ANTIBE THERAPEUTICS INC.

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Six Months Ended September 30, 2019 and 2018

(Expressed in Thousands of Canadian Dollars)

ANTIBE THERAPEUTICS INC.
Interim Consolidated Statements of Financial Position
As at September 30, 2019 and March 31, 2019
(Expressed in thousands of Canadian Dollars)
(Unaudited)

	September 30, 2019	March 31, 2019
	$	$
ASSETS		
Current		
Cash	**8,292**	5,993
Term deposits	**25**	25
Trade and other receivables *[note 4]*	**1,166**	1,293
Inventory	**3,260**	2,803
Income taxes recoverable	**3**	3
Prepaid expenses	**197**	155
Due from Antibe Holdings Inc. *[note 6]*	**322**	293
Total current assets	**13,265**	10,565
Non-current assets		
Property and equipment, net	**407**	181
Deposits	**21**	20
Deferred contract costs	**236**	236
Investment in Red Rock Regeneration Inc.	**-**	100
Intangible assets, net	**2,194**	2,434
Goodwill	**1,283**	1,283
Total non-current assets	**4,141**	4,254
TOTAL ASSETS	**17,406**	14,819
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**3,537**	2,908
Current portion of loan payable *[note 5]*	**2,143**	-
Current portion of lease liability *[note 3]*	**171**	-
Total current liabilities	**5,851**	2,908
Non-current liabilities		
Loan payable *[note 5]*	**-**	2,072
Deferred revenue	**2,399**	2,399
Lease liability *[note 3]*	**94**	-
Total non-current liabilities	**2,493**	4,471
TOTAL LIABILITIES	**8,344**	7,379
SHAREHOLDERS' EQUITY		
Share capital *[note 7(b)]*	**42,290**	36,986
Common share purchase warrants	**4,937**	2,757
Contributed surplus	**10,445**	8,034
Accumulated other comprehensive loss	**(33)**	(5)
Deficit	**(48,577)**	(40,332)
TOTAL SHAREHOLDERS' EQUITY	**9,062**	7,440
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**17,406**	14,819

(Signed) Daniel Legault Daniel Legault, Director
(Signed) John Wallace John Wallace, Director

ANTIBE THERAPEUTICS INC.
Interim Consolidated Statements of Loss and Comprehensive Loss
For the Three and Six Months Ended September 30, 2019 and 2018
(Expressed in thousands of Canadian Dollars, except per share amounts)
(Unaudited)

	Three months ended September 30, 2019	Three months ended September 30, 2018	**Six months ended September 30, 2019**	Six months ended September 30, 2018
	$	$	$	$
REVENUE				
Product sales	**2,268**	2,068	**5,030**	4,611
COST OF SALES	**1,328**	1,240	**3,055**	2,799
GROSS PROFIT	**940**	828	**1,975**	1,812
EXPENSES				
General and administrative *[note 10]*	**1,312**	955	**2,460**	2,291
Selling and marketing *[note 11]*	**877**	824	**1,837**	1,684
Research and development *[note 12]*	**2,372**	483	**3,278**	1,516
Stock-based compensation *[note 13]*	**1,075**	682	**2,133**	836
Amortization and depreciation	**150**	98	**293**	195
Total expenses	**5,786**	3,042	**10,001**	6,522
LOSS FROM OPERATIONS	**(4,846)**	(2,214)	**(8,026)**	(4,710)
Finance and related costs *[note 14]*	**125**	122	**250**	298
Finance income	**(20)**	(10)	**(41)**	(18)
LOSS BEFORE INCOME TAXES	**(4,951)**	(2,326)	**(8,235)**	(4,990)
PROVISION FOR INCOME TAXES				
Current	**-**	132	**-**	132
Deferred	**6**	(1)	**10**	(3)
Total provision for income taxes	**6**	131	**10**	129
NET LOSS FOR THE PERIOD	**(4,957)**	(2,457)	**(8,245)**	(5,119)
OTHER COMPREHENSIVE INCOME (LOSS)				
Exchange differences on translation of foreign operations subject to future reclassification	**(18)**	1	**(29)**	7
COMPREHENSIVE LOSS	**(4,975)**	(2,456)	**(8,274)**	(5,112)
Basic and diluted loss per share *[note 8]*	**(0.02)**	(0.01)	**(0.03)**	(0.03)
Basic and diluted weighted average number of shares outstanding *[note 8]*	**259,959,144**	211,735,012	**259,104,286**	208,305,558

See accompanying notes to the condensed interim consolidated financial statements

ANTIBE THERAPEUTICS INC.
Interim Consolidated Statements of Changes in Shareholders' Equity
For the Six Months Ended September 30, 2019 and 2018
(Expressed in thousands of Canadian Dollars)
(Unaudited)

