Agreement, as discussed in greater detail above.

22.2 XORTX Material Contracts

XORTX has not entered into any material contracts, except in the ordinary course of business, which are currently in force or effect, other than:

1. License agreement dated June 23, 2014 between XORTX and the University of Florida pertaining to the royalty bearing, exclusive license to use, including right to sublicense, and assign the patent "Composition and Methods for Treatment and Prevention of Insulin Resistance" US 8,557,831. The agreement is currently in effect with respect to the payment of the remaining license fee outstanding prior to the exercise of the option;

2. License agreement dated December 5, 2012 (amended on July 9, 2013) between XORTX and Dr. Richard Johnson and the University of Washington, pertaining to the exclusive assignable, and sub licensable license, under all Vendors to use Patents and patent applications related to US 7,799,794. The agreement is currently in effect with respect to the payment of the remaining license fee outstanding prior to the exercise of the option;

3. License agreement dated December 5, 2012 (amended on July 9, 2013) between XORTX and Dr. Richard Johnson, and Takahiko Nakagawa, pertaining to the exclusive, assignable, and sub licensable license, under all Vendors to use Patents and patent applications related to patent application US 11/995,943, EU1919472, and granted US patent – 9,155,740. The agreement is currently in effect with respect to the payment of the remaining license fee outstanding prior to the exercise of the option;

4. Convertible loan agreements dated February 29, 2016 and August 18, 2017 between XORTX and certain XORTX Shareholders effective February 1, 2017;

5. The Definitive Agreement, as discussed in greater detail above; and

6. Clinical Research and Regulatory agreement dated effective July 22, 2017 between XORTX and CatoBioVentures.

Copies of the foregoing agreements will be available for inspection at Suite 4000, 421 – 7th Avenue, Calgary, Alberta, T2P 4K9, during ordinary business hours, until completion of the Transaction and for a period of 30 days thereafter.

23. INTEREST OF EXPERTS

The following opinions or reports have been described or included in this Transaction Statement:

1. Manning Elliott LLP, Chartered Professional Accountants are the auditors of APAC and have audited and prepared an auditor's report on the financial statements of APAC for the years ended February 28, 2017 and February 28, 2016. Manning Elliott LLP has informed APAC that it is independent of APAC within the meaning of the rules of professional conduct of the Organization of Chartered Professional Accountants of British Columbia ("**CPABC**").

2. Morgan & Company LLP, Chartered Professional Accountants are the auditors of XORTX and have audited and prepared an auditor's report on the financial statements of XORTX for the year ended December 31, 2016 and for the period ended December 31, 2015. Morgan & Company LLP has confirmed that it is independent of XORTX in accordance with the CPABC.

As at the date of this Transaction Statement, none of the aforementioned persons beneficially owns, directly or indirectly, securities of APAC or XORTX or their associates and affiliates. In addition, none of the aforementioned persons nor any director, officer or employee of any of the aforementioned persons, is or is expected to be elected, appointed or employed as a director, officer or employee of the Resulting Issuer or of any associate or affiliate of the Resulting Issuer.

24. OTHER MATERIAL FACTS

There are no other material facts regarding APAC, XORTX, the Resulting Issuer or the Transaction other than as disclosed herein.

25. FINANCIAL STATEMENTS

See Schedule A and Schedule D.

Schedule A

Financial Statements of APAC and XORTX

APAC RESOURCES INC.

FINANCIAL STATEMENTS

AS AT

FEBRUARY 28, 2017 AND FEBRUARY 29, 2016

MANNING ELLIOTT
ACCOUNTANTS & BUSINESS ADVISORS

11th floor, 1050 West Pender Street, Vancouver, BC, Canada V6E 3S7

Tel: 604. 714. 3600 Fax: 604. 714. 3669 Web: manningelliott.com

INDEPENDENT AUDITORS' REPORT

To the Shareholders of
APAC Resources Inc.

We have audited the accompanying financial statements of APAC Resources Inc. which comprise the statements of financial position as at February 28, 2017 and February 29, 2016 and the statements of comprehensive loss, changes in equity and cash flows for the years ended February 28, 2017 and February 29, 2016, and the related notes comprising a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of APAC Resources Inc. as at February 28, 2017 and February 29, 2016 and its financial performance and its cash flows for the years ended February 28, 2017 and February 29, 2016 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of APAC Resources Inc. to continue as a going concern.

Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
May 31, 2017

APAC RESOURCES INC.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	Note	February 28, 2017	February 29, 2016
		$	$
ASSETS			
CURRENT			
Cash		185,785	36,606
Amounts receivable		-	1,918
		185,785	38,524
EXPLORATION AND EVALUATION ASSET	6	5,000	237,154
		190,785	275,678
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	8	13,546	8,356
SHAREHOLDERS' EQUITY			
SHARE CAPITAL	7	939,977	621,068
CONTRIBUTED SURPLUS	7	279,649	264,578
DEFICIT		(1,042,387)	(618,324)
		177,239	267,322
		190,785	275,678

NATURE OF OPERATIONS AND GOING CONCERN (Note 1)

Approved and authorized for issue on behalf of the Board on May 31, 2017.

/s/ "Robert Coltura" Director *</s/ "Jerry A. Minni"* Director

The accompanying notes are an integral part of these financial statements

APAC RESOURCES INC.
STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

	Note	Year ended February 28, 2017 $	Year ended February 29, 2016 $
Expenses			
Advertising		7,994	8,716
Management fees	8	69,000	53,000
Office and miscellaneous		16,272	10,839
Professional fees	8	61,719	40,179
Rent and property taxes	8	24,474	25,192
Transfer agent filing fees		14,074	18,400
Share-based compensation	7(d)	-	48,315
Net loss before other item		(193,533)	(204,641)
Impairment of exploration and evaluation assets	6	(230,530)	-
Net loss and comprehensive loss		(424,063)	(204,641)
Loss per share - basic and diluted		(0.03)	(0.02)
Weighted average number of common shares outstanding		16,630,630	12,311,452

The accompanying notes are an integral part of these financial statements

APAC RESOURCES INC.
STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian dollars)

	Note	Common Shares: Number of Shares	Common Shares: Amount	Contributed Surplus	Deficit	Total
			$	$	$	$
Balance, February 28, 2015		9,702,000	337,410	196,200	(413,683)	119,927
Shares issued for cash	7(c)(i)	4,280,000	428,000	-	-	428,000
Shares issue costs	7(c)(ii)	-	(139,279)	-	-	(139,279)
Shares issued for exploration and evaluation of assets	7(c)(iii)	150,000	15,000	-	-	15,000
Agent warrants	7(e)	-	(20,063)	20,063	-	-
Share-based compensation	7(d)	-	-	48,315	-	48,315
Net loss for the year		-	-	-	(204,641)	(204,641)
Balance, February 29, 2016		14,132,000	621,068	264,578	(618,324)	267,322
Shares issued for cash	7(c)	6,000,000	360,000	-	-	360,000
Shares issue costs	7(c)	-	(26,020)	-	-	(26,020)
Agent warrants	7(c)	-	(15,071)	15,071	-	-
Net loss for the year		-	-	-	(424,063)	(424,063)
Balance, February 28, 2017		20,132,000	939,977	279,649	(1,042,387)	177,239

The accompanying notes are an integral part of these financial statements

APAC RESOURCES INC.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

	Year ended February 28, 2017	Year ended February 29, 2016
	$	$
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss for the year	(424,063)	(204,641)
Items not involving cash:		
Share-based compensation	-	48,315
Impairment of exploration and evaluation assets	230,530	-
	(193,533)	(156,326)
Changes in non-cash working capital balances:		
Amounts receivable	1,918	8,255
Accounts payable and accrued liabilities	5,190	(26,162)
Cash provided by (used in) operating activities	(186,425)	(174,233)
INVESTING ACTIVITIES		
British Columbia Mineral Exploration Tax Credit	6,624	-
Exploration and evaluation asset	(5,000)	(53,000)
Cash provided by (used in) investing activities	1,624	(53,000)
FINANCING ACTIVITIES		
Repayments to related parties	-	(25,644)
Shares issued for cash	360,000	428,000
Share issue costs	(26,020)	(139,279)
Cash provided by financing activities	333,980	263,077
CHANGE IN CASH	149,179	35,844
CASH, BEGINNING OF YEAR	36,606	762
CASH, END OF YEAR	185,785	36,606
SUPPLEMENTAL CASH DISCLOSURES		
Interest paid	-	-
Income taxes paid	-	-
NON CASH FINANCING AND INVESTING		
Shares issued for exploration and evaluation assets	-	15,000
Warrants issued for financing	15,071	20,063

The accompanying notes are an integral part of these financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

APAC Resources Inc. ("the Company") was incorporated on May 31, 2011 under the laws of British Columbia. The address of the Company's corporate office and its principal place of business is 200-551 Howe Street, Vancouver, British Columbia, Canada.

The Company's principal business activities include the acquisition and exploration of mineral property assets. As at February 28, 2017, the Company had not yet determined whether the Company's mineral property asset contains ore reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation asset is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development of and the future profitable production from the property or realizing proceeds from its disposition. The outcome of these matters cannot be predicted at this time and the uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

The Company had a deficit of $1,042,387 as at February 28, 2017, which has been funded by the issuance of equity. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs.

These financial statements do not give affect to any adjustments which would be necessary should the company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

These financial statements were authorized for issue in accordance with a resolution from the Board of Directors on May 31, 2017.

b) Basis of presentation

The financial statements have been prepared on the historical cost basis, with the exception of financial instruments which are measured at fair value, as explained in the accounting policies set out below. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The presentation and functional currency of the Company is the Canadian dollars.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

c) Cash and cash equivalents

Cash in the statements of financial position is comprised of cash in banks and on hand, and short term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Exploration and evaluation assets

All costs related to the acquisition, exploration and development of mineral properties are capitalized. Upon commencement of commercial production, the related accumulated costs are amortized against projected income using the units-of-production method over estimated recoverable reserves.

Management annually assesses carrying values of non-producing properties and properties for which events and circumstances may indicate possible impairment. Impairment of a property is generally considered to have occurred if the property has been abandoned, there are unfavourable changes in the property economics, there are restrictions on development, or when there has been an undue delay in development, which exceeds three years. In the event that estimated discounted cash flows expected from its use or eventual disposition is determined by management to be insufficient to recover the carrying value of the property, the carrying value is written-down to the estimated recoverable amount.

The recoverability of mineral properties and exploration and development costs is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to complete the development of the reserves, and the profitability of future operations. The Company has not yet determined whether or not any of its future mineral properties contain economically recoverable reserves. Amounts capitalized to mineral properties as exploration and development costs do not necessarily reflect present or future values.

When options are granted on mineral properties or properties are sold, proceeds are credited to the cost of the property. If no future capital expenditure is required and proceeds exceed costs, the excess proceeds are reported as a gain.

e) Share-based compensation

Share-based payments to employees and others providing similar services are measured at the estimated fair value of the instruments issued on the grant date and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to equity settled share-based payments reserve.

Consideration received on the exercise of stock options is recorded as share capital and the related equity settled share-based payments reserve is transferred to share capital. Charges for options that are forfeited before vesting are reversed from equity settled share-based payment reserve.

Share-based compensation expense relating to deferred share units is accrued over the vesting period of the units based on the quoted market price. As these awards can be settled in cash, the expense and liability are adjusted each reporting period for changes in the underlying share price.

f) Flow-through shares

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian tax legislation. On issuance, the premium recorded on the flow-through share, being the difference in price over a common share with no tax attributes, is recognized as a liability. As expenditures are incurred, the liability associated with the renounced tax deductions is recognized through profit and loss with a pro-rata portion of the deferred premium.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Flow-through shares (continued)

To the extent that the Company has deferred tax assets in the form of tax loss carry-forwards and other unused tax credits as at the reporting date, the Company may use them to reduce its deferred tax liability relating to tax benefits transferred through flow-through shares.

g) Foreign currency

Transactions and balances in currencies other than the Canadian dollar, the currency of the primary economic environment in which the Company operates ("the functional currency"), are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at exchange prevailing on the statement of financial position date are recognized in the statement of comprehensive loss.

h) Decommissioning, restoration and similar liabilities

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the units-of-production or the straight-line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss.

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

The Company has no material restoration, rehabilitation and environmental obligations as the disturbance to date is immaterial.

i) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Income taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting period end date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting period end date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

k) Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company's cash is classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. At February 28, 2017, the Company has not classified any financial assets as loans and receivables.

Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in earnings. At February 28, 2017, the Company has not classified any financial assets as available for sale.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

l) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized costs using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable are classified as other financial liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Financial liabilities (continued)

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings. At February 28, 2017, the Company has not classified any financial liabilities as FVTPL.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Significant accounting estimates

i. the assessment of indications of impairment of the mineral property and related determination of the net realizable value and write-down of the mineral property where applicable;

ii. the measurement of deferred income tax assets and liabilities; and

iii. the inputs used in accounting for share-based payments and agent warrants in profit or loss.

Significant accounting judgments

i. the determination of categories of financial assets and financial liabilities; and

ii. the evaluation of the Company's ability to continue as a going concern.

4. ADOPTION OF NEW OR AMENDED ACCOUNTING STANDARDS

There were no new or revised accounting standards scheduled for mandatory adoption on March 1, 2016 that affected the Company's financial statements.

5. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued, but not yet effective, up to the date of issuance of the Company's financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

The following accounting policies will be adopted by the Company effective March 1, 2017:

IAS 7 'Statement of Cash Flows': In January 2016, the IASB issued an amendment to IAS 7 which requires additional disclosures for changes in liabilities arising from financing activities. This includes changes arising from cash flows, such as drawdowns and repayments of borrowings, and non-cash changes, such as acquisitions, disposals and unrealized exchange differences. The amendment is effective for fiscal years beginning on or after January 1, 2017, and is applied on a prospective basis. The adoption of this standard is not expected to have a material impact on the Company's financial statements.

The following accounting policies will be adopted by the Company effective March 1, 2018:

IFRS 2 *'Share-based payments'* - In June 2016, the IASB issued the final amendments to IFRS 2 that clarify the classification and measurement of share-based payment transactions. This includes the effect of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations, and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments are to be applied prospectively and are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company is currently assessing the impact of this standard.

IFRS 9, *Financial Instruments* – This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit and loss or at fair value through other comprehensive income. The adoption of this standard is not expected to have a material impact on the Company's financial statements.

IFRS 15 Revenue from Contracts with Customers - In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. The adoption of this standard is not expected to have a material impact on the Company's financial statements.

The following standard will be adopted by the Company effective March 1, 2019:

IFRS 16 'Leases' - IFRS 16 will be effective for accounting periods beginning on or after January 1, 2019. Early adoption will be permitted, provided the Company has adopted IFRS 15. This standard sets out a new model for lease accounting. The adoption of this standard is not expected to have a material impact on the Company's financial statements.

(Expressed in Canadian dollars)

6. EXPLORATION AND EVALUATION ASSET

Lekcin Mineral Property

	Acquisition Costs	Exploration Costs	Total
	$	$	$
Balance, February 28, 2015	11,897	157,257	169,154
Acquisition costs	35,000	-	35,000
Other exploration costs	-	33,000	33,000
Balance, February 29, 2016	46,897	190,257	237,154
BCMETC Credit	-	(6,624)	(6,624)
Impairment	(46,897)	(183,633)	(230,530)
Balance, February 28, 2017	-	-	-

Pursuant to an option agreement (the "Original Agreement") dated June 11, 2011 and amended agreements dated on October 9, 2012, August 12, 2013, May 7, 2014, February 18, 2015, June 03, 2015 and July 23, 2015 (collectively, the "Option Agreement"), the Company had the option to acquire a 100% undivided interest in the Lekcin Mineral Property in the New Westminster Mining Division of British Columbia by issuing a total of 700,000 common shares of the Company to the optionors, making cash payments totaling $155,000, and incurring a total of $2,000,000 in exploration expenditures over a four year period from the Listing date (October 2, 2015) of the Company. The Company was also be required to issue an additional 600,000 common shares to the optionors upon completion of a positive feasibility study on the Property, and an additional 1,000,000 common shares upon the commencement of commercial production.

During the year ended February 29, 2016, the Company paid $20,000 cash and issued 150,000 common shares valued at $15,000 (Note 7c)(v)) in accordance with the Option Agreement.

During the year ended February 28, 2017, management decided not to pursue further work on the Lekcin Mineral Property and the Company recorded an impairment charge of $230,530 on the statements of comprehensive loss.

Shuswap Silver Project

On February 15, 2017, the Company entered into an option agreement whereby the Company has the right to acquire 100% interest in the Shuswap Silver project located in the area of Sicamous, British Columbia, by issuing a total of 750,000 common shares of the Company to the optionors, making cash payments totaling $100,000, and incurring a total of $1,100,000 in exploration expenditures as follows:

	Common Shares	Cash	Exploration Expenditures
	#	$	$
Upon signing of the Option Agreement (paid)	-	5,000	-
On or before the first anniversary of the date of option agreement	75,000	15,000	100,000
On or before the second anniversary of the date of option agreement	75,000	15,000	200,000
On or before the third anniversary of the date of option agreement	150,000	15,000	200,000
On or before the fourth anniversary of the date of option agreement	175,000	25,000	200,000
On or before the fifth anniversary of the date of option agreement	275,000	25,000	400,000
Total	750,000	100,000	1,100,000

A net smelter returns royalty ("NSR") of 2% was retained by the optionor. Each 1% portion of the NSR can be purchased by the Company for $750,000.

As of February 28, 2017 the Company had recorded $5,000 in acquisition costs related to the Shuswap Silver Project.

7. SHARE CAPITAL

a) Authorized:

The Company is authorized to issue an unlimited number of common shares without par value.

b) Escrow Shares:

On March 25, 2015, the Company entered into an escrow agreement with Equity Financial Trust Company pursuant to which 4,340,000 common shares of the Company will be held in escrow in accordance with the requirements of National Instrument 46-201 - *Escrow for Initial Public Offerings.* 10% of the escrow shares will be released on the date the Company's common shares commence trading on the Canadian Securities Exchange (the "Listing Date") and 15% will be released on each of the 6, 12, 18, 24, 30 and 36 month anniversary dates thereafter.

As at February 28, 2017, there were 2,604,000 issued and outstanding common shares of the Company held in escrow.

c) Issued and outstanding:

As at February 28, 2017, the issued and outstanding share capital comprised of 20,132,000 common shares.

For the year ended February 28, 2017, the Company issued 6,000,000 units at a price of $0.06 per unit for gross proceeds of $360,000. Each unit consists of one common share and one purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at a price of $0.08 for one year. In connection with this transaction, the Company incurred share issuance costs of $26,020 and issued 432,000 agent warrants. Each warrant entitles the holder to purchase one common share of the Company at a price of $0.08 per share for one year. The fair value of the agent warrants was $15,071 and was estimated using the Black-Scholes option pricing model. The assumptions used in the model were: exercise price of $0.08 per share, expected life of one year, volatility of 115%, risk-free rate of 0.48% and expected dividend of $nil.

For the year ended February 29, 2016, the Company had the following share capital transactions:

(i) On October 2, 2015, the Company issued 4,000,000 common shares at a price of $0.10 per share for gross proceeds of $400,000 in accordance with the closing of its initial public offering. On October 2, 2015, the Company also issued 280,000 common shares in accordance with an overallotment option at a price of $0.10 per share for gross proceeds of $28,000.

(ii) Pursuant to the terms of the agency agreement entered into with Canaccord Genuity Corp. (the "Agent") on July 29, 2015, the Company paid a cash commission of $34,240 (8% of the gross proceeds of the IPO), a cash corporate finance fee of $25,000, plus the Agent's legal fees incurred pursuant to the IPO in the amount of $26,000. The company also incurred $54,039 in legal costs relating to the IPO. These fees have been recorded against share capital in the statement of changes in equity during the year ended February 29, 2016.

Also in accordance with the agency agreement, on October 2, 2015 the Company granted 342,400 agent warrants with an exercise price of $0.10 and an expiry date of October 2, 2017 (Note 7e). The fair value of the agent warrants was $20,063 and has been recorded as share issuance costs in the statement of changes in equity during the year ended February 29, 2016.

(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

c) Issued and outstanding: (continued)

(iii) Pursuant to the Lekcin Mineral Property agreement, the Company issued 150,000 common shares valued at $15,000, in accordance with the Option Agreement as disclosed in Note 6.

d) Stock Options

On April 14, 2015 the Company approved a stock option plan which provides for the issuance of stock options to its officers, directors, employees and consultants. Stock options are non-transferable and the aggregate number of shares that may be reserved for issuance pursuant to the stock options may not exceed 10% of the issued shares of the Company at the time of granting. The exercise price and vesting terms of stock options is determined by the Board of Directors of the Company at the time of grant.

During the year ended February 29, 2016, the Company granted a total of 600,000 stock options to directors of the Company with an exercise price of $0.10 and an expiry date of April 15, 2020. The options vested on the grant date and the Company recognized $48,315 as share-based compensation. The grant date weighted average fair value of the stock options issued was estimated to be $0.08.

The fair value of stock options granted was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2016
Share price at grant date	$0.10
Risk-free interest	0.50%
Exercise price	$0.10
Expected dividend yield	-
Expected stock price volatility	115%
Expected life in years	5

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price $
Outstanding and exercisable, February 28, 2015	-	-
Granted	600,000	0.10
Outstanding and exercisable, February 29, 2016 and February 28, 2017	600,000	0.10

As at February 28, 2017, the Company had stock options outstanding to the officers and directors as follows:

Outstanding and exercisable	Exercise Price	Remaining life (in years)	Expiry Date
600,000	$0.10	3.13	April 15, 2020

(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

e) Warrants

On September 29, 2016, the Company issued 432,000 agent warrants in connection with the share issuance transaction. The warrants are exercisable at an exercise price of $0.08 per share until September 28, 2017 (Note 7c).

On October 2, 2015 the Company granted 342,400 agent warrants in connection with the IPO with an exercise price of $0.10 and an expiry date of October 2, 2017. The Company recognized $20,063 as share issue costs in connection with the issuance of these agent warrants. The grant date weighted average fair value of the agent's warrants issued was estimated to be $0.06. The fair value of agents' warrants issued was calculated using the Black-Scholes options pricing model with the following weighted average assumptions:

	2017	2016
Share price at grant date	$0.08	$0.10
Risk-free interest	0.48%	0.50%
Exercise price	$0.08	$0.10
Expected dividend yield	-	-
Expected stock price volatility	115%	115%
Expected warrant life in years	1	2

A summary of the Company's share purchase warrants are as follows:

	Number of Options	Weighted Average Exercise Price $
Outstanding and exercisable, February 29, 2016 and February 28, 2015	342,400	0.10
Issued	6,432,000	0.06
Outstanding and exercisable, February 28, 2017	6,774,400	0.06

Outstanding and exercisable	Exercise Price	Remaining life (in years)	Expiry Date
342,400	$0.10	0.59	October 2, 2017
6,000,000	$0.06	0.58	September 28, 2017
432,000	$0.08	0.58	September 28, 2017

(Expressed in Canadian dollars)

8. RELATED PARTY BALANCES AND TRANSACTIONS

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

The following amounts are due to related parties as at February 28, 2017 and February 29, 2016:

	2017	2016
	$	$
Accounts payable and accrued liabilities	6,898	5,937

The above noted amounts are due on demand, non-interest bearing and are unsecured.

The Company had the following related party transactions during the years ended February 28, 2017 and February 29, 2016:

	2017	2016
	$	$
Professional fees	22,525	21,900
Rent	15,000	9,750
Total	37,525	31,650

Professional fees, consulting fees and rent are paid to companies controlled by directors of the Company.

Key management personnel receive compensation in the form of short-term employee benefits. Key management personnel include the directors and officers of the Company. The remuneration of key management during the years ended February 28, 2017 and February 29, 2016 is as follows:

	2017	2016
	$	$
Management fees	69,000	48,000
Share-based compensation	-	48,315

Management services were provided by companies owned by two directors of the Company.

Share-based compensation of $48,315 was issued to directors of the Company.

(Expressed in Canadian dollars)

9. INCOME TAXES

The Company has losses carried forward of $628,000 available to reduce income taxes in future years which expire between 2032 and 2037.

The Company has not recognized any deferred income tax assets. The Company recognizes deferred income tax assets based on the extent to which it is probable that sufficient taxable income will be realized during the carry forward periods to utilize all deferred tax assets.

The following table reconciles the amount of income tax recoverable on application of the statutory Canadian federal and provincial income tax rates for the years ended February 28, 2017 and February 29, 2016:

	2017	2016
Canadian statutory income tax rate	26%	26%
	$	$
Income tax recovery at statutory rate	110,256	53,207
Effect of income taxes of:		
Permanent difference and others	8,487	23,651
Change in deferred tax assets not recognized	(118,743)	(76,858)
Deferred income tax recovery	-	-

The temporary differences that give rise to significant portions of the deferred tax assets not recognized as at February 28, 2017 and February 29, 2016 are presented below:

	2017	2016
	$	$
Share issue costs	27,140	28,450
Mineral properties	61,140	-
Non-capital loss carry forwards	163,347	104,434
Deferred tax assets not recognized	(251,627)	(132,884)
	-	-

10. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the sourcing and exploration of its resource property. The Company does not have any externally imposed capital requirements to which it is subject.

The Company considers the aggregate of its share capital, contributed surplus and deficit as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or dispose of assets or adjust the amount of cash.

11. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

International Financial Reporting Standards 7, *Financial Instruments: Disclosures*, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair Value of Financial Instruments

The Company's financial assets include cash and are classified as Level 1. The carrying value of these instruments approximates their fair values due to the relatively short periods of maturity of these instruments.

Assets measured at fair value on a recurring basis were presented on the Company's statements of financial position as at February 28, 2017 are as follows:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets For Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	$	$	$	$
Cash	185,785	-	-	185,785

Fair value

The fair value of the Company's financial instruments approximates their carrying value as at February 28, 2017 because of the demand nature or short-term maturity of these instruments.

Financial risk management objectives and policies

The Company's financial instruments include cash, accounts payable and advances from related parties. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) *Currency risk*

The Company's expenses are denominated in Canadian dollars. The Company's corporate office is based in Canada and current exposure to exchange rate fluctuations is minimal.

The Company does not have any significant foreign currency denominated monetary liabilities. The principal business of the Company is the identification and evaluation of assets or a business and once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval and acceptance by regulatory authorities.

11. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

(ii) *Interest rate risk*

The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The fair value interest rate risk on bank deposits is insignificant as the deposits are short-term.

The Company has not entered into any derivative instruments to manage interest rate fluctuations.

(iii) *Credit risk*

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. To minimize the credit risk the Company places these instruments with a high quality financial institution.

(iv) *Liquidity risk*

In the management of liquidity risk of the Company, the Company maintains a balance between continuity of funding and the flexibility through the use of borrowings. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations.

APAC RESOURCES INC.

FINANCIAL STATEMENTS

AS AT

FEBRUARY 29, 2016 AND FEBRUARY 28, 2015

MANNING ELLIOTT
ACCOUNTANTS & BUSINESS ADVISORS

11th floor, 1050 West Pender Street, Vancouver, BC, Canada V6E 3S7

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
APAC Resources Inc.

We have audited the accompanying financial statements of APAC Resources Inc. which comprise the statements of financial position as at February 29, 2016 and February 28, 2015 and the statements of comprehensive loss, changes in equity and cash flows for the years ended February 29, 2016 and February 28, 2015, and the related notes comprising a summary of significant accounting policies and other explanatory information.

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

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of APAC Resources Inc. as at February 29, 2016 and February 28, 2015 and its financial performance and cash flows for the years ended February 29, 2016 and February 28, 2015 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 1 in the financial statements which indicates the existence of a material uncertainty that may cast significant doubt on the ability of APAC Resources Inc. to continue as a going concern.

/s/ Manning Elliott LLP

CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, British Columbia
June 16, 2016

APAC RESOURCES INC.
STATEMENTS OF FINANCIAL POSITION
(Expressed in Canadian dollars)

	Note	February 29, 2016	February 28, 2015
		$	$
ASSETS			
CURRENT			
Cash		36,606	762
Amounts receivable		1,918	10,173
		38,524	10,935
EXPLORATION AND EVALUATION ASSET	6	237,154	169,154
		275,678	180,089
LIABILITIES			
CURRENT			
Accounts payable and accrued liabilities	8	8,356	34,518
Advances from related parties	8	-	25,644
		8,356	60,162
SHAREHOLDERS' EQUITY			
SHARE CAPITAL	7	621,068	337,410
CONTRIBUTED SURPLUS	7	264,578	196,200
DEFICIT		(618,324)	(413,683)
		267,322	119,927
		275,678	180,089

NATURE OF OPERATIONS (Note 1)

Approved and authorized for issue on behalf of the Board on June 16, 2016.

/s/ "Robert Coltura" Director *</s/ "Jerry A. Minni"* Director

The accompanying notes are an integral part of these financial statements

APAC RESOURCES INC.
STATEMENTS OF COMPREHENSIVE LOSS
(Expressed in Canadian dollars)

	Note	February 29, 2016 $	February 28, 2015 $
Expenses			
Advertising		8,716	-
Management fees	8	53,000	16,500
Office and miscellaneous		10,839	114
Professional fees	8	40,179	11,308
Rent and property taxes	8	25,192	9,000
Transfer agent filing fees		18,400	-
Share-based compensation	7(d)	48,315	-
Net loss and comprehensive loss		(204,641)	(36,922)
Loss per share - basic and diluted		(0.02)	(0.00)
Weighted average number of common shares outstanding		12,311,452	7,985,288

The accompanying notes are an integral part of these financial statements

APAC RESOURCES INC.
STATEMENTS OF CHANGES IN EQUITY
(Expressed in Canadian dollars)

	Note	Common Shares: Number of Shares	Common Shares: Amount	Subscriptions Receivable	Contributed Surplus	Deficit	Total
			$	$	$	$	$
Balance, February 28, 2014		8,702,000	233,360	(450)	245,250	(425,811)	52,349
Shares issued for cash	7(c)(i)	1,900,000	104,500	-	-	-	104,500
Repurchase and cancellation of shares	7(c)(ii)	(900,000)	(450)	450	(49,050)	49,050	-
Net loss for the year		-	-	-	-	(36,922)	(36,922)
Balance, February 28, 2015		9,702,000	337,410	-	196,200	(413,683)	119,927
Shares issued for cash	7(c)(iii)	4,280,000	428,000		-	-	428,000
Shares issue costs	7(c)(iv)	-	(139,279)	-	-	-	(139,279)
Shares issued for exploration and evaluation of assets	7c)(v)	150,000	15,000		-	-	15,000
Agent warrants	7e)	-	(20,063)	-	20,063	-	-
Share-based compensation	7d)	-	-	-	48,315	-	48,315
Net loss for the year		-				(204,641)	(204,641)
Balance, February 29, 2016		14,132,000	621,068	-	264,578	(618,324)	267,322

The accompanying notes are an integral part of these financial statements

APAC RESOURCES INC.
STATEMENTS OF CASH FLOWS
(Expressed in Canadian dollars)

	Year ended February 29, 2016	Year ended February 28, 2015
	$	$
CASH PROVIDED BY (USED IN):		
OPERATING ACTIVITIES		
Net loss for the year	(204,641)	(36,922)
Item not involving cash:		
Share-based compensation	48,315	-
	(156,326)	(36,922)
Changes in non-cash working capital balances:		
Amounts receivable	8,255	1,576
Accounts payable and accrued liabilities	(26,162)	(74,987)
Deposits	-	3,530
Cash used in operating activities	(174,233)	(106,803)
INVESTING ACTIVITIES		
Exploration and evaluation asset	(53,000)	(30,170)
Cash used in investing activities	(53,000)	(30,170)
FINANCING ACTIVITIES		
Advances (repayments) from (to) related parties	(25,644)	25,644
Deposits	-	6,470
Shares issued for cash	428,000	104,500
Share issue costs	(139,279)	-
Cash provided by financing activities	263,077	136,614
CHANGE IN CASH	35,844	(359)
CASH, BEGINNING OF YEAR	762	1,121
CASH, END OF YEAR	36,606	762
SUPPLEMENTAL CASH DISCLOSURES		
Interest paid	-	-
Income taxes paid	-	-
NON CASH FINANCING AND INVESTING		
Agent warrants issued	20,063	-
Shares issued for exploration and evaluation assets	15,000	-

The accompanying notes are an integral part of these financial statements

1. NATURE OF OPERATIONS

APAC Resources Inc. ("the Company") was incorporated on May 31, 2011 under the laws of British Columbia. The address of the Company's corporate office and its principal place of business is 200-551 Howe Street, Vancouver, British Columbia, Canada.

The Company's principal business activities include the acquisition and exploration of mineral property assets. As at February 29, 2016, the Company had not yet determined whether the Company's mineral property asset contains ore reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation asset is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development of and the future profitable production from the property or realizing proceeds from its disposition. The outcome of these matters cannot be predicted at this time and the uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

The Company had a deficit of $618,324 as at February 29, 2016, which has been funded by the issuance of equity. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs.

These financial statements do not give affect to any adjustments which would be necessary should the company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB").

These financial statements were authorized for issue in accordance with a resolution from the Board of Directors on June 16, 2016.

b) Basis of presentation

The financial statements have been prepared on the historical cost basis, with the exception of financial instruments which are measured at fair value, as explained in the accounting policies set out below. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

c) Cash and cash equivalents

Cash in the statements of financial position is comprised of cash in banks and on hand, and short term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Exploration and evaluation assets

All costs related to the acquisition, exploration and development of mineral properties are capitalized. Upon commencement of commercial production, the related accumulated costs are amortized against projected income using the units-of-production method over estimated recoverable reserves.

Management annually assesses carrying values of non-producing properties and properties for which events and circumstances may indicate possible impairment. Impairment of a property is generally considered to have occurred if the property has been abandoned, there are unfavourable changes in the property economics, there are restrictions on development, or when there has been an undue delay in development, which exceeds three years. In the event that estimated discounted cash flows expected from its use or eventual disposition is determined by management to be insufficient to recover the carrying value of the property, the carrying value is written-down to the estimated recoverable amount.

The recoverability of mineral properties and exploration and development costs is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to complete the development of the reserves, and the profitability of future operations. The Company has not yet determined whether or not any of its future mineral properties contain economically recoverable reserves. Amounts capitalized to mineral properties as exploration and development costs do not necessarily reflect present or future values.

When options are granted on mineral properties or properties are sold, proceeds are credited to the cost of the property. If no future capital expenditure is required and proceeds exceed costs, the excess proceeds are reported as a gain.

e) Share-based compensation

Share-based payments to employees and others providing similar services are measured at the estimated fair value of the instruments issued on the grant date and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to equity settled share-based payments reserve.

Consideration received on the exercise of stock options is recorded as share capital and the related equity settled share-based payments reserve is transferred to share capital. Charges for options that are forfeited before vesting are reversed from equity settled share-based payment reserve.

Share-based compensation expense relating to deferred share units is accrued over the vesting period of the units based on the quoted market price. As these awards can be settled in cash, the expense and liability are adjusted each reporting period for changes in the underlying share price.

f) Flow-through shares

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian tax legislation. On issuance, the premium recorded on the flow-through share, being the difference in price over a common share with no tax attributes, is recognized as a liability. As expenditures are incurred, the liability associated with the renounced tax deductions is recognized through profit and loss with a pro-rata portion of the deferred premium.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Flow-through shares (continued)

To the extent that the Company has deferred tax assets in the form of tax loss carry-forwards and other unused tax credits as at the reporting date, the Company may use them to reduce its deferred tax liability relating to tax benefits transferred through flow-through shares.

g) Foreign currency

Transactions and balances in currencies other than the Canadian dollar, the currency of the primary economic environment in which the Company operates ("the functional currency"), are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at exchange prevailing on the statement of financial position date are recognized in the statement of comprehensive loss.

h) Decommissioning, restoration and similar liabilities

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the units-of-production or the straight-line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss.

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

The Company has no material restoration, rehabilitation and environmental obligations as the disturbance to date is immaterial.

i) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

j) Income taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting period end date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting period end date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

k) Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company's cash is classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. At February 29, 2016, the Company has not classified any financial assets as loans and receivables.

Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in earnings. At February 29, 2016, the Company has not classified any financial assets as available for sale.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

l) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized costs using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and advances from related parties are classified as other financial liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Financial liabilities (continued)

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings. At February 29, 2016, the Company has not classified any financial liabilities as FVTPL.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Significant accounting estimates

i. the assessment of indications of impairment of the mineral property and related determination of the net realizable value and write-down of the mineral property where applicable;

ii. the measurement of deferred income tax assets and liabilities; and

iii. the inputs used in accounting for share-based payments and agent warrants in profit or loss.

Significant accounting judgments

i. the determination of categories of financial assets and financial liabilities; and

ii. the evaluation of the Company's ability to continue as a going concern.

4. ADOPTION OF NEW OR AMENDED ACCOUNTING STANDARDS

The mandatory adoption of the following new and revised accounting standards and interpretations on March 1, 2015 had no significant impact on the Company's financial statements for the years presented:

IAS 1 – *Presentation of Financial Statements*

In December 2014, the IASB issued an amendment to address perceived impediments to preparers exercising their judgment in presenting their financial reports. The changes clarify that materiality considerations apply to all parts of the financial statements and the aggregation and disaggregation of line items within the financial statements.

IAS 16 – *Property, Plant and Equipment* and IAS 36 – *Intangible Assets*

In May 2014, the IASB issued amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets. The amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendments also clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

5. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued, but not yet effective, up to the date of issuance of the Company's financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

New accounting standards effective for annual periods on or after March 1, 2018:

IFRS 9 – *Financial Instruments*

In November 2009, as part of the IASB project to replace IAS 39 Financial Instruments: Recognition and Measurement, the IASB issued the first phase of IFRS 9 Financial Instruments, that introduces new requirements for the classification and measurement of financial assets. The standard was revised in October 2010 to include requirements regarding classification and measurement of financial liabilities. In November 2013 the standard was revised to add the new general hedge accounting requirements. The standard was finalized in July 2014 and was revised to add a new expected loss impairment model and amends the classification and measurement model for financial assets by adding a new fair value through other comprehensive income (FVOTCI) category for certain debt instruments and additional guidance on how to apply the business model and contractual cash flow characteristics test.

The extent of the impact of adoption of these standards and interpretations on the financial statements of the Company has not been determined.

(Expressed in Canadian dollars)

6. EXPLORATION AND EVALUATION ASSET

	Acquisition Costs	Exploration Costs	Total
	$	$	$
Balance, February 28, 2014	11,897	150,557	162,454
Other exploration costs	-	6,700	6,700
Balance, February 28, 2015	11,897	157,257	169,154
Acquisition costs	35,000	-	35,000
Other exploration costs	-	33,000	33,000
Balance, February 29, 2016	46,897	190,257	237,154

Lekcin Mineral Property

Pursuant to an option agreement (the "Original Agreement") dated June 11, 2011, the Company was granted an option to acquire a 100% undivided interest in the Lekcin Mineral Property (the "Property") in the New Westminster Mining Division of British Columbia. The terms of the Original Agreement were amended on on October 9, 2012, August 12, 2013, May 7, 2014, February 18, 2015, June 03, 2015 and July 23, 2015 (collectively, the "Option Agreement"). In accordance with the Option Agreement, the Company has the option to acquire a 100% undivided interest in the Property by issuing a total of 700,000 common shares of the Company to the optionors, making cash payments totaling $155,000, and incurring a total of $2,000,000 in exploration expenditures as follows:

	Common Shares	Cash	Exploration Expenditures
	#	$	$
Upon signing of the Option Agreement (paid)	-	10,000	-
Upon listing of the Company's common shares on a Canadian Stock Exchange (the "Listing") [(1)] (paid, issued and incurred)	150,000	20,000	100,000
On or before the first anniversary of the Listing (incurred)	-	15,000	30,000
On or before the second anniversary of the Listing	70,000	15,000	170,000
On or before the third anniversary of the Listing	120,000	40,000	700,000
On or before the fourth anniversary of the Listing	360,000	55,000	1,000,000
Total	700,000	155,000	2,000,000

[(1)] The listing date was October 2, 2015

The Property is comprised of 23 mineral claims in a 2.5 kilometre area. The Company will also be required to issue an additional 600,000 common shares to the optionors upon completion of a positive feasibility study on the Property, and an additional 1,000,000 common shares upon the commencement of commercial production.

