FORM 5

QUARTERLY LISTING STATEMENT

Name of Listed Issuer: **XORTX Therapeutics Inc.** (the "Issuer")

Trading Symbol: **XRX**

Certificate of Compliance

The undersigned hereby certifies that:

1. The undersigned is a director and/or senior officer of the Issuer and has been duly authorized by a resolution of the board of directors of the Issuer to sign this Quarterly Listing Statement.

2. As of the date hereof there is no material information concerning the Issuer which has not been publicly disclosed.

3. The undersigned hereby certifies to the Exchange that the Issuer is in compliance with the requirements of applicable securities legislation (as such term is defined in National Instrument 14-101) and all Exchange Requirements (as defined in CNSX Policy 1).

4. All of the information in this Form 5 Quarterly Listing Statement is true.

Dated: October 7, 2019.

Allen Davidoff
Name of Director or Senior Officer

"Allen Davidoff"
Signature

Chief Executive Officer
Official Capacity

Issuer Details Name of Issuer **XORTX Therapeutics Inc.**	For Quarter Ended **June 2019**	Date of Report **October 7, 2019**
Issuer Address **2400-745 Thurlow Street**		
City/Province/Postal Code **Vancouver BC, V6E 0C5**	Issuer Fax No. **(403) 260-3501**	Issuer Telephone No. **(403) 607 2621**
Contact Name **Allen Davidoff**	Contact Position **CEO**	Contact Telephone No. **(403) 607-2621**
Contact Email Address **adavidoff@xortx.com**	Web Site Address **www.xortx.com**	

SCHEDULE A: FINANCIAL STATEMENTS

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the three and six months ended June 30, 2019 and 2018

(Unaudited - expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the condensed interim consolidated financial statements they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by management and reviewed by the Audit Committee and Board of Directors of the Company.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of condensed interim consolidated financial statements by an entity's auditor.

XORTX THERAPEUTICS INC.

Condensed Interim Consolidated Statements of Financial Position

(Unaudited - expressed in Canadian Dollars)

	Note	June 30 2019	December 31 2018 (audited)
		$	$
Assets			
Current			
Cash		99,429	260,019
Deposits	**6**	661,327	689,373
Accounts receivable and other		47,291	30,256
		808,047	979,648
Non-current			
Equipment		536	731
Intangible assets	**7**	278,366	284,861
Total Assets		**1,086,949**	**1,265,240**
Liabilities			
Current			
Accounts payable and accrued liabilities	**8**	921,159	798,132
Provision for patent acquisition	**9**	98,153	102,315
		1,019,312	900,447
Non-current			
Long-term liability component on convertible loans	**10**	47,009	43,255
Total liabilities		**1,066,321**	943,702
Shareholders' Equity			
Share capital	**11**	5,863,872	5,863,872
Share-based payments and warrants reserve		588,832	581,486
Equity component on convertible loans	**10**	5,202	5,202
Deficit		(6,437,278)	(6,129,022)
		20,628	321,538
Total Liabilities and Shareholders' Equity		**1,086,949**	**1,265,240**

Nature of Operations and Going Concern (Note 1)
Commitments (Note 15)

/s/ "Allen Davidoff"
Director

/s/ "Paul Van Damme"
Director

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

XORTX THERAPEUTICS INC.

Condensed Interim Consolidated Statements of Comprehensive Loss

For the three and six months ended June 30, 2019 and 2018

(Unaudited - expressed in Canadian Dollars)

	Note	Three months ended June 30, 2019	Three months ended June 30, 2018	Six months ended June 30, 2019	Six months ended June 30, 2018
		$	$	$	$
Expenses					
Amortization		4,961	4,760	9,883	9,521
Consulting	**12**	8,000	43,569	15,125	90,144
General and administrative		1,088	479	3,088	3,985
Investor relations		3,385	1,139	14,729	6,919
Listing fees		14,870	15,052	23,240	24,613
Professional fees	**12**	24,072	13,050	45,126	40,887
Research and development		15,235	121,953	31,931	184,155
Share-based payments	**11(d)**	13,752	24,904	7,346	247,459
Travel		6,887	3,730	19,272	18,702
Wages and benefits	**12**	48,000	48,347	98,166	100,261
Loss before other items		(140,250)	(276,983)	(267,906)	(726,646)
Accretion		(406)	(462)	(803)	(1,123)
Listing expense	**5**	-	-	-	(2,608,281)
Foreign exchange (loss) gain		(5,651)	10,239	(22,840)	24,519
Interest and other expenses		(9,112)	(7,673)	(16,707)	(10,104)
Net loss and comprehensive loss for the period		(155,419)	(274,879)	(308,256)	(3,321,635)
Basic and diluted loss per common share		(0.00)	(0.00)	(0.00)	(0.06)
Weighted average number of common shares outstanding					
Basic and diluted		62,919,691	62,919,691	62,919,691	59,982,415

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

XORTX THERAPEUTICS INC.

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity

(Unaudited - expressed in Canadian Dollars)

	Note	Number of common shares	Share capital	Share-based payments and warrants reserve	Equity component on convertible loans	Deficit	Total
		$	$	$	$	$	$
Balance, December 31, 2017		22,558,787	1,391,673	296,535	10,257	(2,353,099)	(654,634)
Shares issued pursuant to the UFRF license agreement	**7**	19,666	4,000	-	-	-	4,000
Exercise of convertible loans	**10**	748,875	242,077	-	(5,055)	-	237,022
Shares issued from private placement	**11(b)**	3,914,740	1,957,370	-	-	-	1,957,370
Less: Share issue costs		-	(58,982)	9,857	-	-	(49,125)
Shares issued on the acquisition of APAC	**5**	5,095,500	2,327,734	-	-	-	2,327,734
Exchanged for shares issued to shareholders pursuant to RTO	**5**	53,909,451	-	-	-	-	-
Shares cancelled pursuant to RTO	**5**	(23,327,328)	-	-	-	-	-
Share-based payments	**11(d)**	-	-	247,459	-	-	247,459
Net loss for the period		-	-	-	-	(3,321,635)	(3,321,635)
Balance, June 30, 2018		62,919,691	5,863,872	553,851	5,202	(5,674,734)	748,191
Share-based payments	**11(d)**	-	-	27,635	-	-	27,635
Net loss for the period		-	-		-	(454,288)	(454,288)
Balance, December 31, 2018		62,919,691	5,863,872	581,486	5,202	(6,129,022)	321,538
Share-based payments	**11(d)**	-	-	7,346	-	-	7,346
Net loss for the period		-	-	-	-	(308,256)	(308,256)
Balance, June 30, 2019		**62,919,691**	**5,863,872**	**588,832**	**5,202**	**(6,437,278)**	**20,628**

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

XORTX THERAPEUTICS INC.