	Number of common shares	Share capital	Common share purchase warrants	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total shareholders' equity
		$	$	$	$	$	$
Balance, March 31, 2018	**198,549,753**	**29,507**	**503**	**5,478**	**2**	**(27,516)**	**7,974**
Revision of exercised warrants and options *[note 2(f)]*	-	(2,587)	2,587	-	-	-	-
Shares issued for exercised warrants	9,220,674	2,524	(823)	-	-	-	1,701
Shares issued for exercised options	3,131,031	989	-	(488)	-	-	501
Shares issued on debenture conversion	1,231,534	271	-	-	-	-	271
Stock-based compensation	-	-	-	836	-	-	836
Shares issued for Citagenix loan facility	578,572	179	-	-	-	-	179
Net loss for the period	-	-	-	-	-	(5,119)	(5,119)
Exchange differences on translation of foreign operations	-	-	-	-	7	-	7
Balance, September 30, 2018	**212,711,564**	**30,883**	**2,267**	**5,826**	**9**	**(32,635)**	**6,350**
Balance, March 31, 2019	**243,392,476**	**36,986**	**2,757**	**8,034**	**(5)**	**(40,332)**	**7,440**
Shares issued	**26,833,332**	**5,087**	**2,963**	**-**	**-**	**-**	**8,050**
Share issuance costs	**-**	**(782)**	**(455)**	**393**	**-**	**-**	**(844)**
Shares issued for exercised warrants	**3,383,523**	**879**	**(328)**	**-**	**-**	**-**	**551**
Shares issued for exercised options	**28,000**	**9**	**-**	**(4)**	**-**	**-**	**5**
Shares issued for vested restricted share units	**533,337**	**111**	**-**	**1,898**	**-**	**-**	**2,009**
Stock-based compensation	**-**	**-**	**-**	**124**	**-**	**-**	**124**
Net loss for the period	**-**	**-**	**-**	**-**	**-**	**(8,245)**	**(8,245)**
Exchange differences on translation of foreign operations	**-**	**-**	**-**	**-**	**(28)**	**-**	**(28)**
Balance, September 30, 2019	**274,170,668**	**42,290**	**4,937**	**10,445**	**(33)**	**(48,577)**	**9,062**

See accompanying notes to the condensed interim consolidated financial statements

ANTIBE THERAPEUTICS INC.
Interim Consolidated Statements of Cash Flows
For the Six Months Ended September 30, 2019 and 2018
(Expressed in thousands of Canadian Dollars)
(Unaudited)

	2019	2018
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss for the period	**(8,245)**	(5,119)
Items not affecting cash:		
Stock-based compensation *[note 13]*	**2,133**	836
Accretion interest *[note 14]*	**71**	51
Write-off of license *[note 10]*	**67**	-
Amortization of transaction costs	**-**	9
Depreciation of property and equipment	**120**	22
Amortization of intangible assets	**173**	173
Interest on capitalized lease payments	**15**	-
	(5,666)	(4,028)
Changes in non-cash working capital:		
Trade and other receivables *[note 4]*	**127**	(154)
Inventory	**(457)**	211
Prepaid expenses	**(42)**	(39)
Deposits	**-**	2
Deferred contract costs	**-**	(236)
Accounts payable and accrued liabilities	**629**	(547)
Net change in non-cash working capital balances	**257**	(763)
Cash flows used in operating activities	**(5,409)**	(4,791)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of Red Rock Regeneration Inc. convertible debenture	**100**	(100)
Purchase of equipment	**(1)**	(6)
Cash flows provided by (used in) investing activities	**99**	(106)
CASH FLOWS FROM FINANCING ACTIVITIES		
Advances to Antibe Holdings Inc. *[note 6]*	**(29)**	(66)
Net proceeds from loan payable	**-**	1,966
Capitalized lease payments	**(96)**	-
Increase in deferred revenue	**-**	1,316
Repayments of bank indebtedness	**-**	(1,270)
Issuances:		
Gross proceeds from shares and warrant issuance *[note 7]*	**8,050**	179
Proceeds from exercised warrants *[note 7]*	**551**	1,700
Proceeds from exercised options *[note 7]*	**5**	501
Share issuance costs *[note 7]*	**(844)**	-
Cash flows provided by financing activities	**7,637**	4,326
Net (decrease) increase in cash during the period	**2,327**	(571)
Foreign exchange gain (loss on translation)	**(28)**	7
Cash, beginning of the period	**5,993**	3,726
Cash, end of the period	**8,292**	3,162

See accompanying notes to the condensed interim consolidated financial statements

1. DESCRIPTION OF BUSINESS

Antibe Therapeutics Inc. (the "Company" or "Antibe") was incorporated under the *Business Corporations Act* (Ontario) on May 5, 2009. The Company was originally established under the legal name 2205405 Ontario Inc. On December 16, 2009, the Company changed its name to Antibe Therapeutics Inc. On June 18, 2013, the Company completed its initial public offering and was listed on the TSX Venture Exchange. On September 15, 2014, the Company began trading in the United States on the OTCQX Exchange. On October 1, 2017, the Company changed trading platforms to the OTCQB Exchange.