The optionors will retain a 3% Net Smelter Returns royalty on the Property. The Company has the right to purchase 1.5% of the royalty for $3 million at any time prior to the commencement of commercial production.

During the year ended February 29, 2016, the Company paid $20,000 cash and issued 150,000 common shares valued at $15,000 (Note 7c)(v)) in accordance with the Option Agreement. The Company had met the required $100,000 in exploration expenditures as at February 29, 2016.

7. SHARE CAPITAL

a) Authorized:

The Company is authorized to issue an unlimited number of common shares without par value.

b) Escrow Shares:

On March 25, 2015, the Company entered into an escrow agreement with Equity Financial Trust Company pursuant to which 4,340,000 common shares of the Company will be held in escrow in accordance with the requirements of National Instrument 46-201 - *Escrow for Initial Public Offerings.* 10% of the escrow shares will be released on the date the Company's common shares commence trading on the Canadian Securities Exchange (the "Listing Date") and 15% will be released on each of the 6, 12, 18, 24, 30 and 36 month anniversary dates thereafter.

As at February 29, 2016, there are were 3,906,000 issued and outstanding common shares of the Company held in escrow.

c) Issued and outstanding:

As at February 29, 2016, the issued and outstanding share capital comprised of 14,132,000 (2015 – 9,702,000) common shares.

For the year ended February 28, 2015, the Company had the following share capital transactions:

(i) During the year ended February 28, 2015, the Company issued 1,900,000 common shares of the Company at a price of $0.055 per share for gross proceeds of $104,500.

(ii) During the year ended February 28, 2015, the Company repurchased and cancelled 1,900,000 common shares. The Company repurchased the common shares and recorded a corresponding reduction in equity and contributed surplus of $450 and $49,050 respectively.

For the year ended February 29, 2016, the Company had the following share capital transactions:

(iii) On October 2, 2015, the Company issued 4,000,000 common shares at a price of $0.10 per share for gross proceeds of $400,000 in accordance with the closing of its initial public offering. On October 2, 2015, the Company also issued 280,000 common shares in accordance with an overallotment option at a price of $0.10 per share for gross proceeds of $28,000.

(iv) Pursuant to the terms of the agency agreement entered into with Canaccord Genuity Corp. (the "Agent") on July 29, 2015, the Company paid a cash commission of $34,240 (8% of the gross proceeds of the IPO), a cash corporate finance fee of $25,000, plus the Agent's legal fees incurred pursuant to the IPO in the amount of $26,000. The company also incurred $54,039 in legal costs relating to the IPO. These fees have been recorded against share capital in the statement of changes in equity during the year ended February 29, 2016.

Also in accordance with the agency agreement, on October 2, 2015 the Company granted 342,400 agent warrants with an exercise price of $0.10 and an expiry date of October 2, 2017 (Note 7e). The fair value of the agent warrants was $20,063 and has been recorded as share issuance costs in the statement of changes in equity during the year ended February 29, 2016.

(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

c) Issued and outstanding: (continued)

(v) Pursuant to the Lekcin Mineral Property agreement, the Company issued 150,000 common shares valued at $15,000, in accordance with the Option Agreement as disclosed in Note 6.

d) Stock Options

On April 14, 2015 the Company approved a stock option plan which provides for the issuance of stock options to its officers, directors, employees and consultants. Stock options are non-transferable and the aggregate number of shares that may be reserved for issuance pursuant to the stock options may not exceed 10% of the issued shares of the Company at the time of granting. The exercise price and vesting terms of stock options is determined by the Board of Directors of the Company at the time of grant.

On April 15, 2015 the Company granted a total of 600,000 stock options to directors of the Company with an exercise price of $0.10 and an expiry date of April 15, 2020. The Company recognized $48,315 as share-based payments on the grant of these options.

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price $
Outstanding and exercisable, February 28, 2015 and 2014	-	-
Granted	600,000	0.10
Outstanding and exercisable, February 29, 2016	600,000	0.10

The grant date weighted average fair value of the stock options issued was estimated to be $0.08 (2015: NIL).

The fair value of stock options granted was calculated using the Black-Scholes options pricing model with the following weighted average assumptions:

	2016
Share price at grant date	$0.10
Risk-free interest	0.50%
Exercise price	$0.10
Expected dividend yield	-
Expected stock price volatility	115%
Expected warrant life in years	5

As at February 29, 2016, the Company had stock options outstanding to directors as follows:

Outstanding and exercisable	Exercise Price	Remaining life (yrs)	Expiry Date
600,000	$0.1	4.13	April 15, 2020

(Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

e) Warrants

On October 2, 2015 the Company granted 342,400 agent warrants in connection with the IPO with an exercise price of $0.10 and an expiry date of October 2, 2017. The Company recognized $20,063 as share issue costs in connection with the issuance of these agent warrants.

A summary of the Company's share purchase warrants are as follows:

	Number of Options	Weighted Average Exercise Price $
Outstanding and exercisable, February 28, 2015 and 2014	-	-
Granted	342,400	0.10
Outstanding and exercisable, February 29, 2016	342,400	0.10

The grant date weighted average fair value of the agent's warrants issued was estimated to be $0.06 (2015: NIL). The fair value of agents' warrants issued was calculated using the Black-Scholes options pricing model with the following weighted average assumptions:

	2016
Share price at grant date	$0.10
Risk-free interest	0.50%
Exercise price	$0.10
Expected dividend yield	-
Expected stock price volatility	115%
Expected warrant life in years	2

Outstanding and exercisable	Exercise Price	Remaining life (yrs)	Expiry Date
342,400	$0.10	1.59	October 2, 2017

(Expressed in Canadian dollars)

8. RELATED PARTY BALANCES AND TRANSACTIONS

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

The following amounts are due to related parties as at February 29, 2016 and 2015:

	2016	2015
	$	$
Accounts payable and accrued liabilities	5,937	26,565
Advances from related parties	-	25,644
Total	5,937	52,209

The above noted amounts are due on demand, non-interest bearing and are unsecured.

The Company had the following related party transactions during the years ended February 29, 2016 and 2015:

	2016	2015
	$	$
Professional fees	21,900	4,800
Rent	9,750	9,000
Total	31,650	13,800

Professional fees, consulting fees and rent are paid to companies controlled by directors of the Company.

Key management personnel receive compensation in the form of short-term employee benefits. Key management personnel include the directors and officers of the Company. The remuneration of key management during the years ended February 29, 2016 and 2015 is as follows:

	2016	2015
	$	$
Management fees	48,000	-
Share based compensation	48,315	-

Management services were provided by companies owned by two directors of the Company.

Share based compensation was issued to directors of the Company.

(Expressed in Canadian dollars)

9. INCOME TAXES

The Company has losses carried forward of $373,000 available to reduce income taxes in future years which expire between 2032 and 2036.

The Company has not recognized any deferred income tax assets. The Company recognizes deferred income tax assets based on the extent to which it is probable that sufficient taxable income will be realized during the carry forward periods to utilize all deferred tax assets.

The following table reconciles the amount of income tax recoverable on application of the statutory Canadian federal and provincial income tax rates for the years ended February 29, 2016 and 2015:

		2016		2015
Canadian statutory income tax rate		26%		26%
Income tax recovery at statutory rate	$	53,000	$	10,000
Effect of income taxes of:				
Permanent difference and others		23,000		-
Change in deferred tax assets not recognized		(76,000)		(10,000)
Deferred income tax recovery	$	-	$	-

The temporary differences that give rise to significant portions of the deferred tax assets not recognized as at February 29, 2016 and 2015 are presented below:

	2016	2015
	$	$
Share issue costs	29,000	57,000
Non-capital loss carry forwards	104,000	
Deferred tax assets not recognized	(133,000)	(57,000)
	-	-

10. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the sourcing and exploration of its resource property. The Company does not have any externally imposed capital requirements to which it is subject.

The Company considers the aggregate of its share capital, contributed surplus and deficit as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or dispose of assets or adjust the amount of cash.

11. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

International Financial Reporting Standards 7, *Financial Instruments: Disclosures*, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair Value of Financial Instruments

The Company's financial assets include cash and are classified as Level 1. The carrying value of these instruments approximates their fair values due to the relatively short periods of maturity of these instruments.

Assets measured at fair value on a recurring basis were presented on the Company's statements of financial position as at February 29, 2016 are as follows:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets For Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	$	$	$	$
Cash	36,606	-	-	36,606

Fair value

The fair value of the Company's financial instruments approximates their carrying value as at February 29, 2016 because of the demand nature or short-term maturity of these instruments.

Financial risk management objectives and policies

The Company's financial instruments include cash, accounts payable and advances from related parties. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) *Currency risk*

The Company's expenses are denominated in Canadian dollars. The Company's corporate office is based in Canada and current exposure to exchange rate fluctuations is minimal.

The Company does not have any significant foreign currency denominated monetary liabilities. The principal business of the Company is the identification and evaluation of assets or a business and once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval and acceptance by regulatory authorities.

11. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

(ii) *Interest rate risk*

The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The fair value interest rate risk on bank deposits is insignificant as the deposits are short-term.

The Company has not entered into any derivative instruments to manage interest rate fluctuations.

(iii) *Credit risk*

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. To minimize the credit risk the Company places these instruments with a high quality financial institution.

(iv) *Liquidity risk*

In the management of liquidity risk of the Company, the Company maintains a balance between continuity of funding and the flexibility through the use of borrowings. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations.

APAC RESOURCES INC.

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTH PERIOD ENDED AUGUST 31, 2017

AND AUGUST 31, 2016

(UNAUDITED)

Notice of No Auditor Review of Interim Financial Statements

The accompanying unaudited financial statements have been prepared by management and approved by the Audit Committee.

The Company's independent auditors have not performed a review of these financial statements in accordance with the standards established by the Canadian Institute to Chartered Accountants for a review of interim financial statements by an entity's auditors.

APAC RESOURCES INC.

CONDENSED INTERIM STATEMENTS OF FINANCIAL POSITION

EXPRESSED IN CANADIAN DOLLARS

	August 31, 2017 (Unaudited)	February 28, 2017 (Audited)
ASSETS		
Current		
Cash	$ 61,796	$ 185,785
Other receivables	2,258	–
	64,054	185,785
Exploration and evaluation assets (Note 6)	5,000	5,000
	$ 69,054	$ 190,785
LIABILITIES		
Current		
Accounts payable	$ 7,101	$ 13,546
SHAREHOLDERS' EQUITY		
Share capital (Note 7)	939,977	939,977
Contributed surplus	279,649	279,649
Deficit	(1,157,673)	(1,042,387)
	61,953	177,239
	$ 69,054	$ 190,785

NATURE OF CONTINUANCE OF OPERATIONS (Note 1)

Approved and authorized for issue on behalf of the board on September 20, 2017.

"Robert Coltura" Director

"Jerry Minni" Director

APAC RESOURCES INC.

CONDENSED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

EXPRESSED IN CANADIAN DOLLARS **UNAUDITED**

	Three months ended August 31, 2017	Three months ended August 31, 2016	Six months ended August 31, 2017	Six months ended August 31, 2016
EXPENSES				
Management fees	$ 17,250	$ 17,250	$ 34,500	$ 34,500
Office and miscellaneous	3,404	2,799	7,364	5,936
Professional fees	30,643	18,443	42,145	32,971
Rent	8,988	7,441	17,470	12,709
Transfer agent and filing fees	6,270	5,164	11,578	7,434
Travel and promotion	1,251	981	2,229	2,736
Net loss and comprehensive loss, end of period	$ 67,806	$ 52,078	$ 115,286	$ 96,286
Loss per share (basic and diluted)	$ (0.00)	$ (0.00)	$ (0.01)	$ (0.01)
Weighted average number of common share outstanding	20,132,000	14,132,000	20,132,000	14,132,000

APAC RESOURCES INC.

CONDENSED INTERIM STATEMENTS OF CHANGES IN EQUITY

EXPRESSED IN CANADIAN DOLLARS **UNAUDITED**

	Number of Shares	Amount	Contributed Surplus	Deficit	Total
		$	$	$	$
Balances, February 28, 2017	20,132,000	939,977	279,649	(1,042,387)	177,239
Comprehensive loss for the period	–	–	–	(115,286)	(115,286)
Balance August 31, 2017	20,132,000	939,977	279,649	(1,157,673)	61,953
Balance, February 29, 2016	14,132,000	621,068	264,578	(618,324)	267,322
Comprehensive loss for the period	–	–	–	(96,285)	(96,285)
Balances, August 31, 2016	14,132,000	621,068	264,578	(714,609)	171,037

APAC RESOURCES INC.

CONDENSED INTERIM STATEMENTS OF CASH FLOWS

EXPRESSED IN CANADIAN DOLLARS **UNAUDITED**

	Three months ended August 31, 2017	Three months ended August 31, 2016	Six month ended August 31, 2017	Six months ended August 31, 2016
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES				
Net loss for the period	$ (67,806)	$ (52,078)	$ (115,258)	$ (96,285)
Items not involving cash:				
Stock - based payments	–	–	–	–
	(67,806)	(52,078)	(115,286)	(96,285)
Changes in non-cash working capital balances:				
Other receivable	(2,258)	(231)	(2,258)	1,687
Accounts payable and accrued liabilities	(1,886)	45,989	(6,445)	58,819
Cash used in operating activities	(71,950)	(6,320)	(123,989)	(35,779)
INVESTING ACTIVITY				
Mineral property acquisition and exploration costs	–	–	–	–
Cash used in investing activity	–	–	–	–
FINANCING ACTIVITIES				
Proceeds from related parties	–	–	–	–
Cash used in by financing activity	–	–	–	–
INCREASE IN CASH DURING THE PERIOD	(71,950)	(6,320)	(123,989)	(35,779)
CASH, BEGINNING OF PERIOD	133,746	7,147	185,785	36,606
CASH, END OF PERIOD	$ 61,796	$ 827	$ 61,796	$ 827
SUPPLEMENTAL DISCLOSURES				
Interest paid	$ –	$ –	$ –	$ –
Income taxes paid	$ –	$ –	$ –	$ –
Shares issued for and evaluation and exploration costs	$ –	$ –	$ –	$ –

1. NATURE OF OPERATIONS

APAC Resources Inc. ("the Company") was incorporated on May 31, 2011 under the laws of British Columbia. The address of the Company's corporate office and its principal place of business is 200-551 Howe Street, Vancouver, British Columbia, Canada.

The Company's principal business activities include the acquisition and exploration of mineral property assets. As at August 31, 2017, the Company had not yet determined whether the Company's mineral property asset contains ore reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation asset is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development of and the future profitable production from the property or realizing proceeds from its disposition. The outcome of these matters cannot be predicted at this time and the uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

The Company had a deficit of $1,157,673 as at August 31, 2017, which has been funded by the issuance of equity. The Company's ability to continue its operations and to realize its assets at their carrying values is dependent upon obtaining additional financing and generating revenues sufficient to cover its operating costs.

These financial statements do not give affect to any adjustments which would be necessary should the company be unable to continue as a going concern and therefore be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

The financial statements are prepared in accordance with IAS 34 Interim Financial Reporting ("IAS34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). They do not include all financial information required for full annual financial statements and should be read in conjunction with the Audited Financial Statements of the Company for the year ended February 28, 2017.

The financial statements are prepared in accordance with accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretation of the International Financial Reporting Interpretation Committee ("IFRIC").

The financial statements were authorized for issue by the Board of Directors on September 20, 2017.

b) Basis of presentation

The financial statements have been prepared on the historical cost basis, with the exception of financial instruments which are measured at fair value, as explained in the accounting policies set out below. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Cash and cash equivalents

Cash in the statements of financial position is comprised of cash in banks and on hand, and short term deposits with an original maturity of three months or less, which are readily convertible into a known amount of cash.

d) Exploration and evaluation assets

All costs related to the acquisition, exploration and development of mineral properties are capitalized. Upon commencement of commercial production, the related accumulated costs are amortized against projected income using the units-of-production method over estimated recoverable reserves.

Management annually assesses carrying values of non-producing properties and properties for which events and circumstances may indicate possible impairment. Impairment of a property is generally considered to have occurred if the property has been abandoned, there are unfavourable changes in the property economics, there are restrictions on development, or when there has been an undue delay in development, which exceeds three years. In the event that estimated discounted cash flows expected from its use or eventual disposition is determined by management to be insufficient to recover the carrying value of the property, the carrying value is written-down to the estimated recoverable amount.

The recoverability of mineral properties and exploration and development costs is dependent on the existence of economically recoverable reserves, the ability to obtain the necessary financing to complete the development of the reserves, and the profitability of future operations. The Company has not yet determined whether or not any of its future mineral properties contain economically recoverable reserves. Amounts capitalized to mineral properties as exploration and development costs do not necessarily reflect present or future values.

When options are granted on mineral properties or properties are sold, proceeds are credited to the cost of the property. If no future capital expenditure is required and proceeds exceed costs, the excess proceeds are reported as a gain.

d) Share-based compensation

Share-based payments to employees and others providing similar services are measured at the estimated fair value of the instruments issued on the grant date and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to equity settled share-based payments reserve.

Consideration received on the exercise of stock options is recorded as share capital and the related equity settled share-based payments reserve is transferred to share capital. Charges for options that are forfeited before vesting are reversed from equity settled share-based payment reserve.

Share-based compensation expense relating to deferred share units is accrued over the vesting period of the units based on the quoted market price. As these awards can be settled in cash, the expense and liability are adjusted each reporting period for changes in the underlying share price.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Flow-through shares

The resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with Canadian tax legislation. On issuance, the premium recorded on the flow-through share, being the difference in price over a common share with no tax attributes, is recognized as a liability. As expenditures are incurred, the liability associated with the renounced tax deductions is recognized through profit and loss with a pro-rata portion of the deferred premium.

To the extent that the Company has deferred tax assets in the form of tax loss carry-forwards and other unused tax credits as at the reporting date, the Company may use them to reduce its deferred tax liability relating to tax benefits transferred through flow-through shares.

f) Foreign currency

Transactions and balances in currencies other than the Canadian dollar, the currency of the primary economic environment in which the Company operates ("the functional currency"), are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at exchange prevailing on the statement of financial position date are recognized in the statement of comprehensive loss.

g) Decommissioning, restoration and similar liabilities

An obligation to incur restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the exploration or development of a mineral property interest. Such costs arising from the decommissioning of plant and other site preparation work, discounted to their net present value, are provided for and capitalized at the start of each project to the carrying amount of the asset, along with a corresponding liability as soon as the obligation to incur such costs arises. The timing of the actual rehabilitation expenditure is dependent on a number of factors such as the life and nature of the asset, the operating license conditions and, when applicable, the environment in which the mine operates.

Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either the units-of-production or the straight-line method. The corresponding liability is progressively increased as the effect of discounting unwinds creating an expense recognized in profit or loss

Decommissioning costs are also adjusted for changes in estimates. Those adjustments are accounted for as a change in the corresponding capitalized cost, except where a reduction in costs is greater than the unamortized capitalized cost of the related assets, in which case the capitalized cost is reduced to nil and the remaining adjustment is recognized in profit or loss.

The operations of the Company have been, and may in the future be, affected from time to time in varying degree by changes in environmental regulations, including those for site restoration costs. Both the likelihood of new regulations and their overall effect upon the Company are not predictable.

The Company has no material restoration, rehabilitation and environmental obligations as the disturbance to date is immaterial.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Loss per share

The Company presents basic and diluted loss per share data for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted loss per share does not adjust the loss attributable to common shareholders or the weighted average number of common shares outstanding when the effect is anti-dilutive.

i) Income taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting period end date, and includes any adjustments to tax payable or receivable in respect of previous years.

Deferred income taxes are recorded using the liability method whereby deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting period end date. Deferred tax is not recognized for temporary differences which arise on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting, nor taxable profit or loss.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

j) Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held to maturity, available for sale, loans and receivables or at fair value through profit or loss (“FVTPL”).

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company’s cash is classified as FVTPL.

Financial assets classified as loans and receivables and held to maturity assets are measured at amortized cost. At August 31, 2017, the Company has not classified any financial assets as loans and receivables.

Financial assets classified as available for sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income and loss except for losses in value that are considered other than temporary which are recognized in earnings. At August 31, 2017, the Company has not classified any financial assets as available for sale.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized costs using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period. The Company's accounts payable and advances from related parties are classified as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading and recognized at fair value with changes in fair value recognized in earnings unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized in earnings. At August 31, 2017, the Company has not classified any financial liabilities as FVTPL.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the financial position reporting date, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

Significant accounting estimates

i. the assessment of indications of impairment of the mineral property and related determination of the net realizable value and write-down of the mineral property where applicable;

ii. the estimated value of the acquisition costs which are recorded in the statement of financial position;

iii. the measurement of deferred income tax assets and liabilities; and

3 SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENTS (continued)

iv. the inputs used in accounting for share-based payments in profit or loss.

Significant accounting judgments

i. the determination of categories of financial assets and financial liabilities; and

ii. the evaluation of the Company's ability to continue as a going concern.

4. ADOPTION OF NEW OR AMENDED ACCOUNTING STANDARDS

There were no new or revised accounting standards scheduled for mandatory adoption on March 1, 2017 that affected the Company's financial statements

5. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued, but not yet effective, up to the date of issuance of the Company's financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

The following accounting policies will be adopted by the Company effective March 1, 2017:

IAS 7 'Statement of Cash Flows': In January 2016, the IASB issued an amendment to IAS 7 which requires additional disclosures for changes in liabilities arising from financing activities. This includes changes arising from cash flows, such as drawdowns and repayments of borrowings, and non-cash changes, such as acquisitions, disposals and unrealized exchange differences. The amendment is effective for fiscal years beginning on or after January 1, 2017, and is applied on a prospective basis. The adoption of this standard is not expected to have a material impact on the Company's financial statements.

The following accounting policies will be adopted by the Company effective March 1, 2018:

IFRS 2 *'Share-based payments'* - In June 2016, the IASB issued the final amendments to IFRS 2 that clarify the classification and measurement of share-based payment transactions. This includes the effect of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations, and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments are to be applied prospectively and are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company is currently assessing the impact of this standard.

IFRS 9, *Financial Instruments* – This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit and loss or at fair value through other comprehensive income. The adoption of this standard is not expected to have a material impact on the Company's financial statements.

(Expressed in Canadian dollars) UNAUDITED

5. NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE - continued

IFRS 15 Revenue from Contracts with Customers - In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. The adoption of this standard is not expected to have a material impact on the Company's financial statements.

The following standard will be adopted by the Company effective March 1, 2019:

IFRS 16 'Leases' - IFRS 16 will be effective for accounting periods beginning on or after January 1, 2019. Early adoption will be permitted, provided the Company has adopted IFRS 15. This standard sets out a new model for lease accounting. The adoption of this standard is not expected to have a material impact on the Company's financial statements.

6. EXPLORATION AND EVALUATION ASSET

Lekcin Mineral Property

	Acquisition Costs	Exploration Costs	Total
	$	$	$
Balance, February 28, 2015	11,897	157,257	169,154
Acquisition costs	35,000	-	35,000
Other exploration costs	-	33,000	33,000
Balance, February 29, 2016	46,897	190,257	237,154
BCMETC Credit	-	(6,624)	(6,624)
Impairment	(46,897)	(183,633)	(230,530)
Balance, February 28, 2017	-	-	-

Pursuant to an option agreement (the "Original Agreement") dated June 11, 2011 and amended agreements dated on October 9, 2012, August 12, 2013, May 7, 2014, February 18, 2015, June 03, 2015 and July 23, 2015 (collectively, the "Option Agreement"), the Company had the option to acquire a 100% undivided interest in the Lekcin Mineral Property in the New Westminster Mining Division of British Columbia by issuing a total of 700,000 common shares of the Company to the optionors, making cash payments totaling $155,000, and incurring a total of $2,000,000 in exploration expenditures over a four year period from the Listing date (October 2, 2015) of the Company. The Company was also be required to issue an additional 600,000 common shares to the optionors upon completion of a positive feasibility study on the Property, and an additional 1,000,000 common shares upon the commencement of commercial production.

During the year ended February 29, 2016, the Company paid $20,000 cash and issued 150,000 common shares valued at $15,000 (Note 7c)(v)) in accordance with the Option Agreement.

During the year ended February 28, 2017, management decided not to pursue further work on the Lekcin Mineral Property and the Company recorded an impairment charge of $230,530 on the statements of comprehensive loss.

(Expressed in Canadian dollars) UNAUDITED

6. EXPLORATION AND EVALUATION ASSET - continued

Shuswap Silver Project

On February 15, 2017, the Company entered into an option agreement whereby the Company has the right to acquire 100% interest in the Shuswap Silver project located in the area of Sicamous, British Columbia, by issuing a total of 750,000 common shares of the Company to the optionors, making cash payments totaling $100,000, and incurring a total of $1,100,000 in exploration expenditures as follows:

	Common Shares	Cash	Exploration Expenditures
	#	$	$
Upon signing of the Option Agreement (paid)	-	5,000	-
On or before the first anniversary of the date of option agreement	75,000	15,000	100,000
On or before the second anniversary of the date of option agreement	75,000	15,000	200,000
On or before the third anniversary of the date of option agreement	150,000	15,000	200,000
On or before the fourth anniversary of the date of option agreement	175,000	25,000	200,000
On or before the fifth anniversary of the date of option agreement	275,000	25,000	400,000
Total	750,000	100,000	1,100,000

A net smelter returns royalty ("NSR") of 2% was retained by the optionor. Each 1% portion of the NSR can be purchased by the Company for $750,000.

As of February 28, 2017 the Company had recorded $5,000 in acquisition costs related to the Shuswap Silver Project.

7. SHARE CAPITAL

a) Authorized:

The Company is authorized to issue an unlimited number of common shares without par value.

b) Escrow Shares:

On March 25, 2015, the Company entered into an escrow agreement with Equity Financial Trust Company pursuant to which 4,340,000 common shares of the Company will be held in escrow in accordance with the requirements of National Instrument 46-201 - *Escrow for Initial Public Offerings.* 10% of the escrow shares will be released on the date the Company's common shares commence trading on the Canadian Securities Exchange (the "Listing Date") and 15% will be released on each of the 6, 12, 18, 24, 30 and 36 month anniversary dates thereafter.

As at August 31, 2017, there were 1,953,000 issued and outstanding common shares of the Company held in escrow.

c) Issued and outstanding:

As at August 31, 2017, the issued and outstanding share capital comprised of 20,132,000 common shares.

(Expressed in Canadian dollars) UNAUDITED

7. SHARE CAPITAL (continued)

c) Issued and outstanding: (continued)

For the year ended February 28, 2017, the Company issued 6,000,000 units at a price of $0.06 per unit for gross proceeds of $360,000. Each unit consists of one common share and one purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at a price of $0.08 for one year. In connection with this transaction, the Company incurred share issuance costs of $26,020 and issued 432,000 agent warrants. Each warrant entitles the holder to purchase one common share of the Company at a price of $0.08 per share for one year. The fair value of the agent warrants was $15,071 and was estimated using the Black-Scholes option pricing model. The assumptions used in the model were: exercise price of $0.08 per share, expected life of one year, volatility of 115%, risk-free rate of 0.48% and expected dividend of $nil.

d) Stock Options

On April 14, 2015 the Company approved a stock option plan which provides for the issuance of stock options to its officers, directors, employees and consultants. Stock options are non-transferable and the aggregate number of shares that may be reserved for issuance pursuant to the stock options may not exceed 10% of the issued shares of the Company at the time of granting. The exercise price and vesting terms of stock options is determined by the Board of Directors of the Company at the time of grant.

On April 15, 2015, the Company granted a total of 600,000 stock options to directors of the Company with an exercise price of $0.10 and an expiry date of April 15, 2020. The options vested on the grant date and the Company recognized $48,315 as share-based compensation. The grant date weighted average fair value of the stock options issued was estimated to be $0.08.

The fair value of stock options granted was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	2016
Share price at grant date	$0.10
Risk-free interest	50%
Exercise price	$0.10
Expected dividend yield	-
Expected stock price volatility	115%
Expected life in years	5

Stock option transactions are summarized as follows:

	Number of Options	Weighted Average Exercise Price $
Outstanding and exercisable, February 28, 2017 and August 31, 2017	600,000	0.10

(Expressed in Canadian dollars) UNAUDITED

7. SHARE CAPITAL (continued)

As at August 31, 2017, the Company had stock options outstanding to the officers and directors as follows:

Outstanding and exercisable	Exercise Price	Remaining life (in years)	Expiry Date
600,000	$0.10	2.63	April 15, 2020

e) Warrants

On September 29, 2016, the Company issued 432,000 agent warrants in connection with the share issuance transaction. The warrants are exercisable at an exercise price of $0.08 per share until September 28, 2017.

On October 2, 2015 the Company granted 342,400 agent warrants in connection with the IPO with an exercise price of $0.10 and an expiry date of October 2, 2017. The Company recognized $20,063 as share issue costs in connection with the issuance of these agent warrants. The grant date weighted average fair value of the agent's warrants issued was estimated to be $0.06. The fair value of agents' warrants issued was calculated using the Black-Scholes options pricing model with the following weighted average assumptions:

	2017	2016
Share price at grant date	$0.08	$0.10
Risk-free interest	48%	50%
Exercise price	$0.08	$0.10
Expected dividend yield	-	-
Expected stock price volatility	115%	115%
Expected warrant life in years	1	2

A summary of the Company's share purchase warrants are as follows:

	Number of Options	Weighted Average Exercise Price $
Outstanding and exercisable, February 28, 2017 and August 31, 2017	6,774,400	0.06

Outstanding and exercisable	Exercise Price	Remaining life (in years)	Expiry Date
342,400	$0.10	0.34	October 2, 2017
6,000,000	$0.06	0.33	September 28, 2017
432,000	$0.08	0.33	September 28, 2017

(Expressed in Canadian dollars) UNAUDITED

8. RELATED PARTY BALANCES AND TRANSACTIONS

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

The following amounts are due to related parties as at August 31, 2017:

	2017	2016
	$	$
Accounts payable and accrued liabilities	7,363	49,984
Total	7,363	49,984

The amounts are due to companies controlled by directors of the Company. The amounts are non-interest bearing, unsecured and are due upon demand.

The Company had the following related party transactions during the periods ended August 31, 2017, and 2016:

	2017	2016
	$	$
Professional fees	12,600	12,400
Rent	9,000	6,000
Total	21,600	18,400

Professional fees and rent are paid to companies controlled by directors of the Company.

Key management personnel receive compensation in the form of short-term employee benefits. Key management personnel include the directors of the Company. The remuneration of key management during the periods ended August 31, 2017, and 2016 is as follows:

	2017	2016
	$	$
Management fees	34,500	34,500

Management services were provided by companies owned by two directors of the Company. +

9. MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the sourcing and exploration of its resource property. The Company does not have any externally imposed capital requirements to which it is subject.

The Company considers the aggregate of its share capital, contributed surplus and deficit as capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares or dispose of assets or adjust the amount of cash.

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK

International Financial Reporting Standards 7, *Financial Instruments: Disclosures*, establishes a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair Value of Financial Instruments

The Company's financial assets include cash and are classified as Level 1. The carrying value of these instruments approximates their fair values due to the relatively short periods of maturity of these instruments.

Assets measured at fair value on a recurring basis were presented on the Company's statements of financial position as at August 31, 2017 are as follows:

	Fair Value Measurements Using			
	Quoted Prices in Active Markets For Identical Instruments (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	$	$	$	$
Cash	61,796	–	–	61,796

The fair value of the Company's financial instruments approximates their carrying value as at August 31, 2017 because of the demand nature or short-term maturity of these instruments.

Financial risk management objectives and policies

The Company's financial instruments include cash, accounts payable and advances from related parties. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) *Currency risk*

The Company's expenses are denominated in Canadian dollars. The Company's corporate office is based in Canada and current exposure to exchange rate fluctuations is minimal.

The Company does not have any significant foreign currency denominated monetary liabilities. The principal business of the Company is the identification and evaluation of assets or a business and once identified or evaluated, to negotiate an acquisition or participation in a business subject to receipt of shareholder approval and acceptance by regulatory authorities.

10. FINANCIAL INSTRUMENTS AND FINANCIAL RISK (continued)

(ii) *Interest rate risk*

The Company is exposed to interest rate risk on the variable rate of interest earned on bank deposits. The fair value interest rate risk on bank deposits is insignificant as the deposits are short-term.

The Company has not entered into any derivative instruments to manage interest rate fluctuations.

(iii) *Credit risk*

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist principally of cash. To minimize the credit risk the Company places these instruments with a high quality financial institution.

(iv) *Liquidity risk*

In the management of liquidity risk of the Company, the Company maintains a balance between continuity of funding and the flexibility through the use of borrowings. Management closely monitors the liquidity position and expects to have adequate sources of funding to finance the Company's projects and operations.

11. SUBSEQUENT EVENT

The Company has entered into an agreement, subject to due diligence, to acquire 100% of issued and outstanding share of XORTX Pharma Corp., in exchange for 49,383,093 post consolidated shares of the Company. Con-current with the acquisition the Company has agreed to consolidate its issued and outstanding shares on a basis of 4 old for 1 new. The Company has also agreed to complete a private placement of $2 million. The acquisition is subject to regulatory approval.

XORTX PHARMA CORP.

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2016 AND 2015

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
XORTX Pharma Corp.

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of XORTX Pharma Corp., which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, and the consolidated statements of comprehensive loss, changes in equity (deficiency) and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Opinion

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

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which describes matters and conditions that indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Vancouver, Canada
October 12, 2017

"Morgan & Company LLP"
Chartered Professional Accountants

XORTX PHARMA CORP.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars)

		DECEMBER 31 2016		DECEMBER 31 2015
Assets				
Current Assets				
Cash	**$**	**16,769**	$	34,113
Prepaid expenses and deposits		**1,566**		3,357
Total Current Assets		**18,335**		37,470
Non-current Assets				
Intangible assets (Note 4)		**264,128**		255,592
Total Assets	**$**	**282,463**	$	293,062
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities (Note 5)	**$**	**374,696**	$	309,863
Loans payable (Note 6)		**124,127**		502
Provision for patent acquisition (Note 7)		**100,702**		103,800
Total Liabilities		**599,525**		414,165
Deficiency				
Share Capital (Note 8)		**1,207,024**		1,192,024
Share-based Payments Reserve		**354,812**		150,937
Deficit		**(1,878,898)**		(1,464,064)
Total Deficiency		**(317,062)**		(121,103)
Total Liabilities and Deficiency	**$**	**282,463**	$	292,062

Nature of Operations and Going Concern (Note 1)

/s/ "Allen Davidoff"	*/s/ "Alan Moore"*
Director	Director

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

XORTX PHARMA CORP.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)

		YEAR ENDED DECEMBER 31, 2016		YEAR ENDED DECEMBER 31, 2015
Expenses				
Amortization of intangible assets	**$**	**16,024**	$	14,005
Foreign exchange		**870**		21,166
Insurance		**6,141**		5,782
Interest		**8,625**		-
Investor relations and consulting fees		**15,000**		203
Office, postage and miscellaneous		**6,088**		14,097
Professional fees		**20,493**		36,853
Share-based payments		**203,875**		62,211
Telephone and utilities		**3,925**		3,005
Trade shows and seminars		**3,092**		-
Travel		**8,303**		296
Wages and benefits (Note 6)		**122,398**		121,691
Net Loss and Comprehensive Loss For The Year	**$**	**(414,834)**	$	(279,309)
Basic and Diluted Loss Per Common Share	**$**	**(0.02)**	$	(0.01)
Weighted Average Number Of Common Shares Outstanding – Basic and diluted (Note 9)		**21,423,940**		21,367,787

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

XORTX PHARMA CORP.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (DEFICIENCY)

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

(Expressed in Canadian Dollars)

	SHARE CAPITAL		SHARE-BASED PAYMENTS		TOTAL EQUITY
	SHARES	AMOUNT	RESERVE	DEFICIT	(DEFICIENCY)
Balance, December 31, 2014	21,367,787	$ 1,192,024	$ 96,220	$ (1,192,249)	$ 95,995
Share-based payments	-	-	62,211	-	62,211
Reclassification on expired warrants	-	-	(7,494)	7,494	-
Net loss for the year	-	-	-	(279,309)	(279,309)
Balance, December 31, 2015	21,367,787	1,192,024	150,937	(1,464,064)	(121,103)
Share issued for consulting services	854,000	15,000	-	-	15,000
Share-based payments	-	-	203,875	-	203,875
Net loss for the year	-	-	-	(414,834)	(414,834)
Balance, December 31, 2016	**22,221,787**	**$ 1,207,024**	**$ 354,812**	**$ (1,878,898)**	**$ (317,062)**

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

XORTX PHARMA CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Expressed in Canadian Dollars)

		YEAR ENDED DECEMBER 31, 2016		YEAR ENDED DECEMBER 31, 2015
Operating Activities				
Net loss for the year	**$**	**(414,834)**	$	(279,309)
Items not affecting cash:				
Accrued interest expense		**8,625**		-
Amortization of intangible assets		**16,024**		14,005
Share-based payments		**203,875**		62,211
Shares issued for consulting services		**15,000**		-
Unrealized foreign exchange loss		**1,751**		21,354
Changes in non-cash operating assets and liabilities:				
Accounts payable and accrued liabilities		**59,984**		174,904
Prepaid expenses and deposits		**1,791**		(567)
Taxes receivable		**-**		31,624
Cash Used In Operating Activities		**(107,784)**		24,222
Investing Activities				
Acquisition of intangible assets		**(24,560)**		(73,797)
Financing Activities				
Proceeds from loans payable		**115,000**		-
Decrease In Cash		**(17,344)**		(49,575)
Cash, Beginning Of Year		**34,113**		83,688
Cash, End Of Year	**$**	**16,769**	$	34,113
Supplemental Cash Flow and Non-Cash Investing and Financing Activities Disclosure				
Cash paid for interest	**$**	**-**	$	-
Cash paid for income taxes	**$**	**-**	$	-
Reclassify share-based payments reserve to deficit	**$**	**-**	$	7,494

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

1. NATURE OF OPERATIONS AND GOING CONCERN

XORTX Pharma Corp. (the "Company" or "XORTX") was incorporated under the laws of Alberta, Canada on August 24, 2012 under the name ReVasCor Inc. and was continued under the Canada Business Corporations Act on February 27, 2013 under the name of XORTX Pharma Corp.

The Company's head office, principal address and address of its registered and records office is 4000, 421 7th Avenue SW, Calgary, AB, T2P 4K9.

The Company is a bio-pharmaceutical company, dedicated to innovation, discovery, development and commercialization of therapies that will improve patient health throughout the world. The Company is founded on patents and patent applications that include three U.S. and worldwide rights for the development of uric acid lowering agents to treat diabetic nephropathy, hypertension, insulin resistance, metabolic syndrome and diabetes.

Although there is no certainty, management is of the opinion that additional funding for future projects and operations can be raised as needed. The Company is subject to a number of risks associated with the successful development of new products and their marketing and the conduct of its clinical studies and their results. The Company will have to finance its research and development activities and its clinical studies. To achieve the objectives in its business plan, the Company plans to raise the necessary capital and make sales. It is anticipated that the products developed by the Company will require approval from the U.S. Food and Drug Administration and equivalent organizations in other countries before their sale can be authorized. If the Company is unsuccessful in obtaining adequate financing in the future due to prolonged economic decline, research activities will be postponed until market conditions improve. These circumstances and conditions may cast significant doubt about the Company's ability to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of Compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") applicable to the preparation of these consolidated financial statements.

b) Basis of Measurement and Presentation

These consolidated financial statements have been prepared using the historical cost convention using the accrual basis of accounting except for financial instruments which have been measured at fair value. In the opinion of management, all adjustments (including normal recurring accruals), considered necessary for a fair presentation have been included. The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements.

