ANTIBE THERAPEUTICS INC.

CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2023 and 2022

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, 2023 and March 31, 2022, 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, 2023 and March 31, 2022, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRSs").

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(c) in the consolidated financial statements, which indicates that the Company had an accumulated deficit of $130.5 million as at March 31, 2023 and incurred a net loss from continuing operations of $19.3 million and had negative cash flows from operations of $16.3 million for the year then ended. These events or conditions, along with other matters as set forth in Note 2(c), 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 Matters

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 matter 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 each 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 matters	How our audit addressed the key audit matter
Completeness of the accrual for research and clinical trial expenses As disclosed in the consolidated financial statements, the Company has recorded research and development expenses of $11.3 million for the year ended March 31, 2023 and accounts payable and accrued liabilities of $2.8 million as at March 31, 2023, which includes an accrual for estimated research and clinical trial expenses incurred. The Company has contracts with contract research organizations that conduct and manage 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. As disclosed in note 3, 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. Auditing the completeness of the Company's accrual for research and clinical trial expenses 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.	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 assessed management's look-back analysis comparing the estimated accrual balances of March 31, 2022 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.

Valuation of intangible assets not yet subject to amortization As disclosed in note 8 to the consolidated financial statements, the carrying amount of the intellectual property intangible asset is $26.4 million as at March 31, 2023. Intangible assets not currently being amortized are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash inflows or cash-generating units ("CGUs"). As at March 31, 2023, the Company is one CGU. An impairment loss is recognized for the amount by which the carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. When performing the annual impairment test as at March 31, 2023, the Company determined the recoverable amount using a value-in-use approach and prepared a discounted cash flow model. Auditing management's assessment of the recoverable amount was complex, given the degree of judgment and subjectivity in evaluating management's estimates and assumptions. Significant assumptions used in the discounted cash flow analysis included projections for the future costs of clinical trials, revenue projections, probability of commercialization, and the discount rate. These assumptions are affected by expectations about future market and economic conditions including the success of clinical trials, obtaining regulatory approvals, future product pricing, and the future demand for these pharmaceutical products.	To assess the valuation of the intellectual property intangible asset, our audit procedures included, among others, assessing methodologies used and the significant assumptions and underlying data used by the Company in its annual impairment test as at March 31, 2023. With the assistance of our valuation specialists, we evaluated the Company's model, valuation methodologies, and certain significant assumptions, such as the future costs of clinical trials, revenue projections, the probability of commercialization and the discount rate. We compared the estimated clinical trial costs to board approved budgets. We compared future revenue projections and the probability of commercialization to current industry, market and economic trends. We performed sensitivity analysis on the significant assumptions to evaluate changes in the recoverable amount that would result from changes in the assumptions.

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.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
June 28, 2023

ANTIBE THERAPEUTICS INC.
Consolidated Statements of Financial Position
As at March 31, 2023 and 2022
(Expressed in thousands of Canadian dollars)

	2023	2022
	$	$
ASSETS		
Current		
Cash and cash equivalents	**6,755**	34,807
Term deposits *[note 6]*	**32,137**	20,000
Other receivables *[note 7]*	**1,655**	1,157
Prepaid expenses *[note 12]*	**999**	768
Assets held for sale *[note 5]*	**-**	4,632
Total current assets	**41,546**	61,364
Non-current assets		
Deferred contract costs *[note 22]*	**1,283**	1,283
Loan receivable *[note 9]*	**-**	159
Deferred consideration receivable *[note 5]*	**1,380**	-
Intangible assets *[notes 4 and 8]*	**26,352**	26,352
Total non-current assets	**29,015**	27,794
TOTAL ASSETS	**70,561**	89,158
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**2,764**	2,816
Liabilities directly associated with assets held for sale *[note 5]*	**-**	1,878
Total current liabilities	**2,764**	4,694
Non-current liabilities		
Deferred revenue *[note 22]*	**27,631**	27,631
Total non-current liabilities	**27,631**	27,631
TOTAL LIABILITIES	**30,395**	32,325
SHAREHOLDERS' EQUITY		
Share capital	**141,489**	139,547
Common share purchase warrants *[note 10(c)]*	**10,264**	10,264
Contributed surplus	**18,904**	18,038
Deficit	**(130,491)**	(111,016)
TOTAL SHAREHOLDERS' EQUITY	**40,166**	56,833
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**70,561**	89,158