The Company originates, develops and out-licenses patent-protected new pharmaceuticals. Antibe's lead compound, ATB-346, combines hydrogen sulfide with naproxen, an approved, marketed and off-patent non-steroidal anti-inflammatory drug. The Company's main objectives are to develop ATB-346 by satisfying the requirements of the relevant drug regulatory authorities while also satisfying the commercial licensing objectives of prospective global partners. The Company has also established a development plan for its lead compound through to the end of Phase III human clinical studies for regulatory discussion purposes. Additionally, the Company continues to investigate other research projects as well as additional development opportunities.

The Company is also, through its wholly owned subsidiary, Citagenix Inc. ("Citagenix"), a seller of tissue regenerative products servicing the orthopaedic and dental marketplaces. Citagenix's portfolio consists of branded biologics and medical devices that promote bone regeneration. Citagenix operates in Canada through its direct sales force and in the United States, Germany and internationally via a network of distributors.

The address of the Company's registered head office and principal place of business is 15 Prince Arthur Avenue, Toronto, Ontario, Canada, M5R 1B2.

Approximately 5.5% of the Company's common shares are held by Antibe Holdings Inc. ("AHI") as at September 30, 2019.

These unaudited condensed interim consolidated financial statements were authorized for issuance by the Board of Directors on November 27, 2019.

2. BASIS OF PRESENTATION

(a) Statement of compliance –

The unaudited condensed interim consolidated financial statements were prepared using the same accounting policies and methods as those used in the Company's audited consolidated financial statements for the year ended March 31, 2019, except as disclosed below. These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 ("IAS 34"), *Interim Financial Reporting* and the accounting policies and estimates used are consistent with those used in the March 31, 2019 financial statements, with the exception of IFRS 16, *Leases* ("IFRS 16") which became effective for the Company on April 1, 2019. Accordingly, these unaudited condensed interim consolidated financial statements do not include all the disclosures required for annual financial statements and should be read in conjunction with the annual consolidated financial statements of the Company for the year ended March 31, 2019, which are available on SEDAR.

(Expressed in thousands of Canadian Dollars, except per share amounts and where noted)

2. BASIS OF PRESENTATION *(continued)*

(b) Consolidation –

These unaudited condensed interim consolidated financial statements include the accounts of the Company and its subsidiaries, as follows:

	Percentage ownership
Citagenix	100%
BMT Medizintechnik GmbH ("BMT")	100%

Citagenix, the parent company of BMT, was acquired on October 15, 2015. Citagenix was incorporated under the *Business Corporations Act* (Quebec) on December 8, 1997, and operates in Canada. BMT was incorporated and operates in Germany.

All intercompany balances and transactions have been eliminated on consolidation.

(c) Going concern –

The unaudited condensed interim consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As at September 30, 2019, the Company had working capital of $7,414 (March 31, 2019 – $7,657), incurred a net loss for the six months ended September 30, 2019, of $8,245 (2018 – $5,119), and had negative cash flows from operations of $5,409 (2018 – $4,791).

All of the factors above indicate there is a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern, which assumes the Company will continue its operations for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the ordinary course of business. Management's plans to address these issues involve actively seeking capital investment and generating revenue and profit from the commercialization of its products. The Company's ability to continue as a going concern is subject to management's ability to successfully implement this plan. Failure to implement this plan could have a material adverse effect on the Company's financial condition and financial performance.

Until such time as the Company's pharmaceutical products are patented and approved for sale, the Company's liquidity requirements are dependent on its ability to raise additional capital by selling additional equity, from proceeds from the exercise of stock options and common share warrants or by obtaining credit facilities. The Company's future capital requirements will depend on many factors, including, but not limited to, the market acceptance of its products and services. No assurance can be given that any such additional funding will be available or that, if available, it can be obtained on terms favourable to the Company. See notes 5, 15 and 16.

If the going concern assumption were not appropriate for these unaudited condensed interim consolidated financial statements, then adjustments would be necessary to the carrying value of assets and liabilities, the reported revenue and expenses, and the classifications used in the unaudited consolidated statements of financial position. The unaudited condensed interim consolidated financial statements do not include adjustments that would be necessary if the going concern assumption were not appropriate.

2. BASIS OF PRESENTATION *(continued)*

(d) Use of estimates –

The preparation of these unaudited condensed interim consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, as at the date of the unaudited condensed interim consolidated financial statements, and the reported amount of expenses during the reporting period. Actual results may vary from the current estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in income in the year in which such adjustments become known. Significant estimates in these unaudited condensed interim consolidated financial statements include determination of eligible expenditures for investment tax credit purposes, estimation of inventory reserves, impairment of goodwill and intangible assets not yet subject to amortization, and inputs related to the calculation of fair value of stock-based compensation and warrants.

(e) Foreign currency translation –

The Company's presentation currency is the Canadian dollar. The functional currency of the Company and its subsidiary, Citagenix, is the Canadian dollar, while the functional currency of BMT is the euro.

