

**ANTIBE THERAPEUTICS INC.**  
**Consolidated Financial Statements**  
**March 31, 2019 and 2018**  
(Expressed in Canadian Dollars)

## INDEPENDENT AUDITOR'S REPORT

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

### **Opinion**

We have audited the consolidated financial statements of Antibe Therapeutics Inc. and its subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at March 31, 2019 and 2018 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, 2019 and 2018, 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 \$12,816,071 during the year ended March 31, 2019 and, as of that date, the Group had an accumulated deficit of \$40,331,588. 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 16, 2019

**ANTIBE THERAPEUTICS INC.**  
**Consolidated Statements of Financial Position**  
**As at March 31, 2019 and 2018**  
(Expressed in Canadian Dollars)

	2019	2018
	\$	\$
<b>ASSETS</b>		
<b>Current</b>		
Cash	5,992,832	3,725,824
Term deposits	25,000	25,000
Trade and other receivables [note 4]	1,292,747	1,106,987
Inventory	2,803,167	3,106,316
Income taxes recoverable	2,504	2,504
Prepaid expenses	154,560	169,600
Due from Antibe Holdings Inc. [note 7]	293,128	174,398
Total current assets	<u>10,563,938</u>	<u>8,310,629</u>
<b>Non-current</b>		
Property and equipment, net	181,206	94,408
Deposits	20,789	22,965
Deferred contract costs [note 13]	235,866	-
Investment in Red Rock Regeneration Inc. [note 24]	100,000	-
Intangible assets, net [note 5]	2,434,089	2,779,707
Goodwill	1,283,221	1,283,221
Total non-current assets	<u>4,255,171</u>	<u>4,180,301</u>
<b>TOTAL ASSETS</b>	<u><b>14,819,109</b></u>	<u><b>12,490,930</b></u>
<b>LIABILITIES</b>		
<b>Current</b>		
Bank indebtedness [note 6]	-	1,291,259
Accounts payable and accrued liabilities [note 12]	2,906,807	1,894,874
Convertible debentures [note 8]	-	246,117
Total current liabilities	<u>2,906,807</u>	<u>3,432,250</u>
<b>Non-current liabilities</b>		
Loan payable [note 6]	2,072,245	-
Deferred revenue [note 13]	2,399,295	1,083,540
Total non-current liabilities	<u>4,471,540</u>	<u>1,083,540</u>
<b>TOTAL LIABILITIES</b>	<u><b>7,378,347</b></u>	<u><b>4,515,790</b></u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital [note 9]	36,985,901	29,507,301
Common share purchase warrants [note 9]	2,756,746	503,004
Contributed surplus [note 9]	8,034,382	5,477,961
Accumulated other comprehensive income (loss)	(4,679)	2,391
Deficit	(40,331,588)	(27,515,517)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<u><b>7,440,762</b></u>	<u><b>7,975,140</b></u>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<u><b>14,819,109</b></u>	<u><b>12,490,930</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, 2019 and 2018**  
(Expressed in Canadian Dollars)

	2019	2018
	\$	\$
<b>REVENUE</b>		
Product sales	9,538,942	8,510,149
<b>COST OF SALES</b>	5,989,387	5,134,909
<b>GROSS PROFIT</b>	<u>3,549,555</u>	<u>3,375,240</u>
<b>EXPENSES</b>		
General and administrative <i>[note 14]</i>	4,871,074	2,845,484
Selling and marketing <i>[note 15]</i>	3,520,949	3,381,279
Research and development <i>[note 16]</i>	3,943,063	2,742,476
Stock-based compensation <i>[note 17]</i>	2,986,257	692,996
Amortization and depreciation	416,219	377,139
Total expenses	<u>15,737,562</u>	<u>10,039,374</u>
<b>LOSS FROM OPERATIONS</b>	(12,188,007)	(6,664,134)
Finance and related costs <i>[note 18]</i>	525,350	1,057,806
Finance income	(31,411)	(17,347)
<b>LOSS BEFORE INCOME TAXES</b>	<u>(12,681,946)</u>	<u>(7,704,593)</u>
<b>PROVISION FOR (RECOVERY OF) INCOME TAXES <i>[note 19]</i></b>		
Current	131,576	25,469
Deferred	2,549	(300,230)
Total provision for (recovery of) income taxes	<u>134,125</u>	<u>(274,761)</u>
<b>NET LOSS FOR THE YEAR</b>	<u>(12,816,071)</u>	<u>(7,429,832)</u>
<b>OTHER COMPREHENSIVE LOSS</b>		
Exchange differences on translation of foreign operations subject to future reclassification	(7,070)	(26,692)
<b>COMPREHENSIVE LOSS</b>	<u>(12,823,141)</u>	<u>(7,456,524)</u>
<b>Basic and diluted loss per share <i>[note 10]</i></b>	<u>(0.06)</u>	<u>(0.05)</u>
<b>Basic and diluted weighted average number of shares outstanding <i>[note 10]</i></b>	<u>214,867,861</u>	<u>151,621,931</u>

**ANTIBE THERAPEUTICS INC.**  
**Consolidated Statements of Changes in Shareholders' Equity**  
**For the Years Ended March 31, 2019 and 2018**  
(Expressed in Canadian Dollars)

	Number of common shares	Share capital	Common share purchase warrants	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total shareholders' equity
		\$	\$	\$	\$	\$	\$
<b>Balance, March 31, 2017</b>	<b>113,018,314</b>	<b>15,517,895</b>	<b>3,728,024</b>	<b>4,364,112</b>	<b>29,083</b>	<b>(20,085,685)</b>	<b>3,553,429</b>
Shares issued	49,828,999	3,066,824	1,916,076	-	-	-	4,982,900
Share issuance costs	-	(678,805)	(421,804)	309,030	-	-	(791,579)
Shares issued for exercised warrants	21,699,781	8,520,802	(4,607,468)	-	-	-	3,913,334
Shares issued on debenture conversion	14,002,659	3,080,585	-	-	-	-	3,080,585
Reallocation of exercised warrants	-	-	(111,824)	111,824	-	-	-
Stock-based compensation	-	-	-	762,453	-	-	762,453
Forfeiture of stock options	-	-	-	(69,458)	-	-	(69,458)
Net loss for the year	-	-	-	-	-	(7,429,832)	(7,429,832)
Exchange differences on translation of foreign operations	-	-	-	-	(26,692)	-	(26,692)
<b>Balance, March 31, 2018</b>	<b>198,549,753</b>	<b>29,507,301</b>	<b>503,004</b>	<b>5,477,961</b>	<b>2,391</b>	<b>(27,515,517)</b>	<b>7,975,140</b>
<b>Balance, March 31, 2018</b>	<b>198,549,753</b>	<b>29,507,301</b>	<b>503,004</b>	<b>5,477,961</b>	<b>2,391</b>	<b>(27,515,517)</b>	<b>7,975,140</b>
Shares issued	23,000,000	3,971,103	1,778,897	-	-	-	5,750,000
Share issuance costs	-	(659,401)	(295,386)	228,086	-	-	(726,701)
Revision of exercised warrants and options [note 2(f)]	-	(2,586,642)	2,586,642	-	-	-	-
Shares issued for exercised warrants	16,660,918	5,140,602	(1,816,411)	-	-	-	3,324,191
Shares issued for exercised options	3,155,031	996,143	-	(491,421)	-	-	504,722
Shares issued for vested restricted share units	216,668	166,501	-	1,798,382	-	-	1,964,883
Shares issued on debenture conversion	1,231,534	270,937	-	-	-	-	270,937
Stock-based compensation	-	-	-	1,021,374	-	-	1,021,374
Shares issued for Citagenix loan facility	578,572	179,357	-	-	-	-	179,357
Net loss for the year	-	-	-	-	-	(12,816,071)	(12,816,071)
Exchange differences on translation of foreign operations	-	-	-	-	(7,070)	-	(7,070)
<b>Balance, March 31, 2019</b>	<b>243,392,476</b>	<b>36,985,901</b>	<b>2,756,746</b>	<b>8,034,382</b>	<b>(4,679)</b>	<b>(40,331,588)</b>	<b>7,440,762</b>

