



**ANTIBE THERAPEUTICS INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**March 31, 2020 and 2019**

(Expressed in Thousands of Canadian Dollars)

## INDEPENDENT AUDITOR'S REPORT

### Opinion

We have audited the consolidated financial statements of Antibe Therapeutics Inc. and its subsidiaries (the Group), which comprise the consolidated statements of financial position as at March 31, 2020 and 2019 and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity and 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 Group as at March 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS), 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 Group 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 Group incurred a net loss of \$19,342,000 during the year ended March 31, 2020 and, as of that date, the Group had an accumulated deficit of \$59,673,000. As stated in Note 2(c), 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 Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Other information

Management is responsible for the other information. The other information comprises the information included in the 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 IFRS, 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 Group'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 Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group'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 Group'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 Group'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 Group 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 Group 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.

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

The logo for Ernst & Young LLP, featuring the company name in a stylized, handwritten-style font.

Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Canada  
July 23, 2020

**ANTIBE THERAPEUTICS INC.**  
**Consolidated Statements of Financial Position**  
**As at March 31, 2020 and 2019**  
(Expressed in thousands of Canadian Dollars)

	2020	2019
	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Cash	6,182	5,993
Term deposits	25	25
Trade and other receivables <i>[note 5]</i>	1,332	1,296
Inventory	3,424	2,803
Prepaid expenses	162	155
Due from Antibe Holdings Inc. <i>[note 8]</i>	382	293
Total current assets	<u>11,507</u>	<u>10,565</u>
<b>Non-current assets</b>		
Property and equipment, net	303	181
Deposits	20	20
Deferred contract costs	236	236
Investment in Red Rock Regeneration Inc.	-	100
Intangible assets, net <i>[note 6]</i>	1,772	2,434
Goodwill <i>[note 4]</i>	-	1,283
Total non-current assets	<u>2,331</u>	<u>4,254</u>
<b>TOTAL ASSETS</b>	<u><b>13,838</b></u>	<u><b>14,819</b></u>
<b>LIABILITIES</b>		
<b>Current</b>		
Bank indebtedness	4	-
Accounts payable and accrued liabilities <i>[note 12]</i>	5,262	2,907
Current portion of loan payable <i>[note 7,25(c)]</i>	2,214	-
Current portion of lease liability <i>[note 3]</i>	115	-
Total current liabilities	<u>7,595</u>	<u>2,907</u>
<b>Non-current liabilities</b>		
Loan payable <i>[note 7]</i>	-	2,072
Deferred revenue <i>[note 23]</i>	2,399	2,399
Lease liability <i>[note 3]</i>	65	-
Total non-current liabilities	<u>2,464</u>	<u>4,471</u>
<b>TOTAL LIABILITIES</b>	<u><b>10,059</b></u>	<u><b>7,378</b></u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital <i>[note 9]</i>	49,666	36,986
Common share purchase warrants	2,626	2,756
Contributed surplus	11,142	8,035
Accumulated other comprehensive income (loss)	18	(5)
Deficit	(59,673)	(40,331)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u><b>3,779</b></u>	<u><b>7,441</b></u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u><b>13,838</b></u>	<u><b>14,819</b></u>

Commitments and contingencies *[note 24]*

*(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, 2020 and 2019**  
(Expressed in thousands of Canadian Dollars, except per share amounts)

	2020	2019
	\$	\$
<b>REVENUE</b>		
Product sales	9,987	9,539
<b>COST OF SALES</b>	6,098	5,989
<b>GROSS PROFIT</b>	3,889	3,550
<b>EXPENSES</b>		
Research and development <i>[note 15]</i>	8,077	3,943
General and administrative <i>[note 13]</i>	5,706	4,871
Selling and marketing <i>[note 14]</i>	3,792	3,521
Stock-based compensation <i>[note 16]</i>	3,376	2,986
Impairment of goodwill <i>[note 4]</i>	1,283	-
Amortization and depreciation	572	416
Total expenses	22,806	15,737
<b>LOSS FROM OPERATIONS</b>	(18,917)	(12,187)
Finance and related costs <i>[note 17]</i>	531	525
Finance income	(99)	(31)
<b>LOSS BEFORE INCOME TAXES</b>	(19,349)	(12,681)
<b>PROVISION FOR (RECOVERY OF) INCOME TAXES</b>		
Current <i>[note 18]</i>	1	132
Deferred <i>[note 18]</i>	(8)	3
Total provision for (recovery of) income taxes	(7)	135
<b>NET LOSS FOR THE YEAR</b>	(19,342)	(12,816)
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
Exchange differences on translation of foreign operations subject to future reclassification	23	(7)
<b>COMPREHENSIVE LOSS</b>	(19,319)	(12,823)
<b>Basic and diluted loss per share <i>[note 10]</i></b>	(0.07)	(0.06)
<b>Basic and diluted weighted average number of shares outstanding <i>[note 10]</i></b>	272,669,544	214,867,861