In preparing the financial statements of the individual entities, transactions in currencies other than the Company's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the date of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are re-translated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are re-translated at the rates prevailing at the date when the fair value was determined. Foreign currency translation gains and losses are presented in the interim consolidated statements of loss and comprehensive loss in the period in which they occur.

For its subsidiary with a non-Canadian dollar functional currency, results of operations and cash flows are translated at average exchange rates during the period, assets and liabilities are translated at the exchange rate at the end of the period, and equity is translated at historical exchange rates. Translation adjustments resulting from the process of translating the local currency financial statements into Canadian dollars are included in other comprehensive loss.

(f) Revised allocation of previously exercised warrants –

During the quarter ended June 30, 2018, the Company revised the presentation of warrants exercised prior to April 1, 2018. IFRS 2, *Share-based Payments* does not preclude an entity from recognizing a transfer from one component of equity to another. The result of the revised allocation of previously exercised warrants is a decrease in share capital of $2,586,642 and a corresponding increase to the common share purchase warrant reserve. As a result of this revision, there is no net impact to equity, no impact to the consolidated statements of loss and comprehensive loss, and no impact to the cash flows of the Company.

(Expressed in thousands of Canadian Dollars, except per share amounts and where noted)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting standards adopted and applied: IFRS 16, *Leases* –

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model, with certain exemptions. The standard includes two recognition exemptions for lessees – leases of "low-value" assets and short-term leases with a lease term of 12 months or less. At the commencement date of a lease, a lessee will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees are also required to remeasure the lease liability upon the occurrence of certain events such as a change in lease term. The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. The new standard was effective for annual periods beginning on or after January 1, 2019.

The Company adopted IFRS 16 using the modified retrospective transition approach and elected to use the exemptions proposed by the standard on lease contracts for which the lease term ends within 12 months as of the lease commencement date ("short-term leases") and the lease contracts where the underlying asset is of low value.

The effect of adoption of IFRS 16 as at April 1, 2019, was as follows:

	March 31, 2019	IFRS 16 adjustments	April 1, 2019
Assets	$	$	$
Property and equipment, net	181	356	537
Liabilities			
Current lease liabilities	-	202	202
Non-current lease liabilities	-	154	154
Shareholders' equity	**-**	**-**	**-**

The Company recognized a right-of-use asset based on the amount equal to the lease liability, adjusted for any related prepaid and accrued lease payments previously recognized. The lease liability was recognized based on the present value of remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Company also applied the following available practical expedients:

- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Elected not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

(Expressed in thousands of Canadian Dollars, except per share amounts and where noted)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

The carrying amounts of the Company's right-of-use assets and lease liabilities and movements during the period were as follows:

	Right-of-use assets	Lease liabilities
	$	$
Balance, April 1, 2019	356	356
Other	**(10)**	**(10)**
Depreciation expense	**(87)**	**-**
Interest expense	**-**	**15**
Payments	**-**	**(96)**
Balance, September 30, 2019	**259**	**265**

The Company recognized rent expense from short-term leases of $34 for the six months ended September 30, 2019. As at September 30, 2019, the Company is committed to paying $133 towards short-term leases. In Note 24 (d) of the Company's March 31, 2019 audited consolidated financial statements, the future minimum payments under lease agreements were $1,631. However, this assumed that the Company renewed its leases at maturity (in all cases less than five years). Under IFRS 16, the present value of these lease liabilities are recognized for the term of current lease agreements.

4. TRADE AND OTHER RECEIVABLES

	September 30, 2019	**March 31, 2019**
	$	$
Trade receivables	**793**	1,092
Scientific Research & Experimental Development ("SR&ED") tax credits receivable	**234**	39
Value-added taxes receivable	**4**	17
Harmonized Sales Tax receivable	**130**	125
Allowance for doubtful accounts	**(16)**	(1)
	1,145	1,272
Employee advances *[note 6]*	**21**	21
	1,166	1,293

5. CREDIT FACILITY INDEBTEDNESS

On June 29, 2018, Citagenix replaced its bank operating line facility with a $2.25 million secured revolving credit facility (the "Credit Facility") provided by Bloom Burton Healthcare Lending Trust ("BBHLT"). The Credit Facility matures on June 29, 2020. Amounts outstanding under the Credit Facility bear interest at a rate of 7% compounded monthly, payable quarterly. Citagenix can prepay any amount of the facility at any time subject to a 1% fee of the prepaid principal amount. Any prepayment of the facility can be reborrowed. Additionally, there are mandatory prepayment terms stipulated in the Credit Facility, whereby all proceeds received will be applied against borrowed amounts if any of such following events take place: if Citagenix sells or otherwise disposes of any assets in excess of $300.