**ANTIBE THERAPEUTICS INC.**  
**Consolidated Statements of Cash Flows**  
**For the Years Ended March 31, 2019 and 2018**  
(Expressed in Canadian Dollars)

	2019	2018
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss for the year	(12,816,071)	(7,429,832)
Items not affecting cash:		
Deferred income taxes	-	(309,854)
Stock-based compensation <i>[note 17]</i>	2,986,257	692,996
Accretion interest <i>[notes 8 and 18]</i>	122,529	611,471
Amortization of transaction costs <i>[note 8]</i>	8,944	83,413
Depreciation of property and equipment	70,601	31,521
Amortization of intangible assets <i>[note 5]</i>	345,618	345,618
Increase in deferred revenue <i>[note 13]</i>	1,315,755	-
	<u>(7,966,367)</u>	<u>(5,974,667)</u>
Changes in non-cash working capital:		
Accounts receivable <i>[note 4]</i>	(185,760)	(61,984)
Inventory	303,149	(353,320)
Prepaid expenses	15,040	27,427
Income taxes recoverable	-	16,358
Deposits	2,176	(4,512)
Deferred contract costs	(235,866)	-
Accounts payable and accrued liabilities	1,011,933	(99,918)
	<u>910,672</u>	<u>(475,949)</u>
<b>Cash flows used in operating activities</b>	<u>(7,055,695)</u>	<u>(6,450,616)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Red Rock Regeneration Inc convertible debenture	(100,000)	-
Purchase of equipment	(157,400)	(50,636)
<b>Cash flows used in investing activities</b>	<u>(257,400)</u>	<u>(50,636)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Advances to Antibe Holdings Inc. <i>[notes 7 and 24]</i>	(118,730)	(36,841)
Net proceeds from loan payable <i>[note 6]</i>	1,965,593	-
Advances in (repayments of) bank indebtedness <i>[note 6]</i>	(1,291,259)	138,995
Net change to restricted cash and term deposits <i>[note 8]</i>	-	545,000
Issuances:		
Gross proceeds from shares and warrant issuance <i>[note 9]</i>	5,929,357	4,982,900
Proceeds from exercised warrants <i>[note 9]</i>	3,324,191	3,913,334
Proceeds from exercised options <i>[note 9]</i>	504,722	-
Share issuance costs <i>[note 9]</i>	(726,701)	(791,579)
<b>Cash flows provided by financing activities</b>	<u>9,587,173</u>	<u>8,751,809</u>
<b>Net increase in cash during the year</b>	<u>2,274,078</u>	<u>2,250,557</u>
Foreign exchange loss on translation	(7,070)	(26,692)
Cash, beginning of the year	3,725,824	1,501,959
<b>Cash, end of the year</b>	<u>5,992,832</u>	<u>3,725,824</u>

**ANTIBE THERAPEUTICS INC.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2019 and 2018**

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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 6.2% of the Company’s common shares are held by Antibe Holdings Inc. (“AHI”) as at March 31, 2019.

These consolidated financial statements were authorized for issuance by the Board of Directors on July 16, 2019.

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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 (“IASB”). 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%

Antibe Terapiya Rus LLP is no longer a subsidiary of the Company and has been expulsed from the Russian Trade Register.

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**ANTIBE THERAPEUTICS INC.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2019 and 2018**

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2. BASIS OF PRESENTATION *(continued)*

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.

**(c) Going concern –**

The consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As at March 31, 2019, the Company had working capital of \$7,657,131 (March 31, 2018 – \$4,878,379), incurred a net loss for the year then ended of \$12,816,071 (2018 – \$7,429,832), had negative cash flows from operations of \$7,055,695 (2018 – \$6,450,616) and an accumulated deficit of \$40,331,588 (March 31, 2018 - \$27,515,517).

All of the factors above indicate there is 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.

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 6, 22 and 23.

If the going concern assumption was 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, 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, inventory, intangible assets, impairment of goodwill, 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, 2019 and 2018**

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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 Company'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 period, assets and liabilities are translated at the exchange rate at the end of the period, 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 loss.

**(f) Revised allocation of previously exercised warrants –**

During the year, the Company revised the presentation of warrants exercised prior to April 1, 2018. IFRS 2, *Share-based Payments* does not preclude an entity from recognizing a transfer from one component of equity to another. The result of the revised allocation of previously exercised warrants is a decrease in share capital of \$2,586,642 and a corresponding increase to the common share purchase warrant reserve. As a result of this revision, there is no net impact to equity, no impact to the consolidated statements of loss and comprehensive loss, and no impact to the cash flows of the Company.

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

**(a) 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.

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**ANTIBE THERAPEUTICS INC.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2019 and 2018**

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

**Property and equipment –**

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

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

The Company prorates depreciation for acquisitions made during the year.

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

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

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

**Intangible assets –**

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

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

**Impairment of non-financial assets –**

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

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

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

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**ANTIBE THERAPEUTICS INC.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2019 and 2018**

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

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

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

**Goodwill –**

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. If the recoverable amount of the CGU is less than its carrying amount, excluding any goodwill, the impairment loss is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then reduces the carrying amount of the other assets of the CGU on a pro rata basis. 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. As at March 31, 2019, there is no impairment of goodwill. The Company tests goodwill for impairment annually in the fourth quarter. The impairment test on Citagenix is carried out by comparing the carrying amount of Citagenix and its recoverable amount. The recoverable amount of Citagenix is the higher of its fair value, less costs to sell, and its value in use. The recoverable amount has been determined by management using the value in use model. 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 in the projections. A reasonable possible change in the assumptions used could result in an impairment. However, management concluded that the assumptions used in the value-in-use analysis were the best estimate of the recoverable amount as at March 31, 2019.