Condensed Interim Consolidated Statements of Cash Flows

For the six months ended June 30, 2019 and 2018

(Unaudited - expressed in Canadian Dollars)

	Note	Six months ended June 30 2019	2018
		$	$
Cash provided by (used in):			
Operating activities			
Net loss for the period		(308,256)	(3,321,635)
Items not affecting cash:			
Accretion expense		803	1,123
Amortization		9,883	9,521
Share-based payments	**11(d)**	7,346	247,459
Unrealized foreign exchange loss (gain)		26,835	(25,506)
Listing expense	**5**	-	2,608,281
Changes in non-cash operating assets and liabilities:			
Deposit		-	(631,866)
Accounts payable and accrued liabilities		(17,035)	(22,442)
Accounts receivable and other		123,027	(96,823)
		(157,397)	(1,231,888)
Investing activities			
Acquisition of equipment		-	(28,223)
Acquisition of intangibles		(3,193)	-
Deferred acquisition costs		-	167,220
Transaction costs of RTO net of cash acquired	**5**	-	(280,955)
		(3,193)	(141,958)
Financing activities			
Proceeds from issuance of shares	**11(b)**	-	1,957,370
Cash share issuance costs	**11(b)**	-	(49,125)
		-	1,908,245
(Decrease) increase in cash		(160,590)	534,399
Cash, beginning of period		260,019	61,939
Cash, end of period		99,429	596,338
Supplemental Cash Flow and Non-Cash Investing and Financing Activities Disclosure			
Cash paid for interest		**-**	**-**
Cash paid for income taxes		**-**	**-**
Warrants issued for share issuance costs		**-**	9,857
Intangibles acquired through share issuance		**-**	4,000
Exercise of convertible loans		**-**	242,077
Shares issued on the acquisition of APAC		**-**	2,327,734

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

1. Nature of operations and going concern

XORTX Therapeutics Inc. (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. Upon completion of the reverse take-over transaction with APAC Resources Inc. ("APAC") on January 10, 2018, the Company changed its name to XORTX Therapeutics Inc.

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 to generate revenues. 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 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.

XORTX is a public company which is listed on the Canadian Securities Exchange (the "CSE") under the symbol "XRX", and the OTCQB Venture Market under the symbol "XRTXF".

The Company's head office, principal address and address of its registered and records office is 4000, 421 - 7th Avenue SW, Calgary, Alberta, T2P 4K9.

2. Basis of preparation

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 IFRS 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, 2018.

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.

These consolidated financial statements incorporate the financial statements of the Company and its 100% owned subsidiary. The accounts of the Company's subsidiary are prepared for the same reporting period as the parent company, using consistent accounting policies, and all intercompany transactions and balances are eliminated on consolidation.

These consolidated financial statements were approved for issue by the Board of Directors on August 28, 2019.

3. Accounting policies

These condensed interim consolidated financial statements have been prepared on a basis consistent with the significant accounting policies disclosed in the annual financial statements for the year ended December 31, 2018, except for the adoption of IFRS 16 for the 2019 fiscal year that became effective January 1, 2019. Accordingly, they should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2018. The adoption of this IFRS and its impact on these Financial Statements is discussed below.

Changes in accounting policies – IFRS 16
The Company adopted all of the requirements of IFRS 16 *Leases* as of January 1, 2019. IFRS 16 replaces IAS 17 *Leases* ("IAS 17"). IFRS 16 provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The Company has adopted IFRS 16 using the modified retrospective application method, where the 2018 comparatives are not restated and a cumulative catch up adjustment is recorded on January 1, 2019 for any differences identified, including adjustments to opening retained earnings balance.

The Company analyzed its contracts to identify whether they contain a lease arrangement for the application of IFRS 16. No such contracts were identified, and as a result, the adoption of IFRS 16 resulted in no impact to the opening retained earnings on January 1, 2019.

The following is the Company's new accounting policy for leases under IFRS 16:

Leases
At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases of right-of-use assets are recognized at the lease commencement date at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, and otherwise at the Company's incremental borrowing rate. At the commencement date, a right-of-use asset is measured at cost, which is comprised of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term, except where the lease contains a bargain purchase option a right-of-use asset is depreciated over the asset's useful life.

4. 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 11.

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.

Equity component of convertible loans

The convertible loans are classified as liabilities, with the exception of the portion relating to the conversion feature discount that is being accreted over the term of the debentures, utilizing the effective interest method which approximates the market rate at the date the loans were issued. Management uses its judgment to determine an interest rate that would have been applicable to non-convertible debt at the time the debentures were issued.

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.

(Unaudited - expressed in Canadian Dollars)

5. Reverse takeover transaction

On January 10, 2018, the Company completed the previously announced reverse take-over and acquisition by APAC of all of the issued and outstanding shares ("XORTX Shares") of the Company (the "Acquisition").

Pursuant to the Acquisition, APAC consolidated its share capital on the basis of one post-consolidation common share of APAC ("APAC Shares") for every four pre-consolidation APAC Shares (the "Consolidation"). Following the Consolidation, there were 5,095,500 APAC Shares issued and outstanding.

APAC acquired 100% of the outstanding XORTX Shares in consideration for the issuance of APAC Shares (as constituted following the Consolidation) on the basis of 2.311 post-consolidation APAC Shares for every one issued XORTX Share which resulted in the issuance of 53,909,451 APAC Shares to the holders of XORTX Shares.

