HELIX BIOPHARMA

Unaudited interim financial statements of Helix BioPharma Corp.
For the three and six-month periods ended January 31, 2023 and 2022

Notice to Reader

The accompanying unaudited interim financial statements for the three and six-month periods ended January 31, 2023 and 2022 have been prepared by management in accordance with International Financial Reporting Standards and approved by the Board of Directors of Helix BioPharma Corp. (the “Company”). These interim financial statements have not been reviewed by the Company’s independent auditor

HELIX BIOPHARMA CORP.
Interim Statements of Financial Position
In thousands of Canadian dollars

As at:		January 31, 2023		July 31, 2022
ASSETS				
Current assets				
Cash	$	2,824	$	3,252
Accounts receivable (note 10)		105		279
Prepaid expenses		229		164
		3,158		3,695
Non-current assets				
Property, plant and equipment (note 4)		39		36
Total assets	$	3,197	$	3,730
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)				
Current liabilities				
Accounts payable	$	707	$	599
Accrued liabilities		266		345
Convertible note payable - current portion (note 7)		-		2,468
Total liabilities		973		3,411
Shareholders' equity / (deficiency)				
Share capital (note 6)		152,068		147,511
Warrants (note 6)		6,922		8,433
Stock options (note 6)		983		1,902
Contributed surplus		40,160		37,590
Accumulated deficit		(197,908)		(195,117)
Shareholders' equity (deficiency)		2,224		319
Total liabilities and shareholders' deficiency	$	3,197	$	3,730

Going concern *(note 1)*
Commitments *(note 8)*

The accompanying notes are an integral part of these unaudited interim financial statements.

Approved on behalf of the Board of Directors – March 15, 2023:

/s/ Jacek Antas

Jacek Antas
Director

/s/ Christopher Maciejewski

Christopher Maciejewski
Director

HELIX BIOPHARMA CORP.
Interim Statements of Net Loss and Comprehensive Loss
In thousands of Canadian dollars, except per share amounts

	For the three-month periods ended January 31		For the six-month periods ended January 31	
	2023	2022	2023	2022
Expenses				
Research and development (note 12)	$ 1,029	$ 1,506	$ 2,329	$ 2,767
Operating, general, and administration (note 13)	207	420	493	855
Results from operating activities before finance items	(1,236)	(1,926)	(2,821)	(3,622)
Finance items				
Convertible note fair value adjustment (note 7)	-	(58)	-	(175)
Finance income	17	-	27	-
Finance expense	(3)	(9)	(7)	(12)
Foreign exchange (loss) gain	37	(26)	11	(23)
	51	(93)	30	(210)
Net loss and comprehensive loss	(1,185)	(2,019)	(2,791)	(3,832)
Income (loss) per common share				
Basic and diluted - total	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.02)
Weighted average number of common shares used in the calculation of basic and diluted loss per share	199,180,268	142,474,014	186,629,856	141,938,233

The accompanying notes are an integral part of these unaudited interim financial statements.

HELIX BIOPHARMA CORP.
Interim Statements of Changes in Shareholders' Equity (Deficiency)
In thousands of Canadian dollars, except common share and warrant figures

	Common shares		Share purchase warrants					
	Amount	Number	Amount	Number	Options	Contributed surplus	Deficit	Total shareholders' equity / (deficiency)
July 31, 2021	$ 139,660	141,133,017	$ 18,157	69,377,969	$ 1,477	$ 27,867	$ (188,554)	$ (1,393)
Net loss for the period	-	-	-	-	-	-	(3,832)	(3,832)
Common stock, issued	822	2,206,500	-	-	-	-	-	822
Stock-based compensation	-	-	-	-	310	-	-	310
January 31, 2022	$ 140,482	143,339,517	$ 18,157	69,377,969	$ 1,787	$ 27,867	$ (192,386)	$ (4,093)
Net loss for the period	-	-	-	-	-	-	(2,731)	(2,731)
Common stock, issued	3,818	16,108,298	-	-	-	-	-	3,818
Warrants, expired unexercised	-	-	(5,005)	(11,649,800)	-	5,005	-	-
Warrants exercised	3,211	12,346,938	(4,719)	(12,346,938)	-	4,718	-	3,210
Stock-based compensation	-	-	-	-	115	-	-	115
July 31, 2022	$ 147,511	171,794,753	$ 8,433	45,381,231	$ 1,902	$ 37,590	$ (195,117)	$ 319
Net loss for the period	-	-	-	-	-	-	(2,791)	(2,791)
Common stock, issued	4,557	28,224,106	-	-	-	-	-	4,557
Warrants, expired unexercised	-	-	(1,512)	(2,112,500)	-	1,512	-	-
Stock-based compensation	-	-	-	-	139	-	-	139
Options, expired unexercised	-		-	-	(1,058)	1,058	-	-
January 31, 2023	$ 152,068	200,018,859	$ 6,922	43,268,731	$ 983	$ 40,160	$ (197,908)	$ 2,224

The accompanying notes are an integral part of these unaudited interim financial statements.