The estimated future cash flows were based on the budget and strategic plan for the next five years, and a growth rate of 3.0% was applied to derive a terminal value beyond the initial five-year period. The post-tax discount rate used to calculate the recoverable amount in fiscal year 2018 was 20%.

**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.

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**ANTIBE THERAPEUTICS INC.**  
**Notes to Consolidated Financial Statements**  
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES, JUDGEMENTS, and ASSUMPTIONS *(continued)*

**Income taxes –**

Income taxes are accounted for using the liability method. Deferred 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 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 tax assets and liabilities are measured using tax rates enacted by tax laws or substantively enacted for the years in which deferred income tax assets are likely to be realized or deferred income tax liabilities settled. The effect of a change in tax rates on deferred income tax assets and liabilities is included in loss and comprehensive loss in the period when the change is substantially enacted.

**Deferred share issuance costs –**

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

**Government grants and investment tax credits –**

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

Investment tax credits (“ITCs”) receivable are amounts refundable from the Canadian federal and provincial governments under the Scientific Research & Experimental Development 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.

**Convertible debt instruments –**

The Company’s convertible debt instruments are segregated into their debt and equity elements at the date of issue, based on the relative fair market values of these elements. The debt element of the instruments is classified as a liability and recorded as the present value of the Company’s obligation to make future interest payments in cash and settle the redemption value of the instrument in cash. The carrying value of the debt element is accreted to the original face value of the instruments, over their life, using the effective interest method.

**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.

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**ANTIBE THERAPEUTICS INC.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2019 and 2018**

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

**Revenue recognition –**

The Company has adopted IFRS 15, *Revenue from Contracts with Customers* (“IFRS 15”), with a date of initial application of April 1, 2018 using the modified retrospective method. As a result, the Company has changed its accounting policy for revenue recognition:

**Product sales**

Revenue from product sales is recognized upon shipment of the product to the customer, provided transfer of title to the customer occurs upon shipment and provided the Company has not retained any significant risks of ownership or future obligations with respect to the product shipped, the price is fixed and determinable and collection is reasonably assured. 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.

The following were the revenue recognition policies prior to April 1, 2018, under IAS 18:

The Company recognizes revenue from sales of medical equipment when persuasive evidence of an arrangement exists, delivery has occurred, fees are fixed or determinable and collection is reasonably assured.

Revenue from license fees is recognized based on the terms of the license agreement, when there is persuasive evidence of an arrangement, delivery or performance has occurred, the fee is fixed or determinable, and when collection is reasonably assured. The licensing arrangements are reviewed in order to determine whether the elements can be divided into separate units of accounting, if certain criteria are met. If separable, the consideration received is allocated among the separate units of accounting based on their respective fair values and the applicable revenue recognition criteria are applied to each of the separate units. If not separable, the applicable revenue recognition criteria are applied to combined elements as a single unit of accounting.

Revenue from upfront payments is deferred and amortized to the consolidated statements of loss and comprehensive loss at the point in time when the risks and rewards have been transferred to the licensee.

Interest income is recognized using the effective interest method as earned.

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**ANTIBE THERAPEUTICS INC.**  
**Notes to Consolidated Financial Statements**  
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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 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.

**Leases –**

As at March 31, 2019, all leases are classified as operating leases.

Operating lease payments are expensed on a straight-line basis over the term of the relevant lease.

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**ANTIBE THERAPEUTICS INC.**  
**Notes to Consolidated Financial Statements**  
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES, JUDGEMENTS, and ASSUMPTIONS *(continued)*

**Measurement of financial instruments –**

The Company has adopted IFRS 9, *Financial Instruments* (“IFRS 9”) with a date of initial application of April 1, 2018 using the modified retrospective method. As a result, the Company has changed its accounting policy for 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 (“FVPL”), amortized cost, or fair value through other comprehensive income.

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.

On the date of initial application, April 1, 2018, the financial instruments of the Company were as follows:

	<u>IAS 39</u>	<u>IFRS 9</u>
<b>Financial assets</b>		
Cash	Amortized cost	Amortized cost
Term deposits	Amortized cost	Amortized cost
Accounts receivable	Amortized cost	Amortized cost
Due from AHI	Amortized cost	Amortized cost
Deposits	Amortized cost	Amortized cost
Investment in Red Rock	FVPL	FVPL
<b>Financial liabilities</b>		
Bank indebtedness	FVPL	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Convertible debentures	Amortized cost	Amortized cost
Loan payable	Amortized cost	Amortized cost

The Company assessed the classification and measurement of the financial instruments it held at the date of initial application of IFRS 9 and has classified its financial instruments into the appropriate IFRS 9 categories. There were no changes to the carrying value of the Company’s financial instruments resulting from this reclassification and accordingly there was no impact to the Company’s opening balance of deficit as at April 1, 2018, as a result of the adoption of IFRS 9.

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**ANTIBE THERAPEUTICS INC.**  
**Notes to Consolidated Financial Statements**  
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES, JUDGEMENTS, and ASSUMPTIONS *(continued)*

Impairment of financial assets

The Company assesses on a forward-looking basis the expected credit losses (“ECLs”) associated with its financial instruments carried at amortized cost. Accounts receivable 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.

There were no changes to the carrying value of the Company’s financial instruments resulting from this new impairment model and accordingly there was no impact to the Company’s opening balance of deficit as at April 1, 2018, as a result of the adoption of IFRS 9.

The following were the financial instrument policies prior to April 1, 2018, under IAS 39:

Financial instruments are classified into one of five categories: fair value through profit or loss (“FVTPL”); held to maturity (“HTM”); loans and receivables; available for sale (“AFS”); or other financial liabilities.

The classification is determined at initial recognition and depends on the nature and purpose of the financial instruments.

(i) FVTPL financial instruments –

Financial assets and financial liabilities are classified as FVTPL when the financial asset or financial liability is held for trading or it is designated as FVTPL. A financial asset or financial liability is classified as held for trading if it has been acquired principally for the purpose of selling in the near future; it is part of an identified portfolio of financial instruments that the Company manages and has an actual pattern of short-term profit making; or it is a derivative that is not designated and effective as a hedging instrument. Financial assets classified or designated as FVTPL are initially measured at fair value with any subsequent gain or loss recognized in other income (loss). The net gain or loss recognized incorporates any dividend or interest earned on the financial asset. Financial liabilities classified or designated as FVTPL are initially measured at fair value and with any subsequent gain or loss recognized in net income (loss). Interest and dividends paid on financial liabilities are recognized in other income (loss). The Company classifies cash, term deposits, restricted cash and bank indebtedness as FVTPL.

