



ANTIBE THERAPEUTICS INC.

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the Three and Six Months Ended September 30, 2021 and 2020

ANTIBE THERAPEUTICS INC.
Interim Consolidated Statements of Financial Position
As at September 30, 2021 and March 31, 2021
(Expressed in thousands of Canadian dollars)
(Unaudited)

| | September 30, 2021 | March 31, 2021 |
|---|----------------------|----------------------|
| | \$ | \$ |
| ASSETS | | |
| Current | | |
| Cash and cash equivalents | 60,482 | 71,973 |
| Term deposits | 25 | 25 |
| Trade and other receivables <i>[note 6]</i> | 1,599 | 2,603 |
| Inventory | - | 2,157 |
| Prepaid expenses <i>[note 10]</i> | 811 | 2,345 |
| Assets held for sale <i>[note 5]</i> | 5,146 | - |
| Total current assets | <u>68,063</u> | <u>79,103</u> |
| Non-current assets | | |
| Property and equipment, net | - | 309 |
| Loan receivable | 159 | 157 |
| Deposits | - | 20 |
| Deferred contract costs <i>[note 17]</i> | 1,283 | 1,283 |
| Intangible assets, net <i>[note 4]</i> | 26,352 | 869 |
| Total non-current assets | <u>27,794</u> | <u>2,638</u> |
| TOTAL ASSETS | <u>95,857</u> | <u>81,741</u> |
| LIABILITIES | | |
| Current | | |
| Accounts payable and accrued liabilities | 1,602 | 3,608 |
| Income tax payable | 5 | - |
| Current portion of lease liability | - | 133 |
| Liabilities directly associated with assets held for sale <i>[note 5]</i> | 1,976 | - |
| Total current liabilities | <u>3,583</u> | <u>3,741</u> |
| Non-current liabilities | | |
| Deferred revenue <i>[note 17]</i> | 27,631 | 27,631 |
| Lease liability | - | 105 |
| Total non-current liabilities | <u>27,631</u> | <u>27,736</u> |
| TOTAL LIABILITIES | <u>31,214</u> | <u>31,477</u> |
| SHAREHOLDERS' EQUITY | | |
| Share capital <i>[note 8(b)]</i> | 137,961 | 111,574 |
| Common share purchase warrants <i>[note 8(e)]</i> | 10,264 | 10,353 |
| Contributed surplus | 17,346 | 14,293 |
| Deficit | (100,928) | (85,956) |
| TOTAL SHAREHOLDERS' EQUITY | <u>64,643</u> | <u>50,264</u> |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | <u>95,857</u> | <u>81,741</u> |

Commitments and contingencies *[note 18]*

(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, 2021 and 2020**

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

(Unaudited)

| | Three months ended September 30, 2021 | Three months ended September 30, 2020 | Six months ended September 30, 2021 | Six months ended September 30, 2020 |
|--|--|--|--|--|
| | \$ | \$ | \$ | \$ |
| EXPENSES | | | | |
| Research and development <i>[note 10]</i> | 5,242 | 4,808 | 8,469 | 6,899 |
| Stock-based compensation <i>[note 11]</i> | 1,460 | 752 | 3,243 | 1,758 |
| General and administrative <i>[note 12]</i> | 1,661 | 2,159 | 2,988 | 3,674 |
| Selling and marketing <i>[note 13]</i> | 26 | 25 | 141 | 37 |
| Total expenses | 8,389 | 7,744 | 14,841 | 12,368 |
| LOSS FROM CONTINUING OPERATIONS | (8,389) | (7,744) | (14,841) | (12,368) |
| Finance and related costs (income) <i>[note 14]</i> | 22 | (14) | (11) | (15) |
| Finance income | (38) | (12) | (84) | (21) |
| NET LOSS FROM CONTINUING OPERATIONS | (8,373) | (7,718) | (14,746) | (12,332) |
| DISCONTINUED OPERATIONS | | | | |
| Loss from discontinued operations <i>[notes 3 and 5]</i> | (302) | (1,193) | (226) | (1,498) |
| NET LOSS FOR THE PERIOD | (8,675) | (8,911) | (14,972) | (13,830) |
| OTHER COMPREHENSIVE LOSS | | | | |
| Exchange differences on translation of foreign operations | - | (14) | - | - |
| COMPREHENSIVE LOSS | (8,675) | (8,925) | (14,972) | (13,830) |
| Basic and diluted loss per share <i>[note 9]</i> | (0.17) | (0.23) | (0.30) | (0.40) |
| Basic and diluted weighted average number of shares outstanding <i>[note 9]</i> | 51,669,826 | 38,553,919 | 49,616,363 | 34,442,662 |

