



**ANTIBE THERAPEUTICS INC.**

**UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**For the Three and Six Months Ended September 30, 2020 and 2019**

**ANTIBE THERAPEUTICS INC.**  
**Interim Consolidated Statements of Financial Position**  
**As at September 30, 2020 and March 31, 2020**  
(Expressed in thousands of Canadian Dollars)  
(Unaudited)

	September 30, 2020	March 31, 2020
	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Cash	22,444	6,182
Term deposits	25	25
Trade and other receivables <i>[note 5]</i>	2,007	1,332
Inventory	2,589	3,424
Prepaid expenses	211	162
Due from Antibe Holdings Inc. <i>[note 7]</i>	420	382
Assets held for sale <i>[note 4]</i>	-	-
Total current assets	<u>27,696</u>	<u>11,507</u>
<b>Non-current assets</b>		
Property and equipment, net	194	303
Deposits	20	20
Deferred contract costs	236	236
Intangible assets, net	1,598	1,772
Total non-current assets	<u>2,048</u>	<u>2,331</u>
<b>TOTAL ASSETS</b>	<u><b>29,744</b></u>	<u><b>13,838</b></u>
<b>LIABILITIES</b>		
<b>Current</b>		
Bank indebtedness	-	4
Accounts payable and accrued liabilities	4,521	5,262
Current portion of loan payable <i>[note 6]</i>	-	2,214
Current portion of lease liability	46	115
Liabilities directly associated with the assets held for sale <i>[note 4]</i>	69	-
Total current liabilities	<u>4,636</u>	<u>7,595</u>
<b>Non-current liabilities</b>		
Deferred revenue	2,399	2,399
Lease liability	48	65
Total non-current liabilities	<u>2,447</u>	<u>2,464</u>
<b>TOTAL LIABILITIES</b>	<u><b>7,083</b></u>	<u><b>10,059</b></u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital <i>[note 8(b)]</i>	80,333	49,666
Common share purchase warrants <i>[note 8(b)]</i>	3,337	2,626
Contributed surplus	12,476	11,142
Accumulated other comprehensive income	18	18
Deficit	(73,503)	(59,673)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u><b>22,661</b></u>	<u><b>3,779</b></u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u><b>29,744</b></u>	<u><b>13,838</b></u>

*(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, 2020 and 2019**

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

(Unaudited)

	Three months ended September 30, 2020	Three months ended September 30, 2019	Six months ended September 30, 2020	Six months ended September 30, 2019
	\$	\$	\$	\$
<b>REVENUE</b>				
Product sales	2,865	2,209	3,969	4,867
<b>COST OF SALES</b>	1,943	1,258	2,635	3,030
<b>GROSS PROFIT</b>	922	951	1,334	1,837
<b>EXPENSES</b>				
Research and development <i>[note 13]</i>	4,808	2,417	6,899	3,323
General and administrative <i>[note 11]</i>	2,525	1,230	4,169	2,236
Stock-based compensation <i>[note 14]</i>	752	1,075	1,758	2,133
Selling and marketing <i>[note 12]</i>	610	832	1,050	1,792
Amortization and depreciation	138	150	275	293
Total expenses	8,833	5,704	14,151	9,777
<b>LOSS FROM OPERATIONS</b>	(7,911)	(4,753)	(12,817)	(7,940)
Finance and related costs <i>[note 15]</i>	55	135	31	250
Finance income	(12)	(19)	(21)	(40)
<b>LOSS BEFORE INCOME TAXES</b>	(7,954)	(4,869)	(12,827)	(8,150)
<b>PROVISION FOR INCOME TAXES</b>				
Deferred	-	-	-	-
Total provision for income taxes	-	-	-	-
<b>NET LOSS FROM CONTINUING OPERATIONS</b>	(7,954)	(4,869)	(12,827)	(8,150)
<b>DISCONTINUED OPERATIONS</b>				
Loss after tax from discontinued operations	(970)	(106)	(1,003)	(123)
<b>COMPREHENSIVE LOSS</b>	(8,924)	(4,975)	(13,830)	(8,273)
<b>Basic and diluted loss per share <i>[note 9]</i></b>	(0.02)	(0.02)	(0.04)	(0.03)
<b>Basic and diluted weighted average number of shares outstanding <i>[note 9]</i></b>	385,539,192	259,959,144	344,426,624	259,104,286