(ii) HTM financial instruments –

HTM financial instruments having a fixed maturity date and fixed or determinable payments, where the Company intends and has the ability to hold the financial instrument to maturity, are classified as HTM and measured at amortized cost using the effective interest rate method. Any gains or losses arising from the sale of HTM financial instruments are included in other income. Currently, the Company has no HTM financial instruments.

(iii) Loans and receivables –

Items classified as loans and receivables are measured at amortized cost using the effective interest method. Any gains or losses on the realization of loans and receivables are included in other income. The Company classifies due from AHI as loans and receivables.

**ANTIBE THERAPEUTICS INC.**  
**Notes to Consolidated Financial Statements**  
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, ESTIMATES, JUDGEMENTS, and ASSUMPTIONS *(continued)*

(iv) Available-for-sale –

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale, or that are not classified as FVTPL, HTM, or loans and receivables. Available-for-sale financial assets are carried at fair value with unrealized gains and losses included in accumulated other comprehensive income until realized when the cumulative gain or loss is transferred to other income. Currently, the Company has no AFS financial instruments.

(v) Other financial liabilities –

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. The Company has classified accounts payable and accrued liabilities, long-term debt and convertible debentures as other financial liabilities.

(vi) Financial instruments –

IFRS 9, *Financial Instruments* (“IFRS 9”) was issued in 2010 and is to replace IAS 39, *Financial Instruments: Recognition and Measurement* (“IAS 39”). IFRS 9 is effective for annual periods beginning on or after January 1, 2018. For the Company, the standard was effective as of April 1, 2018. The Company has adopted the new standard using the modified retrospective application method with no restatement of comparative information.

(vii) Revenue –

IFRS 15 is effective for annual periods beginning on or after January 1, 2018. For the Company, the standard was effective as of April 1, 2018.

Other than the inclusion of additional revenue disclosures required under IFRS 15, the adoption of this standard did not have an impact on the consolidated financial statements.

**(b) Future changes in significant accounting policies –**

At the date of approval of these consolidated financial statements, the following standards and interpretations, which may be applicable to the Company, but have not yet been applied in these consolidated financial statements, were in issue but not yet effective:

Leases –

In January 2016, the IASB issued IFRS 16, *Leases* (“IFRS 16”), its new leases standard that requires lessees to recognize assets and liabilities for most leases on their balance sheets. Lessees applying IFRS 16 will have a single accounting model for all leases, with certain exemptions. The new standard will be effective for annual periods beginning on or after January 1, 2019, with limited early application permitted.

Management is currently evaluating the impact of IFRS 16 on its consolidated financial statements.

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**ANTIBE THERAPEUTICS INC.**  
**Notes to Consolidated Financial Statements**  
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4. TRADE AND OTHER RECEIVABLES

	2019	2018
	\$	\$
Trade receivables	1,092,916	897,593
SR&ED tax credits receivable	38,590	-
Value-added taxes receivable	17,075	4,696
Harmonized Sales Tax receivable	124,530	188,932
Allowance for doubtful accounts	(1,275)	(793)
	<u>1,271,836</u>	<u>1,090,428</u>
Employee advances [note 7]	20,911	16,559
	<u>1,292,747</u>	<u>1,106,987</u>

5. INTANGIBLE ASSETS

Intangible assets consist of the following:

	Trademarks and brands	License	Customer lists	Patents	Total
	\$	\$	\$	\$	\$
<b>Cost</b>					
As at March 31, 2017	3,094,018	316,810	177,080	18,872	3,606,780
Additions	-	-	-	-	-
As at March 31, 2018	<u>3,094,018</u>	<u>316,810</u>	<u>177,080</u>	<u>18,872</u>	<u>3,606,780</u>
As at April 1, 2018	3,094,018	316,810	177,080	18,872	3,606,780
Additions	-	-	-	-	-
As at March 31, 2019	<u>3,094,018</u>	<u>316,810</u>	<u>177,080</u>	<u>18,872</u>	<u>3,606,780</u>
<b>Amortization</b>					
As at March 31, 2017	451,812	-	17,708	11,935	481,455
Charge for the year	309,402	-	35,416	800	345,618
As at March 31, 2018	<u>761,214</u>	<u>-</u>	<u>53,124</u>	<u>12,735</u>	<u>827,073</u>
As at April 1, 2018	761,214	-	53,124	12,735	827,073
Charge for the year	309,402	-	35,416	800	345,618
As at March 31, 2019	<u>1,070,616</u>	<u>-</u>	<u>88,540</u>	<u>13,535</u>	<u>1,172,691</u>
<b>Carrying amount</b>					
As at March 31, 2018	<u>2,332,804</u>	<u>316,810</u>	<u>123,956</u>	<u>6,137</u>	<u>2,779,707</u>
As at March 31, 2019	<u>2,023,402</u>	<u>316,810</u>	<u>88,540</u>	<u>5,337</u>	<u>2,434,089</u>

The term of the license agreement is 10 years from the date of the first commercial sale of the licensed product. As at March 31, 2019, there were no commercial sales of the licensed products. As such, no amortization is recognized in the current year related to this license. There were no indicators of impairment on this license.

**ANTIBE THERAPEUTICS INC.**  
**Notes to Consolidated Financial Statements**  
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6. CREDIT FACILITY INDEBTEDNESS

On June 29, 2018, Citagenix fully repaid all of the outstanding amounts on its operating line facility with a Canadian chartered bank, and as at that date, the facility was cancelled.

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. Any prepayment of the facility can be reborrowed. Additionally, there are mandatory prepayment terms stipulated in the Credit Facility whereby all proceeds received will be applied against borrowed amounts if any of such following events take place: if Citagenix sells or otherwise disposes of any assets in excess of \$300,000.

The obligations of Citagenix under the Credit Facility are secured against all of the assets of Citagenix, and are guaranteed by the Company. In connection with the Credit Facility, the Company agreed to issue 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.

The Credit Facility has been accounted for using amortized cost. Transaction costs directly attributable to the Credit Facility totaled \$284,407. 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, 2019, the cumulative amount of interest paid for the Credit Facility was \$118,488, and the accretion of loan costs totaled \$106,653.

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7. RELATED PARTY TRANSACTIONS

As part of the prospectus offering during the year ended March 31, 2019 (as described in note 9), one officer of the Company purchased 80,000 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, the Company advanced \$118,730 (2018 – \$36,841) to AHI (AHI owns 6.2% of the common shares of the Company). As at March 31, 2019, \$293,128 (2018 – \$174,398) was receivable. This balance bears no interest, is payable on demand and is unsecured.

