

ANTIBE THERAPEUTICS INC.
Condensed Interim Consolidated Financial Statements
For the Three and Six Months ended September 30, 2017 and 2016
(Expressed in Canadian Dollars)
(Unaudited)

ANTIBE THERAPEUTICS INC.
Interim Consolidated Statements of Financial Position
As at September 30, 2017 and March 31, 2017
(Expressed in Canadian Dollars)
(Unaudited)

	September 30, 2017	March 31, 2017
	\$	\$
ASSETS		
Current		
Cash	2,648,432	1,501,959
Restricted cash [note 8]	545,000	545,000
Term deposits [note 6]	25,000	25,000
Accounts receivable, net of allowance for doubtful accounts [note 4]	1,150,581	1,045,003
Inventory	2,929,561	2,752,996
Income taxes recoverable	2,504	18,862
Prepaid expenses	181,716	197,027
Due from Antibe Holdings Inc. [note 7]	154,388	137,557
Total current assets	7,637,182	6,223,404
Non-current		
Property and equipment	133,254	75,294
Deposits	18,453	18,453
Intangible assets [note 5]	2,952,092	3,125,325
Goodwill	1,283,221	1,283,221
Total non-current assets	4,387,020	4,502,293
TOTAL ASSETS	12,024,202	10,725,697
LIABILITIES		
Current		
Bank indebtedness [note 6]	1,691,241	1,152,264
Accounts payable and accrued liabilities	1,577,953	1,994,792
Total current liabilities	3,269,194	3,147,056
Non-current liabilities		
Deferred revenue [note 12]	1,083,540	1,083,540
Convertible debentures [note 8]	2,842,018	2,631,818
Deferred income taxes	19,351	309,854
Total non-current liabilities	3,944,909	4,025,212
TOTAL LIABILITIES	7,214,103	7,172,268
SHAREHOLDERS' EQUITY		
SHARE CAPITAL [note 9]	17,937,330	15,517,895
COMMON SHARE PURCHASE WARRANTS [note 9]	5,222,296	3,728,024
CONTRIBUTED SURPLUS [note 9]	5,135,384	4,364,112
ACCUMULATED OTHER COMPREHENSIVE INCOME	21,280	29,083
DEFICIT	(23,506,191)	(20,085,685)
TOTAL SHAREHOLDERS' EQUITY	4,810,099	3,553,429
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	12,024,202	10,725,697

Commitments and contingencies [note 21]

(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, 2017 and 2016
(Expressed in Canadian Dollars)
(Unaudited)

	Three months ended September 30, 2017	Three months ended September 30, 2016 [Note 3]	Six months ended September 30, 2017	Six months ended September 30, 2016 [Note 3]
	\$	\$	\$	\$
REVENUE				
Product sales	1,795,366	2,187,083	4,066,411	4,817,455
COST OF SALES	1,135,788	1,281,169	2,436,622	2,753,082
GROSS PROFIT	659,578	905,914	1,629,789	2,064,373
General and administrative <i>[note 13]</i>	620,113	854,876	1,516,668	1,902,172
Selling and marketing <i>[note 14]</i>	1,016,856	586,932	1,756,282	1,262,069
Research and development <i>[note 15]</i>	464,915	231,763	1,088,973	334,222
Stock-based compensation <i>[note 16]</i>	202,360	124,163	479,523	298,795
Amortization and depreciation <i>[note 5]</i>	91,783	85,306	182,760	169,701
Total expenses	2,396,027	1,883,040	5,024,206	3,966,959
LOSS FROM OPERATIONS	(1,736,449)	(977,126)	(3,394,417)	(1,902,586)
Finance and related costs <i>[note 17]</i>	132,257	223,567	295,391	450,047
Finance income	(5,398)	(1,368)	(7,081)	(1,741)
LOSS BEFORE INCOME TAXES	(1,863,308)	(1,199,325)	(3,682,727)	(2,350,892)
EXPENSE (RECOVERY) OF INCOME TAXES				
Current	-	-	25,469	(43,164)
Deferred	(175,545)	(75,439)	(287,690)	(105,145)
Total expense (recovery) of income taxes	(175,545)	(75,439)	(262,221)	(148,309)
NET LOSS	(1,687,763)	(1,123,886)	(3,420,506)	(2,202,583)
CHANGES IN OTHER COMPREHENSIVE INCOME				
Exchange differences on translation of foreign operations	(3,025)	413	(7,803)	2,180
COMPREHENSIVE LOSS	(1,690,788)	(1,123,473)	(3,428,309)	(2,200,403)
Basic loss per share <i>[note 10]</i>	(0.01)	(0.01)	(0.02)	(0.03)
Basic weighted average number of shares outstanding <i>[note 10]</i>	157,896,661	93,279,441	137,403,669	87,325,342

ANTIBE THERAPEUTICS INC.
Interim Consolidated Statements of Changes in Shareholders' Equity
For the Six Months Ended September 30, 2017 and 2016

(Expressed in Canadian Dollars)

(Unaudited)

	Number of common shares	Share capital \$	Common share purchase warrants \$	Contributed surplus \$	Accumulated other comprehensive income \$	Deficit \$	Total shareholders' equity \$
Balance, March 31, 2016	78,640,115	13,112,541	2,082,995	3,096,208	22,172	(13,606,293)	4,707,623
Shares issued	14,550,000	982,057	472,943	-	-	-	1,455,000
Share issuance costs	-	(145,113)	-	68,150	-	-	(76,963)
Shares issued for exercised warrants	228,500	54,072	(18,293)	(2,304)	-	-	33,475
Stock-based compensation	-	-	-	298,795	-	-	298,795
Net loss for the period	-	-	-	-	-	(2,202,583)	(2,202,583)
Exchange differences on translation of foreign operations	-	-	-	-	2,180	-	2,180
Balance, September 30, 2016	93,418,615	14,003,557	2,537,645	3,460,849	24,352	(15,808,876)	4,217,527
Balance, March 31, 2017	113,018,314	15,517,895	3,728,024	4,364,112	29,083	(20,085,685)	3,553,429
Shares issued	49,828,999	3,066,824	1,916,076	-	-	-	4,982,900
Share issuance costs	-	(676,669)	(421,804)	309,029	-	-	(789,444)
Shares issued for exercised warrants	120,000	29,280	-	(17,280)	-	-	12,000
Stock-based compensation	-	-	-	479,523	-	-	479,523
Net loss for the period	-	-	-	-	-	(3,420,506)	(3,420,506)
Exchange differences on translation of foreign operations	-	-	-	-	(7,803)	-	(7,803)
Balance, September 30, 2017	162,967,313	17,937,330	5,222,296	5,135,384	21,280	(23,506,191)	4,810,099