**ANTIBE THERAPEUTICS INC.**  
**Consolidated Statements of Changes in Shareholders' Equity**  
**For the Years Ended March 31, 2020 and 2019**  
(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, 2018	198,549,753	29,507	501	5,479	2	(27,515)	7,974
Shares issued	23,000,000	3,971	1,779	-	-	-	5,750
Share issuance costs	-	(659)	(295)	228	-	-	(726)
Revision of exercised warrants and options	-	(2,587)	2,587	-	-	-	-
Shares issued for exercised warrants	16,660,918	5,141	(1,816)	-	-	-	3,325
Shares issued for exercised options	3,155,031	996	-	(491)	-	-	505
Shares issued for vested restricted share units	216,668	167	-	1,798	-	-	1,965
Shares issued on debenture conversion	1,231,534	271	-	-	-	-	271
Stock-based compensation	-	-	-	1,021	-	-	1,021
Shares issued for Citigenix loan facility	578,572	179	-	-	-	-	179
Net loss for the year	-	-	-	-	-	(12,816)	(12,816)
Exchange differences on translation of foreign operations	-	-	-	-	(7)	-	(7)
Balance, March 31, 2019	243,392,476	36,986	2,756	8,035	(5)	(40,331)	7,441
<b>Balance, March 31, 2019</b>	<b>243,392,476</b>	<b>36,986</b>	<b>2,756</b>	<b>8,035</b>	<b>(5)</b>	<b>(40,331)</b>	<b>7,441</b>
Shares issued	26,833,332	5,087	2,963	-	-	-	8,050
Share issuance costs	-	(782)	(455)	393	-	-	(844)
Shares issued for exercised warrants	21,333,527	7,653	(2,638)	-	-	-	5,015
Shares issued for exercised options	255,761	118	-	(58)	-	-	60
Shares issued for vested restricted share units	1,866,671	604	-	2,496	-	-	3,100
Stock-based compensation	-	-	-	276	-	-	276
Net loss for the year	-	-	-	-	-	(19,342)	(19,342)
Exchange differences on translation of foreign operations	-	-	-	-	23	-	23
<b>Balance, March 31, 2020</b>	<b>293,681,767</b>	<b>49,666</b>	<b>2,626</b>	<b>11,142</b>	<b>18</b>	<b>(59,673)</b>	<b>3,779</b>

**ANTIBE THERAPEUTICS INC.**  
**Consolidated Statements of Cash Flows**  
**For the Years Ended March 31, 2020 and 2019**  
(Expressed in thousands of Canadian Dollars)

	2020	2019
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the year	(19,342)	(12,816)
Items not affecting cash:		
Stock-based compensation <i>[note 16]</i>	3,376	2,986
Accretion interest <i>[note 17]</i>	142	123
Write-off of license options <i>[note 13]</i>	317	-
Amortization of transaction costs	-	9
Depreciation of property and equipment	226	70
Amortization of intangible assets <i>[note 6]</i>	346	346
Interest on capitalized lease payments	26	-
Increase in deferred revenue	-	1,315
Impairment of goodwill <i>[note 4]</i>	1,283	-
	<b>(13,626)</b>	<b>(7,967)</b>
Changes in non-cash working capital:		
Trade and other receivables <i>[note 5]</i>	(39)	(186)
Inventory	(621)	303
Prepaid expenses	(7)	15
Income taxes recoverable	3	-
Deposits	-	2
Deferred contract costs	-	(236)
Accounts payable and accrued liabilities	2,355	1,012
Net change in non-cash working capital balances	<b>1,691</b>	<b>910</b>
<b>Cash flows used in operating activities</b>	<b>(11,935)</b>	<b>(7,057)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale of Red Rock Regeneration Inc. convertible debenture	100	(100)
Purchase of computer software	(2)	-
Purchase of equipment	-	(157)
<b>Cash flows provided by (used in) investing activities</b>	<b>98</b>	<b>(257)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Advances to Antibe Holdings Inc. <i>[note 8]</i>	(89)	(119)
Net proceeds from loan payable	-	1,966
Capitalized lease payments	(192)	-
Net change to bank indebtedness	4	(1,290)
Issuances:		
Gross proceeds from shares and warrant issuance <i>[note 9]</i>	8,050	5,929
Proceeds from exercised warrants <i>[note 9]</i>	5,015	3,324
Proceeds from exercised options <i>[note 9]</i>	60	505
Share issuance costs <i>[note 9]</i>	(845)	(726)
<b>Cash flows provided by financing activities</b>	<b>12,003</b>	<b>9,589</b>
<b>Net increase in cash during the year</b>	<b>166</b>	<b>2,275</b>
Foreign exchange gain (loss) on translation	23	(7)
Cash, beginning of the year	5,993	3,725
<b>Cash, end of the year</b>	<b>6,182</b>	<b>5,993</b>

**ANTIBE THERAPEUTICS INC.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2020 and 2019**

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

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1. DESCRIPTION OF BUSINESS

Antibe Therapeutics Inc. (the “Company” or “Antibe”) was incorporated under the *Business Corporations Act* (Ontario) on May 5, 2009. The Company was originally established under the legal name 2205405 Ontario Inc. On December 16, 2009, the Company changed its name to Antibe Therapeutics Inc. On June 18, 2013, the Company completed its initial public offering and was listed on the TSX Venture Exchange. On September 15, 2014, the Company began trading in the United States on the OTCQX Exchange. On October 1, 2017, the Company changed trading platforms to the OTCQB Exchange.

The Company originates, develops and out-licenses patent-protected new pharmaceuticals. Antibe’s lead compound, ATB-346, combines hydrogen sulfide with naproxen, an approved, marketed and off-patent non-steroidal anti-inflammatory drug. The Company’s main objectives are to develop ATB-346 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.

Approximately 5.1% of the Company’s common shares are held by Antibe Holdings Inc. (“AHP”) as at March 31, 2020.

These consolidated financial statements were authorized for issuance by the Board of Directors on July 23, 2020.

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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 subsidiaries, as follows:

	<u>Percentage ownership</u>
Citagenix	100%
BMT Medizintechnik GmbH (“BMT”)	100%

Citagenix, the parent company of BMT, was acquired on October 15, 2015. Citagenix was incorporated under the *Business Corporations Act* (Quebec) on December 8, 1997, and operates in Canada. BMT was incorporated and operates in Germany.