In accordance with IFRS 3, Business Combinations ("IFRS 3"), the substance of the transaction was a reverse takeover ("RTO") of a non-operating company. The transaction does not constitute a business combination since APAC does not meet the definition of a business under IFRS 3. As a result, the transaction is accounted for as an asset acquisition with XORTX being identified as the acquirer (legal subsidiary) and APAC being treated as the accounting subsidiary (legal parent) with the transaction being measured at the fair value of the equity consideration issued to APAC.

The consideration received was the fair value of the net assets of APAC, which on January 10, 2018 was $32,869. The amount was calculated as follows:

	Total
	$
Cash and cash equivalents	32,461
Accounts receivable	8,588
Accounts payable and liabilities	(8,180)
Net assets acquired	32,869
Fair value of 5,095,500 shares issued by APAC	2,327,734
Fair value of consideration paid in excess of net assets acquired	2,294,865
Transaction costs related to acquisition	313,416
Listing expense	**2,608,281**

6. Deposits

During 2018, the Company entered into an agreement with Cato Research Canada Inc. ("Cato") to manage a planned clinical study. As part of this agreement, the Company paid a deposit of USD $505,331 and has committed to utilize Cato for this clinical study, subject to certain conditions. The Canadian dollar value of the deposit is shown below:

	June 30 2019	**December 31 2018**
	$	**$**
Balance, beginning of period/year	689,373	631,866
Foreign exchange adjustment	(28,046)	57,507
Balance, end of period/year	661,327	689,373

(Unaudited - expressed in Canadian Dollars)

7. Intangible assets

Cost	Total
	$
Balance, December 31, 2017	326,704
Additions	45,073
Balance, December 31, 2018	371,777
Additions	3,193
Balance, June 30, 2019	**374,970**

Accumulated amortization	Total
	$
Balance, December 31, 2017	67,990
Amortization	18,926
Balance, December 31, 2018	86,916
Amortization	9,688
Balance, June 30, 2019	**96,604**

Carrying values	Total
	$
At December 31, 2018	284,861
At June 30, 2019	**278,366**

The Company has licensed intellectual property from various third parties as described below:

a) The Company has licensed from a third party ("the Licensee"), under patent rights purchase agreement dated July 9, 2013 and amended April 15, 2014, certain patents relating to allopurinol for the treatment of hypertension.

The Company paid $21,188 (US$20,000) to the Licensee 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 June 30, 2019, $26,174 (2018 - $27,284) (US$20,000) has been accrued.

The Company will also pay the Licensee royalties on the cumulative net revenues from the sale or sublicense of the product covered under the patent license 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.

b) In December 2012, the Company entered into an agreement to license certain intellectual property relating to the use of all uric acid lowering agents to improve the treatment of metabolic syndrome. Under this patent rights purchase agreement, between the Company and Dr. Richard Johnson and Dr. Takahiko Nakagawa (the "Vendors"), the Company issued 1,680,000 common shares at $0.03 per common share for a total instalment price of $50,400. The Company is required to pay the Vendors an additional US$75,000, upon the assignment of these patents and the amount has been set up as a provision as at June 30, 2019 and December 31, 2018. (Note 9)

Additionally, the Company will pay the Vendors a royalty based on the cumulative net revenues from the sale or sublicense of the product covered under the licensed intellectual property until the later of (a) the expiration of the last patent right covering the product and (b) the expiration of 10 years from the date of the first commercial sales of a product.

c) Pursuant to a license agreement dated October 9, 2012, as amended on June 23, 2014, between the Company and the University of Florida Research Foundation, Inc. ("UFRF"), the Company acquired the exclusive license to the certain intellectual property related to the use of all uric acid lowering agents to treat insulin resistance.

(Unaudited - expressed in Canadian Dollars)

7. Intangible assets (continued)

The Company has paid or is obligated to pay UFRF the following consideration:

i) an annual license fee of US$1,000 (2019 fees– paid);

ii) reimburse UFRF for United States and/or foreign costs associated with the maintenance of the licensed patents;

iii) the issuance to UFRF of 617,120 shares of common stock of the Company (19,666 shares were issued to UFRF during the year ended December 31, 2018, and no shares were issued during the six months ended June 30, 2019);

iv) payment of 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;

v) 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;

vi) 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; and

vii) 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.

UFRF may terminate the agreements if the Company fails to meet certain specified milestones.

8. Accounts payable and accrued liabilities

	June 30 2019	December 31 2018
	$	$
Trade payables	475,625	414,738
Accrued liabilities	445,534	383,394
Total	921,159	798,132

9. 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 7), when the National Institutes of Health 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.

	June 30 2019	December 31 2018
	$	$
Balance, beginning of period/year	102,315	94,089
Foreign exchange adjustment	(4,162)	8,226
Balance, end of period/year	98,153	102,315

10. Convertible loans

a) 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 convertible loans had a face value of $215,000, due February 18, 2019, bearing interest at 8% with a conversion feature at $0.47 per common share of the Company. The liability component of these debentures was calculated, at the date of issuance, as the present value of the principal and interest, at a rate approximating the interest rate that would have been applicable to non-convertible debt at the date the loans were issued. The liability component was recorded at amortized cost and is accreted to the principal amount over the term of the convertible loan by charges to accretion expense using an effective interest rate of 15%. On January 10, 2018, the loans and accrued interest were converted into 748,875 shares of the Company immediately prior to the share exchange with APAC. The carrying value of the liability component on the date of conversion was $237,022. The carrying value of the conversion option of $5,055 had been recorded as a separate component in total equity and was moved to Share Capital upon conversion.

b) On July 20, 2017, the Company issued a convertible note in connection with a service agreement pursuant to which the holder will perform research and development services on behalf of the Company. The convertible note has a face value of US$30,000, is unsecured and bears interest at 15% and maturing on July 19, 2020.

Upon the occurrence of an equity financing of at least US$1,000,000, the outstanding principal amount of the note and accrued interest, may, at the option of the note holder, be either (i) exchanged into the same securities issued in the equity financing or (ii) the note holder may call all or a portion of the outstanding principal amount of the note together with all accrued interest immediately due and payable.

