

Revised 2021 Annual Audited Financial Statements

Antibe Therapeutics Inc. filed its audited financial statements via SEDAR on June 28, 2021. Due to certain clerical errors, disclosure items in Note 19 and Note 20 were incorrectly presented.

Attached are the revised 2021 Annual Audited Financial Statements correcting for these clerical errors.

The logo for Antibe Therapeutics features the word "antibe" in a lowercase, sans-serif font. The letters "a", "n", "t", "b", and "e" are dark blue, while the letter "i" is a vibrant orange. The "i" is positioned between the "t" and "b", and its dot is also orange.

T H E R A P E U T I C S

ANTIBE THERAPEUTICS INC.

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2021 and 2020

(Expressed in Thousands of Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the shareholders of **Antibe Therapeutics Inc.**

Opinion

We have audited the consolidated financial statements of **Antibe Therapeutics Inc.** and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2021 and March 31, 2020, and the consolidated statements of loss and comprehensive loss, the consolidated statements of changes in shareholders' equity and the consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at March 31, 2021 and March 31, 2020, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRSs") as issued by the International Accounting Standards Board.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2(d) in the consolidated financial statements, which indicates that the Company had working capital of \$75.4 million and an accumulated deficit of \$86 million as at March 31, 2021 and incurred a net comprehensive loss of \$26.3 million and had negative cash flows from operations of \$0.1 million for the year then ended. These events or conditions, along with other matters as set forth in Note 2(d), indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matter

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period. In addition to the matters described in the *Material uncertainty related to going concern* section of our report, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
<p><i>Completeness of the Accrual for Research and Clinical Trial Expenses</i></p> <p>As disclosed in the consolidated financial statements, the Company has recorded research and development expenses of \$13.4 million for the year ended March 31, 2021 and accounts payable and accrued liabilities of \$3.6 million as at March 31, 2021, which includes an accrual for estimated research and clinical trial costs incurred. The Company has contracts with contract research organizations that conduct and manage</p>	<p>The completeness of the accrual was evaluated through, among other audit procedures, inspection of the contracts and the amendments to the contracts from third party providers. We further inquired as to the progress of the clinical trials and other research and development projects with the Company's research and development personnel that oversee the clinical trials. We compared management's listing of trial sites to government databases and inspected patient progression schedules obtained from trial administrators and compared this data to</p>

<p>research and clinical studies on its behalf. The financial terms of these agreements are subject to amendments, vary from contract to contract and may result in uneven payment flows. The Company's determination of accrued research and clinical trial costs at each reporting period requires significant judgment by management, as estimates are based on a number of factors, including management's knowledge of the research and development programs and associated timelines, invoicing to date from third party vendors, and the terms and conditions in the contractual arrangements including amendments or ancillary agreements. The completeness of research and clinical trial accruals is subject to risk of estimation uncertainty related to services having been received where invoices are not received from third party vendors in a timely manner prior to the time the consolidated financial statements are issued.</p> <p>Auditing the completeness of the Company's accrual for research and clinical trial costs is a key audit matter as it requires significant auditor judgment, subjectivity and effort in performing appropriate procedures to evaluate the completeness and accuracy of the information management utilizes in these estimates.</p>	<p>management's schedules. We assessed management's look-back analysis comparing the estimated accrual balances of March 31, 2020 to the actual amounts that were ultimately invoiced. We also evaluated subsequent invoices received from the trial administrators and cash disbursements made to the trial administrators, to the extent such invoices were received, or payments were made prior to the date that the consolidated financial statements were issued.</p>
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Other information

Management is responsible for the other information. The other information comprises the information included in Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Paula J. Smith.

/s/ Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
June 25, 2021

ANTIBE THERAPEUTICS INC.
Consolidated Statements of Financial Position
As at March 31, 2021 and 2020
(Expressed in thousands of Canadian Dollars)

	2021	2020
	\$	\$
ASSETS		
Current		
Cash and cash equivalents	71,973	6,182
Term deposits	25	25
Trade and other receivables [note 6]	2,603	1,332
Inventory	2,157	3,424
Prepaid expenses [note 16]	2,345	162
Due from Antibe Holdings Inc. [note 9]	-	382
Total current assets	79,103	11,507
Non-current assets		
Property and equipment, net	309	303
Loan receivable [note 4]	157	-
Deposits	20	20
Deferred contract costs [note 24]	1,283	236
Intangible assets, net [note 7]	869	1,772
Total non-current assets	2,638	2,331
TOTAL ASSETS	81,741	13,838
LIABILITIES		
Current		
Bank indebtedness	-	4
Accounts payable and accrued liabilities [note 13]	3,608	5,262
Current portion of loan payable [note 8]	-	2,214
Current portion of lease liability	133	115
Total current liabilities	3,741	7,595
Non-current liabilities		
Deferred revenue [note 24]	27,631	2,399
Lease liability	105	65
Total non-current liabilities	27,736	2,464
TOTAL LIABILITIES	31,477	10,059
SHAREHOLDERS' EQUITY		
Share capital [note 10(b)]	111,574	49,666
Common share purchase warrants [note 10(b)]	10,353	2,626
Contributed surplus	14,293	11,142
Accumulated other comprehensive income	-	18
Deficit	(85,956)	(59,673)
TOTAL SHAREHOLDERS' EQUITY	50,264	3,779
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	81,741	13,838

Commitments and contingencies [note 25]

(Signed) Daniel Legault Daniel Legault, Director
(Signed) John Wallace John Wallace, Director

ANTIBE THERAPEUTICS INC.
Consolidated Statements of Loss and Comprehensive Loss
For the Years Ended March 31, 2021 and 2020
(Expressed in thousands of Canadian Dollars, except per share amounts)

	2021	2020
	\$	\$
REVENUE		
Product sales	9,713	9,666
COST OF SALES	6,163	5,970
GROSS PROFIT	3,550	3,696
EXPENSES		
Research and development <i>[note 16]</i>	13,427	8,077
General and administrative <i>[note 14]</i>	7,200	5,235
Stock-based compensation <i>[note 17]</i>	3,988	3,376
Selling and marketing <i>[note 15]</i>	2,719	3,772
Amortization and depreciation	478	571
Impairment of goodwill <i>[note 5]</i>	-	1,283
Impairment of amount due from Antibe Holdings Inc. <i>[note 9]</i>	452	-
Total expenses	28,264	22,314
LOSS FROM CONTINUING OPERATIONS	(24,714)	(18,618)
Finance and related costs <i>[note 18]</i>	66	531
Finance income	(46)	(99)
LOSS BEFORE INCOME TAXES	(24,734)	(19,050)
PROVISION FOR INCOME TAXES		
Current <i>[note 19]</i>	-	1
Total provision for income taxes	-	1
NET LOSS FROM CONTINUING OPERATIONS	(24,734)	(19,051)
DISCONTINUED OPERATIONS		
Loss from discontinued operations <i>[note 4]</i>	(1,567)	(292)
NET LOSS FOR THE YEAR	(26,301)	(19,343)
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	18	23
NET COMPREHENSIVE LOSS	(26,283)	(19,320)
Basic and diluted loss per share <i>[note 11]</i>	(0.70)	(0.71)
Basic and diluted weighted average number of shares outstanding <i>[note 11]</i>	37,251,785	27,266,954

