



ANTIBE THERAPEUTICS INC.

UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Six Months Ended September 30, 2022 and 2021

ANTIBE THERAPEUTICS INC.
Interim Consolidated Statements of Financial Position
As at September 30, 2022 and March 31, 2022
(Expressed in thousands of Canadian dollars)
(Unaudited)

	September 30, 2022	March 31, 2022
	\$	\$
ASSETS		
Current		
Cash	13,603	34,807
Term deposits <i>[note 5]</i>	31,810	20,000
Trade and other receivables <i>[note 6]</i>	291	1,157
Prepaid expenses <i>[note 10]</i>	756	768
Loan receivable <i>[note 7]</i>	159	-
Assets held for sale <i>[note 4]</i>	4,916	4,632
Total current assets	51,535	61,364
Non-current assets		
Deferred contract costs <i>[note 17]</i>	1,283	1,283
Loan receivable	-	159
Intangible assets, net <i>[note 3]</i>	26,352	26,352
Total non-current assets	27,635	27,794
TOTAL ASSETS	79,170	89,158
LIABILITIES		
Current		
Accounts payable and accrued liabilities	3,121	2,816
Liabilities directly associated with assets held for sale <i>[note 4]</i>	1,646	1,878
Total current liabilities	4,767	4,694
Non-current liabilities		
Deferred revenue <i>[note 17]</i>	27,631	27,631
Total non-current liabilities	27,631	27,631
TOTAL LIABILITIES	32,398	32,325
SHAREHOLDERS' EQUITY		
Share capital	139,671	139,547
Common share purchase warrants <i>[note 8(c)]</i>	10,264	10,264
Contributed surplus	19,463	18,038
Deficit	(122,626)	(111,016)
TOTAL SHAREHOLDERS' EQUITY	46,772	56,833
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	79,170	89,158

Commitments and contingencies *[note 18]*
Subsequent events *[note 19]*

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

ANTIBE THERAPEUTICS INC.**Interim Consolidated Statements of Loss and Comprehensive Loss****For the Six Months Ended September 30, 2022 and 2021**

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

(Unaudited)

	Three months ended September 30, 2022	Three months ended September 30, 2021	Six months ended September 30, 2022	Six months ended September 30, 2021
	\$	\$	\$	\$
EXPENSES				
Research and development <i>[note 10]</i>	3,857	5,242	7,685	8,469
General and administrative <i>[note 11]</i>	1,729	1,661	2,860	2,988
Stock-based compensation <i>[note 12]</i>	806	1,460	1,549	3,243
Selling and marketing <i>[note 13]</i>	114	26	208	141
Total expenses	6,506	8,389	12,302	14,841
LOSS FROM CONTINUING OPERATIONS	(6,506)	(8,389)	(12,302)	(14,841)
Finance and related costs (income) <i>[note 14]</i>	61	22	87	(11)
Finance income	(319)	(38)	(540)	(84)
NET LOSS FROM CONTINUING OPERATIONS	(6,248)	(8,373)	(11,849)	(14,746)
DISCONTINUED OPERATIONS				
Income (loss) from discontinued operations <i>[note 4]</i>	169	(302)	239	(226)
NET LOSS AND COMPREHENSIVE LOSS	(6,079)	(8,675)	(11,610)	(14,972)
Basic and diluted loss per share <i>[note 9]</i>	(0.12)	(0.17)	(0.22)	(0.30)
Basic and diluted weighted average number of shares outstanding <i>[note 9]</i>	52,129,929	51,669,826	52,143,116	49,616,363

ANTIBE THERAPEUTICS INC.
Interim Consolidated Statements of Changes in Shareholders' Equity
For the Six Months Ended September 30, 2022 and 2021

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

(Unaudited)