These consolidated financial statements incorporate the financial statements of the Company and its 100% owned subsidiary. All intercompany transactions and balances are eliminated on consolidation.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Cash and Cash Equivalents

Cash consists of cash held in bank accounts. For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents to the extent the funds are not being held for investment purposes. The Company had no cash equivalents as at December 31, 2016 and 2015.

d) Research and Development Costs

Research costs including clinical trial costs are expensed as incurred, net of recoveries until a drug product receives regulatory approval. Development costs that meet specific criteria related to technical, market and financial feasibility will be capitalized. To date, all development costs have been expensed.

e) Government Assistance

Amounts received or receivable resulting from government assistance programs, including grants and investment tax credits for research and development, are recognized where there is reasonable assurance that the amount of government assistance will be received and all attached conditions will be complied with. Investment tax credits relating to qualifying scientific research and experimental development expenditures that are recoverable are recognized as a reduction of expenses.

f) Intangible Assets

Intangible assets are measured at cost less accumulated amortization and accumulated impairment losses. Costs incurred for patents, patents pending and licenses are capitalized and amortized from the date of capitalization on a straight-line basis over the shorter of their respective remaining estimated lives or 20 years.

g) Impairment of Long Lived Assets

Intangible assets are tested for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or CGU). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The Company evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

h) Financial Instruments and Risk Management

All financial instruments are classified into one of five categories: fair value through profit or loss ("FVTPL"), held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are measured in the statement of financial position at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification. FVTPL financial assets are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the instrument is derecognized or impaired.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h) Financial Instruments and Risk Management (Continued)

The Company has classified cash as FVTPL. Accounts payable and accrued liabilities and loans payable are classified as other financial liabilities. The Company has estimated the fair value of its financial instruments based on appropriate valuation methodologies as of the statement of financial position dates; however, considerable judgment is required to develop these estimates. Realized gains and losses on financial instruments are disclosed within operating cash flow.

Disclosures about the inputs to financial instrument fair value measurements are made within a hierarchy that prioritizes the inputs to fair value measurement.

The three levels of the fair value hierarchy are:

i) Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
ii) Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
iii) Level 3 – Inputs that are not based on observable market data.

Financial instruments are exposed to credit, liquidity and market risks. Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of price risk: currency risk, interest rate risk and other price risk.

Credit risk and liquidity risk on amounts due to creditors and amounts due from/to related parties were significant to the Company's statement of financial position The Company manages these risks by actively pursuing additional share capital issuances to settle its obligations in the normal course of its operating, investing and financing activities.

i) Share Capital

Common shares are classified as equity. Costs directly identifiable with share capital financing are charged against share capital. Share issuance costs incurred in advance of share subscriptions are recorded as deferred assets. Share issuance costs related to uncompleted share subscriptions are charged to operations in the period they are incurred.

j) Earnings (Loss) per Common Share

Basic earnings (loss) per common share is computed by dividing the net income (loss) available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflect the potential dilution that could share in the earnings of an entity. In the periods where a net loss is incurred, potentially dilutive common shares are excluded from the loss per share calculation as the effect would be anti-dilutive and basic and diluted loss per common share are the same. In a profit year, the weighted average number of common shares outstanding used for the calculation of diluted earnings per share assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are used to repurchase the common shares at the average price per period.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) Income Taxes

The Company uses the asset and liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Deferred income tax assets also result from unused loss carry forwards, resource related pools and other deductions. A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

l) General Provisions

A provision is a liability of uncertain timing or amount of a future expenditure when the Company has a present obligation as a result of a past event, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The present value of expected future cash outflows is recognized as a liability and the increase to the liability due to the passage of time is recorded as a finance expense. The Company uses a credit adjusted discount rate that reflects current market assessments of the time value of money and the risk specific to the liability.

m) Foreign Currency Translation

The Company's functional and presentation currency is the Canadian dollar.

Foreign currency transactions are translated into Canadian dollars using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect as of the financial position date. Gains and losses are recognized in income on a current basis.

n) New Standards Not Yet Adopted

The following standards that may be applicable to the Company in the future have been issued but are not yet effective. Management does not expect the adoption of these standards is not expected to have a material impact on the financial statements.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments is part of the IASB's wider project of replacing IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristic of the financial assets. This standard is effective for annual periods beginning on or after January 1, 2018.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

n) New Standards Not Yet Adopted (Continued)

IFRS 16 Leases

IFRS 16 provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. The new standard is effective for periods beginning on or after January 1, 2019. The Company is currently assessing the impact of adopting this new standard on its audited financial statements.

Management has reviewed the impact of the new standards and concluded that the adoption of these standards is not expected to have a material impact on the financial statements.

3. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of consolidated financial statements requires management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and notes. By their nature, these judgments and estimates are subject to change and the effect on the consolidated financial statements of changes in such judgments and estimates in future periods could be material. These judgments and estimates are based on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these judgments and estimates.

Revisions to accounting estimates are recognized in the period in which the estimate is revised and may affect both the period of revision and future periods.

Information about critical accounting judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 8.

Impairment of intangible assets

Patents (obtained and pending) and licenses are reviewed for impairment at each financial reporting date. If, in the judgment of management, that future economic benefits will not flow to the Company, then the remaining intangible asset costs are written off. Management has determined that the Company's intangible asset carrying values have not been impaired.

Going concern assumption

The preparation of these consolidated financial statements requires management to make judgments regarding the ability of the Company to continue as a going concern as discussed in Note 1.

(Expressed in Canadian Dollars)

4. INTANGIBLE ASSETS

Cost		Total
Balance, December 31, 2014	$	217,033
Additions		73,797
Balance, December 31, 2015		290,830
Additions		24,560
Balance, December 31, 2016	**$**	**315,390**

Accumulated amortization		Total
Balance, December 31, 2014	$	21,233
Amortization		14,005
Balance, December 31, 2015		35,238
Amortization		16,024
Balance, December 31, 2016	**$**	**51,262**

Carrying values		Total
At December 31, 2015	$	255,592
At December 31, 2016	**$**	**264,128**

The Company's portfolio of patents and licenses can be separated into the following patent families:

a) Treatment for Cardiovascular Disease – US Patent Number 7,799,794

This granted patent has a single claim allopurinol for the treatment of hypertension with unpursued claims to "All Uric Acid Lowering Agents" for the treatment of hypertension. The approvable endpoint is for hypertension. The patent expires in October 2022.

The Company paid $21,188 (US$20,000) to the Vendors on the date the agreement was signed and is obligated to pay another US$20,000 ninety days following the completion of financing of at least US$2,000,000. As at December 31, 2016, $26,854 (US $20,000) has been accrued.

The Company is committed under the patent rights purchase agreement dated July 9, 2013, as amended April 15, 2014, between the Company and Dr. Richard Johnson, the "Vendor", to pay the Vendor a royalty equal to 1.5% on the cumulative net revenues from the sale or sublicense of the product covered under the agreement until the later of (a) the expiration of the last patent right covering the product and (b) the expiration of ten years from the date of the first commercial sales of a product.

For the period between the date of the agreement and the first commercial sale, in the event the Company's research and development expenditures for commercialization of the product in a calendar year are less than 15% of the total research and development expenditures of the Company, the Company will notify the Vendor. In the event the Company fails to meet or exceed the project commitment in the subsequent calendar year, the royalty shall be tripled from 1.5% to 4.5% on the cumulative net revenues.

4. INTANGIBLE ASSETS (Continued)

b) Treatment of Hyperuricemia Related Health Consequences - US Patent Number 11/995,943

This patent application contains claims that the use of all uric acid lowering agents will improve the treatment of metabolic syndrome.

The Company has the option under the patent rights purchase agreement dated December 5, 2012, between the Company and Dr. Richard Johnson and Dr. Takahiko Nakagawa, collectively the "Vendors" to purchase the patent right and until ownership of the patent application is transferred to the Company, a license to use the patent application. As consideration, the Company issued 1,680,000 common shares at $0.03 per common share for a total instalment price of $50,400.

In consideration of the assignment of the patent rights under the agreement, once approval from the National Institutes of Health For Vendors has been obtained and ownership of the patent has been transferred, the Company would be required to pay the Vendors US $75,000, in aggregate. This amount has been set up as a provision as at December 31, 2016 and 2015. (Note 7)

Additionally, if the option is exercised, the Company must pay the Vendors a royalty equal to 1.5% on the cumulative net revenues from the sale or sublicense of the product covered under the agreement until the later of (a) the expiration of the last patent right covering the product and (b) the expiration of ten years from the date of the first commercial sales of a product. In the event that research and development expenditures of the Company or a third-party acquirer are less than 15% of the total research and development costs for a calendar year, the component of the royalty that is directed to sublicensing royalty revenue shall be tripled from 1.5% to 4.5%.

c) Composition and Methods for Treatment and Prevention of Insulin Resistance - US Patent Number 11/572,570

Pursuant to an option agreement dated October 9, 2012, as amended on June 23, 2014, and a license agreement between the Company and the University of Florida Research Foundation, Inc. ("UFRF"), a nonprofit Florida corporation, the Company acquired the exclusive license to the worldwide technology rights covered by the related patents, patent applications, unpatented technology and information thereto (the "Patent Rights"). The Patent Rights include claims for the use of all uric acid lowering agents to treat insulin resistance with a target U.S. Food & Drug Administration ("FDA") approval endpoint of "Treatment of Diabetes".

The above noted option agreement provides that the Company is responsible for reimbursing UFRF for United States and/or foreign costs associated with the Patent Rights and for maintaining indemnification insurance. Further, any license granted to the Company is subject to a non-exclusive, nontransferable, irrevocable, right in favor of the United States Government.

4. INTANGIBLE ASSETS (Continued)

c) Composition and Methods for Treatment and Prevention of Insulin Resistance - US Patent Number 11/572,570 (Continued)

The Company is obligated to pay UFRF:

i) an annual license fee of US$1,000;
ii) approximately US$44,995 on the receipt of financing of US$3,000,000 as reimbursement for expenses associated with patent application costs incurred prior to June 23, 2014;
iii) milestone payments of: US$500,000 upon receipt of FDA approval to market licensed product in the United States of America; and US$100,000 upon receipt of regulatory approval to market each licensed product in each of other jurisdictions.
iv) royalty payments of up to 1.5% of net sales of products covered by the license until the later of (i) the expiration of any patent claims or (ii) ten years from the date of the first commercial sale of any covered product in each country. Following commencement of commercial sales, the Company will be subject to certain annual minimum royalty payments that will increase annually up to a maximum of US$100,000 per year.
v) UFRF is entitled to receive a royalty of 5% of amounts received from any sub-licensee that are not based directly on product sales, excluding payments received for research and development or purchases of the Company's securities at not less than fair market value.

The UFRF may terminate the agreements if the Company fails to meet certain specified milestones, including without limitation (i) securing at least US$2,000,000 of operating capital by January 2015, (ii) generating clinical data for an insulin resistance/diabetes targeting uric acid lower agents by January 2018, and (iii) commencing commercial sale of a product by January 30, 2025.

Equity Agreement

In connection with the license agreement, effective June 23, 2014, the Company entered into an equity agreement with UFRF in lieu of UFRF charging the Company certain fees under license agreements. Pursuant to the terms of the equity agreement, the Company issued to UFRF 617,120 shares of common stock of the Company, being equal to 3% of the Company's issued and outstanding common shares as of June 23, 2014, calculated on a fully diluted basis.

d) Xanthine Oxidase Formulations

On March 17, 2014, Dr. Allen Davidoff, the Company's CEO has applied for this worldwide patent in on behalf of the Company. The patent is expected to provide product protection for formulations developed for hypertension, treatment of diabetes, treatment of diabetic nephropathy, fatty liver and other indications.

(Expressed in Canadian Dollars)

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		December 31, 2016		December 31, 2015
Trade payables	**$**	**159,667**	$	174,683
Accrued liabilities		**215,029**		135,180
Total	**$**	**374,696**	$	309,863

6. LOANS PAYABLE AND RELATED PARTY TRANSACTIONS

All related party transactions were measured at the amount of consideration established and agreed to by the related parties. All amounts due from/payable to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

During the years ended December 31, 2016 and 2015, the Company incurred the following transactions with related parties and a shareholder:

a) Wages and benefits were paid or accrued to a director and an officer of the Company in the amount of $120,000 (2015 - $120,000).

b) As at December 31, 2016, $502 (2015 - $502) was payable to directors and officers of the Company. The balance is unsecured, non-interest bearing, and has no fixed terms of repayment.

c) During the year ended December 31, 2016, the Company entered into promissory notes with a shareholder ($85,000) and a director ($30,000) for the total principal sum of $115,000. The notes are fully secured by the Company's assets, bear interest at 9% per annum, and are payable upon (i) the completion of a financing in excess of $150,000; and (ii) on demand 12 months from the date of issuance. As at December 31, 2016, $8,625 had been accrued in interest. On August 18, 2017, the loans were converted to convertible loans as per Note 14.

d) Management compensation transactions for the years ended December 31, 2016 and 2015 are summarized as follows:

	Short-term employee benefits	Share-based payments	Total
Year ended December 31, 2015			
Directors and officers	$ 120,000	$ 49,765	$ 169,765
Year ended December 31, 2016			
Directors and officers	**$ 120,000**	**$ 169,145**	**$ 289,145**

(Expressed in Canadian Dollars)

7. PROVISION FOR PATENT ACQUISITION

	Patent Right Purchase Provision	
	December 31, 2016	December 31, 2015
Balance, beginning of period	**$ 103,800**	$ 87,008
Foreign exchange adjustment	**(3,098)**	16,792
Balance, end of period	**$ 100,702**	$ 103,800

The Company has the option to pay US$75,000 in respect of a patent rights purchase agreement dated December 5, 2012 (Note 4), when the National Institutes of Health for Vendors approves the transfer of ownership of the patent rights to the Company. The timing of the ownership transfer is uncertain and the outflow of future cash flows is probable.

8. SHARE CAPITAL AND RESERVES

a) Authorized and Issued

Unlimited Class A common shares without par value – 22,191,787 issued as at December 31, 2016 (2015 – 22,221,787)
Unlimited Class B common shares without par value (none issued)
Unlimited Class C common shares without par value (none issued)
Unlimited Class D common shares without par value (none issued)
Unlimited Class E preferred shares without par value (none issued)
Unlimited Class F preferred shares without par value (none issued)

b) Issuances

Year ended December 31, 2016:

854,000 Class A common shares were issued in exchange for investor relations services valued at $15,000.

Year ended December 31, 2015:

There were no share issuances during the year ended December 31, 2015.

c) Share Purchase Warrants

As at December 31, 2016 and 2015, there were no share purchase warrants outstanding. During the year ended December 31, 2015, 29,760 share purchase warrants exercisable at $0.50 per share expired unexercised.

d) Stock Options

The Company has an incentive Stock Option Plan (the “Plan”) for directors, officers, employees and consultants, under which the Company may issue stock options to purchase common shares of the Company provided that the amount of incentive stock options which may be granted and outstanding under the Plan at any time shall not exceed 10% of the then issued and outstanding common shares of the Company and subject to the prior ratification by the TSX.V. Options vest at the discretion of the board.

(Expressed in Canadian Dollars)

8. SHARE CAPITAL AND RESERVES (Continued)

d) Stock Options (Continued)

The Company granted 1,000,000 stock options during the year ended December 31, 2016; 750,000 stock options were granted to directors and officers and 250,000 stock options were granted to a consultant. One-third of the options vested immediately upon the grant date, one third of the options vested on the one-year anniversary from the grant date and the remaining options vested on the two-year anniversary from the grant date. The fair value of stock options was estimated using the Black-Scholes option-pricing model. The weighted average fair value of options granted was $0.33.

The fair value of stock options granted was estimated on the date of grant using the Black-Scholes model with the following data and assumptions:

	2016
Dividend yield	Nil
Annualized volatility	111.13%
Risk-free interest rate	0.61%
Expected life	3 years

The risk free rate of return is the yield on a zero-coupon Canadian Treasury Bill of a term consistent with the assumed option life. The expected average option term is the average expected period to exercise, based on the historical activity patterns for each individually vesting tranche. The expected volatility is based on the Company's historical volatility.

A summary of the changes in stock options for the years ended December 31, 2016 and 2015 is presented below:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2015 and 2014	337,000	$0.10
Vested and exercisable, December 31, 2015	337,000	$0.10
Granted	1,000,000	$0.50
Balance, December 31, 2016	1,337,000	$0.40
Vested and exercisable, December 31, 2016	670,333	$0.30

The weighted average contractual remaining life of the unexercised options was 2.22 years (2015 – 2.47).

(Expressed in Canadian Dollars)

8. SHARE CAPITAL AND RESERVES (Continued)

d) Stock Options (Continued)

The following table summarizes information on stock options outstanding at December 31, 2016:

Exercise Price	Number Outstanding	Number Exercisable	Average Remaining Contractual Life
$0.10	337,000	337,000	1.47 years
$0.50	1,000,000	333,333	2.47 years
	1,337,000	**670,333**	**2.22 years**

e) Nature and Purpose of Reserves

The 'Share-based Payment Reserve' is used to recognize the fair value of stock option grants prior to exercise, expiry or cancellation and the fair value of other share-based consideration paid at the date of payment.

9. LOSS PER SHARE

The Company calculates the basic and diluted loss per common share using the weighted average number of common shares outstanding during each period and the diluted loss per share assumes that the outstanding vested stock options and share purchase warrants had been exercised at the beginning of the year.

To compute diluted earnings per share, the average number of shares outstanding is adjusted for the number of potentially dilutive shares. The potentially dilutive stock options and share purchase warrants were not included in the Company's loss per common share calculation because the result was anti-dilutive.

	Years ended December 31, **2016**	2015
Issued shares beginning of year	**21,367,787**	21,367,787
Weighted average issuances	**56,153**	-
Basic weighted average common shares, end of year	**21,423,940**	21,367,787

(Expressed in Canadian Dollars)

10. INCOME TAXES

The income taxes shown in the consolidated statements of operations differ from the amounts obtained by applying statutory rates to the loss before income taxes due to the following:

		2016		2015
Loss for the year	**$**	**(415,000)**	$	(279,000)
Statutory tax rate		**26%**		26%
Expected income tax recovery		**(108,000)**		(73,000)
Decrease to income tax recovery due to:				
Non-deductible permanent differences		**52,000**		25,000
Change in tax assets not recognized		**56,000**		48,000
Income tax recovery	**$**	**-**	$	-

The significant components of the Company's deferred tax assets are as follows:

		December 31, 2016		December 31, 2015
Share issuance costs	**$**	**5,000**	$	13,000
Cumulative eligible capital		**(25,000)**		(26,000)
Operating losses carried forward		**371,000**		309,000
Total deferred tax assets		**351,000**		296,000
Deferred tax assets not recognized		**(351,000)**		(296,000)
	$	**-**	$	-

The realization of income tax benefits related to these deferred potential tax deductions is not probable. Accordingly, no deferred income tax assets have been recognized for accounting purposes. The Company has Canadian non-capital losses carried forward of approximately $1,427,000 that may be available for tax purposes. The losses expire as follows:

Expiry date	$
2032	68,000
2033	655,000
2034	277,000
2035	187,000
2036	240,000
Total	1,427,000

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. Cash is designated as held-for-trading and measured at fair value. Accounts payable and accrued liabilities and loans payable are designated as other financial liabilities and measured at amortized cost using the effective interest rate method. The fair values of the Company's due to related parties approximate their carrying values at December 31, 2016 and 2015, due to their short-term nature.

(Expressed in Canadian Dollars)

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

The following table presents the Company's financial instruments, measured at fair value on the consolidated statements of financial position as at December 31, 2016 and 2015 and categorized into levels of the fair value hierarchy:

		December 31, 2016		December 31, 2015	
	Level	**Carrying Value**	**Estimated Fair Value ***	Carrying Value	Estimated Fair Value *
FVTPL					
Cash	1	**$ 16,769**	**$ 16,769**	$ 34,113	$ 34,113
Other financial liabilities					
Accounts payable and accrued liabilities	2	**$ 374,696**	**$ 374,696**	$ 309,863	$ 309,863
Loans payable	2	**$ 124,127**	**$ 124,127**	$ 502	$ 502

* Fair value approximates the carrying amounts due to the short-term nature.

There were no transfers for levels of change in the fair value measurements of financial instruments for the years ended December 31, 2016 and 2015.

Risk management is carried out by the Company's management team with guidance from the Board of Directors. The Company's risk exposures and their impact on the Company's financial instruments were as follows:

a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer of counterparty to a financial instrument fails to meet its obligations. The Company's maximum exposure to credit risk at the financial position date under its financial instruments is summarized as follows:

	December 31, 2016	December 31, 2015
Cash	**$ 16,769**	$ 34,113

All of the Company's cash is held with major financial institutions in Canada and management believes the exposure to credit risk with such institutions is minimal. The Company considers the risk of material loss to be significantly mitigated due to the financial strength of the major financial institutions where cash is held. The Company's maximum exposure to credit risk as at December 31, 2016 and 2015 is the carrying value of its financial assets.

b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operation requirements as well as the growth and development of its intellectual property portfolio.

The Company's financial assets are comprised of its cash and the financial liabilities are comprised of its accounts payable and accrued liabilities and loans payable.

(Expressed in Canadian Dollars)

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

b) Liquidity Risk (Continued)

The contractual maturities of these financial liabilities as at December 31, 2016 and 2015 are summarized below:

	Payments due by Period as of December 31, 2016			
	TOTAL	**LESS THAN 3 MONTHS**	**BETWEEN 3 MONTHS AND 1 YEAR**	**1-3 YEARS**
Accounts payable and accrued liabilities	**$ 374,696**	**$ 374,696**	**$ -**	**$ –**
Loans payable	**124,127**	**124,127**	–	–
	$ 498,823	**$ 498,823**	**$ -**	**$ –**

	Payments due by Period as of December 31, 2015			
	TOTAL	LESS THAN 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	1-3 YEARS
Accounts payable and accrued liabilities	$ 309,863	$ 309,863	$ -	$ –
Loans payable	502	502	–	–
	$ 310,365	$ 310,365	$ -	$ –

c) Market Risk

i) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's bank accounts bear interest. Management believes that the credit risk concentration with respect to financial instruments included in cash is minimal.

ii) Foreign Currency Risk

The Company is exposed to foreign exchange risk on its US$75,000 provision for patent acquisition. Based on the foreign exchange exposure arising from the provision, varying the foreign exchange rate to reflect a 10% appreciation or depreciation of the Canadian dollar against the U.S. dollar would result in an increase/decrease of $7,500 (2015 - $7,500) in the Company's loss from operations.

(Expressed in Canadian Dollars)

12. CAPITAL MANAGEMENT

The Company defines capital that it manages as equity. The Company manages its capital structure in order to have funds available to support its research and development and sustain the future development of the business. When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support its activities.

The Company includes the following items in its managed capital as at the following periods:

Equity is comprised of:	**December 31, 2016**	December 31, 2015
Share capital	**$ 1,207,024**	$ 1,192,024
Share-based payments reserve	**$ 354,812**	$ 150,937
Deficit	**$ (1,878,898)**	$ (1,464,064)

Since inception, the Company's objective in managing capital is to ensure sufficient liquidity to finance its research and development activities, general and administrative expenses, expenses associated with intellectual property protection and its overall capital expenditures. The Company is not exposed to external requirements by regulatory agencies regarding its capital.

13. COMMITMENTS

The Company has entered into long-term arrangements with commitments for the years ending December 31 as follows:

	2016	2015
Management services – officers	**$ 120,000**	$ 120,000

Dr. Allen Davidoff, President, CEO and a director of the Company has a long-term employment agreement with the Company. The agreement has a termination clause whereby Dr. Davidoff is entitled to the equivalent of twelve times his then current monthly salary which, as of December 31, 2016, equated to $120,000.

14. SUBSEQUENT EVENTS

Subsequent events not otherwise disclosed in these financial statements are described below:

a) On August 8, 2017, the Company completed a binding support agreement to exchange all of the Company's shares for the equivalent of 2.311 shares of APAC Resources Inc. ("APAC") for each XORTX share tendered resulting in the reverse take-over of APAC Resources Inc., a public company listed on the Canadian Stock Exchange ("CSE"). The agreement is subject to the 4:1 pre-consolidation of APAC Resources Inc. shares and approval of the APAC shareholders at a special meeting to be held on or before October 31, 2017, approval of a minimum of 90% of the XORTX shareholders, completion of a minimum financing of $2,000,000 and acceptance of the acquisition transaction by the CSE.

b) On August 18, 2017, a shareholder and a director converted their secured, interest-bearing loans in the aggregate principal amount of $115,000 to convertible loans. In addition, a further $100,000 was loaned to the Company by certain shareholders. The loans and accrued interest shall convert automatically into 459,697 shares of the Company immediately prior to the effect of the share exchange with APAC Resources Inc.

c) On August 21, 2017, 337,000 options exercisable at $0.10 per share were exercised for proceeds of $33,700.

XORTX PHARMA CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017 AND 2016

(Expressed in Canadian Dollars)
(Unaudited)

XORTX PHARMA CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Expressed in Canadian Dollars)
(Unaudited)

		JUNE 30 2017		DECEMBER 31 2016 (Audited)
Assets				
Current Assets				
Cash	**$**	**9,203**	$	16,769
Prepaid expenses and deposits		**3,566**		1,566
Total Current Assets		**12,769**		18,335
Non-current Assets				
Intangible assets (Note 4)		**257,849**		264,128
Total Assets	**$**	**270,618**	$	282,463
Liabilities				
Current Liabilities				
Accounts payable and accrued liabilities (Note 5)	**$**	**438,958**	$	374,696
Loans payable (Note 6)		**129,302**		124,127
Provision for patent acquisition (Note 7)		**97,328**		100,702
Total Liabilities		**665,588**		599,525
Deficiency				
Share Capital (Note 8)		**1,207,024**		1,207,024
Obligation to Issue Shares		**10,000**		-
Share-based Payments Reserve		**401,147**		354,812
Deficit		**(2,013,141)**		(1,878,898)
Total Deficiency		**(394,970)**		(317,062)
Total Liabilities and Deficiency	**$**	**270,618**	$	282,463

Nature of Operations and Going Concern (Note 1)

"/s/ Allen Davidoff"	*"/s/ Alan Moore"*
Director	Director

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

XORTX PHARMA CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

(Expressed in Canadian Dollars)
(Unaudited)

	THREE MONTHS ENDED JUNE 30		SIX MONTHS ENDED JUNE 30	
	2017	2016	**2017**	2016
Expenses				
Amortization of intangible assets	**$ 4,126**	$ 3,984	**$ 8,270**	$ 7,878
Foreign exchange	**(1,357)**	361	**(4,925)**	(8,295)
Insurance	**1,566**	1,595	**2,750**	2,952
Interest	**2,587**	2,545	**5,175**	3,451
Investor relations and consulting fees	**-**	-	**1,500**	-
Office, postage and miscellaneous	**1,259**	1,704	**3,024**	2,207
Professional fees	**2,284**	80	**6,800**	249
Share-based payments	**23,168**	-	**46,335**	-
Telephone and utilities	**1,287**	1,953	**1,491**	2,701
Trade shows and seminars	**-**	1,575	**-**	1,575
Travel	**3,150**	848	**3,823**	7,496
Wages and benefits (Note 6)	**30,000**	29,280	**60,000**	58,861
Net Loss and Comprehensive Loss For The Period	**$ 68,070**	$ 43,925	**$ 134,243**	$ 79,075
Basic and Diluted Loss Per Common Share	**$ (0.00)**	$ (0.00)	**$ (0.01)**	$ (0.00)
Weighted Average Number Of Common Shares Outstanding – Basic and diluted (Note 9)	**22,221,787**	21,367,787	**22,221,787**	21,367,787

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

XORTX PHARMA CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIENCY
FOR THE SIX MONTHS ENDED JUNE 30, 2017 AND 2016

(Expressed in Canadian Dollars)
(Unaudited)

	SHARE CAPITAL		OBLIGATION TO ISSUE SHARES	SHARE-BASED PAYMENTS RESERVE	DEFICIT	TOTAL
	SHARES	AMOUNT				
Balance, December 31, 2016	22,221,787	$ 1,207,024	$ -	$ 354,812	$ (1,878,898)	$ (317,062)
Obligation to issue shares at $0.10 per share	-	-	10,000	-	-	10,000
Share-based payments	-	-	-	46,335	-	46,335
Net loss for the period	-	-	-	-	(134,243)	(134,243)
Balance, June 30, 2017	**22,221,787**	**$ 1,207,024**	**$ 10,000**	**$ 401,147**	**$ (2,013,141)**	**$ (394,970)**
Balance, December 31, 2015	21,367,787	$ 1,192,024	$ -	$ 150,937	$ (1,464,064)	$ (121,103)
Net loss for the period	-	-	-	-	(79,075)	(79,075)
Balance, June 30, 2016	**21,367,787**	**$ 1,192,024**	**$ -**	**$ 150,937**	**$ (1,543,139)**	**$ (200,178)**

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

XORTX PHARMA CORP.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

(Expressed in Canadian Dollars)
(Unaudited)

	SIX MONTHS ENDED JUNE 30	
	2017	2016
Operating Activities		
Net loss for the period	**$ (134,243)**	$ (79,075)
Items not affecting cash:		
Accrued interest expense	**5,175**	3,451
Amortization of intangible assets	**8,270**	7,878
Share-based payments	**46,335**	-
Unrealized foreign exchange gain	**(4,934)**	(7,895)
Changes in non-cash operating assets and liabilities:		
Accounts payable and accrued liabilities	**65,839**	11,614
Prepaid expenses and deposits	**(2,000)**	(3,398)
Cash Used In Operating Activities	**(15,558)**	(67,425)
Investing Activity		
Additions to intangible assets	**(1,991)**	(13,800)
Financing Activities		
Share subscriptions received	**10,000**	-
Advances received from related parties	**-**	115,000
Cash Received From Financing Activities	**10,000**	115,000
Decrease In Cash	**(7,566)**	(33,775)
Cash, Beginning Of Period	**16,769**	34,113
Cash, End Of Period	**$ 9,203**	$ 67,888
Supplemental Cash Flow and Non-Cash Investing and Financing Activities Disclosure		
Cash paid for interest	**$**	$ -
Cash paid for income taxes	**$**	$ -

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

1. NATURE OF OPERATIONS AND GOING CONCERN

XORTX Pharma Corp. (the "Company" or "XORTX") was incorporated under the laws of Alberta, Canada on August 24, 2012 under the name ReVasCor Inc. and was continued under the Canada Business Corporations Act on February 27, 2013 under the name of XORTX Pharma Corp.

The Company's head office, principal address and address of its registered and records office is 4000, 421 7th Avenue SW, Calgary, AB, T2P 4K9.

The Company is a bio-pharmaceutical company, dedicated to innovation, discovery, development and commercialization of therapies that will improve patient health throughout the world. The Company is founded on patents and patent applications that include three U.S. and worldwide rights for the development of uric acid lowering agents to treat diabetic nephropathy, hypertension, insulin resistance, metabolic syndrome and diabetes.

Although there is no certainty, management is of the opinion that additional funding for future projects and operations can be raised as needed. The Company is subject to a number of risks associated with the successful development of new products and their marketing and the conduct of its clinical studies and their results. The Company will have to finance its research and development activities and its clinical studies. To achieve the objectives in its business plan, the Company plans to raise the necessary capital and make sales. It is anticipated that the products developed by the Company will require approval from the U.S. Food and Drug Administration and equivalent organizations in other countries before their sale can be authorized. If the Company is unsuccessful in obtaining adequate financing in the future due to prolonged economic decline, research activities will be postponed until market conditions improve. These circumstances and conditions may cast significant doubt about the Company's ability to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with International Standard 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Accordingly, certain disclosures included in the annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been condensed or omitted. These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2016.

The accounting policies applied in the preparation of these unaudited condensed interim consolidated financial statements are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended December 31, 2016.

3. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of condensed interim consolidated financial statements requires management to make judgments and estimates that affect the amounts reported in the consolidated financial statements and notes. By their nature, these judgments and estimates are subject to change and the effect on the condensed interim consolidated financial statements of changes in such judgments and estimates in future periods could be material. These judgments and estimates are based on historical experience, current and future economic conditions, and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from these judgments and estimates.

Revisions to accounting estimates are recognized in the period in which the estimate is revised and may affect both the period of revision and future periods.

Information about critical accounting judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 8.

Impairment of intangible assets

Patents (obtained and pending) and licenses are reviewed for impairment at each financial reporting date. If, in the judgment of management, that future economic benefits will not flow to the Company, then the remaining intangible asset costs are written off. Management has determined that the Company's intangible asset carrying values have not been impaired.

Going concern assumption

The preparation of these consolidated financial statements requires management to make judgments regarding the ability of the Company to continue as a going concern as discussed in Note 1.

(Expressed in Canadian Dollars)

4. INTANGIBLE ASSETS

Cost		Total
Balance, December 31, 2016	$	315,390
Additions		1,991
Balance, June 30, 2017	**$**	**317,381**

Accumulated amortization		Total
Balance, December 31, 2016	$	51,262
Amortization		8,270
Balance, June 30, 2017	**$**	**59,532**

Carrying values		Total
At December 31, 2016	$	264,128
At June 30, 2017	**$**	**257,849**

The Company's portfolio of patents and licenses can be separated into the following patent families:

a) Treatment for Cardiovascular Disease – US Patent Number 7,799,794

This granted patent has a single claim allopurinol for the treatment of hypertension with unpursued claims to "All Uric Acid Lowering Agents" for the treatment of hypertension. The approvable endpoint is for hypertension. The patent expires in October 2022.

The Company paid $21,188 (US$20,000) to the Vendors on the date the agreement was signed and is obligated to pay another US$20,000 ninety days following the completion of financing of at least US$2,000,000. As at December 31, 2016, $26,854 (US $20,000) has been accrued.

The Company is committed under the patent rights purchase agreement dated July 9, 2013, as amended April 15, 2014, between the Company and Dr. Richard Johnson, the "Vendor", to pay the Vendor a royalty equal to 1.5% on the cumulative net revenues from the sale or sublicense of the product covered under the agreement until the later of (a) the expiration of the last patent right covering the product and (b) the expiration of ten years from the date of the first commercial sales of a product.

For the period between the date of the agreement and the first commercial sale, in the event the Company's research and development expenditures for commercialization of the product in a calendar year are less than 15% of the total research and development expenditures of the Company, the Company will notify the Vendor. In the event the Company fails to meet or exceed the project commitment in the subsequent calendar year, the royalty shall be tripled from 1.5% to 4.5% on the cumulative net revenues.

4. INTANGIBLE ASSETS (Continued)

b) Treatment of Hyperuricemia Related Health Consequences - US Patent Number 11/995,943

This patent application contains claims that the use of all uric acid lowering agents will improve the treatment of metabolic syndrome.

The Company has the option under the patent rights purchase agreement dated December 5, 2012, between the Company and Dr. Richard Johnson and Dr. Takahiko Nakagawa, collectively the "Vendors" to purchase the patent right and until ownership of the patent application is transferred to the Company, a license to use the patent application. As consideration, the Company issued 1,680,000 common shares at $0.03 per common share for a total instalment price of $50,400.

In consideration of the assignment of the patent rights under the agreement, once approval from the National Institutes of Health For Vendors has been obtained and ownership of the patent has been transferred, the Company would be required to pay the Vendors US $75,000, in aggregate. This amount has been set up as a provision as at December 31, 2016 and 2015. (Note 7)

Additionally, if the option is exercised, the Company must pay the Vendors a royalty equal to 1.5% on the cumulative net revenues from the sale or sublicense of the product covered under the agreement until the later of (a) the expiration of the last patent right covering the product and (b) the expiration of ten years from the date of the first commercial sales of a product. In the event that research and development expenditures of the Company or a third-party acquirer are less than 15% of the total research and development costs for a calendar year, the component of the royalty that is directed to sublicensing royalty revenue shall be tripled from 1.5% to 4.5%.

c) Composition and Methods for Treatment and Prevention of Insulin Resistance - US Patent Number 11/572,570

Pursuant to an option agreement dated October 9, 2012, as amended on June 23, 2014, and a license agreement between the Company and the University of Florida Research Foundation, Inc. ("UFRF"), a nonprofit Florida corporation, the Company acquired the exclusive license to the worldwide technology rights covered by the related patents, patent applications, unpatented technology and information thereto (the "Patent Rights"). The Patent Rights include claims for the use of all uric acid lowering agents to treat insulin resistance with a target U.S. Food & Drug Administration ("FDA") approval endpoint of "Treatment of Diabetes".

The above noted option agreement provides that the Company is responsible for reimbursing UFRF for United States and/or foreign costs associated with the Patent Rights and for maintaining indemnification insurance. Further, any license granted to the Company is subject to a non-exclusive, nontransferable, irrevocable, right in favor of the United States Government.

4. INTANGIBLE ASSETS (Continued)

c) Composition and Methods for Treatment and Prevention of Insulin Resistance - US Patent Number 11/572,570 (Continued)

The Company is obligated to pay UFRF:

i) an annual license fee of US$1,000;
ii) approximately US$44,995 on the receipt of financing of US$3,000,000 as reimbursement for expenses associated with patent application costs incurred prior to June 23, 2014;
iii) milestone payments of: US$500,000 upon receipt of FDA approval to market licensed product in the United States of America; and US$100,000 upon receipt of regulatory approval to market each licensed product in each of other jurisdictions.
iv) royalty payments of up to 1.5% of net sales of products covered by the license until the later of (i) the expiration of any patent claims or (ii) ten years from the date of the first commercial sale of any covered product in each country. Following commencement of commercial sales, the Company will be subject to certain annual minimum royalty payments that will increase annually up to a maximum of US$100,000 per year.
v) UFRF is entitled to receive a royalty of 5% of amounts received from any sub-licensee that are not based directly on product sales, excluding payments received for research and development or purchases of the Company's securities at not less than fair market value.

The UFRF may terminate the agreements if the Company fails to meet certain specified milestones, including without limitation (i) securing at least US$2,000,000 of operating capital by January 2015, (ii) generating clinical data for an insulin resistance/diabetes targeting uric acid lower agents by January 2018, and (iii) commencing commercial sale of a product by January 30, 2025.

Equity Agreement

In connection with the license agreement, effective June 23, 2014, the Company entered into an equity agreement with UFRF in lieu of UFRF charging the Company certain fees under license agreements. Pursuant to the terms of the equity agreement, the Company issued to UFRF 617,120 shares of common stock of the Company, being equal to 3% of the Company's issued and outstanding common shares as of June 23, 2014, calculated on a fully diluted basis.

d) Xanthine Oxidase Formulations

On March 17, 2014, Dr. Allen Davidoff, the Company's CEO has applied for this worldwide patent in on behalf of the Company. The patent is expected to provide product protection for formulations developed for hypertension, treatment of diabetes, treatment of diabetic nephropathy, fatty liver and other indications.

(Expressed in Canadian Dollars)

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

		June 30, 2017		December 31, 2016
Trade payables	**$**	**164,480**	$	159,667
Accrued liabilities		**274,478**		215,029
Total	**$**	**438,958**	$	374,696

6. LOANS PAYABLE AND RELATED PARTY TRANSACTIONS

All related party transactions were measured at the amount of consideration established and agreed to by the related parties. All amounts due from/payable to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

During the six months ended June 30, 2017, the Company incurred the following transactions with related parties and a shareholder:

a) Wages and benefits were paid or accrued to a director and an officer of the Company in the amount of $60,000.

b) As at June 30, 2017 and December 31, 2016, $502 was payable to directors and officers of the Company. The balance is unsecured, non-interest bearing, and has no fixed terms of repayment.

c) During the year ended December 31, 2016, the Company entered into promissory notes with a shareholder ($85,000) and a director ($30,000) for the total principal sum of $115,000. The notes are fully secured by the Company's assets, bear interest at 9% per annum, and are payable upon (i) the completion of a financing in excess of $150,000; and (ii) on demand 12 months from the date of issuance. As at June 30, 2017, $13,800 (December 31, 2016, $8,625) had been accrued in interest. On August 18, 2017, the loans were converted to convertible loans as per Note 13.

d) Management compensation in the amount of $60,000 was accrued for the six months ended June 30, 2017

7. PROVISION FOR PATENT ACQUISITION

The Company has the option to pay US$75,000 in respect of a patent rights purchase agreement dated December 5, 2012 (Note 4), when the National Institutes of Health for Vendors approves the transfer of ownership of the patent rights to the Company. The timing of the ownership transfer is uncertain and the outflow of future cash flows is probable.