ANTIBE THERAPEUTICS INC.
Interim Consolidated Statements of Changes in Shareholders' Equity
For the Six Months Ended September 30, 2021 and 2020
(Expressed in thousands of Canadian dollars, except share amounts)
(Unaudited)

| | Number of common shares | Share capital | Common share purchase warrants | Contributed surplus | Accumulated other comprehensive income | Deficit | Total shareholders' equity |
|--|-------------------------------|------------------|---|------------------------|---|------------------|-------------------------------|
| | | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance, March 31, 2020 | 29,368,177 | 49,666 | 2,626 | 11,142 | 18 | (59,673) | 3,779 |
| Shares and warrants issued | 7,187,500 | 26,041 | 2,709 | - | - | - | 28,750 |
| Share issuance costs | - | (2,918) | (304) | 821 | - | - | (2,401) |
| Shares issued for exercised warrants | 1,452,003 | 5,066 | (1,694) | - | - | - | 3,372 |
| Shares issued for exercised options | 538,850 | 2,367 | - | (1,134) | - | - | 1,233 |
| Shares issued for redeemed restricted share units | 30,000 | 111 | - | (111) | - | - | - |
| Stock-based compensation | - | - | - | 1,758 | - | - | 1,758 |
| Net loss from continuing operations for the period | - | - | - | - | - | (12,332) | (12,332) |
| Loss from discontinued operations | - | - | - | - | - | (1,498) | (1,498) |
| Balance, September 30, 2020 | 38,576,530 | 80,333 | 3,337 | 12,476 | 18 | (73,503) | 22,661 |
| Balance, March 31, 2021 | 45,722,605 | 111,574 | 10,353 | 14,293 | - | (85,956) | 50,264 |
| Shares issued for exercised warrants | 42,640 | 217 | (89) | - | - | - | 128 |
| Shares issued for redeemed restricted share units | 45,656 | 190 | - | (190) | - | - | - |
| Shares issued on amalgamation with Antibe Holdings Inc. [note 4] | 5,873,092 | 25,980 | - | - | - | - | 25,980 |
| Stock-based compensation | - | - | - | 3,243 | - | - | 3,243 |
| Net loss from continuing operations for the period | - | - | - | - | - | (14,746) | (14,746) |
| Loss from discontinued operations | - | - | - | - | - | (226) | (226) |
| Balance, September 30, 2021 | 51,683,993 | 137,961 | 10,264 | 17,346 | - | (100,928) | 64,643 |

ANTIBE THERAPEUTICS INC.
Interim Consolidated Statements of Cash Flows
For the Six Months Ended September 30, 2021 and 2020
(Expressed in thousands of Canadian dollars)
(Unaudited)

| | 2021 | 2020 |
|---|-----------------|-----------------|
| | \$ | \$ |
| CASH FLOWS USED IN OPERATING ACTIVITIES | | |
| Net loss from continuing operations for the period | (14,746) | (12,332) |
| Loss from discontinued operations [notes 3 and 5] | (226) | (495) |
| Items not affecting cash: | | |
| Stock-based compensation [notes 8 and 11] | 3,243 | 1,758 |
| Accretion interest | - | 36 |
| Depreciation of property and equipment | 137 | 257 |
| Amortization of intangible assets | 18 | 19 |
| Interest on capitalized lease payments | 10 | 6 |
| | (11,564) | (10,751) |
| Changes in non-cash balances: | | |
| Trade and other receivables [note 6] | (126) | (761) |
| Inventory | (713) | 98 |
| Prepaid expenses | 1,480 | (53) |
| Accounts payable and accrued liabilities | (258) | (600) |
| Income taxes payable | (125) | - |
| Net change in non-cash balances | 258 | (1,316) |
| Cash flows used in operating activities | (11,306) | (12,067) |
| CASH FLOWS USED IN INVESTING ACTIVITIES | | |
| Transaction costs on acquisition of assets, net of cash acquired [note 4] | (236) | - |
| Advances to BMT [note 3] | - | (245) |
| Cash flows used in investing activities | (236) | (245) |
| CASH FLOWS PROVIDED BY FINANCING ACTIVITIES | | |
| Advances to Antibe Holdings Inc. | - | (38) |
| Lease payments | (75) | (92) |
| Increase in loan receivable | (2) | - |
| Repayment of credit facility [note 7] | - | (2,250) |
| Issuances: | | |
| Gross proceeds from shares and warrant issuance [note 8] | - | 28,750 |
| Proceeds from exercised warrants [note 8] | 128 | 3,372 |
| Proceeds from exercised options [note 8] | - | 1,233 |
| Share issuance costs [note 8] | - | (2,401) |
| Cash flows provided by financing activities | 51 | 28,574 |
| Net (decrease) increase in cash during the period | (11,491) | 16,262 |
| Cash and cash equivalents, beginning of the period | 71,973 | 6,182 |
| Cash and cash equivalents, end of the period | 60,482 | 22,444 |