Employee advances for year totaled \$20,911 (2018 – \$16,559), and consisted of cash advances, payments to the Company 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.

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**ANTIBE THERAPEUTICS INC.**  
**Notes to Consolidated Financial Statements**  
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8. CONVERTIBLE DEBENTURES

As at March 31, 2018, six of the senior secured convertible debentures, including all interest paid-in-kind, were converted to common shares of the Company. In total, 14,002,659 common shares were issued at \$0.22 per share for a total conversion of \$3,080,585.

	2019	2018
	\$	\$
<b>Balance, beginning of the year</b>	<b>246,117</b>	2,631,818
Accretion interest	<b>15,876</b>	611,471
Amortization of transaction costs	<b>8,944</b>	83,413
Debentures converted to shares	<b>(270,937)</b>	(3,080,585)
<b>Balance, end of the year</b>	<b>-</b>	246,117

On April 10 and April 13, 2018, the remaining senior secured convertible debentures, including all interest paid-in-kind, were converted to common shares of the Company. In total, 1,231,534 common shares were issued at \$0.22 per share for a total conversion of \$270,937.

As at March 31, 2017, of the total amount of the cash proceeds received on the issuance of convertible debentures, \$545,000 was designated as restricted cash and held as additional security for one of the convertible debenture holders pending the achievement of certain milestones. As at March 31, 2018, the debenture holder converted to shares the entirety of the debenture including interest paid-in-kind, thereby releasing the restricted cash.

9. SHARE CAPITAL

**(a) Authorized**

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

**(b) Common shares**

	2019		2018	
	Shares	Amount	Shares	Amount
		\$		\$
<b>Balance, beginning of the year</b>	<b>198,549,753</b>	<b>29,507,301</b>	113,018,314	15,517,895
Revision of exercised warrants and options [note 2(f)]	-	<b>(2,586,642)</b>	-	-
Warrants exercised	<b>16,660,918</b>	<b>5,140,602</b>	21,699,781	8,520,802
Options exercised	<b>3,155,031</b>	<b>996,143</b>	-	-
Restricted share units vested and shares issued	<b>216,668</b>	<b>166,501</b>	-	-
Debentures converted	<b>1,231,534</b>	<b>270,937</b>	14,002,659	3,080,585
Shares issued for Citagenix loan facility [note 6]	<b>578,572</b>	<b>179,357</b>	-	-
Prospectus 2017 (“P2017a”)	-	-	40,498,999	2,481,234
Prospectus 2017 (“P2017b”)	-	-	9,330,000	585,590
Share issuance costs P2017a, P2017b	-	-	-	(678,805)
Prospectus 2019 (“P2019”)	<b>23,000,000</b>	<b>3,971,103</b>	-	-
Share issuance costs P2019	-	<b>(659,401)</b>	-	-
<b>Balance, end of the year</b>	<b>243,392,476</b>	<b>36,985,901</b>	198,549,753	29,507,301

**ANTIBE THERAPEUTICS INC.**  
**Notes to Consolidated Financial Statements**  
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9. SHARE CAPITAL *(continued)*

On February 27, 2019, the Company closed a bought deal public offering of 23,000,000 units (the “Units”) at a price of \$0.25 per Unit (the “Offering Price”) for aggregate gross proceeds of \$5,750,000 (the “Offering”), which included the exercise in full of the Underwriters’ over-allotment option. The Offering was made pursuant to an underwriting agreement dated February 8, 2019, with a syndicate of underwriters (collectively, the “Underwriters”). The units were offered and sold by way of a short form.

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 February 27, 2022, at a price of \$0.35 per Common Share.

As consideration for the services rendered by the Underwriters in connection with the Offering, the Company paid the Underwriters a cash commission equal to 7% of the gross proceeds raised under the Offering and granted the Underwriters non-transferable broker warrants equal to 7% of the number of Units sold under the Offering, exercisable at any time prior to February 27, 2021, at an exercise price equal to the Offering Price.

The following provides additional information on the prospectus raises completed during the years ended March 31, 2019 and 2018:

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
				\$	\$	\$	
Jun 21, 2017	P2017a	40,498,999	20,249,499	0.10	4,049,900	0.15	Jun 21, 2020
Aug 18, 2017	P2017b	9,330,000	4,665,000	0.10	933,000	0.15	Jun 21, 2020
Feb 27, 2019	P2019	23,000,000	11,500,000	0.25	5,750,000	0.35	Feb 27, 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, 2019 and 2018, 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
			\$	\$	\$	
Jun 21, 2017	P2017a	2,834,930	522,725	255,200	0.10	Jun 21, 2019
Aug 18, 2017	P2017b	653,101	156,080	53,830	0.10	Jun 21, 2019
Feb 27, 2019	P2019	1,610,000	954,787	228,086	0.25	Feb 27, 2021

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

**ANTIBE THERAPEUTICS INC.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2019 and 2018**

9. SHARE CAPITAL *(continued)*

The following is a summary of all warrants exercised during the years ended March 31, 2019 and 2018:

Exercise price	2019		2018	
	Number of warrants exercised	Gross proceeds	Number of warrants exercised	Gross proceeds
\$		\$		\$
0.10	106,500	10,650	2,211,854	221,185
0.15	6,877,600	1,031,640	14,108,508	2,116,276
0.22	7,976,818	1,754,901	1,019,419	224,273
0.31	1,700,000	527,000	4,360,000	1,351,600
	<b>16,660,918</b>	<b>3,324,191</b>	21,699,781	3,913,334

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

**(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.

Included in the options granted on March 31, 2017, are 3,500,000 performance options granted to key senior executives of Antibe and Citagenix. Vesting of these performance options is subject to the successful achievement of certain goals related to advancements in the clinical development of the Company's lead drug, capital efficiency, and corporate profitability. On August 28, 2018, the Company's Board of Directors determined that the main performance goals had been met by all executives. The estimated fair value of these options calculated using the BSM on the grant date was \$691,549. During the year, \$607,915 was expensed and included in contributed surplus. The following assumptions were used in the BSM to determine the fair value of the stock-based compensation expense for the performance options on the grant date: risk-free interest rate of 1.59%, expected volatility of 157%, expected dividend yield of nil, expected life of options 10 years, share price of \$0.20, and exercise price of \$0.20.

Option pricing models require the input of highly subjective assumptions, particularly as to the expected price volatility of the stock and the expected life of the option. Changes in the subjective input assumptions can materially affect the fair value estimate. There is no cash cost to the Company related to these options.