	Number of Common Shares	Share capital	Common Share purchase warrants	Contributed surplus	Deficit	Total shareholders' equity
		\$	\$	\$	\$	\$
Balance, March 31, 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 [note 8(b)]	45,656	190	-	(190)	-	-
Shares issued on amalgamation with Antibe Holdings Inc. [notes 3 and 7]	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
Balance, March 31, 2022	52,099,276	139,547	10,264	18,038	(111,016)	56,833
Shares issued for redeemed restricted share units [note 8(b)]	41,779	124	-	(124)	-	-
Stock-based compensation	-	-	-	1,549	-	1,549
Net loss from continuing operations for the period	-	-	-	-	(11,849)	(11,849)
Income from discontinued operations	-	-	-	-	239	239
Balance, September 30, 2022	52,141,055	139,671	10,264	19,463	(122,626)	46,772

ANTIBE THERAPEUTICS INC.
Interim Consolidated Statements of Cash Flows
For the Six Months Ended September 30, 2022 and 2021
(Expressed in thousands of Canadian dollars)
(Unaudited)

	2022	2021
	\$	\$
OPERATING ACTIVITIES		
Net loss from continuing operations for the period	(11,849)	(14,746)
Income (loss) from discontinued operations <i>[note 4]</i>	239	(226)
Items not affecting cash:		
Stock-based compensation <i>[notes 8 and 12]</i>	1,549	3,243
Depreciation of property and equipment	-	137
Amortization of intangible assets	-	18
Interest on capitalized lease payments	4	10
	<u>(10,057)</u>	<u>(11,564)</u>
Changes in non-cash balances:		
Trade and other receivables	878	(126)
Inventory	(298)	(713)
Prepaid expenses	14	1,480
Accounts payable and accrued liabilities	(113)	(258)
Income tax payable	-	(125)
Deferred tax liability	260	-
Net change in non-cash balances	<u>741</u>	<u>258</u>
Cash flows used in operating activities	<u>(9,316)</u>	<u>(11,306)</u>
INVESTING ACTIVITIES		
Purchase of term deposits <i>[note 5]</i>	(28,109)	-
Redemption of term deposits <i>[note 5]</i>	16,299	-
Transaction costs on acquisition of assets, net of cash acquired <i>[note 3]</i>	-	(236)
Cash flows used in investing activities	<u>(11,810)</u>	<u>(236)</u>
FINANCING ACTIVITIES		
Lease payments	(78)	(75)
Increase in loan receivable	-	(2)
Issuances:		
Proceeds from warrants	-	128
Cash flows provided by (used in) financing activities	<u>(78)</u>	<u>51</u>
Net decrease in cash during the period	<u>(21,204)</u>	<u>(11,491)</u>
Cash and cash equivalents, beginning of the period	34,807	71,973
Cash and cash equivalents, end of the period	<u>13,603</u>	<u>60,482</u>

ANTIBE THERAPEUTICS INC.

Notes to the Interim Consolidated Financial Statements

For the Six Months Ended September 30, 2022 and 2021

(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 a moiety that releases hydrogen sulfide with naproxen, an approved, marketed and off-patent, non-steroidal, anti-inflammatory drug. The Company’s main objectives are to develop otenaproxesul by satisfying the requirements of the relevant drug regulatory authorities while also satisfying the commercial licensing objectives of prospective global partners. The Company has also established a development plan for its lead compound through to the end of Phase III human clinical studies for regulatory discussion purposes. Additionally, the Company continues to investigate other research projects as well as additional development opportunities.

The Company 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 (see note 4 and 19).

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’ patent portfolio, eliminating the royalty liability on future revenues (note 3). 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 interim consolidated financial statements were authorized for issuance by the Board of Directors on November 14, 2022.

2. BASIS OF PRESENTATION

(a) Statement of compliance –

These unaudited 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, 2022. These unaudited interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 (“IAS 34”), *Interim Financial Reporting*. Accordingly, these unaudited 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, 2022, which are available on SEDAR. Several amendments apply for the first time in 2022, but do not have an impact on the unaudited interim consolidated financial statements of the Company. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

ANTIBE THERAPEUTICS INC.

Notes to the Interim Consolidated Financial Statements

For the Six Months Ended September 30, 2022 and 2021

(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 interim consolidated financial statements reflect the accounts of the Company and its wholly owned subsidiary, Citagenix.