ANTIBE THERAPEUTICS INC.
Interim Consolidated Statements of Cash Flows
For the Three and Six Months Ended September 30, 2017 and 2016

(Expressed in Canadian Dollars)

(Unaudited)

	Three months ended September 30, 2017	Three months ended September 30, 2016	Six months ended September 30, 2017	Six months ended September 30, 2016
	\$	\$	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss	(1,687,763)	(1,123,886)	(3,420,506)	(2,202,583)
Items not affecting cash:				
Stock-based compensation [note 16]	202,360	124,163	479,523	298,795
Accretion interest [notes 8 and 17]	93,094	74,684	180,180	144,712
Amortization of transaction costs [note 8]	15,092	13,224	30,020	30,020
Depreciation of property and equipment	4,743	5,168	9,527	9,651
Amortization of intangible assets [note 5]	87,040	80,138	173,233	160,050
Amortization of deferred finance charges	-	3,736	-	3,736
Interest paid-in-kind [note 8]	-	79,521	-	157,109
	(1,285,434)	(743,252)	(2,548,023)	(1,398,510)
Changes in non-cash working capital:				
Accounts receivable [note 4]	(43,979)	149,004	(105,578)	22,687
Inventory	(29,211)	51,236	(176,565)	(253,673)
Prepaid expenses	(56,255)	(23,976)	15,311	15,937
Income taxes recoverable	-	1,783	16,358	1,572
Deferred income tax	(176,636)	(75,581)	(290,503)	(103,604)
Accounts payable and accrued liabilities	(540,789)	(358,696)	(416,839)	209,974
	(846,870)	(256,230)	(957,816)	(107,107)
Cash flows used in operating activities	(2,132,304)	(999,482)	(3,505,839)	(1,505,617)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of equipment	(67,487)	(2,313)	(67,487)	(5,294)
Cash flows used in investing activities	(67,487)	(2,313)	(67,487)	(5,294)
CASH FLOWS FROM FINANCING ACTIVITIES				
Advances to Antibe Holdings Inc. [notes 7 and 21]	(98)	(6,687)	(16,831)	140,628
Repayment of long-term liabilities	-	(33,213)	-	(66,033)
Net increase to bank indebtedness [note 6]	407,416	419,814	538,977	143,717
Issuances:				
Gross proceeds from shares and warrant issuance [note 9]	933,000	-	4,982,900	1,455,000
Proceeds from warrants [note 9]	-	33,475	12,000	33,475
Issuance costs [note 9]	(191,445)	-	(789,444)	(76,963)
Deferred expenses	-	(1,955)	-	(3,887)
Cash flows provided by financing activities	1,148,873	411,434	4,727,602	1,625,937
Net increase (decrease) in cash during the period	(1,050,918)	(590,361)	1,154,276	115,026
Exchange gain (loss) on translation of foreign subsidiary	(3,025)	413	(7,803)	2,180
Cash, beginning of the period	3,702,375	1,093,218	1,501,959	386,064
Cash, end of the period	2,648,432	503,270	2,648,432	503,270

ANTIBE THERAPEUTICS INC.

Notes to Condensed Interim Consolidated Financial Statements For the three and six months ended September 30, 2017 and 2016 (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 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.

The Company originates, develops and out-licenses patent-protected new pharmaceuticals that are improved versions of existing drugs. Antibe’s lead compound, ATB-346, combines hydrogen sulfide with naproxen, an approved, marketed and off-patent non-steroidal anti-inflammatory drug (“NSAID”). The Company’s main objective is to develop ATB-346 to the end of Phase II 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 that it has access to while not losing sight of its main objective.

The Company is also, through its wholly owned subsidiary, Citagenix Inc. (“Citagenix”), a leader in the promotion of tissue regenerative products servicing the orthopaedic and dental marketplaces. Citagenix has grown a comprehensive portfolio of branded biologics and medical devices that promote bone regeneration. Citagenix operates in Canada and the US through its direct sales force and in 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 9.2 % of the Company’s common shares are held by Antibe Holdings Inc. (“AHI”) as at September 30, 2017.

These condensed interim consolidated financial statements were authorized for issuance by the Board of Directors on November 27, 2017.

2. BASIS OF PRESENTATION

(a) Statement of compliance -

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 – *Interim Financial Reporting*. According these 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, 2017, which are available on SEDAR.

(b) Consolidation -

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

	Percentage <u>ownership</u>
Antibe Terapiya Rus LLP (“Tera”)	100%
Citagenix	100%
BMT Medizintechnik GmbH (“BMT”)	100%

ANTIBE THERAPEUTICS INC.

Notes to Condensed Interim Consolidated Financial Statements For the three and six months ended September 30, 2017 and 2016 (Unaudited)

2. BASIS OF PRESENTATION (continued)

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 condensed interim consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As at September 30, 2017, excluding restricted cash, the Company had working capital of \$3,822,988 (March 31, 2017 - \$2,531,348), incurred a net loss for the six months of \$3,420,506 (2016 - \$2,202,583), and had negative cash flows from operations for the six months of \$3,505,839 (2016 - \$1,505,617).

All of the factors above may cast significant doubt about the Company's ability to continue as a going concern. 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.

If the going concern assumption was not appropriate for these 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 condensed interim consolidated financial statements do not include adjustments that would be necessary if the going concern assumption was not appropriate.