**ANTIBE THERAPEUTICS INC.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2019 and 2018**

9. SHARE CAPITAL *(continued)*

The following is a summary of all options to purchase common shares that are outstanding as at March 31, 2019 and 2018, as well as details on exercise prices and expiry dates:

	2019		2018	
	Options	Weighted average exercise price	Options	Weighted average exercise price
		\$		\$
<b>Balance, beginning of the year</b>	<b>20,840,368</b>	<b>0.25</b>	21,134,000	0.25
Granted during the year	519,393	0.39	73,500	0.19
Exercised during the year	(3,155,031)	0.16	(343,132)	0.19
Expired during the year	(314,123)	0.28	(24,000)	0.52
<b>Balance, end of the year</b>	<b>17,890,607</b>	<b>0.27</b>	20,840,368	0.25

Number of options	Exercise price	Expiry date
	\$	
12,000	0.13	June 10, 2019
12,000	0.23	September 6, 2019
24,000	0.19	January 18, 2020
2,700,000	0.33	January 25, 2020
18,000	0.20	March 31, 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
150,000	0.55	October 21, 2023
805,000	0.66	March 4, 2024
560,000	0.14	July 13, 2025
4,229,714	0.15	March 9, 2026
150,000	0.19	January 18, 2027
8,637,000	0.20	March 31, 2027
151,515	0.50	April 11, 2028
41,878	0.40	May 8, 2028
100,000	0.37	June 25, 2028
100,000	0.29	March 11, 2029
<b>17,890,607</b>		

The number of options exercisable as at March 31, 2019, is 15,272,149 and the weighted average exercise price of these options is \$0.24.



**ANTIBE THERAPEUTICS INC.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2019 and 2018**

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 in the year:

	<b>2019</b>	<b>2018</b>
Risk-free interest rate	<b>1.75% - 2.32%</b>	1.53% - 1.89%
Expected volatility	<b>104% - 149%</b>	121% - 173%
Expected dividend yield	<b>0.00%</b>	0.00%
Expected life of options	<b>3 - 10 years</b>	3 years
Weighted average share price	<b>\$0.39</b>	\$0.19
Exercise price	<b>\$0.25 - \$0.50</b>	\$0.09 - \$0.29

**(d) Restricted share unit plan**

On June 25, 2018, the Company adopted a restricted share unit (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. The maximum number of shares issuable is limited to 18,623,589 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 October 3, 2018, and November 23, 2018, 17,700,000 and 40,000 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. In the case of RSUs granted to special advisor consultants, one twelfth (1/12) of the RSUs will vest on the grant date, and an additional 1/12 of the RSUs will vest on the last day of each calendar quarter thereafter over three years.

Included in the RSUs granted on October 3, 2018, are 6,465,000 performance RSUs granted to key senior executives of Antibe and Citagenix. Vesting of these RSUs is subject to the successful achievement of certain goals that are designed to reflect the successful execution of the Company’s business plan and strategy. The estimated fair value of these RSUs calculated using the share price on the grant date is \$2,392,050. As at March 31, 2019, it was determined that the probability and timing of achieving the performance criteria was greater than 50%, and as such, \$716,500 was expensed during the year ended March 31, 2019, and included in contributed surplus.

The total fair value of RSUs granted during the year was \$6,559,800, determined based on the share price on the grant date. For the year ended March 31, 2019, \$1,964,883 has been included within stock-based compensation in the consolidated statement of loss and comprehensive loss.

The following is a summary of all RSUs that are outstanding as at March 31, 2019:

	<b>2019</b>	<b>2018</b>
	<b>RSUs</b>	<b>RSUs</b>
<b>Balance, beginning of the year</b>	-	-
Granted during the year	<b>17,740,000</b>	-
Vested during the year	<b>(450,003)</b>	-
<b>Balance, end of the year</b>	<b>17,289,997</b>	-

**ANTIBE THERAPEUTICS INC.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2019 and 2018**

9. SHARE CAPITAL *(continued)*

**(e) Common share purchase warrants**

In conjunction with the prospectus capital raises, the following broker and finder warrants were granted during the years ended March 31, 2019 and 2018:

Closing date	Prospectus	Number of broker warrants issued	Non-cash cost from issuance of warrants to brokers	Broker warrant exercise price	Broker warrant expiry date
			\$	\$	
Jun 21, 2017	P2017a	2,834,930	255,200	0.10	Jun 21, 2019
Aug 18, 2017	P2017b	653,101	53,830	0.10	Jun 21, 2019
Mar 31, 2018*	P2017a and P2017b	1,045,928	-	0.15	Jun 21, 2020
Feb 27, 2019	P2019	1,610,000	228,086	0.25	Feb 27, 2021
Mar 31, 2019*	P2017a and P2017b	53,250	-	0.15	Jun 21, 2020

*\*The broker warrants issued under the June 21, 2017, and August 18, 2017, prospectus capital raise entitled the holder, upon exercise, to receive one common share of the Company and one-half broker warrant. Each whole broker warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.15 and expires June 21, 2020. For the year ended March 31, 2019, 106,500 (2018 – 2,091,854) P2017a and P2017b broker warrants were exercised, resulting in the issuance of 53,250 (2018 – 1,045,928) broker warrants. The estimated fair value of the broker/finder warrants was calculated using the BSM and was offset against share capital and common share purchase warrants as share issuance costs. The assumptions used for the BSM are summarized at the end of this note.*

**ANTIBE THERAPEUTICS INC.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2019 and 2018**

9. SHARE CAPITAL *(continued)*

The following is a summary of all warrants to purchase common shares that are outstanding as at March 31, 2019 and 2018, as well as details on exercise prices and expiry dates:

	2019		2018	
	Warrants	Weighted average exercise price	Warrants	Weighted average exercise price
		\$		\$
<b>Balance, beginning of the year</b>	<b>38,766,448</b>	<b>0.18</b>	31,948,454	0.23
Issued during the year	<b>13,163,250</b>	<b>0.34</b>	29,448,458	0.14
Exercised during the year	<b>(16,660,918)</b>	<b>0.20</b>	(21,699,781)	0.18
Expired during the year	<b>(579,757)</b>	<b>0.38</b>	(930,683)	0.60
<b>Balance, end of the year</b>	<b>34,689,023</b>	<b>0.23</b>	38,766,448	0.18

Number of warrants	Exercise price	Expiry date
	\$	
907,500	0.83	June 1, 2019
1,289,677	0.10	June 21, 2019
19,381,846	0.15	June 21, 2020
1,610,000	0.25	February 27, 2021
11,500,000	0.35	February 27, 2022
<b>34,689,023</b>		

The following assumptions were used in the BSM to determine the fair value of warrants in the year:

	2019	2018
Risk-free interest rate	<b>1.77 - 1.78%</b>	0.91% - 1.59%
Expected volatility	<b>94% - 100%</b>	104% - 176%
Expected dividend yield	<b>0.00%</b>	0.00%
Expected life of warrants	<b>2 - 3 years</b>	2 - 3 years
Weighted average share price	<b>\$0.27</b>	\$0.14
Exercise price	<b>\$0.25 - \$0.35</b>	\$0.10 - \$0.15