**ANTIBE THERAPEUTICS INC.**  
**Interim Consolidated Statements of Changes in Shareholders' Equity**  
**For the Six Months Ended September 30, 2020 and 2019**  
(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
		\$	\$	\$	\$	\$	\$
<b>Balance, March 31, 2019</b>	<b>243,392,476</b>	<b>36,986</b>	<b>2,757</b>	<b>8,034</b>	<b>(5)</b>	<b>(40,332)</b>	<b>7,440</b>
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	878	(327)	-	-	-	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	-	-	-	-	-	(8,150)	(8,150)
Loss from discontinued operations	-	-	-	-	-	(123)	(123)
<b>Balance, September 30, 2019</b>	<b>274,170,668</b>	<b>42,289</b>	<b>4,938</b>	<b>10,445</b>	<b>(5)</b>	<b>(48,605)</b>	<b>9,062</b>
<b>Balance, March 31, 2020</b>	<b>293,681,767</b>	<b>49,666</b>	<b>2,626</b>	<b>11,142</b>	<b>18</b>	<b>(59,673)</b>	<b>3,779</b>
Shares issued	71,875,000	26,041	2,709	-	-	-	28,750
Share issuance costs	-	(2,918)	(304)	821	-	-	(2,401)
Shares issued for exercised warrants	14,520,033	5,066	(1,694)	-	-	-	3,372
Shares issued for exercised options	5,388,500	2,367	-	(1,134)	-	-	1,233
Shares issued for vested restricted share units	299,999	111	-	1,627	-	-	1,738
Stock-based compensation	-	-	-	20	-	-	20
Net loss for the period	-	-	-	-	-	(12,827)	(12,827)
Loss from discontinued operations	-	-	-	-	-	(1,003)	(1,003)
<b>Balance, September 30, 2020</b>	<b>385,765,299</b>	<b>80,333</b>	<b>3,337</b>	<b>12,476</b>	<b>18</b>	<b>(73,503)</b>	<b>22,661</b>

**ANTIBE THERAPEUTICS INC.**  
**Interim Consolidated Statements of Cash Flows**  
**For the Six Months Ended September 30, 2020 and 2019**  
(Expressed in thousands of Canadian Dollars)  
(Unaudited)

	2020	2019
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the period	(12,827)	(8,150)
Items not affecting cash:		
Stock-based compensation <i>[note 14]</i>	1,758	2,133
Accretion interest <i>[note 15]</i>	36	71
Write-off of license	-	67
Depreciation of property and equipment	102	120
Amortization of intangible assets	173	173
Interest on capitalized lease payments	6	15
	<b>(10,752)</b>	<b>(5,571)</b>
Changes in non-cash working capital:		
Trade and other receivables <i>[note 5]</i>	(758)	127
Inventory	(78)	(575)
Prepaid expenses	(50)	(42)
Accounts payable and accrued liabilities	(675)	628
	<b>(1,561)</b>	<b>138</b>
<b>Cash flows used in operating activities</b>	<b>(12,313)</b>	<b>(5,433)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale of Red Rock Regeneration Inc. convertible debenture	-	100
Purchase of equipment	-	(1)
<b>Cash flows provided by investing activities</b>	<b>-</b>	<b>99</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Advances to Antibe Holdings Inc. <i>[note 7]</i>	(38)	(29)
Capitalized lease payments	(91)	(97)
Repayment of loan	(2,250)	-
Issuances:		
Gross proceeds from shares and warrant issuance <i>[note 8]</i>	28,750	8,050
Proceeds from exercised warrants <i>[note 8]</i>	3,372	551
Proceeds from exercised options <i>[note 8]</i>	1,233	5
Share issuance costs <i>[note 8]</i>	(2,401)	(843)
<b>Cash flows provided by financing activities</b>	<b>28,575</b>	<b>7,637</b>
<b>Net increase in cash during the period</b>	<b>16,262</b>	<b>2,303</b>
Cash, beginning of the period	6,182	5,993
<b>Cash, end of the period</b>	<b>22,444</b>	<b>8,296</b>

## ANTIBE THERAPEUTICS INC.

### Notes to the Condensed Interim Consolidated Financial Statements

#### For the Three and Six Months Ended June 30, 2020 and 2019

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

(Unaudited)

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#### 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 (“TSXV”). 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. On November 12, 2020, the Company completed its graduation to the Toronto Stock Exchange (“TSX”) and the Common Shares began trading on the TSX under the symbol “ATE”. In connection with the Company’s graduation to the TSX, concurrently, the Company’s common shares (the “Common Shares”) have been voluntarily delisted from the TSX Venture Exchange. The Common Shares will continue to trade on the OTCQB market under the symbol “ATBPF” (Note 18).