Commitments and contingencies *[note 23]*

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

ANTIBE THERAPEUTICS INC.
Consolidated Statements of Loss and Comprehensive Loss
For the Years Ended March 31, 2023 and 2022
(Expressed in thousands of Canadian dollars, except share and per share amounts)

	2023	2022
	$	$
EXPENSES		
Research and development *[note 12]*	**11,308**	14,358
General and administrative *[note 13]*	**6,099**	5,442
Stock-based compensation *[note 14]*	**2,808**	5,521
Selling and marketing *[note 15]*	**331**	208
Total expenses	**20,546**	25,529
LOSS FROM CONTINUING OPERATIONS	**(20,546)**	(25,529)
Finance income and related costs *[note 16]*	**(1,255)**	(279)
NET LOSS FROM CONTINUING OPERATIONS	**(19,291)**	(25,250)
DISCONTINUED OPERATIONS		
Income (loss) from discontinued operations *[note 5]*	**(184)**	190
NET LOSS AND COMPREHENSIVE LOSS	**(19,475)**	(25,060)
Basic and diluted loss per share *[note 11]*	**(0.37)**	(0.50)
Basic and diluted weighted average number of shares outstanding *[note 11]*	**52,286,301**	50,774,440

ANTIBE THERAPEUTICS INC.
Consolidated Statements of Changes in Shareholders' Equity
For the Years Ended March 31, 2023 and 2023
(Expressed in thousands of Canadian dollars, except share amounts)

	Number of Common Shares	Share capital	Common Share purchase warrants	Contributed surplus	Deficit	Total shareholders' equity
		$	$	$	$	$
Balance, March 31, 2021	45,722,605	111,574	10,353	14,293	(85,956)	50,264
Shares issued for exercised warrants	42,640	217	(89)	-	-	128
Shares issued for redeemed restricted share units *[note 10(b)]*	460,939	1,776	-	(1,776)	-	-
Shares issued on amalgamation with Antibe Holdings Inc. *[notes 4 and 9]*	5,873,092	25,980	-	-	-	25,980
Stock-based compensation	-	-	-	5,521	-	5,521
Net loss from continuing operations for the year	-	-	-	-	(25,250)	(25,250)
Income from discontinued operations	-	-	-	-	190	190
Balance, March 31, 2022	52,099,276	139,547	10,264	18,038	(111,016)	56,833
Balance, March 31, 2022	52,099,276	139,547	10,264	18,038	(111,016)	56,833
Shares issued for redeemed restricted share units *[note 10(b)]*	**517,816**	**1,942**	**-**	**(1,942)**	**-**	**-**
Stock-based compensation	**-**	**-**	**-**	**2,808**	**-**	**2,808**
Net loss from continuing operations for the year	**-**	**-**	**-**	**-**	**(19,291)**	**(19,291)**
Income from discontinued operations	**-**	**-**	**-**	**-**	**(184)**	**(184)**
Balance, March 31, 2023	**52,617,092**	**141,489**	**10,264**	**18,904**	**(130,491)**	**40,166**

ANTIBE THERAPEUTICS INC.
Consolidated Statements of Cash Flows
For the Years Ended March 31, 2023 and 2022
(Expressed in thousands of Canadian dollars)