ANTIBE THERAPEUTICS INC.
Consolidated Statements of Changes in Shareholders' Equity
For the Years Ended March 31, 2021 and 2020
(Expressed in thousands of Canadian Dollars)

	Number of common shares	Share capital	Common share purchase warrants	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total shareholders' equity
		\$	\$	\$	\$	\$	\$
Balance, March 31, 2019	24,339,248	36,986	2,756	8,035	(5)	(40,330)	7,442
Shares issued	2,683,333	5,087	2,963	-	-	-	8,050
Share issuance costs	-	(782)	(455)	393	-	-	(844)
Shares issued for exercised warrants	2,133,353	7,653	(2,638)	-	-	-	5,015
Shares issued for exercised options	25,576	118	-	(58)	-	-	60
Shares issued for vested restricted share units	186,667	604	-	2,496	-	-	3,100
Stock-based compensation	-	-	-	276	-	-	276
Net loss from continuing operations for the year	-	-	-	-	-	(19,051)	(19,051)
Loss from discontinued operations	-	-	-	-	-	(292)	(292)
Exchange differences on translation of foreign operations	-	-	-	-	23	-	23
Balance, March 31, 2020	29,368,177	49,666	2,626	11,142	18	(59,673)	3,779
Balance, March 31, 2020	29,368,177	49,666	2,626	11,142	18	(59,673)	3,779
Shares issued	13,915,000	58,478	10,637	-	-	-	69,115
Share issuance costs	-	(5,942)	(1,034)	1,589	-	-	(5,387)
Shares issued for exercised warrants	1,553,076	5,663	(1,876)	-	-	-	3,787
Shares issued for exercised options	564,600	2,465	-	(1,183)	-	-	1,282
Shares issued for vested restricted share units	321,752	1,244	-	2,873	-	-	4,117
Stock-based compensation	-	-	-	(128)	-	-	(128)
Net loss from continuing operations for the year	-	-	-	-	-	(24,734)	(24,734)
Loss from discontinued operations	-	-	-	-	-	(1,567)	(1,567)
Exchange differences on translation of foreign operations	-	-	-	-	(18)	18	-
Balance, March 31, 2021	45,722,605	111,574	10,353	14,293	-	(85,956)	50,264

ANTIBE THERAPEUTICS INC.
Consolidated Statements of Cash Flows
For the Years Ended March 31, 2021 and 2020
(Expressed in thousands of Canadian Dollars)

	2021	2020
	\$	\$
CASH FLOWS USED IN OPERATING ACTIVITIES		
Net loss from continuing operations	(24,734)	(19,051)
Items not affecting cash:		
Stock-based compensation <i>[note 17]</i>	3,988	3,376
Accretion interest <i>[note 18]</i>	36	142
Write-off of license	-	317
Depreciation of property and equipment	189	225
Amortization of intangible assets	289	346
Interest on capitalized lease payments	16	26
Impairment of goodwill <i>[note 5]</i>	-	1,283
Impairment of amounts due from Antibe Holdings Inc. <i>[note 9]</i>	452	-
	(19,764)	(13,336)
Changes in non-cash balances:		
Trade and other receivables <i>[note 6]</i>	(1,356)	(97)
Inventory	530	(453)
Prepaid expenses	(2,186)	(6)
Income taxes recoverable	-	3
Deferred contract costs	(1,047)	-
Accounts payable and accrued liabilities	(1,513)	2,541
Deferred revenue	25,231	-
Net change in non-cash balances	19,659	1,988
Cash flows used in operating activities	(105)	(11,348)
CASH FLOWS USED IN INVESTING ACTIVITIES		
Sale of Red Rock Regeneration Inc. convertible debenture	-	100
Advances to BMT <i>[note 4]</i>	(264)	(560)
Purchase of equipment	-	(1)
Cash flows used in investing activities	(264)	(461)
CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		
Advances to Antibe Holdings Inc. <i>[note 9]</i>	(70)	(89)
Lease payments	(160)	(190)
Increase in loan receivable <i>[note 4]</i>	(157)	-
Repayment of loan <i>[note 8]</i>	(2,250)	-
Issuances:		
Gross proceeds from shares and warrant issuance <i>[note 10]</i>	69,115	8,050
Proceeds from exercised warrants <i>[note 10]</i>	3,787	5,015
Proceeds from exercised options <i>[note 10]</i>	1,282	60
Share issuance costs <i>[note 10]</i>	(5,387)	(844)
Cash flows provided by financing activities	66,160	12,002
Net increase in cash during the year	65,791	193
Cash, beginning of the year	6,182	5,989
Cash, end of the year	71,973	6,182

ANTIBE THERAPEUTICS INC.
Notes to the Consolidated Financial Statements
March 31, 2021 and 2020

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

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 (“TSXV”). On September 15, 2014, the Company began trading in the United States on the OTCQX Exchange. On October 1, 2017, the Company changed trading platforms to the OTCQB Exchange. On November 12, 2020, the Company completed its graduation to the Toronto Stock Exchange (“TSX”) and the 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, 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.

The Company was founded with an exclusive intellectual property license from Antibe Holdings Inc. (“AHI”), a related party, to develop and commercialize the Company’s pipeline drugs. The license obligated the Company to pay royalties to AHI on future revenues derived from this intellectual property (see note 25). Subsequent to March 31, 2021, the Company announced that the Board of Directors of Antibe and AHI agreed to combine the companies in an amalgamation transaction (see note 26). 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 AHI.

These consolidated financial statements were authorized for issuance by the Board of Directors on June 25, 2021.

2. BASIS OF PRESENTATION

(a) Statement of compliance –

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board. These consolidated financial statements have been prepared using the accounting policies in note 3.

(b) Consolidation –

These consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Citagenix. On December 3, 2020, the Company sold its wholly owned subsidiary, BMT Medizintechnik GmbH (“BMT”) (note 4).

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.

ANTIBE THERAPEUTICS INC.
Notes to the Consolidated Financial Statements
March 31, 2021 and 2020

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

2. BASIS OF PRESENTATION (*continued*)

All intercompany balances and transactions have been eliminated on consolidation.

(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 consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As at March 31, 2021, the Company had working capital of \$75,362 (2020 – \$3,912), incurred a net comprehensive loss for the year then ended of \$26,283 (2020 – \$19,320), had negative cash flows from operations of \$105 (2020 – \$11,348) and an accumulated deficit of \$85,956 (2020 – \$59,673).

Until such time as the Company's pharmaceutical products are patented and approved for sale, the Company's liquidity requirements are dependent on its ability to raise additional capital by selling additional equity, from 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 (see notes 22, 23).

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 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 consolidated statements of financial position. The 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.

ANTIBE THERAPEUTICS INC.
Notes to the Consolidated Financial Statements
March 31, 2021 and 2020

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

2. BASIS OF PRESENTATION *(continued)*

The COVID-19 pandemic has impacted the Company's business to some extent. The Company's Phase 2 trial took an additional six weeks to complete due to factors such as the COVID-19 related closure of medical clinics, doctors becoming ill from COVID-19, and staff working from home, all of which slowed the collation of the trial data. The need to engage the consulting staff responsible for administering the trial for an additional six weeks increased the costs of the trial correspondingly. COVID-19 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.