ANTIBE THERAPEUTICS INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended September 30, 2021 and 2020

(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. On June 18, 2013, the Company completed its initial public offering and was listed on the TSX Venture Exchange. On September 15, 2014, the Company began trading in the United States on the OTCQX Exchange. On October 1, 2017, the Company changed trading platforms to the OTCQB Exchange. On November 12, 2020, the Company completed its graduation to the Toronto Stock Exchange (“TSX”) and the Company’s common shares (the “Common Shares”) began trading on the TSX under the symbol “ATE.” In connection with the Company’s graduation to the TSX, concurrently, the Common Shares were voluntarily delisted from the TSX Venture Exchange. On February 16, 2021, the Company resumed trading 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 OTENAPROXESUL), 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 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.

The Company was founded with an exclusive intellectual property license from Antibe Holdings Inc. (“Holdings”), a related party, to develop and commercialize the Company’s pipeline drugs. The license obligated the Company to pay royalties to Holdings on future revenues derived from this intellectual property. On May 7, 2021, the Board of Directors of Antibe and Holdings agreed to combine the companies in an amalgamation transaction. Under the terms of the agreement, the Company acquired full ownership of Holdings’s patent portfolio, eliminating the royalty liability on future revenues (note 4). As of the date of the amalgamation on June 3, 2021, 11.4% of the Company’s Common Shares were held by the former shareholders of Holdings.

These unaudited condensed interim consolidated financial statements were authorized for issuance by the Board of Directors on November 15, 2021.

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, 2021. 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 for the year ended March 31, 2021, which are available on SEDAR.

ANTIBE THERAPEUTICS INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended September 30, 2021 and 2020

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

(Unaudited)

2. BASIS OF PRESENTATION (*continued*)

(b) Consolidation –

These unaudited condensed interim consolidated financial statements reflect the accounts of the Company. The Company operates as a single operating segment, which is the research and development of new pharmaceuticals. The assets and liabilities of Citagenix are recorded as held for sale on the September 30, 2021 statements of financial position (note 5). The results of the operations of Citagenix and BMT are recorded within loss from discontinued operations in the statements of loss and comprehensive loss (notes 3 and 5). On December 3, 2020, the Company sold its wholly owned subsidiary, BMT Medizintechnik GmbH (“BMT”).

Citagenix was acquired on October 15, 2015. It was incorporated under the *Business Corporations Act* (Quebec) on December 8, 1997, and operates in Canada and the US.

All intercompany balances and transactions have been eliminated on consolidation.

For the purposes of effecting a three-cornered amalgamation with Holdings, a company incorporated in the province of Alberta, the Company established a wholly owned subsidiary, 2831094 Ontario Inc. On June 2, 2021, Holdings and 2831094 Ontario Inc. amalgamated into the resulting entity, Antibe Amalco Inc. (“Amalco”). On June 3, 2021, Amalco was vertically amalgamated into the Company (note 4).

(c) Share consolidation –

On December 1, 2020, the Company completed a share consolidation of the Company’s issued and outstanding common shares on the basis of one (1) new common share for every ten (10) common shares issued and outstanding. All common shares, options, restricted share units (“RSUs”), warrants and per share amounts have been restated to give retrospective effect to the share consolidation.

(d) 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, 2021, the Company had working capital of \$64,480, incurred a net loss from continuing operations for the six months ended September 30, 2021 of \$14,746, had negative cash flows from operations of \$11,306 and an accumulated deficit of \$100,928.

