



ANTIBE THERAPEUTICS INC.

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three Months ended June 30, 2023 and 2022

ANTIBE THERAPEUTICS INC.
Interim Consolidated Statements of Financial Position
As at June 30, 2023 and March 31, 2023
(Expressed in thousands of Canadian dollars)
(Unaudited)

	June 30, 2023	March 31, 2023
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	8,793	6,755
Term deposits <i>[note 4]</i>	25,514	32,137
Other receivables <i>[note 5]</i>	1,544	1,655
Prepaid expenses <i>[note 9]</i>	1,926	999
Total current assets	<u>37,777</u>	<u>41,546</u>
Non-current assets		
Deferred contract costs	1,283	1,283
Deferred consideration receivable <i>[note 3]</i>	1,425	1,380
Intangible assets	26,352	26,352
Total non-current assets	<u>29,060</u>	<u>29,015</u>
TOTAL ASSETS	<u>66,837</u>	<u>70,561</u>
LIABILITIES		
Current		
Accounts payable and accrued liabilities	4,410	2,764
Total current liabilities	<u>4,410</u>	<u>2,764</u>
Non-current liabilities		
Deferred revenue	27,631	27,631
Total non-current liabilities	<u>27,631</u>	<u>27,631</u>
TOTAL LIABILITIES	<u>32,041</u>	<u>30,395</u>
SHAREHOLDERS' EQUITY		
Share capital	141,581	141,489
Common share purchase warrants <i>[note 7(c)]</i>	10,264	10,264
Contributed surplus	19,228	18,904
Deficit	(136,277)	(130,491)
TOTAL SHAREHOLDERS' EQUITY	<u>34,796</u>	<u>40,166</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>66,837</u>	<u>70,561</u>

Commitments and contingencies *[note 16]*

(Signed) Daniel Legault Daniel Legault, Director
(Signed) Robert Hoffman Robert Hoffman, Director

ANTIBE THERAPEUTICS INC.**Interim Consolidated Statements of Loss and Comprehensive Loss
For the Three Months Ended June 30, 2023 and 2022**

(Expressed in thousands of Canadian dollars, except share and per share amounts)
(Unaudited)

	2023	2022
	\$	\$
EXPENSES		
Research and development <i>[note 9]</i>	3,567	3,828
General and administrative <i>[note 10]</i>	2,150	1,131
Stock-based compensation <i>[note 11]</i>	416	743
Selling and marketing <i>[note 12]</i>	147	94
Total expenses	6,280	5,796
LOSS FROM CONTINUING OPERATIONS	(6,280)	(5,796)
Finance income and related costs <i>[note 13]</i>	(494)	(195)
NET LOSS FROM CONTINUING OPERATIONS	(5,786)	(5,601)
DISCONTINUED OPERATIONS		
Income from discontinued operations <i>[note 3]</i>	-	70
NET LOSS AND COMPREHENSIVE LOSS	(5,786)	(5,531)
Basic and diluted loss per share <i>[note 8]</i>	(0.11)	(0.10)
Basic and diluted weighted average number of shares outstanding <i>[note 8]</i>	52,630,278	52,112,243

ANTIBE THERAPEUTICS INC.

**Interim Consolidated Statements of Changes in Shareholders' Equity
For the Three Months Ended June 30, 2023 and 2022**

(Expressed in thousands of Canadian dollars, except share amounts)

(Unaudited)

	Number of Common Shares	Share capital	Common Share purchase warrants	Contributed surplus	Deficit	Total shareholders' equity
		\$	\$	\$	\$	\$
Balance, March 31, 2022	52,099,276	139,547	10,264	18,038	(111,016)	56,833
Shares issued for redeemed restricted share units <i>[note 7(b)]</i>	20,000	22	-	(22)	-	-
Stock-based compensation	-	-	-	743	-	743
Net loss from continuing operations for the period	-	-	-	-	(5,601)	(5,601)
Income from discontinued operations	-	-	-	-	70	70
Balance, June 30, 2022	52,119,276	139,569	10,264	18,759	(116,547)	52,045
Balance, March 31, 2023	52,617,092	141,489	10,264	18,904	(130,491)	40,166
Shares issued for redeemed restricted share units <i>[note 7(b)]</i>	19,999	92	-	(92)	-	-
Stock-based compensation	-	-	-	416	-	416
Net loss from continuing operations for the period	-	-	-	-	(5,786)	(5,786)
Balance, June 30, 2023	52,637,091	141,581	10,264	19,228	(136,277)	34,796