The liability component of these debentures was calculated, at the date of issuance, as the present value of the principal and interest, at a rate approximating the interest rate that would have been applicable to non-convertible debt at the date the note was issued. The liability component was recorded at amortized cost and is accreted to the principal amount over the term of the convertible note by charges to accretion expense using an effective interest rate of 20%. The carrying value of the liability component was $47,009 as at June 30, 2019 (2018 - $43,255). The carrying value of the conversion option of $5,202 has been recorded as a separate component in total equity.

11. Share capital and reserves

a) Authorized and issued

Unlimited Class A common shares without par value – 62,919,691 issued as at June 30, 2019 (December 31, 2018 - 62,919,691)
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)

(Unaudited - expressed in Canadian Dollars)

11. Share capital and reserves (continued)

b) Issuances

Six month period ended June 30, 2019:

During the period ended June 30, 2019 there were no shares issued.

Year ended December 31, 2018:

On January 9, 2018, 19,666 common shares were issued to UFRF pursuant to the license agreement (Note 7);

On January 10, 2018, 748,875 common shares of the Company were issued immediately prior to the share exchange with APAC upon the conversion of the convertible loans into shares (Note 10);

On January 10, 2018, 5,095,500 common shares with a fair value of $2,327,734 were deemed to be issued by APAC as a result of the RTO (Note 5). In connection with the RTO, an additional 53,909,451 shares were exchanged for shares issued to shareholders, and 23,327,328 shares were cancelled; and

On January 10, 2018, the Company completed a private placement, issuing 3,914,740 units (the "Units") at $0.50 per unit for gross proceeds of $1,957,370. Each Unit consisted of one post-common share and one share purchase warrant ("Warrant"), with each Warrant entitling the holder to purchase one additional common share at a price of $0.80 for a period of two years from the date of issuance of the Units. The Company also issued 90,000 finders' warrants with a value of $9,857 and incurred $49,125 of cash issue costs.

c) Share Purchase Warrants

A summary of the changes in warrants for the periods ended June 30, 2019 and December 31, 2018:

	Number of Warrants	Exercise price
Balance, December 31, 2017	-	-
Granted – January 10, 2018	4,004,740	$0.80
Balance, December 31, 2018 and June 30, 2019	**4,004,740**	**$0.80**

The weighted average contractual remaining life of the unexercised warrants was 0.53 years (2018 – 1.02 years)

The following table summarizes information on warrants outstanding at June 30, 2019:

Exercise Price	Number Outstanding	Expiry date	Average Remaining Contractual Life
$0.80	4,004,740	January 9, 2020	0.53 years

(Unaudited - expressed in Canadian Dollars)

11. Share capital and reserves (continued)

The fair value of finders' warrants was estimated on the date of grant using the Black-Scholes model with the following data and assumptions:

	2018
Dividend yield	Nil
Annualized volatility	64.89%
Risk-free interest rate	1.04%
Expected life	2 years

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 CSE.

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:

	2018
Dividend yield	Nil
Annualized volatility	71.17%-73.46%[1]
Risk-free interest rate	1.60%
Expected life	5 years

Note 1: As the Company does not have a sufficient history of past share prices, the volatility was calculated based on using the average volatility of three public companies of comparable sizes within the same industry.

Of the 2,250,000 options granted in March 2018, 650,000 vested immediately with the remaining 1,600,000 options vesting as to 25% immediately and the remaining balance vesting in equal monthly installments over 36 months.

Of the 424,000 options granted in October 2018, 150,000 of the options vested immediately, 250,000 options vested as to 25% immediately and the remaining balance vesting in equal monthly installments over 36 months and the remaining 24,000 options vested 25% immediately and then 25% each quarter.

The 250,000 options granted in November 2018 vest in equal monthly installments over 36 months.

(Unaudited - expressed in Canadian Dollars)

11. Share capital and reserves (continued)

A summary of the changes in stock options for the periods ended June 30, 2019 and December 31, 2018 is presented below:

	Number of Options	Exercise price
Balance, December 31, 2017	1,000,000	$0.50
Cancelled	(1,000,000)	$0.50
Granted – March 19, 2018	2,250,000	$0.50
Granted – October 9, 2018	424,000	$0.50
Granted – November 5, 2018	250,000	$0.50
Forfeited	(500,000)	$0.50
Balance, December 31, 2018	**2,424,000**	**$0.50**
Forfeited	(250,000)	$0.50
Balance, June 30, 2019	**2,174,000**	**$0.50**
Vested and exercisable, June 30, 2019	**1,479,361**	**$0.50**

The weighted average contractual remaining life of the unexercised options was 3.84 years (2018 – 4.37 years).

d) Stock Options (continued)

The following table summarizes information on stock options outstanding at June 30, 2019:

Exercise Price	Number Outstanding	Number Exercisable	Average Remaining Contractual Life
$0.50	1,750,000	1,268,750	3.72 years
$0.50	174,000	162,000	4.28 years
$0.50	250,000	48,611	4.35 years

The share-based payment expense recognized was $13,752 and $7,346 during the three and six months ended June 30, 2019 (2018 – $24,904 and $247,459)

e) Nature and Purpose of Reserves

The 'Share-based payments and warrants 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.

12. 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 three months and six months ended June 30, 2019 and 2018, the Company incurred the following transactions with related parties:

a) Wages and benefits were paid or accrued to an officer of the Company in the amount of $48,000 and $98,166 (2018 - $48,347 and $100,261).

b) Professional fees were paid or accrued to an officer of the Company in the amount of $7,500 and $15,000 (2018 - $7,500 and $11,250).