	2023	2022
	$	$
OPERATING ACTIVITIES		
Net loss from continuing operations for the year	**(19,291)**	(25,250)
Income (loss) from discontinued operations *[note 5]*	**(184)**	190
Items not affecting cash:		
Stock-based compensation *[notes 10 and 14]*	**2,808**	5,521
Accretion interest	**(18)**	-
Depreciation of property and equipment	**-**	34
Amortization of intangible assets	**-**	65
Interest on capitalized lease payments	**4**	18
Loss on sale of Citagenix Inc. *[note 5]*	**348**	-
	(16,333)	(19,422)
Changes in non-cash balances:		
Other receivables	**443**	287
Inventory	**(239)**	(99)
Prepaid expenses	**(219)**	1,517
Accounts payable and accrued liabilities	**(217)**	927
Income tax payable	**-**	(130)
Deferred tax liability	**260**	-
Net change in non-cash balances	**28**	2,502
Cash flows used in operating activities	**(16,305)**	(16,920)
INVESTING ACTIVITIES		
Purchase of term deposits	**(48,436)**	(19,975)
Redemption of term deposits	**36,299**	-
Transaction costs on acquisition of assets, net of cash acquired *[note 4]*	**-**	(236)
Sale of subsidiary net of Citagenix cash sold *[note 5]*	**319**	-
Purchase of equipment	**(9)**	(9)
Cash flows used in investing activities	**(11,827)**	(20,220)
FINANCING ACTIVITIES		
Lease payments	**(79)**	(152)
Decrease (increase) in loan receivable	**159**	(2)
Proceeds from warrants	**-**	128
Cash flows used in financing activities	**80**	(26)
Net decrease in cash during the year	**(28,052)**	(37,166)
Cash and cash equivalents, beginning of the year	**34,807**	71,973
Cash and cash equivalents, end of the year	**6,755**	34,807

1. DESCRIPTION OF BUSINESS

Antibe Therapeutics Inc. (the "Company" or "Antibe") was incorporated under the *Business Corporations Act* (Ontario) on May 5, 2009. The Company's common shares (the "Common Shares") trade on the Toronto Stock Exchange ("TSX") under the symbol "ATE", and on the OTCQX market under the symbol "ATBPF."

The Company originates, develops and out-licenses new pharmaceuticals. Antibe's lead compound, otenaproxesul (previously known as ATB-346), combines a moiety that releases hydrogen sulfide with naproxen, an approved, marketed and off-patent, non-steroidal, anti-inflammatory drug. The Company's main objectives are to develop otenaproxesul by satisfying the requirements of the relevant drug regulatory authorities while also satisfying the commercial licensing objectives of prospective global partners. The Company has also established a development plan for its lead compound through to the end of Phase III human clinical studies for regulatory discussion purposes. Additionally, the Company continues to investigate other research projects as well as additional development opportunities.

The Company was also, through its wholly owned subsidiary, Citagenix Inc. ("Citagenix" or "CGX"), a seller of tissue regenerative products servicing the orthopaedic and dental marketplaces. Citagenix's portfolio consists of branded biologics and medical devices that promote bone regeneration. Citagenix operates in Canada through its direct sales force, and in the United States and internationally via a network of distributors. On November 1, 2022, the Company completed the sale of Citagenix to HANSAmed Limited (see note 5).

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

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

These consolidated financial statements were authorized for issuance by the Board of Directors on June 28, 2023.

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 reflect the accounts of the Company and its previously wholly owned subsidiary, Citagenix.

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

The results of the operations of Citagenix to November 1, 2022 are recorded within income (loss) from discontinued operations in the consolidated statements of loss and comprehensive loss (note 5).

All intercompany balances and transactions have been eliminated on consolidation.

2. BASIS OF PRESENTATION *(continued)*

(c) Going concern –

The consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As at March 31, 2023, the Company incurred a net loss from continuing operations for the year then ended of $19,291, had negative cash flows from operations of $16,305 and an accumulated deficit of $130,491.

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

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

If the going concern assumption were not appropriate for these 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.

3. SUMMARY OF 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.

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

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

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 (loss) 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.

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.