ANTIBE THERAPEUTICS INC.
Interim Consolidated Statements of Cash Flows
For the Three Months Ended June 30, 2023 and 2022
(Expressed in thousands of Canadian dollars)
(Unaudited)

	2023	2022
	\$	\$
OPERATING ACTIVITIES		
Net loss from continuing operations for the period	(5,786)	(5,601)
Income from discontinued operations <i>[note 3]</i>	-	70
Items not affecting cash:		
Stock-based compensation <i>[notes 7 and 11]</i>	416	743
Interest on capitalized lease payments	-	2
	(5,370)	(4,786)
Changes in non-cash balances:		
Other receivables	67	822
Inventory	-	108
Prepaid expenses	(927)	119
Accounts payable and accrued liabilities	1,646	(1,106)
Deferred tax liability	-	260
Net change in non-cash balances	786	203
Cash flows used in operating activities	(4,584)	(4,583)
INVESTING ACTIVITIES		
Purchase of term deposits	(10,109)	(11,640)
Redemption of term deposits	16,731	-
Cash flows provided by (used in) investing activities	6,622	(11,640)
FINANCING ACTIVITIES		
Lease payments	-	(39)
Cash flows used in financing activities	-	(39)
Net increase (decrease) in cash during the period	2,038	(16,262)
Cash and cash equivalents, beginning of the period	6,755	34,807
Cash and cash equivalents, end of the period	8,793	18,545

ANTIBE THERAPEUTICS INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended June 30, 2023 and 2022

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

(Unaudited)

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’s common shares (the “Common Shares”) trade on the Toronto Stock Exchange (“TSX”) under the symbol “ATE”, and on the OTCQX market under the symbol “ATBPF.”

The Company originates, develops and out-licenses new pharmaceuticals. Antibe’s lead compound, otenaproxesul (previously known as ATB-346), combines a moiety that releases 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 was also, through its wholly owned subsidiary, Citagenix Inc. (“Citagenix” or “CGX”), 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 and internationally via a network of distributors. On November 1, 2022, the Company completed the sale of Citagenix to HANSAmEd Limited (see note 3).

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

These unaudited condensed interim consolidated financial statements were authorized for issuance by the Board of Directors on August 11, 2023.

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 as at and for the year ended March 31, 2023. These unaudited condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 (“IAS 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 as at and for the year ended March 31, 2023, which are available on SEDAR. Several amendments apply for the first time in 2023, but do not have an impact on the unaudited condensed interim consolidated financial statements of the Company. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

(b) Consolidation –

These unaudited condensed interim consolidated financial statements reflect the accounts of the Company and its previously wholly owned subsidiary, Citagenix.

Prior to November 1, 2022, the Company operated as two operating segments: Antibe (research and development of new pharmaceuticals) and Citagenix (a seller of tissue regenerative products servicing the orthopaedic and dental marketplaces). On November 1, 2022, the Company closed the sale of Citagenix.

The results of the operations of Citagenix in the comparative period are recorded within income from discontinued operations in the interim consolidated statements of loss and comprehensive loss (note 3).

All intercompany balances and transactions have been eliminated on consolidation.

ANTIBE THERAPEUTICS INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three Months Ended June 30, 2023 and 2022

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

(Unaudited)

2. BASIS OF PRESENTATION (continued)

(c) Going concern –

The unaudited condensed interim consolidated financial statements have been prepared assuming that the Company will continue as a going concern. For the three months ended June 30, 2023, the Company incurred a net loss from continuing operations of \$5,786, had negative cash flows from operations of \$4,584 and an accumulated deficit of \$136,277.

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 licensing agreements of its lead compound, from proceeds from the exercise of stock options and common share purchase 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.

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.

(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 consolidated financial statements, and the reported amounts 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 the completeness of the accrual for research and clinical trial expenses, and accruals and inputs related to the calculation of stock-based compensation.

3. SALE OF CGX

On November 1, 2022, the Company completed the sale of its wholly owned subsidiary, CGX. The \$6,500 transaction involves a guaranteed \$3,500, and a further \$3,000 subject to Citagenix achieving sales milestones over the three-year period following closing. On February 15, 2023, the agreement was amended to include an additional \$1,000 of contingent consideration and a one-year extension, bringing the total consideration to \$7,500. The fair value of the contingent consideration was determined to be \$0 as of the date of the sale and \$0 as of June 30, 2023. The present value of the deferred consideration was determined to be \$2,255 as of the date of the sale and \$2,373 as of June 30, 2023, using a discount rate of 8%.