(Unaudited - expressed in Canadian Dollars)

12. Related party transactions (continued)

c) Consulting fees were paid or accrued to an officer of the Company in the amount of $nil and $nil (2018 - $nil and $4,000).

d) As at June 30, 2019, $22,600 (December 31, 2018 - $6,881) was payable to directors and officers of the Company. The balance is unsecured, non-interest bearing, and has no fixed terms of repayment.

e) As at June 30, 2019, $406,110 (December 31, 2018 - $340,110) was accrued to directors, former directors, and officers of the Company. The balance is unsecured, non-interest bearing and has no fixed terms of repayments.

f) Management compensation transactions for the three and six months ended June 30, 2019 and 2018 are summarized as follows:

	Short-term employee benefits	Share-based payments	Total
	$	$	$
Three months ended June 30, 2018			
Directors and officers	55,847	4,789	60,636
Three months ended June 30, 2019			
Directors and officers	**48,000**	**7,925**	**55,925**

	Short-term employee benefits	Share-based payments	Total
	$	$	$
Six months ended June 30, 2018			
Directors and officers	115,511	159,411	274,922
Six months ended June 30, 2019			
Directors and officers	**98,166**	**18,400**	**116,566**

13. Financial instruments and risk management

The Company's financial instruments consist of cash, accounts payable and accrued liabilities, loans payable, and the liability component on convertible loans. These financial instruments are classified as financial assets at FVTPL and financial liabilities at amortized cost. The fair values of these financial instruments approximate their carrying values at June 30, 2019, due to their short-term nature.

The Company thoroughly examines the various financial instruments and risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include foreign currency risk, interest rate risk, market risk, credit risk, and liquidity risk. Where material, these risks are reviewed and monitored by the Board of Directors.

There have been no changes in any risk management policies since December 31, 2018.

(Unaudited - expressed in Canadian Dollars)

14. 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 2019**	**December 31 2018**
	$	**$**
Share capital	5,863,872	5,863,872
Share-based payments and warrants reserve	588,832	581,486
Equity component on convertible loans	5,202	5,202
Deficit	(6,437,278)	(6,129,022)

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.

15. Commitments

The Company has long-term arrangements with commitments as at June 30, 2019 and December 31, 2018 as follows:

	June 30 2019	**December 31 2018**
	$	**$**
Management services – officers	192,000	192,000

The President, CEO and a director of the Company has a long-term employment agreement with the Company. The agreement has a termination clause whereby he is entitled to the equivalent of 12 times his then current monthly salary which, as of June 30, 2019 equated to $192,000.

SCHEDULE B: SUPPLEMENTARY INFORMATION

1. Summary of securities issued and options granted during the period.

Provide the following information for the period beginning on the date of the last Listing Statement (Form 2A):

(a) summary of securities issued during the period,

No securities have been issued since the Issuer's securities were listed on January 11, 2018 pursuant to the RTO transaction between APAC Resources Ltd. and XORTX Pharma Corp. The Issuer confirms that the current shares outstanding total 62,919,691 common shares.

(b) summary of options granted during the period,

No options were granted by the Issuer during the period.

2. Summary of securities as at the end of the reporting period.

The below table outlines the securities of the Company outstanding at the end of the reporting period:

Designation of Security	Authorized Amount	Amount Outstanding as at June 30, 2019	Recorded Value
Common Shares (1)	Unlimited	62,919,691	$5,863,872
Warrants (2)	N/A	4,004,740	$588,832
Options (3)	10% of the issued and outstanding shares	2,174,000	
Convertible Loan (4)	N/A	Nil	$4,202

Notes:

(1) 2,334,803 shares subject to escrow, with four 15% tranches remaining with release dates of July 11, 2019, January 11, 2020, June 11, 2020 and January 11, 2021.

(2) 3,914,740 warrants issued to private placement subscribers in the financing that closed coincident with the RTO Transaction on January 9, 2018 and 90,000 broker warrants issued in relation thereto. All warrants are exercisable at $0.80 and expire January 9, 2020.

(3) 2,174,000 options outstanding at the end of the period with 1,479,361 fully vested and exercisable as at June 30, 2019. All options are exercisable at $0.50, 2,000,000 expire March 19, 2023, 24,000 expire July 18, 2019, 150,000 expire October 9, 2023 and 250,000 expire November 5, 2023. With the exception of 800,000 options that are included in the fully vested and exercisable, all options vest over 36 months from the date of grant.

(4) US$30,000 unsecured convertible note bearing interest at 15% with a maturity date of July 19, 2020, principal and interest convertible upon the occurrence of an equity financing of at least US$1,000,000 into the same securities issued in the equity financing or callable in whole or part.

3. List the names of the directors and officers, with an indication of the position(s) held, as at the date this report is signed and filed.

Bruce Cousins, Director
Allen Davidoff, Director, President and Chief Executive Officer
James Fairbairn, Chief Financial Officer
Charlotte May, Corporate Secretary
Bruce Rowlands, Director
Paul Van Damme, Director
Allan Williams, Director

SCHEDULE C: MANAGEMENT DISCUSSION AND ANALYSIS

XORTX THERAPEUTICS INC.

Management Discussion and Analysis

For the three and six months ended June 30, 2019

This management discussion and analysis of financial position and results of operations ("MD&A") is prepared as at August 29, 2019 and should be read in conjunction with the unaudited interim consolidated financial statements for the three and six months ended June 30, 2019 of XORTX Therapeutics Inc. (the "Company" or "XORTX"), together with the audited financial statements of the Company for the year ended December 31, 2018, as well as the accompanying MD&A for the period then ended (the "Annual MD&A").

The referenced unaudited condensed interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including International Standard 34, *Interim Financial Reporting,* as issued by the International Accounting Standards Board ("IAS") and Interpretations of the IFRS Interpretations Committee ("IFRIC"). All dollar amounts included therein and in the following MD&A are expressed in Canadian dollars except where noted.

The Company's critical accounting estimates, significant accounting policies and risk factors as disclosed in the Annual MD&A have remained substantially unchanged and are still applicable to the Company unless otherwise indicated.

In this discussion, unless the context requires otherwise, references to "we" or "our" are references to XORTX Therapeutics Inc.

Forward Looking Statements

This 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.

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; and
- the ability to secure necessary personnel, equipment and services.

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, licenses and development programs;
- technical, manufacturing 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 from licenses or acquisitions;
- the other factors specifically identified as risk factors in this MD&A; 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.

Business Overview

XORTX is a bio-pharmaceutical company, dedicated to the development and commercialization of therapies to treat progressive kidney disease modulated by aberrant purine and uric acid metabolism in orphan disease indications, larger market type 2 diabetic nephropathy, and fatty liver disease. The Company's current focus is on developing two therapeutic programs to slow and/or reverse the progression of kidney disease in patients at risk of end stage kidney failure.