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

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.

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.

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.

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

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 a 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.

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 include 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 licenses of intellectual property, 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 intellectual property. For licenses that provide the customer with the right to access the intellectual property, revenue is recognized throughout the license period. For licenses that provide the customer with the right to use the intellectual property, 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.

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.

The Company accounts for restricted share units ("RSUs") using the fair market value on the date of the grant. Compensation costs are recognized over the vesting period as an increase to stock-based compensation expense and contributed surplus. When RSUs are redeemed, the applicable amount of contributed surplus is 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.

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").

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

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.

The financial instruments of the Company are classified as follows:

	IFRS 9
Financial assets	
Cash	Amortized cost
Term deposits	Amortized cost
Other receivables	Amortized cost
Deferred consideration receivable	Amortized cost
Financial liabilities	
Accounts payable and accrued liabilities	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 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 other comprehensive income (loss) ("OCI"), except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses that are recognized in net loss. When the financial instrument is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to net 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 loss and presented net in comprehensive loss within other gains (losses) in the period in which it arises.

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 loss.

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 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.

Significant estimates, judgments and assumptions

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

Valuation of intangible assets not yet subject to amortization

Intangible assets not currently being amortized are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash inflows or cash-generating units ("CGUs"). As at March 31, 2023, the Company is one CGU. An impairment loss is recognized for the amount by which the carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. When performing the annual impairment test as at March 31, 2023, the Company determined the recoverable amount using a value-in-use approach and prepared a discounted cash flow model. Significant assumptions used within the discounted cash flow model are disclosed within note 8.

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

Completeness of the accrual for research and clinical trial expenses

The Company's determination of accrued research and clinical trial costs at each reporting period requires significant judgment, 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.

Vesting period for performance-based restricted share units

The Company issues certain RSUs that vest depending on specified operational performance conditions. The RSUs are to be settled with the Company's shares. Details of the RSU grants are disclosed within note 10. When calculating the share-based compensation expense for the year, the Company estimates the likelihood and timing of achieving the performance conditions.

New and amended standards and interpretations

A number of amendments to standards have been issued but are not yet effective for the financial year ended March 31, 2023, and accordingly, have not been applied in preparing these consolidated financial statements. The Company reviewed these amendments and concluded that there would be no impact on adoption given their nature and applicability.

4. AMALGAMATION WITH RELATED PARTY

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

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

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

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

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

5. SALE OF CGX

On November 1, 2022, the Company completed the sale of its wholly owned subsidiary, CGX. The $6,500 transaction involves a guaranteed $3,500 divided into four equal payments over three years, the first of which was received at closing. The remaining $3,000 is subject to Citagenix achieving sales milestones over the three-year period following closing. In accordance with the agreement, the Company received proceeds totaling $1,155 offset by $28 transaction costs, comprising the first of the four guaranteed payments of $875 and an adjustment of $280 in excess working capital. Under the terms of the agreement, the $250 deposit from the purchaser previously held in escrow was released at closing and included in the $875 payment. On February 15, 2023, the agreement was amended to include an additional $1,000 of contingent consideration and a one-year extension, bringing the total consideration to $7,500. The fair value of the contingent consideration was determined to be $0 as of the date of the sale and $0 as of March 31, 2023. The present value of the deferred consideration was determined to be $2,255 as of the date of the sale and $2,328 as of March 31, 2023, using a discount rate of 10%.

The results of Citagenix to November 1, 2022 are presented in the consolidated statements of loss and comprehensive loss as income (loss) from discontinued operations. The Company has also derecognized the related assets and liabilities, with the resulting gain recognized within income (loss) from discontinued operations.