The Company did qualify for certain wage subsidy programs in Canada and the US. The Company will recognize government grants when there is reasonable assurance that it will comply with the conditions required to qualify for the grant, and that the grant will be received. The Company recognizes government grants as a reduction to the related expense that the grant is intended to offset. For the year ended March 31, 2021, the Company has recognized \$326, as a reduction to selling and marketing expense incurred by the Company during this period.

Whatever further impact, if any, the COVID-19 pandemic may have on the Company is unpredictable. The continued spread of COVID-19 nationally and globally could also lead to a deterioration of general economic conditions including a possible national or global recession. Due to the speed with which the COVID-19 situation is developing and the uncertainty of its magnitude, outcome and duration, it is not possible to estimate its impact on the Company's business, operations or financial results; however, the impact could be material (see note 5).

(f) Use of estimates –

The preparation of 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 amount of expenses during the reporting period. Actual results may vary from the current estimates. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in income in the year in which such adjustments become known. Significant estimates in these 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES, JUDGMENTS, and ASSUMPTIONS

Significant accounting policies, estimates, judgments, and assumptions –

Cash –

Cash includes cash and liquid investments with a term to maturity of 90 days or less when acquired.

Inventory –

Inventory consists of ready for sale goods. Inventory is valued at the lower of cost and net realizable value. Cost is determined based on the average cost. Net realizable value is the estimated selling price less the estimated costs necessary to make the sale. The Company monitors inventory to determine when inventory values are not recoverable and when a write-down is necessary.

ANTIBE THERAPEUTICS INC.
Notes to the Consolidated Financial Statements
March 31, 2021 and 2020

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES, JUDGMENTS, and ASSUMPTIONS (*continued*)

Property and equipment –

Property and equipment are stated at cost or deemed cost less accumulated depreciation and accumulated impairment losses. Property and equipment are amortized over their estimated useful life at the following rates and methods:

Furniture and fixtures	20% per annum	declining balance method
Computer equipment	3 years	straight-line method
Leasehold improvements	10 years	straight-line method
Vehicles	5 years	straight-line method

The Company prorates depreciation for acquisitions made during the year.

The depreciation method, useful life and residual values are assessed annually.

When an item of property and equipment comprises significant components with different useful lives, the components are accounted for as separate items of property or equipment. Expenditures incurred to replace a component of an item of property or equipment that is accounted for separately are capitalized.

Gains and losses on disposal of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized within other income in the consolidated statements of loss and comprehensive loss.

Intangible assets –

Intangible assets with finite lives are stated at cost less accumulated amortization. Amortization is based on the estimated useful life of the asset and is calculated as follows:

Trademarks and brands	10 years	straight-line method
License and customer lists	10 years	straight-line method
Patents	17 years	straight-line method

Impairment of non-financial assets –

The Company's property and equipment and intangible assets with finite lives are reviewed for indications of impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. If indication of impairment exists, the asset's recoverable amount is estimated.

An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit ("CGU"), exceeds its recoverable amount. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the year. Impairment losses recognized in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGUs and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

The recoverable amount is the greater of the CGU's fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the CGU to which the asset belongs. The Company has two CGUs: Antibe, the pharmaceutical development and out-licensing business, and Citagenix, the tissue regenerative products business.

ANTIBE THERAPEUTICS INC.
Notes to the Consolidated Financial Statements
March 31, 2021 and 2020

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES, JUDGMENTS, and ASSUMPTIONS (*continued*)

An impairment loss is reversed if there is an indication that there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Intangible assets that are not yet available for use are not amortized, but are tested for impairment at least annually or sooner if there is an indication of impairment.

Goodwill and intangible assets impairment –

Goodwill represents the excess of the purchase price of business acquisitions over the fair value of identifiable net assets acquired in such acquisitions. Goodwill is determined at the date of the business combination. Goodwill is not amortized, but is tested for impairment annually, or more frequently if events or changes in circumstances indicate the asset might be impaired.

For the purpose of impairment testing, goodwill is allocated to each of the Company's CGUs that is expected to benefit from the synergies of the combination. An impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

All of the Company's goodwill on the consolidated statements of financial position has been allocated to the Citigenix CGU and was written off in the year ended March 31, 2020. The Company reviews the carrying value of non-financial assets for potential impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. However, goodwill is tested for impairment annually at year-end. The impairment test on Citigenix was carried out by comparing the carrying amount of Citigenix and its recoverable amount. The recoverable amount has been determined by management using the higher of value in use and fair value less costs to sell. This complex valuation process entails the use of methods, such as the discounted cash flow method, which requires numerous assumptions to estimate future cash flows. The recoverable amount is impacted significantly by the discount rate used in the discounted cash flow model, as well as the quantum and timing of expected future cash flows and the growth rate used for the extrapolation.

Related party transactions –

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Leases –

IFRS 16, *Leases*, sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model, with certain exemptions. The standard includes two recognition exemptions for lessees – leases of "low-value" assets and short-term leases with a lease term of 12 months or less. At the commencement date of a lease, a lessee will recognize a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees are also required to remeasure the lease liability upon the occurrence of certain events such as a change in lease term.

ANTIBE THERAPEUTICS INC.
Notes to the Consolidated Financial Statements
March 31, 2021 and 2020

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES, JUDGMENTS, and ASSUMPTIONS *(continued)*

The Company recognizes a right-of-use asset based on the amount equal to the lease liability, adjusted for any related prepaid and accrued lease payments previously recognized. The lease liability is recognized based on the present value of remaining lease payments, discounted using the incremental borrowing rate at the date of initial application of the standard or inception of the lease. The lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The carrying amounts of the Company's right-of-use assets and lease liabilities and movements during the year were as follows:

	Right-of-use assets	Lease liabilities
	\$	\$
Balance, April 1, 2020	174	180
Additions	202	202
Depreciation expense	(152)	-
Interest expense	-	16
Payments	-	(160)
Balance, March 31, 2021	224	238

Income taxes –

Income taxes are accounted for using the liability method. Deferred income tax assets and liabilities are recognized based on the temporary differences between the assets and liabilities for accounting purposes and the amounts used for tax purposes and the benefit of unutilized tax losses for which it is probable they will be realized and carried forward to future years to reduce income taxes. Deferred income tax assets and liabilities are not recognized if the temporary differences arise from goodwill or from initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. Deferred income tax assets and liabilities are measured using tax rates enacted by tax laws or substantively enacted for the years in which deferred income tax assets are likely to be realized or deferred income tax liabilities settled. The effect of a change in tax rates on deferred income tax assets and liabilities is included in loss and comprehensive loss in the period when the change is substantially enacted.

Deferred share issuance costs –

These are costs related directly to the proposed issuance of shares by the Company pursuant to private placements and public share offerings. Upon completion of the share issuance, these costs are charged against share capital. Such costs are recognized as an expense in the event that it is determined that such transaction will not be completed.

Government grants and investment tax credits –

Amounts received or receivable resulting from government assistance programs are recognized when there is reasonable assurance that the amount of government assistance will be received and all attached conditions will be complied with. When the amount relates to an expense item, it is recognized into income as reduction to the costs that it is intended to compensate. When the amount relates to an asset, it reduces the carrying amount of the asset and is then recognized as income over the useful life of the depreciable asset by way of a reduced depreciation charge.