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

**ANTIBE THERAPEUTICS INC.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2019 and 2018**

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, 2019 and 2018 is as follows:

	2019			2018		
	Antibe	Citagenix	Consolidated	Antibe	Citagenix	Consolidated
	\$	\$	\$	\$	\$	\$
Revenue	-	9,538,942	9,538,942	-	8,510,149	8,510,149
Cost of sales	-	(5,989,387)	(5,989,387)	-	(5,134,909)	(5,134,909)
Gross profit	-	3,549,555	3,549,555	-	3,375,240	3,375,240
Expenses	(10,533,865)	(5,697,636)	(16,231,501)	(6,118,502)	(4,961,331)	(11,079,833)
Loss before income taxes	<b>(10,533,865)</b>	<b>(2,148,081)</b>	<b>(12,681,946)</b>	<b>(6,118,502)</b>	<b>(1,586,091)</b>	<b>(7,704,593)</b>

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

Revenue by geographic region for the year ended March 31, 2019, is as follows:

Canada– 60%  
United States – 25%  
Europe – 2%  
Rest of World – 13%

The Company's assets and liabilities by each business as at March 31, 2019 and 2018 are as follows:

	2019			2018		
	Antibe	Citagenix	Consolidated	Antibe	Citagenix	Consolidated
	\$	\$	\$	\$	\$	\$
<b>Assets</b>						
Current	6,207,310	4,356,628	10,563,938	4,158,760	4,151,869	8,310,629
Non-current	1,835,897	2,419,274	4,255,171	1,600,031	2,580,270	4,180,301
<b>Total assets</b>	<b>8,043,207</b>	<b>6,775,902</b>	<b>14,819,109</b>	<b>5,758,791</b>	<b>6,732,139</b>	<b>12,490,930</b>
<b>Liabilities</b>						
Current	1,228,325	1,678,482	2,906,807	526,507	2,905,743	3,432,250
Non-current	2,399,295	2,072,245	4,471,540	1,083,540	-	1,083,540
<b>Total liabilities</b>	<b>3,627,620</b>	<b>3,750,727</b>	<b>7,378,347</b>	<b>1,610,047</b>	<b>2,905,743</b>	<b>4,515,790</b>

**ANTIBE THERAPEUTICS INC.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2019 and 2018**

12. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The following table summarizes accounts payable and accrued liabilities as at March 31, 2019 and 2018:

	<b>2019</b>	<b>2018</b>
	\$	\$
<b>Accounts payable</b>		
Antibe	<b>868,304</b>	114,692
Citagenix	<b>1,231,289</b>	1,257,619
BMT	<b>249,137</b>	99,800
	<b>2,348,730</b>	1,472,111
<b>Accrued liabilities</b>		
Antibe	<b>360,022</b>	165,696
Citagenix	<b>121,668</b>	158,446
BMT	<b>76,387</b>	98,621
	<b>558,077</b>	422,763
<b>Total accounts payable and accrued liabilities</b>	<b>2,906,807</b>	1,894,874

13. 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 €800,000 (CAD\$1,142,400) 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\$1,000,000 (CAD\$1,315,755), 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\$1,000,000 upon receipt of regulatory approval from the Food and Drug Administration in the USA;
- US\$1,000,000 upon market launch of ATB-346 or the first offer for sale of ATB-346 in the Region;
- US\$1,000,000 upon total net sales in the Region exceeding US\$5,000,000 for the first time;
- US\$1,000,000 upon total net sales in the Region exceeding US\$10,000,000 for the first time;
- US\$1,000,000 upon total net sales in the Region exceeding US\$20,000,000 for the first time;
- US\$1,000,000 upon total net sales in the Region exceeding US\$30,000,000 for the first time;
- US\$1,500,000 upon total net sales in the Region exceeding US\$40,000,000 for the first time; and
- US\$1,500,000 upon total net sales in the Region exceeding US\$50,000,000 for the first time.

Fees paid to an agent used in obtaining License Agreement 2 have been recorded as deferred contracts on the consolidated statement of financial position in the amount of \$235,866 as at March 31, 2019.

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.

**ANTIBE THERAPEUTICS INC.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2019 and 2018**

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14. GENERAL AND ADMINISTRATIVE EXPENSES

The nature of the general and administrative expenses for the years ended March 31, 2019 and 2018 is summarized as follows:

	<u>2019</u>	<u>2018</u>
	\$	\$
Salaries and wages	1,786,835	1,284,160
Professional and consulting fees	2,112,879	904,244
Office expenses	717,674	524,471
Other expenses	253,686	132,609
<b>Total general and administrative</b>	<u>4,871,074</u>	<u>2,845,484</u>

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15. SELLING AND MARKETING

The nature of the selling and marketing expenses for the years ended March 31, 2019 and 2018 is summarized as follows:

	<u>2019</u>	<u>2018</u>
	\$	\$
Salaries and wages	1,889,757	1,866,562
Commissions	601,284	544,835
Advertising and promotions	474,699	508,081
Travel and entertainment	555,209	461,801
<b>Total selling and marketing</b>	<u>3,520,949</u>	<u>3,381,279</u>

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16. RESEARCH AND DEVELOPMENT

The nature of the research and development expenses for the years ended March 31, 2019 and 2018 is summarized as follows:

	<u>2019</u>	<u>2018</u>
	\$	\$
Salaries and wages	661,044	478,395
Professional and consulting fees	284,315	114,497
Development costs	3,199,587	2,208,752
Scientific Research and Experimental Development ("SR&ED")	(201,883)	(59,168)
<b>Total research and development</b>	<u>3,943,063</u>	<u>2,742,476</u>

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17. STOCK-BASED COMPENSATION

The function of the stock-based compensation expense for the year ended March 31, 2019 and 2018 is summarized as follows:

	<u>2019</u>	<u>2018</u>
	\$	\$
General and administrative	2,168,023	469,202
Research and development	818,234	223,794
<b>Total stock-based compensation</b>	<u>2,986,257</u>	<u>692,996</u>

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**ANTIBE THERAPEUTICS INC.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2019 and 2018**

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18. FINANCE AND RELATED COSTS

The components of the finance and related costs for the years ended March 31, 2019 and 2018 are as follows:

	<b>2019</b>	<b>2018</b>
	\$	\$
Interest on convertible debentures	<b>143,925</b>	412,452
Accretion interest	<b>122,529</b>	611,471
Interest and bank charges	<b>163,835</b>	154,029
Unrealized foreign currency translation	<b>95,061</b>	(120,146)
<b>Total finance and related costs</b>	<b>525,350</b>	1,057,806

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**ANTIBE THERAPEUTICS INC.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2019 and 2018**