The results of Citagenix for the years ended March 31, 2023 and 2022 are presented below:

	2023	2022
	$	$
Revenue	**6,987**	13,511
Cost of goods sold	**3,945**	8,145
Gross profit	**3,042**	5,366
Expenses	**2,618**	5,176
Loss on sale of CGX	**348**	-
Income before tax from discontinued operations	**76**	190
Provision for income taxes	**260**	-
Income (loss) from discontinued operations	**(184)**	190

The major classes of assets and liabilities on the day of sale and as at March 31, 2022 are presented below:

	November 1, 2022	**March 31, 2022**
	$	$
Cash	**836**	**-**
Accounts receivable, net of allowances	**1,054**	**1,176**
Inventory	**2,495**	**2,259**
Prepaid expenses	**53**	**64**
Intangible assets	**804**	**804**
Property and equipment	**317**	**305**
Deposits	**7**	**24**
Accounts payable and accrued liabilities	**(1,836)**	**(1,878)**
Net Assets held for sale	**3,730**	**2,754**

Cash flow provided by Citagenix operating activities for the year ended March 31, 2023 was $175 (2022 – $437).

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

6. TERM DEPOSITS

As at March 31, 2023, the Company held investments of $32,137 (2022 – $20,000) in five separate Canadian currency GICs having terms of six, nine and twelve months, and one USD currency GIC having a term of nine months. Interest rates range from 4.12% to 5.25%.

7. OTHER RECEIVABLES

	2023	2022
	$	$
SR&ED	**46**	774
Deferred consideration receivable *[note 5]*	**875**	-
Interest receivable	**508**	3
Harmonized Sales Tax receivable	**186**	344
	1,615	1,121
Employee advances *[note 9]*	**40**	36
	1,655	1,157

8. INTANGIBLE ASSETS

Intangible assets consist of the following:

	Trademarks and brands	**Intellectual property**	**Customer lists**	**Patents**	**Total**
	$	$	$	$	$
Cost					
As at March 31, 2021	1,877	-	177	19	2,073
Additions	-	26,352	-	-	26,352
Transferred to assets held for sale *[note 5]*	(804)	-	-	-	(804)
As at March 31, 2022	1,073	26,352	177	19	27,621
As at April 1, 2022	1,073	26,352	177	19	27,621
As at March 31, 2023	1,073	26,352	177	19	27,621
Amortization					
As at March 31, 2021	1,026	-	159	19	1,204
Charge for the year	47	-	18	-	65
As at March 31, 2022	1,073	-	177	19	1,269
As at April 1, 2022	1,073	-	177	19	1,269
As at March 31, 2023	1,073	-	177	19	1,269
Carrying amount					
As at March 31, 2022	-	26,352	-	-	26,352
As at March 31, 2023	**-**	**26,352**	**-**	**-**	**26,352**

8. INTANGIBLE ASSETS *(continued)*

The intellectual property is not yet subject to amortization and is tested for impairment at least annually, or sooner if there is an indication of impairment. The cash flows from the intellectual property acquired are monitored within the single Antibe CGU.

The Company performed its annual impairment test on March 31, 2023 and concluded that the recoverable amount of the Antibe CGU was not less than its carrying value. The Company determined the recoverable amount of the Antibe CGU using a value-in-use approach through a discounted cash flow analysis. Significant assumptions used in the discounted cash flow analysis included projections for the future costs of clinical trials, revenue projections, probability of commercialization, and the discount rate. These assumptions are affected by expectations about future market and economic conditions including the success of clinical trials, obtaining regulatory approvals, future product pricing and the future demand for these pharmaceutical products.

9. RELATED PARTY TRANSACTIONS

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

Refer to note 4 for information regarding the amalgamation with Antibe Holdings Inc.

Employee cash advances as at March 31, 2023, totalled $40 (March 31, 2022 - $36). Currently, the Company has one officer receiving cash advances.

10. SHARE CAPITAL

(a) Authorized –

The Company has an unlimited number of authorized Common Shares without par value.

(b) Stock options –

On November 15, 2022, the Company granted options of 222,500 Common Shares with an exercise price of $0.48 per share to its directors, officers, employees, and certain consultants. The total fair value of these options, calculated using the BSM, is $105. All options are subject to a service condition: one third (1/3) of the options granted will vest on each of the first, second and third anniversaries of the grant date.