(d) Use of estimates -

The preparation of 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, at the date of the condensed interim consolidated financial statements, and the reported amount of expenses during the period. Actual results may vary from the current estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the period in which such adjustments become known. Significant estimates in these condensed interim consolidated financial statements include determination of eligible expenditures for investment tax credit ("ITC") purposes, allowance for doubtful accounts, inventory obsolescence, warranty provision, useful life of equipment, property and intangible assets, valuation of deferred income taxes, impairment of goodwill, valuation of equity component of convertible debentures, warranty accrual, and inputs related to the calculation of fair value of stock-based compensation and warrants.

(e) Comparative Figures

Certain reclassification of 2016 amounts have been made to facilitate comparison with the current year.

ANTIBE THERAPEUTICS INC.

Notes to Condensed Interim Consolidated Financial Statements
For the three and six months ended September 30, 2017 and 2016
(Unaudited)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 and Tera 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 retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated 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 subsidiaries 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 unified 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 income.

Future changes in significant accounting policies -

At the date of approval of these condensed interim consolidated financial statements, the following standards and interpretations, which may be applicable to the Company, but have not yet been applied in these condensed interim consolidated financial statements, were in issue but not yet effective:

(i) Financial Instruments -

IFRS 9, *Financial Instruments* ("IFRS 9"), was issued in 2010 and is to replace Accounting Standard 39, *Financial Instruments: Recognition and Measurement* ("IAS 39").

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. In addition, under IFRS 9, the same impairment model is applied to all financial instruments that are subject to impairment accounting. The current impairment model is replaced with an expected credit loss model, which means that a loss event will no longer need to occur before an impairment allowance is recognized. IFRS 9 is effective for annual periods beginning on or after January 1, 2018.

Management is currently evaluating the impact of IFRS 9 on its condensed interim consolidated financial statements.

(ii) Revenue -

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15"), was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018.

Management is in the process of assessing a sample of contracts to evaluate any potential impacts of IFRS 15.

ANTIBE THERAPEUTICS INC.**Notes to Condensed Interim Consolidated Financial Statements**
For the three and six months ended September 30, 2017 and 2016
(Unaudited)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***(iii) Leases -**

In January 2016, the IASB issued IFRS 16, *Leases* (“IFRS 16”), its new leases standard that requires lessees to recognize assets and liabilities for most leases on their balance sheets. Lessees applying IFRS 16 will have a single accounting model for all leases, with certain exemptions. The new standard will be effective for annual periods beginning on or after January 1, 2019, with limited early application permitted.

Management is currently evaluating the impact of IFRS 16 on its condensed interim consolidated financial statements.

Restatement of prior year consolidated financial statements –

The Company restated its September 30, 2016 interim consolidated financial statements in order to correct for deferred taxes associated with the Citagenix acquisition. Previously, the losses recognized to offset the deferred tax liability associated with the fair value of the intangible assets were related to the parent company and, accordingly, erroneously recorded as of September 30, 2016.

The effects of the adjustments to the consolidated financial statements are an increase in deferred tax recovery for the six months ended September 30, 2016 of \$66,254, an increase in deferred tax liability of \$105,145 and a decrease in deferred tax assets of \$94,277. The adjustments had no effect on the previously reported amounts of net cash flows from operating activities, investing activities or financing activities.

4. ACCOUNTS RECEIVABLE

	September 30, 2017	March 31, 2017
	\$	\$
Trade receivables	997,753	983,256
Value-added taxes receivable	1,602	2,329
Harmonized sales taxes receivable	135,584	39,287
Allowance for doubtful accounts	(590)	(569)
	1,134,349	1,024,303
Employee advances	16,232	20,700
	1,150,581	1,045,003

ANTIBE THERAPEUTICS INC.**Notes to Condensed Interim Consolidated Financial Statements
For the three and six months ended September 30, 2017 and 2016
(Unaudited)****5. INTANGIBLE ASSETS**

Intangible assets consist of the following:

	Trademarks and Brands	License	Customer List	Patents	Total
	\$	\$	\$	\$	\$
Cost					
As at March 31, 2017	3,094,018	316,810	177,080	18,872	3,606,780
Additions	-	-	-	-	-
As at September 30, 2017	<u>3,094,018</u>	<u>316,810</u>	<u>177,080</u>	<u>18,872</u>	<u>3,606,780</u>
Amortization					
As at March 31, 2017	451,812	-	17,708	11,935	481,455
Charge for the period	155,125	-	17,708	400	173,233
As at September 30, 2017	<u>606,937</u>	<u>-</u>	<u>35,416</u>	<u>12,335</u>	<u>654,688</u>
Carrying amount					
As at March 31, 2017	<u>2,642,206</u>	<u>316,810</u>	<u>159,372</u>	<u>6,937</u>	<u>3,125,325</u>
As at September 30, 2017	<u>2,487,081</u>	<u>316,810</u>	<u>141,664</u>	<u>6,537</u>	<u>2,952,092</u>

The term of the license agreement is 10 years from the date of the first commercial sale of the licensed product. As at September 30, 2017, there were no commercial sales of the licensed products. As such, no amortization is recognized in the current period related to this license.

6. BANK INDEBTEDNESS

The Company has an operating line of credit with a Canadian Chartered Bank (the "Bank") to a maximum of \$2,000,000. The outstanding line of credit balance is due on demand and bears interest at the Bank's prime lending rate plus 0.50% per annum. The following have been provided as security:

1. A moveable hypothec in the amount of \$10,000,000 covering the Company's present and future claims and universality of the Company's present and future property and assets with all risk of insurance and with losses payable to the Bank; and
2. Assignment of inventory, in virtue of Section 427 of the *Bank Act*.

The line of credit is subject to certain financial tests and covenants measured based on the Company's non-consolidated year-end financial statements. As at September 30, 2017, the Company was not in compliance with one of the covenants, which according to the terms of its agreement with the Bank it is obliged to meet by the year ended March 31, 2018.

As at September 30, 2017, \$1,691,241 was outstanding on the operating line of credit.