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 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.

ANTIBE THERAPEUTICS INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended September 30, 2021 and 2020

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

(Unaudited)

2. BASIS OF PRESENTATION *(continued)*

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.

(e) 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, non-essential 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 in 2020 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. COVID-19 particularly impacted the Company's wholly owned subsidiary, Citagenix, by causing a significant decrease in sales due to a decline in customer demand in fiscal Q1 2020. 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 clinical trials.

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.

(f) 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 period 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, credit losses, R&D expenses and accruals and inputs related to the calculation of fair value of stock-based compensation and warrants.

(g) Comparative figures –

Certain reclassifications of amounts in fiscal 2021 have been made to facilitate comparison with the current year, including the classification of discontinued operations (notes 3 and 5).

ANTIBE THERAPEUTICS INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the Three and Six Months Ended September 30, 2021 and 2020**

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

(Unaudited)

3. SALE OF BMT

On December 3, 2020, the Company completed the sale of 100% of the shares of its wholly owned subsidiary, BMT, for cash consideration of €1 (one euro).

The results of BMT are presented in the interim consolidated statements of loss and comprehensive loss within loss from discontinued operations for the six months ended September 30, 2020.

The results of BMT for the three and six months ended 2020 are presented below:

| | Three months ended September 30, 2020 | Six months ended September 30, 2020 |
|---|--|--|
| | \$ | \$ |
| Revenue | 65 | 189 |
| Cost of goods sold | 118 | 143 |
| Gross profit | (53) | 46 |
| Expenses | 85 | 217 |
| Impairment loss recognized on the remeasurement to fair value less costs to sell | 832 | 832 |
| Loss from discontinued operations | 970 | 1,003 |

Cash flows from operations incurred by BMT for the six months ended September 30, 2020, were negative \$245 and are presented within the Company's interim consolidated statements of cash flows.

4. AMALGAMATION WITH RELATED PARTY

On May 7, 2021, the Company announced that the Boards of Directors of Antibe and Holdings agreed to combine the companies in an amalgamation transaction pursuant to which shareholders of Holdings would receive common shares of the Company in exchange for their shares of Holdings. The companies were combined in a three-cornered amalgamation transaction pursuant to which Holdings amalgamated with a newly incorporated subsidiary of the Company. This related party transaction closed on June 3, 2021.

On June 3, 2021, the Company issued an aggregate of 5,873,092 Common Shares for a total consideration of \$25,980, to acquire all of the issued and outstanding shares of Holdings, following which Holdings ceased to exist. The amalgamation was accounted for as an acquisition of the underlying assets of Holdings.

The fair value of the assets acquired include \$26,051 in intangible assets related to intellectual property, \$65 in cash, net of amounts owed to Antibe for advances made in the quarter prior to the amalgamation, \$28 in other assets, \$130 in income taxes payable and \$34 in other current liabilities. The fair value of the intellectual property was determined based on the relief from royalty method. The Company has also capitalized \$301 of costs directly related to the amalgamation to the intellectual property acquired, all of which was paid as at September 30, 2021. The intellectual property acquired is not yet subject to amortization as it is classified as not yet available for use in accordance with the Company's accounting policies.

At the time of acquisition, these new shares accounted for approximately 11.4% of the ownership of Antibe on a post-transaction basis. Shares issued to Company insiders, who collectively owned approximately 37.5% of the outstanding shares of Holdings, are subject to lock-up agreements, with half of them to be released 120 days after closing and the balance to be released 240 days after closing.

ANTIBE THERAPEUTICS INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the Three and Six Months Ended September 30, 2021 and 2020**

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

(Unaudited)

5. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

During Q2 2022, the Company met the requirements to record Citigenix as Held for Sale and a Discontinued Operation, in accordance with IFRS 5. Citigenix continues to record losses and is not a fit with the Company's core business of developing new drugs as a clinical stage biotechnology company.