The Company operates as two operating segments: Antibe (research and development of new pharmaceuticals) and Citagenix (a seller of tissue regenerative products servicing the orthopaedic and dental marketplaces).

The assets and liabilities of Citagenix are recorded as held for sale as at September 30, 2022 and March 31, 2022. Accordingly, the results of the operations of Citagenix are recorded within income (loss) from discontinued operations in the interim consolidated statements of loss and comprehensive loss (note 4).

All intercompany balances and transactions have been eliminated on consolidation.

(c) Going concern –

The unaudited interim consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As at September 30, 2022, the Company incurred a net loss from continuing operations for the six months ended September 30, 2022 of \$11,849, had negative cash flows from operations of \$9,316 and an accumulated deficit of \$122,626.

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

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

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

(d) Business uncertainty –

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.

ANTIBE THERAPEUTICS INC.

Notes to the Interim Consolidated Financial Statements

For the Six Months Ended September 30, 2022 and 2021

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

(Unaudited)

2. BASIS OF PRESENTATION (continued)

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. While the Company believes the current conditions related to the COVID-19 pandemic to be improving, the situation is dynamic and the impact of COVID-19 on its future results of operations and financial condition cannot be reasonably estimated at this time. The Company continues to evaluate the situation and monitor any impacts or potential impacts to its business.

(e) Use of estimates –

The preparation of these unaudited interim consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities, if any, as at the date of the consolidated financial statements, and the reported amounts of expenses during the reporting period. Actual results may vary from the current estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in income in the year in which such adjustments become known. Significant estimates in these unaudited interim consolidated financial statements include the impairment of intangible assets not yet subject to amortization, the completeness of the accrual for research and clinical trial expenses, and inputs related to the calculation of stock-based compensation expense.

3. 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 included \$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 also capitalized \$301 of costs directly related to the amalgamation of the intellectual property acquired. 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, were subject to lock-up agreements, with half of them released 120 days after closing and the balance released 240 days after closing.

4. ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

On May 2, 2022, the Company announced the signing of a binding agreement to sell its Citagenix subsidiary. The \$6.5 million transaction involves a guaranteed \$3.5 million, divided into four equal payments over three years, the first of which will be received upon closing. The remaining \$3 million is subject to Citagenix achieving sales milestones over the three-year period following closing. The transaction will close no later than 180 days following the signing of this binding agreement. Under the terms of the agreement, Antibe will also receive a \$250 deposit from the purchaser to be held in escrow and released upon closing.

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

ANTIBE THERAPEUTICS INC.**Notes to the Interim Consolidated Financial Statements****For the Six Months Ended September 30, 2022 and 2021**

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

(Unaudited)

As at September 30, 2021, the Company met the requirements to record Citigenix as Held for Sale and a Discontinued Operation, in accordance with IFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*. Citigenix is not a fit with the Company's core business of developing new drugs as a clinical stage biotechnology company (see note 19).

The results of Citigenix for three and six months ended September 30, 2022 and 2021 are presented below:

	Three months ended September 30, 2022	Three months ended September 30, 2021	Six months ended September 30, 2022	Six months ended September 30, 2021
	\$	\$	\$	\$
Revenue	2,879	2,755	6,022	5,482
Cost of goods sold	1,761	1,571	3,566	3,216
Gross profit	1,118	1,184	2,456	2,266
Expenses	949	1,486	1,957	2,492
Income before tax from discontinued operations	169	(302)	499	(226)
Provision for income taxes	-	-	260	-
Income (loss) from discontinued operations	169	(302)	239	(226)

Within the September 30, 2022 interim consolidated statements of financial position, assets held for sale were as follows:

	September 30, 2022	March 31, 2022
	\$	\$
Accounts receivable, net of allowances	1,166	1,176
Inventory	2,554	2,259
Prepaid expenses	63	64
Intangible assets	804	804
Property and equipment	305	305
Deposits	24	24
Assets held for sale	4,916	4,632

The major classes of liabilities classified as held for sale presented within the September 30, 2022 interim consolidated statement of financial position are presented below:

	September 30, 2022	March 31, 2022
	\$	\$
Accounts payable and accrued liabilities	1,335	1,753
Deferred income tax	260	-
Lease liability	51	125
Liabilities associated with assets held for sale	1,646	1,878

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

ANTIBE THERAPEUTICS INC.**Notes to the Interim Consolidated Financial Statements****For the Six Months Ended September 30, 2022 and 2021**

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

(Unaudited)

Cash flow used in Citagenix operating activities for the six months ended September 30, 2022 was \$199 (2021–\$482).