On November 15, 2022, the Company also granted 117,500 performance options to key senior executives. Vesting of these options 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 options, calculated using the BSM, is $56. As at March 31, 2023, it was determined that the probability and timing of achieving the performance criteria was greater than 50%, and as such, $9 was expensed during the period and included in contributed surplus.

For the year ended March 31, 2023, a total of $38 related to stock options has been included within stock-based compensation in the consolidated statements of loss and comprehensive loss.

(Expressed in thousands of Canadian dollars, except share and 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, 2023 and 2022, as well as details on exercise prices and expiry dates:

	2023		2022	
	Options	**Weighted average price**	Options	Weighted average price
		$		$
Balance, beginning of the year	**1,274,435**	**2.93**	1,269,035	2.95
Granted during the year	**340,000**	**0.48**	20,000	0.91
Forfeited during the year	**(184,323)**	**2.41**	(14,600)	1.96
Balance, end of the year	**1,430,112**	**1.83**	1,274,435	2.93

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

The number of options exercisable as at March 31, 2023, is 1,090,112 and the weighted average exercise price of these options is $2.25.

The total fair value of options not yet recognized as an expense is $128.

The following assumptions were used in the BSM to determine the fair value of stock options granted in the years ended March 31, 2023 and 2022:

	2023	2022
Weighted average risk-free interest rate	**3.13%**	1.13%
Weighted average expected volatility	**122%**	98%
Expected dividend yield	**-**	-
Weighted average expected life of options	**10 years**	3 years
Weighted average share price	**$0.50**	$0.88
Weighted average exercise price	**$0.48**	$0.91

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

10. SHARE CAPITAL *(continued)*

(c) Restricted share unit plan –

On May 1, 2021, and August 16, 2021, the Company granted 24,000 and 21,779 RSUs, respectively, to two consultants in exchange for consulting services. The RSUs vest quarterly beginning on the grant date.

On May 1, 2021, the Company granted 10,000 RSUs in connection with the appointment of a new Director of Clinical Operations. 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.

On November 15, 2021, the Company granted 380,000 RSUs to directors, officers, employees and consultants. All RSUs are subject to a service condition: one third (1/3) of the RSUs granted will vest on each of the first, second and third anniversaries of the grant date. In the case of RSUs granted to one consultant, all RSUs vested on the grant date.

Included in the RSUs granted on November 15, 2021, are 140,000 performance RSUs granted to key senior executives. 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. As at March 31, 2023, it was determined that the probability and timing of achieving the performance criteria was greater than 50%, and as such, these performance RSUs were expensed and included in contributed surplus.

The following is a summary of all RSUs for Common Shares that are outstanding as at March 31, 2023 and 2022:

	2023	2022
	RSUs	RSUs
Balance, beginning of the year	**4,060,164**	4,141,325
Granted during the year	**-**	435,779
Redeemed during the year	**(517,816)**	(460,939)
Forfeited during the year	**(5,083)**	(56,001)
Balance, end of the year	**3,537,265**	4,060,164

Based on the share price on the date of granting, the total fair value of RSUs not yet recognized as an expense is $1,290. During the year, the Company also deemed the RSUs granted to Citagenix employees to be vested. This resulted in an acceleration of the related stock-based compensation expense of $130.

For the year ended March 31, 2023, a total of $2,770 related to RSUs has been included within stock-based compensation in the consolidated statements of loss and comprehensive loss.