On October 26, 2016, the Company renewed its credit facility agreement with the Bank (the Company is negotiating an extension of the facility) under the following terms and conditions:

Credit facility A - An operating line of credit to a maximum of \$2,000,000. Amounts outstanding under the line are due on demand and bear interest at the Bank's prime lending rate plus 0.50% per annum.

ANTIBE THERAPEUTICS INC.

Notes to Condensed Interim Consolidated Financial Statements For the three and six months ended September 30, 2017 and 2016 (Unaudited)

6. BANK INDEBTEDNESS (continued)

Credit facility C - Foreign exchange contracts to a maximum of USD\$750,000. The outstanding draws under facility C are due on demand and bear interest in accordance with the Bank's pricing schedule at the time of the withdrawal.

Credit facility D - An operating line of credit to a maximum of \$225,000 for the purpose of financing the advances to BMT. Amounts outstanding under this line of credit are due on demand and bear interest at the Bank's prime lending rate plus 0.50% per annum.

Credit facility E - Operating Visa Business credit cards to a maximum of \$100,000 due on demand. Interest rates applicable to facility E are in accordance with the terms and conditions governing the issue of the Visa Business credit cards.

Facilities A, C and E have the following security:

1. A first ranking moveable hypothec in the amount of \$10,000,000 covering the Company's present and future claims and universality of the Company's present and future property and assets with all risk of insurance and with losses payable to the Bank; and
2. Assignment of inventory, in virtue of Section 427 of the *Bank Act*.

Facility D is secured by a second ranking moveable hypothec in the amount of \$300,000 covering the Company's present and future claims and universality of the Company's present and future property and assets with all risk of insurance and with losses payable to the Bank.

The Company holds a corporate credit card facility with a \$25,000 limit and the Bank holds \$25,000 of term deposits in-trust as collateral. This amount is presented as term deposits on the interim consolidated statements of financial position. The Company will continue its practice of paying all outstanding balances on the corporate credit card in full monthly.

7. RELATED PARTY TRANSACTIONS

On June 29, 2016, with the enrolment of the first patient in a Phase II clinical trial, the Company triggered a milestone payment of \$150,000 to AHI as detailed in a licensing agreement between the two companies dated December 22, 2009. See note 21 for details of the license agreement and potential future commitments.

As part of the prospectus offering during the six months to September 30, one director of the Company purchased 1,000,000 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"). The Company has relied on the exemptions contained in sections 5.5(a) and 5.7(1)(a) of MI 61-101 from the valuation and minority shareholder approval requirements in MI 61-101 in respect of the directors' participation in the Offering, since neither the fair market value of the subject matter of, nor the fair market value of the consideration for, the director's investment exceeds 25% of the Company's market capitalization.

During the three and six months ended September 30, 2017, the Company advanced \$98 and \$16,831, respectively, to AHI (during the three and six months ended September 30, 2016 - \$6,687 and \$9,373). As at September 30, 2017, \$154,388 (March 31, 2017 - \$137,557) was receivable. This balance bears no interest, is payable on demand and is unsecured.

ANTIBE THERAPEUTICS INC.**Notes to Condensed Interim Consolidated Financial Statements
For the three and six months ended September 30, 2017 and 2016
(Unaudited)****8. CONVERTIBLE DEBENTURES**

The following is a summary of the private placements of senior secured convertible debentures:

Date	Private placement	Gross proceeds	Interest rate per annum	Debenture conversion price per share	Debenture maturity date	Warrants	Warrant exercise price	Warrant expiry date
		\$		\$			\$	
October 15, 2015	CDC1a	1,800,000	10%	0.22	October 15, 2018	3,600,000	0.31	October 15, 2018
November 13, 2015	CDC1b	800,000	10%	0.22	October 15, 2018	1,600,000	0.31	October 15, 2018
December 23, 2015	CDC2a	450,000	10%	0.22	October 15, 2018	900,000	0.31	October 15, 2018

CDC1a, CDC1b and CDC2a debentures are all secured by a first priority security interest over all assets of Antibe other than the shares of Citagenix.

CDC1a, CDC1b and CDC2a warrants are exercisable for one common share of the Company.

In connection with CDC2a, a brokered private placement, the Company issued the following broker warrants to agents:

Date	Private placement	Broker warrants	Broker warrant exercise price	Broker warrant expiry date
			\$	
December 23, 2015	CDC2a	143,182	0.22	December 23, 2017

The Debenture agreements provide that the Company may, at its sole option, elect to pay, in kind, certain interest payments. The following is a summary of all payment in-kind elections:

Date interest due	Aggregate interest payment added to principal amount	Debenture conversion price per share	Additional shares issuable upon conversion
	\$	\$	
January 15, 2016	62,014	0.22	281,882
April 15, 2016	77,587	0.22	352,669
July 15, 2016	79,522	0.22	361,462
October 15, 2016	82,400	0.22	374,545

ANTIBE THERAPEUTICS INC.**Notes to Condensed Interim Consolidated Financial Statements**
For the three and six months ended September 30, 2017 and 2016
*(Unaudited)***8. CONVERTIBLE DEBENTURES** *(continued)*

The following is a continuity of the convertible debentures:

	Six months ended	Year ended
	September 30, 2017	March 31, 2017
	\$	\$
Balance, beginning of the period	2,631,818	2,027,295
Interest paid-in-kind	-	239,509
Accretion	180,180	305,138
Amortization of issue costs	30,020	59,876
Balance, end of the period	2,842,018	2,631,818

Of the total amount of the cash proceeds received on the issuance of convertible debentures, \$545,000 is designated as restricted cash and held as additional security for one of the convertible debenture holders pending the achievement of certain milestones.