The results of Citigenix for the three and six months ended September 30, 2021 and 2020 are presented below:

| | Three months ended September 30, 2021 | Three months ended September 30, 2020 | Six months ended September 30, 2021 | Six months ended September 30, 2020 |
|---|--|--|--|--|
| | \$ | \$ | \$ | \$ |
| Revenue | 2,755 | 2,865 | 5,482 | 3,970 |
| Cost of goods sold | 1,571 | 1,943 | 3,216 | 2,636 |
| Gross profit | 1,184 | 922 | 2,266 | 1,334 |
| Expenses | 1,486 | 1,145 | 2,492 | 1,829 |
| Loss before tax from discontinued operations | 302 | 223 | 226 | 495 |
| Provision for (recovery of) income taxes | - | - | - | - |
| Loss from discontinued operations | 302 | 223 | 226 | 495 |

Within the September 30, 2021 interim consolidated statements of financial position, following the classification of Citigenix as a discontinued operation, assets held for sale were as follows:

| | September 30, 2021 |
|--|-------------------------------|
| | \$ |
| Accounts receivable, net of allowances | 1,109 |
| Inventory | 2,871 |
| Prepaid & other | 121 |
| Intangible assets | 805 |
| Property, Plant & Equipment | 240 |
| Assets held for sale | 5,146 |

ANTIBE THERAPEUTICS INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the Three and Six Months Ended September 30, 2021 and 2020**

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

(Unaudited)

5. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS [continued]

The major classes of liabilities classified as held for sale presented within the September 30, 2021 interim consolidated statements of financial position are presented below:

| | September 30, 2021 |
|---|-------------------------------|
| | \$ |
| Accounts payable and accrued liabilities | 1,781 |
| Lease Liability | 195 |
| Liabilities associated with assets held for sale | 1,976 |

Cash flows from operations incurred by Citagenix for the six months to September 30, 2021 was \$(482). Loss from discontinued operations for the three and six months ended September 30, 2021, was \$302 and \$226, respectively (2020 – \$223 and \$495, respectively).

6. TRADE AND OTHER RECEIVABLES

| | September 30, 2021 | March 31, 2021 |
|---|---------------------------|----------------|
| | \$ | \$ |
| Scientific Research and Experimental Development (“SR&ED”) tax credits receivable | 1,232 | 1,131 |
| Trade receivables, net of allowances | - | 1,061 |
| Harmonized Sales Tax receivable | 367 | 392 |
| | 1,599 | 2,584 |
| Employee advances | - | 19 |
| | 1,599 | 2,603 |

7. 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.

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.

8. SHARE CAPITAL**(a) Authorized –**

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

ANTIBE THERAPEUTICS INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the Three and Six Months Ended September 30, 2021 and 2020**

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

(Unaudited)

8. SHARE CAPITAL [continued]**(b) Common shares –**

| | Six months ended September 30, 2021 | | Six months ended September 30, 2020 | |
|---|--|----------------|--|--------------|
| | Shares | Amount \$ | Shares | Amount \$ |
| Balance, beginning of the period | 45,722,605 | 111,574 | 29,368,177 | 49,666 |
| Amalgamation with Holdings | 5,873,092 | 25,980 | - | - |
| Warrants exercised | 42,640 | 217 | 1,452,003 | 5,066 |
| Options exercised | - | - | 538,850 | 2,367 |
| Restricted share units redeemed | 45,656 | 190 | 30,000 | 111 |
| Prospectus June 30, 2020 (“P2020”) | - | - | 7,187,500 | 26,041 |
| Share issuance costs – P2020 | - | - | - | (2,918) |
| Balance, end of the period | 51,683,993 | 137,961 | 38,576,530 | 80,333 |

On June 3, 2021, the Company completed a three-cornered amalgamation transaction with Holdings. In consideration, the Company issued an aggregate of 5,873,092 Common Shares (see note 4).

The Company completed a financing by prospectus in February 2021. The following provides additional information on the prospectus financing completed during the six months ended September 30, 2020:

| Closing date | Prospectus | Number of units/ shares issued | Number of warrants issued | Price per unit | Gross proceeds ² | Warrant exercise price | Warrant expiry date |
|---------------|------------|--------------------------------------|---------------------------------|----------------------|--------------------------------|------------------------------|------------------------|
| | | | | \$ | \$ | \$ | |
| June 30, 2020 | P2020 | 7,187,500 ¹ | 2,395,833 | 4.00 | 28,750 | 6.00 | June 30, 2022 |

¹Each 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.

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”).