19. INCOME TAXES

The income tax provision recorded differs from the income tax obtained by applying the statutory income tax rate of 26.50% (2018 – 26.50%) to the loss before income taxes for the year, and is reconciled as follows:

	<u>2019</u>	<u>2018</u>
	\$	\$
Loss before income taxes	<u>(12,681,946)</u>	<u>(7,704,593)</u>
Expected income tax recovery at the combined basic federal and provincial tax rate:	(3,360,716)	(2,041,717)
Decrease (increase) resulting from:		
Non-deductible expenses	806,455	320,956
Share Issuance costs	(192,576)	(309,362)
Foreign withholding tax paid	131,576	-
Others	(114,124)	28,917
Amount related to unrecognized deferred tax assets	<u>2,863,509</u>	<u>1,726,445</u>
Provision for (recovery of) income taxes	<u>134,125</u>	<u>(274,761)</u>

The Company has incurred losses of \$24,026,164 for tax purposes, which are available to reduce future taxable income. Such benefits will be recorded as an adjustment to the tax provision in the year realized. The losses expire as follows:

In the year ending March 31,	<u>\$</u>
2030	258,166
2031	607,722
2032	735,014
2033	875,160
2034	1,426,628
2035	2,006,240
2036	2,858,123
2037	3,002,487
2038	4,027,247
2039	7,516,469
Indefinitely	712,908
	<u>24,026,164</u>

The cumulative carry-forward pool of SR&ED expenditures as at March 31, 2019, applicable to future years, with no expiry date, is \$6,610,965.



**ANTIBE THERAPEUTICS INC.**  
**Notes to Consolidated Financial Statements**  
**March 31, 2019 and 2018**

20. DEFERRED INCOME TAXES

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

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Amount related to tax loss	<b>464,903</b>	578,774
Amount related to intangible assets on business combination	<b>(536,202)</b>	(625,192)
Amount related to foreign exchange translation gains	<b>(22,659)</b>	(20,337)
Amount related to transaction costs	<b>8,567</b>	630
Amount related capital property	<b>23,978</b>	13,723
Amount related to eligible capital property	<b>61,413</b>	52,402
Net deferred income tax liabilities	<b>-</b>	<b>-</b>

Deferred tax expense of \$2,549 (2018 – \$9,733) related to the foreign exchange translation gains was recognized in other comprehensive income for the year.

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

	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
Amount related to tax loss carryforwards	<b>5,979,167</b>	4,541,168
Amount related to eligible capital property	<b>71,168</b>	67,099
Amount related to SR&ED expenditures	<b>1,751,906</b>	1,249,954
Amount related to donations	<b>14,310</b>	14,178
Amount related to ITC, net of tax	<b>683,982</b>	461,975
Amount related to ORDT, net of tax	<b>87,298</b>	39,248
Amount related to share issuance costs	<b>389,032</b>	351,138
Amount related to deferred revenue	<b>611,406</b>	-
	<b>9,588,269</b>	<b>6,724,760</b>

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

21. FINANCIAL INSTRUMENTS

The carrying values of cash, term deposits, restricted cash, 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.

The fair value of convertible debentures approximates their carrying value as the instruments are discounted at market rates.

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.

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21. FINANCIAL INSTRUMENTS *(continued)*

Financial instruments classified as Level 1 include cash, term deposits, restricted cash and bank indebtedness. At the current time, the Company does not have financial instruments classified in Level 2 or Level 3, other than the convertible debentures (note 8) and the investment in Red Rock (note 24).

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22. CAPITAL RISK MANAGEMENT

The Company's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the research, development and patent of drugs and the growth objectives of Citigenix. 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 \$7,440,762 (March 31, 2018 – \$7,975,140). The Company is not subject to externally imposed capital requirements.

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23. FINANCIAL RISK MANAGEMENT

The Company is exposed to a variety of financial risks by virtue of its activities: credit risk, liquidity risk, foreign currency risk. 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 accounts receivable, 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.

As at March 31, 2019, the Company's financial obligations, including applicable interest, are due as follows:

	Less than one year	1 – 2 years	After 2 years	Total
	\$	\$	\$	\$
Accounts payable and accrued liabilities	2,906,807	-	-	2,906,807
Loan payable	-	2,072,245	-	2,072,245
	<u>2,906,807</u>	<u>2,072,245</u>	<u>-</u>	<u>4,979,052</u>

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23. FINANCIAL RISK MANAGEMENT *(continued)*

Foreign currency risk

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

Interest rate risk

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

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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 \$150,000 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 \$150,000 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 \$150,000 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 \$150,000 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 \$250,000 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 \$750,000 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, 2019.

**(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, 2019.

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24. COMMITMENTS AND CONTINGENCIES *(continued)*

**(c) Licensing and distribution agreement**

On January 12, 2016, the Company announced the signing of an exclusive Licensing and Distribution Agreement with Induce Biologics Inc. (“Induce”) for the Canadian rights for Induce’s URIST (the “Licensed Product”) biological product for dental and craniofacial applications. URIST is a bone graft substitute that contains bone morphogenetic protein-2 (“BMP”), and is being developed as a means of promoting the regeneration of bone following dental and oral maxillofacial surgery. The Company is committed to royalty fees paid quarterly based on net sales of the Licensed Product starting at the end of the quarter following the date of the first commercial sale of URIST to the Canadian market.

As at March 31, 2019, the first commercial sale of URIST had not yet occurred. There were no indicators of impairment on this license.

**(d) Office lease commitments**

The Company has entered into long-term leases for its premises. The future minimum payments under the lease agreements are as follows:

	\$
No later than 1 year	271,862
Later than 1 year but no later than 5 years	1,359,310
<b>Total</b>	<b><u>1,631,172</u></b>

**(e) Retention bonus**

Certain Company executives are eligible to receive retention bonuses of up to \$475,000 based on achieving certain profitability targets. To date, no accrual has been made for such bonuses as the probability of payout is uncertain.

**(f) Convertible debenture**

On September 14, 2018, the Company purchased a \$100,000 convertible debenture in Red Rock Regeneration Inc. (“Red Rock”), a company that has purchased a technology (OP-1), but which requires significant additional investment to commercialize. The convertible debenture can be converted into common shares of Red Rock should Red Rock be successful in raising the significant additional funds. The convertible debentures earns interest at the rate of 4% per annum, payable semi-annually.

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25. SUBSEQUENT EVENTS

(a) The following is a summary of all warrants exercised in the period from April 1, 2019 to the date of issuance of these consolidated financial statements:

Exercise price	Number of warrants exercised	Proceeds
\$		\$
0.10	1,289,677	128,968
0.15	378,346	56,752
	<u>1,668,023</u>	<u>185,720</u>

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

(b) On May 22, 2019, the \$100,000 Red Rock convertible debenture plus accrued interest was repaid in full.

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