All intercompany balances and transactions have been eliminated on consolidation.

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**ANTIBE THERAPEUTICS INC.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2020 and 2019**

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

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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, 2020, the Company had working capital of \$3,912 (2019 – \$7,658), incurred a net loss for the year then ended of \$19,342 (2019 – \$12,816), had negative cash flows from operations of \$11,935 (2019 – \$7,056) and an accumulated deficit of \$59,673 (2019 - \$40,331).

Until such time as the Company's pharmaceutical products are patented and approved for sale, the Company's liquidity requirements are dependent on its ability to raise additional capital by selling additional equity, from proceeds from the exercise of stock options and common share warrants or by obtaining credit facilities. The Company's future capital requirements will depend on many factors, including, but not limited to, the market acceptance of its products and services. No assurance can be given that any such additional funding will be available or that, if available, it can be obtained on terms favourable to the Company. See notes 7, 21, 22 and 25.

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.

**(d) 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 goodwill and intangible assets not yet subject to amortization, and inputs related to the calculation of fair value of stock-based compensation and warrants.

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**ANTIBE THERAPEUTICS INC.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2020 and 2019**

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

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2. BASIS OF PRESENTATION *(continued)*

**(e) Foreign currency translation –**

The Company's presentation currency is the Canadian dollar. The functional currency of the Company and its subsidiary, Citagenix, is the Canadian dollar, while the functional currency of BMT is the Euro.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing at the date of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Foreign currency translation gains and losses are presented in the consolidated statements of loss and comprehensive loss in the period in which they occur.

For its subsidiary with a non-Canadian dollar functional currency, results of operations and cash flows are translated at average exchange rates during the year, assets and liabilities are translated at the exchange rate at the end of the year, and equity is translated at historical exchange rates. Translation adjustments resulting from the process of translating the local currency financial statements into Canadian dollars are included in other comprehensive income (loss).

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

**Significant accounting policies, estimates, judgements, 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

The Company prorates depreciation for acquisitions made during the year.

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

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**ANTIBE THERAPEUTICS INC.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2020 and 2019**

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

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

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.

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.

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**ANTIBE THERAPEUTICS INC.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2020 and 2019**

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

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

**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 Citagenix CGU. 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 Citagenix is carried out by comparing the carrying amount of Citagenix 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.

**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.

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**ANTIBE THERAPEUTICS INC.**  
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES, JUDGEMENTS, 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 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 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 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.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES, JUDGEMENTS, 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, 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, transaction costs. Under IFRS 9, financial liabilities are subsequently measured at fair value through profit or loss (“FVTPL”), amortized cost, or fair value through other comprehensive income (loss).

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.

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

The financial instruments of the Company are classified as follows:

	<u>IFRS 9</u>
<b>Financial assets</b>	
Cash	Amortized cost
Term deposits	Amortized cost
Accounts receivable	Amortized cost
Due from AHI	Amortized cost
Deposits	Amortized cost
Investment in Red Rock	FVTPL
<b>Financial liabilities</b>	
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.
  - Fair value through other comprehensive income (“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) is presented in other gains (losses) and impairment expenses in other expenses.
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES, JUDGEMENTS, and ASSUMPTIONS (*continued*)

- Fair value through profit (loss) (“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.

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.

**Accounting standards adopted and applied: IFRS 16, Leases (“IFRS 16”) –**

IFRS 16 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 lessee will generally recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. The new standard was effective for annual periods beginning on or after January 1, 2019.

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

The Company adopted IFRS 16 using the modified retrospective transition approach and elected to use the exemptions proposed by the standard on lease contracts for which the lease term ends within 12 months as of the lease commencement date (“short-term leases”) and the lease contracts where the underlying asset is of low value. Leases as at and for the year ended March 31, 2019, are presented in accordance with IAS 17.

The effect of adoption of IFRS 16 as at April 1, 2019, was as follows:

	March 31, 2019	IFRS 16 adjustments	April 1, 2019
	\$	\$	\$
<b>Assets</b>			
Property and equipment, net	181	356	537
<b>Liabilities</b>			
Current lease liabilities	-	202	202
Non-current lease liabilities	-	154	154
<b>Shareholders' equity</b>	-	-	-

The Company recognized 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 was recognized based on the present value of remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Company also applied the following available practical expedients:

- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- Elected not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

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, 2019	356	356
Other	(10)	(10)
Depreciation expense	(172)	-
Interest expense	-	26
Payments	-	(192)
<b>Balance, March 31, 2020</b>	<b>174</b>	<b>180</b>

The Company recognized rent expense from short-term leases of \$124 for the year ended March 31, 2020. As at March 31, 2020, the Company is committed to paying \$195 towards short-term leases. In note 24 (d) of the Company’s March 31, 2019 audited consolidated financial statements, the future minimum payments under lease agreements were \$1,631. However, this assumed that the Company renewed its leases at maturity (in all cases less than five years). Under IFRS 16, the present value of these lease liabilities are recognized for the term of current lease agreements. As of April 1, 2019 there were no other reconciling items.

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

**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.

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4. IMPAIRMENT OF GOODWILL

The Company conducted its annual test for goodwill impairment of the Citagenix CGU. Based on the Company's annual 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 is being adversely affected by the COVID-19 crisis. Any adverse changes in assumptions may result in additional impairment of other assets in the CGU.