ANTIBE THERAPEUTICS INC.
Notes to the Consolidated Financial Statements
March 31, 2021 and 2020

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES, JUDGMENTS, and ASSUMPTIONS (*continued*)

Investment tax credits (“ITCs”) receivable are amounts refundable from the Canadian federal and provincial governments under the Scientific Research & Experimental Development (“SR&ED”) incentive program. The amounts claimed under the program represent the amounts submitted by management based on research and development costs paid during the year and included a number of estimates and assumptions made by management in determining the eligible expenditures. ITCs are recorded when there is reasonable assurance that the Company will realize the ITCs. Recorded ITCs are subject to review and approval by tax authorities and, therefore, could be different from the amounts recorded.

Research and development expense –

Research costs are expensed as incurred. Development costs are expensed in the year incurred unless they meet certain criteria for capitalization. No development costs have been capitalized to date.

Revenue recognition –

Product sales

Revenue from product sales is recognized when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. In certain circumstances, returns or exchange of products are allowed under the Company’s policy or the Company may provide discounts or allowances, which gives rise to variable consideration. The variable consideration is estimated using the expected value method as this best predicts the amount of variable consideration to which the Company is entitled.

License revenue

The Company may enter into license agreements for the development and/or commercialization of products in certain territories. IFRS 15, *Revenue from Contracts with Customers*, includes specific guidance for accounting for license of intellectual property (“IP”), which requires revenue to be recorded either over time or at a point in time, depending on whether the customer has the “right to access” or the “right to use” the IP. For licenses that provide the customer with the right to access the IP, revenue is recognized throughout the license period. For licenses that provide the customer with the right to use the IP, revenue is deferred and amortized to the consolidated statements of loss and comprehensive loss at a point in time where the customer can first use and benefit from the license.

Costs to obtain a contract – Incremental costs incurred to obtain a contract are capitalized as a contract asset on the consolidated statements of financial position. These costs are deferred and amortized to the consolidated statements of loss and comprehensive loss at a point in time where the customer can first use and benefit from the license. The contract assets are tested for impairment annually, or if there are indicators of impairment.

Financing component – Agreements entered into with licensing partners often include an upfront fee upon execution of the agreement. If considered significant in the context of the arrangement, these upfront fees are accounted for as a financing component.

ANTIBE THERAPEUTICS INC.
Notes to the Consolidated Financial Statements
March 31, 2021 and 2020

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES, JUDGMENTS, and ASSUMPTIONS (*continued*)

Stock-based compensation –

The Company accounts for options and warrants using the fair value-based method of accounting for stock-based compensation. Fair values are determined using the Black-Scholes-Merton option-pricing model (“BSM”). Management exercises judgment in determining the underlying share price volatility, expected life of the option, expected forfeitures and other parameters of the calculations. Compensation costs are recognized over the vesting period as an increase to stock-based compensation expense and contributed surplus. If, and when, stock options and warrants are ultimately exercised, the applicable amounts of contributed surplus and common share purchase warrants are transferred to share capital.

Broker warrants –

Warrants issued in a public or private placement to brokers are accounted for under IFRS 2, *Share-based Payments*, and are classified as equity. Warrants issued to brokers are valued at the fair value of the services received.

Loss per share –

Basic loss per share is calculated on the basis of loss attributable to the holders of common shares divided by the weighted average number of common shares outstanding during the year. Diluted per share amounts are calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares. The treasury stock method assumes that proceeds received from the exercise of in-the-money stock options and common share purchase warrants are used to repurchase common shares at the prevailing market rate. Diluted loss per share is equal to basic loss per share when the effect of otherwise dilutive securities is anti-dilutive.

Provisions –

The Company recognizes a provision when it has a present obligation (legal or constructive) as a result of a past event, it is probable it will be required to settle the obligation, and it can make a reliable estimate of its amount. The amount it recognizes as a provision is its best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the surrounding risks and uncertainties. Where it measures a provision using the cash flows estimated to settle the present obligation, the carrying amount is the present value of those cash flows, calculated using a pre-tax discount rate reflecting the risks specific to the liability. The Company adjusts the liability at the end of each reporting period for the unwinding of the discount rate and for changes to the discount rate or to the amount or timing of the estimated cash flows underlying the obligation.

Measurement of financial instruments –

Classification and measurement

Except for certain trade receivables, under IFRS 9, *Financial Instruments* (“IFRS 9”), the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“FVTPL”), transaction costs. Under IFRS 9, financial liabilities are subsequently measured at FVTPL, amortized cost, or fair value through other comprehensive income (“FVOCI”).

The classification is based on two criteria: the Company’s business model for managing the assets; and whether the instruments’ contractual cash flows represent “solely payments of principal and interest” on the principal amount outstanding.

ANTIBE THERAPEUTICS INC.
Notes to the Consolidated Financial Statements
March 31, 2021 and 2020

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES, JUDGMENTS, and ASSUMPTIONS (*continued*)

The financial instruments of the Company are classified as follows:

	<u>IFRS 9</u>
Financial assets	
Cash	Amortized cost
Term deposits	Amortized cost
Accounts receivable	Amortized cost
Due from AHI	Amortized cost
Deposits	Amortized cost
Financial liabilities	
Bank indebtedness	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Loan payable	Amortized cost

Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

The purchase and sale of financial assets are recognized using trade date accounting. Financial liabilities are derecognized when the obligation is discharged, cancelled or expires.

Financial assets and liabilities are offset and the net amount reported when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

There are three measurement categories in which the Company classifies its financial assets:

- Amortized cost: Financial instruments that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortized cost. Interest income from these financial instruments is recorded in net income (loss) using the effective interest rate method.
- FVOCI: Debt instruments that are held for collection of contractual cash flows and for selling the financial instruments, where the financial instruments' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses that are recognized in net income (loss). When the financial instrument is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to net income (loss) and recognized in other gains (losses). Interest income from these financial instruments is included in interest using the effective interest rate method. Foreign exchange gains (losses) are presented in other gains (losses) and impairment expenses in other expenses.
- FVTPL: Financial instruments that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a financial instrument that is subsequently measured at FVTPL and is not part of a hedging relationship is recognized in net income (loss) and presented net in comprehensive income (loss) within other gains (losses) in the period in which it arises.

ANTIBE THERAPEUTICS INC.
Notes to the Consolidated Financial Statements
March 31, 2021 and 2020

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES, JUDGMENTS, and ASSUMPTIONS (*continued*)

Financial liabilities are either classified as amortized cost or FVTPL. For financial liabilities held at amortized cost, when the Company revises its estimates of the amount and timing of payments, it will adjust the gross carrying amount of the amortized cost of a financial liability to reflect actual and revised estimated contractual cash flows. The Company recalculates the gross carrying amount of the amortized cost of the financial liability as the present value of the estimated future contractual cash flows that are discounted at the financial instrument's original effective interest rate. The adjustment is recognized in net income (loss).

The Company classifies its financial instruments as follows:

- Cash, cash equivalents, accounts receivable, due from related parties, accounts payable and accrued liabilities, due to related parties and long-term debt are measured at amortized cost. Interest income and interest expense are recorded in net income (loss), as applicable.