ANTIBE THERAPEUTICS INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the Three Months Ended June 30, 2023 and 2022**

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

(Unaudited)

3. SALE OF CGX (continued)

The results of Citigenix for the three months ended June 30, 2022 are included in the interim consolidated statements of loss and comprehensive loss as income from discontinued operations, and are presented below:

	2022
	\$
Revenue	3,143
Cost of goods sold	1,805
Gross profit	1,338
Expenses	1,008
Loss on sale of CGX	-
Income before tax from discontinued operations	330
Provision for income taxes	260
Income from discontinued operations	70

4. TERM DEPOSITS

As at June 30, 2023, the Company held investments of \$25,514 (March 31, 2023 – \$32,137) in four separate Canadian currency guaranteed investment certificates (“GICs”) having terms of nine and twelve months, and one USD currency GIC having a term of six months. Interest rates range from 4.85% to 5.90%.

5. OTHER RECEIVABLES

	June 30, 2023	March 31, 2023
	\$	\$
SR&ED	-	46
Deferred consideration receivable [note 3]	875	875
Interest receivable	318	508
Harmonized Sales Tax receivable	307	186
	1,500	1,615
Employee advances [note 6]	44	40
	1,544	1,655

6. RELATED PARTY TRANSACTIONS

On December 3, 2020, the Company completed the sale of 100% of the shares of its wholly owned subsidiary, BMT Medizintechnik GmbH, for cash consideration of €1 (one euro). Antibe has provided a loan to the purchaser in the amount of \$157 (€100 thousand) for working capital purposes. The purchaser has subsequently experienced financial difficulties, and as a result, on March 31, 2023, the Company decided to write off this loan.

Employee cash advances as at June 30, 2023, totalled \$44 (March 31, 2023 - \$40). Currently, the Company has one officer receiving cash advances.

ANTIBE THERAPEUTICS INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the Three Months Ended June 30, 2023 and 2022**

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

(Unaudited)

7. SHARE CAPITAL**(a) Stock options –**

The following is a summary of all options to purchase Common Shares that are outstanding as at June 30, 2023 and 2022, as well as details on exercise prices and expiry dates:

	Three months ended June 30, 2023		Three months ended June 30, 2022	
	Options	Weighted average price	Options	Weighted average price
		\$		\$
Balance, beginning of the period	1,430,112	1.83	1,274,435	2.93
Forfeited during the period	-	-	(20,000)	3.40
Balance, end of the period	1,430,112	1.83	1,254,435	2.04

Number of options	Exercise price	Expiry date
	\$	
15,000	5.50	October 21, 2023
66,000	0.68	January 11, 2024
80,500	6.60	March 4, 2024
20,000	0.91	November 15, 2024
36,000	1.40	July 13, 2025
156,272	1.45	March 9, 2026
687,000	2.00	March 31, 2027
15,152	4.95	April 11, 2028
4,188	4.00	May 8, 2028
10,000	2.90	March 11, 2029
340,000	0.48	November 15, 2032
1,430,112		

The number of options exercisable as at June 30, 2023, is 1,090,112 and the weighted average exercise price of these options is \$2.25.

The total fair value of options not yet recognized as an expense is \$106.

For the three months ended June 30, 2023, a total of \$22 (2022 - \$3) related to stock options has been included within stock-based compensation in the interim consolidated statements of loss and comprehensive loss.

ANTIBE THERAPEUTICS INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the Three Months Ended June 30, 2023 and 2022**

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

(Unaudited)

7. SHARE CAPITAL (continued)**(b) Restricted share unit plan –**

The following is a summary of all RSUs for Common Shares that are outstanding as at June 30, 2023 and 2022:

	Three months ended June 30, 2023	Three months ended June 30, 2022
	RSUs	RSUs
Balance, beginning of the period	3,537,265	2,438,445
Redeemed during the period	(19,999)	(20,000)
Balance, end of the period	3,517,266	2,418,445

Based on the share price on the date of granting, the total fair value of RSUs not yet recognized as an expense is \$896.

For the three months ended June 30, 2023, a total of \$394 (2022 - \$740) related to RSUs has been included within stock-based compensation in the interim consolidated statements of loss and comprehensive loss.