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5. TRADE AND OTHER RECEIVABLES

	<b>2020</b>	2019
	\$	\$
Trade receivables	<b>1,044</b>	1,092
Allowance for doubtful accounts	<b>(1)</b>	(1)
Warrant exercise receivable	<b>50</b>	-
SR&ED tax credits receivable	<b>67</b>	39
Value-added taxes receivable	<b>5</b>	17
Harmonized Sales Tax receivable	<b>147</b>	128
	<b>1,312</b>	1,275
Employee advances <i>[note 8]</i>	<b>20</b>	21
	<b>1,332</b>	1,296

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6. INTANGIBLE ASSETS

Intangible assets consist of the following:

	<b>Trademarks and brands</b>	<b>License</b>	<b>Customer lists</b>	<b>Patents</b>	<b>Total</b>
	\$	\$	\$	\$	\$
<b>Cost</b>					
As at March 31, 2018	3,094	317	177	19	3,607
Additions / (disposals)	-	-	-	-	-
As at March 31, 2019	3,094	317	177	19	3,607
As at April 1, 2019	3,094	317	177	19	3,607
Additions / (disposals)	-	(317)	-	-	(317)
As at March 31, 2020	3,094	-	177	19	3,290
<b>Amortization</b>					
As at March 31, 2018	761	-	53	13	827
Charge for the year	310	-	35	1	346
As at March 31, 2019	1,071	-	88	14	1,173
As at April 1, 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
<b>Carrying amount</b>					
As at March 31, 2019	2,023	317	89	5	2,434
As at March 31, 2020	<b>1,713</b>	<b>-</b>	<b>54</b>	<b>4</b>	<b>1,772</b>

The \$317 write-off 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.

7. CREDIT FACILITY INDEBTEDNESS

On June 29, 2018, Citagenix replaced its bank operating line facility with a \$2.25 million secured revolving credit facility (the "Credit Facility") provided by Bloom Burton Healthcare Lending Trust ("BBHLT"). The Credit Facility matures on June 29, 2020. Amounts outstanding under the Credit Facility bear interest at a rate of 7% compounded monthly, payable quarterly. Citagenix can prepay any amount of the facility at any time subject to a 1% fee of the prepaid principal amount.

The obligations of Citagenix under the Credit Facility are collateralized by all of the assets of Citagenix and are guaranteed by the Company. In connection with the Credit Facility, the Company issued to BBHLT 578,572 common shares ("Bonus Shares") of the Company at a deemed issue price of \$0.385 per common share. Given the Bonus Shares were subject to a statutory hold period of four months and one day from the date of issuance, the fair value was determined to be \$0.31 per Bonus Share. The fair value was calculated considering a volatility rate of 88% over a four-month period.

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7. CREDIT FACILITY INDEBTEDNESS *(continued)*

The Credit Facility has been accounted for using 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 are amortized over the two-year term of the facility.

As at March 31, 2020, the cumulative amount of interest paid for the Credit Facility was \$277, and the accretion of loan costs totalled \$249. On June 29, 2020, the Credit Facility was repaid in full (see note 25).

8. RELATED PARTY TRANSACTIONS

As part of the prospectus offering during the year ended March 31, 2020 (as described in note 9), 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* (“MI 61-101”).

During the year ended March 31, 2020, the Company advanced \$89 (2019 – \$119) to AHI (as at March 31, 2020, AHI owns 5.1% of the common shares of the Company). As at March 31, 2020, \$382 (March 31, 2019 – \$293) represent amounts owing by AHI to the Company. This balance bears no interest, is payable on demand and is unsecured.

Employee advances for the year ended March 31, 2020, were reduced by \$1 (March 31, 2019, increased by \$4) and 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. Currently, the Company has one employee receiving cash advances.

9. SHARE CAPITAL

**(a) Authorized –**

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

**(b) Common shares –**

	2020		2019	
	Shares	Amount	Shares	Amount
		\$		\$
<b>Balance, beginning of the year</b>	<b>243,392,476</b>	<b>36,986</b>	198,549,753	29,507
Revision of exercised warrants and options	-	-	-	(2,587)
Warrants exercised	<b>21,333,527</b>	<b>7,653</b>	16,660,918	5,141
Options exercised	<b>255,761</b>	<b>118</b>	3,155,031	996
Restricted share units vested and shares issued	<b>1,866,671</b>	<b>604</b>	216,668	167
Debentures converted	-	-	1,231,534	271
Shares issued for Citagenix loan facility <i>[note 7]</i>	-	-	578,572	179
Prospectus February 27, 2019 (“P2019A”)	-	-	23,000,000	3,971
Prospectus August 13, 2019 (“P2019B”)	<b>26,833,332</b>	<b>5,087</b>	-	-
Share issuance costs - P2019	-	<b>(782)</b>	-	(659)
<b>Balance, end of the year</b>	<b>293,681,767</b>	<b>49,666</b>	243,392,476	36,986

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9. SHARE CAPITAL *(continued)*

On August 13, 2019, the Company closed a public offering of 26,833,332 units (the “Units”) at a price of \$0.30 per Unit (the “Offering Price”) for aggregate gross proceeds of \$8,050 (the “Offering”). The Offering was made pursuant to an amended and restated agreement dated August 7, 2019, with a syndicate of agents (collectively, the “Agents”). The Units were offered and sold by way of a short form prospectus.

Each Unit comprised one common share of the Company (a “Common Share”) and one-half of one common share purchase warrant. Each full common share purchase warrant (a “Warrant”) is exercisable to purchase one Common Share at any time prior to August 13, 2022, at a price of \$0.40 per Common Share. The estimated fair value of these investor warrants calculated using the BSM was \$2,963 (see note 9e).