(d) Common share purchase warrants –

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

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

10. SHARE CAPITAL *(continued)*

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

Issue date	Number of warrants	Issued exercise price	Amended exercise price	Original expiry date	Amended expiry date	Effective date
June 30, 2020	2,373,401	$6.00	$1.80	June 30, 2022	December 31, 2023	June 30, 2022
August 13, 2019	748,555	$4.00	$1.80	August 13, 2022	December 31, 2023	June 30, 2022

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

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

The following is a summary of all warrants to purchase Common Shares that are outstanding as at March 31, 2023 and 2022, as well as details on exercise prices and expiry dates:

	2023		2022	
	Warrants	**Weighted average price**	Warrants	Weighted average price
		$		$
Balance, beginning of the year	**7,389,166**	**6.31**	7,906,117	6.12
Exercised during the year	**-**	**-**	(42,640)	3.00
Expired during the year	**(903,460)**	**4.87**	(474,311)	3.47
Balance, end of the year	**6,485,706**	**4.76**	7,389,166	6.31

The weighted average price for the year ended March 31, 2023 includes the above-mentioned amended exercise price of warrants granted June 30, 2020 and August 13, 2019.

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

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

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

12. RESEARCH AND DEVELOPMENT EXPENSES

The nature of the research and development expenses for the years ended March 31, 2023 and 2022, is summarized as follows:

	2023	2022
	$	$
Salaries and wages	**1,905**	2,399
Professional and consulting fees	**1,533**	412
Research and clinical trial costs	**7,862**	11,633
SR&ED rebate	**8**	(86)
Total research and development expenses	**11,308**	14,358

Non-refundable advance payments for goods and services that will be used or rendered in future research and development activities are recorded as a prepaid expense and recognized as an expense within "Research and clinical trial costs" in the period that the related goods are consumed or services are performed. As at March 31, 2023, $777 (2022 – $569) was recorded as a prepaid expense.

13. GENERAL AND ADMINISTRATIVE EXPENSES

The nature of the general and administrative expenses for the years ended March 31, 2023 and 2022, is summarized as follows:

	2023	2022
	$	$
Salaries and wages	**1,858**	1,799
Professional and consulting fees	**3,625**	2,903
Office expenses	**346**	442
Other expenses	**270**	298
Total general and administrative expenses	**6,099**	5,442

14. STOCK-BASED COMPENSATION

The function of the stock-based compensation expense for the years ended March 31, 2023 and 2022, is summarized as follows:

	2023	2022
	$	$
General and administrative	**1,785**	3,642
Research and development	**1,023**	1,879
Total stock-based compensation	**2,808**	5,521

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

15. SELLING AND MARKETING EXPENSES

The nature of the selling and marketing expenses for years ended March 31, 2023 and 2022, is summarized as follows:

	2023	2022
	$	$
Advertising and promotion	**75**	140
Travel and entertainment	**256**	68
Total selling and marketing expenses	**331**	208

16. FINANCE AND RELATED COSTS (INCOME)

The components of the finance and related costs (income) for the years ended March 31, 2023 and 2022, are as follows:

	2023	2022
	$	$
Interest and bank charges	**8**	8
Foreign currency transactions	**90**	(5)
Finance Income	**(1,353)**	(282)
Total finance and related costs	**(1,255)**	(279)

17. INCOME TAXES

The income tax provision recorded differs from the income tax obtained by applying the statutory income tax rate of 26.50% (2022 – 26.50%) to the loss before income taxes for the year, and is reconciled as follows:

	2023	2022
	$	$
Loss before income taxes from continuing operations	**(19,291)**	(25,250)
Expected income tax recovery at the combined basic federal and provincial tax rate:	**(5,112)**	(6,691)
Decrease (increase) resulting from:		
Non-deductible expenses	**765**	1,452
Others	**(160)**	(101)
Amount related to unrecognized deferred tax assets	**4,507**	5,340
Provision for (recovery of) income taxes	**-**	-

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

17. INCOME TAXES *(continued)*

The Company has incurred non-capital losses of $59,195 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:

	$
In the year ending March 31,	
2038	1,079
2039	9,149
2040	-
2041	4,328
2042	23,253
2043	21,386
	59,195

As at March 31, 2023, the Company has incurred capital losses of $3,040 which is applicable to future years and has no expiry date.