5. TERM DEPOSITS

As at September 30, 2022, the Company held investments of \$31,810 in five separate Canadian currency GICs having expiry dates of six, nine and twelve months, and one USD currency GIC having an expiry date of June 5, 2023. Interest rates range from 1.65% to 4.30%.

6. TRADE AND OTHER RECEIVABLES

	September 30, 2022	March 31, 2022
	\$	\$
Scientific Research and Experimental Development (“SR&ED”) tax credits receivable	53	774
Interest receivable	-	3
Harmonized Sales Tax receivable	200	344
	253	1,121
Employee advances [note 7]	38	36
	291	1,157

7. RELATED PARTY TRANSACTIONS

On December 3, 2020, the Company completed the sale of 100% of the shares of its wholly owned subsidiary, BMT Medizintechnik GmbH, for cash consideration of €1 (one euro). Antibe has provided a loan to the purchaser in the amount of \$157 (€100 thousand) for working capital purposes. This loan matures on December 3, 2022 and bears interest at an annual rate of 5%, payable quarterly.

Refer to note 3 for information regarding the amalgamation with Antibe Holdings Inc.

Employee cash advances as at September 30, 2022, totalled \$38 (March 31, 2022 - \$36). Currently, the Company has one officer receiving cash advances.

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

The following is a summary of all options to purchase Common Shares that are outstanding as at September 30, 2022 and 2021, as well as details on exercise prices and expiry dates:

	Six months ended September 30, 2022		Six months ended September 30, 2021	
	Options	Weighted average price	Options	Weighted average price
		\$		\$
Balance, beginning of the period	1,274,435	2.93	1,269,035	2.95
Forfeited during the period	(55,000)	3.40	(2,100)	1.92
Balance, end of the period	1,219,435	2.08	1,266,935	2.95

8. SHARE CAPITAL (continued)

ANTIBE THERAPEUTICS INC.**Notes to the Interim Consolidated Financial Statements****For the Six Months Ended September 30, 2022 and 2021**

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

(Unaudited)

Number of options	Exercise price	Expiry date
	\$	
15,000	5.50	October 21, 2023
66,000	0.68	January 11, 2024
80,500	6.60	March 4, 2024
20,000	0.91	November 15, 2024
36,000	1.40	July 13, 2025
2,000	0.68	March 9, 2026
156,272	1.45	March 9, 2026
10,000	0.68	January 18, 2027
117,323	0.68	March 31, 2027
687,000	2.00	March 31, 2027
15,152	4.95	April 11, 2028
4,188	4.00	May 8, 2028
10,000	2.90	March 11, 2029
1,219,435		

The number of options exercisable as at September 30, 2022, is 1,219,435 and the weighted average exercise price of these options is \$2.08.

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

(b) Restricted share unit plan –

The following is a summary of all RSUs for Common Shares that are outstanding as at September 30, 2022 and 2021:

	Six months ended September 30, 2022	Six months ended September 30, 2021
	RSUs	RSUs
Balance, beginning of the period	2,438,445	3,625,574
Granted during the period	-	55,779
Redeemed during the period	(41,779)	(45,656)
Forfeited during the period	(5,083)	(3,500)
Balance, end of the period	2,391,583	3,632,197

The number of RSUs vested during the period was 41,779 (2021 – 423,320). The number of RSUs vested and not redeemed during the period was nil (2021 – 377,664). Based on the share price on the date of granting, the total fair value of RSUs not yet recognized as an expense is \$2,517.

For the three and six months ended September 30, 2022, \$806 (\$803 related to RSUs and \$3 related to options) and \$1,549 (\$1,543 related to RSUs and \$6 related to options), respectively, have been included within stock-based compensation in the interim consolidated statements of loss and comprehensive loss.