8. SHARE CAPITAL AND RESERVES

a) Authorized and Issued

Unlimited Class A common shares without par value – 22,221,787 issued as at June 30, 2017 and December 31, 2016
Unlimited Class B common shares without par value (none issued)
Unlimited Class C common shares without par value (none issued)
Unlimited Class D common shares without par value (none issued)
Unlimited Class E preferred shares without par value (none issued)
Unlimited Class F preferred shares without par value (none issued)

b) Issuances

Six months ended June 30, 2017:

There were no share issuances during the six months ended June 30, 2017.

Year ended December 31, 2016:

854,000 Class A common shares were issued in exchange for investor relations services valued at $15,000.

c) Share Purchase Warrants

As at June 30, 2017 and December 31, 2016, there were no share purchase warrants outstanding.

d) Stock Options

The Company has an incentive Stock Option Plan (the “Plan”) for directors, officers, employees and consultants, under which the Company may issue stock options to purchase common shares of the Company provided that the amount of incentive stock options which may be granted and outstanding under the Plan at any time shall not exceed 10% of the then issued and outstanding common shares of the Company and subject to the prior ratification by the TSX.V. Options vest at the discretion of the board.

The Company granted 1,000,000 stock options during the year ended December 31, 2016; 750,000 stock options were granted to directors and officers and 250,000 stock options were granted to a consultant. One-third of the options vested immediately upon the grant date, one third of the options vested on the one-year anniversary from the grant date and the remaining options will vest on the two-year anniversary from the grant date. The fair value of stock options was estimated using the Black-Scholes option-pricing model. The weighted average fair value of options granted was $0.33.

(Expressed in Canadian Dollars)

8. SHARE CAPITAL AND RESERVES (Continued)

d) Stock options (Continued)

The fair value of stock options granted was estimated on the date of grant using the Black-Scholes model with the following data and assumptions:

	2016
Dividend yield	Nil
Annualized volatility	111.13%
Risk-free interest rate	0.61%
Expected life	3 years

The risk free rate of return is the yield on a zero-coupon Canadian Treasury Bill of a term consistent with the assumed option life. The expected average option term is the average expected period to exercise, based on the historical activity patterns for each individually vesting tranche. The expected volatility is based on the Company's historical volatility.

A summary of the changes in stock options for the six months ended June 30, 2017 is presented below:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2016 and June 30, 2017	1,337,000	$0.40
Vested and exercisable, December 31, 2016 and June 30, 2017	670,333	$0.30

The following table summarizes information on stock options outstanding at June 30, 2017:

Exercise Price	Number Outstanding	Number Exercisable	Average Remaining Contractual Life
$0.10	337,000	337,000	0.97 years
$0.50	1,000,000	333,333	1.97 years
	1,337,000	**670,333**	**1.72 years**

e) Nature and Purpose of Reserves

The 'Share-based Payment Reserve' is used to recognize the fair value of stock option grants prior to exercise, expiry or cancellation and the fair value of other share-based consideration paid at the date of payment.

(Expressed in Canadian Dollars)

9. LOSS PER SHARE

The Company calculates the basic and diluted loss per common share using the weighted average number of common shares outstanding during each period and the diluted loss per share assumes that the outstanding vested stock options and share purchase warrants had been exercised at the beginning of the year.

To compute diluted earnings per share, the average number of shares outstanding is adjusted for the number of potentially dilutive shares. The potentially dilutive stock options and share purchase warrants were not included in the Company's loss per common share calculation because the result was anti-dilutive.

	Six months ended June 30, 2017
Issued shares beginning of period	22,221,787
Weighted average issuances	-
Basic weighted average common shares, end of period	22,221,787

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. Cash is designated as held-for-trading and measured at fair value. Accounts payable and accrued liabilities and loans payable are designated as other financial liabilities and measured at amortized cost using the effective interest rate method. The fair values of the Company's due to related parties approximate their carrying values at June 30, 2017 and December 31, 2016, due to their short-term nature.

The following table presents the Company's financial instruments, measured at fair value on the consolidated statements of financial position as at June 30, 2017 and December 31, 2016 and categorized into levels of the fair value hierarchy:

		June 30, 2017		December 31, 2016	
	Level	**Carrying Value**	**Estimated Fair Value ***	Carrying Value	Estimated Fair Value *
FVTPL					
Cash	1	**$ 9,203**	**$ 9,203**	$ 16,769	$ 16,769
Other financial liabilities					
Accounts payable and accrued liabilities	2	**$ 438,958**	**$ 438,958**	$ 374,696	$ 374,696
Loans payable	2	**$ 129,302**	**$ 129,302**	$ 124,127	$ 124,127

* Fair value approximates the carrying amounts due to the short-term nature.

There were no transfers for levels of change in the fair value measurements of financial instruments for the period ended June 30, 2017 and year ended December 31, 2016.

(Expressed in Canadian Dollars)

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

Risk management is carried out by the Company's management team with guidance from the Board of Directors. The Company's risk exposures and their impact on the Company's financial instruments were as follows:

a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer of counterparty to a financial instrument fails to meet its obligations. The Company's maximum exposure to credit risk at the financial position date under its financial instruments is summarized as follows:

		June 30, 2017		December 31, 2016
Cash	**$**	**9,203**	$	16,769

All of the Company's cash is held with major financial institutions in Canada and management believes the exposure to credit risk with such institutions is minimal. The Company considers the risk of material loss to be significantly mitigated due to the financial strength of the major financial institutions where cash is held. The Company's maximum exposure to credit risk as at June 30, 2017 and December 31, 2016 is the carrying value of its financial assets.

b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operation requirements as well as the growth and development of its intellectual property portfolio.

The Company's financial assets are comprised of its cash and the financial liabilities are comprised of its accounts payable and accrued liabilities and loans payable.

(Expressed in Canadian Dollars)

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)

b) Liquidity Risk (Continued)

The contractual maturities of these financial liabilities as at June 30, 2017 and December 31, 2016 are summarized below:

	Payments due by Period as of June 30, 2017			
	TOTAL	**LESS THAN 3 MONTHS**	**BETWEEN 3 MONTHS AND 1 YEAR**	**1-3 YEARS**
Accounts payable and accrued liabilities	**$ 438,958**	**$ 438,958**	**$ -**	**$ –**
Loans payable	**129,302**	**129,302**	–	–
	$ 568,260	**$ 568,260**	**$ -**	**$ –**

	Payments due by Period as of December 31, 2016			
	TOTAL	LESS THAN 3 MONTHS	BETWEEN 3 MONTHS AND 1 YEAR	1-3 YEARS
Accounts payable and accrued liabilities	$ 374,696	$ 374,696	$ -	$ –
Loans payable	124,127	124,127	–	–
	$ 498,823	$ 498,823	$ -	$ –

c) Market Risk

i) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's bank accounts bear interest. Management believes that the credit risk concentration with respect to financial instruments included in cash is minimal.

ii) Foreign Currency Risk

The Company is exposed to foreign exchange risk on its US$75,000 provision for patent acquisition. Based on the foreign exchange exposure arising from the provision, varying the foreign exchange rate to reflect a 10% appreciation or depreciation of the Canadian dollar against the U.S. dollar would result in an increase/decrease of $7,500 in the Company's loss from operations.

(Expressed in Canadian Dollars)

11. CAPITAL MANAGEMENT

The Company defines capital that it manages as equity. The Company manages its capital structure in order to have funds available to support its research and development and sustain the future development of the business. When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support its activities.

The Company includes the following items in its managed capital as at the following periods:

Equity is comprised of:	**June 30, 2017**	December 31, 2016
Share capital	**$ 1,207,024**	$ 1,207,024
Obligation to issue shares	**$ 10,000**	$ -
Share-based payments reserve	**$ 401,147**	$ 354,812
Deficit	**$ (2,013,141)**	$ (1,878,898)

Since inception, the Company's objective in managing capital is to ensure sufficient liquidity to finance its research and development activities, general and administrative expenses, expenses associated with intellectual property protection and its overall capital expenditures. The Company is not exposed to external requirements by regulatory agencies regarding its capital.

12. COMMITMENTS

The Company has entered into long-term arrangements with commitments for the years ending December 31 as follows:

	2017	2016
Management services – officers	**$ 120,000**	$ 120,000

Dr. Allen Davidoff, President, CEO and a director of the Company has a long-term employment agreement with the Company. The agreement has a termination clause whereby Dr. Davidoff is entitled to the equivalent of twelve times his then current monthly salary which, as of June 30, 2017, equated to $120,000.

13. SUBSEQUENT EVENTS

Subsequent events not otherwise disclosed in these financial statements are described below:

a) On August 8, 2017, the Company completed a binding support agreement to exchange all of the Company's shares for the equivalent of 2.311 shares of APAC Resources Inc. ("APAC") for each XORTX share tendered resulting in the reverse take-over of APAC Resources Inc., a public company listed on the Canadian Stock Exchange ("CSE"). The agreement is subject to the 4:1 pre-consolidation of APAC Resources Inc. shares and approval of the APAC shareholders at a special meeting to be held on or before October 31, 2017, approval of a minimum of 90% of the XORTX shareholders, completion of a minimum financing of $2,000,000 and acceptance of the acquisition transaction by the CSE.

b) On August 18, 2017, a shareholder and a director converted their secured, interest-bearing loans in the aggregate principal amount of $115,000 to convertible loans. In addition, a further $100,000 was loaned to the Company by certain shareholders. The loans and accrued interest shall convert automatically into 459,697 shares of the Company immediately prior to the effect of the share exchange with APAC Resources Inc.

c) On August 21, 2017, 337,000 options exercisable at $0.10 per share were exercised for proceeds of $33,700.

Schedule B

APAC MD&A

APAC RESOURCES INC.

Management Discussion and Analysis
For the year ended February 28, 2017

The Management Discussion and Analysis ("MD&A"), prepared May 31, 2017 should be read in conjunction with the audited financial statements and notes thereto for the year ended February 28, 2017 and the notes thereto of Apac Resources Inc. ("Apac") which were prepared in accordance with International Financial Reporting Standards.

This management discussion and analysis may contain forward-looking statements in respect of various matters including upcoming events. The results or events predicted in these forward-looking statements may differ materially from the actual results or events. The Company disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

DESCRIPTION OF BUSINESS

APAC Resources Inc. ("the Company") was incorporated on May 31, 2011 under the laws of British Columbia. The address of the Company's corporate office and its principal place of business is 200 - 551 Howe Street, Vancouver, British Columbia, Canada.

The Company's principal business activities include the acquisition and exploration of mineral property assets. As at February 28, 2017, the Company had not yet determined whether the Company's mineral property asset contains ore reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation asset is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development of and the future profitable production from the property or realizing proceeds from its disposition. The outcome of these matters cannot be predicted at this time and the uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

EXPLORATION PROJECT

Lekcin Mineral Property

	Acquisition Costs	Exploration Costs	Total
	$	$	$
Balance, February 28, 2015	11,897	157,257	169,154
Acquisition costs	35,000	-	35,000
Other exploration costs	-	33,000	33,000
Balance, February 29, 2016	46,897	190,257	237,154
BCMETC Credit	-	(6,624)	(6,624)
Impairment	(46,897)	(183,633)	(230,530)
Balance, February 28, 2017	-	-	-

Pursuant to an option agreement (the "Original Agreement") dated June 11, 2011 and amended agreements dated on October 9, 2012, August 12, 2013, May 7, 2014, February 18, 2015, June 03, 2015 and July 23, 2015 (collectively, the "Option Agreement"), the Company had the option to acquire a 100% undivided interest in the Lekcin Mineral Property in the New Westimnster Mining Division of British Columbia by issuing a total of 700,000 common shares of the Company to the optionors, making cash payments totaling $155,000, and incurring a total of $2,000,000 in exploration expenditures over a four year period from the Listing date (October 2, 2015) of the Company. The Company was also be required to issue an additional 600,000 common shares to the optionors upon completion of a positive feasibility study on the Property, and an additional 1,000,000 common shares upon the commencement of commercial production.

During the year ended February 29, 2016, the Company paid $20,000 cash and issued 150,000 common shares valued at $15,000 (Note 7c)(v)) in accordance with the Option Agreement.

During the year ended February 28, 2017, management decided not to pursue further work on the Lekcin Mineral Property and the Company recorded an impairment charge of $230,530 on the statements of comprehensive loss.

Shuswap Silver Project

On February 15, 2017, the Company entered into an option agreement whereby the Company has the right to acquire 100% interest in the Shuswap Silver project located in the area of Sicamous, British Columbia**,** by issuing a total of 750,000 common shares of the Company to the optionors, making cash payments totaling $100,000, and incurring a total of $1,100,000 in exploration expenditures as follows:

	Common Shares	**Cash**	**Exploration Expenditures**
	#	$	$
Upon signing of the Option Agreement (paid)	-	5,000	-
On or before the first anniversary of the date of option agreement	75,000	15,000	100,000
On or before the second anniversary of the date of option agreement	75,000	15,000	200,000
On or before the third anniversary of the date of option agreement	150,000	15,000	200,000
On or before the fourth anniversary of the date of option agreement	175,000	25,000	200,000
On or before the fifth anniversary of the date of option agreement	275,000	25,000	400,000
Total	750,000	100,000	1,100,000

A net smelter returns royalty ("NSR") of 2% was retained by the optionor. Each 1% portion of the NSR can be purchased by the Company for $750,000.

As of February 28, 2017 the Company had recorded $5,000 in acquisition costs related to the Shuswap Silver Project

SELECTED ANNUAL INFORMATION
($000's except loss per share)

	February 28, 2017	February 29, 2016	February 28, 2015
Revenue	$ 0	$ 0	$ 0
Net Loss	$ (424)	$ (205)	$ (37)
Basic and Diluted Loss Per Share	$ (0.03)	$ (0.02)	$ (0.00)
Total Assets	$ 191	$ 276	$ 180
Long-Term Debt	$ 0	$ 0	$ 0
Dividends	$ 0	$ 0	$ 0

OPERATIONS

Three month period ended February 28, 2017
During the three months ended February 28, 2017 the Company reported a net loss of $270,301 (2016 - $38,312). Included in the determination of operating loss was $5,409 (2016 - $3,521) spent on rent, $17,250 (2016 - $17,250) on management and administration, $9,660 (2016 - $9,801) on professional fees, $2,344 (2016 - $Nil) on transfer agent and filing fees, $727 (2016 - $2,426) on travel and promotion, and $4,381 (2016 – $5,314) on office and miscellaneous. The Company also recorded and impairment of exploration and evaluation of $230,530 (2016 - $Nil).

Twelve month period ended February 28, 2017
During the twelve months ended February 28, 2017 the Company reported a net loss of $424,063 (2016 - $204,641). Included in the determination of operating loss was $24,474 (2016 - $25,192) spent on rent, $69,000 (2016 - $53,000) on management and administration, $61,719 (2016 - $40,179) on professional fees, $14,074 (2016 - $18,400) on transfer agent and filing fees, $7,994 (2016 - $8,716) on travel and promotion, and $16,272 (2016 – $10,839) on office and miscellaneous. The Company also incurred a stock based compensation charge of $Nil (2016 - $48,315), and an impairment of exploration and evaluation assets of $230,530 (2016 - $Nil).

SUMMARY OF QUARTERLY RESULTS
($000's except earnings per share)

	February 28, 2017	November 30, 2016	August 31, 2016	May 31, 2016
Revenue	$ 0	$ 0	$ 0	$ 0
Net loss	$ (271)	$ (57)	$ (52)	$ (44)
Basic and diluted Loss per share	$ (0.02)	$ (0.00)	$ (0.01)	$ (0.00)

	February 29, 2016	November 30, 2015	August 31, 2015	May 31, 2015
Revenue	$ 0	$ 0	$ 0	$ 0
Net loss	$ (38)	$ (57)	$ (47)	$ (63)
Basic and diluted Loss per share	$ (0.01)	$ (0.00)	$ (0.00)	$ (0.01)

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and cash equivalents at February 28, 2017 were $185,785 compared to $36,606 at February 29, 2016.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

RELATED PARTY BALANCES AND TRANSACTIONS

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

The following amounts are due to related parties as at February 28, 2017 and February 29, 2016:

	2017	2016
	$	$
Accounts payable and accrued liabilities	6,898	5,937

The above noted amounts are due on demand, non-interest bearing and are unsecured.

The Company had the following related party transactions during the years ended February 28, 2017 and February 29, 2016:

	2017	2016
	$	$
Professional fees	22,525	21,900
Rent	15,000	9,750
Total	37,525	31,650

Professional fees, consulting fees and rent are paid to companies controlled by directors of the Company.

Key management personnel receive compensation in the form of short-term employee benefits. Key management personnel include the directors and officers of the Company. The remuneration of key management during the years ended February 28, 2017 and February 29, 2016 is as follows:

	2017	2016
	$	$
Management fees	69,000	48,000
Share-based compensation	-	48,315

Management services were provided by companies owned by two directors of the Company.

Share-based compensation of $48,315 was issued to directors of the Company

COMMITMENTS

The Company is committed to certain cash payments, share issuances and exploration expenditures in connection with the acquisition of its mineral property claims.

SUBSEQUENT EVENTS

There were no material subsequent events.

APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

There were no new or revised accounting standards scheduled for mandatory adoption on March 1, 2016 that affected the Company's financial statements.

NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued, but not yet effective, up to the date of issuance of the Company's financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

The following accounting policies will be adopted by the Company effective March 1, 2017:

IAS 7 'Statement of Cash Flows': In January 2016, the IASB issued an amendment to IAS 7 Statement of Cash Flows. The amendment to IAS 7 requires additional disclosures for changes in liabilities arising from financing activities. This includes changes arising from cash flows, such as drawdowns and repayments of borrowings, and non-cash changes, such as acquisitions, disposals and unrealized exchange differences. The amendment is effective for fiscal years beginning on or after January 1, 2017, and is applied on a prospective basis. The adoption of this standard is not expected to have a material impact on the Company's financial statements.

The following accounting policies will be adopted by the Company effective March 1, 2018:

IFRS 2 *'Share-based payments'* In June 2016, the IASB issued the final amendments to IFRS 2 Share-based payments that clarify the classification and measurement of share-based payment transactions. This includes the effect of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations, and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments are to be applied prospectively and are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company is currently assessing the impact of this standard.

IFRS 9, *Financial Instruments*, addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit and loss or at fair value through other comprehensive income. The adoption of this standard is not expected to have a material impact on the Company's financial statements.

IFRS 15 Revenue from Contracts with Customers - In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. The adoption of this standard is not expected to have a material impact on the Company's financial statements.

The following standard will be adopted by the Company effective March 1, 2019:

IFRS 16 'Leases': IFRS 16 will be effective for accounting periods beginning on or after January 1, 2019. Early adoption will be permitted, provided the Company has adopted IFRS 15. This standard sets out a new model for lease accounting. The adoption of this standard is not expected to have a material impact on the Company's financial statements.

CRITICAL ACCOUNTING POLICIES

Stock-based Compensation

The Company has a stock option plan, which is described in to the financial statements. Share-based payments to employees and others providing similar services are measured at the estimated fair value of the instruments issued on the grant date and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to equity settled share-based payments reserve.

Consideration received on the exercise of stock options is recorded as share capital and the related equity settled share-based payments reserve is transferred to share capital. Charges for options that are forfeited before vesting are reversed from equity settled share-based payment reserve.

Share-based compensation expense relating to deferred share units is accrued over the vesting period of the units based on the quoted market price. As these awards can be settled in cash, the expense and liability are adjusted each reporting period for changes in the underlying share price.

Financial Instruments

Financial assets are classified into one of four categories:

- Fair value through profit or loss;
- Held-to-maturity;
- Available for sale and;
- Loans and receivables

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

Financial assets at fair value through profit or loss ("FVTPL")

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVTPL if

- It has been acquired principally for the purpose of selling in the near future;
- It is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking or;
- It is a derivative that is not designated and effective as a hedging instrument.

The Company's cash is classified as FVTPL assets.

Held-to-maturity ("HTM")

HTM investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as HTM investments.

Available-for-sale financial assets ("AFS")

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (i) loans and receivables, (ii) held-to-maturity investments or (iii) financial assets as at FVTPL. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS monetary items, are recognized in other comprehensive income or loss. When an investment is derecognized, the cumulative gain or loss in the investment revaluation reserve is transferred to profit or loss. The Company does not have any assets classified as AFS.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less and impairment losses. The Company does not have any assets classified as loans and receivables.

Derecognition of financial assets

A financial asset is derecognized when:

- The contractual right to the asset's cash flows expire; or
- If the Company transfer the financial assets and substantially all risks and rewards of ownership to another entity.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments; or
- It has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets is directly reduced by the impairment loss. With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

SHARE CAPITAL

Issued

The company has 20,132,000 shares issued and outstanding as at February 28, 2017 and May 31, 2017.

Share Purchase Options

The Company has 600,000 stock options outstanding at February 28, 2017 and May 31, 2017.

Warrants

The Company had 342,400 share purchase warrants outstanding at February 28, 2017 and May 31, 2017.

Escrow Shares

The Company has 2,604,000 shares held in escrow as at February 28, 2017 and 1,953,000 as at May 31, 2017.

APAC RESOURCES INC.

Management Discussion and Analysis
For the six month period ended August 31, 2017

The Management Discussion and Analysis ("MD&A"), prepared September 20, 2017 should be read in conjunction with the audited financial statements and notes thereto for the year ended February 28, 2017 and the notes thereto of Apac Resources Inc. ("Apac") which were prepared in accordance with International Financial Reporting Standards.

This management discussion and analysis may contain forward-looking statements in respect of various matters including upcoming events. The results or events predicted in these forward-looking statements may differ materially from the actual results or events. The Company disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

DESCRIPTION OF BUSINESS

APAC Resources Inc. ("the Company") was incorporated on May 31, 2011 under the laws of British Columbia. The address of the Company's corporate office and its principal place of business is 200 - 551 Howe Street, Vancouver, British Columbia, Canada.

The Company's principal business activities include the acquisition and exploration of mineral property assets. As at August 31, 2017, the Company had not yet determined whether the Company's mineral property asset contains ore reserves that are economically recoverable. The recoverability of amounts shown for exploration and evaluation asset is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain the necessary financing to complete the development of and the future profitable production from the property or realizing proceeds from its disposition. The outcome of these matters cannot be predicted at this time and the uncertainties cast significant doubt upon the Company's ability to continue as a going concern.

EXPLORATION PROJECT

Lekcin Mineral Property

	Acquisition Costs	Exploration Costs	Total
	$	$	$
Balance, February 28, 2015	11,897	157,257	169,154
Acquisition costs	35,000	-	35,000
Other exploration costs	-	33,000	33,000
Balance, February 29, 2016	46,897	190,257	237,154
BCMETC Credit	-	(6,624)	(6,624)
Impairment	(46,897)	(183,633)	(230,530)
Balance, February 28, 2017	-	-	-

Pursuant to an option agreement (the "Original Agreement") dated June 11, 2011 and amended agreements dated on October 9, 2012, August 12, 2013, May 7, 2014, February 18, 2015, June 03, 2015 and July 23, 2015 (collectively, the "Option Agreement"), the Company had the option to acquire a 100% undivided interest in the Lekcin Mineral Property in the New Westminster Mining Division of British Columbia by issuing a total of 700,000 common shares of the Company to the optionors, making cash payments totaling $155,000, and incurring a total of $2,000,000 in exploration expenditures over a four year period from the Listing date (October 2, 2015) of the Company. The Company was also required to issue an additional 600,000 common shares to the optionors upon completion of a positive feasibility study on the Property, and an additional 1,000,000 common shares upon the commencement of commercial production.

During the year ended February 29, 2016, the Company paid $20,000 cash and issued 150,000 common shares valued at $15,000 (Note 7c)(v)) in accordance with the Option Agreement.

During the year ended February 28, 2017, management decided not to pursue further work on the Lekcin Mineral Property and the Company recorded an impairment charge of $230,530 on the statements of comprehensive loss.

Shuswap Silver Project

On February 15, 2017, the Company entered into an option agreement whereby the Company has the right to acquire 100% interest in the Shuswap Silver project located in the area of Sicamous, British Columbia, by issuing a total of 750,000 common shares of the Company to the optionors, making cash payments totaling $100,000, and incurring a total of $1,100,000 in exploration expenditures as follows:

	Common Shares	**Cash**	**Exploration Expenditures**
	#	$	$
Upon signing of the Option Agreement (paid)	-	5,000	-
On or before the first anniversary of the date of option agreement	75,000	15,000	100,000
On or before the second anniversary of the date of option agreement	75,000	15,000	200,000
On or before the third anniversary of the date of option agreement	150,000	15,000	200,000
On or before the fourth anniversary of the date of option agreement	175,000	25,000	200,000
On or before the fifth anniversary of the date of option agreement	275,000	25,000	400,000
Total	750,000	100,000	1,100,000

A net smelter returns royalty ("NSR") of 2% was retained by the optionor. Each 1% portion of the NSR can be purchased by the Company for $750,000.

As of February 28, 2017 the Company had recorded $5,000 in acquisition costs related to the Shuswap Silver Project.

SELECTED ANNUAL INFORMATION
($000's except loss per share)

	February 28, 2017	February 29, 2016	February 28, 2015
Revenue	$ 0	$ 0	$ 0
Net Loss	$ (424)	$ (205)	$ (37)
Basic and Diluted Loss Per Share	$ (0.03)	$ (0.02)	$ (0.00)
Total Assets	$ 191	$ 276	$ 180
Long-Term Debt	$ 0	$ 0	$ 0
Dividends	$ 0	$ 0	$ 0

OPERATIONS

Three month period ended August 31, 2017
During the three months ended August 31, 2017 the Company reported a net loss of $67,806 (2016 - $52,078). Included in the determination of operating loss was $8,988 (2016 - $7,441) spent on rent, $17,250 (2016 - $17,250) on management and administration, $30,643 (2016 - $18,443) on professional fees, $6,270 (2016 - $5,164) on transfer agent and filing fees, $1,251 (2016 - $981) on travel and promotion, and $3,404 (2016 – $2,799) on office and miscellaneous.

Six month period ended August 31, 2017
During the six months ended August 31, 2017 the Company reported a net loss of $115,286 (2016 - $96,286). Included in the determination of operating loss was $17,470 (2016 - $12,709) spent on rent, $34,500 (2016 - $34,500) on management and administration, $42,145 (2016 - $32,971) on professional fees, $11,578 (2016 - $7,434) on transfer agent and filing fees, $2,229 (2016 - $2,736) on travel and promotion, and $7,364 (2016 – $5,936) on office and miscellaneous.

SUMMARY OF QUARTERLY RESULTS
($000's except earnings per share)

	August 31, 2017	May 31, 2017	February 28, 2017	November 30, 2016
Revenue	$ 0	$ 0	$ 0	$ 0
Net loss	$ (68)	$ (47)	$ (271)	$ (57)
Basic and diluted Loss per share	$ (0.00)	$ (0.00)	$ (0.02)	$ (0.00)

	August 31, 2016	May 31, 2016	February 29, 2016	November 30, 2015
Revenue	$ 0	$ 0	$ 0	$ 0
Net loss	$ (52)	$ (44)	$ (38)	$ (57)
Basic and diluted Loss per share	$ (0.01)	$ (0.00)	$ (0.01)	$ (0.00)

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash and cash equivalents at August 31, 2017 were $61,796 compared to $185,785 at February 28, 2017.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

RELATED PARTY BALANCES AND TRANSACTIONS

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

The following amounts are due to related parties as at August 31, 2017:

	2017	2016
	$	$
Accounts payable and accrued liabilities	7,363	49,984
Total	7,363	49,984

The amounts are due to companies controlled by directors of the Company. The amounts are non-interest bearing, unsecured and are due upon demand.

The Company had the following related party transactions during the periods ended August 31, 2017, and 2016:

	2017	2016
	$	$
Professional fees	12,600	12,400
Rent	9,000	6,000
Total	21,600	18,400

Professional fees and rent are paid to companies controlled by directors of the Company.

Key management personnel receive compensation in the form of short-term employee benefits. Key management personnel include the directors of the Company. The remuneration of key management during the periods ended August 31, 2017, and 2016 is as follows:

	2017	2016
	$	$
Management fees	34,500	34,500

Management services were provided by companies owned by two directors of the Company

COMMITMENTS

The Company is committed to certain cash payments, share issuances and exploration expenditures in connection with the acquisition of its mineral property claims.

SUBSEQUENT EVENTS

The Company has entered into an agreement, subject to due diligence, to acquire 100% of issued and outstanding share of XORTX Pharma Corp., in exchange for 49,383,093 post consolidated shares of the Company. Con-current with the acquisition the Company has agreed to consolidate its issued and outstanding shares on a basis of 4 old for 1 new. The Company has also agreed to complete a private placement of $2 million. The acquisition is subject to regulatory approval

.

APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

There were no new or revised accounting standards scheduled for mandatory adoption on March 1, 2017 that affected the Company's financial statements.

NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued, but not yet effective, up to the date of issuance of the Company's financial statements are listed below. This listing of standards and interpretations issued are those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

The following accounting policies will be adopted by the Company effective March 1, 2017:

IAS 7 'Statement of Cash Flows': In January 2016, the IASB issued an amendment to IAS 7 which requires additional disclosures for changes in liabilities arising from financing activities. This includes changes arising from cash flows, such as drawdowns and repayments of borrowings, and non-cash changes, such as acquisitions, disposals and unrealized exchange differences. The amendment is effective for fiscal years beginning on or after January 1, 2017, and is applied on a prospective basis. The adoption of this standard is not expected to have a material impact on the Company's financial statements.

The following accounting policies will be adopted by the Company effective March 1, 2018:

IFRS 2 *'Share-based payments'* - In June 2016, the IASB issued the final amendments to IFRS 2 that clarify the classification and measurement of share-based payment transactions. This includes the effect of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations, and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. The amendments are to be applied prospectively and are effective for annual periods beginning on or after January 1, 2018, with earlier application permitted. The Company is currently assessing the impact of this standard.

IFRS 9, *Financial Instruments* – This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments and such instruments are either recognized at fair value through profit and loss or at fair value through other comprehensive income. The adoption of this standard is not expected to have a material impact on the Company's financial statements.

IFRS 15 Revenue from Contracts with Customers - In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") which supersedes IAS 11 – Construction Contracts, IAS 18 – Revenue, IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers, and SIC 31 – Revenue – Barter Transactions Involving Advertising Services. IFRS 15 establishes a comprehensive five-step framework for the timing and measurement of revenue recognition. The adoption of this standard is not expected to have a material impact on the Company's financial statements.

The following standard will be adopted by the Company effective March 1, 2019:

IFRS 16 'Leases' - IFRS 16 will be effective for accounting periods beginning on or after January 1, 2019. Early adoption will be permitted, provided the Company has adopted IFRS 15. This standard sets out a new model for lease accounting. The adoption of this standard is not expected to have a material impact on the Company's financial statements.

CRITICAL ACCOUNTING POLICIES

Stock-based Compensation

The Company has a stock option plan, which is described in to the financial statements. Share-based payments to employees and others providing similar services are measured at the estimated fair value of the instruments issued on the grant date and amortized over the vesting periods. Share-based payments to non-employees are measured at the fair value of the goods or services received or the fair value of the equity instruments issued if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The amount recognized as an expense is adjusted to reflect the number of awards expected to vest. The offset to the recorded cost is to equity settled share-based payments reserve.

Consideration received on the exercise of stock options is recorded as share capital and the related equity settled share-based payments reserve is transferred to share capital. Charges for options that are forfeited before vesting are reversed from equity settled share-based payment reserve.

Share-based compensation expense relating to deferred share units is accrued over the vesting period of the units based on the quoted market price. As these awards can be settled in cash, the expense and liability are adjusted each reporting period for changes in the underlying share price.

Financial Instruments

Financial assets are classified into one of four categories:

- Fair value through profit or loss;
- Held-to-maturity;
- Available for sale and;
- Loans and receivables

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

Financial assets at fair value through profit or loss ("FVTPL")

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated as at FVTPL if

- It has been acquired principally for the purpose of selling in the near future;
- It is a part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit-taking or;
- It is a derivative that is not designated and effective as a hedging instrument.

The Company's cash is classified as FVTPL assets.

Held-to-maturity ("HTM")

HTM investments are recognized on a trade-date basis and are initially measured at fair value, including transaction costs. The Company does not have any assets classified as HTM investments.

Available-for-sale financial assets ("AFS")

AFS financial assets are non-derivatives that are either designated as AFS or are not classified as (i) loans and receivables, (ii) held-to-maturity investments or (iii) financial assets as at FVTPL. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS monetary items, are recognized in other comprehensive income or loss. When an investment is derecognized, the cumulative gain or loss in the investment revaluation reserve is transferred to profit or loss. The Company does not have any assets classified as AFS.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognized at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less and impairment losses. The Company does not have any assets classified as loans and receivables.

Derecognition of financial assets

A financial asset is derecognized when:

- The contractual right to the asset's cash flows expire; or
- If the Company transfer the financial assets and substantially all risks and rewards of ownership to another entity.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each period end. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include the following:

- Significant financial difficulty of the issuer or counterparty;
- Default or delinquency in interest or principal payments; or
- It has become probable that the borrower will enter bankruptcy or financial reorganization.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of all financial assets is directly reduced by the impairment loss. With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease relates to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss. On the date of impairment reversal, the carrying amount of the financial asset cannot exceed its amortized cost had impairment not been recognized.

SHARE CAPITAL

Issued

The company has 20,132,000 shares issued and outstanding as at August 31, 2017 and September 20, 2017.

Share Purchase Options

The Company has 600,000 stock options outstanding at August 31, 2017 and September 20, 2017.

Warrants

The Company had 342,400 share purchase warrants outstanding at August 31, 2017 and September 20, 2017.

Escrow Shares

The Company has 1,953,000 shares held in escrow as at August 31, 2017 and September 20, 2017.

Schedule C

XORTX MD&A

XORTX PHARMA CORP.
Management Discussion and Analysis
For the Year Ended December 31, 2016

This management discussion and analysis of financial position and results of operations ("MD&A") is prepared as at October 12, 2017 and should be read in conjunction with the audited financial statements and related notes thereto of XORTX Pharma Corp. (the "Company" or "XORTX") for the year ended December 31, 2016 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board and Interpretations of the International Financial Reporting Interpretations Committee. All dollar amounts included therein and in the following MD&A are expressed in Canadian dollars except where noted.

In this discussion, unless the context requires otherwise, references to "we" or "our" are references to XORTX Pharma Inc.

Forward Looking Statements

This Management's Discussion and Analysis ("MD&A") contains certain statements, other than statements of historical fact that are forward-looking statements which reflect the current view of the Company with respect to future events including corporate developments, financial performance and general economic conditions which may affect the Company.

All statements other than statements of historical fact contained in this MD&A, including statements regarding our strategy, future operations, future financial position, future revenue, projected costs, prospects, plans, objectives of management and expected market growth are forward-looking statements. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

The words "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "should," "target," "will," "would" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These forward-looking statements include, among other things, statements about:
our ability to obtain additional financing;

- the accuracy of our estimates regarding expenses, future revenues and capital requirements;
- the success and timing of our preclinical studies and clinical trials;
- our ability to obtain and maintain regulatory approval of XORLO and any other product candidates we may develop, and the labeling under any approval we may obtain;
- regulatory developments in the United States and other countries;
- the performance of third-party manufacturers;
- our plans to develop and commercialize our product candidates;
- our ability to obtain and maintain intellectual property protection for our product candidates;
- the successful development of our sales and marketing capabilities;
- the potential markets for our product candidates and our ability to serve those markets;
- the rate and degree of market acceptance of any future products;
- the success of competing drugs that are or become available; and
- the loss of key scientific or management personnel.

Forward-looking information is also contained in this MD&A respecting:

- the attributes of XORTX following completion of the transaction with APAC Resources Ltd. (the "**Transaction**");
- the perceived benefits of the Transaction;
- the structure and effect of the Transaction and the transactions contemplated thereby; and
- certain steps in, and timing of, the Transaction.

XORTX relies on certain key expectations and assumptions in making the forecasts, projections, predictions or estimations set out in forward-looking information. These factors and assumptions are based on information available at the time that the forward-looking information is provided. These include, but are not limited to, expectations and assumptions concerning:

- the availability of capital to fund planned expenditures;
- prevailing regulatory, tax and environmental laws and regulations;
- the ability to secure necessary personnel, equipment and services; and
- the receipt of required approvals in respect of the Transaction, including without limitation, the approval of the CSE.

Undue reliance should not be placed on forward-looking information because a number of risks and factors may cause actual results to differ materially from those set out in such forward-looking information. These include:

- incorrect assessments of the value of acquisitions and development programs;
- technical and processing problems;
- actions by governmental authorities, including increases in taxes;
- the availability of capital on acceptable terms;
- fluctuations in foreign exchange, currency, or interest rates and stock market volatility;
- failure to realize the anticipated benefits of acquisitions;
- failure to receive regulatory and shareholder approvals or to otherwise satisfy conditions precedent to the completion of the Transaction; and
- potential labour unrest.

Readers are cautioned that the foregoing list of factors should not be construed as exhaustive.

Except as may be required by applicable law or stock exchange regulation, we undertake no obligation to update publicly or release any revisions to these forward looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events. Accordingly, readers should not place undue reliance on forward-looking statements. If we do update one or more forward-looking statements, no inference should be drawn that additional updates will be made with respect to those or other forward-looking statements. Additional information relating to our Company is available by accessing the SEDAR website at www.sedar.com.

Overall Performance

XORTX is a bio-pharmaceutical company, dedicated to developing and commercialization of therapies regarding progressive kidney disease modulated by aberrant purine and uric acid metabolism in orphan disease indications and larger market type 2 diabetic nephropathy, fatty liver disease.

The primary development program for XORTX is at the clinical stage and is focused on demonstrating first-in-class therapy for autosomal dominant polycystic kidney disease ("**ADPKD**"), an orphan disease. XORTX has a second, clinical stage program that is currently evaluating two new chemical entities for the treatment of type 2 diabetic nephropathy ("**T2DN**").

Principal Products and Patents

Products

The company's primary development program, XORLO[(1)] is at the clinical stage and is focused on demonstrating the potential of our first-in-class therapy for Autosomal Dominant Polycystic Kidney Disease ("ADPKD"), an orphan disease[(2)]. XORTX also has a second clinical stage program for Type II Diabetic Nephropathy ("T2DN") and is currently evaluating two proprietary, candidate chemical entities for development.

(1) XORLO - is the development name given to XORTX's proprietary oral formulation of oxypurinol, and shows substantially increased bioavailability compared to oxypurinol alone.

(2) Orphan disease- The US FDA's Orphan Drug Designation program provides orphan status to drugs and biologics which are defined as those intended for the safe and effective treatment, diagnosis or prevention of rare diseases/disorders that affect fewer than 200,000 people in the U.S., or that affect more than 200,000 persons but are not expected to recover the costs of developing and marketing a treatment drug.

Patents

XORTX has 3 U.S. granted patents with claims to the use of all uric acid lowering agents to treat high blood pressure, insulin resistance and diabetic nephropathy, and 4 U.S. patent applications with similar claims for the treatment of metabolic syndrome, diabetes, fatty liver disease as well as a composition of matter patent for formulations of xanthine oxidase inhibitors. Applications have also been submitted for some of the above diseases in Europe, Japan, and other jurisdictions.