Impairment of financial assets

At each reporting date, the Company assesses on a forward-looking basis the expected credit losses (“ECLs”) associated with its financial instruments carried at amortized cost and whether there is objective evidence that a financial asset is impaired. Trade and other receivables are subject to lifetime ECLs, which are measured as the difference in the present value of the contractual cash flows that are due under the contract, and the cash flows that are expected to be received. The Company applies the simplified approach at each reporting date on its trade and other receivables and considers current and forward-looking macro-economic factors that may affect historical default rates when estimating ECL.

Financial assets, together with the associated allowance, are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Company. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or decreased by adjusting the carrying value of the loan or receivable. If a past write-off is later recovered, the recovery is recognized in the consolidated statements of loss and comprehensive loss.

New and amended standards and interpretations

The Company has not early adopted any standards, interpretations or amendments that have been issued but not yet effective.

4. 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). BMT is a German manufacturer and distributor of surgical instruments and, prior to the sale, accounted for less than 10% of Citagenix’s consolidated revenue. BMT struggled to reach profitability and in recent years had borne significant costs related to enhanced regulations in Germany. The COVID-19 crisis had a severe impact on the sale of surgical instruments. Given these circumstances, the Company agreed to sell BMT for nominal value to its Managing Director as a preferred alternative to the time and expense involved in winding up the business.

The business of BMT was historically presented within the Citagenix operating segment. With BMT classified as a discontinued operation, the Citagenix segment will no longer include BMT results.

The results of BMT up to December 3, 2020 are presented in the consolidated statement of loss and comprehensive loss as a loss from discontinued operations for the years ended March 31, 2021 and 2020. The Company has also derecognized the related assets, liabilities and components of equity, with the resultant loss recognized within the loss from discontinued operations.

ANTIBE THERAPEUTICS INC.
Notes to the Consolidated Financial Statements
March 31, 2021 and 2020

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

4. SALE OF BMT (*continued*)

The results of BMT for the years ended March 31, 2021 and 2020 are presented below.

	2021	2020
	\$	\$
Revenue	228	325
Cost of goods sold	136	133
Gross profit	92	192
Expenses	301	484
Loss on sale of BMT	1,358	-
Loss from discontinued operations	(1,567)	(292)

The loss on the sale of BMT, \$1,358, is the result of the derecognition of BMT's assets and liabilities for consideration of 1 Euro. The major classes of assets and liabilities on the day of sale are presented below.

	2021
	\$
Accounts receivable	87
Inventory	735
Prepaid expenses	9
Property, plant and equipment	6
Government remittances receivable	5
Trademarks	613
Accounts payable and accrued liabilities	(83)
Bank indebtedness	(14)
Loss on sale of BMT	\$1,358

As part of the sale agreement, Antibe wrote off a net intercompany loan receivable from BMT of \$1,863.

Cash flows from operations incurred by BMT for the year ended March 31, 2021, were negative \$264 (2020 – negative \$560) and are presented within the Company's consolidated statement of cash flows.

Antibe has also 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.

5. IMPAIRMENT OF GOODWILL

The Company conducted its annual test for goodwill impairment of the Citagenix CGU in fiscal 2020. Based on this assessment, the recoverable amount of Citagenix using fair value less costs to sell did not exceed its carrying value. Therefore, the Company recorded a goodwill impairment charge of \$1.28 million as at March 31, 2020 to fully impair the carrying value of goodwill recorded on the Citagenix acquisition. The goodwill impairment was primarily driven by changes to the Company's forecasted performance, which resulted in a lower fair value for the Citagenix business. The performance of Citagenix in fiscal 2021 was adversely affected by the COVID-19 crisis. Any adverse changes in assumptions may result in additional impairment of other assets in the CGU.

ANTIBE THERAPEUTICS INC.
Notes to the Consolidated Financial Statements
March 31, 2021 and 2020

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

6. TRADE AND OTHER RECEIVABLES

	2021	2020
	\$	\$
SR&ED tax credits receivable	1,131	67
Trade receivables, net of allowances	1,061	1,043
Warrant exercise receivable	-	50
Value-added taxes receivable	-	5
Harmonized Sales Tax receivable	392	147
	2,584	1,312
Employee advances <i>[note 9]</i>	19	20
	2,603	1,332

7. INTANGIBLE ASSETS

Intangible assets consist of the following:

	Trademarks and brands	License	Customer lists	Patents	Total
	\$	\$	\$	\$	\$
Cost					
As at March 31, 2019	3,094	317	177	19	3,607
Write-off of license	-	(317)	-	-	(317)
As at March 31, 2020	3,094	-	177	19	3,290
As at April 1, 2020	3,094	-	177	19	3,290
Disposals	(1,217)	-	-	-	(1,217)
As at March 31, 2021	1,877	-	177	19	2,073
Amortization					
As at March 31, 2019	1,071	-	88	14	1,173
Charge for the year	310	-	35	1	346
As at March 31, 2020	1,381	-	123	15	1,519
As at April 1, 2020	1,381	-	123	15	1,519
Disposals	(604)	-	-	-	(604)
Charge for the year	249	-	36	4	289
As at March 31, 2021	1,026	-	159	19	1,204
Carrying amount					
As at March 31, 2020	1,713	-	54	4	1,771
As at March 31, 2021	851	-	18	-	869

The \$317 write-off, which occurred in the year ended March 31, 2020, relates to impairment of licensed intangible assets. The first commercial sale from these licenses is likely many years in the future and, as a result, the Company has decided to write off the value of this license. The disposal relates to the sale of BMT and the trademarks and brands of BMT previously held by the Company.

ANTIBE THERAPEUTICS INC.
Notes to the Consolidated Financial Statements
March 31, 2021 and 2020

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

8. CREDIT FACILITY INDEBTEDNESS

On June 29, 2018, Citagenix replaced its bank operating line facility with a \$2.25 million secured revolving credit facility (the “Credit Facility”) provided by Bloom Burton Healthcare Lending Trust (“BBHLT”). Amounts outstanding under the Credit Facility bear interest at a rate of 7% compounded monthly, payable quarterly.

The Credit Facility has been accounted for at amortized cost. Transaction costs directly attributable to the Credit Facility totalled \$284. These costs were proportionally allocated based on the relative fair value of the components of the Credit Facility and were amortized over the two-year term of the facility.

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

9. RELATED PARTY TRANSACTIONS

As part of the prospectus offering during the year ended March 31, 2020, one director and one officer of the Company purchased a total of 201,667 Units, such investment being a “related party transaction” for purposes of Multilateral Instrument 61-101, *Protection of Minority Security Holders in Special Transactions*.

During the year ended March 31, 2021, the Company advanced \$70 (2020 – \$89) to AHI. As at March 31, 2021, the amount owing by AHI to the Company, \$452 (2020 – \$382) was written off as AHI and the Company completed a three-cornered amalgamation on June 3, 2021 (see note 26, Subsequent Events).

Employee advances for the year ended March 31, 2021, consisted of cash advances, payments to the Company’s cell phone plan on behalf of employees, use of Company courier services and petty cash in foreign currencies. Cash advances were provided to one employee of the Company.