9. SHARE CAPITAL**(a) Authorized**

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

(b) Common shares

	Six months ended		Year ended	
	September 30, 2017		March 31, 2017	
	Shares	Amount	Shares	Amount
		\$		\$
Balance, beginning of the period	113,018,314	15,517,895	78,640,115	13,112,541
Private placement ("PP4a")	-	-	9,685,000	968,500
Private placement ("PP4b")	-	-	4,865,000	486,500
Private placement ("PP5a")	-	-	16,178,299	2,426,745
Private placement ("PP5b")	-	-	1,985,000	297,750
Prospectus ("P2017a")	40,498,999	4,049,900	-	-
Prospectus ("P2017b")	9,330,000	933,000	-	-
Return of territory rights	-	-	240,000	45,600
Warrants exercised	120,000	29,280	1,424,900	338,508
Fair value of warrants issued (PP4a, PP4b)	-	-	-	(472,943)
Fair value of warrants issued (PP5a, PP5b)	-	-	-	(1,230,416)
Fair value of warrants issued (P2017a, P2017b)	-	(1,916,076)	-	-
Share issuance costs (PP4a, PP4b)	-	-	-	(145,113)
Share issuance costs (PP5a, PP5b)	-	-	-	(309,777)
Share issuance costs (P2017a, P2017b)	-	(676,669)	-	-
Balance, end of the period	162,967,313	17,937,330	113,018,314	15,517,895

ANTIBE THERAPEUTICS INC.**Notes to Condensed Interim Consolidated Financial Statements
For the three and six months ended September 30, 2017 and 2016
(Unaudited)****9. SHARE CAPITAL (continued)**

The following provides additional information on the private placements and prospectus raise completed during the year ended March 31, 2017, and the six months ended September 30, 2017:

Closing date	Private placement / prospectus	Number of units ¹ / shares issued	Number of warrants issued	Price per unit	Gross proceeds ²	Warrant exercise price	Warrant expiry date
				\$	\$	\$	
Jun 10, 2016	PP4a	9,685,000	4,842,500	0.10	968,500	0.15	Jun 10, 2018
Jun 20, 2016	PP4b	4,865,000	2,432,500	0.10	486,500	0.15	Jun 20, 2018
Dec 15, 2016	PP5a	16,178,299	8,089,154	0.15	2,426,745	0.22	Dec 15, 2018
Dec 21, 2016	PP5b	1,985,000	992,500	0.15	297,750	0.22	Dec 21, 2018
Mar 27, 2017	Return of territory rights ³	240,000	120,000	-	-	0.22	Mar 27, 2019
Jun 21, 2017	P2017a	40,498,999	20,249,499	0.10	4,049,900	0.15	Jun 21, 2020
Aug 18, 2017	P2017b	9,330,000	4,665,000	0.10	933,000	0.15	Jun 21, 2020

¹Each 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.

²Gross 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”).

³In connection with Antibe’s regional licensing deal with Laboratoires Acbel SA, Antibe issued common shares and common share purchase warrants to Knight Therapeutics Inc. (“Knight”) in exchange for the return of the ATB-346 territory rights to Romania (previously granted to Knight in November 2015). Each whole warrant entitles Knight to purchase one common share.

With respect to the private placements and prospectus raise completed during the year ended March 31, 2017, and the six months ended September 30, 2017, the Company issued the following warrants to brokers and finders:

Closing date	Private placement / prospectus	Number of broker / finder warrants issued	Total issuance costs	Non-cash cost from issuance of warrants to brokers / finders	Broker / finder warrant exercise price	Broker / finder warrant expiry date
			\$	\$	\$	
June 10, 2016	PP4a	318,000			0.15	June 10, 2018
June 20, 2016	PP4b	378,880	145,113	68,150	0.15	June 20, 2018
December 15, 2016	PP5a	1,145,088			0.15	June 15, 2018
December 21, 2016	PP5b	165,150	309,777	121,103	0.15	June 21, 2018
June 21, 2017	P2017a	2,834,930		309,029	0.10	June 21, 2019
August 18, 2017	P2017b	653,101	1,098,473		0.10	June 21, 2019

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 Condensed Interim Consolidated Financial Statements
For the three and six months ended September 30, 2017 and 2016
(Unaudited)****9. SHARE CAPITAL (continued)**

The following is a summary of all warrants exercised during the year ended March 31, 2017, and the six months ended September 30, 2017:

Date of exercise	Number of warrants exercised	Type of warrant	Number of common shares issued	Gross proceeds	Exercise price
				\$	\$
August 12, 2016	37,500	PP3a Investor	37,500	5,625	0.15
August 12, 2016	16,000	PP3b Finder	16,000	1,600	0.10
August 26, 2016	150,000	PP3a Investor	150,000	22,500	0.15
September 7, 2016	25,000	PP3a Investor	25,000	3,750	0.15
October 31, 2016	100,000	PP3a Investor	100,000	15,000	0.15
January 26, 2017	8,000	PP4a Investor	8,000	1,200	0.15
February 3, 2017	100,000	PP3a Finder	100,000	10,000	0.10
February 3, 2017	200,000	PP3b Investor	200,000	30,000	0.15
February 17, 2017	300,000	PP3b Investor	300,000	45,000	0.15
February 23, 2017	16,000	PP4a Finder	16,000	2,400	0.15
February 24, 2017	50,000	PP4a Investor	50,000	7,500	0.15
March 2, 2017	16,000	PP3b Finder	16,000	1,600	0.10
March 13, 2017	60,000	PP4a Finder	60,000	9,000	0.15
March 22, 2017	120,000	PP3a Finder	120,000	12,000	0.10
March 24, 2017	130,400	PP3a Finder	130,400	13,040	0.10
March 27, 2017	96,000	PP3b Finder	96,000	9,600	0.10
April 7, 2017	80,000	PP3b Finder	80,000	8,000	0.10
April 13, 2017	40,000	PP3a Finder	40,000	4,000	0.10

(c) Stock options

The Company has established a stock option plan that provides a limited issuance of options, capped at 22,337,983 common shares. The plan is to encourage ownership of common shares by directors, senior officers and consultants of the Company. The fair value of the options is measured as of the grant date, using the BSM, and is recognized over the vesting period. The fair value is recognized as an expense or netted against share capital in relation to share or debt issuance with a corresponding increase in contributed surplus. The amount recognized as expense is adjusted to reflect the number of share options expected to vest.