The primary development program for XORTX is at a late clinical stage and is focused on demonstrating the effectiveness and potential of a 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 three new chemical entities for the treatment of type 2 diabetic nephropathy ("**T2DN**").

Principal Products and Patents

Products

The Company's most advanced development program, XRx-008 (XORLO[(1)]) is at a late clinical stage and is focused on demonstrating the potential of our first-in-class therapy for ADPKD. XRx-008 is the development name given to XORTX's proprietary oral formulation of Oxypurinol, and shows substantially increased bioavailability compared to Oxypurinol alone.

XORTX also has a second clinical stage program for T2DN. The Company has entered into a letter of intent to co-develop TMX-049, a "next generation" xanthine oxidoreductase drug with Teijin Pharma Limited ("Teijin"). This drug currently has an open Investigational New Drug status with the U.S. Food and Drug Administration ("FDA") and a phase 2 clinical trial that has completed enrollment in a US based trial. This clinical trial is anticipated to report in Q3 2019 on the benefit of lowering uric acid in patients with T2DN and proteinuria.

Patents

XORTX has three U.S. granted patents with claims to the use of all uric acid lowering agents to treat high blood pressure, insulin resistance or diabetic nephropathy, and four 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. Counterparts for some of these patent applications have also been submitted in Europe, Japan, and other jurisdictions. Additional patents to expand and extend coverage of uric acid lowering agents are currently under preparation.

Future Plans and Outlook

XORTX intends to grow its business by initiating a pivotal phase 3 clinical trial in ADPKD and a phase 2 clinical trial in T2DN patients, to demonstrate the benefit of lowering elevated uric acid as a therapy, and then commercialize by out-licensing these programs to specialty and larger pharmaceutical companies. In addition, XORTX plans to grow by expanding its knowledge and technical expertise into new therapeutic programs to treat a variety of other orphan diseases, fatty liver disease and health issues related to diabetes. The Company will be seeking additional capital to enable it to undertake these programs.

XORTX's overall strategic goal is to have two clinical trials underway in 2020. XORTX's ADPKD program is poised to advance to a pivotal phase 3 clinical trial in 10 months assuming sufficient funding is raised by the Company and the secondary program in T2DN is planned to enter phase 2b proof of concept testing in 14 months, also assuming sufficient funding is in place. Based upon recently published and successful phase 2 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 (Goicoechea et al. (2015) Allopurinol and Progression of CKD and Cardiovascular Events: A long-term Follow-up, Am J Kid Dis; Kim et al. (2014) High-normal serum uric acid predicts the development of chronic kidney disease in patients with T2DN mellitus and preserved kidney function, J Diabetes Complications). Given the existing, successful clinical trials and associated data that shows the benefit of lowering uric acid levels in progressive kidney disease, XORTX anticipates that the probability of translating its clinical trial testing will be increased.

The three year business objectives of XORTX are as follows:

With respect to ADPKD and subject to sufficient funding being available:

1. Manufacture Oxypurinol and formulation in preparation for pivotal phase 3 clinical trials.
2. Complete the Investigational New Drug application ("IND") process to advance XRx-008 and characterize bioavailability of XRx-008 in man within 10 months.
3. Complete and receive 'orphan designation' for this program.
4. Submit the phase 3 pivotal trial protocol to demonstrate the effectiveness of uric acid lowering by XRx-008 in ADPKD patients and initiate the clinical trial under a special protocol assessment (SPA).
5. Complete licensing or co-development agreements for the ADPKD program within the next 24 months with global pharmaceutical company partners in Europe, Japan, Korean and/or North American partners resulting in upfront, milestone and royalty payments upon new drug application ("NDA") approval.

A number of specialty pharmaceutical companies have expressed an interest in the ADPKD program suggesting an increased probability of partnering of the ADPKD program once phase 3 clinical trial, under SPA, is finalized or in the early stages of recruiting the phase 3 trial.

With respect to T2DN and subject to sufficient funding being available:

1. Complete a definitive agreement for exclusive global rights to develop TMX-049 with Teijin Pharma for renal disease, including type 2 diabetic nephropathy.
2. Submit phase 2b clinical trial protocol to advance the TMX-049 into a phase 2b clinical trial in patients with progressive T2DN within 14 months.
3. Initiate and complete that phase 2b proof of concept trial for T2DN within the next 36 months.
4. Complete a licensing or co-development agreement with a large market pharmaceutical partner for phase 3a and 3b co-development of T2DN followed by NDA submission to the FDA.

Tertiary programs of interest to XORTX include several orphan disease indications where aberrant purine and uric acid metabolism could be anticipated to accelerate kidney and liver disease progression. Those orphan diseases include "Follow-On Orphan Market Opportunities": IgA Nephropathy, and Nephropathy associated with Cystic Fibrosis as available funding, staff and time capacity permit. In addition, XORTX anticipates activities to advance a therapy for diabetes associated liver disease.

Recent Developments

On March 12, 2019, XORTX announced that it had signed a non-binding Letter of Intent (the "**LOI**") with Japan's Teijin Pharma Limited ("**Teijin**") for the exclusive global rights (excluding Japan) to develop TMX-049, a new generation of xanthine oxidoreductase inhibitor, for the treatment of progressive kidney disease. The overall goal of the LOI recognizes the mutual interest of Teijin and XORTX to advance together to a definitive license agreement which will grant XORTX the exclusive global rights to develop TMX-049 for progressive kidney disease and the option to use this molecule for other therapeutic programs (the "Definitive Agreement"). Teijin will retain the rights to the Japanese market and Teijin and XORTX will share future development costs. Teijin has already devoted considerable time, funding and resources to the development of TMX-049 that is currently under development in an ongoing Phase 2a study in T2DN patients in the US with reporting expected in Q3 2019. Teijin and XORTX are arm's length parties and no finder's fees are payable in respect to this transaction. The Definitive Agreement contemplated by the LOI will include several milestone payments to Teijin to be confirmed at the time of signing of the Definitive Agreement. These milestone payments will be based on key value creating clinical milestones and

represent checkpoints where the TMX-049 program is further de-risked and advanced toward marketing approval. After signing the LOI and once the phase 2b clinical trial protocol in T2DN is finalized, XORTX will make an initial payment to Teijin to accelerate manufacturing of a clinical supply of drug for this study. This payment will underscore the commitment of both parties to prioritize the development of this phase 2b clinical program for the treatment of T2DN.