10. SHARE CAPITAL

(a) Authorized –

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

(b) Common shares –

	2021		2020	
	Shares	Amount	Shares	Amount
		\$		\$
Balance, beginning of the year	29,368,177	49,666	24,339,248	36,986
Warrants exercised	1,553,076	5,663	2,133,353	7,653
Options exercised	564,600	2,465	25,576	118
Restricted share units vested and shares issued	321,752	1,244	186,667	604
Prospectus August 13, 2019 (“P2019B”)	-	-	2,683,333	5,087
Prospectus June 30, 2020 (“P2020”)	7,187,500	26,041	-	-
Prospectus February 24, 2021 (“P2021”)	6,727,500	32,437	-	-
Share issuance costs – P2019	-	-	-	(782)
Share issuance costs – P2020	-	(2,918)	-	-
Share issuance costs – P2021	-	(2,988)	-	-
Shelf prospectus costs	-	(36)	-	-
Balance, end of the year	45,722,605	111,574	29,368,177	49,666

ANTIBE THERAPEUTICS INC.
Notes to the Consolidated Financial Statements
March 31, 2021 and 2020

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

10. SHARE CAPITAL (*continued*)

On June 30, 2020, the Company closed a bought deal public offering of 6,250,000 units of the Company (the “June Units”) at a price of \$4.00 per Unit (the “June Offering Price”) plus the exercise in full of the Underwriters’ over-allotment option of 937,500 Units for aggregate gross proceeds of \$28,750 (the “June Offering”). The June Offering was made pursuant to an underwriting agreement dated June 15, 2020 with a syndicate of underwriters.

Each June Unit was composed of one Common Share and one-third of one common share purchase warrant. Each full warrant is exercisable to purchase one Common Share at any time prior to June 30, 2022 at a price of \$6.00 per Common Share.

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

On February 24, 2021, the Company closed a bought deal public offering of 6,727,500 units in the capital of the Company (the “February Units”) at a price of \$6.00 per Unit (the “February Offering Price”) for aggregate gross proceeds of \$40,365 (the “February Offering”), which included the full exercise of the over-allotment option by the underwriters.

Each February Unit consisted of one Common Share and one-half of one common share purchase warrant. Each full warrant is exercisable to purchase one Common Share at any time prior to February 24, 2024 at a price of \$7.50 per Common Share.

As consideration for the services rendered by the Underwriters in connection with the February Offering, the Company has paid the Underwriters a cash commission equal to 6% of the gross proceeds raised under the February Offering and has granted the Underwriters non-transferable broker warrants equal to 6% of the number of February Units sold under the February Offering, exercisable at any time prior to February 24, 2023 at an exercise price equal to the February Offering Price.

On June 3, 2021, the Company completed a three-cornered amalgamation transaction with AHI. In consideration, the Company issued an aggregate of 5,873,092 Common Shares (see note 26).

The following provides additional information on the prospectus raises completed during the years ended March 31, 2021 and 2020:

Closing date	Prospectus	Number of units / shares issued	Number of warrants issued	Price per unit	Gross proceeds ³	Warrant exercise price	Warrant expiry date
Aug. 13, 2019	P2019B	2,683,333 ¹	1,341,667	\$ 3.00	\$ 8,050	\$ 4.00	Aug. 13, 2022
Jun. 30, 2020	P2020	7,187,500 ²	2,395,833	4.00	28,750	6.00	Jun. 30, 2022
Feb. 24, 2021	P2021	6,727,500 ¹	3,363,750	6.00	40,365	7.50	Feb. 24, 2024

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.

²Each 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.

³Gross proceeds have been allocated to share capital and warrants based on the residual method. Warrants were valued using the BSM.

ANTIBE THERAPEUTICS INC.
Notes to the Consolidated Financial Statements
March 31, 2021 and 2020

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

10. SHARE CAPITAL (*continued*)

With respect to the prospectus raises completed during the years ended March 31, 2021 and 2020, the Company issued the following warrants to brokers:

Closing date	Prospectus	Number of broker warrants issued	Total issuance costs	Non-cash cost from issuance of warrants to brokers	Broker warrant exercise price	Broker warrant expiry date
Aug. 13, 2019	P2019B	187,833	\$ 1,237	\$ 393	3.00	Aug. 13, 2021
Jun. 30, 2020	P2020	503,125	2,131	821	4.00	Jun. 30, 2022
Feb. 24, 2021	P2021	403,650	2,529	768	6.00	Feb. 24, 2023

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 years ended March 31, 2021 and 2020:

Exercise price	2021		2020	
	Number of warrants exercised	Gross proceeds	Number of warrants exercised	Gross proceeds
\$		\$		\$
1.00	-	-	128,968	129
1.50	915,650	1,373	1,041,068	1,562
2.50	12,800	32	148,200	370
3.00	23,208	70	92,600	278
3.50	277,650	972	427,425	1,496
4.00	301,336	1,205	295,092	1,180
6.00	22,432	135	-	-
	1,553,076	3,787	2,133,353	5,015

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 require shareholder approval at the Company's next annual general meeting.

On January 11, 2021, the Company granted a consultant options in exchange for investor relations services. The options give the consultant the right to purchase a total of 66,000 common shares pursuant to the Company's stock option plan. Each option has an exercise price of \$4.00, vests quarterly starting on the date of the grant, and will expire January 11, 2024. The estimated fair value of the options, which approximates the value of the services to be received, and calculated using the BSM, is \$136.

ANTIBE THERAPEUTICS INC.
Notes to the Consolidated Financial Statements
March 31, 2021 and 2020

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

10. SHARE CAPITAL (*continued*)

The following is a summary of all options to purchase common shares that are outstanding as at March 31, 2021 and 2020, as well as details on exercise prices and expiry dates:

	2021		2020	
	Options	Weighted average price	Options	Weighted average price
		\$		\$
Balance, beginning of the year	1,814,735	2.71	1,789,062	2.69
Granted during the year	66,000	4.00	55,000	3.15
Exercised during the year	(564,600)	2.27	(25,576)	2.30
Forfeited during the year	(47,100)	3.24	(3,751)	3.70
Balance, end of the year	1,269,035	2.95	1,814,735	2.71

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
159,271	1.45	March 9, 2026
10,000	1.90	January 18, 2027
817,924	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
1,269,035		

The number of options exercisable as at March 31, 2021, is 1,219,535 and the weighted average exercise price of these options is \$2.39.

The total fair value of options not yet recognized as an expense is \$102.

The following assumptions were used in the BSM to determine the fair value of stock options granted in the years ended March 31, 2021 and 2020:

	2021	2020
Weighted average risk-free interest rate	0.24%	1.37%
Weighted average expected volatility	80%	95%
Expected dividend yield	0.00%	0.00%
Weighted average expected life of options	3 years	3 years
Weighted average share price	\$4.00	\$3.50
Weighted average exercise price	\$4.00	\$3.15

ANTIBE THERAPEUTICS INC.
Notes to the Consolidated Financial Statements
March 31, 2021 and 2020

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

10. SHARE CAPITAL (*continued*)

(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 Restricted Share Unit Plan involving the calculation of fair market value have been put into effect. These changes require shareholder approval at the Company’s next annual general meeting.

On June 11, 2020, the Company granted 50,000 restricted share units (“RSUs”) in connection with the appointment of a new Chief Medical Officer. The RSUs are subject to time-based vesting; one-third of the RSUs granted will vest on each of the first, second and third anniversaries of the grant date. The fair value of the RSUs was \$235, determined based on the share price on the grant date.