The Company originates, develops and out-licenses patent-protected new pharmaceuticals. Antibe’s lead compound, otenaproxesul (previously known as 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 otenaproxesul 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 3.6% of the Company’s common shares are held by Antibe Holdings Inc. (“AHI”) as at September 30, 2020.

These unaudited condensed interim consolidated financial statements were authorized for issuance by the Board of Directors on November 12, 2020.

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#### 2. BASIS OF PRESENTATION

##### (a) Statement of compliance –

These 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, 2020, except as disclosed below. These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting*. 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, 2020, which are available on SEDAR.

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**ANTIBE THERAPEUTICS INC.**

**Notes to the Condensed Interim Consolidated Financial Statements**

**For the Three and Six Months Ended June 30, 2020 and 2019**

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

(Unaudited)

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2. BASIS OF PRESENTATION (continued)

**(b) Consolidation –**

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

	<u>Percentage ownership</u>
Citagenix	100%
BMT Medizintechnik GmbH (“BMT”)	100%

Citagenix was acquired on October 15, 2015. It 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, 2020, the Company had working capital of \$23,060 (March 31, 2020 – \$3,912), incurred a comprehensive loss for the six months ended September 30, 2020 of \$13,830 (2019 – \$8,273), had negative cash flows from operations of \$12,313 (2019 – \$5,433) and an accumulated deficit of \$73,503 (March 31, 2020 – \$59,673).

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 16 and 17.

All of the factors above indicate the existence of 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.

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 interim 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.

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## ANTIBE THERAPEUTICS INC.

### Notes to the Condensed Interim Consolidated Financial Statements

#### For the Three and Six Months Ended June 30, 2020 and 2019

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

*(Unaudited)*

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## 2. BASIS OF PRESENTATION *(continued)*

### **(d) Business uncertainty –**

In December 2019, COVID-19 emerged in Wuhan, China. Since then, it has spread to most other countries and infections have been reported around the world. On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. In response to the outbreak, governmental authorities in Canada and internationally have introduced various recommendations and measures to try to limit the pandemic, including travel restrictions, border closures, nonessential business closures, quarantines, self-isolation, sheltering-in-place and social distancing. The COVID-19 outbreak and the response of governmental authorities to try to limit it are having a significant impact on the private sector and individuals, including unprecedented business, employment and economic disruptions.

The COVID-19 pandemic has impacted the Company's business to some extent. The Company's Phase 2 trial took an additional six weeks to complete due to factors such as the COVID-19 related closure of medical clinics, doctors becoming ill from COVID-19, and staff working from home, all of which slowed the collation of the trial data. The need to engage the consulting staff responsible for administering the trial for an additional six weeks increased the costs of the trial correspondingly. COVID-19 has also particularly impacted the Company's wholly owned subsidiary, Citagenix, by causing a significant decrease in sales due to a decline in customer demand. COVID-19 could further impact the Company's expected timelines, operations and the operations of its third-party suppliers, manufacturers, and Contract Research Organizations as a result of quarantines, facility closures, travel and logistics restrictions and other limitations in connection with the outbreak. The most significant risk posed by the COVID-19 pandemic is that it could also significantly impact the progress and completion of the pre-clinical trials.

The Company expects that it will qualify for certain wage subsidy programs in Canada and the US. The Company will recognize government grants when there is reasonable assurance that it will comply with the conditions required to qualify for the grant, and that the grant will be received. The Company recognizes government grants as a reduction to the related expense that the grant is intended to offset. For the six months ended September 30, 2020, the Company has recognized \$200, as a reduction to selling and marketing expense incurred by the Company during this period.

Whatever further impact, if any, the COVID-19 pandemic may have on the Company is unpredictable. The continued spread of COVID-19 nationally and globally could also lead to a deterioration of general economic conditions including a possible national or global recession. Due to the speed with which the COVID-19 situation is developing and the uncertainty of its magnitude, outcome and duration, it is not possible to estimate its impact on the Company's business, operations or financial results; however, the impact could be material.

### **(e) 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 intangible assets not yet subject to amortization, credit losses and inputs related to the calculation of fair value of stock-based compensation and warrants.