Summary of Quarterly Results

The table below sets forth unaudited quarterly results prepared by management for the eight previous quarters to June 30, 2019:

(unaudited)	**2019 Q2**	**2019 Q1**	**2018 Q4**	**2018 Q3**
Accretion	406	397	401	397
Amortization of Intangible Assets	4,961	4,922	4,922	4,873
Foreign Exchange loss (gain)	5,651	17,189	(27,051)	9,192
Consulting	8,000	7,125	6,000	12,720
General and administrative	1,088	2,000	5,208	2,491
Interest	9,112	7,595	7,011	3,262
Investor Relations	3,385	11,344	8,836	10,807
Listing fees	14,870	8,370	9,010	8,372
Professional Fees	24,072	21,054	22,414	19,593
Research and Development	15,235	16,696	20,175	137,921
Share Based Payments	13,752	(6,406)	8,652	18,983
Travel	6,887	12,385	4,478	30,214
Wages and Benefits	48,000	50,166	46,904	48,000
Charge related to public company listing	-	-	30,503	-
Total Comprehensive Loss	155,419	152,837	147,463	306,825
Loss per Share	(0.00)	(0.00)	(0.00)	(0.00)
(unaudited)	**2018 Q2**	**2018 Q1**	**2017 Q4**	**2017 Q3**
Accretion	462	661	3,878	1,498
Amortization of Intangible Assets	4,760	4,761	4,309	4,198
Foreign Exchange (gain) loss	(10,239)	(14,280)	758	(6,537)
Consulting	43,569	46,575	-	-
General and administrative	479	3,506	4,007	4,977
Interest	7,673	2,431	6,514	3,774
Investor Relations	1,139	5,780	7,800	10,882
Listing fees	15,052	9,561	-	-
Professional Fees	13,050	27,837	56,089	9,577
Research and Development	121,953	62,202	66,367	-
Share Based Payments	24,904	222,555	23,169	23,168
Travel	3,730	14,972	8,397	5,324
Wages and Benefits	48,347	51,914	71,576	30,233
Charge related to public company listing	-	2,608,281	-	-
Total Comprehensive Loss	274,879	3,046,756	252,864	87,094
Loss per Share	(0.00)	(0.05)	(0.01)	(0.00)

Three months ended June 30, 2019

The Company incurred a comprehensive loss of $155,419 ($0.00 per share) for the three months ended June 30, 2019 compared to $274,879 ($0.00 per share) in the three months ended June 30, 2018. Variances within the loss items are as follows:

Foreign exchange gain/loss – loss of $5,651 (2018 – gain of $10,239) – During the three months ended June 30, 2019 the Canadian dollar strengthened against the US dollar with the foreign exchange rate changing from 1.3363 CAD: 1 USD at March 31, 2019 to 1.3168 CAD: 1 USD at June 30, 2019. During the prior period quarter, the Canadian dollar weakened from 1.2894 CAD: 1 USD at March 31, 2018 to 1.3168 CAD: 1 USD at June 30, 2018.

Consulting - $8,000 (2018 - $43,569) – Consulting decreased during the three months ended June 30, 2019 as during the prior period quarter the Company was using consulting services to assist with its transition to a public company. These consulting services were no longer being used during Q2 2019.

Research and development- $15,235 (2018 - $121,953) – The research and development activity decreased during the second quarter of 2019 as less research work was performed by Cato Research Canada ("Cato") during the period.

Six months ended June 30, 2019

The Company incurred a comprehensive loss of $308,256 ($0.00 per share) for the six months ended June 30, 2019 compared to $3,321,635 ($0.06 per share) in the six months ended June 30, 2018. The main reason for the decrease in the comprehensive loss is due to the charge related to public company listing of $2,608,281 in Q1 2018 as a result of the reverse takeover transaction ("RTO") with APAC Resources Inc. ("APAC") on January 10, 2018 as a means of becoming a public company. Other variances within the loss items are as follows:

Foreign exchange gain/loss – loss of $22,840 (2018 – gain of $24,519) – During the six months ended June 30, 2019 the Canadian dollar strengthened against the US dollar with the foreign exchange rate changing from 1.3642 CAD: 1 USD at December 31, 2018 to 1.3087 CAD: 1 USD at June 30, 2019. During the prior period, the Canadian dollar weakened from 1.2545 CAD: 1 USD at December 31, 2017 to 1.3168 CAD: 1 USD at June 30, 2018.

Consulting - $15,125 (2018 - $90,144) – Consulting decreased during the six months ended June 30, 2019 as during the prior period the Company was using consulting services to assist with its transition to a public company. These consulting services were no longer being used during the six months ended June 30, 2019.

Research and development- $31,931 (2018 - $184,155) – The research and development activity decreased during the first half of 2019 as less research work was performed by Cato Research Canada ("Cato") during the period.

Share-based payments – $7,346 (2018 – expense of $247,459) – The decrease in share-based payments during the six months ended June 30, 2019 is due to less options granted. In Q1 2018, there were 2,250,000 options granted to directors, officers, and consultants resulting in a $247,459 share-based payment charge.

Comparison of cash flows for the six months ended June 30, 2019 and 2018

The Company realized a net cash outflow of $160,590 for the six months ended June 30, 2019 compared to a net cash inflow of $534,399 for the six months ended June 30, 2018. The variances in the cash flow for the six months ended June 30, 2019 compared to June 30, 2018 were as follows:

Operating activities – Cash used in operating activities for the six months ended June 30, 2019 was $157,397 (2018 - $1,231,888). The decrease of cash used of $1,074,491 was primarily due to the operating cash flow before working capital changes of 480,757 deposit paid to Cato of $631,866 and the increase in accounts receivable amounts of $96,823 in the first quarter of 2018, compared to $nil deposits paid and an decrease in accounts receivable balances of $123,027 during the first quarter of 2019.