(c) Common share purchase warrants –

The following is a summary of all warrants to purchase Common Shares that are outstanding as at June 30, 2023 and 2022, as well as details on exercise prices and expiry dates:

	Three months ended June 30, 2023		Three months ended June 30, 2022	
	Warrants	Weighted average price	Warrants	Weighted average price
Balance, beginning of the period	6,485,706	\$ 4.76	7,389,166	6.31
Expired during the period	-	-	(499,810)	3.96
Balance, end of the period	6,485,706	4.76	6,889,356	4.83

Number of warrants	Exercise price	Expiry date
	\$	
3,121,956	1.80	December 31, 2023
3,363,750	7.50	February 24, 2024
6,485,706		

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 as the effect of their issuance would be anti-dilutive.

ANTIBE THERAPEUTICS INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the Three Months Ended June 30, 2023 and 2022**

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

(Unaudited)

9. RESEARCH AND DEVELOPMENT EXPENSES

The nature of the research and development expenses for the three months ended June 30, 2023 and 2022, is summarized as follows:

	2023	2022
	\$	\$
Salaries and wages	661	681
Professional and consulting fees	261	618
Research and clinical trial costs	2,645	2,529
Total research and development expenses	3,567	3,828

Non-refundable advance payments for goods and services that will be used or rendered in future research and development activities are recorded as a prepaid expense and recognized as an expense within “Research and development” in the period that the related goods are consumed or services are performed. As at June 30, 2023, \$1,612 (2022 – \$406) was recorded as a prepaid expense.

10. GENERAL AND ADMINISTRATIVE EXPENSES

The nature of the general and administrative expenses for the three months ended June 30, 2023 and 2022, is summarized as follows:

	2023	2022
	\$	\$
Salaries and wages	407	343
Professional and consulting fees	1,602	637
Office expenses	87	86
Other expenses	54	65
Total general and administrative expenses	2,150	1,131

11. STOCK-BASED COMPENSATION

The function of the stock-based compensation expense for the three months ended June 30, 2023 and 2022, is summarized as follows:

	2023	2022
	\$	\$
General and administrative	241	478
Research and development	175	265
Total stock-based compensation	416	743

ANTIBE THERAPEUTICS INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the Three Months Ended June 30, 2023 and 2022**

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

(Unaudited)

12. SELLING AND MARKETING EXPENSES

The nature of the selling and marketing expenses for the three months ended June 30, 2023 and 2022, is summarized as follows:

	2023	2022
	\$	\$
Advertising and promotion	10	52
Travel and entertainment	137	42
Total selling and marketing expenses	147	94

13. FINANCE INCOME AND RELATED COSTS (INCOME)

The components of the finance and related costs (income) for the three months ended June 30, 2023 and 2022, are as follows:

	2023	2022
	\$	\$
Interest and bank charges	2	2
Foreign currency transactions	(12)	24
Finance income	(484)	(221)
Total finance income and related costs	(494)	(195)

14. 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. 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 deficit, which, for the three months ended June 30, 2023, totalled \$34,796 (March 31, 2023 – \$40,166). The Company is not subject to externally imposed capital requirements.

15. 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 other receivables and the excess of cash held in one financial institution over the deposit insurance limit set by the Canadian Deposit Insurance Corporation.

ANTIBE THERAPEUTICS INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the Three Months Ended June 30, 2023 and 2022**

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

(Unaudited)

15. FINANCIAL RISK MANAGEMENT (continued)**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 (note 2(c)).

As at June 30, 2023, 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	4,410	-	-	4,410

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. The Company is not currently incurring any debt and is, therefore, not exposed to changes in interest rates.

16. COMMITMENTS AND CONTINGENCIES

On February 9, 2021, Antibe entered into an exclusive licensing agreement with Nuance Pharma (Shanghai) Co. Ltd. ("Nuance") for the development and commercialization of otenaproxesul in the Greater China region. The license provides Nuance with exclusive rights to commercialize otenaproxesul in China, Hong Kong, Macau, and Taiwan.

The Company received notice of arbitral proceedings from Nuance relating to this license agreement, on January 21, 2022. Pursuant to the license agreement, Nuance is obligated to make up to US\$80 million in payments to Antibe upon certain development and sales milestones, in addition to an upfront payment of US\$20 million, which has been paid. Nuance seeks to have the license rescinded and the upfront payment returned, alleging that Antibe failed to adequately share information concerning the risks of transaminase elevations related to otenaproxesul. The Company considers Nuance's claims are unlikely to succeed. Management has determined that the occurrence of a loss is not probable and therefore there is no accrual in the consolidated financial statements as at June 30, 2023 and March 31, 2023. The Company has engaged counsel to assist it with the arbitration proceedings, which have been brought under the Arbitration Rules of the Singapore International Arbitration Centre. Arbitration proceedings were held in May 2023 and a decision is pending.