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**ANTIBE THERAPEUTICS INC.****Notes to the Condensed Interim Consolidated Financial Statements****For the Three and Six Months Ended June 30, 2020 and 2019**

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

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

The accounting policies adopted in the preparation of these condensed interim consolidated financial statements are consistent with those followed in the preparation of the Company's annual financial statements for the year ended March 31, 2020. Several amendments apply for the first time in fiscal 2021, but do not have an impact on the condensed interim consolidated financial statements of the Company.

**4. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS**

On September 30, 2020, the Company entered into a non-binding letter of intent to sell its wholly owned subsidiary, BMT. The intended purchase price of BMT is €1 (one Euro) and the acquirer is an employee of BMT. BMT is a German manufacturer and distributor of surgical instruments and accounts for less than 10% of Citagenix's consolidated revenue. BMT has struggled to reach profitability and in recent years has borne significant costs related to enhanced regulations in Germany. The COVID-19 crisis has had a severe impact on the sale of surgical instruments, which will result in even further losses this fiscal year. Given these circumstances, the Company agreed to sell BMT for nominal value to its Managing Director as a preferred alternative to the time and expense involved in winding-up the business.

As at September 30, 2020, BMT was classified as a disposal group held for sale and as a discontinued operation. The business of BMT was historically presented within the Citagenix operating segment. With BMT classified as a discontinued operation, the Citagenix segment will no longer include BMT results.

The results of BMT for the three and six months ended September 30, 2020 and 2019 are presented below.

	<b>Three months ended September 30, 2020</b>	Three months ended September 30, 2019	<b>Six months ended September 30, 2020</b>	Six months ended September 30, 2019
	\$	\$	\$	\$
Revenue	<b>65</b>	59	<b>189</b>	164
Cost of goods sold	<b>118</b>	70	<b>143</b>	24
Gross profit	<b>(53)</b>	(11)	<b>46</b>	140
Expenses	<b>85</b>	95	<b>217</b>	263
Impairment loss recognized on the remeasurement to fair value less costs to sell	<b>832</b>	-	<b>832</b>	-
<b>Loss before tax from discontinued operations</b>	<b>(970)</b>	(106)	<b>(1,003)</b>	(123)
Provision for (recovery of) income taxes	-	-	-	-
<b>Loss from discontinued operations</b>	<b>(970)</b>	(106)	<b>(1,003)</b>	(123)

On September 30, 2020, following the classification of BMT as a discontinued operation, a write-down of \$832 (consisting of inventory \$744, accounts receivable \$73 and other assets \$15) was recognized to reduce the carrying amount of the assets to their fair value of one Euro. This was recognized within discontinued operations in the statement of profit or loss.

Included in the loss from discontinued operations is other comprehensive (income) loss relating to the foreign currency translation of BMT of (\$23) for the three months ended September 30, 2020 and (\$4) for the six months ended September 30, 2020 (2019: \$18, \$28, respectively).

**ANTIBE THERAPEUTICS INC.****Notes to the Condensed Interim Consolidated Financial Statements****For the Three and Six Months Ended June 30, 2020 and 2019**

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

*(Unaudited)*

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**4. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS** *(continued)*

The major classes of liabilities classified as held for sale as at September 30, 2020 are presented below.

	<b>September 30, 2020</b>
	\$
Accounts payable and accrued liabilities	63
Government remittances payable	4
Bank indebtedness	2
<b>Liabilities associated with assets held for sale</b>	<b>69</b>

Cash flows from operations incurred by BMT for the six months to September 30, 2020 was \$(243). Loss from discontinued operations for the three and six months ended September 30, 2020, was \$970 and \$1,003, respectively (2019 – \$106 and \$123).

In classifying BMT as held for sale, the Company eliminated intercompany assets of \$400 representing amounts owed by the Company to BMT, and intercompany liabilities of \$2,244 representing amounts owed by BMT to the Company in the unaudited condensed interim consolidated statement of financial position as at September 30, 2020. The letter of intent proposes that the Company and the acquirer will offset and write off any intercompany balances between Antibe and BMT which may exist at the time of the sale.

The letter of intent also proposes that Antibe will loan the purchaser €100 thousand for working capital purposes. This loan is expected to bear interest at a rate of 5%, payable quarterly.

The sale is subject to customary closing conditions in Germany and Canada and is expected to close in the third quarter of fiscal 2021.