As consideration for the services rendered by the Agents in connection with the Offering, the Company paid the Agents a cash commission equal to 7% of the gross proceeds raised under the Offering and granted the Agents non-transferable broker warrants equal to 7% of the number of Units sold under the Offering, exercisable at any time prior to August 13, 2021, at an exercise price equal to the Offering Price. The estimated fair value of these broker warrants calculated using the BSM was \$393 (see note 9e).

The following provides additional information on the prospectus raises completed during the years ended March 31, 2020 and 2019:

Closing date	Prospectus	Number of units <sup>1</sup> / shares issued	Number of warrants issued	Price per unit	Gross proceeds <sup>2</sup>	Warrant exercise price	Warrant expiry date
				\$	\$	\$	
Feb. 27, 2019	P2019A	23,000,000	11,500,000	0.25	5,750	0.35	Feb. 27, 2022
Aug. 13, 2019	P2019B	26,833,332	13,416,666	0.30	8,050	0.40	Aug. 13, 2022

<sup>1</sup>Each 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.

<sup>2</sup>Gross proceeds have been allocated to share capital and warrants based on the residual method. Warrants were valued using the BSM.

With respect to the prospectus raises completed during the years ended March 31, 2020 and 2019, 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
			\$	\$	\$	
Feb. 27, 2019	P2019A	1,610,000	954	228	0.25	Feb. 27, 2021
Aug. 13, 2019	P2019B	1,878,333	1,237	393	0.30	Aug. 13, 2021

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

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9. SHARE CAPITAL *(continued)*

The following is a summary of all warrants exercised during the years ended March 31, 2020 and 2019:

Exercise price	2020		2019	
	Number of warrants exercised	Gross proceeds	Number of warrants exercised	Gross proceeds
\$		\$		\$
0.10	1,289,677	129	106,500	11
0.15	10,410,685	1,562	6,877,600	1,031
0.22	-	-	7,976,818	1,756
0.25	1,482,000	370	-	-
0.30	926,000	278	-	-
0.31	-	-	1,700,000	527
0.35	4,274,250	1,496	-	-
0.40	2,950,915	1,180	-	-
	<b>21,333,527</b>	<b>5,015</b>	16,660,918	3,325

Each of the warrants entitled the bearer to purchase one common share of the Company. Within \$5,015 of gross proceeds received for the exercise of warrants, an amount of \$50 was received by the Company post-year end.

**(c) Stock options –**

The Company has established a stock option plan that provides a limited issuance of options, capped at 22,337,983 common shares. The plan is to encourage ownership of common shares by directors, senior officers and consultants of the Company. The fair value of the options is measured as of the grant date, using the BSM option-pricing model, and is recognized over the vesting period. The fair value is recognized as an expense over the vesting period in the consolidated statements of loss and comprehensive loss. The amount recognized as an expense is adjusted to reflect the number of share options expected to vest.

On April 26, 2019, the Company granted a consultant options in exchange for services provided under the terms of a consulting agreement. The options give the consultant the right to purchase a total of 200,000 common shares pursuant to the Company's stock option plan. These options have an exercise price of \$0.34 and expire on April 6, 2022. Twenty-five per cent of the granted options vest on the grant date and the remainder vest quarterly. The estimated fair value of these options calculated using the BSM was \$44.

On August 27, 2019, the Company granted a consultant options in exchange for investor relations services. The options give the consultant the right to purchase a total of 350,000 common shares pursuant to the Company's stock option plan. These options have an exercise price of \$0.30 and expire on August 27, 2022. Twenty-five per cent of the granted options vest on the grant date and the remainder vest quarterly. The estimated fair value of these options calculated using the BSM was \$75.

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9. SHARE CAPITAL *(continued)*

The following is a summary of all options to purchase common shares that are outstanding as at March 31, 2020 and 2019, as well as details on exercise prices and expiry dates:

	2020		2019	
	Options	Weighted average price	Options	Weighted average price
		\$		\$
<b>Balance, beginning of the year</b>	<b>17,890,607</b>	<b>0.27</b>	20,840,368	0.25
Granted during the year	<b>550,000</b>	<b>0.31</b>	519,393	0.39
Exercised during the year	<b>(255,761)</b>	<b>0.23</b>	(3,155,031)	0.16
Expired during the year	-	-	(314,123)	0.28
Forfeited during the year	<b>(37,506)</b>	<b>0.37</b>	-	-
<b>Balance, end of the year</b>	<b>18,147,340</b>	<b>0.27</b>	17,890,607	0.27

Number of options	Exercise price	Expiry date*
	\$	
2,700,000	0.33	January 25, 2020*
37,500	0.09	October 20, 2020
36,000	0.29	February 27, 2021
18,000	0.38	June 25, 2021
90,000	0.35	October 3, 2021
18,000	0.25	December 19, 2021
200,000	0.34	April 26, 2022
350,000	0.30	August 27, 2022
150,000	0.55	October 21, 2023
805,000	0.66	March 4, 2024
560,000	0.14	July 13, 2025
4,213,714	0.15	March 9, 2026
150,000	0.19	January 18, 2027
8,525,733	0.20	March 31, 2027
151,515	0.50	April 11, 2028
41,878	0.40	May 8, 2028
100,000	0.29	March 11, 2029
<b>18,147,340</b>		

\* The expiry date of these options occurs within a blackout period, and as such the expiry date for such options has been extended to the tenth trading day following the end of the blackout period.

The number of options exercisable as at March 31, 2020, is 17,879,965 and the weighted average exercise price of these options is \$0.24.