The obligations of Citagenix under the Credit Facility are secured against all of the assets of Citagenix and are guaranteed by the Company. In connection with the Credit Facility, the Company agreed to issue to BBHLT 578,572 common shares ("Bonus Shares") of the Company at a deemed issue price of $0.385 per common share. Given the Bonus Shares were subject to a statutory hold period of four months and one day from the date of issuance, the fair value was determined to be $0.31 per Bonus Share. The fair value was calculated considering a volatility rate of 88% over a four-month period.

The Credit Facility has been accounted for using amortized cost. Transaction costs directly attributable to the Credit Facility totalled $284. These costs were proportionally allocated based on the relative fair value of the components of the Credit Facility and are amortized over the two-year term of the facility.

As at September 30, 2019, the cumulative amount of interest paid for the Credit Facility was $198, and the accretion of loan costs totalled $178.

6. RELATED PARTY TRANSACTIONS

As part of the prospectus offering during the year ended March 31, 2019 (as described in note 7), one officer of the Company purchased 80,000 Units, such investment being a "related party transaction" for purposes of Multilateral Instrument 61-101, *Protection of Minority Security Holders in Special Transactions* ("MI 61-101").

As part of the prospectus offering during the quarter ended September 30, 2019 (as described in note 7), one director and one officer of the Company purchased a total of 201,667 Units, such investment being a "related party transaction" for purposes of Multilateral Instrument 61-101, *Protection of Minority Security Holders in Special Transactions* ("MI 61-101").

During the six months ended September 30, 2019, the Company advanced $29 (2018 – $66) to AHI (AHI owns 5.5% of the common shares of the Company). As at September 30, 2019, $322 (March 31, 2019 – $293) represent amounts owing by AHI to the Company. This balance bears no interest, is payable on demand and is unsecured.

Employee advances for the quarter ended September 30, 2019, totalled $21 (March 31, 2019 – $21) and consisted of cash advances, payments to the Company cell phone plan on behalf of employees, use of Company courier services and petty cash in foreign currencies. Currently, the Company has one employee receiving cash advances.

(Expressed in thousands of Canadian Dollars, except per share amounts and where noted)

7. SHARE CAPITAL

(a) Authorized –

The Company has an unlimited number of authorized common shares without par value.

(b) Common shares –

	Six months ended September 30, 2019		**Year ended March 31, 2019**	
	Shares	**Amount**	**Shares**	**Amount**
		$		$
Balance, beginning of the period	**243,392,476**	**36,986**	198,549,753	29,507
Revision of exercised warrants and options *[note 2(f)]*	**-**	**-**	-	(2,587)
Warrants exercised	**3,383,523**	**879**	16,660,918	5,141
Options exercised	**28,000**	**9**	3,155,031	996
Restricted share units vested and shares issued	**533,337**	**111**	216,668	167
Debentures converted	**-**	**-**	1,231,534	271
Shares issued for Citagenix loan facility *[note 5]*	**-**	**-**	578,572	179
Prospectus February 27, 2019 ("P2019A")	**-**	**-**	23,000,000	3,971
Prospectus August 13, 2019 ("P2019B")	**26,833,332**	**5,087**		
Share issuance costs P2019	**-**	**(782)**	-	(659)
Balance, end of the period	**274,170,668**	**42,290**	243,392,476	36,986

On August 13, 2019, the Company closed a public offering of 26,833,332 units (the "Units") at a price of $0.30 per Unit (the "Offering Price") for aggregate gross proceeds of $8,050,000 (the "Offering). The Offering was made pursuant to an amended and restated agreement dated August 7, 2019, with a syndicate of agents (collectively, the "Agents"). The Units were offered and sold by way of a short form prospectus.

Each Unit comprised one common share of the Company (a "Common Share") and one-half of one common share purchase warrant. Each full common share purchase warrant (a "Warrant") is exercisable to purchase one Common Share at any time prior to August 13, 2022, at a price of $0.40 per Common Share. The estimated fair value of these investor warrants calculated using the Black-Scholes-Merton option-pricing model ("BSM") was $2,963 (see note 7e).

As consideration for the services rendered by the Agents in connection with the Offering, the Company paid the Agents a cash commission equal to 7% of the gross proceeds raised under the Offering and granted the Agents non-transferable broker warrants equal to 7% of the number of Units sold under the Offering, exercisable at any time prior to August 13, 2021, at an exercise price equal to the Offering Price. The estimated fair value of these broker warrants calculated using the BSM was $393 (see note 7e).

(Expressed in thousands of Canadian Dollars, except per share amounts and where noted)

7. SHARE CAPITAL *(continued)*

The following provides additional information on the prospectus raises completed during the year ended March 31, 2019, and the six months ended September 30, 2019:

Closing date	Prospectus	Number of units[1] / shares issued	Number of warrants issued	Price per unit	Gross proceeds[2]	Warrant exercise price	Warrant expiry date
				$	$	$	
Feb. 27, 2019	P2019A	23,000,000	11,500,000	0.25	5,750	0.35	Feb. 27, 2022
Aug. 13, 2019	P2019B	26,833,332	13,416,666	0.30	8,050	0.40	Aug. 13, 2022

[1]Each unit was composed of one common share and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share.