Investing activities – Cash used in investing activities for the six months ended June 30, 2019 was $3,193 (2018 - $141,958). The cash used in the prior period quarter was primarily due to the transaction costs of the reverse takeover transaction with APAC net of cash acquired of $280,955, offset by the deferred transaction costs of $167,220 that were recorded as at December 31, 2017 related to the transaction.

Financing activities – Cash provided by financing activities in the six months ended June 30, 2019 was $nil (2018 - $1,908,245). The cash provided in the prior period quarter was due primarily to the private placement that took place during the period raising gross proceeds of $1,957,370 through the issuance of 3,914,740 units (the “Units”), at a price of $0.50 per Unit.

Liquidity and Capital Resources

As at June 30, 2019, the Company had a cash balance of $99,429 and a working capital deficiency of $211,265 as compared to a cash balance of $260,019 and a working capital position of $79,201 as at December 31, 2018. 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, the Company raised gross proceeds of $1,957,370 through the issuance of units. Given the nature of the Company’s low monthly expenses and that favorable repayment agreements relating to existing outstanding accounts payable, including that $406,110 of the existing accounts payable are due to a related party, the Company believes that its current cash resources are sufficient for it to meet its existing monthly expenses however additional funding to meet its obligations with regard to current outstanding accounts payable and for the Company to undertake its business plan will be required.

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 to generate revenues. It is anticipated that the products developed by the Company will require approval from the FDA and equivalent organizations in other countries before their sale can be authorized. If the Company is unsuccessful in obtaining adequate financing in the future, 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.

Commitments

The Company has long-term arrangements with commitments as at June 30, 2019 and December 31, 2018 as follows:

	June 30 2019	December 31 2018
	$	$
Management services – officers	192,000	192,000

The President, CEO and a director of the Company has a long-term employment agreement with the Company. The agreement has a termination clause whereby he is entitled to the equivalent of 12 times his then current monthly salary which, as of June 30, 2019 equated to $192,000.

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 three months and six months ended June 30, 2019 and 2018, the Company incurred the following transactions with related parties:

a) Wages and benefits were paid or accrued to an officer of the Company in the amount of $48,000 and $98,166 (2018 - $48,347 and $100,261).

b) Professional fees were paid or accrued to an officer of the Company in the amount of $7,500 and $15,000 (2018 - $7,500 and $11,250).

c) Consulting fees were paid or accrued to an officer of the Company in the amount of $nil and $nil (2018 - $nil and $4,000).

d) As at June 30, 2019, $22,600 (December 31, 2018 - $6,881) was payable to directors and officers of the Company. The balance is unsecured, non-interest bearing, and has no fixed terms of repayment.

e) As at June 30, 2019, $406,110 (December 31, 2018 - $340,110) was accrued to directors, former directors, and officers of the Company. The balance is unsecured, non-interest bearing and has no fixed terms of repayments.

f) Management compensation transactions for the three and six months ended June 30, 2019 and 2018 are summarized as follows:

	Short-term employee benefits	Share-based payments	Total
	$	$	$
Three months ended June 30, 2018			
Directors and officers	55,847	4,789	60,636
Three months ended June 30, 2019			
Directors and officers	**48,000**	**7,925**	**55,925**

	Short-term employee benefits	Share-based payments	Total
	$	$	$
Six months ended June 30, 2018			
Directors and officers	115,511	159,411	274,922
Six months ended June 30, 2019			
Directors and officers	**98,166**	**18,400**	**116,566**

Changes in accounting policies – IFRS 16

The Company adopted all of the requirements of IFRS 16 *Leases* as of January 1, 2019. IFRS 16 replaces IAS 17 *Leases* ("IAS 17"). IFRS 16 provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. The Company has adopted IFRS 16 using the modified retrospective application method, where the 2018 comparatives are not restated and a cumulative catch up adjustment is recorded on January 1, 2019 for any differences identified, including adjustments to opening retained earnings balance.

The Company analyzed its contracts to identify whether they contain a lease arrangement for the application of IFRS 16. No such contracts were identified, and as a result, the adoption of IFRS 16 resulted in no impact to the opening retained earnings on January 1, 2019.

The following is the Company's new accounting policy for leases under IFRS 16:

Leases

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Leases of right-of-use assets are recognized at the lease commencement date at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, and otherwise at the Company's incremental borrowing rate. At the commencement date, a right-of-use asset is measured at cost, which is comprised

of the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any decommissioning and restoration costs, less any lease incentives received.

Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any remeasurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term, except where the lease contains a bargain purchase option a right-of-use asset is depreciated over the asset's useful life.

Financial and Capital Risk Management

The Company's financial instruments consist of cash, accounts payable and accrued liabilities, loans payable, and the liability component on convertible loans. These financial instruments are classified as financial assets at FVTPL and financial liabilities at amortized cost. The fair values of these financial instruments approximate their carrying values at June 30, 2019, due to their short-term nature.

The Company thoroughly examines the various financial instruments and risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include foreign currency risk, interest rate risk, market risk, credit risk, and liquidity risk. Where material, these risks are reviewed and monitored by the Board of Directors.

There have been no changes in any risk management policies since December 31, 2018.

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 2019**	**December 31 2018**
	$	**$**
Share capital	5,863,872	5,863,872
Share-based payments and warrants reserve	588,832	581,486
Equity component on convertible loans	5,202	5,202
Deficit	(6,437,278)	(6,129,022)

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 August 29, 2019, the Company had the following shares outstanding:

- Class	Class A Common Shares
- Authorized	Unlimited, without par value
- Issued and outstanding	62,919,691

Options Outstanding:

The following table summarizes information on stock options outstanding at August 29, 2019:

Exercise Price	Number Outstanding	Expiry Date
$0.50	1,750,000	March 19, 2023
$0.50	174,000	October 9, 2023
$0.50	250,000	November 5, 2023

Warrants Outstanding:

The following table summarizes information on outstanding warrants as at August 29, 2019:

Exercise Price	Number Outstanding	Expiry date
$0.80	4,004,740	January 9, 2020

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.