Option pricing models require the input of highly subjective assumptions, particularly as to the expected price volatility of the stock and the expected life of the option. Changes in the subjective input assumptions can materially affect the fair value estimate. There is no cash cost to the Company related to these options.

ANTIBE THERAPEUTICS INC.

Notes to Condensed Interim Consolidated Financial Statements
For the three and six months ended September 30, 2017 and 2016
(Unaudited)

9. SHARE CAPITAL *(continued)*

The following is a summary of all options to purchase common shares that are outstanding as at September 30, 2017, as well as details on exercise prices and expiry dates:

	Six months ended September 30, 2017		Year ended March 31, 2017	
	Options	Weighted average exercise price	Options	Weighted average exercise price
		\$		\$
Balance, beginning of the period	21,134,000	0.25	11,449,000	0.29
Granted during the period	-	-	9,712,000	0.20
Forfeited during the period	(21,000)	0.19	(27,000)	0.34
Balance, end of the period	21,113,000	0.25	21,134,000	0.25

Number of options	Exercise price	Expiry date
	\$	
24,000	0.52	October 31, 2017
300,000	0.24	May 5, 2018
12,000	0.17	November 17, 2018
12,000	0.15	March 9, 2019
12,000	0.13	June 10, 2019
12,000	0.23	September 6, 2019
24,000	0.19	January 18, 2020
2,700,000	0.33	January 25, 2020
18,000	0.20	March 31, 2020
150,000	0.55	October 22, 2023
805,000	0.66	March 4, 2024
75,000	0.54	May 9, 2024
610,000	0.14	July 13, 2025
6,731,000	0.15	March 9, 2026
150,000	0.19	January 18, 2027
9,478,000	0.20	March 31, 2027
21,113,000		

The number of options exercisable as at September 30, 2017 is 11,699,954 and the weighted average exercise price of these options is \$0.24.

ANTIBE THERAPEUTICS INC.**Notes to Condensed Interim Consolidated Financial Statements**
For the three and six months ended September 30, 2017 and 2016
*(Unaudited)*9. SHARE CAPITAL *(continued)*

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

	Three months ended September 30, 2017	Three months ended September 30, 2016	Six months ended September 30, 2017	Six months ended September 30, 2016
Risk-free interest rate	N/A	0.57%	N/A	0.53% - 0.57%
Expected volatility	N/A	170%	N/A	169% - 170%
Expected dividend yield	N/A	0.00%	N/A	0.00%
Expected life of options	N/A	3 years	N/A	3 years
Share price	N/A	\$0.19	N/A	\$0.13 - \$0.19
Exercise price	N/A	\$0.23	N/A	\$0.13 - \$0.23

(d) Common share purchase warrants

As stated in note 9(b), the following warrants were granted during the year ended March 31, 2017, and the six months ended September 30, 2017:

Closing date	Private placement / prospectus	Number of broker / finder warrants issued	Non-cash cost from issuance of warrants to brokers / finders	Broker / finder warrant exercise price	Broker / finder warrant expiry date
			\$	\$	
June 10, 2016	PP4a	318,000	31,094	0.15	June 10, 2018
June 20, 2016	PP4b	378,880	37,056	0.15	June 20, 2018
December 15, 2016	PP5a	1,145,088	106,891	0.15	June 15, 2018
December 21, 2016	PP5b	165,150	14,212	0.15	June 21, 2018
June 21, 2017	P2017a	2,834,930	255,200	0.10	June 21, 2019
August 18, 2017	P2017b	653,101	53,830	0.10	June 21, 2019

The estimated fair value of the warrants was calculated using the BSM and was offset against share capital and common share purchase warrants as share issuance costs. The assumptions used for the BSM are summarized at the end of this note.

ANTIBE THERAPEUTICS INC.
Notes to Condensed Interim Consolidated Financial Statements
For the three and six months ended September 30, 2017 and 2016
(Unaudited)
9. SHARE CAPITAL (continued)

The following is a summary of all warrants to purchase common shares that are outstanding as at September 30, 2017, as well as details on exercise prices and expiry dates:

	Six months ended September 30, 2017		Year ended March 31, 2017	
	Warrants	Weighted average exercise price	Warrants	Weighted average exercise price
		\$		\$
Balance, beginning of the period	31,948,454	0.23	16,213,362	0.31
Granted during the period	28,402,530	0.14	18,483,772	0.18
Exercised	(120,000)	0.10	(1,424,900)	0.13
Expired	-	-	(1,323,780)	0.77
Balance, end of the period	60,230,984	0.19	31,948,454	0.23

	Exercise price	Expiry date
	\$	
787,500	0.67	December 1, 2017
143,182	0.22	December 23, 2017
3,552,500	0.15	April 1, 2018
1,820,000	0.15	April 9, 2018
5,026,500	0.15	June 10, 2018
1,145,088	0.15	June 15, 2018
2,811,380	0.15	June 20, 2018
165,150	0.15	June 21, 2018
6,100,000	0.31	October 15, 2018
168,000	0.83	December 1, 2018
8,089,154	0.22	December 15, 2018
992,500	0.22	December 21, 2018
120,000	0.22	March 27, 2019
907,500	0.83	June 1, 2019
3,488,031	0.10	June 21, 2019
24,914,499	0.15	June 21, 2020
60,230,984		

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

	Three months ended September 30, 2017	Three months ended September 30, 2016	Six months ended September 30, 2017	Six months ended September 30, 2016
Risk-free interest rate	1.53% - 1.59%	N/A	0.91% - 1.59%	0.49 - 0.57%
Expected volatility	104% - 176%	N/A	104% - 176%	169%
Expected dividend yield	0.00%	N/A	0.00%	0.00%
Expected life of warrants and options	2 - 3 years	N/A	2 - 3 years	2 years
Share price	\$0.09	N/A	\$0.09	\$0.13
Exercise price	\$0.10 - \$0.15	N/A	\$0.10 - \$0.15	\$0.15

ANTIBE THERAPEUTICS INC.**Notes to Condensed Interim Consolidated Financial Statements**
For the three and six months ended September 30, 2017 and 2016
*(Unaudited)***10. 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.