[2]Gross proceeds have been allocated to share capital and warrants based on the residual method. Warrants were valued using the BSM.

With respect to the prospectus raises completed during the year ended March 31, 2019 and the six months ended September 30, 2019, the Company issued the following warrants to brokers:

Closing date	Prospectus	Number of broker warrants issued	Total issuance costs	Non-cash cost from issuance of warrants to brokers	Broker warrant exercise price	Broker warrant expiry date
			$	$	$	
Feb. 27, 2019	P2019A	1,610,000	954	228	0.25	Feb. 27, 2021
Aug. 13, 2019	P2019B	1,878,333	1,237	393	0.30	Aug. 13, 2021

All issuance costs were offset against share capital and common share purchase warrants in proportion to the allocation of proceeds.

The following is a summary of all warrants exercised during the six months ended September 30, 2019 and 2018:

	2019		**2018**	
Exercise price	**Number of warrants exercised**	**Gross proceeds**	**Number of warrants exercised**	**Gross proceeds**
$		$		$
0.10	**1,289,677**	**129**	50,000	5
0.15	**1,406,846**	**211**	6,659,857	999
0.22	**-**	**-**	910,817	200
0.25	**289,000**	**72**	-	-
0.30	**10,500**	**3**	-	-
0.35	**387,500**	**136**	1,600,000	496
	3,383,523	**551**	9,220,674	1,701

Each of the warrants entitled the bearer to purchase one common share of the Company.

(Expressed in thousands of Canadian Dollars, except per share amounts and where noted)

7. SHARE CAPITAL *(continued)*

(c) Stock options –

On April 26, 2019, the Company granted a consultant options in exchange for services provided under the terms of a consulting agreement. The options give the consultant the right to purchase a total of 200,000 common shares pursuant to the Company's stock option plan. These options have an exercise price of $0.34 and expire on April 6, 2022. Twenty-five per cent of the granted options vest on the grant date and the remainder vest quarterly. The estimated fair value of these options calculated using the BSM was $44.

On August 27, 2019, the Company granted a consultant options in exchange for investor relations services. The options give the consultant the right to purchase a total of 350,000 common shares pursuant to the Company's stock option plan. These options have an exercise price of $0.30 and expire on August 27, 2022. Twenty-five per cent of the granted options vest on the grant date and the remainder vest quarterly. The estimated fair value of these options calculated using the BSM was $75.

The following is a summary of all options to purchase common shares that are outstanding as at September 30, 2019 and 2018, as well as details on exercise prices and expiry dates:

	Six months ended September 30, 2019		**Six months ended September 30, 2018**	
	Options	**Weighted average exercise price**	**Options**	**Weighted average exercise price**
		$		$
Balance, beginning of the period	**17,890,607**	**0.27**	20,840,368	0.25
Granted during the period	**550,000**	**0.31**	311,393	0.44
Exercised during the period	**(28,000)**	**0.18**	(3,131,031)	0.16
Expired during the period	**-**	**0.00**	(314,123)	0.50
Balance, end of the period	**18,412,607**	**0.27**	17,706,607	0.27

(Expressed in thousands of Canadian Dollars, except per share amounts and where noted)

7. SHARE CAPITAL *(continued)*

Number of options	**Exercise price**	**Expiry date**
	$	
24,000	0.19	January 18, 2020
2,700,000	0.33	January 25, 2020
18,000	0.20	March 31, 2020
37,500	0.09	October 20, 2020
36,000	0.29	February 27, 2021
18,000	0.38	June 25, 2021
90,000	0.35	October 3, 2021
18,000	0.25	December 19, 2021
200,000	0.34	April 26, 2022
350,000	0.30	August 27, 2022
150,000	0.55	October 21, 2023
805,000	0.66	March 4, 2024
560,000	0.14	July 13, 2025
4,225,714	0.15	March 9, 2026
150,000	0.19	January 18, 2027
8,637,000	0.20	March 31, 2027
151,515	0.50	April 11, 2028
41,878	0.40	May 8, 2028
100,000	0.37	June 25, 2028
100,000	0.29	March 11, 2029
18,412,607		

The number of options exercisable as at September 30, 2019, is 16,731,243 and the weighted average exercise price of these options is $0.24.

The total fair value of options not yet recognized as an expense is $111.

The following assumptions were used in the BSM to determine the fair value of the stock-based compensation expense relating to stock options in the period:

	Six months ended September 30, 2019	**Six months ended September 30, 2018**
Risk-free interest rate	**1.28% - 1.54%**	1.84% - 2.30%
Expected volatility	**90% - 105%**	114% - 149%
Expected dividend yield	**0.00%**	0.00%
Expected life of options	**3 years**	3 - 10 years
Weighted average share price	**$0.31**	$0.43
Exercise price	**$0.34**	$0.37 - $0.495

(Expressed in thousands of Canadian Dollars, except per share amounts and where noted)

7. SHARE CAPITAL *(continued)*

(d) Restricted share unit plan –

The following is a summary of all restricted share units ("RSUs") that are outstanding as at September 30, 2019:

	Six months ended September 30, 2019	Six months ended September 30, 2018
	RSUs	**RSUs**
Balance, beginning of the period	**17,289,997**	-
Granted during the period	**-**	-
Exercised during the period	**(300,002)**	-
Balance, end of the period	**16,989,995**	-

The total fair value of RSUs not yet recognized as an expense is $2,586.