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**5. TRADE AND OTHER RECEIVABLES**

	<b>September 30, 2020</b>	March 31, 2020
	\$	\$
Trade receivables	<b>1,041</b>	1,044
Allowance for doubtful accounts	-	(1)
Warrant exercise receivable	-	50
SR&ED tax credits receivable	<b>586</b>	67
Value-added taxes receivable	-	5
Harmonized Sales Tax receivable	<b>354</b>	147
	<b>1,981</b>	1,312
Employee advances <i>[note 7]</i>	<b>26</b>	20
	<b>2,007</b>	1,332

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**ANTIBE THERAPEUTICS INC.****Notes to the Condensed Interim Consolidated Financial Statements****For the Three and Six Months Ended June 30, 2020 and 2019**

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

*(Unaudited)***6. 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”). Amounts outstanding under the Credit Facility bear interest at a rate of 7% compounded monthly, payable quarterly.

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 were amortized over the two-year term of the facility.

On June 29, 2020, the maturity date of the BBHLT Credit Facility, the Company paid in full the principal amount of \$2,250, plus outstanding interest of \$40.

**7. RELATED PARTY TRANSACTIONS**

As part of the prospectus offering during the year ended March 31, 2020, 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*.

During the six months ended September 30, 2020, the Company advanced \$38 (2019 – \$29) to AHI (as at September 30, 2020, AHI owns 3.6% of the common shares of the Company). As at September 30, 2020, \$420 (March 31, 2020 – \$382) 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, 2020, were increased by \$6 (2019 – nil) and consisted of cash advances, payments to the Company’s cell phone plan on behalf of employees, use of Company courier services and petty cash in foreign currencies. Currently, the Company has two employees receiving cash advances.

**8. 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, 2020		Year ended March 31, 2020	
	Shares	Amount	Shares	Amount
		\$		\$
<b>Balance, beginning of the period</b>	<b>293,681,767</b>	<b>49,666</b>	243,392,476	36,986
Warrants exercised	<b>14,520,033</b>	<b>5,066</b>	21,333,527	7,653
Options exercised	<b>5,388,500</b>	<b>2,367</b>	255,761	118
Restricted share units vested and shares issued	<b>299,999</b>	<b>111</b>	1,866,671	604
Prospectus August 13, 2019 (“P2019B”)	-	-	26,833,332	5,087
Prospectus June 30, 2020 (“P2020”)	<b>71,875,000</b>	<b>26,041</b>	-	-
Share issuance costs – P2019	-	-	-	(782)
Share issuance costs – P2020	-	<b>(2,918)</b>	-	-
<b>Balance, end of the period</b>	<b>385,765,299</b>	<b>80,333</b>	293,681,767	49,666

**ANTIBE THERAPEUTICS INC.****Notes to the Condensed Interim Consolidated Financial Statements****For the Three and Six Months Ended June 30, 2020 and 2019**

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

*(Unaudited)*8. SHARE CAPITAL *(continued)*

On June 30, 2020, the Company closed a bought deal public offering of 62,500,000 units of the Company (the “June Units”) at a price of \$0.40 per Unit (the “June Offering Price”) plus the exercise in full of the Underwriters’ over-allotment option of 9,375,000 Units for aggregate gross proceeds of \$28,750 (the “June Offering”). The June Offering was made pursuant to an underwriting agreement dated June 15, 2020 with a syndicate of underwriters.

Each June Unit was composed of one common share and one-third of one common share purchase warrant. Each full warrant is exercisable to purchase one Common Share at any time prior to June 30, 2022 at a price of \$0.60 per Common Share.

As consideration for the services rendered by the Underwriters in connection with the June Offering, the Company has paid the Underwriters a cash commission equal to 7% of the gross proceeds raised under the June Offering and has granted the Underwriters non-transferable broker warrants equal to 7% of the number of June Units sold under the June Offering, exercisable at any time prior to June 30, 2022 at an exercise price equal to the June Offering Price.

The following provides additional information on the prospectus raises completed during the six months ended September 30, 2020 and the year ended March 31, 2020:

Closing date	Prospectus	Number of units / shares issued	Number of warrants issued	Price per unit	Gross proceeds <sup>3</sup>	Warrant exercise price	Warrant expiry date
Aug. 13, 2019	P2019B	26,833,332 <sup>1</sup>	13,416,666	\$ 0.30	\$ 8,050	\$ 0.40	Aug. 13, 2022
Jun. 30, 2020	P2020	71,875,000 <sup>2</sup>	23,958,333	\$ 0.40	\$ 28,750	\$ 0.60	Jun. 30, 2022

<sup>1</sup>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.