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

ANTIBE THERAPEUTICS INC.**Notes to the Interim Consolidated Financial Statements****For the Six Months Ended September 30, 2022 and 2021**

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

(Unaudited)

On June 15, 2022, the Company announced that it is extending the expiry date (the “Warrant Extension”) and amending the exercise price (the “Amended Exercise Price”) of 3,117,957 Common Share purchase warrants (“Warrants”) of the Company.

The Warrants, pursuant to the Warrant Extension, will expire on December 31, 2023 and, pursuant to the Amended Exercise Price, be exercisable into a Common Share of the Company at \$1.80 per Common Share, as depicted in the table below:

Issue Date	Number of Warrants	Issued Exercise Price	Amended Exercise Price	Original Expiry Date	Amended Expiry Date	Effective Date
June 30, 2020	2,373,401	\$6.00	\$1.80	June 30, 2022	December 31, 2023	June 30, 2022
August 13, 2019	748,555	\$4.00	\$1.80	August 13, 2022	December 31, 2023	June 30, 2022

None of the Warrants are held by insiders of the Company.

The Toronto Stock Exchange has approved the Warrant Extension and Amended Exercise Price with an effective date for the amendments of June 30, 2022. These amendments had no impact to the presentation of shareholders' equity since the Company's accounting policy is to not record an adjustment to shareholders' equity when the warrants continue to be classified as equity under IAS 32.

The following is a summary of all warrants to purchase Common Shares that are outstanding as at September 30, 2022 and 2021, as well as details on exercise prices and expiry dates:

	Six months ended September 30, 2022		Six months ended September 30, 2021	
	Warrants	Weighted average price	Warrants	Weighted average price
Balance, beginning of the period	7,389,166	\$ 6.31	7,906,117	6.12
Exercised during the period	-	-	(42,640)	3.00
Expired during the period	(499,810)	3.96	(29,386)	3.00
Balance, end of the period	6,889,356	4.83	7,834,091	6.15

The weighted average price for the six months ended September 30, 2022 includes the above-mentioned amended exercise price of warrants granted June 30, 2020 and August 13, 2019.

Number of warrants	Exercise price	Expiry date
	\$	
3,121,956	1.80	December 31, 2023
403,650	6.00	February 24, 2023
3,363,750	7.50	February 24, 2024
6,889,356		

9. LOSS PER SHARE

ANTIBE THERAPEUTICS INC.**Notes to the Interim Consolidated Financial Statements****For the Six Months Ended September 30, 2022 and 2021**

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

(Unaudited)

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 three and six months ended September 30, 2022 and 2021, is summarized as follows:

	Three months ended September 30, 2022	Three months ended September 30, 2021	Six months ended September 30, 2022	Six months ended September 30, 2021
	\$	\$	\$	\$
Salaries and wages	516	831	1,197	1,445
Professional and consulting fees	320	91	938	251
Research and clinical trial costs	3,021	4,320	5,550	6,859
SR&ED rebate	-	-	-	(86)
Total research and development expenses	3,857	5,242	7,685	8,469

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, 2022, \$570 (March 31, 2022 – \$569) was recorded as a prepaid expense.

11. GENERAL AND ADMINISTRATIVE EXPENSES

The nature of the general and administrative expenses for the three and six months ended September 30, 2022 and 2021, is summarized as follows:

	Three months ended September 30, 2022	Three months ended September 30, 2021	Six months ended September 30, 2022	Six months ended September 30, 2021
	\$	\$	\$	\$
Salaries and wages	722	649	1,065	1,120
Professional and consulting fees	842	786	1,479	1,442
Office expenses	76	133	162	211
Other expenses	89	93	154	215
Total general and administrative expenses	1,729	1,661	2,860	2,988

12. STOCK-BASED COMPENSATION

ANTIBE THERAPEUTICS INC.**Notes to the Interim Consolidated Financial Statements****For the Six Months Ended September 30, 2022 and 2021**

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

(Unaudited)