As at September 30, 2019, the number of RSUs that have vested and not been exercised is zero.

(e) Common share purchase warrants –

The following is a summary of all warrants to purchase common shares that are outstanding as at September 30, 2019 and 2018, as well as details on exercise prices and expiry dates:

	Six months ended September 30, 2019		Six months ended September 30, 2018	
	Warrants	**Weighted average exercise price**	**Warrants**	**Weighted average exercise price**
		$		$
Balance, beginning of the period	**34,689,023**	**0.23**	38,766,448	0.18
Issued during the period	**15,939,838**	**0.38**	25,000	0.15
Exercised during the period	**(3,383,523)**	**0.16**	(9,220,674)	0.18
Expired during the period	**(907,500)**	**0.83**	(166,340)	0.15
Balance, end of the period	**46,337,838**	**0.27**	29,404,434	0.18

Number of warrants	Exercise price	Expiry date
	$	
18,619,839	0.15	June 21, 2020
1,321,000	0.25	February 27, 2021
1,867,833	0.30	August 13, 2021
11,112,500	0.35	February 27, 2022
13,416,666	0.40	August 13, 2022
46,337,838		

(Expressed in thousands of Canadian Dollars, except per share amounts and where noted)

7. SHARE CAPITAL *(continued)*

The following assumptions were used in the BSM to determine the fair value of warrants in the period:

	Six months ended September 30, 2019	**Six months ended September 30, 2018**
Risk-free interest rate	**1.29% - 1.33%**	0.97%
Expected volatility	**89% - 92%**	173%
Expected dividend yield	**0.00%**	0.00%
Expected life of warrants	**2 - 3 years**	3 years
Weighted average share price	**$0.39**	$0.15
Exercise price	**$0.30 - $0.40**	$0.15

8. LOSS PER SHARE

Basic loss per share is calculated by dividing the net loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. All unexercised share options and warrants were excluded from calculating diluted loss per share.

9. SEGMENTED RESULTS

The Company has two primary business segments: Antibe Therapeutics, a pharmaceutical development company, and Citagenix, a marketer and distributor of regenerative medicines serving the dental and orthopaedic market places.

The segmented performance of these two businesses for the three and six months ended September 30, 2019 and 2018, is as follows:

	Three months ended September 30, 2019			**Three months ended September 30, 2018**		
	Antibe	**Citagenix**	**Consolidated**	**Antibe**	**Citagenix**	**Consolidated**
	$	$	$	$	$	$
Revenue	-	2,268	2,268	-	2,068	2,068
Cost of sales	-	(1,328)	(1,328)	-	(1,240)	(1,240)
Gross profit	-	940	940	-	828	828
Expenses	(4,537)	(1,354)	(5,891)	(1,895)	(1,259)	(3,154)
Loss before income taxes	**(4,537)**	**(414)**	**(4,951)**	**(1,895)**	**(431)**	**(2,326)**

(Expressed in thousands of Canadian Dollars, except per share amounts and where noted)

9. SEGMENTED RESULTS *(continued)*

	Six months ended September 30, 2019			**Six months ended September 30, 2018**		
	Antibe	**Citagenix**	**Consolidated**	**Antibe**	**Citagenix**	**Consolidated**
	$	$	$	$	$	$
Revenue	-	5,030	5,030	-	4,611	4,611
Cost of sales	-	(3,055)	(3,055)	-	(2,799)	(2,799)
Gross profit	-	1,975	1,975	-	1,812	1,812
Expenses	(7,440)	(2,770)	(10,210)	(4,116)	(2,686)	(6,802)
Loss before income taxes	**(7,440)**	**(795)**	**(8,235)**	**(4,116)**	**(874)**	**(4,990)**

There is no single customer who constitutes more than 10% of revenue.