The total fair value of options not yet recognized as an expense is \$20.

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9. SHARE CAPITAL *(continued)*

The following assumptions were used in the BSM to determine the fair value of the stock-based compensation expense relating to stock options during the years ended March 31, 2020 and 2019:

	<b>2020</b>	<b>2019</b>
Weighted average risk-free interest rate	<b>1.37%</b>	2.09%
Weighted average expected volatility	<b>95%</b>	137%
Expected dividend yield	<b>0.00%</b>	0.00%
Weighted average expected life of options	<b>3.0 years</b>	8.3 years
Weighted average share price	<b>\$0.35</b>	\$0.39
Weighted average exercise price	<b>\$0.31</b>	\$0.39

**(d) Restricted share unit plan –**

On June 25, 2018, the Company adopted a restricted share unit (the “RSU”) plan. On July 2, 2019, the Company received shareholder approval to amend and restate the RSU plan. The Board of Directors of the Company has the full power to administer the RSU plan including determining to whom RSUs may be awarded, and the terms and conditions of such awards. Under the amended and restated RSU plan, the maximum number of shares issuable is limited to 26,522,748 shares. The fair value of the RSUs is measured as of the grant date, using the share price on the grant date, and is recognized over the vesting period. The fair value is recognized as an expense over the vesting period in the consolidated statements of loss and comprehensive loss. The amount recognized as an expense is adjusted to reflect the number of RSUs expected to vest.

On November 28, 2019 and February 24, 2020, 7,630,000 and 390,000 RSUs, respectively, were granted 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. The total fair value of the RSUs was \$3,221, determined based on the share price on the grant date.

Included in the RSUs granted on November 28, 2019, are 2,835,000 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 \$1,106. As at March 31, 2020, it was determined that the probability and timing of achieving the performance criteria was greater than 50%, and as such, \$198 was expensed during the year ended March 31, 2020, and included in contributed surplus.

For the year ended March 31, 2020, \$3,376 (\$3,100 related to RSUs and \$276 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 restricted share units that are outstanding as at March 31, 2020:

	<b>2020</b>	<b>2019</b>
	<b>RSUs</b>	<b>RSUs</b>
<b>Balance, beginning of the year</b>	<b>17,289,997</b>	-
Granted during the period	<b>8,020,000</b>	17,740,000
Vested during the period	<b>(3,758,336)</b>	(450,003)
<b>Balance, end of the year</b>	<b>21,551,661</b>	17,289,997

The total fair value of RSUs not yet recognized as an expense is \$4,707, based upon the share price on the date of the grant.



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9. SHARE CAPITAL *(continued)*

**(e) Common share purchase warrants –**

The following is a summary of all warrants to purchase common shares that are outstanding as at March 31, 2020 and 2019, as well as details on exercise prices and expiry dates:

	2020		2019	
	Warrants	Weighted average price	Warrants	Weighted average price
		\$		\$
<b>Balance, beginning of the year</b>	<b>34,689,023</b>	<b>0.23</b>	38,766,448	0.18
Issued during the year	15,939,838	0.38	13,163,250	0.34
Exercised during the year	(21,333,527)	0.24	(16,660,918)	0.20
Expired during the year	(907,500)	0.83	(579,757)	0.38
<b>Balance, end of the year</b>	<b>28,387,834</b>	<b>0.29</b>	34,689,023	0.23

Number of warrants	Exercise price	Expiry date
	\$	
9,616,000	0.15	June 21, 2020
128,000	0.25	February 27, 2021
952,333	0.30	August 13, 2021
7,225,750	0.35	February 27, 2022
10,465,751	0.40	August 13, 2022
28,387,834		

The following assumptions were used in the BSM to determine the fair value of warrants during the years ended March 31, 2020 and 2019:

	2020	2019
Weighted average risk-free interest rate	1.29%	1.78%
Weighted average expected volatility	91%	99%
Expected dividend yield	0.00%	0.00%
Weighted average expected life of warrants	2.9 years	2.9 years
Weighted average share price	\$0.39	\$0.27
Weighted average exercise price	\$0.39	\$0.34

10. LOSS PER SHARE

Basic loss per share is calculated by dividing the net loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. All unexercised share options and warrants were excluded from calculating diluted loss per share.

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11. SEGMENTED RESULTS

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

The segmented performance of these two businesses for the years ended March 31, 2020 and 2019, is as follows:

	2020			2019		
	Antibe	Citagenix	Consolidated	Antibe	Citagenix	Consolidated
	\$	\$	\$	\$	\$	\$
Revenue	-	9,987	9,987	-	9,539	9,539
Cost of sales	-	6,098	6,098	-	5,989	5,989
Gross profit	-	3,889	3,889	-	3,550	3,550
Expenses	17,361	5,877	23,238	10,462	5,769	16,231
Loss before income taxes	(17,361)	(1,988)	(19,349)	(10,462)	(2,219)	(12,681)

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

Revenue by geographic region for the year ended March 31, 2020, is as follows:

Canada – 53%  
United States – 32%  
Europe – 4%  
Rest of World – 11%

The Company's assets and liabilities by each business as at March 31, 2020 and 2019, are as follows:

	2020			2019		
	Antibe	Citagenix	Consolidated	Antibe	Citagenix	Consolidated
	\$	\$	\$	\$	\$	\$
<b>Assets</b>						
Current	6,319	5,188	11,507	6,207	4,358	10,565
Non-current	236	2,095	2,331	1,836	2,418	4,254
<b>Total assets</b>	<b>6,555</b>	<b>7,283</b>	<b>13,838</b>	<b>8,043</b>	<b>6,776</b>	<b>14,819</b>
<b>Liabilities</b>						
Current	3,133	4,462	7,595	1,227	1,680	2,907
Non-current	2,399	65	2,464	2,399	2,072	4,471
<b>Total liabilities</b>	<b>5,532</b>	<b>4,527</b>	<b>10,059</b>	<b>3,626</b>	<b>3,752</b>	<b>7,378</b>

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12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The following table summarizes accounts payable and accrued liabilities as at March 31, 2020 and 2019:

	<b>2020</b>	<b>2019</b>
	\$	\$
<b>Accounts payable</b>		
Antibe	2,112	869
Citagenix	1,793	1,231
BMT	73	249
	<b>3,978</b>	<b>2,349</b>
<b>Accrued liabilities</b>		
Antibe	1,022	360
Citagenix	196	122
BMT	66	76
	<b>1,284</b>	<b>558</b>
<b>Total accounts payable and accrued liabilities</b>	<b>5,262</b>	<b>2,907</b>

13. GENERAL AND ADMINISTRATIVE EXPENSES

The nature of the general and administrative expenses for the years ended March 31, 2020 and 2019, is summarized as follows:

	<b>2020</b>	<b>2019</b>
	\$	\$
Salaries and wages	1,845	1,787
Professional and consulting fees	2,678	2,113
Office expenses	638	717
Other expenses	545	254
<b>Total general and administrative expenses</b>	<b>5,706</b>	<b>4,871</b>

Other expenses includes the \$317 write-off of impairment charges relating to 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.

14. SELLING AND MARKETING EXPENSES

The nature of the selling and marketing expenses for the years ended March 31, 2020 and 2019, is summarized as follows:

	<b>2020</b>	<b>2019</b>
	\$	\$
Salaries and wages	2,089	1,890
Commissions	698	601
Advertising and promotion	423	475
Travel and entertainment	582	555
<b>Total selling and marketing expenses</b>	<b>3,792</b>	<b>3,521</b>

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15. RESEARCH AND DEVELOPMENT EXPENSES

The nature of the research and development expenses for the years ended March 31, 2020 and 2019, is summarized as follows:

	<b>2020</b>	<b>2019</b>
	\$	\$
Salaries and wages	<b>655</b>	661
Professional and consulting fees	<b>169</b>	187
Research & clinical trial costs	<b>7,399</b>	3,297
SR&ED (rebate)	<b>(146)</b>	(202)
<b>Total research and development expenses</b>	<b>8,077</b>	3,943

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16. STOCK-BASED COMPENSATION

The function of the stock-based compensation expense for the years ended March 31, 2020 and 2019, is summarized as follows:

	<b>2020</b>	<b>2019</b>
	\$	\$
General and administrative	<b>2,505</b>	2,168
Research and development	<b>871</b>	818
<b>Total stock-based compensation</b>	<b>3,376</b>	2,986

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17. FINANCE AND RELATED COSTS

The components of the finance and related costs for the years ended March 31, 2020 and 2019, are as follows:

	<b>2020</b>	<b>2019</b>
	\$	\$
Interest on loan payable	<b>185</b>	144
Accretion interest	<b>142</b>	123
Interest and bank charges	<b>173</b>	163
Unrealized foreign currency translation	<b>31</b>	95
<b>Total finance and related costs</b>	<b>531</b>	525

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18. INCOME TAXES

The income tax provision recorded differs from the income tax obtained by applying the statutory income tax rate of 26.50% (2019 – 26.50%) to the loss before income taxes for the year, and is reconciled as follows:

	<u>2020</u>	<u>2019</u>
	\$	\$
Loss before income taxes	<u>(19,349)</u>	<u>(12,681)</u>
Expected income tax recovery at the combined basic federal and provincial tax rate:	(5,127)	(3,360)
Decrease (increase) resulting from:		
Non-deductible expenses	921	806
Share Issuance costs	(223)	(193)
Foreign withholding tax paid	-	132
Others	(528)	(114)
Amount related to unrecognized deferred tax assets	<u>4,950</u>	<u>2,864</u>
Provision for (recovery of) income taxes	<u>(7)</u>	<u>135</u>

The Company has incurred losses of \$31,529 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,	
2030	258
2031	608
2032	735
2033	875
2034	1,427
2035	2,006
2036	2,506
2037	3,002
2038	4,027
2039	4,799
2040	10,292
Indefinitely	<u>993</u>
	<u>31,528</u>

The cumulative carry-forward pool of SR&ED expenditures as at March 31, 2020, applicable to future years, with no expiry date, is \$13,664.

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19. DEFERRED INCOME TAXES

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

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Amount related to tax loss	<b>454</b>	465
Amount related to intangible assets on business combination	<b>(454)</b>	(536)
Amount related to foreign exchange translation gains	<b>(14)</b>	(23)
Amount related to transaction costs	<b>6</b>	9
Amount related to capital property	<b>70</b>	24
Amount related to eligible capital property	<b>-</b>	61
Amounts related to other	<b>(62)</b>	-
Net deferred income tax liabilities	<b>-</b>	-

Deferred tax recovery of \$8 (2019 – expense \$3) 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:

	<b>2020</b>	<b>2019</b>
	<b>\$</b>	<b>\$</b>
Amount related to tax loss carryforwards	<b>7,990</b>	5,979
Amount related to eligible capital property	<b>311</b>	71
Amount related to SR&ED expenditures	<b>3,621</b>	1,752
Amount related to donations	<b>34</b>	14
Amount related to ITC, net of tax	<b>1,301</b>	684
Amount related to ORDTC, net of tax	<b>217</b>	87
Amount related to share issuance costs	<b>432</b>	389
Amount related to deferred revenue	<b>636</b>	611
	<b>14,542</b>	9,587

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.