The cumulative carry-forward pool of SR&ED expenditures as at March 31, 2023, applicable to future years, with no expiry date, is $25,386.

18. DEFERRED INCOME TAXES

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

	2023	2022
	$	$
Amount related to tax loss	**-**	123
Amount related to capital property	**340**	217
Amount related to deferred contract costs	**(340)**	(340)
Net deferred income tax liabilities	**-**	-

Deferred tax expense of nil (2022 – nil) 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:

	2023	2022
	$	**$**
Amount related to tax loss carryforwards	**15,687**	8,272
Amount related to SR&ED expenditures	**6,727**	5,943
Amount related to donations	**-**	21
Amount related to ITC, net of tax	**2,362**	2,065
Amount related to ORDTC, net of tax	**329**	291
Amount related to share issuance costs	**616**	984
Amount related to capital losses	**403**	1,535
Amount related to deferred revenue	**7,322**	7,322
	33,446	26,433

18. DEFERRED INCOME TAXES *(continued)*

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.

19. FINANCIAL INSTRUMENTS

The carrying values of cash, term deposits, other receivables and 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.

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

20. CAPITAL RISK MANAGEMENT

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

The Company includes the following in its definition of capital: share capital, common share purchase warrants, contributed surplus and accumulated deficit, which, for the year ended March 31, 2023, totalled $40,166 (2022 – $56,833). The Company is not subject to externally imposed capital requirements.

21. FINANCIAL RISK MANAGEMENT

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

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

Credit risk

The Company's credit risk is primarily attributable to other receivables and the excess of cash held in one financial institution over the deposit insurance limit set by the Canadian Deposit Insurance Corporation.

Liquidity risk

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

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

21. FINANCIAL RISK MANAGEMENT *(continued)*

As at March 31, 2023, the Company's financial obligations, including applicable interest, are due as follows:

	Less than 1 year	1–2 years	After 2 years	Total
	$	$	$	$
Accounts payable and accrued liabilities	2,764	-	-	2,764

Foreign currency risk

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

Interest rate risk

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

22. 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 (the "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 statements of financial position in the amount of $236 as at March 31, 2023 (2022 – $236).

On February 9, 2021, Antibe entered into an exclusive licensing agreement ("License Agreement 3") with Nuance Pharma (Shanghai) Co. Ltd. ("Nuance") for the development and commercialization of otenaproxesul in the Greater China region. The license provides Nuance with exclusive rights to commercialize otenaproxesul in China, Hong Kong, Macau, and Taiwan (the "Sector"). Under the terms of the agreement, Antibe was issued an upfront payment of US$20 million (CAD$25,231), which is reflected in deferred revenue until the point at which Nuance can benefit from the license. Additionally, Antibe will receive a double-digit royalty on net sales in the Sector and is entitled to receive US$80 million in development and sales milestones. Fees paid to an agent used in obtaining License Agreement 3 have been recorded as deferred contract costs on the consolidated statements of financial position in the amount of $1,047 as at March 31, 2023 (2022 – $1,047).

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

The Company received no royalties from Acbel, Kwangdong or Nuance in the year ended March 31, 2023.

23. COMMITMENTS AND CONTINGENCIES

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, 2023.

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

The Company received notice of arbitral proceedings from Nuance relating to License Agreement 3, on January 21, 2022. Pursuant to License Agreement 3, Nuance is obligated to make up to US$80 million in payments to Antibe upon certain development and sales milestones, in addition to an upfront payment of US$20 million which has been paid. Nuance seeks to have the license rescinded and the upfront payment returned, alleging that Antibe failed to adequately share information concerning the risks of transaminase elevations related to otenaproxesul. The Company considers Nuance's claims to be without merit. The Company has engaged counsel to assist it with the arbitration proceedings, which have been brought under the Arbitration Rules of the Singapore International Arbitration Centre. Arbitration proceedings were held in May 2023 and a decision is pending.