On July 23, 2020, and September 17, 2020, the Company granted 5,000 and 3,000 RSUs, respectively, to two consultants in exchange for public relations services. The RSUs vest quarterly starting on the date of the grant. The fair values of the July 23, 2020 RSUs and the September 17, 2020 RSUs were \$20 and \$11, respectively.

On January 11, 2021, the Board of Directors awarded 2,092,000 RSUs to directors, officers, employees and consultants pursuant to the Company’s RSU plan. The vesting of 50% of the RSUs granted to key executives is subject to specific performance goals that reflect the successful execution of the Company’s business plan. All RSUs are subject to time-based vesting; one third of the RSUs granted will vest on each of the first, second and third anniversaries of the grant date. The total fair value of the RSUs was \$8,369, determined based on the share price on the grant date.

Included in the RSUs granted on January 11, 2021, are 731,000 performance RSUs granted to key senior executives of Antibe and Citagenix. Vesting of these RSUs is subject to the successful achievement of certain goals that are designed to reflect the successful execution of the Company’s business plan and strategy. The estimated fair value of these RSUs calculated using the share price on the grant date is \$2,924. As at March 31, 2021, it was determined that the probability and timing of achieving the performance criteria was greater than 50%, and as such, \$285 was expensed during the year ended March 31, 2021, and included in contributed surplus.

On March 3, 2021, the Company granted a total of 80,000 RSUs to two employees in connection with their employment agreements, and two consultants in exchange for their services. The RSUs are subject to time-based vesting; one-third of the RSUs granted will vest on each of the first, second and third anniversaries of the grant date. The fair value of the RSUs was \$412, determined based on the share price on the grant date.

For the year ended March 31, 2021, \$3,988 (\$3,935 related to RSUs and \$53 related to options) has been included within stock-based compensation in the consolidated statements of loss and comprehensive loss.

The following is a summary of all RSUs that are outstanding as at March 31, 2021:

	2021	2020
	RSUs	RSUs
Balance, beginning of the year	2,155,158	1,728,992
Granted during the year	2,230,000	802,000
Vested during the year	(625,000)	(375,834)
Forfeited during the year	(134,584)	-
Balance, end of the year	3,625,574	2,155,158

ANTIBE THERAPEUTICS INC.
Notes to the Consolidated Financial Statements
March 31, 2021 and 2020

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

10. SHARE CAPITAL *(continued)*

Based upon the share price on the date of granting, the total fair value of RSUs not yet recognized as an expense is \$9,173.

(e) Common share purchase warrants –

The following is a summary of all warrants to purchase common shares that are outstanding as at March 31, 2021 and 2020, as well as details on exercise prices and expiry dates:

	2021		2020	
	Warrants	Weighted average price	Warrants	Weighted average price
		\$		\$
Balance, beginning of the year	2,838,785	2.90	3,468,904	2.30
Issued during the year	6,666,358	6.61	1,593,984	3.78
Exercised during the year	(1,553,076)	2.44	(2,133,353)	2.35
Expired during the year	(45,950)	1.50	(90,750)	8.30
Balance, end of the year	7,906,117	6.12	2,838,785	2.90

	Exercise price	Expiry date
	\$	
72,026	3.00	August 13, 2021
444,925	3.50	February 27, 2022
489,725	4.00	June 30, 2022
2,373,402	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
7,906,117		

The following assumptions were used in the BSM to determine the fair value of warrants during the years ended March 31, 2021 and 2020:

	2021	2020
Weighted average risk-free interest rate	0.30%	1.29%
Weighted average expected volatility	75%	91%
Expected dividend yield	0.00%	0.00%
Weighted average expected life of warrants	2.5 years	2.9 years
Weighted average share price	\$4.87	\$3.85
Weighted average exercise price	\$6.61	\$3.88

ANTIBE THERAPEUTICS INC.
Notes to the Consolidated Financial Statements
March 31, 2021 and 2020

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

11. 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 year. All unexercised share options and warrants were excluded from calculating diluted loss per share.

12. SEGMENTED RESULTS

The Company has two primary business segments: Antibe Therapeutics, a pharmaceutical development company, and Citagenix, a marketer and distributor of regenerative medicines serving the dental and orthopaedic market places.

The segmented performance of these two businesses for the years ended March 31, 2021 and 2020, is as follows:

	2021			2020		
	Antibe	Citagenix	Consolidated	Antibe	Citagenix	Consolidated
	\$	\$	\$	\$	\$	\$
Revenue	-	9,713	9,713	-	9,666	9,666
Cost of sales	-	(6,163)	(6,163)	-	(5,970)	(5,970)
Gross profit	-	3,550	3,550	-	3,696	3,696
Expenses	(24,100)	(4,184)	(28,284)	(17,361)	(5,385)	(22,746)
Loss before income taxes	(24,100)	(634)	(24,734)	(17,361)	(1,689)	(19,050)

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

Revenue by geographic region for the year ended March 31, 2021, is as follows:

Canada – 45%
United States – 36%
Europe – 3%
Rest of World – 16%

The Company's assets and liabilities by each business as at March 31, 2021 and 2020 are as follows:

	2021			2020		
	Antibe	Citagenix	Consolidated	Antibe	Citagenix	Consolidated
	\$	\$	\$	\$	\$	\$
Assets						
Current	75,073	4,030	79,103	6,319	5,188	11,507
Non-current	1,440	1,198	2,638	236	2,095	2,331
Total assets	76,513	5,228	81,741	6,555	7,283	13,838
Liabilities						
Current	2,226	1,515	3,741	3,133	4,462	7,595
Non-current	27,631	105	27,736	2,399	65	2,464
Total liabilities	29,857	1,620	31,477	5,532	4,527	10,059

ANTIBE THERAPEUTICS INC.
Notes to the Consolidated Financial Statements
March 31, 2021 and 2020

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

13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The following table summarizes accounts payable and accrued liabilities as at March 31, 2021 and 2020:

	2021	2020
	\$	\$
Accounts payable		
Antibe	1,079	2,112
Citagenix	1,251	1,793
BMT	-	73
	2,330	3,978
Accrued liabilities		
Antibe	1,146	1,022
Citagenix	132	196
BMT	-	66
	1,278	1,284
Total accounts payable and accrued liabilities	3,608	5,262

14. GENERAL AND ADMINISTRATIVE EXPENSES

The nature of the general and administrative expenses for the years ended March 31, 2021 and 2020, is summarized as follows:

	2021	2020
	\$	\$
Salaries and wages	2,237	1,510
Professional and consulting fees	3,785	2,639
Office expenses	661	562
Other expenses	517	524
Total general and administrative expenses	7,200	5,235

15. SELLING AND MARKETING EXPENSES

The nature of the selling and marketing expenses for the years ended March 31, 2021 and 2020, is summarized as follows:

	2021	2020
	\$	\$
Salaries and wages	1,694	2,089
Commissions	586	698
Advertising and promotion	222	411
Travel and entertainment	217	574
Total selling and marketing expenses	2,719	3,772

ANTIBE THERAPEUTICS INC.
Notes to the Consolidated Financial Statements
March 31, 2021 and 2020

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

16. RESEARCH AND DEVELOPMENT EXPENSES

The nature of the research and development expenses for the years ended March 31, 2021 and 2020, is summarized as follows:

	2021	2020
	\$	\$
Salaries and wages	1,672	655
Professional and consulting fees	1,428	169
Research & clinical trial costs	11,334	7,399
SR&ED rebate	(1,007)	(146)
Total research and development expenses	13,427	8,077

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 & clinical trial costs” in the period that the related goods are consumed or services are performed. As at March 31, 2021, \$2,115 was recorded as a prepaid expense.