Selected Financial Information for the Years Ended December 31, 2016 and 2015

The financial information reported here in has been prepared in accordance with IFRS. The Company uses the Canadian dollar ("CDN") as its presentation currency. The following table represents selected financial information for the Company's fiscal years 2016 and 2015.

Selected Statement of Operations Data

	2016	**Dec. 31, 2015**
Revenue…….……....	$Nil	$Nil
Comprehensive Loss for the Year……	$414,834	$279,309
Weighted Average Shares Outstanding...	21,423,940	21,367,787
Loss (Gain) per Share.…….	$0.02	$0.01

The Company incurred a Comprehensive Loss of $414,834 ($0.02 per share) for the year ending December 31, 2016 compared to a loss of $279,309 ($0.01 per share) for the year ending December 31, 2015. The $135,525 increase in comprehensive loss for the year ending December 31, 2016 compared to the year ending December 31, 2015 was primarily the result of an increase in share based payments.

Selected Statement of Financial Position Data

	Dec. 31, 2016	**Dec. 31, 2015**
Cash and cash equivalents.	$16,769	$34,113
Net working capital	$(581,190)	$(376,695)
Total assets	$282,463	$293,062
Long term liabilities	-	-

Comparison of Operations for the 2016 and 2015 Financial Years

Results of Operations

	2016	2015	Change $	Change %
Amortization of intangible assets	$16,024	$14,005	+$2,019	+14.4%
Foreign Exchange Gain (Loss)	$870	$21,166	-$20,296	-95.9%
Insurance	$6,141	$5,782	+$359	+6.2%
Interest	$8,625	-	+8,625	N/A
Investor Relations and Consulting Fees	$15,000	$203	+14,797	+7,289%
Office, postage and misc.	$ 6,088	$14,097	-$8,009	-56.8%
Professional Fees	$20,493	$36,853	-$16,360	-44.4%
Share Based Payments	$203,875	$62,211	+$141,664	+227%
Telephone & Utilities	$3,925	$3,005	+$920	+30.6%
Trade shows and seminars	$3,092	-	+$3,092	N/A
Travel	$8,303	$296	+8,007	+2,705%
Wages & Benefits	$122,398	$121,691	+$707	+0.6%
Comprehensive Loss for the Year	$414,834	$279,309	+$135,525	+48.5%
Loss per Share	$0.02	$0.01	+$0.01	+100%

For the year ended December 31, 2016, the Company incurred a comprehensive loss of $414,834 or a loss of $0.02 per share. The comprehensive loss for the year ended December 31, 2015 was $279,309 or a loss of $0.01 per share. The $135,525 increase in comprehensive loss for the year ending December 31, 2016 compared to the year ending December 31, 2015 was primarily the result of an increase in share based payments.

Comparison of Cash Flow For the 2016 and 2015 Financial Years

We realized a net cash outflow of $17,344 for the year ended December 31, 2016 reflecting cash used in operations of Company of $107,784 plus $24,560 used in investing activities offset by $115,000 cash inflows from financing activities. This compares to a net cash outflow of $49,975 for the year ended December 31, 2015 reflecting cash generated from operations of $24,222 less $73,797 from investing activities.

Future Plans and Outlook

XORTX intends to grow its business by completing two phase II clinical trials in ADPKD and T2DN, and out-licensing these post-phase II programs. In addition, XORTX plans to grow by expanding our knowledge and technical expertise into new programs to treat orphan progressive kidney disease, fatty liver disease and health issues related to diabetes.

XORTX's overall strategic goal is to have two phase II trials underway within 14 months, advancing two proprietary products into scientifically rigorous phase II testing. Based upon recently published and successful phase II clinical pilot trials, progression of kidney disease in ADPKD and chronic kidney disease (~50% T2DN) can be slowed or perhaps stopped by decreasing uric acid levels into the mid-normal range of serum concentration. Given the existing, successful clinical data showing the benefit of lowering uric acid levels in progressive kidney disease, we anticipate that the probability of translating our clinical trial testing will be increased, with the further implementation of a dose escalation protocol to optimize the amount of uric acid lowering for each individual patient.

The three year business objectives of XORTX are as follows:

With respect to ADPKD:

1. Submit an Investigational New Drug application ("IND") to advance XORLO into phase II trials within 10 months for the treatment of ADPKD and receive 'orphan designation' for this program.
2. Initiate and complete a phase II trial in ADPKD within the next 30 months.

3. Complete licensing agreements for the ADPKD program within the next 36 months with Global Pharmaceutical Company partners in Europe, Japan, Korean and/or North American partners resulting in upfront, milestone and royalty payments upon NDA approval.
4. Co-develop XORLO[(2)] through a single phase III trial with licensing partner (Optional).

With respect to T2DN:

1. Select a candidate from two proprietary xanthine oxidase inhibitors and complete in-license of molecule for at least US and European markets.
2. Submit an IND to advance the XRx-221 molecule into phase II trials within 14 months for the treatment of T2-DN.
3. Initiate and complete a phase II proof of concept trial for T2-DN within the next 36 months.
4. Complete licensing agreement with large market pharmaceutical partner for phase IIIa and IIIb development of T2-DN followed by NDA submission to the FDA (US).

Currently, ongoing discussions with a number of specialty pharmaceutical companies from varied jurisdictions suggest an above average probability of successful partnering of the ADPKD program once phase II clinical trial data is complete.

Tertiary programs of interest to XORTX include several orphan disease indications where aberrant purine and uric acid metabolism could be accelerating kidney and liver disease progression. Those orphan diseases include "Follow-On Orphan Market Opportunities": IgA Nephropathy, Lupus Nephritis, Nephropathy associated with Cystic Fibrosis, and type 1 Diabetic Nephropathy, will proceed with pre-clinical evaluation of the contribution of high serum uric acid to disease progression as available funding, staff and time capacity permit.

Summary of Quarterly Results
The table below sets forth unaudited quarterly results for the eight previous quarters to December 31, 2016:

(unaudited)	**2016 Q4**	**2016 Q3**	**2016 Q2**	**2016 Q1**
Amortization of Intangible Assets	4,119	4,027	3,984	3,894
Foreign Exchange loss (gain)	8,139	1,026	361	(8,656)
Insurance	1,594	1,595	1,595	1,357
Interest	2,601	2,573	2,545	906
Investor Relations and Consulting	15,000	-	-	-
Office, Postage and Misc.	3,051	830	1,704	503
Professional Fees	7,109	13,135	80	169
Share Based Payments	101,937	101,938	-	-
Telephone and Utilities	428	796	1,953	748
Trade Shows and Seminars	158	1,360	1,575	-
Travel	787	20	848	6,650
Wages and Benefits	32,630	30,907	29,280	29,581
Total Comprehensive Loss (Gain)	177,551	158,207	43,927	35,149
Loss per Share	(0.01)	(0.01)	0.00	0.00
(unaudited)	**2015 Q4**	**2015 Q3**	**2015 Q2**	**2015 Q1**
Amortization of Intangible Assets	3,812	3,684	3,618	2,891
Foreign Exchange loss (gain)	4,133	8,740	(1,986)	10,279
Insurance	1,664	1,664	1,664	790
Interest	-	-	-	-
Investor Relations and Consulting	203	-	-	-
Office, Postage and Misc.	220	311	2,597	10,969
Professional Fees	4,764	11,044	21,045	-
Share Based Payments	-	-	31,105	31,106
Telephone and Utilities	410	1,261	1,047	287
Trade Shows and Seminars	-	-	-	-
Travel	200	-	96	-
Wages and Benefits	30,699	30,992	30,000	30,000
Total Comprehensive Loss (Gain)	46,105	57,696	89,186	86,322
Loss per Share	(0.00)	(0.00)	0.00	0.00

Liquidity and Capital Resources

As at December 31, 2016, the Company had a cash balance of $16,769 and a working capital position of approximately $(581,190) as compared to a cash balance of $34,113 and a working capital position of approximately $(376,695) as at December 31, 2015. The Company's primary source of funding is by way of raising capital through the issuance of equity to third party investors. As part of the reverse-takeover transaction between the Company and APAC Resources Inc. ("**APAC**"), APAC intends to raise gross proceeds of a minimum of $2 million up to a maximum of $5 million through the issuance of units of APAC. It is expected that the minimum gross proceeds through this issuance will enable the resulting issuer, upon completion of the reverse-takeover transaction, to satisfy its outstanding payable obligations and fund operations including: general and administrative expenses, wages and salaries, and research and development for a period of eighteen months.

Commitments

The Company has entered into long-term arrangements with commitments for the years ending December 31 as follows:

	2016		2015	
Management services – officers	**$**	**120,000**	$	120,000

Dr. Allen Davidoff, President, CEO and a director of the Company has a long-term employment agreement with the Company. The agreement has a termination clause whereby Dr. Davidoff is entitled to the equivalent of twelve times his then current monthly salary which, as of December 31, 2016, equated to $120,000.

Off Balance Sheet Arrangements

The Company has no off balance sheet arrangements.

Transactions with Related Parties

All related party transactions were measured at the amount of consideration established and agreed to by the related parties. All amounts due from/payable to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

During the years ended December 31, 2016 and 2015, the Company was involved with the following transactions with related parties and a shareholder:

a) Wages and benefits were paid or accrued to a director and an officer of the Company in the amount of $120,000 (2015 - $120,000) in connection with services provided to the Company.

b) As at December 31, 2016, $502 (2015 - $502) was payable to directors and officers of the Company. The balance is unsecured, non-interest bearing, and has no fixed terms of repayment.

c) During the year ended December 31, 2016, the Company entered into promissory notes with a shareholder ($85,000) and a director ($30,000) for the total principal sum of $115,000. The notes are fully secured by the Company's assets, bear interest at 9% per annum, and are payable upon (i) the completion of a financing in excess of $150,000; and (ii) on demand, 12 months from the date of issuance. As at December 31, 2016, $8,625 had been accrued in interest. On August 18, 2017, the loans were converted to convertible loans as per Note 14 of the financial statements.

d) Management compensation transactions for the years ended December 31, 2016 and 2015 are summarized as follows:

	Short-term employee benefits	**Share-based payments**	**Total**
Year ended December 31, 2015			
Directors and officers	$ 120,000	$ 49,765	$ 169,765
Year ended December 31, 2016			
Directors and officers	**$ 120,000**	**$ 169,145**	**$ 289,145**

Proposed Transactions

On August 8, 2017, XORTX entered into a support agreement with APAC, which set out the terms and conditions pursuant to which APAC and XORTX would complete the Transaction.

As part of the Transaction, APAC intends to raise gross proceeds of a minimum of $2 million up to a maximum of $5 million through the issuance of units of APAC. It is expected that the minimum gross proceeds through this issuance will enable the resulting issuer, upon completion of the reverse-takeover transaction, to satisfy its outstanding payable obligations and fund operations including: general and administrative expenses, wages and salaries, and research and development for a period of eighteen months.

Future changes in accounting policies

The following standards that may be applicable to the Company in the future have been issued but are not yet effective. Management does not expect the adoption of these standards is not expected to have a material impact on the financial statements.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments is part of the IASB's wider project of replacing IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristic of the financial assets. This standard is effective for annual periods beginning on or after January 1, 2018.

IFRS 16 Leases

IFRS 16 provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. The new standard is effective for periods beginning on or after January 1, 2019. The Company is currently assessing the impact of adopting this new standard on its audited financial statements.

Management has reviewed the impact of the new standards and concluded that the adoption of these standards is not expected to have a material impact on the financial statements.

Financial and Capital Risk Management

Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. Cash is designated as held-for-trading and measured at fair value. Accounts payable and accrued liabilities and loans payable are designated as other financial liabilities and measured at amortized cost using the effective interest rate method. The fair values of the Company's due to related parties approximate their carrying values at December 31, 2016 and 2015, due to their short-term nature.

The following table presents the Company's financial instruments, measured at fair value on the consolidated statements of financial position as at December 31, 2016 and 2015 and categorized into levels of the fair value hierarchy:

		December 31,				December 31,			
		2016				2015			
	Level	**Carrying Value**		**Estimated Fair Value ***		**Carrying Value**		**Estimated Fair Value ***	
FVTPL									
Cash	1	**$**	**16,769**	**$**	**16,769**	$	34,113	$	34,113
Other financial liabilities									
Accounts payable and accrued liabilities	2	**$**	**374,696**	**$**	**374,696**	$	309,863	$	309,863
Loans payable	2	**$**	**124,127**	**$**	**124,127**	$	502	$	502

* Fair value approximates the carrying amounts due to the short-term nature.

There were no transfers for levels of change in the fair value measurements of financial instruments for the years ended December 31, 2016 and 2015.

Risk management is carried out by the Company's management team with guidance from the Board of Directors. The Company's risk exposures and their impact on the Company's financial instruments were as follows:

a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer of counterparty to a financial instrument fails to meet its obligations. The Company's maximum exposure to credit risk at the financial position date under its financial instruments is summarized as follows:

		December 31, 2016		December 31, 2015
Cash	**$**	**16,769**	$	34,113

All of the Company's cash is held with major financial institutions in Canada and management believes the exposure to credit risk with such institutions is minimal. The Company considers the risk of material loss to be significantly mitigated due to the financial strength of the major financial institutions where cash is held. The Company's maximum exposure to credit risk as at December 31, 2016 and 2015 is the carrying value of its financial assets.

b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operation requirements as well as the growth and development of its intellectual property portfolio.

The Company's financial assets are comprised of its cash and the financial liabilities are comprised of its accounts payable and accrued liabilities and loans payable.

The contractual maturities of these financial liabilities as at December 31, 2016 and 2015 are summarized below:

	Payments due by Period as of December 31, 2016							
			LESS THAN 3		**BETWEEN 3 MONTHS AND 1 YEAR**			
Accounts payable and accrued liabilities	**$**	**374,696**	**$**	**374,696**	**$**	**-**	**$**	–
Loans payable		**124,127**		**124,127**		–		–
	$	**498,823**	**$**	**498,823**	**$**	**-**	**$**	–
	Payments due by Period as of December 31, 2015							

	TOTAL	LESS THAN 3	BETWEEN 3 MONTHS AND 1 YEAR	
Accounts payable and accrued liabilities	$ 309,863	$ 309,863	$ -	$ –
Loans payable	502	502	–	–
	$ 310,365	$ 310,365	$ -	$ –

c) Market Risk

i) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's bank accounts bear interest. Management believes that the credit risk concentration with respect to financial instruments included in cash is minimal.

ii) Foreign Currency Risk

The Company is exposed to foreign exchange risk on its US$75,000 provision for patent acquisition. Based on the foreign exchange exposure arising from the provision, varying the foreign exchange rate to reflect a 10% appreciation or depreciation of the Canadian dollar against the U.S. dollar would result in an increase/decrease of $7,500 (2015 - $7,500) in the Company's loss from operations.

Capital Management

The Company manages its capital structure in order to have funds available to support its research and development and sustain the future development of the business. When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support its activities.

The Company includes the following items in its managed capital as at the following periods:

Equity is comprised of:	**December 31, 2016**	December 31, 2015
Share capital	**$ 1,207,024**	$ 1,192,024
Share-based payments reserve	**$ 354,812**	$ 150,937
Deficit	**$ (1,878,898)**	$ (1,464,064)

Since inception, the Company's objective in managing capital is to ensure sufficient liquidity to finance its research and development activities, general and administrative expenses, expenses associated with intellectual property protection and its overall capital expenditures. The Company is not exposed to external requirements by regulatory agencies regarding its capital.

Outstanding Share Data

As at October 12, 2017 the Company had the following shares outstanding:

- Class	Class A Common Shares
- Authorized	Unlimited, without par value
- Issued and outstanding	22,191,787

Options Outstanding:

The following table summarizes information on stock options outstanding at October 12, 2017:

Exercise Price	Number Outstanding	Number Exercisable	Average Remaining Contractual Life
$0.50	1,000,000	333,333	4.55 years

Management's Responsibility for Financial Statements

The Company's management is responsible for presentation and preparation of the financial statements and the MD&A. The MD&A have been prepared in accordance with the requirements of securities regulators, including National Instrument 51-102 of the Canadian Securities Administrators.

The financial statements and information in the MD&A necessarily include amounts based on informed judgments and estimates of the expected effects of current events and transactions with appropriate consideration to materiality. In addition, in preparing the financial information, we must interpret the requirements described above, make determinations as to the relevancy of information included, and make estimates and assumptions that affect reported information.

The MD&A also includes information regarding the impact of current transactions and events, sources of liquidity and capital resources, operating trends, risks and uncertainties. Actual results in the future may differ materially from our present assessment of this information because future events and circumstances may not occur as anticipated.

XORTX PHARMA CORP.
Management Discussion and Analysis
For the Three and Six Months Ended June 30, 2017

This management discussion and analysis of financial position and results of operations ("MD&A") is prepared as at October 16, 2017 and should be read in conjunction with the financial statements and related notes thereto of XORTX Pharma Corp. (the "Company" or "XORTX") for the period ended June 30, 2017 which have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board and Interpretations of the International Financial Reporting Interpretations Committee. All dollar amounts included therein and in the following MD&A are expressed in Canadian dollars except where noted.

In this discussion, unless the context requires otherwise, references to "we" or "our" are references to XORTX Pharma Corp.

Forward Looking Statements

This Management's Discussion and Analysis ("MD&A") contains certain statements, other than statements of historical fact that are forward-looking statements which reflect the current view of the Company with respect to future events including corporate developments, financial performance and general economic conditions which may affect the Company.

All statements other than statements of historical fact contained in this MD&A statement, including statements regarding our strategy, future operations, future financial position, future revenue, projected costs, prospects, plans, objectives of management and expected market growth are forward-looking statements. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

The words "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "should," "target," "will," "would" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. These forward-looking statements include, among other things, statements about:

- our ability to obtain additional financing;
- the accuracy of our estimates regarding expenses, future revenues and capital requirements;
- the success and timing of our preclinical studies and clinical trials;
- our ability to obtain and maintain regulatory approval of XORLO and any other product candidates we may develop, and the labeling under any approval we may obtain;
- regulatory developments in the United States and other countries;
- the performance of third-party manufacturers;
- our plans to develop and commercialize our product candidates;
- our ability to obtain and maintain intellectual property protection for our product candidates;
- the successful development of our sales and marketing capabilities;
- the potential markets for our product candidates and our ability to serve those markets;
- the rate and degree of market acceptance of any future products;
- the success of competing drugs that are or become available; and
- the loss of key scientific or management personnel.

Forward-looking information is also contained in this MD&A respecting:

- the perceived benefits of the Transaction;
- the attributes of XORTX following completion of the Transaction;

- the structure and effect of the Transaction which are based upon the terms of the Definitive Agreement and the transactions contemplated thereby; and
- certain steps in, and timing of, the Transaction.

XORTX relies on certain key expectations and assumptions in making the forecasts, projections, predictions or estimations set out in forward-looking information. These factors and assumptions are based on information available at the time that the forward-looking information is provided. These include, but are not limited to, expectations and assumptions concerning:

- the availability of capital to fund planned expenditures;
- prevailing regulatory, tax and environmental laws and regulations;
- the ability to secure necessary personnel, equipment and services; and
- the receipt of required approvals in respect of the Transaction, including without limitation, the approval of the CSE.

Undue reliance should not be placed on forward-looking information because a number of risks and factors may cause actual results to differ materially from those set out in such forward-looking information. These include:

- incorrect assessments of the value of acquisitions and development programs;
- technical and processing problems;
- actions by governmental authorities, including increases in taxes;
- the availability of capital on acceptable terms;
- fluctuations in foreign exchange, currency, or interest rates and stock market volatility;
- failure to realize the anticipated benefits of acquisitions;
- failure to receive regulatory and shareholder approvals or to otherwise satisfy conditions precedent to the completion of the Transaction; and
- potential labour unrest.

Readers are cautioned that the foregoing list of factors should not be construed as exhaustive.

Except as may be required by applicable law or stock exchange regulation, we undertake no obligation to update publicly or release any revisions to these forward looking statements to reflect events or circumstances after the date of this document or to reflect the occurrence of unanticipated events. Accordingly, readers should not place undue reliance on forward-looking statements. If we do update one or more forward-looking statements, no inference should be drawn that additional updates will be made with respect to those or other forward-looking statements. Additional information relating to our Company is available by accessing the SEDAR website at www.sedar.com.

Overall Performance

XORTX is a bio-pharmaceutical company, dedicated to developing and commercialization of therapies regarding progressive kidney disease modulated by aberrant purine and uric acid metabolism in orphan disease indications and larger market type 2 diabetic nephropathy, fatty liver disease.

The primary development program for XORTX is at the clinical stage and is focused on demonstrating first-in-class therapy for autosomal dominant polycystic kidney disease ("**ADPKD**"), an orphan disease. XORTX has a second, clinical stage program that is currently evaluating two new chemical entities for the treatment of type 2 diabetic nephropathy ("**T2DN**").

Principal Products and Patents

Products

The company's primary development program, XORLO[(1)] is at the clinical stage and is focused on demonstrating the potential of our first-in-class therapy for Autosomal Dominant Polycystic Kidney Disease ("ADPKD"), an orphan disease[(2)]. XORTX also has a second clinical stage program for Type II Diabetic Nephropathy ("T2DN") and is currently evaluating two proprietary, candidate chemical entities for development.

(1) XORLO - is the development name given to XORTX's proprietary oral formulation of oxypurinol, and shows substantially increased bioavailability compared to oxypurinol alone.

(2) Orphan disease- The US FDA's Orphan Drug Designation program provides orphan status to drugs and biologics which are defined as those intended for the safe and effective treatment, diagnosis or prevention of rare diseases/disorders that affect fewer than 200,000 people in the U.S., or that affect more than 200,000 persons but are not expected to recover the costs of developing and marketing a treatment drug.

Patents

XORTX has 3 U.S. granted patents with claims to the use of all uric acid lowering agents to treat high blood pressure, insulin resistance and diabetic nephropathy, and 4 U.S. patent applications with similar claims for the treatment of metabolic syndrome, diabetes, fatty liver disease as well as a composition of matter patent for formulations of xanthine oxidase inhibitors. Applications have also been submitted for some of the above diseases in Europe, Japan, and other jurisdictions.

Selected Financial Information for the Three Months Ended June 30, 2017

The financial information reported here in has been prepared in accordance with IFRS. The Company uses the Canadian dollar ("CDN") as its reporting and functional currency. The following table represents selected financial information for the Company's three month period ended June 30, 2017:

	3 Mos. Ended June 30, 2017	**3 Mos. Ended June 30, 2016**
Revenue……..……...	$Nil	$Nil
Comprehensive Loss ……...……	$66,174	$43,925
Weighted Average Shares Outstanding...	22,221,787	21,367,787
Loss (Gain) per Share…….	$(0.00)	$(0.00)

For the three months ended June 30, 2017, the Company incurred a Comprehensive Loss of $68,070 or a loss of $(0.00) per share per share compared to a Comprehensive Loss of $43,925 or loss per share of $(0.00) for the three months ended June 30, 2016. The increase of $24,145 in Comprehensive Loss for the three months ended June 30, 2017 as compared to the three months ended June 30, 2016 was primarily due to an increase in Share Based Payments.

Selected Statement of Operations Data

	3 Mos. Ended June 30, 2017	**3 Mos. Ended June 30, 2016**	**Change $**	**Change %**
Amortization of intangible assets	$4,144	$3,984	+$160	+3.6%
Foreign Exchange loss (gain)	$(3,568)	$361	-$3,929	-1,088.4%
Insurance	$1,184	$1,595	-$411	-25.8%
Interest	$2,587	$2,545	+$42	+1.7%
Investor Relations and Consulting Fees	$1,500	-	+$1,500	N/A
Office, postage and misc.	$1,766	$1,704	$62	6.6%
Professional Fees	$4,515	$80	+$4,435	+5,543.8%
Share Based Payments	$23,168	-	+$23,168	N/A
Telephone & Utilities	$205	$1,953	-$1,748	-89.5%
Trade Shows and Seminars	-	$1,575	-$1,575	N/A
Travel	$673	$848	-$175	+20.64%
Wages & Benefits	$30,000	$29,280	+$720	+2.5%
Comprehensive Loss	$66,174	$43,927	+22,249	50.7%

Loss per Share	$0.00	$0.00	-	-

Selected Financial Information for the Six Months Ended June 30, 2017

	6 Mos. Ended June 30, 2017	6 Mos. Ended June 30, 2016
Revenue…….……....	$Nil	$Nil
Comprehensive Loss……..……	$134,243	$79,075
Weighted Average Shares Outstanding...	22,221,787	21,367,787
Loss per Share……..	$(0.01)	$(0.00)

For the six month period ended June 30, 2017, the Company incurred a Comprehensive Loss of $134,243 or a loss per share of $(0.01) compared to a Comprehensive Loss of $79,075 or loss per share of $(0.00) for the six month period ended June 30, 2016. The increase in Comprehensive Loss of $55,168 for the six months ended June 30, 2017 as compared to the six months ended June 30, 2016 is primarily a result of an increase in Share Based Payments.

Selected Statement of Financial Position Data

	Jun. 30, 2017	Dec. 31, 2016
Cash and cash equivalents.	$9,203	$16,769
Net working capital	$(652,819)	$(581,190)
Total assets	$270,618	$282,463
Long term liabilities	-	-

Cash Flow For the six months ended June 30, 2017

XORTX realized a net cash outflow of $7,566 for the six months ended June 30, 2017 reflecting cash used in operations of $15,558 plus $1,991 used in investing activities offset by $10,000 cash inflows from financing activities. This compares to a net cash outflow of $33,775 for the six months ended June 30, 2016 comprised of cash used in operations of $67,425 plus $13,800 used in investing activities offset by $115,000 of cash inflows from financing activities.

Future Plans and Outlook

XORTX intends to grow its business by completing two phase II clinical trials in ADPKD and T2DN, and out-licensing these post-phase II programs. In addition, XORTX plans to grow by expanding our knowledge and technical expertise into new programs to treat orphan progressive kidney disease, fatty liver disease and health issues related to diabetes.

XORTX's overall strategic goal is to have two phase II trials underway within 14 months, advancing two proprietary products into scientifically rigorous phase II testing. Based upon recently published and successful phase II clinical pilot trials, progression of kidney disease in ADPKD and chronic kidney disease (~50% T2DN) can be slowed or perhaps stopped by decreasing uric acid levels into the mid-normal range of serum concentration. Given the existing, successful clinical data showing the benefit of lowering uric acid levels in progressive kidney disease, we anticipate that the probability of translating our clinical trial testing will be increased, with the further implementation of a dose escalation protocol to optimize the amount of uric acid lowering for each individual patient.

The three year business objectives of XORTX are as follows:

With respect to ADPKD:

1. Submit an Investigational New Drug application ("IND") to advance XORLO into phase II trials within 10 months for the treatment of ADPKD and receive 'orphan designation' for this program.
2. Initiate and complete a phase II trial in ADPKD within the next 30 months.
3. Complete licensing agreements for the ADPKD program within the next 36 months with Global Pharmaceutical Company partners in Europe, Japan, Korean and/or North American partners resulting in upfront, milestone and royalty payments upon NDA approval.
4. Co-develop XORLO through a single phase III trial with licensing partner (Optional).

With respect to T2DN:

1. Select a candidate from two proprietary xanthine oxidase inhibitors and complete in-license of molecule for at least US and European markets.
2. Submit an IND to advance the XRx-221 molecule into phase II trials within 14 months for the treatment of T2-DN.
3. Initiate and complete a phase II proof of concept trial for T2-DN within the next 36 months.
4. Complete licensing agreement with large market pharmaceutical partner for phase IIIa and IIIb development of T2-DN followed by NDA submission to the FDA (US).

Currently, ongoing discussions with a number of specialty pharmaceutical companies from varied jurisdictions suggest an above average probability of successful partnering of the ADPKD program once phase II clinical trial data is complete.

Tertiary programs of interest to XORTX include several orphan disease indications where aberrant purine and uric acid metabolism could be accelerating kidney and liver disease progression. Those orphan diseases include "Follow-On Orphan Market Opportunities": IgA Nephropathy, Lupus Nephritis, Nephropathy associated with Cystic Fibrosis, and type 1 Diabetic Nephropathy, will proceed with pre-clinical evaluation of the contribution of high serum uric acid to disease progression as available funding, staff and time capacity permit.

Quarterly Information

The table below sets forth unaudited quarterly results for the eight previous quarters to June 30, 2017:

(unaudited)	**2017 Q2**	**2017 Q1**	**2016 Q4**	**2016 Q3**
Amortization of Intangible Assets	4,144	4,126	4,119	4,027
Foreign Exchange loss (gain)	(3,568)	(1,357)	8,139	1,026
Insurance	1,184	1,566	1,594	1,595
Interest	2,587	2,587	2,601	2,573
Investor Relations and Consulting	1,500	-	15,000	0
Office, Postage and Misc.	1,766	1,258	3,051	830
Professional Fees	4,515	2,285	7,109	13,135
Share Based Payments	23,168	23,168	101,937	101,938
Telephone and Utilities	205	1,286	428	796
Trade Shows and Seminars	-	-	157	1,360
Travel	673	3,150	787	20
Wages and Benefits	30,000	30,000	32,630	30,907
Total Comprehensive Loss (Gain)	66,174	68,069	177,552	158,207
Loss per Share	0.00	0.00	(0.01)	(0.01)
(unaudited)	**2016 Q2**	**2016 Q1**	**2015 Q4**	**2015 Q3**
Amortization of Intangible Assets	3,984	3,894	3,812	3,684
Foreign Exchange loss (gain)	361	(8,656)	4,133	8,740
Insurance	1,595	1,357	1,664	1,664
Interest	2,545	906	-	-
Investor Relations and Consulting	-	-	203	-
Office, Postage and Misc.	1,704	503	220	311
Professional Fees	80	169	4,764	11,044
Share Based Payments	-	-	-	-
Telephone and Utilities	1,953	748	410	1,261
Trade Shows and Seminars	1,575	-	-	-
Travel	848	6,648	200	-
Wages and Benefits	29,280	29,581	30,699	30,992
Total Comprehensive Loss (Gain)	43,925	35,150	46,105	57,696
Loss per Share	(0.00)	(0.00)	(0.00)	(0.00)

Liquidity and Capital Resources

As at June 30, 2017, the Company had a cash balance of $9,203 and a working capital position of approximately $(652,819) as compared to a cash balance of $16,769 and a working capital position of $(581,190) as at December 31, 2016. The decrease in cash and cash equivalents for June 30, 2017 compared to December 31, 2016 was primarily the result of general and administrative costs during the six months ended June 30, 2017.

The Company's primary source of funding is by way of raising capital through the issuance of equity to third party investors. As part of the reverse-takeover transaction between the Company and APAC Resources Inc. ("**APAC**"), APAC intends to raise gross proceeds of a minimum of $2 million up to a maximum of $5 million through the issuance of units of APAC. It is expected that the minimum gross proceeds through this issuance will enable the resulting issuer, upon completion of the reverse-takeover transaction, to satisfy its outstanding payable obligations and fund operations including: general and administrative expenses, wages and salaries, and research and development for a period of eighteen months.

Commitments

The Company has entered into long-term arrangements with commitments for the periods ending December 31 as follows:

	2017		2016	
Management services – officers	**$**	**120,000**	$	120,000

Dr. Allen Davidoff, President, CEO and a director of the Company has a long-term employment agreement with the Company. The agreement has a termination clause whereby Dr. Davidoff is entitled to the equivalent of twelve times his then current monthly salary which, as of June 30, 2017, equated to $120,000.

Off Balance Sheet Arrangements

The Company has no off balance sheet arrangements.

Transactions with Related Parties

All related party transactions were measured at the amount of consideration established and agreed to by the related parties. All amounts due from/payable to related parties are unsecured, non-interest bearing and have no fixed terms of repayment.

During the six months ended June 30, 2017, the Company incurred the following transactions with related parties and a shareholder:

a) Wages and benefits were paid or accrued to a director and an officer of the Company in the amount of $60,000.

b) As at June 30, 2017 and December 31, 2016, $502 was payable to directors and officers of the Company. The balance is unsecured, non-interest bearing, and has no fixed terms of repayment.

c) During the year ended December 31, 2016, the Company entered into promissory notes with a shareholder ($85,000) and a director ($30,000) for the total principal sum of $115,000. The notes are fully secured by the Company's assets, bear interest at 9% per annum, and are payable upon (i) the completion of a financing in excess of $150,000; and (ii) on demand 12 months from the date of issuance. As at June 30, 2017, $13,800 (December 31, 2016, $8,625) had been accrued in interest. On August 18, 2017, the loans were converted to convertible loans as per Note 13.

d) Management compensation in the amount of $60,000 was accrued for the six months ended June 30, 2017.

Proposed Transactions

On August 8, 2017, XORTX entered into a support agreement with APAC, which set out the terms and conditions pursuant to which APAC and XORTX would complete a reverse takeover transaction and share exchange (the "**Transaction**").

As part of the Transaction between the Company and APAC Resources Inc. ("**APAC**"), APAC intends to raise gross proceeds of a minimum of $2 million up to a maximum of $5 million through the issuance of units of APAC. It is expected that the minimum gross proceeds through this issuance will enable the resulting issuer, upon completion of the reverse-takeover transaction, to fund operations for eighteen months.

Future changes in accounting policies

The following standards that may be applicable to the Company in the future have been issued but are not yet effective. Management does not expect the adoption of these standards is not expected to have a material impact on the financial statements.

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments is part of the IASB's wider project of replacing IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristic of the financial assets. This standard is effective for annual periods beginning on or after January 1, 2018.

IFRS 16 Leases

IFRS 16 provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. The new standard is effective for periods beginning on or after January 1, 2019. The Company is currently assessing the impact of adopting this new standard on its audited financial statements.

Management has reviewed the impact of the new standards and concluded that the adoption of these standards is not expected to have a material impact on the financial statements.

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective and determined that the following may have an impact on its financial statements:

IFRS 9, "Financial Instruments"

In November 2009, the IASB published IFRS 9, "Financial Instruments", which covers the classification and measurement of financial assets as part of its project to replace IAS 39, "Financial Instruments: Recognition and Measurement." In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entities would be required to reverse the portion of the fair value change due to their own credit risk out of earnings and recognize the change in other comprehensive income. IFRS 9 is effective on January 1, 2018. Early adoption is permitted and the standard is required to be applied retrospectively.

Financial Instruments and Risk Management

Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. Cash is designated as held-for-trading and measured at fair value. Accounts payable and accrued liabilities and loans payable are designated as other financial liabilities and measured at amortized cost using the effective interest rate method. The fair values of the Company's due to related parties approximate their carrying values at June 30, 2017 and December 31, 2016, due to their short-term nature.

The following table presents the Company's financial instruments, measured at fair value on the consolidated statements of financial position as at June 30, 2017 and December 31, 2016 and categorized into levels of the fair value hierarchy:

		June 30, 2017		December 31, 2016	
	Level	**Carrying Value**	**Estimated Fair Value ***	Carrying Value	Estimated Fair Value *
FVTPL					
Cash	1	**$ 9,203**	**$ 9,203**	$ 16,769	$ 16,769
Other financial liabilities					
Accounts payable and accrued liabilities	2	**$ 438,958**	**$ 438,958**	$ 374,696	$ 374,696
Loans payable	2	**$ 129,302**	**$ 129,302**	$ 124,127	$ 124,127

* Fair value approximates the carrying amounts due to the short-term nature.

There were no transfers for levels of change in the fair value measurements of financial instruments for the period ended June 30, 2017 and year ended December 31, 2016.

Risk management is carried out by the Company's management team with guidance from the Board of Directors. The Company's risk exposures and their impact on the Company's financial instruments were as follows:

a) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer of counterparty to a financial instrument fails to meet its obligations. The Company's maximum exposure to credit risk at the financial position date under its financial instruments is summarized as follows:

		June 30, 2017		December 31, 2016
Cash	**$**	**9,203**	$	16,769

All of the Company's cash is held with major financial institutions in Canada and management believes the exposure to credit risk with such institutions is minimal. The Company considers the risk of material loss to be significantly mitigated due to the financial strength of the major financial institutions where cash is held. The Company's maximum exposure to credit risk as at June 30, 2017 and December 31, 2016 is the carrying value of its financial assets.

b) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operation requirements as well as the growth and development of its intellectual property portfolio.

The Company's financial assets are comprised of its cash and the financial liabilities are comprised of its accounts payable and accrued liabilities and loans payable.

The contractual maturities of these financial liabilities as at June 30, 2017 and December 31, 2016 are summarized below:

Payments due by Period as of June 30, 2017

			LESS THAN	**BETWEEN 3 MONTHS AND 1 YEAR**	
Accounts payable and accrued liabilities	**$**	**438,958**	**$ 438,958**	**$ -**	**$** –
Loans payable		**129,302**	**129,302**	–	–
	$	**568,260**	**$ 568,260**	**$ -**	**$** –

Payments due by Period as of December 31, 2016

	TOTAL	LESS THAN 3	BETWEEN 3 MONTHS AND 1 YEAR	
Accounts payable and accrued liabilities	$ 374,696	$ 374,696	$ -	$ –
Loans payable	124,127	124,127	–	–
	$ 498,823	$ 498,823	$ -	$ –

c) Market Risk

i) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Company's bank accounts bear interest. Management believes that the credit risk concentration with respect to financial instruments included in cash is minimal.

ii) Foreign Currency Risk

The Company is exposed to foreign exchange risk on its US$75,000 provision for patent acquisition. Based on the foreign exchange exposure arising from the provision, varying the foreign exchange rate to reflect a 10% appreciation or depreciation of the Canadian dollar against the U.S. dollar would result in an increase/decrease of $7,500 in the Company's loss from operations.

Capital Management

The Company manages its capital structure in order to have funds available to support its research and development and sustain the future development of the business. When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support its activities.

The Company includes the following items in its managed capital as at the following periods:

Equity is comprised of:	**June 30, 2017**	December 31, 2016
Share capital	**$ 1,207,024**	$ 1,207,024
Obligation to issue shares	**$ 10,000**	$ -
Share-based payments reserve	**$ 401,147**	$ 354,812
Deficit	**$ (2,013,141)**	$ (1,878,898)

Since inception, the Company's objective in managing capital is to ensure sufficient liquidity to finance its research and development activities, general and administrative expenses, expenses associated with intellectual property protection and its overall capital expenditures. The Company is not exposed to external requirements by regulatory agencies regarding its capital.

Outstanding Share Data

Shares Outstanding:

As at October 16, 2017 the Company had the following shares outstanding:

- Class	Class A Common Shares
- Authorized	Unlimited, without par value
- Issued and outstanding	22,221,787

Options Outstanding:

As at October 16, 2017, the Company had the following stock options outstanding:

Exercise Price	Number Outstanding		Number Exercisable	Average Remaining Contractual Life
$0.50	1,000,000		333,333	1.97 years

Management's Responsibility for Financial Statements

The Company's management is responsible for presentation and preparation of the financial statements and the MD&A. The MD&A have been prepared in accordance with the requirements of securities regulators, including National Instrument 51-102 of the Canadian Securities Administrators.

The financial statements and information in the MD&A necessarily include amounts based on informed judgments and estimates of the expected effects of current events and transactions with appropriate consideration to materiality. In addition, in preparing the financial information, we must interpret the requirements described above, make determinations as to the relevancy of information included, and make estimates and assumptions that affect reported information.

The MD&A also includes information regarding the impact of current transactions and events, sources of liquidity and capital resources, operating trends, risks and uncertainties. Actual results in the future may differ materially from our present assessment of this information because future events and circumstances may not occur as anticipated.

Schedule D

Pro Forma Financial Statements of the Resulting Issuer

APAC RESOURCES INC. and

XORTX PHARMA CORP.

Pro Forma Consolidated Financial Statements

Six Month Period Ended August 31, 2017

(Unaudited– Expressed in Canadian Dollars)

APAC RESOURCES INC. and

XORTX PHARMA CORP.