<sup>2</sup>Each unit was composed of one common share and one-third of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share.

<sup>3</sup>Gross proceeds have been allocated to share capital and warrants based on the residual method. Warrants were valued using the Black-Scholes-Merton option pricing model (“BSM”).

With respect to the prospectus raises completed during the six months ended September 30, 2020 and the year ended March 31, 2020, 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
Aug. 13, 2019	P2019B	1,878,333	\$ 1,237	\$ 393	\$ 0.30	Aug. 13, 2021
Jun. 30, 2020	P2020	5,031,250	\$ 2,131	\$ 821	\$ 0.40	Jun. 30, 2022

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

**ANTIBE THERAPEUTICS INC.****Notes to the Condensed Interim Consolidated Financial Statements****For the Three and Six Months Ended June 30, 2020 and 2019**

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

*(Unaudited)*8. SHARE CAPITAL *(continued)*

The following is a summary of all warrants exercised during the six months ended September 30, 2020 and 2019:

Exercise price	2020		2019	
	Number of warrants exercised	Gross proceeds	Number of warrants exercised	Gross proceeds
\$		\$		\$
0.10	-	-	1,289,677	129
0.15	9,156,500	1,374	1,406,846	211
0.25	31,000	8	289,000	72
0.30	81,000	24	10,500	3
0.35	2,686,500	940	387,500	136
0.40	2,565,033	1,026	-	-
	<b>14,520,033</b>	<b>3,372</b>	<b>3,383,523</b>	<b>551</b>

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

**(c) Stock options –**

The following is a summary of all options to purchase common shares that are outstanding as at September 30, 2020 and 2019, as well as details on exercise prices and expiry dates:

	Six months ended September 30, 2020		Six months ended September 30, 2019	
	Options	Weighted average price	Options	Weighted average price
		\$		\$
<b>Balance, beginning of the period</b>	<b>18,147,340</b>	<b>0.27</b>	17,890,607	0.27
Granted during the period	-	-	550,000	0.31
Exercised during the period	(5,388,500)	0.23	(28,000)	0.18
Expired during the period	(471,000)	0.33	-	-
<b>Balance, end of the period</b>	<b>12,287,840</b>	<b>0.29</b>	<b>18,412,607</b>	<b>0.27</b>

**ANTIBE THERAPEUTICS INC.****Notes to the Condensed Interim Consolidated Financial Statements****For the Three and Six Months Ended June 30, 2020 and 2019**

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

*(Unaudited)*8. SHARE CAPITAL *(continued)*

Number of options	Exercise price	Expiry date
	\$	
7,500	0.09	October 20, 2020
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
360,000	0.14	July 13, 2025
1,606,714	0.15	March 9, 2026
150,000	0.19	January 18, 2027
8,365,233	0.20	March 31, 2027
151,515	0.50	April 11, 2028
41,878	0.40	May 8, 2028
100,000	0.29	March 11, 2029
<b>12,287,840</b>		

As at September 30, 2020, all options are exercisable and the weighted average exercise price of these options is \$0.24.

The total fair value of all options has been fully expensed.

The following assumptions were used in the BSM to determine the fair value of stock options granted in the period:

	Six months ended September 30, 2020	Six months ended September 30, 2019
Weighted average risk-free interest rate	-	1.37%
Weighted average expected volatility	-	95%
Expected dividend yield	-	0.00%
Weighted average expected life of options	-	3 years
Weighted average share price	-	\$0.35
Weighted average exercise price	-	\$0.31

**(d) Restricted share unit plan –**

The following is a summary of all restricted share units that are outstanding as at September 30, 2020:

	Six months ended September 30, 2020	Six months ended September 30, 2019
	RSUs	RSUs
<b>Balance, beginning of the period</b>	<b>21,501,661</b>	17,289,997
Granted during the period	<b>580,000</b>	-
Vested during the period	<b>(299,999)</b>	(300,002)
Forfeited during the period	<b>(35,000)</b>	-
<b>Balance, end of the period</b>	<b>21,746,662</b>	16,989,995

**ANTIBE THERAPEUTICS INC.****Notes to the Condensed Interim Consolidated Financial Statements****For the Three and Six Months Ended June 30, 2020 and 2019**

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

*(Unaudited)*8. SHARE CAPITAL *(continued)*

Based upon the share price on the date of granting, the total fair value of RSUs not yet recognized as an expense is \$3,200.