11. 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. Prior to the acquisition of Citagenix on October 15, 2015, the Company had only one business segment.

The segmented performance of these two businesses for the three and six months ended September 30, 2017 are as follows:

	Three months ended September 30, 2017			Three months ended September 30, 2016		
	Antibe	Citagenix	Consolidated	Antibe	Citagenix	Consolidated
	\$	\$	\$	\$	\$	\$
Revenue	-	1,795,366	1,795,366	-	2,187,083	2,187,083
Cost of goods sold	-	1,135,788	1,135,788	-	1,281,169	1,281,169
Gross profit	-	659,578	659,578	-	905,914	905,914
Expenses	1,178,706	1,344,180	2,522,886	974,286	1,130,953	2,105,239
Loss before income taxes	(1,178,706)	(684,602)	(1,863,308)	(974,286)	(225,039)	(1,199,325)

	Six months ended September 30, 2017			Six months ended September 30, 2016		
	Antibe	Citagenix	Consolidated	Antibe	Citagenix	Consolidated
	\$	\$	\$	\$	\$	\$
Revenue	-	4,066,411	4,066,411	-	4,817,455	4,817,455
Cost of goods sold	-	2,436,622	2,436,622	-	2,753,082	2,753,082
Gross profit	-	1,629,789	1,629,789	-	2,064,373	2,064,373
Expenses	2,609,169	2,703,347	5,312,516	2,097,883	2,317,382	4,415,265
Loss before income taxes	(2,609,169)	(1,073,558)	(3,682,727)	(2,097,883)	(253,009)	(2,350,892)

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

ANTIBE THERAPEUTICS INC.**Notes to Condensed Interim Consolidated Financial Statements
For the three and six months ended September 30, 2017 and 2016
(Unaudited)****11. SEGMENTED RESULTS (continued)**

The Company's assets and liabilities by each business as at September 30, 2017 and March 31, 2017 are as follows:

	As at September 30, 2017			As at March 31, 2017		
	Antibe	Citagenix	Consolidated	Antibe	Citagenix	Consolidated
	\$	\$	\$	\$	\$	\$
Assets:						
Current	3,589,056	4,048,126	7,637,182	2,267,186	3,956,218	6,223,404
Non-current	1,600,030	2,786,990	4,387,020	1,600,081	2,902,212	4,502,293
Total assets	5,189,086	6,835,116	12,024,202	3,867,267	6,858,430	10,725,697
Liabilities:						
Current	287,884	2,981,310	3,269,194	420,139	2,726,917	3,147,056
Non-current	3,944,909	-	3,944,909	4,025,212	-	4,025,212
Total liabilities	4,232,793	2,981,310	7,214,103	4,445,351	2,726,917	7,172,268

12. DEFERRED REVENUE

On February 24, 2017, Antibe entered into an exclusive long-term license and distribution agreement (the "License Agreement") with Acbel for ATB-346 in Albania, Algeria, Bulgaria, Greece, Jordan, Romania and Serbia (the "Territory"). Acbel is an affiliated holding company of Galenica SA, one of the largest pharmaceutical companies in Greece, and has a strong sales and distribution presence in the Balkan region. Under the terms of the license agreement, Antibe was issued an upfront payment of €800,000 and is entitled to receive a 5% royalty on net sales of ATB-346 in the Territory. The upfront revenue is reflected in deferred revenue until the point that Acbel can benefit from the license.

The amount of the license upfront payment is included on the Interim consolidated statement of financial position as deferred revenue.

13. GENERAL AND ADMINISTRATIVE EXPENSES

The nature of the general and administrative expenses for the three and six months ended September 30, 2017 and 2016 is summarized as follows:

	Three months ended September 30, 2017	Three months ended September 30, 2016	Six months ended September 30, 2017	Six months ended September 30, 2016
	\$	\$	\$	\$
Salaries and wages	498,552	444,795	843,724	865,890
Professional and consulting fees	76,561	236,383	398,225	543,532
Licensing fees	-	-	-	150,000
Office expenses	103,632	133,262	269,884	250,537
Other expenses	(58,632)	40,436	4,835	92,213
Total general and administrative	620,113	854,876	1,516,668	1,902,172

ANTIBE THERAPEUTICS INC.**Notes to Condensed Interim Consolidated Financial Statements
For the three and six months ended September 30, 2017 and 2016***(Unaudited)***14. SELLING AND MARKETING**

The nature of the selling and marketing expenses for the three and six months ended September 30, 2017 and 2016 is summarized as follows:

	Three months ended September 30, 2017	Three months ended September 30, 2016	Six months ended September 30, 2017	Six months ended September 30, 2016
	\$	\$	\$	\$
Salaries and wages	513,105	350,046	938,725	687,867
Commissions	108,896	93,699	250,266	216,673
Advertising and promotions	280,953	29,599	356,289	150,031
Travel and entertainment	113,902	113,588	211,002	207,498
Total selling and marketing	1,016,856	586,932	1,756,282	1,262,069

15. RESEARCH AND DEVELOPMENT

The nature of the research and development expenses for the three and six months ended September 30, 2017 and 2016 is summarized as follows:

	Three months ended September 30, 2017	Three months ended September 30, 2016	Six months ended September 30, 2017	Six months ended September 30, 2016
	\$	\$	\$	\$
Salaries and wages	118,650	-	237,300	-
Professional and consulting fees	6,690	98,828	48,321	169,220
Development costs	339,575	42,317	803,352	74,384
Scientific Research and Experimental Development Rebate	-	90,618	-	90,618
Total research and development	464,915	231,763	1,088,973	334,222

16. STOCK-BASED COMPENSATION

The nature of the stock-based compensation expense for the three and six months ended September 30, 2017 and 2016 is summarized as follows:

	Three months ended September 30, 2017	Three months ended September 30, 2016	Six months ended September 30, 2017	Six months ended September 30, 2016
	\$	\$	\$	\$
General and administrative	142,588	75,119	339,389	180,544
Research and development	59,772	49,044	140,134	118,251
Total stock-based compensation	202,360	124,163	479,523	298,795

ANTIBE THERAPEUTICS INC.**Notes to Condensed Interim Consolidated Financial Statements
For the three and six months ended September 30, 2017 and 2016
(Unaudited)**

17. FINANCE AND RELATED COSTS

The components of the finance and related costs for the three and six months ended September 30, 2017 and 2016 are as follows:

	Three months ended September 30, 2017	Three months ended September 30, 2016	Six months ended September 30, 2017	Six months ended September 30, 2016
	\$	\$	\$	\$
Interest on long-term debt	105,653	94,867	208,451	186,125
Accretion interest	93,094	74,684	180,180	144,712
Interest and bank charges	32,720	33,790	73,152	69,636
Unrealized foreign currency translation	(99,210)	20,226	(166,392)	49,574
Total finance and related costs	132,257	223,567	295,391	450,047

18. FINANCIAL INSTRUMENTS

The carrying values of cash, term deposits, restricted cash, accounts receivable, due from AHI, bank indebtedness, accounts payable and accrued liabilities approximate fair values due to the relatively short-term maturities of these instruments.

The fair value of convertible debentures approximates their carrying value as the instruments are discounted at market rates.

Financial instruments that are measured subsequent to initial recognition at fair value are grouped into a hierarchy based on the degree to which the fair value is observable. Level 1 fair value measurements are derived from unadjusted, quoted prices in active markets for identical assets or liabilities. Level 2 fair value measurements are derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability directly or indirectly. Level 3 fair value measurements are derived from valuation techniques that include inputs for the assets or liabilities that are not based on observable market data.

Financial instruments classified as Level 1 include cash, term deposits, restricted cash and bank indebtedness. At the current time, the Company does not have financial instruments classified in Level 2 or Level 3, other than the convertible debentures (note 9).

19. 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 Citigenix. 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: common shares, common share purchase warrants, contributed surplus, accumulated other comprehensive income and deficit, which total \$4,810,099. The Company is not subject to externally imposed capital requirements.

ANTIBE THERAPEUTICS INC.

Notes to Condensed Interim Consolidated Financial Statements

For the three and six months ended September 30, 2017 and 2016

(Unaudited)

20. FINANCIAL RISK MANAGEMENT

The Company is exposed to a variety of financial risks by virtue of its activities: market risk (including interest rate risk), credit risk, liquidity risk and foreign currency 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. 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 as follows:

Credit risk

The Company's credit risk is primarily attributable to accounts receivable, amount 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 operation, 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.

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 exchange risk.

Interest rate risk

Interest 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 and long-term debt.

ANTIBE THERAPEUTICS INC.**Notes to Condensed Interim Consolidated Financial Statements
For the three and six months ended September 30, 2017 and 2016
(Unaudited)**

21. COMMITMENTS AND CONTINGENCIES**(a) Royalty and milestone commitment**

On December 22, 2009, the Company entered into a License Agreement with AHI that provided for the exclusive right and license to research, develop, and commercialize various patents. Pursuant to the agreement, the Company paid an upfront non-refundable license fee of \$157,500 to obtain exclusive right to the patents. The agreement requires the Company to pay royalties of 4% of all net sales upon the first commercial sale or, if the Company sublicenses the patents, the Company will pay a 15% royalty on royalty revenue earned. Additionally, the Company is required to make milestone payments to AHI at various stages of development, namely:

- the greater of a \$150,000 payment upon enrolment of the first patient in a Phase I clinical trial or 10% of any milestone payment received from a sublicense relation thereto;
- the greater of a \$150,000 payment upon enrolment of the first patient in the first Phase II clinical trial or 10% of any milestone payment received from a sublicense relation thereto;
- the greater of a \$150,000 payment upon enrolment of the first patient in the first Phase III clinical trial or 10% of any milestone payment received from a sublicense relation thereto;
- the greater of a \$250,000 payment upon the first filing of a new drug application or 10% of any milestone payment received from a sublicense relation thereto; and
- the greater of a \$750,000 payment upon receipt of the first regulatory approval from any relevant registration authority or 10% of any milestone payment received from a sublicense relation thereto.

On June 29, 2016, the Company made a milestone payment of \$150,000 to AHI as a result of the enrolment of the first patient in ATB-346's Phase II clinical trial.

(b) Royalty agreement

On November 16, 2015, the Company announced the signing of an exclusive long-term license and distribution agreement with Knight, a leading Canadian specialty pharmaceutical company, for the Company's anti-inflammatory and pain drugs, ATB-346, ATB-352 and ATB-340, as well as the rights to other, future prescription drugs. Under the terms of the license agreement, the Company has granted Knight the exclusive commercial rights for the Company's drug candidates and other future prescription drugs in Canada, Israel, Romania, Russia and sub-Saharan Africa. The Company is entitled to royalties on annual sales, along with the potential for \$10 million in payments for sales-based milestones.

(c) Licensing and distribution agreement

On January 12, 2016, the Company announced the signing of an exclusive Licensing and Distribution Agreement with Induce Biologics Inc. ("Induce") for the Canadian rights for Induce's URIST ("Licensed Product") biological product for dental and craniofacial applications. URIST is a novel bone graft substitute that contains bone morphogenetic protein-2 (BMP), and is being developed as a means of promoting the regeneration of bone following dental and oral maxillofacial surgery. The Company is committed to royalty fees paid quarterly based on net sales of the Licensed Product starting at the end of the quarter following the date of the first commercial sale of the URIST to Canadian market. As at September 30, 2017, the first commercial sale of URIST had not yet occurred.

(d) Office lease commitments

The Company has entered into long-term leases for its premises. The future minimum payments under the lease agreements are as follows:

	\$
No later than 1 year	243,781
Later than 1 year but no later than 5 years	975,125
Total	1,218,906