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF AUGUST 31, 2017
(Unaudited – Expressed in Canadian Dollars)

	APAC RESOURCES INC.	XORTX PHARMA CORP.	PRO FORMA ADJUSTMENTS	Notes (Note 4)	PRO FORMA XORTX PHARMA INC.
Assets					
Current Assets					
Cash	$ 61,796	$ 105,899	$ 2,000,000	d	$ 2,167,695
Other receivables	2,258	–	–		2,258
Prepaid expenses	–	2,760	–		2,760
Total Current Assets	64,054	108,659	2,000,000		2,172,713
Non–current Assets					
Intangible assets	–	258,271	–		258,271
Exploration and evaluation assets	5,000	–	–		5,000
Total Assets	$ 69,054	$ 366,930	$ 2,000,000		$ 2,435,984
Liabilities					
Current Liabilities					
Accounts payable and accrued liabilities	$ 7,101	$ 448,369	$ –		$ 455,470
Loans payable and accrued interest	–	231,027	(215,000)	b	16,027
Provision for patent acquisition	–	94,020	–		94,020
Total Liabilities	7,101	773,416	(215,000)		565,517
Equity					
Share Capital	939,977	1,391,666	3,574,009	b,c, d, e	5,905,652
Contributed Surplus	279,649	265,651	(279,649)	c	265,651
Deficit	(1,157,673)	(2,063,803)	(1,079,360)	c, d	(4,300,836)
Total Shareholders Equity	61,953	(406,486)	2,215,000		1,870,467
Total Liabilities and Equity	$ 69,054	$ 366,930	$ 2,000,000		$ 2,435,984

APAC RESOURCES INC. and

XORTX PHARMA CORP.

PRO FORMA CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited – Expressed in Canadian Dollars)

	SIX MONTHS ENDED AUGUST 31, 2017				
	APAC RESOURCES INC.	XORTX PHARMA CORP.	PRO FORMA ADJUSTMENTS	NOTES (Note 4)	PRO FORMA XORTX PHARMA INC.
Expenses					
Bank charges, net of interest income	$ –	$ 426	$ –		$ 426
Depreciation	–	8,282	–		8,282
Foreign exchange (gain) loss	–	(10,087)	–		(10,087)
Insurance	–	2,513	–		2,513
Interest	–	5,175	–		5,175
Management fees	34,500	–	–		34,500
Office, postage and miscellaneous	7,364	4,402	–		11,766
Professional and consulting fees	42,145	20,855	–		63,000
Rent	17,470	–	–		17,470
Share–based payments	–	46,335	–		46,335
Telephone and utilities	–	899	–		899
Trade shows and seminars	–	64	–		64
Transfer agent and filing fees	11,578	–	–		11,578
Travel and promotion	2,229	610	–		2,839
Wages and benefits	–	60,000	–		60,000
Loss Before Other Expenses	(115,286)	(139,474)	-		(254,760)
Other Expenses					
Listing expense	–	–	(2,237,033)	d	(2,237,033)
Net Loss and Comprehensive Loss For The Period	$ (115,286)	$ (139,474)	$ (2,237,033)		$ (2,491,793)
Basic and Diluted Gain Loss Per Common Share	$ (0.01)	(0.01)	-		$ (0.04)
Weighted Average Number Of Common Shares Outstanding – Basic and Diluted	20,132,000	22,558,484	19,538,233		62,228,717

APAC RESOURCES INC. and

XORTX PHARMA CORP.

PRO FORMA CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
(Unaudited – Expressed in Canadian Dollars)

	YEAR ENDED FEBRUARY 28, 2017				
	APAC RESOURCES INC.	XORTX PHARMA CORP.	PRO FORMA ADJUSTMENTS	NOTES (Note 4)	PRO FORMA XORTX PHARMA INC.
Expenses					
Advertising	$ 7,994	$ –	$ –		$ 7,994
Bank charges, net of interest income	–	867	–		867
Depreciation	–	16,178	–		16,178
Foreign exchange (gain) loss	–	869	–		869
Insurance	–	6,280	–		6,280
Interest	–	10,350	–		10,350
Management fees	69,000		–		69,000
Office, postage and miscellaneous	16,272	4,681	–		20,953
Professional and consulting fees	61,719	35,493	–		97,212
Rent	24,474	–	–		24,474
Share–based payments	–	219,320	–		219,320
Telephone and utilities	–	4,209	–		4,209
Trade shows and seminars	–	4,500	–		4,500
Transfer agent and filing fees	14,074	–	–		14,074
Travel and promotion	–	6,966	–		6,966
Wages and benefits	–	121,998	–		121,998
Loss Before Other Expenses	(193,533)	(431,711)	–		(625,244)
Other Expenses					
Impairment of exploration and evaluation assets	(230,530)	–	–		(230,530)
Listing expense	–	–	(2,237,033)		(2,237,033)
Net Loss and Comprehensive Loss For The Period	$ (424,063)	$ (431,711)	$ (2,237,033)		$ (3,092,807)
Basic and Diluted Gain Loss Per Common Share	$ (0.02)	(0.02)	-		$ (0.05)
Weighted Average Number Of Common Shares Outstanding – Basic and Diluted	20,132,000	22,558,484	19,538,233		62,228,717

APAC RESOURCES INC. and

XORTX PHARMA CORP.

Pro Forma Consolidated Financial Statements

Six Month Period Ended August 31, 2017

(Unaudited– Expressed in Canadian Dollars)

1. BASIS OF PRESENTATION

The accompanying unaudited pro forma consolidated statement of financial position of APAC Resources Inc. ("APAC" or "the Company") and Xortx Pharma Corp. ("XORTX") as at August 31, 2017 and the unaudited pro forma consolidated statements of loss and comprehensive loss for the six months ended August 31, 2017 (collectively, the "pro forma consolidated financial statements") have been prepared to reflect the acquisition (the "Transaction") by the Company of all the issued and outstanding shares of XORTX.

The pro forma consolidated financial statements as at August 31, 2017 and for the six-month period ended August 31, 2017 have been prepared from:

- The unaudited condensed interim statement of financial position of the Company as at August 31, 2017;
- The unaudited condensed interim statements of loss and comprehensive loss of the Company for the six months ended August 31, 2017;
- The unaudited condensed consolidated interim statement of financial position of XORTX as at August 31, 2017;
- The unaudited condensed consolidated interim statements of loss and comprehensive loss of XORTX for the six months ended August 31, 2017.

The unaudited pro-forma consolidated financial statements are not necessarily indicative of the combined results or financial position that would have been attained had the transactions taken place at the dates indicated and do not purport to be indicative of the effects that may be expected to occur in the future.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies used in preparation of these unaudited pro forma consolidated financial statements are those set out in the Company's audited financial statements for the year ended February 28, 2017 and for those set out XORTX's audited financial statements for the year ended December 31, 2016. The unaudited pro forma consolidated financial statements, including the notes thereto, should be read in conjunction with the historical financial statements of the Company as of and for the year ended February 28, 2017 and the historical financial statements of XORTX as of and for the year ended December 31, 2016. In preparing the unaudited pro forma consolidated financial information, a review was undertaken to identify XORTX's accounting policy differences where the impact was potentially material and could be reasonably estimated. The significant accounting policies of XORTX are believed to conform in all material respects to those of the Company.

3. THE PROPOSED TRANSACTION

On August 8, 2017, APAC and XORTX entered into a binding support agreement (the "Agreement") pursuant to which APAC will acquire all of the issued and outstanding shares of XORTX in consideration for shares of APAC, which will constitute a reverse takeover ("RTO") of APAC by XORTX shareholders. The agreement is subject to approval of the APAC shareholders at a special meeting to be held on or before October 31, 2017, approval of a minimum of 90% of the XORTX shareholders, and acceptance of the acquisition transaction by the CSE. The resulting issuer will be renamed Xortx Pharma Inc or any such name as may be acceptable to the board of directors.

Pursuant to the Agreement, immediately prior to closing, APAC shall affect a share consolidation of the APAC shares on the basis of one post consolidation share for every four pre-consolidation shares. XORTX shareholders will then receive 2.311 post share-consolidation APAC shares for each XORTX share held resulting in 53,195,717 post share-consolidation APAC shares being issued to XORTX shareholders upon closing. 5,033,000 post share-consolidation APAC shares will be held by current shareholders of APAC.

All unexercised options of XORTX will be cancelled upon the closing date. All convertible loans held by shareholders of XORTX that are not converted prior to closing shall be repaid immediately prior to closing.

In connection with the transaction, APAC will complete a private placement to raise a minimum of $2,000,000 through the issuance of 4,000,000 units at a price of $0.50 per unit. Each unit will consist of one post-consolidation APAC Share and one APAC share purchase warrant, each warrant entitling the holder to purchase one additional post-consolidation APAC Share at a price of $0.80 for a period of two years from the date of issuance of the units.

The Transaction has been accounted for as an asset acquisition, as the Company does meet the definition of a business under IFRS 3.

4. PRO FORMA ADJUSTMENTS

The following pro forma adjustments are included in the unaudited pro forma consolidated financial statements to reflect the pro forma effects of the Transaction as described in the previous notes:

a) To record pre-transaction 4:1 share consolidation of APAC shares.

b) To record the conversion of convertible loans held by XORTX shareholders with a principal balance of $215,000 into 459,697 XORTX shares prior to the transaction.

c) As a result of the transaction, the consolidated statement of financial position has been adjusted for the elimination of APAC's share capital of $939,977, contributed surplus of $279,649 and accumulated deficit of $1,157,673.

(Unaudited– Expressed in Canadian Dollars)

4. PRO FORMA ADJUSTMENTS (Continued)

d) As a result of the transaction, a listing expense of $2,237,033 has been recorded. This reflects the difference between the fair value of the APAC shares issued to the XORTX shareholders less the net fair value of the assets of APAC.

i. The assets and liabilities of XORTX were included in the pro-forma consolidated statement of financial position at their carrying values;

ii. The net assets of APAC were included at their fair value of $61,953 (equal to the carrying value of the net assets):

iii. The net assets of APAC have been allocated as follows:

Cash	$	61,796
Other receivables		2,258
Exploration and evaluation assets		5,000
Accounts payable		(7,101)
Estimated fair value of net assets	$	61,953

iv. The listing expense of $2,237,033 was determined as follows:

- The number of APAC shares held by XORTX shareholders prior to the financing is 53,195,717 or 91.4% of the combined entities.
- The estimated fair value of XORTX is $26,597,858 based on the private placement price of $0.50 per share multiplied by the number of APAC shares issued to XORTX shareholders in connection with the transaction.
- The number of outstanding shares of APAC prior to the transactions and the financing is 5,033,000 or 8.6% of the combined entities.
- The portion of XORTX's fair value attributed to APAC is $2,298,986 calculated at 8.6% of XORTX's fair value.
- The difference between the fair value of $2,298,986 attributed to APAC and the estimated fair value of the net assets of APAC of $61,953 amounts to a listing expense of $2,237,033.

e) To record the expected minimum cash proceeds of $2,000,000 to be received by the Company through the issuance of 4,000,000 units at a price of $0.50 through the completion of a private placement concurrent with the closing of the transaction.

(Unaudited– Expressed in Canadian Dollars)

5. PRO FORMA SHARE CAPITAL

a) Authorized:

The Company is authorized to issue an unlimited number of common shares without par value.

b) The pro-forma shareholders equity will be as follows:

	Shares	Share Capital	Reserves	Deficit	Total Equity
Opening balance of APAC	20,132,000	$ 939,977	$ 279,649	$ (1,157,673)	$ 61,953
4:1 share consolidation	(15,099,000)	-	-	-	-
Opening balance of XORTX	22,558,484	1,391,666	265,651	(2,063,803)	(406,486)
Issuance of shares upon conversion of convertible loans held by XORTX shareholders	459,697	215,000	-	-	215,000
Common shares issued to XORTX shareholders	53,195,717	2,298,986	-	-	2,298,986
Eliminate equity of APAC	-	(939,977)	(279,649)	1,157,673	(61,953)
XORTX shares exchanged pursuant to the transaction	(23,018,181)	-	-	-	-
Listing expense	-	-	-	(2,237,033)	(2,237,033)
Common shares issued from proposed Private Placement	4,000,000	2,000,000	-	-	2,000,000
	62,228,717	$ **5,905,652**	$ **265,651**	$ **(4,300,836)**	$ **1,870,467**

c) Stock Options:

On completion of the transaction, the following stock options will be outstanding:

	Outstanding and exercisable	Exercise Price	Remaining life (in years)	Expiry date
Opening balance of APAC	600,000	$0.40	2.63	April 15, 2020
Opening balance of XORTX	1,000,000	$0.50	1.89	June 20, 2019
Cancellation of XORTX options upon completion of transaction	(1,000,000)	$0.50	1.89	June 20, 2019
August 31, 2017	600,000	$0.40	2.63	April 15, 2020

(Unaudited– Expressed in Canadian Dollars)

5. PRO FORMA SHARE CAPITAL (Continued)

d) Warrants

On completion of the transaction, the following share purchase warrants will be outstanding:

	Outstanding and exercisable	Exercise Price	Remaining life (in years)	Expiry date
Opening balance of APAC	342,000	$0.40	0.34	October 2, 2017
Opening balance of APAC	6,000,000	$0.24	0.33	September 28, 2017
Opening balance of APAC	432,000	$0.24	0.33	September 28, 2017
Warrants issued in connection with private placement	4,000,000	$0.80	1.94	August 8, 2019

	Number of warrants	Weighted average exercise price
Outstanding and exercisable as at August 31, 2017	10,774,000	$0.34

Schedule E

Audit Committee Charter

1. **Purpose of the Committee**

1.1 The purpose of the Audit Committee is to assist the Board in its oversight of the integrity of the Corporation's financial statements and other relevant public disclosures, the Corporation's compliance with legal and regulatory requirements relating to financial reporting, the external auditors' qualifications and independence and the performance of the internal audit function and the external auditors.

2. **Members of the Audit Committee**

2.1 At least one member must be "financially literate" as defined under NI 52-110, having sufficient accounting or related financial management expertise to read and understand a set of financial statements, including the related notes, that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

2.2 The Audit Committee shall consist of no less than three Directors.

2.3 At least one member of the Audit Committee must be "independent" as defined under NI 52-110, while the Corporation is in the developmental stage of its business.

3. Relationship with External Auditors

3.1 The external auditors are the independent representatives of the shareholders, but the external auditors are also accountable to the Board of Directors and the Audit Committee.

3.2 The external auditors must be able to complete their audit procedures and reviews with professional independence, free from any undue interference from the management or directors.

3.3 The Audit Committee must direct and ensure that the management fully co-operates with the external auditors in the course of carrying out their professional duties.

3.4 The Audit Committee will have direct communications access at all times with the external auditors.

4. Non-Audit Services

4.1 The external auditors are prohibited from providing any non-audit services to the Corporation, without the express written consent of the Audit Committee. In determining whether the external auditors will be granted permission to provide non-audit services to the Corporation, the Audit Committee must consider that the benefits to the Corporation from the provision of such services, outweighs the risk of any compromise to or loss of the independence of the external auditors in carrying out their auditing mandate.

4.2 Notwithstanding section 4.1, the external auditors are prohibited at all times from carrying out any of the following services, while they are appointed the external auditors of the Corporation:

(i) acting as an agent of the Corporation for the sale of all or substantially all of the undertaking of the Corporation; and

(ii) performing any non-audit consulting work for any director or senior officer of the Corporation in their personal capacity, but not as a director, officer or insider of any other entity not associated or related to the Corporation.

5. Appointment of Auditors

5.1 The external auditors will be appointed each year by the shareholders of the Corporation at the annual general meeting of the shareholders.

5.2 The Audit Committee will nominate the external auditors for appointment, such nomination to be approved by the Board of Directors.

6. Evaluation of Auditors

6.1 The Audit Committee will review the performance of the external auditors on at least an annual basis, and notify the Board and the external auditors in writing of any concerns in regards to the performance of the external auditors, or the accounting or auditing methods, procedures, standards, or principles applied by the external auditors, or any other accounting or auditing issues which come to the attention of the Audit Committee.

7. Remuneration of the Auditors

7.1 The remuneration of the external auditors will be determined by the Board of Directors, upon the annual authorization of the shareholders at each general meeting of the shareholders.

7.2 The remuneration of the external auditors will be determined based on the time required to complete the audit and preparation of the audited financial statements, and the difficulty of the audit and performance of the standard auditing procedures under generally accepted auditing standards and generally accepted accounting principles of Canada.

8. Termination of the Auditors

8.1 The Audit Committee has the power to terminate the services of the external auditors, with or without the approval of the Board of Directors, acting reasonably.

9. Funding of Auditing and Consulting Services

9.1 Auditing expenses will be funded by the Corporation. The auditors must not perform any other consulting services for the Corporation, which could impair or interfere with their role as the independent auditors of the Corporation.

10. Role and Responsibilities of the Internal Auditor

10.1 At this time, due to the Corporation’s size and limited financial resources, the Corporation’s Chief Executive Officer and Chief Financial Officer are responsible for implementing internal controls and performing the role as the internal auditor to ensure that such controls are adequate.

11. Oversight of Internal Controls

11.1 The Audit Committee will have the oversight responsibility for ensuring that the internal controls are implemented and monitored, and that such internal controls are effective.

12. Continuous Disclosure Requirements

12.1 At this time, due to the Corporation's size and limited financial resources, the Corporation's Chief Executive Officer and Chief Financial Officer are responsible for ensuring that the Corporation's continuous reporting requirements are met and in compliance with applicable regulatory requirements.

13. Other Auditing Matters

13.1 The Audit Committee may meet with the Auditors independently of the management of the Corporation at any time, acting reasonably.

13.2 The Auditors are authorized and directed to respond to all enquiries from the Audit Committee in a thorough and timely fashion, without reporting these enquiries or actions to the Board of Directors or the management of the Corporation.

14. Annual Review

14.1 The Audit Committee Charter will be reviewed annually by the Board of Directors and the Audit Committee to assess the adequacy of this Charter.

15. Independent Advisers

15.1 The Audit Committee shall have the power to retain legal, accounting or other advisors to assist the Committee.

Schedule F

XORTX Statement of Executive Compensation

XORTX PHARMA CORP.

STATEMENT OF EXECUTIVE COMPENSATION

October 31, 2017

General

The following information of XORTX Pharma Corp. ("**XORTX**" or the "**Company**"), dated as of October 31, 2017, is provided in accordance with Form 51-102F6V - *Statement of Executive Compensation – Venture Issuers*.

For the purpose of this statement of executive compensation, a "**CEO**" or "**CFO**" means each individual who served as Chief Executive Officer or Chief Financial Officer, respectively, of the Company or acted in a similar capacity during the most recently completed financial year. A "**Named Executive Officer**" or "**NEO**" means each CEO, each CFO, the Company's most highly compensated officer, other than the CEO and CFO, who was serving as an officer at the end of the most recently completed financial year and whose total compensation was more than CAD$150,000, and any additional individuals who would be a Named Executive Officer but for the fact that the individual was not an executive officer of the Company, and was not acting in a similar capacity, at the end of the financial year.

Based on the foregoing definitions, the Company's Named Executive Officers in respect of the financial year ended December 31, 2016, were Dr. Allen Davidoff, Chief Executive Officer, and John Meekison, Interim Chief Financial Officer. Mr. Meekison provides consulting services to the Company on behalf of Tanun Holdings Ltd. ("**Tanun**"). For more information on the consulting services provided by Tanun, please refer to "*Employment and Consulting Agreements*".

Compensation Committee

XORTX does not currently have in place any compensation or nominating committee. All tasks related to developing and monitoring XORTX 's approach to the compensation of the directors and officers of XORTX and the nomination of directors to the Board of Directors of XORTX (the "**Board**"), are performed by the members of the Board. The Board is responsible for reviewing, recommending and approving compensation of XORTX 's Named Executive Officers, directors, employees, and consultants.

Compensation Philosophy and Objectives

The overall objective of XORTX's compensation strategy is to offer medium-term and long-term compensation components to ensure that XORTX has in place programs to attract, retain and develop management of the highest calibre and has in place a process to provide for the orderly succession of management, including receipt on an annual basis of any recommendations of the CEO, if any, in this regard. XORTX currently has short and long-term compensation components in place, and intends to further develop these compensation components. Overall, the objectives of XORTX 's compensation policies and procedures are intended be to align the interests of XORTX 's consultants and employees with the interests of XORTX 's shareholders.

Under XORTX 's compensation policies and practices, Named Executive Officers and directors are not prevented from purchasing financial instruments, including prepaid variable forward contracts, equity swaps, collars or units of exchange funds that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the Named Executive Officers or director; however, the Board does not believe that XORTX 's compensation policies and practices encourage executive officers to take unnecessary or excessive risk.

Currency

Unless otherwise noted, all monetary amounts disclosed in this document are in Canadian dollars, which is the same functional currency that is used by the Company in preparing its consolidated financial statements.

Summary Compensation Table

The table below provides a summary of compensation earned during the two most recently completed financial years, as applicable, by the Company's Named Executive Officers and directors.

Name and Position	Year	Salary, consulting fee, retainer or commission ($)[1]	Bonus ($)	Committee or Meeting Fees ($)	Value of Perquisites ($)	Value of All Other Compensation ($)	Total Compensation ($)
Allen Davidoff[2] Chief Executive Officer, Director	2016	$45,000	-	-	-	-	$45,000
	2015	$20,000	-	-	-	-	$20,000
John Meekison[3] Interim Chief Financial Officer	2016	-	-	-	-	-	-
	2015	-	-	-	-	-	-
Bruce Rowlands Director	2016	-	-	-	-	-	-
	2015	-	-	-	-	-	-
Alan Moore Director	2016	-	-	-	-	-	-
	2015	-	-	-	-	-	-

Notes:

(1) Includes the dollar value of cash and non-cash base salary earned during the financial year.

(2) The Company is party to a long-term employment agreement with Mr. Davidoff, pursuant to which Mr. Davidoff is entitled to an annual salary of $120,000 in respect of his services as CEO. Mr. Davidoff received $45,000 in compensation for 2016 and $20,000 in compensation for 2015. The remaining balance of $75,000 and $100,000 for 2016 and 2015 respectively have not yet been paid and are being accrued by the Company.

(3) The Company is party to a consulting agreement with Tanun pursuant to which, a few of $2,000 per month for administrative fees is paid to Tanun. Tanun is wholly owned by the spouse of Mr. Meekison.

Stock Options and Other Compensation Securities

The table below provides a summary of compensation securities (as such term is defined in Form 51-102F6V – *Statement of Executive Compensation – Venture Issuers*) granted or issued to the Company's Named Executive Officers and directors during the most recently completed financial year.

Name and Position	Type of Compensation Security	Number of Compensation Securities, Number of Underlying Securities and Percentage of Class	Date of Issue or Grant	Issue, Conversion or Exercise Price ($)	Closing Price of Security or Underlying Security on Date of Grant ($)	Closing Price of Security or Underlying Security at Year End ($)	Expiry Date
Allen Davidoff, Chief Executive Officer, Director	Incentive Stock option	250,000 XORTX Stock Options, each exercisable for one XORTX share	July 20, 2016	$0.50	N/A	N/A	July 20, 2019
Bruce Rowlands, Director	Incentive Stock option	250,000 XORTX Stock Options, each exercisable for one XORTX share	July 20, 2016	$0.50	N/A	N/A	July 20, 2019

Name and Position	Type of Compensation Security	Number of Compensation Securities, Number of Underlying Securities and Percentage of Class	Date of Issue or Grant	Issue, Conversion or Exercise Price ($)	Closing Price of Security or Underlying Security on Date of Grant ($)	Closing Price of Security or Underlying Security at Year End ($)	Expiry Date
Alan Moore, Director	Incentive Stock option	250,000 XORTX Stock Options, each exercisable for one XORTX share	July 20, 2016	$0.50	N/A	N/A	July 20, 2019

Note: The above amounts represent the total amount of compensation securities, and underlying securities, held by the above individuals.

Exercise of Compensation Securities

None of the directors or Named Executive Officers have exercised any compensation securities during the most recently completed financial year.

Stock Option Plan

XORTX's Stock Option Plan (the "**Plan**") is used to assist the Company in attracting, retaining and motivating directors, officers, consultants and employees of the Company and its subsidiaries and to closely align the personal interests of such directors, officers, employees and consultants with those of the shareholders of the Company by providing them with the opportunity, through options, to acquire common shares ("**Common Shares**") in the capital of the Company.

The Plan is administered by the Board which has full and final authority and discretion, subject to the express provisions of the Plan, to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it and to make all other determinations deemed necessary or advisable for the administration of the Plan, subject to the rules and policies of any exchange or quotation system upon which the Company's Common Shares are listed or quoted. The Board may delegate any or all of its authority and discretion with respect to the administration of the Plan to a compensation committee of directors.

The number of authorized but unissued Common Shares that may be issued upon the exercise of options granted under the Plan at any time, plus the number of Common Shares reserved for issuance under outstanding options otherwise granted by the Company (collectively, the "**Optioned Shares**") shall not exceed ten percent of the issued and outstanding Common Shares on a non-diluted basis at any time, and the number of Optioned Shares shall increase or decrease as the number of issued and outstanding Common Shares changes. Any exercise of options will make new grants available under the Plan. However, the following additional restrictions apply:

(a) in no event shall options be granted to an individual to purchase in excess of five percent of the then outstanding Common Shares of the Company in any 12 month period;

(b) no more than two percent of the issued Common Shares of the Company may be granted to any one consultant in any 12 month period;

(c) in no event shall: (i) the number of Common Shares reserved for issuance under stock options granted to Insiders be in excess of 10 percent of the then outstanding shares in any 12 month period; or (ii) options be granted to Insiders that permit the purchase of an excess of ten percent of the then outstanding shares in any 12 month period;

(d) no more than an aggregate of two percent of the issued Common Shares of the Company may be granted to persons employed to conduct Investor Relations Activities in any 12 month period; and

(e) if options granted to an individual under the Plan in respect of certain Optioned Shares expire or terminate for any reason with or without having been exercised, such Optioned Shares may be made available for other options to be granted under the Plan.

Options may be granted under the Plan to such directors, officers, employees of, or consultants to, the Company or its subsidiaries as the Board may from time to time designate as participants (the "**Participants**") under the Plan. Subject to the provisions of the Plan, the total number of Optioned Shares to be made available under the Plan and to each Participant, the time or times and price or prices at which options shall be granted, the time or times at which such options are exercisable and any conditions or restrictions on the exercise of options shall be in the full and final discretion of the Board.

Employment and Consulting Agreements

XORTX does not have consulting or employment agreements in place with any Named Executive Officers except for the agreements with Allen Davidoff and Tanun.

The employment agreement between the Company and Allen Davidoff includes the following material terms:

(a) A termination clause whereby Allen Davidoff is entitled to the equivalent of twelve times his then current monthly salary which, as of December 31, 2016, equated to $120,000.

(b) In the event that a third party (which third party has a market capitalization of greater than $200,000,000 or has an average daily trading volume of greater than $250,000) acquires greater than 50% of the outstanding common shares of the Company, and Dr. Davidoff's employment is terminated within thirty days of such acquisition, Dr. Davidoff shall be entitled to a cash payment equal to 12 times his then current monthly salary.

The consulting agreement between the Company and Tanun includes the following material terms:

(a) The services of Tanun will be performed by John Meekison, a director of the Consultant.

(b) All fees payable from the Company to Tanun shall accrue and be paid at such time as the Company has raised a minimum of $500,000 gross proceeds by way of equity issuance, debt issuance, exercise of warrants/options, or such other customary form of financing.

(c) The Company or Tanun may terminate the consulting agreement at any time upon thirty days' notice.

Executive Officer Compensation

Executive officer compensation is determined by the Board, with recommendations from management. The Board discussed management's recommendations and provides final approval with respect to executive officer compensation. Compensation of executive officer's is reviewed at the request of management or the Board.

Executive officer compensation is not currently tied to performance goals or objectives and is not determined with reference to a peer group. The Board is currently assessing its compensation strategy and may implement such programs into its compensation strategy.

Director Compensation

Director compensation is determined by the Board, with recommendations from management. The Board discusses management's recommendations and provides final approval with respect to director compensation. Director compensation is reviewed annually by the Board.

The Company's overall policy regarding compensation of directors, other than those directors who are also Named Executive Officers, is structured to attract and retain suitable and qualified directors with commitment to the Company.

None of the directors were compensated during the most recently completed financial year. Directors of the Company are reimbursed for expenses incurred in carrying out their duties, including expenses incurred to attend directors' meetings and meetings of committees of directors.

APPENDIX "B"

DEFINITIVE AGREEMENT

(Please see the following page)

SUPPORT AGREEMENT

BETWEEN**:**

XORTX PHARMA CORP.

OF THE FIRST PART

-and -

APAC RESOURCES INC.

OF THE SECOND PART

(August 8, 2017)

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SUPPORT AGREEMENT

THIS AGREEMENT made as of the 8th day of August, 2017,

BETWEEN:

XORTX PHARMA CORP.,
a corporation continued under the laws of Canada

("**XORTX**")

AND

APAC RESOURCES INC.,
a corporation incorporated under the laws of the Province of British Columbia

("**APAC**")

WHEREAS the XORTX Shareholders (as defined herein) are the registered and beneficial owners of all of the issued and outstanding common shares in the capital of XORTX (each, a "**XORTX Share**" and collectively, the "**XORTX Shares**");

AND WHEREAS APAC is a reporting issuer in the provinces of British Columbia, Alberta and Ontario, whose common shares are listed on the Canadian Securities Exchange (the "**CSE**");

AND WHEREAS APAC and XORTX wish to exchange securities on the terms and conditions herein contained;

AND WHEREAS APAC has agreed to make the Offer (as defined herein) to XORTX Shareholders for the XORTX Shares on the terms and conditions herein contained;

AND WHEREAS immediately following closing of the transactions contemplated by the Offer (and assuming all of the XORTX Shareholders (as defined herein) accept the Offer), APAC will directly own all of the XORTX Shares, and the XORTX Shareholders will in the aggregate own approximately 91% of the aggregate number of common shares of APAC (the "**APAC Shares**") prior to the completion of the Financing as hereinafter defined;

NOW THEREFORE, in consideration of the premises and the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto hereby covenant and agree as follows:

ARTICLE 1
DEFINITIONS

1.1 Definitions

For all purposes of this Agreement the following capitalized terms shall have the meanings set forth in this Article 1:

"**Affiliate**" has the meaning given to such term in the *Securities Act* (Alberta).

"**APAC Assets**" means all assets owned by APAC, including but not limited to cash.

"**APAC Information Circular**" means the information circular to be prepared by APAC in accordance with the policies of the CSE, in connection with the APAC Meeting.

"**APAC Financial Statements**" has the meaning set forth in Section 4.8(a).

"**APAC Meeting**" means the special meeting of the APAC Shareholders and any adjournments thereof, to, among other things, consider and if determined advisable approve the Share Exchange and related matters.

"**APAC Options**" means the 600,000 options to acquire APAC Shares, each such option entitling the holder thereof to acquire one pre-Share Consolidation APAC Share at $0.10 until April 15, 2020.

"**APAC Plan**" means the stock option plan of APAC.

"**APAC Shareholders**" means, collectively, the registered and beneficial holders of all the APAC Shares.

"**APAC Shares**" means the common shares in the capital of APAC, on a pre-Share Consolidation or post-Share Consolidation basis, as applicable in the context.

"**APAC Units**" means the units to be issued by APAC pursuant to the Financing, each unit consisting of one Post-Share Consolidation APAC share and one APAC Share purchase warrant, each warrant entitling the holder to purchase one additional Post-Share Consolidation APAC Share at a price of $0.80 for a period of two years from the date of issuance of the APAC Units and containing a proviso that in the event that the APAC Shares trade on the CSE at a closing price of greater than $1.20 per Share for a period of 10 consecutive trading days at any time after four months and one day after the date of issuance of the APAC Units, APAC may accelerate the expiry date of such warrants by giving notice to the holders thereof by way of a news release and, in such case, the warrants will expire on the 30th day after the date of dissemination of the news release.

"**APAC Warrants**" mean the 6,774,400 share purchase warrants to acquire APAC Shares each such warrant entitling the holder thereof to acquire one pre-Share Consolidation APAC Share at $0.08 (in respect of 6,432,000 APAC Warrants) and $0.15 (in respect of 342,400 APAC Warrants) until September 29, 2017.

"**Applicable Laws**" means in relation to any Person, transaction or event, all applicable Laws by which such Person or its business, properties, assets, undertaking or securities is or are bound or subject;

"**Articles**" means the certificate and articles of incorporation (as amended), certificate and articles of organization (as amended), constitution, by-laws, operating agreement, joint venture or partnership

agreement or articles or other constituting document of any Person other than an individual, each as from time to time amended or modified.

"**Business Day**" means a day, excluding Saturday and Sunday, on which banking institutions are open for business in Calgary, Alberta and Vancouver, British Columbia.

"**CSE**" means the Canadian Securities Exchange.

"**Change of Control**" means the acquisition, directly or indirectly, of beneficial ownership of voting securities that results in a holding of more than 50% of the issued and outstanding voting securities of XORTX by a third party, other than in connection with this Agreement or an internal corporate reorganization.

"**Claim**" has the meaning set forth in Section 10.4.

"**Closing**" means the closing of the Share Exchange pursuant to the terms of this Agreement.

"**Closing Date**" means such date as XORTX and APAC shall determine for Closing but in any event no later than December 31, 2017.

"**Closing Time**" means 10:00 a.m. (Calgary time) on the Closing Date.

"**Control**" in respect of a Person (including the terms "**controlled by**" and "**under common control with**") means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or by other arrangement.

"**Convertible Shareholder Loans**" means the secured convertible loan agreements entered into by XORTX and listed in Schedule "B".

"**Direct Claim**" has the meaning set forth in Section 10.4.

"**Distribution**" means: (a) the declaration or payment of any dividend in cash, securities or property on or in respect of any class of securities of the Person or its Subsidiaries; (b) the purchase, redemption or other retirement of any securities of the Person or its Subsidiaries, directly or indirectly; or (c) any other distribution on or in respect of any class of securities of the Person or its Subsidiaries.

"**Dollars**" and "**$**" means Canadian dollars, unless otherwise specified.

"**Environmental Laws**" means, with respect to any Person or its business, activities, property, assets or undertakings, all Applicable Laws having jurisdiction over the Person or Persons or its or their business, undertaking, property or securities, relating to environmental, health or safety matters including legislation governing the use and storage of Hazardous Substances.

"**Exchange Act**" means the U.S. Securities Exchange Act of 1934, as amended.

"**Financing**" means the proposed private placement of not less than 4,000,000 APAC Units at a price of $0.50 per APAC Unit for aggregate gross proceeds of not less than $2,000,000 to be completed concurrently with the Share Exchange on the Closing Date.

"**Hazardous Substances**" means any pollutant, contaminant, waste of any nature, hazardous substance, hazardous material, toxic substance, dangerous substance or dangerous good as defined, judicially interpreted or identified in any Environmental Laws.

"**IFRS**" means International Financial Reporting Standards as issued by the International Accounting Standards Board.

"**Income Tax Act**" means the *Income Tax Act* (Canada), as amended from time to time.

"**Indebtedness**" means all obligations, contingent (to the extent required to be reflected in financial statements prepared in accordance with IFRS) and otherwise, which in accordance with IFRS should be classified on the obligor's balance sheet as liabilities, including without limitation, in any event and whether or not so classified: (a) all debt and similar monetary obligations, whether direct or indirect; (b) all liabilities secured by any mortgage, pledge, security interest, lien, charge or other encumbrance existing on property owned or acquired subject thereto, whether or not the liability secured thereby shall have been assumed; (c) all agreements of guarantee, support, indemnification, assumption or endorsement and other contingent obligations whether direct or indirect in respect of Indebtedness or performance of others, including any obligation to supply funds to or in any manner to invest in, directly or indirectly, the debtor, to purchase Indebtedness, or to assure the owner of Indebtedness against loss, through an agreement to purchase goods, supplies or services for the purpose of enabling the debtor to make payment of the Indebtedness held by such owner or otherwise; (d) obligations to reimburse issuers of any letters of credit; and (e) capital leases.

"**Indemnified Party**" has the meaning set forth in Section 10.4.

"**Insider**" has the meaning given to such term in the *Securities Act* (British Columbia).

"**Laws**" mean all federal, provincial, state, municipal or local laws, rules, regulations, statutes, by-laws, ordinances, policies or orders of any federal, provincial, state, regional or local government or any subdivision thereof or any arbitrator, court, administrative or regulatory agency, commission, department, board or bureau or body or other government or authority or instrumentality or any entity or Person exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government.

"**Lien**" means: (a) any encumbrance, mortgage, pledge, hypothec, prior claim, lien, charge or other security interest of any kind upon any property or assets of any character, or upon the income or profits therefrom; (b) any acquisition of or agreement to have an option to acquire any property or assets upon conditional sale or other title retention agreement, device or arrangement (including a capitalized lease); or (c) any sale, assignment, pledge or other transfer for security of any accounts, general intangibles or chattel paper, with or without recourse.

"**Losses**", in respect of any matter, means all claims, demands, proceedings, losses, damages, liabilities, deficiencies, costs and expenses (including, without limitation, all legal and other professional fees and disbursements, interest, penalties and amounts paid in settlement) arising directly or indirectly as a consequence of such matter.

"**Mailing Date**" means the date on which the APAC Information Circular is mailed to APAC Shareholders in connection with the APAC Meeting.

"**Material Adverse Effect**", in respect of a Person, means any change, effect, event, occurrence, condition

or development that has or could reasonably be expected to have, individually or in the aggregate, a material and adverse impact on the business, affairs, operations, prospects, results of operations, assets, capitalization, financial condition, licenses, permits, concessions, rights, privileges or liabilities, whether contractual or otherwise, of such Person, other than any change, effect, event, occurrence or state of facts: (i) that arises out of a matter that has been publicly disclosed prior to the date of this Agreement or otherwise disclosed in writing by a party to the other prior to the date of this Agreement; and (ii) that results from general economic, financial, currency exchange, securities or commodity market conditions.

"Permitted Liens" means Liens for taxes and assessments for the then current year and Liens for taxes and assessments not at the time overdue.

"**Offer**" means the offer to purchase, attached hereto as Schedule "A", to be made by APAC to the XORTX Shareholders for the XORTX Shares held by such holders.

"**Person**" means an individual, partnership, corporation, association, trust, joint venture, unincorporated organization and any government, governmental department or agency or political subdivision thereof.

"**Share Consolidation**" has the meaning set forth in Section 2.1(c).

"**Share Exchange**" means the exchange of XORTX Shares for APAC Shares pursuant to the Offer, all as provided for herein, as a result of which APAC will directly own all of the XORTX Shares and the XORTX Shareholders will in the aggregate own approximately 91% of the aggregate number of outstanding APAC Shares, prior to giving effect to the Financing.

"**Subsidiary**" shall have the same meaning as the term "subsidiary" in the *Securities Act* (British Columbia).

"**Tax**" or "**Taxes**" means all taxes, charges, fees, levies, imposts and other assessments, including all income, sales, use, goods and services, value added, capital, capital gains, alternative net worth, transfer, profits, withholding, payroll, employer health, employer safety, workers compensation, excise, immovable property and moveable property taxes, and any other taxes, customs duties, fees, assessments or similar charges in the nature of a tax including Canada Pension Plan, Social Security and provincial plan contributions and workers compensation premiums, together with any interest, fines and penalties imposed by any governmental authority (including federal, provincial, municipal and foreign governmental authorities), and whether disputed or not.

"**Tax Returns**" has the meaning set forth in Section 3.10.

"**Third Party Claim**" has the meaning set forth in Section 10.4.

"**XORTX Assets**" means all assets owned by XORTX.

"**XORTX Financial Statements**" has the meaning set forth in Section 3.5.

"**XORTX Options**" means the options to purchase 1,337,000 XORTX Shares, the whole as set forth in Schedule "B".

"**XORTX Shares**" means, collectively, all of the common shares of XORTX as issued and outstanding from time to time.

"**XORTX Subsidiary**" means ReVasCor Inc., a limited liability company formed under the laws of the State of Delaware, being a wholly-owned subsidiary of XORTX.