**(e) Common share purchase warrants –**

The following is a summary of all warrants to purchase common shares that are outstanding as at September 30, 2020 and 2019, as well as details on exercise prices and expiry dates:

	Six months ended September 30, 2020		Six months ended September 30, 2019	
	Warrants	Weighted average price	Warrants	Weighted average price
		\$		\$
<b>Balance, beginning of the period</b>	<b>28,387,834</b>	<b>0.29</b>	34,689,023	0.23
Issued during the period	28,989,583	0.57	15,939,838	0.38
Exercised during the period	(14,520,033)	0.23	(3,383,523)	0.16
Expired during the period	(459,500)	0.15	(907,500)	0.83
<b>Balance, end of the period</b>	<b>42,397,884</b>	<b>0.50</b>	46,337,838	0.27

Number of warrants	Exercise price	Expiry date
	\$	
97,000	0.25	February 27, 2021
871,333	0.30	August 13, 2021
4,539,250	0.35	February 27, 2022
4,932,250	0.40	June 30, 2022
23,958,333	0.60	June 30, 2022
7,999,718	0.40	August 13, 2022
<b>42,397,884</b>		

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

	Six months ended September 30, 2020	Six months ended September 30, 2019
Weighted average risk-free interest rate	0.28%	1.29%
Weighted average expected volatility	70%	91%
Expected dividend yield	0.00%	0.00%
Weighted average expected life of warrants	2 years	2.9 years
Weighted average share price	\$0.42	\$0.39
Weighted average exercise price	\$0.57	\$0.39

**ANTIBE THERAPEUTICS INC.****Notes to the Condensed Interim Consolidated Financial Statements****For the Three and Six Months Ended June 30, 2020 and 2019**

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

*(Unaudited)***9. 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.

**10. 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, 2020 and 2019, is as follows:

	<b>Three months ended September 30, 2020</b>			<b>Three months ended September 30, 2019</b>		
	<b>Antibe</b>	<b>Citagenix</b>	<b>Consolidated</b>	<b>Antibe</b>	<b>Citagenix</b>	<b>Consolidated</b>
	\$	\$	\$	\$	\$	\$
Revenue	-	2,865	2,865	-	2,209	2,209
Cost of sales	-	(1,943)	(1,943)	-	(1,258)	(1,258)
Gross profit	-	922	922	-	951	951
Expenses	(7,795)	(1,081)	(8,876)	(4,537)	(1,283)	(5,820)
Loss before income taxes	(7,795)	(159)	(7,954)	(4,537)	(332)	(4,869)

  

	<b>Six months ended September 30, 2020</b>			<b>Six months ended September 30, 2019</b>		
	<b>Antibe</b>	<b>Citagenix</b>	<b>Consolidated</b>	<b>Antibe</b>	<b>Citagenix</b>	<b>Consolidated</b>
	\$	\$	\$	\$	\$	\$
Revenue	-	3,969	3,969	-	4,867	4,867
Cost of sales	-	(2,635)	(2,635)	-	(3,030)	(3,030)
Gross profit	-	1,334	1,334	-	1,837	1,837
Expenses	(12,487)	(1,674)	(14,161)	(7,440)	(2,547)	(9,987)
Loss before income taxes	(12,487)	(340)	(12,827)	(7,440)	(710)	(8,150)

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

Revenue by geographic region for the six months ended September 30, 2020, is as follows:

Canada – 43%  
 United States – 38%  
 Europe – 2%  
 Rest of World – 18%



**ANTIBE THERAPEUTICS INC.****Notes to the Condensed Interim Consolidated Financial Statements****For the Three and Six Months Ended June 30, 2020 and 2019**

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

*(Unaudited)*

The Company's assets and liabilities by each business as at September 30, 2020 and March 31, 2020, are as follows:

	As at September 30, 2020			As at March 31, 2020		
	Antibe	Citagenix	Consolidated	Antibe	Citagenix	Consolidated
	\$	\$	\$	\$	\$	\$
<b>Assets</b>						
Current	23,175	4,521	27,696	6,319	5,188	11,507
Non-current	235	1,813	2,048	236	2,095	2,331
<b>Total assets</b>	<b>23,410</b>	<b>6,334</b>	<b>29,744</b>	<b>6,555</b>	<b>7,283</b>	<b>13,838</b>
<b>Liabilities</b>						
Current	2,799	1,837	4,636	3,133	4,462	7,595
Non-current	2,399	48	2,447	2,399	65	2,464
<b>Total liabilities</b>	<b>5,198</b>	<b>1,885</b>	<b>7,083</b>	<b>5,532</b>	<b>4,527</b>	<b>10,059</b>