17. STOCK-BASED COMPENSATION

The function of the stock-based compensation expense for the years ended March 31, 2021 and 2020, is summarized as follows:

	2021	2020
	\$	\$
General and administrative	2,690	2,505
Research and development	1,298	871
Total stock-based compensation	3,988	3,376

18. FINANCE AND RELATED COSTS

The components of the finance and related costs for the years ended March 31, 2021 and 2020, are as follows:

	2021	2020
	\$	\$
Interest on loan payable	55	185
Accretion interest	(6)	142
Interest and bank charges	181	173
Foreign currency transactions	(164)	31
Total finance and related costs	66	531

ANTIBE THERAPEUTICS INC.
Notes to the Consolidated Financial Statements
March 31, 2021 and 2020

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

19. INCOME TAXES

The income tax provision recorded differs from the income tax obtained by applying the statutory income tax rate of 26.50% (2020 – 26.50%) to the loss before income taxes for the year, and is reconciled as follows:

	<u>2021</u>	<u>2020</u>
	\$	\$
Loss before income taxes	<u>(24,734)</u>	<u>(19,050)</u>
Expected income tax recovery at the combined basic federal and provincial tax rate:	(6,555)	(5,048)
Decrease (increase) resulting from:		
Non-deductible expenses	1,064	921
Tax loss on sale of BMT	(379)	-
Book write-down of receivable	120	-
Others	(164)	(528)
Amount related to unrecognized deferred tax assets	5,914	4,656
Provision for (recovery of) income taxes	<u>-</u>	<u>1</u>

The Company has incurred non-capital losses of \$23,961 for tax purposes, which are available to reduce future taxable income. Such benefits will be recorded as an adjustment to the tax provision in the year realized. The losses expire as follows:

	<u>\$</u>
In the year ending March 31,	
2029	-
2030	-
2031	-
2032	-
2033	-
2034	-
2035	-
2036	113
2037	832
2038	3,388
2039	4,798
2040	14,283
2041	547
	<u>23,961</u>

The Company has incurred capital losses of as at March 31, 2021, applicable to future years, with no expiry date, is \$2,378.

The cumulative carry-forward pool of SR&ED expenditures as at March 31, 2021, applicable to future years, with no expiry date, is \$19,417.

ANTIBE THERAPEUTICS INC.
Notes to the Consolidated Financial Statements
March 31, 2021 and 2020

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

20. DEFERRED INCOME TAXES

The recognized temporary differences and tax losses are attributable to the following:

	2021	2020
	\$	\$
Amount related to tax loss	503	454
Amount related to intangible assets on business combination	(226)	(454)
Amount related to foreign exchange translation gains	-	(14)
Amount related to transaction costs	3	6
Amount related to capital property	56	70
Amount related to deferred contract costs	(340)	-
Amounts related to other	4	(62)
Net deferred income tax liabilities	-	-

Deferred tax expense of \$15 (2020 – recover \$8) related to the foreign exchange translation gains was recognized in other comprehensive loss for the year.

Deferred tax assets have not been recognized in respect of the following temporary differences:

	2021	2020
	\$	\$
Amount related to tax loss carryforwards	5,471	7,990
Amount related to eligible capital property	296	311
Amount related to SR&ED expenditures	5,146	3,621
Amount related to donations	21	34
Amount related to ITC, net of tax	1,731	1,301
Amount related to ORDTC, net of tax	394	217
Amount related to share issuance costs	1,415	432
Amount related to capital losses	315	-
Amount related to deferred revenue	7,322	636
	22,111	14,542

Deferred income tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Company will be able to use these benefits.

21. FINANCIAL INSTRUMENTS

The carrying values of cash, term deposits, 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.

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.

ANTIBE THERAPEUTICS INC.
Notes to the Consolidated Financial Statements
March 31, 2021 and 2020

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

21. FINANCIAL INSTRUMENTS *(continued)*

Financial instruments classified as Level 1 include cash, term deposits and bank indebtedness. At the current time, the Company does not have financial instruments classified in Level 2 or Level 3.

22. CAPITAL RISK MANAGEMENT

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the research, development and patent of drugs and the growth objectives of Citagenix. To secure the additional capital necessary to pursue these plans, the Company may attempt to raise additional funds through the issuance of equity.

The Company includes the following in its definition of capital: share capital, common share purchase warrants, contributed surplus and accumulated other comprehensive income (loss), which total \$136,220 (2020 – \$63,452). The Company is not subject to externally imposed capital requirements.

23. FINANCIAL RISK MANAGEMENT

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

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

Credit risk

The Company's credit risk is primarily attributable to trade and other receivables, amounts due from AHI and the excess of cash held in one financial institution over the deposit insurance by Canadian Deposit Insurance Corporation. The Company, in the normal course of operations, monitors the financial condition of its customers.

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

Liquidity risk

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

As at March 31, 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	3,608	-	-	3,608
Lease liability	133	105	-	238
	3,741	105	-	3,846

ANTIBE THERAPEUTICS INC.
Notes to the Consolidated Financial Statements
March 31, 2021 and 2020

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

23. FINANCIAL RISK MANAGEMENT (*continued*)

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.

24. 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 consolidated statement of financial position in the amount of \$236 as at March 31, 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 statement of financial position in the amount of \$1,047 as at March 31, 2021.

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.

ANTIBE THERAPEUTICS INC.
Notes to the Consolidated Financial Statements
March 31, 2021 and 2020

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

25. 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 \$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 AHI at various stages of development.

On June 3, 2021, the Company completed an amalgamation with AHI whereby the Company issued 5,873,092 Antibe common shares to AHI's shareholders and the Company obtained all the assets and liabilities of AHI, effectively ending this License Agreement (see note 26, Subsequent Events).

(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 year ended March 31, 2021.

26. SUBSEQUENT EVENTS

On May 7, 2021, the Company announced that the Boards of Directors of Antibe and AHI agreed to combine the companies in an amalgamation transaction pursuant to which shareholders of AHI will receive common shares of the Company in exchange for their shares of AHI.

The Company was founded with an exclusive IP license from AHI to develop and commercialize the Company's pipeline drugs. The license obligated the Company to pay royalties to AHI on future revenues derived from this IP (see note 25). Under the terms of the agreement, the Company acquired full ownership of AHI's patent portfolio, eliminating the royalty liability on future revenues. The companies were combined in a three-cornered amalgamation transaction pursuant to which AHI amalgamated with a newly incorporated subsidiary of the Company.

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 AHI, following which AHI ceased to exist. The amalgamation was accounted for as an acquisition by the Company of the underlying assets of AHI. The Company acquired \$25,941 in intangible assets relating to patents previously licensed to the Company along with \$381 in other assets and \$342 in liabilities. The fair value of the patents was determined based on the relief from royalty method.

These new shares account 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 AHI, 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.

The transaction closed on June 3, 2021.