With respect to the prospectus financing completed during the six months ended September 30, 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 |
|---------------|------------|---|----------------------------|---|--|-------------------------------|
| | | | \$ | \$ | \$ | |
| June 30, 2020 | P2020 | 503,125 | 2,131 | 821 | 4.00 | June 30, 2022 |

ANTIBE THERAPEUTICS INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the Three and Six Months Ended September 30, 2021 and 2020**

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

(Unaudited)

8. SHARE CAPITAL [continued]

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

The following is a summary of all warrants exercised during the six months ended September 30, 2021 and 2020:

| Exercise price | 2021 | | 2020 | |
|----------------|------------------------------|----------------|------------------------------|----------------|
| | Number of warrants exercised | Gross proceeds | Number of warrants exercised | Gross proceeds |
| \$ | | \$ | | \$ |
| 1.50 | - | - | 915,650 | 1,374 |
| 2.50 | - | - | 3,100 | 8 |
| 3.00 | 42,640 | 128 | 8,100 | 24 |
| 3.50 | - | - | 268,650 | 940 |
| 4.00 | - | - | 256,503 | 1,026 |
| | 42,640 | 128 | 1,452,003 | 3,372 |

Each of the warrants entitled the bearer to purchase one Common Share of the Company.

(c) Stock options –

In connection with the Company's graduation to the TSX on November 12, 2020, and to fulfill the exchange's compliance requirements, minor changes to the Company's Stock Option Plan involving the calculation of fair market value have been put into effect. These changes received shareholder approval at the Company's last annual general meeting.

The following is a summary of all options to purchase Common Shares that are outstanding as at September 30, 2021 and 2020, as well as details on exercise prices and expiry dates:

| | Six months ended September 30, 2021 | | Six months ended September 30, 2020 | |
|---|--|------------------------|--|------------------------|
| | Options | Weighted average price | Options | Weighted average price |
| | | \$ | | \$ |
| Balance, beginning of the period | 1,269,035 | 2.95 | 1,814,735 | 2.71 |
| Exercised during the period | - | - | (538,850) | 2.29 |
| Forfeited during the period | (2,100) | 1.92 | (47,100) | 3.24 |
| Balance, end of the period | 1,266,935 | 2.95 | 1,228,785 | 2.87 |

ANTIBE THERAPEUTICS INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the Three and Six Months Ended September 30, 2021 and 2020**

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

(Unaudited)

8. SHARE CAPITAL (continued)

| Number of options | Exercise price | Expiry date |
|-------------------|----------------|------------------|
| | \$ | |
| 20,000 | 3.40 | April 26, 2022 |
| 35,000 | 3.00 | August 27, 2022 |
| 15,000 | 5.50 | October 21, 2023 |
| 66,000 | 4.00 | January 11, 2024 |
| 80,500 | 6.60 | March 4, 2024 |
| 36,000 | 1.40 | July 13, 2025 |
| 158,971 | 1.45 | March 9, 2026 |
| 10,000 | 1.90 | January 18, 2027 |
| 816,124 | 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 |
| 1,266,935 | | |

The number of options exercisable as at September 30, 2021, is 1,250,435 and the weighted average exercise price of these options is \$2.43.

The total fair value of options not yet recognized as an expense is \$34.

(d) Restricted share unit plan –

In connection with the Company's graduation to the TSX on November 12, 2020, and to fulfill the exchange's compliance requirements, minor changes to the Company's RSU Plan involving the calculation of fair market value have been put into effect. These changes received shareholder approval at the Company's last annual general meeting.

For the six months ended September 30, 2021, \$3,243 has been included within stock-based compensation in the interim consolidated statements of loss and comprehensive loss.

The following is a summary of all RSUs for Common Shares that are outstanding as at September 30, 2021 and 2020:

| | Six months ended September 30, 2021 | Six months ended September 30, 2020 |
|---|--|--|
| | RSUs | RSUs |
| Balance, beginning of the period | 3,625,574 | 2,155,158 |
| Granted during the period | 55,779 | 58,000 |
| Redeemed during the period | (45,656) | (30,000) |
| Forfeited during the period | (3,500) | (3,500) |
| Balance, end of the period | 3,632,197 | 2,179,658 |

Based upon the share price on the date of granting, the total fair value of RSUs not yet recognized as an expense is \$5,661.