"**XORTX Shareholders**" means all shareholders of XORTX at any given time.

1.2 Hereof, Herein, etc.

The words "hereof", "herein" and "hereunder" and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement. Unless otherwise specified herein, the term "or" has the inclusive meaning represented by the term "and/or" and the term "including" is not limiting. All references as to "Sections", "Subsections", "Articles", "Schedules" and "Exhibits" shall be to Sections, Subsections, Articles, Schedules and Exhibits, respectively, of this Agreement unless otherwise specifically provided.

1.3 Computation of Time Periods

In the computation of periods of time from a specified date to a later specified date, unless otherwise specified herein, the words "commencing on" mean "commencing on and including", the word "from" means "from and including" and the words "to" and "until" each means "to and including".

1.4 Knowledge

Whenever used in this Agreement, a statement qualified by the phrase "to the knowledge of" or similar statement is intended to be a statement of the knowledge of the Person or senior officers of the Person regarding the facts or circumstances to which the phrase relates, after having made due inquiries and investigations with respect to such facts or circumstances.

1.5 Schedules

The following Schedules are attached hereto and form part of this Agreement:

Schedule "A" Offer to Purchase

Schedule "B" XORTX Optionholders

Schedule 3.9 Rights of Directors, Officers and Others

Schedule 3.12 XORTX Material Contracts

Schedule 3.23(a) Non-Arm's Length Transactions

Schedule 4.18 APAC Material Contracts

ARTICLE 2
AGREEMENT TO EXCHANGE

2.1 Share Exchange

(a) Upon the terms, subject to the conditions hereinafter specified and in accordance with the Offer, APAC agrees to offer to purchase all of the issued and outstanding common shares of XORTX not later than September 15, 2017.

(b) In accordance with the Offer, each of the XORTX Shareholders that accepts the Offer will exchange, transfer and assign all of the XORTX Shares such XORTX Shareholder owns or will

own at the Closing Time to APAC. In consideration for the XORTX Shares, APAC will issue to each XORTX Shareholder who accepts the Offer, that number of APAC Shares in accordance with the ratio identified in Section 2.1(e).

(c) Immediately prior to Closing, APAC shall effect a share consolidation of the APAC Shares on the basis of one post-consolidation APAC Share for every four pre-consolidation APAC Shares (the "**Share Consolidation**").

(d) Prior to Closing, the "in-the-money" XORTX Options and the Convertible Shareholder Loans shall be exercised and converted into XORTX Shares. Any XORTX Options which are not exercised prior to Closing shall be cancelled. Any Convertible Shareholder Loans which are not converted prior to Closing shall be repaid immediately prior to Closing. APAC shall include into the Offer, any XORTX Shares that are issued upon exercise of the XORTX Options or conversion of the Convertible Shareholder Loans.

(e) The exchange, transfer and assignment of XORTX Shares for APAC Shares pursuant to the Offer, shall proceed on the basis of 2.311 post-Share Consolidation APAC Shares for each one XORTX Share.

(f) Fractional APAC Shares shall not be issued or otherwise provided for. The number of APAC Shares issuable to a particular XORTX Shareholder shall be rounded up to the next whole number of APAC Shares if the fractional entitlement is equal to or greater than 0.5 and shall, without any additional compensation, be rounded down to the next whole number of APAC Shares if the fractional entitlement is less than 0.5.

2.2 Deemed Value of APAC Shares

The parties acknowledge and agree that the APAC Shares will be issued at a deemed value of $0.2024 per post-Share Consolidation APAC Share.

2.3 Closing and Delivery of Certificates

(a) The Closing shall take place at the offices of McCarthy Tétrault LLP, counsel for XORTX, at the Closing Time on the Closing Date, or as XORTX and APAC may otherwise agree in writing.

(b) Subject to the satisfaction of the conditions to the obligation to close the transactions contemplated herein set forth in Article 6, each XORTX Shareholder that accepts the Offer shall transfer and deliver to APAC at the Closing Time certificates representing the XORTX Shares then held by such XORTX Shareholder, duly endorsed for transfer or accompanied by a duly executed power of attorney for transfer.

(c) Subject to compliance with Section 2.3(b), APAC shall deliver to each of the XORTX Shareholders that accept the Offer at or before the Closing Time, certificates representing that number of APAC Shares to which such XORTX Shareholder is entitled to in accordance with Section 2.1(e), and shall enter such XORTX Shareholders on the books of APAC as the holders of such APAC Shares.

2.4 Escrow

APAC Shares acquired by XORTX Shareholders pursuant to this Agreement may be escrowed pursuant to the policies of the CSE. In circumstances where Persons other than Insiders of APAC after the Closing

Date are to have APAC Shares escrowed, APAC and XORTX will use reasonable commercial efforts to inform such affected Persons in advance of the Closing Date.

2.5 Effective Date

The Closing shall take effect at and from the Closing Time.

2.6 Share Capital

For greater certainty, the parties acknowledge that 62,228,717 post-Share Consolidation APAC Shares will be issued and outstanding after the Closing of which (i) an aggregate of up to 53,195,717 post-Share Consolidation APAC Shares shall be held by XORTX Shareholders (assuming the exercise of 337,000 "in-the-money" XORTX Options and the conversion of all of the Convertible Shareholder Loans), (ii) an aggregate of 4,000,000 post-Share Consolidation APAC Shares shall be held by participants in the Financing (assuming the Financing is completed for the minimum amount); and (iii) an aggregate of 5,033,000 post-Share Consolidation APAC Shares shall be held by the current shareholders of APAC, in all cases subject to rounding to account for fractional post-Share Consolidation APAC Shares.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES OF XORTX

In order to induce APAC to enter into this Agreement and to consummate the transactions contemplated by this Agreement, XORTX hereby represents and warrants as follows to and in favour of APAC and acknowledges that APAC is relying upon such representations and warranties in connection with the Share Exchange. All references to "XORTX" in this Article 3 includes the XORTX Subsidiary unless the context otherwise requires:

3.1 Organization and Existence

Each of XORTX and the XORTX Subsidiary is a duly organized and validly existing corporation under the laws of its jurisdiction of organization and has the corporate power to own its properties and to carry on its business as now conducted and has made all necessary filings under all applicable corporate, securities and taxation laws or any other laws to which it is subject, except where the failure to make such filing would not have a Material Adverse Effect on XORTX. No proceedings have been instituted or are pending for the dissolution or liquidation of XORTX or the XORTX Subsidiary.

3.2 Subsidiaries

XORTX does not beneficially own, or exercise control or direction over, 10% or more of the outstanding voting shares of any company other than the XORTX Subsidiary and XORTX beneficially owns, directly or indirectly, all of the issued and outstanding shares in the capital of each of the XORTX Subsidiary free and clear of all mortgages, liens, charges, pledges, security interests, encumbrances, claims or demands of any kind whatsoever, all of such shares have been duly authorized and validly issued and are outstanding as fully paid and non-assessable shares and no person has any right, agreement or option, present or future, contingent or absolute, or any right capable of becoming a right, agreement or option, for the purchase from XORTX of any interest in any of such shares or for the issue or allotment of any unissued shares in the capital of the XORTX Subsidiary or any other security convertible into or exchangeable for any such shares.

3.3 Authorization

The execution, delivery and performance by XORTX of this Agreement and the Share Exchange: (i) are within its corporate power and authority; (ii) have been, or will be duly authorized by all necessary corporate proceedings; and (iii) do not and will not conflict with or result in any breach of any provision of, or the creation of any Lien upon any of the property of XORTX or result in any Material Adverse Effect on XORTX or any of its property pursuant to the Articles of XORTX, any Laws, order, judgment, injunction, license or permit applicable to XORTX or any indenture, lease, agreement, contract, instrument or Lien, to which XORTX is a party or by which the property of XORTX may be bound or affected.

3.4 Authorized Capital

(a) The authorized capital of XORTX consists of an unlimited number of XORTX Shares of which 22,221,787 XORTX Shares are issued and outstanding as at the date hereof. XORTX may issue up to an additional 1,337,000 XORTX Shares upon exercise of the XORTX Options and up to 459,697 XORTX Shares on the conversion of the Convertible Shareholder Loans (assuming a Conversion Price (as defined in the Convertible Shareholder Loans) of $0.4677 based on the deemed price of $0.2024 per post-Share Consolidation APAC Share and an exchange ratio of 2.311).

(b) The XORTX Shares issued and outstanding as at the Closing Time have been, or will at the Closing Time be, duly authorized and validly issued and outstanding as fully paid and non-assessable shares.

3.5 XORTX Financial Statements

(a) XORTX has delivered to APAC true and complete copies of the draft consolidated financial statements for the period ended December 31, 2016 (the "**XORTX Financial Statements**").

(b) The XORTX Financial Statements were prepared in accordance with IFRS, the balance sheet included in such XORTX Financial Statements fairly presents the financial condition of XORTX as at the close of business on the date thereof and the statement of operations and deficit included in the XORTX Financial Statements fairly presents the results of operations of XORTX for the fiscal period then ended.

3.6 No Other Agreement to Purchase

Other than as disclosed in Schedule "B", there are no agreements, options, warrants, rights of conversion or other rights binding upon or which at any time in the future may become binding upon XORTX to issue any equity securities or any securities convertible or exchangeable, directly or indirectly, into any equity securities of XORTX. There are no shareholders' agreements, pooling agreements, voting trusts or other agreements or understandings with respect to the voting of the XORTX Shares, or any of them.

3.7 Absence of Certain Changes

Since December 31, 2016, XORTX has not:

(a) except for in connection with the Convertible Shareholder Loans, issued, sold, or agreed to issue, sell, pledge, hypothecate, lease, dispose of or encumber any XORTX Shares or other corporate securities or any right, option or warrant with respect thereto;

(b) amended or proposed to amend its Articles;

(c) split, combined or reclassified any of its securities or declared or made any Distribution;

(d) suffered any material loss relating to litigation or, to the knowledge of XORTX, been threatened with litigation;

(e) entered into or amended any employment contracts with any director, officer or senior management employee, created or amended any employee benefit plan, made any increases in the base compensation, bonuses, paid vacation time allowed or fringe benefits for its directors or officers other than in the ordinary course of business;

(f) suffered damage, destruction or other casualty, loss, or forfeiture of, any property or assets, whether or not covered by insurance;

(g) made any capital expenditures, additions or improvements or commitments for the same, except those which do not exceed $20,000 per month;

(h) other than in the ordinary course of business: (i) entered into any contract, commitment or agreement under which it has outstanding Indebtedness for borrowed money or for the deferred purchase price of property; or (ii) made any loan or advance to any Person;

(i) acquired or agreed to acquire (by tender offer, exchange offer, merger, amalgamation, acquisition of shares or assets or otherwise) any Person, corporation, partnership, joint venture or other business organization or division or acquired or agreed to acquire any material assets;

(j) entered into any material contracts regarding its business operations, including joint ventures, partnerships or other arrangements;

(k) created any stock option or bonus plan, paid any bonuses, deferred or otherwise, or deferred any compensation to any of its directors or officers other than such payments made in the ordinary course of business;

(l) made any material change in accounting procedures or practices;

(m) mortgaged, hypothecated or pledged any of the XORTX Assets, or subjected them to any Lien other than a Permitted Lien, except in accordance with the Convertible Shareholder Loans;

(n) except for in connection with the Convertible Shareholder Loans, entered into any other material transaction, or any amendment of any contract, lease, agreement or license which is material to its business;

(o) sold, leased, subleased, assigned or transferred any of the XORTX Assets;

(p) cancelled, waived or compromised any debts or claims, including accounts payable to and receivable from its Affiliates;

(q) failed to pay or satisfy when due any liability of XORTX where the failure to do so would have a Material Adverse Effect on XORTX; or

(r) entered into any agreement or understanding to do any of the foregoing.

3.8 Indebtedness to Directors, Officers and Others

XORTX is not indebted to any director, officer, employee or consultant of XORTX, except for amounts due as normal compensation or reimbursement of ordinary business expenses.

3.9 Rights of Directors, Officers and Others

Other than as disclosed in Schedule 3.9, no director, officer, Insider or other non-arm's length party to XORTX (or any Affiliate thereof) has any right, title or interest in (or the right to acquire any right, title or interest in) any royalty interest, carried interest, participation interest or any other interest whatsoever which are based on XORTX's business.

3.10 Taxes

All returns, declarations, reports, estimates, statements, schedules or other information or documents with respect to Taxes (collectively, "**Tax Returns**") required to be filed by or with respect to XORTX have been filed within the prescribed time, with the appropriate tax authorities and all such Tax Returns are true, correct, and complete in all material respects. No Tax Return of XORTX is being audited by the relevant taxing authority, and there are no outstanding waivers, objections, extensions, or comparable consents regarding the application of the statute of limitations or period of reassessment with respect to any Taxes or Tax Returns that have been given or made by XORTX (including the time for filing of Tax Returns or paying Taxes) and XORTX has no pending requests for any such waivers, extensions, or comparable consents. XORTX has not received a ruling from any taxing authority or signed an agreement with any taxing authority that could reasonably be expected to have a Material Adverse Effect on XORTX. XORTX does not owe any Taxes to the federal government, a provincial government, a municipal government or any other governmental authority.

3.11 Joint Ventures

XORTX has not entered into any joint ventures with any third party.

3.12 Material Contracts

(a) Attached hereto as Schedule 3.12 is a true, complete and accurate list of all material contracts, agreements and commitments entered into by XORTX which are in writing or have been orally agreed to by XORTX and which are currently in force or effect.

(b) All contracts, agreements, benefit plans, leases and commitments required to be disclosed to APAC pursuant to this Section 3.12 are valid, binding and in full force and effect as to XORTX, and XORTX is not in breach or violation of, or default under, the terms of any such contract, agreement, plan, lease or commitment, except where such breach, violation or default would not have a Material Adverse Effect on XORTX, and no event has occurred which constitutes or, with the lapse of time or the giving of notice, or both, would constitute, such a breach, violation or default by XORTX.

3.13 Necessary Licenses and Permits

XORTX and the XORTX Subsidiary have all necessary and required licenses, permits, consents, concessions and other authorizations of governmental, regulatory or administrative agencies or authorities, whether foreign, federal, provincial, or local, required to own and lease their respective properties and assets and to conduct their business as now conducted, except where the failure to hold the foregoing

would not have a Material Adverse Effect on XORTX. Neither XORTX nor the XORTX Subsidiary is in default, nor have any of them received any notice of any claim or default with respect to any such license, permit, consent, concession or authorization. No registrations, filings, applications, notices, transfers, consents, approvals, audits, qualifications, waivers or other action of any kind is required by virtue of the execution and delivery of this Agreement, or of the consummation of the transactions contemplated hereby: (a) to avoid the loss of any license, permit, consent, concession or other authorization or any asset, property or right pursuant to the terms thereof, or the violation or breach of any law applicable thereto, or (b) to enable XORTX to hold and enjoy the same immediately after the Closing Date in the conduct of its business as conducted prior to the Closing Date.

3.14 Compliance with Law

XORTX is not in default under, or in violation of, and has not violated (and failed to cure) any Law including, without limitation, laws relating to the issuance or sale of securities, privacy and intellectual property, or any licenses, franchises, permits, authorizations or concessions granted by, or any judgment, decree, writ, injunction or order of, any governmental or regulatory authority, applicable to its business or any of its properties or assets, except where any such default or violation would not have a Material Adverse Effect on XORTX. XORTX has not received any notification alleging any violations of any of the foregoing with respect to which adequate corrective action has not been taken.

3.15 Employees

Neither XORTX nor the XORTX Subsidiary is subject to any current, pending, threatened, or to the knowledge of XORTX, contemplated litigation relating to employment or termination of employment of its employees and there are no agreements, written or oral, between XORTX and any other party relating to a Change of Control in respect of XORTX.

3.16 Employee Benefit Plans

Other than the stock option plan of XORTX, XORTX does not have any employee benefit plans (or any plan which may be in any way regarded as an employee benefit plan) of any nature whatsoever nor has it ever had any such plans.

3.17 Litigation

There is no suit, claim, action, proceeding or, to the knowledge of XORTX, investigation pending or threatened against or affecting XORTX, or any of its assets or properties, or any of its assets or properties, or any officer or director thereof in his capacity as an officer or director thereof.

3.18 No Material Adverse Change

Since December 31, 2016, no change has occurred in the business, operations, results of operations, assets, capitalization or condition (financial or otherwise) of XORTX, whether or not in the ordinary course of business, whether separately or in the aggregate with other occurrences or developments, and whether insured against or not, which could reasonably be expected to have a Material Adverse Effect on XORTX.

3.19 Corporate Documents, Books and Records

Complete and correct copies of the Articles, and of all amendments thereto, of XORTX have been previously delivered to APAC. The minute book of XORTX contains complete and accurate records in all material respects of all meetings and consents in lieu of meetings of the board of directors (and its

committees) and shareholders of XORTX since incorporation. Except as reflected in such minute books, there are no minutes of meetings or consents in lieu of meetings of the board of directors (or its committees) or of the shareholders of XORTX.

3.20 No Limitations

There is no non-competition, exclusivity or other similar agreement, commitment or understanding in place, whether written or oral, to which XORTX is a party or is otherwise bound that would now or hereafter, in any way limit the business, use of assets or operations of XORTX.

3.21 Reporting Issuer Status

XORTX is not a "reporting issuer" (or the equivalent status) in any province or territory of Canada. No order has been issued ceasing or suspending trading or prohibiting the issue of any securities of XORTX and no such proceedings are pending, or to the knowledge of XORTX, threatened.

3.22 Regulatory Compliance

To XORTX's knowledge, XORTX is in compliance with all regulatory orders, directives and decisions that have application to XORTX except where such non-compliance would not have a Material Adverse Effect on XORTX and XORTX has not received notice from any governmental or regulatory authority that XORTX is not in compliance with any such regulatory orders, directives or decisions.

3.23 Non-Arm's Length Transactions

(a) Except as disclosed in the XORTX Financial Statements or in Schedule 3.23(a), XORTX has not made any payment or loan to, or has borrowed any monies from or is otherwise indebted to, any officer, director, employee, shareholder or any other Person with whom XORTX is not dealing at arm's length (within the meaning of the Income Tax Act) or any Affiliate of any of the foregoing; and

(b) Except as disclosed in this Agreement or in connection with the Convertible Shareholder Loans, XORTX is not a party to any contract or agreement with any officer, director, employee, shareholder or any other Person with whom XORTX is not dealing at arm's length (within the meaning of the Income Tax Act) or any Affiliate of any of the foregoing.

3.24 Enforceability

The execution and delivery by XORTX of this Agreement and any other agreement contemplated by this Agreement will result in legally binding obligations of XORTX enforceable against XORTX in accordance with the respective terms and provisions hereof and thereof subject, however, to limitations with respect to enforcement imposed by law in connection with bankruptcy or similar proceedings and to the extent that equitable remedies such as specific performance and injunction are in the discretion of the court from which they are sought.

3.25 Information Supplied

None of the information supplied or to be supplied by XORTX or the XORTX Subsidiary specifically for inclusion or incorporation by reference into the APAC Information Circular, was, at the date of the APAC Information Circular, or at the time of any amendment or supplement thereof, as amended or supplemented at such date or time, contain any misrepresentation or omit to state a material fact required to be stated

therein or necessary to make the statements therein not misleading in light of the circumstances under which they are made.

3.26 U.S. Matters

(a) U.S. holders of XORTX Shares do not and will not hold, in the aggregate, more than 40 percent of the total issued and outstanding XORTX Shares as of the date hereof or at Closing (as determined under Rule 14d-1(c) of the Exchange Act and the related Instructions).

(b) XORTX is a "foreign private issuer" within the meaning of Rule 3b-4 of the Exchange Act.

(c) XORTX has no class of securities that is registered or required to be registered under Section 12 of the Exchange Act, nor is XORTX subject to any reporting obligations under Section 15(d) of the Exchange Act. XORTX has never had a class of securities registered under Section 12 of the Exchange Act.

(d) XORTX is not an "investment company" within the meaning of the U.S. Investment Company Act of 1940, as amended.

ARTICLE 4
REPRESENTATIONS AND WARRANTIES OF APAC

In order to induce XORTX to enter into this Agreement and to consummate the transactions contemplated by this Agreement, APAC hereby represents and warrants as follows to and in favour of XORTX and acknowledges that XORTX is relying upon such representations and warranties:

4.1 Organization and Existence

APAC is a corporation duly incorporated, organized and validly existing under the laws of the province of British Columbia and has the corporate power to own its properties and to carry on its business as now conducted and has made all necessary filings under all applicable corporate, securities and taxation laws or any other laws to which APAC is subject, except where the failure to make such filing would not have a Material Adverse Effect on APAC. APAC does not have any Subsidiaries. No proceedings have been instituted or are pending for the dissolution or liquidation of APAC. Other than with respect to the proposed change in APAC's corporate name and the Share Consolidation, no articles of amendment have been or will be filed or authorized by the shareholders of APAC and no amendments to the Articles of APAC have been enacted since APAC's incorporation and organization.

4.2 Authorization

(a) The execution, delivery and performance by APAC of this Agreement and the Share Exchange: (i) are within its corporate power and authority; (ii) have been, or will be duly authorized by all necessary corporate proceedings; and (iii) do not and will not conflict with or result in any breach of any provision of, or the creation of any Lien upon any of the property of APAC pursuant to the Articles of APAC, any Laws, order, judgment, injunction, license or permit applicable to APAC or any indenture, lease, agreement, contract, instrument or Lien, to which APAC is a party or by which the property of APAC may be bound or affected.

(b) The APAC Shares, when delivered to the APAC Shareholders in accordance with the terms of this Agreement, will be validly issued and outstanding as fully paid and non-assessable APAC Shares.

4.3 Consents

The execution, delivery and performance by APAC of this Agreement does not and will not require the authorization, approval or consent of, or any filing with, any governmental authority or agency or any other Person, except those required by applicable securities laws and the rules and policies of the CSE.

4.4 Authorized Capital

(a) The authorized capital of APAC consists of an unlimited number of APAC Shares, of which (prior to the Share Consolidation) 20,132,000 APAC Shares are issued and outstanding as at the date hereof. APAC may issue up to an additional 7,374,400 APAC Shares (before accounting for the Share Consolidation) pursuant to the exercise of existing APAC Warrants and APAC Options outstanding as at the date hereof. In addition, APAC may issue additional APAC Shares and securities convertible into APAC Shares pursuant to the Share Exchange and the Financing as contemplated hereunder.

(b) Following the Share Consolidation but before the Closing and assuming there are no additional exercise of APAC Warrants and APAC Options, there will be 5,033,000 APAC Shares issued and outstanding (subject to rounding to account for fractional shares).

(c) The APAC Shares issued and outstanding as at the Closing Time have been, or will at the Closing Time be, duly authorized and validly issued and outstanding as fully paid and non-assessable shares. None of the APAC Shares, APAC Warrants or APAC Options have been issued in violation of any Laws, the policies of the CSE, APAC's Articles or any agreement to which APAC is a party or by which it is bound.

4.5 No Material Adverse Change

Since May 31, 2017, except as disclosed by APAC on SEDAR, no change has occurred in the business, operations, results of operations, assets, capitalization or condition (financial or otherwise) of APAC, whether or not in the ordinary course of business, whether separately or in the aggregate with other occurrences or developments, and whether insured against or not, which could reasonably be expected to have a Material Adverse Effect on APAC.

4.6 Reporting Issuer Status

APAC is a reporting issuer under the securities legislation of the provinces of British Columbia, Alberta and Ontario and is not listed as a defaulting issuer under the legislation or any regulation of any such jurisdiction. No order has been issued ceasing or suspending trading or prohibiting the issue of the APAC Shares and no proceedings for such are pending or, to the knowledge of APAC, threatened; save and except for any halt in the trading of the APAC Shares pending Closing, pursuant to the policies of the CSE.

4.7 CSE Listing

The APAC Shares are listed on the CSE and APAC is in compliance with the rules, regulations and policies of the CSE.

4.8 Reports and APAC Financial Statements

(a) APAC has filed on SEDAR true and complete copies of its audited financial statements for the period ended February 28, 2017 and unaudited interim financial statements for the period ending May 31, 2017 (together, the "**APAC Financial Statements**").

(b) The APAC Financial Statements were prepared in accordance with IFRS; the balance sheets included in such APAC Financial Statements fairly presents the financial condition of APAC as at the close of business on the dates thereof, and the statements of operations and deficit included in the APAC Financial Statements fairly presents the results of operations of APAC for the fiscal periods then ended.

(c) There were no liabilities, contingent, contractual or otherwise, of APAC as of May 31, 2017, other than those disclosed in the APAC Financial Statements and the notes thereto.

(d) As at the date of this Agreement, APAC's cash assets are not less than $70,000, less ordinary course, general, administrative and legal expenses and any expenses incurred by APAC in connection with this Agreement and the Share Exchange.

4.9 Absence of Certain Changes

Since May 31, 2017, APAC has not (except as disclosed in this Agreement):

(a) issued, sold, or agreed to issue, sell, pledge, hypothecate, lease, dispose of or encumber any APAC Shares or other corporate securities or any right, option or warrant with respect thereto;

(b) amended or proposed to amend its Articles;

(c) split, combined or reclassified any of its securities or declared or made any Distribution;

(d) suffered any material loss relating to litigation or, to the knowledge of APAC, been threatened with litigation;

(e) entered into or amended any employment contracts with any director, officer or senior management employee, created or amended any employee benefit plan, made any increases in the base compensation, bonuses, paid vacation time allowed or fringe benefits for its directors or officers other than the adoption of the APAC Plan;

(f) suffered damage, destruction or other casualty, loss, or forfeiture of, any property or assets, whether or not covered by insurance;

(g) made any capital expenditures, additions or improvements or commitments for the same, except those which do not exceed $5,000 per month in the aggregate;

(h) other than in the ordinary course of business: (i) entered into any contract, commitment or agreement under which it has outstanding Indebtedness for borrowed money or for the deferred purchase price of property; or (ii) made any loan or advance to any Person;

(i) acquired or agreed to acquire (by tender offer, exchange offer, merger, amalgamation, acquisition of shares or assets or otherwise) any Person, corporation, partnership, joint venture or other business organization or division or acquired or agreed to acquire any material assets;

(j) entered into any material contracts regarding its business operations, including joint ventures, partnerships or other arrangements;

(k) except for the adoption of the APAC Plan, APAC has not created any stock option or bonus plan, paid any bonuses, deferred or otherwise, or deferred any compensation to any of its directors or officers other than such payments made in the ordinary course of business;

(l) made any material change in accounting procedures or practices;

(m) mortgaged, hypothecated or pledged any of the APAC Assets, or subjected them to any Lien;

(n) entered into any other material transaction, or any amendment of any contract, lease, agreement or license which is material to its business;

(o) sold, leased, subleased, assigned or transferred any of the APAC Assets;

(p) cancelled, waived or compromised any debts or claims, including accounts payable to and receivable from its Affiliates;

(q) failed to pay or satisfy when due any liability of APAC where such failure would have a Material Adverse Effect on APAC; or

(r) other than the Share Consolidation, entered into any agreement or understanding to do any of the foregoing.

4.10 Corporate Documents, Books and Records

Complete and correct copies of the Articles and of all amendments thereto, of APAC have been previously delivered to XORTX. The minute book of APAC contains complete and accurate records in all material respects of all meetings and consents in lieu of meetings of the board of directors (and its committees) and shareholders of APAC since incorporation. Except as reflected in such minute books, there are no minutes of meetings or consents in lieu of meetings of the board of directors (or its committees) or of the shareholders of APAC.

4.11 Information

All data and information provided by APAC at the request of XORTX and its agents and representatives, to XORTX and its agents and representatives in connection with the Share Exchange was and is complete and true and correct in all material respects.

4.12 No Other Agreement to Purchase

Other than the APAC Warrants, the APAC Options and in connection with the Financing, there are no agreements, options, warrants, rights of conversion or other rights binding upon or which at any time in the future may become binding upon APAC to issue any shares or any securities convertible or exchangeable, directly or indirectly, into any APAC Shares. There are no shareholders' agreements, pooling agreements, voting trusts or other agreements or understandings with respect to the voting of APAC Shares, or any of them.

4.13 Shareholder Loans

There are no loans or other liabilities of APAC to any shareholder or to any previous shareholder of APAC.

4.14 Indebtedness and Liens

Other than in the ordinary course of business or in connection with the transactions contemplated hereby, since May 31, 2017, APAC has not incurred any: (i) Indebtedness (other than in connection with this Agreement and the Financing, including APAC's agreement to pay a finder's fee in connection with the Share Exchange to Alan Williams in the amount of $15,000 upon Closing); or (ii) Liens upon any of the APAC Assets.

4.15 Indebtedness to Officers, Directors and Others

APAC is not indebted to any director, officer, employee or consultant of APAC, except for amounts due as normal compensation or reimbursement of ordinary business expenses none of which, in the aggregate, would have a Material Adverse Effect on APAC.

4.16 Taxes

All Tax Returns required to be filed by or with respect to APAC have been filed within the prescribed time, with the appropriate tax authorities and all such Tax Returns are true, correct, and complete in all material respects. No Tax Return of APAC is being audited by the relevant taxing authority, and there are no outstanding waivers, objections, extensions, or comparable consents regarding the application of the statute of limitations or period of reassessment with respect to any Taxes or Tax Returns that have been given or made by APAC (including the time for filing of Tax Returns or paying Taxes) and APAC has no pending requests for any such waivers, extensions, or comparable consents. APAC has not received a ruling from any taxing authority or signed an agreement with any taxing authority that could reasonably be expected to have a Material Adverse Effect on APAC. APAC does not owe any Taxes to the federal government, a provincial government, a municipal government or any other governmental authority.

4.17 Title to Assets

APAC has good title to all APAC Assets, free of all Liens except for Permitted Liens.

4.18 Material Contracts

(a) Attached hereto as Schedule 4.18 is a true, complete and accurate list of all material contracts, agreements and commitments entered into by APAC which are in writing or have been orally agreed to by APAC and which are currently in force and effect.

(b) All contracts, agreements, benefit plans, leases and commitments required to be disclosed to XORTX pursuant to this Section 4.18 are valid, binding and in full force and effect as to APAC, and APAC is not in breach or violation of, or default under, the terms of any such contract, agreement, plan, lease or commitment, except where such breach, violation or default would not have a Material Adverse Effect on APAC, and no event has occurred which constitutes or, with the lapse of time or the giving of notice, or both, would constitute, such a breach, violation or default by APAC.

4.19 Title to Property

(a) APAC does not own any real property.

(b) The APAC Assets are owned legally and beneficially by APAC with good and marketable title thereto, free and clear of all Liens whether contingent or absolute, except as disclosed in the APAC Financial Statements or as provided for herein. APAC is the sole and unconditional owner of, and has good and marketable title to, the APAC Assets.

4.20 Environmental

Except to the extent that violations or other matters referred to in this subsection would not, individually or in the aggregate, have a Material Adverse Effect on APAC:

(a) APAC is not in violation of any applicable Environmental Laws;

(b) APAC has operated its business at all times and has received, handled, used, stored, treated, shipped and disposed of all Hazardous Substances in compliance with Environmental Laws;

(c) there have been no spills, releases, deposits or discharges of Hazardous Substances, or wastes into the earth, subsoil, underground waters, air or into any body of water or any municipal or other sewer or drain water systems by APAC, or on or underneath any location which is or was currently or formerly owned, leased or otherwise operated by APAC, that have not been fully remediated;

(d) no orders, directions or notices have been issued and remain outstanding pursuant to any Environmental Laws relating to the business or assets of APAC;

(e) APAC has not failed to report to the proper governmental authority the occurrence of any event which is required to be so reported by any Environmental Law;

(f) APAC holds all environmental approvals required in connection with the operation of its business and the ownership and use of its assets, all such approvals are in full force and effect, and APAC has not received any notification pursuant to any Environmental Laws that any work, repairs, constructions or capital expenditures are required to be made by it as a condition of continued compliance with any Environmental Laws, or that any such approval referred to above is about to be reviewed, made subject to limitation or conditions, revoked, withdrawn or terminated;

(g) there are no pending or, to the knowledge of APAC, threatened claims, liens or encumbrances resulting from Environmental Laws with respect to any of the properties of APAC currently or formerly owned, leased, operated or otherwise used; and

(h) APAC has not assumed or retained by contract or operation of law any losses, expenses, claims, damages or liabilities of any third-party pursuant to applicable Environmental Laws.

4.21 Necessary Licenses and Permits

APAC has all necessary and required licenses, permits, consents, concessions and other authorizations of governmental, regulatory or administrative agencies or authorities, whether foreign, federal, provincial, or local, required to own and lease its properties and assets and to conduct its business as now conducted, except where the failure to hold the foregoing would not have a Material Adverse Effect on APAC. APAC is not in default, nor has it received any notice of any claim or default with respect to any such license,

permit, consent, concession or authorization. No registrations, filings, applications, notices, transfers, consents, approvals, audits, qualifications, waivers or other action of any kind is required by virtue of the execution and delivery of this Agreement, or of the consummation of the transactions contemplated hereby: (a) to avoid the loss of any license, permit, consent, concession or other authorization or any asset, property or right pursuant to the terms thereof, or the violation or breach of any law applicable thereto, or (b) to enable APAC to hold and enjoy the same immediately after the Closing Date in the conduct of its business as conducted prior to the Closing Date.

4.22 Compliance with Law

APAC is not in default under, or in violation of, and has not violated (and failed to cure) any Law including, without limitation, laws relating to the issuance or sale of securities, privacy and intellectual property, or any licenses, franchises, permits, authorizations or concessions granted by, or any judgment, decree, writ, injunction or order of, any governmental or regulatory authority, applicable to its business or any of its properties or assets, except where such default or violation would not have a Material Adverse Effect on APAC. APAC has not received any notification alleging any material violations of any of the foregoing with respect to which adequate corrective action has not been taken.

4.23 Employees

APAC does not have any employees or independent contractors (other than professional advisors engaged by APAC in connection with the Share Exchange) and there are no agreements, written or oral, between APAC and any other party relating to payment, remuneration or compensation for work performed or services provided (other than professional advisors engaged by APAC in connection with the Share Exchange) or payment relating to a Change of Control or other event in respect of APAC.

4.24 Litigation

There is no suit, claim, action, proceeding or, to the knowledge of APAC, investigation pending or threatened against or affecting APAC, or any of its assets or properties, or any officer or director thereof in his capacity as an officer or director thereof.

4.25 Employee Benefit Plans

Except for the APAC Plan, APAC does not have any employee benefit plans (or any plan which may be in any way regarded as an employee benefit plan) of any nature whatsoever nor has it ever had any such plans.

4.26 Inventory

APAC does not have (nor has it ever had) any inventory of any nature whatsoever.

4.27 Insurance

APAC does not have (nor has it ever had) any insurance of any nature whatsoever relating to it or its directors or officers.

4.28 No Limitations

There is no non-competition, exclusivity or other similar agreement, commitment or understanding in place, whether written or oral, to which APAC is a party or is otherwise bound that would now or

hereafter, in any way limit the business, use of assets or operations of APAC.

4.29 Regulatory Compliance

APAC is in compliance with all regulatory orders, directives and decisions that have application to APAC except where such non-compliance would not have a Material Adverse Effect on APAC and APAC has not received notice from any governmental or regulatory authority that APAC is not in compliance with any such regulatory orders, directives or decisions.

4.30 Non-Arm's Length Transactions

(a) APAC has not made any payment or loan to, or has borrowed any monies from or is otherwise indebted to, any officer, director, employee, shareholder or any other Person with whom APAC is not dealing at arm's length (within the meaning of the Income Tax Act) or any Affiliate of any of the foregoing.

(b) APAC is not a party to any contract or agreement with any officer, director, employee, shareholder or any other Person with whom APAC is not dealing at arm's length (within the meaning of the Income Tax Act) or any Affiliate of any of the foregoing, other than as disclosed in the APAC Financial Statements.

4.31 Enforceability

The execution and delivery by APAC of this Agreement and any other agreement contemplated by this Agreement will result in legally binding obligations of APAC enforceable against APAC in accordance with the respective terms and provisions hereof and thereof subject, however, to limitations with respect to enforcement imposed by law in connection with bankruptcy or similar proceedings and to the extent that equitable remedies such as specific performance and injunction are in the discretion of the court from which they are sought.

4.32 U.S. Matters

(a) APAC is a "foreign private issuer" within the meaning of Rule 3b-4 of the Exchange Act.

(b) APAC has no class of securities that is registered or required to be registered under Section 12 of the Exchange Act, nor is APAC subject to any reporting obligations under Section 15(d) of the Exchange Act. APAC has never had a class of securities registered under Section 12 of the Exchange Act.

(c) APAC is not an "investment company" within the meaning of the U.S. Investment Company Act of 1940, as amended.

ARTICLE 5
COVENANTS

5.1 Filings

APAC and XORTX shall prepare and file, or cause to be filed, any filings required under any applicable laws or rules and policies of the CSE or other regulatory bodies relating to the Share Exchange. APAC covenants and agrees to take, in a timely manner, all commercially reasonable actions and steps necessary in order that: (i) promptly following Closing, the APAC Shares, including for greater certainty, the APAC

Shares issuable pursuant to the Share Exchange, be listed and posted for trading on the CSE; (ii) when received, APAC shall provide XORTX with copies of the conditional and final approval of the CSE respecting the Share Exchange and the Financing and the listing and posting for trading of the additional APAC Shares; and (iii) the distribution of APAC Shares to the XORTX Shareholders is exempt from the prospectus and registration requirements of applicable securities laws.

5.2 APAC Information Circular

(a) APAC shall prepare the APAC Information Circular, in compliance in all material respects with Applicable Laws and CSE policies, by no later than September 15, 2017. APAC shall submit a draft of the APAC Information Circular to the CSE as part of the CSE submission, in sufficient time for their review and approval, along with all documents and materials as may be required by the CSE or as the CSE may request.

(b) XORTX shall cooperate with APAC in the preparation of the APAC Information Circular and provide to APAC, in a timely and expeditious manner, all information as may be reasonably requested by APAC with respect to XORTX for inclusion in the APAC Information Circular and any amendments or supplements thereto, in each case complying in all material respects with all Applicable Laws on the date of issue thereof.

(c) APAC shall ensure that XORTX and its counsel shall be given a reasonable opportunity to review and comment on drafts of the APAC Information Circular and other documents related thereto, and reasonable consideration shall be given to any comments made by XORTX and its counsel, provided that all information provided by XORTX included in the APAC Information Circular shall be in form and content satisfactory to APAC, acting reasonably;

(d) APAC will deliver the APAC Information Circular and any amendments or supplements thereto to the APAC Shareholders as required by Applicable Laws, in all jurisdictions where the same is required, complying in all material respects with Applicable Laws on the date Mailing Date and containing sufficient detail to enable the APAC Shareholders to form a reasoned judgment concerning the matters to be placed before them at the APAC Meeting, and will include:

(a) the financial statements of APAC that are required to be included therein in accordance with Applicable Laws prepared in accordance with Applicable Laws; and

(b) the unanimous determination of the board of directors of APAC that the Share Consolidation, the name change and the Share Exchange are in the best interests of APAC and APAC Shareholders, and include the unanimous recommendation of the board of directors of APAC that the APAC Shareholders vote in favour of such matters; provided that, notwithstanding the covenant of APAC in this section, prior to the completion of the Share Exchange, the board of directors of APAC may withdraw, modify or change the recommendation regarding the Share Consolidation, the name change and Share Exchange if, in the opinion of such board of directors acting reasonably, having received the advice of its outside legal counsel which is reflected in minutes of the meeting of the board of directors of APAC (a copy of which shall be provided to XORTX), such withdrawal, modification or change is required to act in a manner consistent with the fiduciary duties of the board of directors of APAC.