**11. GENERAL AND ADMINISTRATIVE EXPENSES**

The nature of the general and administrative expenses for the six months ended September 30, 2020 and 2019, is summarized as follows:

	2020	2019
	\$	\$
Salaries and wages	1,176	640
Professional and consulting fees	2,465	1,146
Office expenses	342	273
Other expenses	186	177
<b>Total general and administrative expenses</b>	<b>4,169</b>	<b>2,236</b>

**12. SELLING AND MARKETING EXPENSES**

The nature of the selling and marketing expenses for the six months ended September 30, 2020 and 2019, is summarized as follows:

	2020	2019
	\$	\$
Salaries and wages	627	931
Commissions	239	341
Advertising and promotion	101	247
Travel and entertainment	83	273
<b>Total selling and marketing expenses</b>	<b>1,050</b>	<b>1,792</b>

**ANTIBE THERAPEUTICS INC.****Notes to the Condensed Interim Consolidated Financial Statements****For the Three and Six Months Ended June 30, 2020 and 2019**

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

*(Unaudited)*

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**13. RESEARCH AND DEVELOPMENT EXPENSES**

The nature of the research and development expenses for the six months ended September 30, 2020 and 2019, is summarized as follows:

	<b>2020</b>	<b>2019</b>
	\$	\$
Salaries and wages	<b>932</b>	299
Professional and consulting fees	<b>244</b>	119
Research & clinical trial costs	<b>6,210</b>	3,051
SR&ED rebate	<b>(487)</b>	(146)
<b>Total research and development expenses</b>	<b>6,899</b>	3,323

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**14. STOCK-BASED COMPENSATION**

The function of the stock-based compensation expense for the six months ended September 30, 2020 and 2019, is summarized as follows:

	<b>2020</b>	<b>2019</b>
	\$	\$
General and administrative	<b>1,254</b>	1,575
Research and development	<b>504</b>	558
<b>Total stock-based compensation</b>	<b>1,758</b>	2,133

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**15. FINANCE AND RELATED COSTS**

The components of the finance and related costs for the six months ended September 30, 2020 and 2019, are as follows:

	<b>2020</b>	<b>2019</b>
	\$	\$
Interest on loan payable	<b>45</b>	94
Accretion interest	<b>(6)</b>	71
Interest and bank charges	<b>67</b>	79
Unrealized foreign currency translation	<b>(75)</b>	6
<b>Total finance and related costs</b>	<b>31</b>	250

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**16. 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 income, which, as at September 30, 2020, total \$22,661 (March 31, 2020 – \$3,779). The Company is not subject to externally imposed capital requirements.

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**ANTIBE THERAPEUTICS INC.****Notes to the Condensed Interim Consolidated Financial Statements****For the Three and Six Months Ended June 30, 2020 and 2019**

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

*(Unaudited)*

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**17. 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. See note 2(c).

As at September 30, 2020, the Company's financial obligations, including applicable interest, are due as follows:

	Less than 1	1 – 2	After 2	Total
	\$	\$	\$	\$
Accounts payable and accrued liabilities	4,521	-	-	4,521
Lease liability	46	48	-	94
Liabilities associated with assets held	69	-	-	69
	4,636	48	-	4,684

**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.

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**ANTIBE THERAPEUTICS INC.**

**Notes to the Condensed Interim Consolidated Financial Statements**

**For the Three and Six Months Ended June 30, 2020 and 2019**

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

*(Unaudited)*

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18. SUBSEQUENT EVENTS

(a) On October 28, 2020, the Company received conditional approval from the Toronto Stock Exchange (“TSX”) to graduate from the TSX Venture Exchange (“TSXV”) and list its common shares on the TSX. Final approval of the listing is subject to the Company meeting certain standard and customary conditions required by the TSX. Once these conditions are satisfied, the Company’s shares will begin trading on the TSX under its existing ticker symbol “ATE” and will be delisted from the TSXV. On November 12, 2020, the Company received final approval and began trading on the TSX.

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