ANTIBE THERAPEUTICS INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the Three and Six Months Ended September 30, 2021 and 2020**

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

(Unaudited)

8. SHARE CAPITAL (continued)**(e) Common share purchase warrants –**

The following is a summary of all warrants to purchase Common Shares that are outstanding as at September 30, 2021 and 2020, as well as details on exercise prices and expiry dates:

| | Six months ended September 30, 2021 | | Six months ended September 30, 2020 | |
|---|--|---------------------------|--|---------------------------|
| | Warrants | Weighted average price | Warrants | Weighted average price |
| | | \$ | | \$ |
| Balance, beginning of the period | 7,906,117 | 6.12 | 2,838,785 | 2.90 |
| Issued during the period | - | - | 2,898,958 | 5.65 |
| Exercised during the period | (42,640) | 3.00 | (1,452,003) | 2.32 |
| Expired during the period | (29,386) | 3.00 | (45,950) | 1.50 |
| Balance, end of the period | 7,834,091 | 6.15 | 4,239,790 | 4.99 |

| Number of warrants | Exercise price | Expiry date |
|--------------------|-------------------|-------------------|
| | \$ | |
| 444,925 | 3.50 | February 27, 2022 |
| 489,726 | 4.00 | June 30, 2022 |
| 2,373,401 | 6.00 | June 30, 2022 |
| 758,639 | 4.00 | August 13, 2022 |
| 403,650 | 6.00 | February 24, 2023 |
| 3,363,750 | 7.50 | February 24, 2024 |
| 7,834,091 | | |

The following assumptions were used in the BSM to determine the fair value of warrants issued during the six months ended September 30, 2020:

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

ANTIBE THERAPEUTICS INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the Three and Six Months Ended September 30, 2021 and 2020**

(Expressed in thousands of Canadian dollars, except share and 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 as the effect of their issuance would be anti-dilutive.

10. RESEARCH AND DEVELOPMENT EXPENSES

The nature of the research and development expenses for the six months ended September 30, 2021 and 2020, is summarized as follows:

| | <u>2021</u> | <u>2020</u> |
|--|--------------|--------------|
| | \$ | \$ |
| Salaries and wages | 1,445 | 932 |
| Professional and consulting fees | 251 | 244 |
| Research and clinical trial costs | 6,859 | 6,210 |
| SR&ED rebate | (86) | (487) |
| Total research and development expenses | <u>8,469</u> | <u>6,899</u> |

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 clinical trial costs" in the period that the related goods are consumed or services are performed. As at September 30, 2021, \$480 (2020 – nil) was recorded as a prepaid expense.

11. STOCK-BASED COMPENSATION

The function of the stock-based compensation expense for the six months ended September 30, 2021 and 2020, is summarized as follows:

| | <u>2021</u> | <u>2020</u> |
|---------------------------------------|--------------|--------------|
| | \$ | \$ |
| General and administrative | 2,151 | 1,254 |
| Research and development | 1,092 | 504 |
| Total stock-based compensation | <u>3,243</u> | <u>1,758</u> |

12. GENERAL AND ADMINISTRATIVE EXPENSES

The nature of the general and administrative expenses for the six months ended September 30, 2021 and 2020, is summarized as follows:

| | <u>2021</u> | <u>2020</u> |
|--|--------------|--------------|
| | \$ | \$ |
| Salaries and wages | 1,120 | 846 |
| Professional and consulting fees | 1,442 | 2,433 |
| Office expenses | 211 | 235 |
| Other expenses | 215 | 160 |
| Total general and administrative expenses | <u>2,988</u> | <u>3,674</u> |

ANTIBE THERAPEUTICS INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the Three and Six Months Ended September 30, 2021 and 2020**

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

(Unaudited)

13. SELLING AND MARKETING EXPENSES

The nature of the selling and marketing expenses for the six months ended September 30, 2021 and 2020, is summarized as follows:

| | <u>2021</u> | <u>2020</u> |
|---|-------------|-------------|
| | \$ | \$ |
| Advertising and promotion | 120 | 16 |
| Travel and entertainment | 21 | 21 |
| Total selling and marketing expenses | 141 | 37 |

14. FINANCE AND RELATED COSTS (INCOME)

The components of the finance and related costs (income) for the six months ended September 30, 2021 and 2020, are as follows:

| | <u>2021</u> | <u>2020</u> |
|--|-------------|-------------|
| | \$ | \$ |
| Interest and bank charges | 4 | 4 |
| Foreign currency transactions | (15) | (19) |
| Total finance and related costs | (11) | (15) |

15. CAPITAL RISK MANAGEMENT

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the research, development and patent of drugs. 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 six months ended September 30, 2021, total \$64,643 (March 31, 2021 – \$50,264). The Company is not subject to externally imposed capital requirements.