Revenue by geographic region for the six months ended September 30, 2019, is as follows:

Canada – 54%
United States – 31%
Europe – 4%
Rest of World – 11%

The Company's assets and liabilities by each business as at September 30, 2019 and March 31, 2019, are as follows:

	As at September 30, 2019			**As at March 31, 2019**		
	Antibe	**Citagenix**	**Consolidated**	**Antibe**	**Citagenix**	**Consolidated**
	$	$	$	$	$	$
Assets						
Current	8,868	4,397	13,265	6,207	4,358	10,565
Non-current	1,769	2,372	4,141	1,836	2,418	4,254
Total assets	**10,637**	**6,769**	**17,406**	8,043	6,776	14,819
Liabilities						
Current	2,346	3,505	5,851	1,228	1,680	2,908
Non-current	2,399	94	2,493	2,399	2,072	4,471
Total liabilities	**4,745**	**3,599**	**8,344**	3,627	3,752	7,379

(Expressed in thousands of Canadian Dollars, except per share amounts and where noted)

10. GENERAL AND ADMINISTRATIVE EXPENSES

The nature of the general and administrative expenses for the six months ended September 30, 2019 and 2018, is summarized as follows:

	2019	**2018**
	$	$
Salaries and wages	**801**	941
Professional and consulting fees	**1,163**	913
Office expenses	**310**	322
Other expenses	**186**	115
Total general and administrative	**2,460**	2,291

Other expenses includes the $67 write-off of the license option.

11. SELLING AND MARKETING

The nature of the selling and marketing expenses for the six months ended September 30, 2019 and 2018, is summarized as follows:

	2019	**2018**
	$	$
Salaries and wages	**931**	881
Commissions	**341**	282
Advertising and promotions	**292**	263
Travel and entertainment	**273**	258
Total selling and marketing	**1,837**	1,684

12. RESEARCH AND DEVELOPMENT

The nature of the research and development expenses for the six months ended September 30, 2019 and 2018, is summarized as follows:

	2019	**2018**
	$	$
Salaries and wages	**299**	391
Professional and consulting fees	**192**	133
Development costs	**2,933**	1,143
SR&ED (rebate)	**(146)**	(151)
Total research and development	**3,278**	1,516

(Expressed in thousands of Canadian Dollars, except per share amounts and where noted)

13. STOCK-BASED COMPENSATION

The function of the stock-based compensation expense for the six months ended September 30, 2019 and 2018, is summarized as follows:

	2019	**2018**
	$	$
General and administrative	**1,575**	586
Research and development	**558**	250
Total stock-based compensation	**2,133**	836

14. FINANCE AND RELATED COSTS

The components of the finance and related costs for the six months ended September 30, 2019 and 2018, are as follows:

	2019	**2018**
	$	$
Interest on loan payable	**94**	65
Accretion interest	**71**	51
Interest and bank charges	**79**	90
Unrealized foreign currency translation	**6**	92
Total finance and related costs	**250**	298

15. CAPITAL RISK MANAGEMENT

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the research, development and patent of drugs and the growth objectives of Citagenix. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity.

The Company includes the following in its definition of capital: share capital, common share purchase warrants, contributed surplus and accumulated other comprehensive loss, which total $9,062 (March 31, 2019 – $7,440). The Company is not subject to externally imposed capital requirements.

(Expressed in thousands of Canadian Dollars, except per share amounts and where noted)

16. FINANCIAL RISK MANAGEMENT

The Company is exposed to a variety of financial risks by virtue of its activities: credit risk, liquidity risk , foreign currency risk and interest rate risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance.

Risk management is carried out by the officers of the Company as discussed with the Board of Directors. The officers of the Company are charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated in accordance with the expectation of the Board of Directors as follows:

Credit risk

The Company's credit risk is primarily attributable to trade and other receivables, amounts due from AHI and the excess of cash held in one financial institution over the deposit insurance by Canadian Deposit Insurance Corporation. The Company, in the normal course of operations, monitors the financial condition of its customers. The Company establishes an allowance for doubtful accounts that corresponds to the specific credit risk of its customers, historical trends and economic conditions.

Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they become due or can do so only at excessive cost. The Company manages its liquidity risk by forecasting cash flows and anticipated investing and financing activities. Officers of the Company are actively involved in the review and approval of planned expenditures, including actively seeking capital investment and generating revenue and profit from the commercialization of its products.

As at September 30, 2019, the Company's financial obligations, including applicable interest, are due as follows:

	Less than 1 year	1 – 2 years	After 2 years	Total
	$	$	$	$
Accounts payable and accrued liabilities	3,537	-	-	3,537
Lease liability	171	94	-	265
Loan payable	2,143	-	-	2,143
	5,851	94	-	5,945

Foreign currency risk

The functional and reporting currency of the Company is the Canadian dollar. The Company undertakes transactions denominated in foreign currencies, including US dollars and euros, and, as such, is exposed to currency risk due to fluctuations in foreign exchange rates against the Canadian dollar. The Company does not use derivative instruments to reduce exposure to foreign currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company is currently exposed to interest rate risk on its credit facility.

(Expressed in thousands of Canadian Dollars, except per share amounts and where noted)

17. SUBSEQUENT EVENTS

The following is a summary of all warrants exercised in the period from October 1, 2019 to the date of issuance of these unaudited condensed interim consolidated financial statements:

Exercise price	Number of warrants exercised	Proceeds
$		$
0.15	3,843,750	577
0.30	8,333	2
0.35	1,182,500	414
0.40	674,666	270
	5,709,249	1,263

Each of the warrants entitled the bearer to purchase one common share of the Company.