(e) APAC shall ensure that the APAC Information Circular complies in all respects with Applicable Laws, and, without limiting the generality of the foregoing, that the APAC Information Circular will not contain any untrue statement of a material fact or omit to state a material fact required to

be stated therein or necessary to make the statements contained therein not misleading in light of the circumstances in which they are made, in each case only with respect to the respective information provided by or on behalf of such party specifically for inclusion in the APAC Information Circular. APAC will include in the APAC Information Circular the recommendation of the boards of directors of APAC that the APAC Shareholders vote in favour of the Share Consolidation, name change and Share Exchange and a statement that each director of APAC has entered into a support agreement and intends to vote all of such director's APAC Shares in favour of such matters, subject to the other terms of this Agreement and the CSE policies.

(f) The Mailing Date shall have occurred on or before September 15, 2017.

(g) APAC shall call, give notice of and convene the APAC Meeting by no later than October 31, 2017.

(h) APAC shall indemnify and save harmless XORTX and its directors, officers, agents and representatives from and against any and all liabilities, claims, demands, losses, costs, damages and expenses (excluding any loss of profits or consequential damages) to which XORTX or any of its directors, officers, agents or representatives thereof may be subject or which XORTX or any of its directors, officers or agents thereof may suffer, whether under the provisions of any statute or otherwise, in any way caused by, or arising, directly or indirectly, from or in consequence of:

(a) any misrepresentation or alleged misrepresentation contained in the APAC Information Circular, if any;

(b) any order made or any inquiry, investigation or proceeding by any securities commission or other competent authority based upon any untrue statement or omission or alleged untrue statement or omission of a material fact or any misrepresentation or any alleged misrepresentation in the APAC Information Circular which prevents or restricts the trading in the APAC Shares; or

(c) APAC not complying with any requirement of Applicable Laws in connection with the transactions contemplated in this Agreement,

except that APAC shall not be liable in any such case to the extent that any such liabilities, claims, demands, losses, costs, damages and expenses arise out of or are based upon any misrepresentation or alleged misrepresentation based on the information provided to APAC by XORTX specifically for inclusion in the APAC Information Circular, the negligence of XORTX or the non-compliance by XORTX with any requirement of Applicable Laws in connection with the transactions contemplated in this Agreement.

(i) XORTX shall indemnify and save harmless APAC and its directors, officers, agents and representatives from and against any and all liabilities, claims, demands, losses, costs, damages and expenses (excluding any loss of profits or consequential damages) to which APAC or any of its directors, officers, agents or representatives thereof may be subject or which APAC or any of its directors, officers or agents thereof may suffer, whether under the provisions of any statute or otherwise, in any way caused by, or arising, directly or indirectly, from or in consequence of:

(a) any misrepresentation or alleged misrepresentation in the information provided to APAC by XORTX specifically for inclusion in the APAC Information Circular, if any;

(b) any order made or any inquiry, investigation or proceeding by any securities commission or other competent authority based upon any untrue statement or omission or alleged

untrue statement or omission of a material fact or any misrepresentation or any alleged misrepresentation in the information provided to APAC by XORTX specifically for inclusion in the APAC Information Circular which prevents or restricts the trading in the APAC Shares; or

(c) XORTX not complying with any requirement of Applicable Laws in connection with the transactions contemplated in this Agreement,

except that XORTX shall not be liable in any such case to the extent that any such liabilities, claims, demands, losses, costs, damages and expenses arise out of or are based upon any misrepresentation or alleged misrepresentation based on the information provided to XORTX by APAC specifically for inclusion in the APAC Information Circular, the negligence of APAC or the non-compliance by APAC with any requirement of Applicable Laws in connection with the transactions contemplated in this Agreement

5.3 Additional Agreements

Each of the parties hereto agrees to use its commercially reasonable efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective as promptly as practicable the transactions contemplated by this Agreement and to cooperate with each other in connection with the foregoing, including using commercially reasonable efforts to:

(a) obtain fully executed letters of acceptance and transmittal from each XORTX Shareholder;

(b) obtain all necessary waivers, consents and approvals from other parties to material agreements, leases and other contracts or agreements;

(c) obtain all necessary consents, approvals, and authorizations as are required to be obtained under any federal, provincial or foreign law or regulations;

(d) defend all lawsuits or other legal proceedings challenging this Agreement or the consummation of the transactions contemplated hereby;

(e) cause to be lifted or rescinded any injunction or restraining order or other remedy adversely affecting the ability of the parties to consummate the transactions contemplated hereby;

(f) effect all necessary registrations and other filings and submissions of information requested by governmental authorities;

(g) comply with all provisions of this Agreement; and

(h) provide such officers' certificates as may be reasonably requested by the other parties hereto in respect of the representations, warranties and covenants of a party hereto.

5.4 Access to Information

(a) Upon reasonable notice, XORTX shall afford to APAC's directors, officers, counsel, accountants and other authorized representatives and advisers complete access (or, where necessary, the provision of the information requested), during normal business hours and at such other time or times as the parties may reasonably request, from the date hereof and until the earlier of the

Closing Date and the termination of this Agreement, to its properties, books, contracts and records as well as to management personnel of XORTX as APAC may require or may reasonably request.

(b) Upon reasonable notice, APAC shall afford to XORTX's directors, officers, counsel, accountants and other authorized representatives and advisers complete access (or, where necessary, the provision of the information requested), during normal business hours and at such other time or times as the parties may reasonably request, from the date hereof and until the earlier of the Closing Date and the termination of this Agreement, to its properties, books, contracts and records as well as to management personnel of APAC as XORTX may require or may reasonably request.

5.5 Conduct of Business of XORTX

XORTX covenants and agrees that, during the period from the date of this Agreement until the earlier of the Closing Date and the date this Agreement is terminated in accordance with its terms, unless APAC shall otherwise consent in writing (such consents not to be unreasonably withheld or delayed), except as required by law or as otherwise expressly permitted or specifically contemplated by this Agreement:

(a) XORTX shall use all commercially reasonable efforts to maintain and preserve its business, the XORTX Assets and business relationships;

(b) XORTX shall notify APAC of any Material Adverse Effect on its business; and

(c) XORTX shall not directly or indirectly:

(i) take any action which may interfere with or be inconsistent with the successful completion of the transactions contemplated herein or take any action or fail to take any action which may result in a condition precedent to the transactions described herein not being satisfied;

(ii) except in connection with the Convertible Shareholder Loans, issue, sell, pledge, hypothecate, lease, dispose of or encumber any XORTX Shares or other securities or any right, option or warrant with respect thereto;

(iii) amend or propose to amend its Articles, except for a change of its name as agreed to by APAC and XORTX;

(iv) split, combine or reclassify any of its securities or declare or make any Distribution or distribute any of its properties or assets to any Person;

(v) other than in the ordinary course of business, enter into or amend any employment contracts with any director, officer or senior management employee, create or amend any employee benefit plan, make any increases in the base compensation, bonuses, paid vacation time allowed or fringe benefits for its directors, officers, employees or consultants;

(vi) acquire or agree to acquire (by tender offer, exchange offer, merger, amalgamation, acquisition of shares or assets or otherwise) any Person, partnership, joint venture or other business organization or division or acquire or agree to acquire any material assets;

(vii) create any option or bonus plan, pay any bonuses, deferred or otherwise, or defer any

compensation to any of its directors, officers or employees;

(viii) make any material change in accounting procedures or practices;

(ix) except in connection with the Convertible Shareholder Loans, mortgage, pledge or hypothecate any of the XORTX Assets, or subject them to any Lien, except Permitted Liens;

(x) except in the ordinary course of business, enter into any agreement or arrangement granting any rights to purchase or lease any of the XORTX Assets or requiring the consent of any Person to the transfer, assignment or lease of any of the XORTX Assets;

(xi) except in the ordinary course of business, sell, lease, sublease, assign or transfer (by tender offer, exchange offer, merger, amalgamation, sale of shares or assets or otherwise) any of the XORTX Assets, or cancel, waive or compromise any debts or claims, including accounts payable to and receivable from Affiliates;

(xii) enter into any other material transaction or any amendment of any contract, lease, agreement, license or sublicense which is material to its business with the exception that XORTX may enter into an agreement with Cato Bioventures for deferred billing of an IND submission services in the estimated amount of US$150,000;

(xiii) settle any outstanding claim, dispute, litigation matter, or tax dispute;

(xiv) transfer any assets to the XORTX Shareholders or any of their Subsidiaries or Affiliates or assume any Indebtedness from the XORTX Shareholders or any of their Subsidiaries or Affiliates or enter into any other related party transactions; or

(xv) enter into any agreement or understanding to do any of the foregoing.

5.6 Conduct of Business of APAC

APAC covenants and agrees that during the period from the date of this Agreement until the earlier of the Closing Date and the date this Agreement is terminated in accordance with its terms, unless XORTX, otherwise consents in writing (such consent not to be unreasonably withheld or delayed):

(a) the business of APAC shall be conducted in the ordinary course;

(b) APAC shall notify XORTX of any Material Adverse Effect on its business;

(c) APAC shall at all times comply with all applicable policies of the CSE and all applicable securities laws, rules, regulations, policies and instruments; and

(d) APAC shall not directly or indirectly:

(i) take any action which may interfere with or be inconsistent with the successful completion of the transactions contemplated herein or take any action or fail to take any action which may result in a condition precedent to the transactions described herein not being satisfied;

(ii) issue, sell, pledge, hypothecate, lease, dispose of or encumber any APAC Shares or

other securities of APAC or any right, option or warrant with respect thereto, except for the issuance of APAC Shares issued pursuant to the exercise of previously issued APAC options or warrants;

(iii) amend or propose to amend its Articles except as contemplated in this Agreement;

(iv) split, combine or reclassify any of its securities or declare or make any Distribution, or distribute any of its property or assets to any Person, except for the Share Consolidation;

(v) enter into or amend any employment contracts with any director, officer or senior management employee, create or amend any employee benefit plan, make any increases in the base compensation, bonuses, paid vacation time allowed or fringe benefits for its directors, officers, employees or consultants;

(vi) other than as contemplated herein, acquire or agree to acquire (by tender offer, exchange offer, merger, amalgamation, acquisition of shares or assets or otherwise) any Person, partnership, joint venture or other business organization or division or acquire or agree to acquire any material assets;

(vii) create any stock option or bonus plan, pay any bonuses, deferred or otherwise, or defer any compensation to any of its directors or officers;

(viii) make any material change in accounting procedures or practices;

(ix) engage in any business that is outside of the business that is being currently conducted by APAC, whether as a partner, joint venture participant or otherwise;

(x) settle any outstanding claim, dispute, litigation matter, or tax dispute; or

(xi) enter into any agreement or understanding to do any of the foregoing.

5.7 XORTX Audited and Reviewed Financial Statements

(a) XORTX will deliver to APAC, not later than six weeks from the date of this Agreement, true and complete copies of the audited consolidated financial statements for the period ended December 31, 2016 (the "**Audited XORTX Financial Statements**") and reviewed, unaudited consolidated financial statements for the six month period ended June 30, 2017 (the "**Reviewed Interim XORTX Financial Statements**").

(b) The Audited XORTX Financial Statements will be prepared in accordance with IFRS, the balance sheet included in such Audited XORTX Financial Statements will fairly present the financial condition of XORTX as at the close of business on the date thereof and the statement of operations and deficit included in the Audited XORTX Financial Statements will fairly present the results of operations of XORTX for the fiscal period then ended.

(c) The Reviewed Interim XORTX Financial Statements will be prepared in accordance with IFRS, the balance sheet included in such Reviewed Interim XORTX Financial Statements will fairly present the financial condition of XORTX as at the close of business on the date thereof and the statement of operations and deficit included in the Reviewed Interim XORTX Financial Statements will fairly present the results of operations of XORTX for the fiscal period then ended.

5.8 Lock-up Agreements

(a) XORTX shall deliver to APAC not later than two Business Days following that date of this Agreement, lock-up agreements executed by each director and officer of XORTX in form satisfactory to each of XORTX and APAC, acting reasonably, pursuant to which each such director and officer will agree to accept the Offer.

(b) APAC shall deliver to XORTX not later than two Business Days following that date of this Agreement, lock-up agreements executed by each director and officer of APAC in form satisfactory to each of XORTX and APAC, acting reasonably, pursuant to which each such director and officer will agree to accept the vote in favour of the Share Exchange at the APAC Meeting and otherwise support the transactions contemplated by this Agreement.

ARTICLE 6
CONDITIONS TO OBLIGATION TO CLOSE

6.1 APAC's Closing Conditions

APAC's obligation to issue APAC Shares in exchange for the XORTX Shares on the Closing Date pursuant to Article 2 is subject to compliance by XORTX and the XORTX Shareholders with their agreements herein contained and to the satisfaction, on or prior to the Closing Date, of the following conditions:

(a) ***Constating Documents and Certificate of Corporate Existence***. APAC shall have received from XORTX: (i) a copy, certified by one duly authorized officer of XORTX to be true and complete as of the Closing Date, of the Articles of XORTX; and (ii) a certificate of good standing or the equivalent, dated not more than three days prior to the Closing Date as to XORTX's and the XORTX's Subsidiary's corporate good standing.

(b) ***Required Approvals***. XORTX shall have obtained the approval of the board of directors of XORTX, of the shareholders of XORTX and any other necessary approvals for this Agreement and the Share Exchange.

(c) ***Offer to Purchase***. APAC shall have received fully executed letters of acceptance from XORTX Shareholders holding in the aggregate not less than 90% of the issued and outstanding XORTX Shares at the Closing Date and such letters of acceptance shall be validly tendered and not withdrawn.

(d) ***Proof of Corporate Action***. APAC shall have received from XORTX a copy, certified by a duly authorized officer thereof to be true and complete as of the Closing Date, of the records of all corporate action taken to authorize the execution, delivery and performance of this Agreement.

(e) ***Incumbency Certificates***. APAC shall have received from XORTX an incumbency certificate, dated the Closing Date, signed by a duly authorized officer thereof and giving the name and bearing a specimen signature of each individual who shall be authorized to sign, in the name and on behalf of XORTX, this Agreement and any other ancillary documents.

(f) ***Representations and Warranties***. The representations and warranties of XORTX contained herein shall be true and correct in all material respects, on and as of the Closing Date with the same force and effect as if such representations and warranties were made at such time, and APAC shall have received on the Closing Date a certificate to this effect, signed by one authorized officer of

XORTX, and if applicable, XORTX shall include with such certificate a list of each material contract (as described in Section 3.12 herein) entered into by XORTX between the date of this Agreement and the Closing Date and a representation substantially equivalent to Section 3.12(b) in respect of each such material contract, provided that each such material contract entered into between the date of this Agreement and the Closing Date shall not breach, be in conflict with or otherwise contravene Section 5.5.

(g) ***Covenants***. All of the terms, covenants and conditions of this Agreement to be complied with or performed by XORTX at or before the Closing Date shall have been complied with or performed and APAC shall have received on the Closing Date a certificate to this effect, signed by one authorized officer of XORTX.

(h) ***Changes in Directors and Officers; Employment Agreements***. At the Closing Time, APAC shall enter into employment agreements with the senior executive officers of XORTX, containing, among other things, standard non-compete provisions, such employment agreements to be in form and substance acceptable to XORTX and APAC, acting reasonably. Upon completion of the Share Exchange, the board of directors of APAC will include at least two directors who shall be independent directors (as defined in section 1.4 of Multilateral Instrument 52-110 Audit Committees).

(i) ***Consulting Agreements***. At the Closing Time, APAC shall enter into consulting agreements with each of APAC's current directors and officers, in form and substance acceptable to XORTX and APAC, acting reasonably, pursuant to which such individuals will be engaged by APAC to provide certain consulting services to APAC (in consideration for the survival of their options during such period) for a period of 24 months following the Closing Date.

(j) ***Regulatory and Other Consents***. There shall have been obtained from all appropriate federal, provincial, municipal or other governmental or administrative bodies such licences, permits, consents, approvals, certificates, registrations and authorizations as are required to be obtained by each XORTX Shareholder to permit the transfer of the XORTX Shares in each case and the exchange of the XORTX Shares for APAC Shares. Additionally, all required approvals, consents, authorizations and waivers relating to the consummation of the transactions contemplated by this Agreement shall have been obtained from the CSE and the securities regulatory authorities in Ontario, British Columbia and Alberta, including the acceptance by the CSE of the transactions contemplated in this Agreement.

(k) ***No Action or Proceeding***. No bona fide legal or regulatory action or proceeding shall be pending or threatened by any person to enjoin, restrict or prohibit the exchange by the XORTX Shareholders of the XORTX Shares for APAC Shares or the right of XORTX or APAC from and after the Closing Time to conduct, expand and develop the business of XORTX.

(l) ***No Material Adverse Change***. No change shall have occurred in the business, affairs, financial condition or operations of XORTX between the date hereof and the Closing Date which would have a Material Adverse Effect on XORTX.

(m) ***Financing***. The Financing shall have been completed.

(n) ***CSE Approval***. The CSE shall have approved the Share Exchange and agreed to list the APAC Shares issued in connection with this Agreement and the Financing.

(o) ***No issuance of XORTX Securities***. XORTX shall not have issued any equity securities or options, warrants, rights or convertible securities to acquire any securities of XORTX after the date of this Agreement and until the Closing, other than pursuant to the Financing, the Convertible Shareholder Loans or the exercise of any currently issued and outstanding XORTX Options.

(p) ***General***. All instruments and corporate proceedings in connection with the transactions contemplated by this agreement (including the Share Exchange) shall be satisfactory in form and substance to APAC and its counsel, acting reasonably, and APAC shall have received copies of all documents, including, without limitation, all documentation required to be delivered to APAC at or before the Closing Time in accordance with this Agreement, records of corporate or other proceedings, opinions of counsel and consents which APAC may have reasonably requested in connection therewith.

The agreements, certificates, documents, other evidence of compliance and opinions described in this Section 6.1 shall be in form and substance satisfactory to APAC, acting reasonably, and shall, except as otherwise provided, be delivered to APAC at the Closing; provided, however, any one or more of the foregoing conditions may be waived in writing by APAC.

6.2 XORTX's Closing Conditions

The obligation of XORTX to complete the Share Exchange is subject to compliance by APAC with its agreements herein contained and to the satisfaction, on or before the Closing Date of the following conditions:

(a) ***Constating Documents and Certificate of Corporate Existence.*** XORTX shall have received from APAC: (i) a copy, certified by a duly authorized officer of APAC to be true and complete as of the Closing Date, of the Articles of APAC; and (ii) a certificate dated not more than three days prior to the Closing Date, of the government of British Columbia as to APAC's corporate good standing.

(b) ***Share Consolidation***. APAC shall have effected the Share Consolidation and shall have delivered to XORTX satisfactory evidence of same.

(c) ***Required Approvals.*** APAC shall have obtained the approval of the board of directors of APAC and of the shareholders of APAC and any other necessary approvals for this Agreement and the Share Exchange.

(d) ***Proof of Corporate Action.*** XORTX shall have received from APAC copies, certified by a duly authorized officer thereof to be true and complete as of the Closing Date, of the records of all corporate action taken to authorize the execution, delivery and performance of this Agreement.

(e) ***Incumbency Certificate.*** XORTX shall have received from APAC an incumbency certificate, dated the Closing Date, signed by a duly authorized officer thereof and giving the name and bearing a specimen signature of each individual who shall be authorized to sign, in the name and on behalf of APAC, this Agreement and any other ancillary documents.

(f) ***Representations and Warranties.*** The representations and warranties of APAC contained herein shall be true and correct in all material respects on and as of the Closing Date with the same force and effect, as if such representations and warranties were made at such time, and XORTX shall have received on the Closing Date a certificate to this effect signed by one authorized officer of APAC.

(g) ***Covenants.*** All of the terms, covenants and conditions of this Agreement to be complied with or performed by APAC at or before the Closing Date shall have been complied with or performed and XORTX shall have received on the Closing Date a certificate to this effect signed by one authorized officer of APAC.

(h) ***Offer***. All of the terms, covenants and conditions of the Offer to be complied with or performed by APAC at or before the Closing Date shall have been complied with or performed and XORTX shall have received on the Closing Date a certificate to this effect signed by one authorized officer of APAC.

(i) ***Share Exchange Performance***. APAC shall effect the Share Exchange upon receipt of fully executed letters of acceptance from XORTX Shareholders holding in the aggregate not less than 90% of the issued and outstanding XORTX Shares at the Closing Date and such letters of acceptance shall be validly tendered and not withdrawn.

(j) ***Changes in Directors and Officers; Employment Agreements***. At the Closing Time, APAC shall enter into employment agreements with the senior executive officers of XORTX, containing, among other things, standard non-compete provisions, such employment agreements to be in form and substance acceptable to XORTX and APAC, acting reasonably. Upon completion of the Share Exchange, the existing directors and officers of APAC will enter into resignation and release agreements with APAC, such resignations and releases to be in the form and substance acceptable to XORTX and APAC, acting reasonably, to effect their resignations and the Board of Directors shall be reconstituted to consist of a minimum of four and not more than seven individuals nominated by XORTX, of whom not less than a majority shall be residents of Canada, and shall include Dr. Allen Davidoff, Dr. Alan Moore and Bruce Rowland. At least two directors shall be independent directors (as defined in section 1.4 of Multilateral Instrument 52-110 Audit Committees). At the Closing Time, Dr. Allen Davidoff shall be appointed as Chief Executive Officer and John Meekison shall be appointed as Interim Chief Financial Officer of APAC.

(k) ***Change of Corporate Name***. At the Closing Time, the name of APAC shall be changed to "XORTX Pharma Ltd." or such other name as may be acceptable to XORTX.

(l) ***Regulatory Consents.*** All required approvals, consents, authorizations and waivers relating to the consummation of the transactions contemplated by this Agreement shall have been obtained from the CSE and the securities regulatory authorities in Ontario, British Columbia and Alberta, including (i) the issuance of all necessary receipts, approvals, and acceptances of the Financing; and (ii) the acceptance by the CSE of the transactions contemplated in this Agreement and the Share Exchange.

(m) ***No Action or Proceeding.*** No bona fide legal or regulatory action or proceeding shall be pending or threatened by any person to enjoin, restrict or prohibit the exchange by the XORTX Shareholders of the XORTX Shares for APAC Shares.

(n) ***CSE Approval.*** The CSE shall have approved this Agreement and the Share Exchange and agreed to list the APAC Shares issued in connection with this Agreement and the Share Exchange and the APAC Shares to be issued in connection with the Financing.

(o) ***Financing***. The Financing shall have been completed.

(p) ***Other Certificates.*** XORTX shall have received: (i) a certificate addressed to XORTX and the XORTX Shareholders, dated the Closing Date, signed by one executive officer of APAC in his

personal capacity, certifying that, after due inquiry, such individual is not aware of any facts or any facts or matters that are inconsistent with the representations and warranties being given by APAC pursuant to this Agreement; and (ii) a list of APAC Assets and liabilities, certified by an executive officer of APAC, in form and substance satisfactory to XORTX in its sole discretion.

(q) ***Change of Control***. There shall be no amounts payable to directors, officers or employees of APAC (of any nature whatsoever) arising from a Change of Control of APAC or termination of employment with or service to APAC, pursuant to the Share Exchange or otherwise.

(r) ***No Issuance of APAC Securities***. Except as permitted or contemplated herein, APAC shall not have issued any equity securities or options, warrants, rights or convertible securities to acquire any securities of APAC after the date of this Agreement and until Closing, other than pursuant to the exercise of any currently issued and outstanding APAC Options.

(s) ***Payment of Legal Fees***. Concurrently with or immediately following the Closing, APAC shall cause to be repaid in full legal fees due and owing [redacted].

(t) ***General.*** All instruments and corporate proceedings in connection with the transactions contemplated by this Agreement shall be satisfactory in form and substance to XORTX and its counsel, acting reasonably, and XORTX shall have received copies of all documents as provided for herein, including, without limitation, records of corporate or other proceedings and consents which XORTX may have reasonably requested in connection therewith.

The agreements, certificates, documents and other evidence of compliance described in this Section 6.2 shall be in form and substance satisfactory to XORTX, acting reasonably, and shall, except as otherwise provided, be delivered to XORTX at the Closing; provided, however, any one or more of the foregoing conditions may be waived in writing by XORTX.

ARTICLE 7
TERMINATION

7.1 Termination

This Agreement may be terminated by written notice given by the terminating party to the other party hereto, at any time prior to the Closing:

(a) by mutual written consent;

(b) by either XORTX or APAC, if there has been a misrepresentation, breach or non-performance by the breaching party of any representation, warranty, covenant or obligation contained in this Agreement, which could reasonably be expected to have a Material Adverse Effect on the terminating party, provided the breaching party has been given notice of and thirty (30) days to cure any such misrepresentation, breach or non-performance;

(c) by either XORTX or APAC, if a condition for the terminating party's benefit has not been satisfied or waived; or

(d) by either XORTX or APAC, if the Closing has not occurred on or before December 31, 2017 or such later date as may be agreed to by XORTX and APAC (provided, that the right to terminate this Agreement under this Section 7.1(d) shall not be available to any party whose failure to fulfill

any of its obligations under this Agreement has been the cause of or resulted in the failure to consummate the transactions contemplated hereby by such date).

7.2 Effect of Termination

In the event of the termination of this Agreement as provided in Section 7.1, this Agreement shall forthwith have no further force or effect and there shall be no obligation on the part of the parties hereunder except with respect to (i) Section 8.1 and Article 10, which will survive such termination, and (ii) a breach arising from the fraud or wilful misconduct of any party.

7.3 Waivers and Extensions

At any time prior to the Closing Time, each of the parties hereto may (a) extend the time for the performance of any of the obligations or other acts of another party hereto, (b) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto or (c) waive compliance with any of the agreements or conditions contained herein. Any such extension or waiver shall be valid if set forth in an instrument in writing signed by the party to be bound thereby.

ARTICLE 8
TRANSACTION COSTS

8.1 Transaction Costs

In the event of the termination of this Agreement pursuant to Section 7.1, all costs of the Share Exchange incurred by XORTX and APAC, as the case may be, in connection with this Agreement, including legal fees, financial advisor fees and all disbursements by such parties and their advisors shall be borne and paid by the party incurring the costs. Notwithstanding the foregoing, and for greater certainty, XORTX shall be responsible for all costs associated with the Financing (including but not limited to the fees and expenses of the brokers and investment dealers, if any, engaged to assist with the Financing) and each of XORTX and APAC shall be responsible for one-half of all costs associated with obtaining any necessary regulatory approvals for any of the transactions contemplated hereunder from the applicable securities commissions and the CSE.

ARTICLE 9
NOTICES

9.1 Notices

Any demand, notice or communication to be made or given under or pursuant to this Agreement is to be in writing, except as otherwise expressly permitted or required under this Agreement, and may be made or given by personal delivery, by registered mail or by transmittal by facsimile machine or electronic mail addressed to the respective parties as follows:

<u>If to APAC, then to the following address:</u>

or at such other address as APAC shall have specified by notice actually received by the addressor; with a copy to:

If to XORTX then to the following address:

with a copy (which shall not constitute notice) to:

or to such other mailing or facsimile machine address as any party may from time notify the others of in accordance with this paragraph. Any demand, notice or communication made or given by personal delivery is conclusively deemed to have been given on the day of actual delivery thereof, or, if made or given by registered mail, on the fifth business day following the deposit thereof in the mail or, if made or given by facsimile or e-mail transmission, on the first business day following the transmittal thereof. If the party making or giving such demand, notice or communication knows or ought reasonably to know, of difficulties with the postal system which might affect the delivery of mail, any such demand, notice or communication is not to be mailed but is to be made or given by personal delivery or by facsimile or e-mail transmission.

ARTICLE 10
INDEMNIFICATION

10.1 Survival of Covenants, Agreements, Etc.

All covenants, agreements, indemnities, representations and warranties made herein to APAC or XORTX or in any other document referred to herein or delivered to APAC or XORTX pursuant hereto shall be deemed to have been relied on by APAC or XORTX, as the case may be, notwithstanding any investigation made by APAC or XORTX and shall survive the execution and delivery of this Agreement and the deliveries described in Section 2.1; provided that any claim for a breach of the representations and warranties made by APAC or XORTX is made before (a) the expiration of the later of (i) two years from the Closing Date, and (ii) the latest date under the applicable Canadian securities laws, or if the applicable Canadian securities laws do not specify such date, the latest date under the *Limitation Act* (Alberta) that such party may be entitled to commence an action for breach of a representation or warranty under this

Agreement, or (b) if applicable, the date this Agreement is terminated per Section 7.1(c), except for the representations and warranties contained in Sections 3.1 (Organization and Existence), 3.3 (Authorization), 3.10 (Taxes), 3.25 (Information Supplied), 4.1 (Organization and Existence), 4.2 (Authorization), 4.16 (Taxes) and 4.20 (Environmental), which shall survive indefinitely until the expiry of the applicable limitation period.

10.2 Indemnification by XORTX

(a) XORTX agrees to indemnify and save harmless APAC and its directors, officers, agents and representatives (the "**APAC Indemnified Persons**") from all Losses suffered or incurred by the APAC Indemnified Persons as a result of or arising directly or indirectly out of or in connection with:

(i) any breach by XORTX of or any inaccuracy of any representation or warranty of XORTX contained in Article 3 of this Agreement or in any agreement, certificate or other document delivered pursuant hereto, provided that XORTX shall not be required to indemnify or save harmless the APAC Indemnified Persons in respect of any breach or inaccuracy of any representation or warranty unless APAC shall have provided notice to XORTX in accordance with Section 10.4 prior to the expiration of the applicable time period related to such representation and warranty set out in Section 10.1; and

(ii) any breach or non-performance by XORTX of any covenant to be performed by them which is contained in this Agreement or in any agreement, certificate or other document delivered pursuant hereto.

10.3 Indemnification by APAC

APAC agrees to indemnify and save harmless XORTX, its directors, officers, agents and representatives (collectively, the "**XORTX Indemnified Persons**") from all Losses suffered or incurred by XORTX as a result of or arising directly or indirectly out of or in connection with:

(a) any breach by APAC of or any inaccuracy of any representation or warranty contained in Article 4 of this Agreement or in any agreement, instrument, certificate or other document delivered pursuant hereto, provided that APAC shall not be required to indemnify or save harmless the XORTX Indemnified Persons in respect of any breach or inaccuracy of any representation or warranty unless XORTX or the XORTX Shareholders shall have provided notice to APAC in accordance with Section 10.4 prior to the expiration of the applicable time period relating to such representation and warranty set out in Section 10.1; and

(b) any breach or non-performance by APAC of any covenant to be performed by it which is contained in this Agreement or in any agreement, certificate or other document delivered pursuant hereto.

10.4 Notice of Claim

(a) In the event that a party (the "**Indemnified Party**") shall become aware of any claim, proceeding or other matter (a "**Claim**") in respect of which another party (the "**Indemnifying Party**") agreed to indemnify the Indemnified Party pursuant to this Agreement, the Indemnified Party shall promptly give written notice thereof to the Indemnifying Party. Such notice shall specify whether the Claim arose as a result of a claim by a person against the Indemnified Party (a "**Third Party Claim**") or whether the Claim does not so arise (a "**Direct Claim**"), and shall also specify with

reasonable particularity (to the extent that the information is available) the factual basis for the Claim and the amount of the Claim, if known.

(b) If, through the fault of the Indemnified Party, the Indemnifying Party does not receive notice of any Claim in time to contest effectively the determination of any liability susceptible of being contested, the Indemnifying Party shall be entitled to set off against the amount claimed by the Indemnified Party the amount of any Losses incurred by the Indemnifying Party resulting from the Indemnified Party's failure to give such notice on a timely basis.

10.5 Direct Claims

With respect to any Direct Claim, following receipt of notice from the Indemnified Party of the Claim, the Indemnifying Party shall have 60 days to make such investigation of the Claim as is considered necessary or desirable by the Indemnifying Party. For the purpose of such investigation, the Indemnified Party shall make available to the Indemnifying Party the information relied upon by the Indemnified Party to substantiate the Claim, together with all such other information as the Indemnifying Party may reasonably request. If both parties agree at or prior to the expiration of such 60-day period (or any mutually agreed upon extension thereof) to the validity and amount of such Claim, the Indemnifying Party shall immediately pay to the Indemnified Party the full agreed upon amount of the claim, failing which the matter shall be referred to binding arbitration in such manner as the parties may agree or shall be determined by a court of competent jurisdiction.

10.6 Third Party Claims

With respect to any Third Party Claim, the Indemnifying Party shall have the right, at its expense, to participate in or assume control of the negotiation, settlement or defence of the Claim and, in such event, the Indemnifying Party shall reimburse the Indemnified Party for all the Indemnified Party's out-of- pocket expenses as a result of such participation or assumption. If the Indemnifying Party elects to assume such control, the Indemnified Party shall have the right to participate in the negotiation, settlement or defence of such Third Party Claim and to retain counsel to act on its behalf, provided that the fees and disbursements of such counsel shall be paid by the Indemnified Party unless the Indemnifying Party consents to the retention of such counsel or unless the named parties to any action or proceeding include both the Indemnifying Party and the Indemnified Party and the representation of both the Indemnifying Party and the Indemnified Party by the same counsel would be inappropriate due to the actual or potential differing interests between them (such as the availability of different defences). If the Indemnifying Party, having elected to assume such control, thereafter fails to defend the Third Party Claim within a reasonable time, the Indemnified Party shall be entitled to assume such control, and the Indemnifying Party shall be bound by the results obtained by the Indemnified Party with respect to such Third Party Claim.

10.7 Settlement of Third Party Claims

If the Indemnifying Party fails to assume control of the defence of any Third Party Claim, the Indemnified Party shall have the exclusive right to contest, settle or pay the amount claimed. Whether or not the Indemnifying Party assumes control of the negotiation, settlement or defence of any Third Party Claim, the Indemnifying Party shall not settle any Third Party Claim without the written consent of the Indemnified Party, which consent shall not be unreasonably withheld or delayed; provided, however, that the liability of the Indemnifying Party shall be limited to the proposed settlement amount if any such consent is not obtained for any reason.

10.8 Co-operation

The Indemnified Party and the Indemnifying Party shall co-operate fully with each other with respect to Third Party Claims, and shall keep each other fully advised with respect thereto (including supplying copies of all relevant documentation promptly as it become available).

10.9 Exclusivity

The provision of this Article 10 shall apply to any Claim for breach of any covenant, representation, warranty or other provision of this Agreement or any agreement, certificate or other document delivered pursuant hereto (other than a claim for specific performance or injunctive relief) with the intent that all such Claims shall be subject to the limitations and other provisions contained in this Article 10.

ARTICLE 11
MISCELLANEOUS

11.1 Amendments and Waivers

Except as otherwise expressly provided herein, any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively) if, but only if, such amendment or waiver is in writing and is signed, in the case of an amendment, by each of XORTX and APAC, or in the case of a waiver, by the party against whom the waiver is to be effective. Any amendment or waiver effected in accordance with this Section 11.1 shall be binding upon XORTX and APAC pursuant to this Agreement.

11.2 Consent to Jurisdiction

XORTX and APAC hereby agree to submit to the non-exclusive jurisdiction of the courts in and of the Province of Alberta and to the courts to which an appeal of the decisions of such courts may be taken, and consent that service of process with respect to all courts in and of the Province of Alberta may be made by registered mail to it at the address set forth in Article 9.

11.3 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Alberta and the federal laws of Canada applicable therein without giving effect to any choice or conflict of law provision or rule that would cause the application of the domestic substantive laws of any other jurisdiction, and shall bind and inure to the benefit of the parties hereto and their respective successors and assigns.

11.4 Further Assurances

XORTX and APAC, upon the request of the other party, whether before or after the Closing, shall do, execute, acknowledge and deliver or cause to be done, executed, acknowledged or delivered all such further acts, deeds, documents, assignments, transfers, conveyances, powers of attorney and assurances as may be reasonably necessary or desirable to effect complete consummation of the Share Exchange.

11.5 Time

Time is of the essence of this Agreement.

11.6 Assignment

This Agreement may not be assigned by any of the parties hereto without the prior written consent of the other parties hereto, such consents not to be unreasonably withheld or delayed.

11.7 Public Announcement; Disclosure

XORTX shall not make any public announcement concerning this Agreement or the matters contemplated herein, their discussions or any other memoranda, letters or agreements between the parties relating to the matters contemplated herein without the prior consent of APAC, which consent shall not be unreasonably withheld, and APAC shall not make any public announcement concerning this Agreement or the matters contemplated herein, its discussions or any other memoranda, letters or agreements between the parties relating to the matters contemplated herein without the prior consent of XORTX, which consent shall not be unreasonably withheld, provided that no party shall be prevented from making any disclosure which is required to be made by law or any rules of a stock exchange or similar organization to which it is bound. If such disclosure is required and the other party has not reviewed or commented on the disclosure, the party making such disclosure shall use commercially reasonable efforts to give prior oral or written notice to the other party, and if such prior notice is not possible, to give such notice promptly following such disclosure.

11.8 Entire Agreement, Counterparts, Section Headings

This Agreement, and the Schedules hereto, sets forth the entire understanding of the parties hereto with respect to the transactions contemplated hereby and supersedes any prior written or oral understandings with respect thereto. This Agreement may be executed by facsimile or electronic mail and in one or more counterparts thereof, each of which shall be deemed an original but all of which together shall constitute one and the same instrument. The headings in this Agreement are for convenience of reference only and shall not alter or otherwise affect the meaning hereof.

11.9 Regulatory Approval

The completion of the transactions contemplated by this Agreement is subject to regulatory approval, including, without limitation, that of the CSE.

[REMAINDER OF PAGE LEFT BLANK INTENTIONALLY]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

XORTX PHARMA CORP.

Per: [redacted]

APAC RESOURCES INC.

Per: [redacted]

SCHEDULE "A"
OFFER TO PURCHASE

SCHEDULE "B"
XORTX OPTIONHOLDERS

Options

Name of Option Holders	No. of Options	Exercise Price	Expiry Date
Grace June	42,000	$0.10	April 19, 2018
Brian Mangal	45,000	$0.10	April 19, 2018
Allen Davidoff	165,000	$0.10	April 19, 2018
Alan Moore	85,000	$0.10	April 19, 2018
Allen Davidoff	250,000	$0.50	July 20, 2019
Alan Moore	250,000	$0.50	July 20, 2019
Bruce Rowland	250,000	$0.50	July 20, 2019
Steven Burrill	250,000	$0.50	July 20, 2019
TOTAL	1,337,000		

XORTX CONVERTIBLE SHAREHOLDERS LOANS

Name of Lender	Principal Amount	Number of XORTX Shares Issuable on Conversion[(1)]
Peter Barnes	$39,000	83,387
Ronald Prins	$21,000	44,901
John Robertshaw	$125,000	267,265
W.B. Rowlands & Co. Ltd.	$30,000	64,144
TOTAL	$215,000.00	459,697

(1) Based on a deemed price of $0.4677 per XORTX Share, based on the deemed price of $0.2024 per post-Share Consolidation APAC Share and an exchange ratio of 2.311 post-Share Consolidation APAC Shares for every one XORTX Share.

SCHEDULE 3.9
RIGHTS OF DIRECTORS, OFFICERS AND OTHERS

License Agreement for Hypertension Patents – Dr. Richard Johnson

License Agreement for Diabetes and Diabetic Nephropathy – Dr. Richard Johnson

License Agreement for Metabolic Syndrome Patent – University of Florida

SCHEDULE 3.12
XORTX MATERIAL CONTRACTS

Employment Agreement – Allen Davidoff

Loan Agreement – Bruce Rowlands

Loan Agreement – John Robertshaw

Consulting Agreement – John Meekison

CatoBioVentures – IND preparation contract

License Agreement for Hypertension Patents – Dr. Richard Johnson

License Agreement for Diabetes and Diabetic Nephropathy – Dr. Richard Johnson

License Agreement for Metabolic Syndrome Patent – University of Florida

SCHEDULE 3.23(A)
NON-ARM'S LENGTH TRANSACTIONS

Loan Agreement – Bruce Rowlands

Loan Agreement – John Robertshaw

SCHEDULE 4.18
APAC MATERIAL CONTRACTS

(a) Option Agreement dated February 15, 2017 among APAC, Red River Exploration Ltd. and Craig Lynes