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20. 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.

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.

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21. 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 \$3,779 (March 31, 2019 – \$7,441). The Company is not subject to externally imposed capital requirements.

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22. 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 notes 2(c) and 25.

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22. FINANCIAL RISK MANAGEMENT (*continued*)

As at March 31, 2020, 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	5,262	-	-	5,262
Lease liability	115	65	-	180
Loan payable	2,214	-	-	2,214
	<u>7,591</u>	<u>65</u>	<u>-</u>	<u>7,656</u>

Foreign currency risk

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and financial liabilities with variable interest rates expose the Company to cash flow interest rate risk. The Company is currently exposed to interest rate risk on its credit facility.

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23. 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 ATB-346 in Albania, Algeria, Bulgaria, Greece, Jordan, Romania and Serbia (the “Territory”). Acbel is an affiliated holding company of Galenica SA and one of the largest pharmaceutical companies 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 ATB-346 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 ATB-346 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. Additionally, Antibe will receive a double-digit royalty on net sales in the Region. Under the terms of License Agreement 2, Antibe will be issued payment upon achievement of the following milestones:

- US\$1,000 upon receipt of regulatory approval from the Food and Drug Administration in the USA;
- US\$1,000 upon market launch of ATB-346 or the first offer for sale of ATB-346 in the Region;
- US\$1,000 upon total net sales in the Region exceeding US\$5,000,000 for the first time;
- US\$1,000 upon total net sales in the Region exceeding US\$10,000,000 for the first time;
- US\$1,000 upon total net sales in the Region exceeding US\$20,000,000 for the first time;
- US\$1,000 upon total net sales in the Region exceeding US\$30,000,000 for the first time;
- US\$1,500 upon total net sales in the Region exceeding US\$40,000,000 for the first time; and
- US\$1,500 upon total net sales in the Region exceeding US\$50,000,000 for the first time.



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23. DEFERRED REVENUE *(continued)*

The amount of the upfront payments for both 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.

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24. 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 requires the Company to pay royalties of 4% of all net sales upon the first commercial sale or, if the Company sublicenses the patents, the Company will pay a 15% royalty on royalty revenue earned. Additionally, the Company is required to make milestone payments to AHI at various stages of development, namely:

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

The Company made no milestone payments in the year ended March 31, 2020.

**(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, ATB-346, ATB-352 and ATB-340, as well as the rights to other, future prescription drugs. Under the terms of the license agreement, the Company has granted Knight the exclusive commercial rights for the Company’s drug candidates and other future prescription drugs in Canada, Israel, 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, 2020.

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25. SUBSEQUENT EVENTS

**(a) COVID-19 pandemic**

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, nonessential business closures, quarantines, self-isolations, shelters-in-place and social distancing. The COVID-19 outbreak and the response of governmental authorities to try to limit it are

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25. SUBSEQUENT EVENTS *(continued)*

having a significant impact on the private sector and individuals, including unprecedented business, employment and economic disruptions.

The COVID-19 pandemic has impacted the Company's business to some extent. The Company's Phase 2 trial 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 has also particularly impacted the Company's wholly-owned subsidiary, Citagenix, by causing a significant COVID-19 related decline in sales. The sales decline is solely due to a decline in customer demand, which the Company attributes to COVID-19. COVID-19 could further impact our expected timelines, operations and the operations of our third-party suppliers, manufacturers, and CROs 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 pre-clinical trials.

What 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 our business, operations or financial results; however, the impact could be material.

(b) Prospectus raise

On June 30, 2020, the Company closed a bought deal public offering of 62,500,000 units of the Company (the "June Units") at a price of \$0.40 per Unit (the "June Offering Price") plus the exercise in full of the Underwriters' over-allotment option of 9,375,000 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 Unit was comprised 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 \$0.60 per Common Share.

The Company intends to use the net proceeds of the June Offering to fund certain activities required to support large market partnering and begin the Phase 3 program for ATB-346, for business development activities, and for advancing the other drugs in the Company's pipeline including ATB-352. The remainder of the net proceeds will be used for working capital and general corporate purposes.

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.

(c) Payment of Credit 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.

**ANTIBE THERAPEUTICS INC.**  
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(Expressed in thousands of Canadian Dollars, except per share amounts and where noted)

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25. SUBSEQUENT EVENTS *(continued)*

(d) Exercised options

The following is a summary of all options exercised during the period from April 1, 2020 to the date of issuance of these consolidated financial statements:

Exercise price	Number of options exercised	Proceeds
\$		\$
0.085	30,000	3
0.140	200,000	28
0.145	2,600,000	377
0.200	92,500	19
0.290	36,000	10
0.245	18,000	4
0.330	2,250,000	743
0.350	90,000	31
0.380	18,000	7
	<u>5,334,500</u>	<u>1,222</u>

Each of the options entitled the bearer to purchase one common share of the Company.

(e) Exercised warrants

The following is a summary of all warrants exercised during the period from April 1, 2020 to the date of issuance of these consolidated financial statements:

Exercise price	Number of warrants exercised	Proceeds
\$		\$
0.15	9,156,500	1,374
0.25	31,000	8
0.30	81,000	24
0.35	2,686,500	940
0.40	2,466,033	986
	<u>14,421,033</u>	<u>3,332</u>

Each of the warrants entitled the bearer to purchase one common share of the Company.

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