The function of the stock-based compensation expense for the three and six months ended September 30, 2022 and 2021, is summarized as follows:

	Three months ended September 30, 2022	Three months ended September 30, 2021	Six months ended September 30, 2022	Six months ended September 30, 2021
	\$	\$	\$	\$
General and administrative	506	992	984	2,151
Research and development	300	468	565	1,092
Total stock-based compensation	806	1,460	1,549	3,243

13. SELLING AND MARKETING EXPENSES

The nature of the selling and marketing expenses for the three and six months ended September 30, 2022 and 2021, is summarized as follows:

	Three months ended September 30, 2022	Three months ended September 30, 2021	Six months ended September 30, 2022	Six months ended September 30, 2021
	\$	\$	\$	\$
Advertising and promotion	11	10	63	120
Travel and entertainment	103	16	145	21
Total selling and marketing expenses	114	26	208	141

14. FINANCE AND RELATED COSTS (INCOME)

The components of the finance and related costs (income) for the three and six months ended September 30, 2022 and 2021, are as follows:

	Three months ended September 30, 2022	Three months ended September 30, 2021	Six months ended September 30, 2022	Six months ended September 30, 2021
	\$	\$	\$	\$
Interest and bank charges	2	2	4	4
Foreign currency transactions	59	20	83	(15)
Total finance and related costs	61	22	87	(11)

15. CAPITAL RISK MANAGEMENT

ANTIBE THERAPEUTICS INC.**Notes to the Interim Consolidated Financial Statements****For the Six Months Ended September 30, 2022 and 2021**

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

(Unaudited)

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, 2022 totalled \$46,772 (March 31, 2022 – \$56,833). 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 limit set by the Canadian Deposit Insurance Corporation. The Company, in the normal course of operations, monitors the financial condition of its customers.

The Company establishes an allowance for doubtful accounts that corresponds to the specific credit risk of its customers, historical trends and economic conditions.

Liquidity risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they become due or can do so only at excessive cost. The Company manages its liquidity risk by forecasting cash flows and anticipated investing and financing activities. Officers of the Company are actively involved in the review and approval of planned expenditures, including actively seeking capital investment and generating revenue and profit from the commercialization of its products (note 2(c)).

As at September 30, 2022, the Company's financial obligations, including applicable interest, are due as follows:

	Less than 1 year	1–2 years	After 2 years	Total
	\$	\$	\$	\$
Accounts payable and accrued liabilities	3,121	-	-	3,121
Liabilities directly associated with assets held for sale	1,646	-	-	1,646
	4,767	-	-	4,767

16. FINANCIAL RISK MANAGEMENT (continued)

ANTIBE THERAPEUTICS INC.**Notes to the Interim Consolidated Financial Statements****For the Six Months Ended September 30, 2022 and 2021**

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

(Unaudited)

Foreign currency risk

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not currently incurring any debt and is therefore not exposed to changes in interest rates.

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.

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, 2022 (March 31, 2022 - \$236).

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 interim consolidated statements of financial position in the amount of \$1,047 as at September 30, 2022 (March 31, 2022 - \$1,047).

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

18. COMMITMENTS AND CONTINGENCIES

ANTIBE THERAPEUTICS INC.

Notes to the Interim Consolidated Financial Statements

For the Six Months Ended September 30, 2022 and 2021

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

(Unaudited)

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, 2022.

In the normal course of business, the Company could be the subject of litigation or other potential claims. While management assesses the merits of each lawsuit and defends itself accordingly, the Company may be required to incur significant expenses or devote significant resources to defending itself against litigation.

19. SUBSEQUENT EVENTS

On November 1, 2022, the Company announced the closing of the sale of Citagenix to HANSAméd Limited. The \$6.5 million transaction involves a guaranteed \$3.5 million, divided into four equal payments over three years, with the remaining \$3 million subject to Citagenix achieving sales milestones in that period. The purchase price is also subject to working capital adjustments. In accordance with the agreement, the Company received proceeds totaling approximately \$2.5 million, comprising the first of the four guaranteed payments of \$875,000 and an adjustment of approximately \$1.6 mil in estimated excess working capital.