16. FINANCIAL RISK MANAGEMENT

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

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

Credit risk

The Company's credit risk is primarily attributable to trade and other receivables 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.

ANTIBE THERAPEUTICS INC.**Notes to the Condensed Interim Consolidated Financial Statements****For the Three and Six Months Ended September 30, 2021 and 2020**

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

(Unaudited)

16. FINANCIAL RISK MANAGEMENT [continued]

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 (note 2(d)).

As at September 30, 2021, 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 | 1,602 | - | - | 1,602 |
| Income tax payable | 5 | - | - | 5 |
| Liabilities directly associated with assets held for sale | 1,976 | - | - | 1,976 |
| | <u>3,583</u> | <u>-</u> | <u>-</u> | <u>3,583</u> |

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.

17. DEFERRED REVENUE

On February 24, 2017, Antibe entered into an exclusive long-term license and distribution agreement (“License Agreement 1”) with Laboratoires Acbel SA (“Acbel”) for otenaproxesul in Albania, Algeria, Bulgaria, Greece, Jordan, Romania and Serbia (the “Territory”). Acbel is an affiliated holding company of Galenica SA in Greece. Under the terms of License Agreement 1, Antibe was issued an upfront payment of €800 (CAD\$1,142) and is entitled to receive a 5% royalty on net sales of otenaproxesul in the Territory. The upfront revenue is reflected in deferred revenue until the point that Acbel can benefit from the license.

ANTIBE THERAPEUTICS INC.

Notes to the Condensed Interim Consolidated Financial Statements

For the Three and Six Months Ended September 30, 2021 and 2020

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

(Unaudited)

17. DEFERRED REVENUE *[continued]*

On September 4, 2018, Antibe entered into an exclusive licensing agreement (“License Agreement 2”) with Kwangdong Pharmaceutical Co., Ltd (“Kwangdong”) for the development and commercialization of otenaproxesul in the Republic of Korea (“Region”). Under the terms of License Agreement 2, Antibe was issued an upfront payment of US\$1,000 (CAD\$1,316), which is reflected in deferred revenue until the point that Kwangdong can benefit from the license. Under the terms of License Agreement 2, Antibe will be entitled to receive US\$9 million in milestone payments. Fees paid to an agent used in obtaining License Agreement 2 have been recorded as deferred contract costs on the interim consolidated statements of financial position in the amount of \$236 as at September 30, 2021.

On February 9, 2021, Antibe entered into an exclusive licensing agreement (“License Agreement 3”) with Nuance Pharma (“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 “Sector”). Under the terms of the agreement, Antibe was issued an upfront payment of US\$20 million (CAD\$25,231), which is reflected in deferred revenue until the point at which Nuance can benefit from the license. Additionally, Antibe will receive a double-digit royalty on net sales in the Sector and is entitled to receive US\$80 million in development and sales milestones. Fees paid to an agent used in obtaining License Agreement 3 have been recorded as deferred contract costs on the consolidated statements of financial position in the amount of \$1,047 as at September 30, 2021.

The amount of the upfront payments for all licenses is included on the interim consolidated statements of financial position as deferred revenue and will be recorded through the interim consolidated statements of loss and comprehensive loss at the same point when the license revenue is recognized.

18. COMMITMENTS AND CONTINGENCIES

(a) Royalty and milestone commitment –

On December 22, 2009, the Company entered into a License Agreement with Holdings 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 \$150 to obtain exclusive right to the patents. The agreement required 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 would pay a 15% royalty on royalty revenue earned. Additionally, the Company was required to make milestone payments to Holdings at various stages of development.

On June 3, 2021, the Company completed an amalgamation with Holdings whereby the Company issued 5,873,092 Antibe common shares to Holdings’s shareholders and the Company obtained all the assets and liabilities of Holdings, effectively ending this License Agreement (note 4).

(b) Royalty agreement –

On November 16, 2015, the Company announced the signing of an exclusive long-term license and distribution agreement with Knight Therapeutics Inc. (“Knight”), a leading Canadian specialty pharmaceutical company, for the Company’s anti-inflammatory and pain drugs, otenaproxesul, 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, 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.

The Company received no royalties from Knight in the six months ended September 30, 2021.