HELIX BIOPHARMA CORP.

Interim Statements of Cash Flows

In thousands of Canadian dollars

For the six-month periods ended:	January 31, 2023	January 31, 2022
Cash flows from operating activities		
Net loss and total comprehensive loss	$ (2,791)	$ (3,832)
Adjustments to net cash provided by operations:		
Items not involving cash:		
Revaluation of convertible note payable	-	175
Amortization of right-of-use property and property, plant and equipment	6	6
Stock-based compensation	139	310
Foreign exchange gain	26	23
Change in non-cash working capital:		
Accounts receivable	174	34
Prepaid expenses	(65)	(12)
Accounts payable	108	112
Accrued liabilities	(79)	113
Net cash used in operating activities from continuing operations	(2,483)	(3,071)
Net cash used in operating activities	(2,483)	(3,071)
Cash flows from financing activities		
Net proceeds from the issuance of common shares and Share purchase warrants, net of issue costs	4,557	-
Convertible debenture buy back	(2,468)	-
Net cash provided by financing activities	2,090	-
Cash flows from investing activities		
Purchases of property, plant, and equipment	(9)	-
Net cash provided by investing activities	(9)	-
Foreign exchange gain / (loss) on cash	(26)	(23)
Net decrease in cash	$ (428)	$ (3,094)
Cash, beginning of period	3,252	3,565
Cash, end of period	$ 2,823	$ 471

The accompanying notes are an integral part of these unaudited interim financial statements.

Helix BioPharma Corp. (the "Company"), incorporated under the *Canada Business Corporations Act,* is an immune-oncology company primarily focused in the areas of cancer prevention and treatment. The Company has funded its research and development activities, mainly through the issuance of common shares and warrants. The Company expects to incur additional losses and therefore will require additional financial resources, on an ongoing basis. It is not possible to predict the outcome of future research and development activities or the financing thereof.

The Company is a Canadian corporation domiciled in Canada. Our shares are publicly traded on the Toronto Stock Exchange (the "TSX"). Our principal place of business is located at 401 Bay Street, Suite 2704, Toronto, Ontario, Canada.

1. Basis of presentation and going concern

These unaudited interim financial statements have been prepared on a going-concern basis, which assumes that the Company will continue in operation for the foreseeable future and, accordingly, will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company's ability to continue as a going concern is dependent mainly on obtaining additional financing. The Company does not have sufficient cash to meet anticipated cash needs for working capital and capital expenditures through the next twelve months.

The Company reported a net loss and total comprehensive loss of $1,185,000 and $2,791,000 for the three and six-month periods ended January 31, 2023, respectively (January 31, 2022 – $2,019,000 and $3,832,000). As at January 31, 2023, the Company had working capital of $2,185,000, shareholders' equity of $2,224,000, cash of $2,824,000 and an accumulated deficit of $197,908,000. As at July 31, 2022, the Company had working capital of $283,000, shareholders' equity of $319,000, cash of $3,252,000 and an accumulated deficit of $195,117,000. The Company will require additional financing in the immediate near term and in the future to see the current research and development initiatives through to completion. There can be no assurance however, that additional financing can be obtained in a timely manner, or at all.

Not raising sufficient additional financing on a timely basis may result in delays and possible termination of all or some of the Company's research and development initiatives, and as a result, casts significant doubt as to the ability of the Company to operate as a going concern and accordingly, the appropriateness of the use of the accounting principles applicable to a going concern. These unaudited interim financial statements do not include any adjustments to the carrying amount and classification of reported assets, liabilities and expenses that might be necessary should the Company not be successful in its aforementioned initiatives. Any such adjustments could be material. The Company cannot predict whether it will be able to raise the necessary funds it needs to continue as a going concern.

Statement of compliance

These unaudited interim financial statements have been prepared in compliance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"). The notes presented in these unaudited interim financial statements include only significant events and transactions occurring since the Company's last fiscal year end and are not fully inclusive of all matters required to be disclosed in its annual audited consolidated financial statements.

The policies applied in these unaudited interim financial statements are based on International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The unaudited interim financial statements of the Company were approved and authorized for issue by the Board of Directors on March 15, 2023.

Use of estimates and critical judgments

The preparation of the Company's financial statements requires management to make critical judgments, estimates and assumptions that affect the reported amounts of expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. On an ongoing basis, management evaluates its judgments, estimates and assumptions using historical experience and various other factors it believes to be reasonable under the given circumstances. Actual outcomes may differ from these estimates that could require a material adjustment to the reported carrying amounts in the future.

The Company has also assessed the impact of the coronavirus pandemic ("COVID-19") on estimates and critical judgments. Although the Company expects COVID-19 related disruptions to continue into the Company's fiscal 2024 year, the Company believes that the long-term estimates and assumptions do not require significant revisions. Although the Company determined that no significant revisions to such estimates, judgments or assumptions were required, the impact of COVID-19 is fluid and given the inherent uncertainty at this time, revisions may be required in future periods to the extent that the negative impacts on the Company's business operations arising from COVID-19 continue or become worse. Any such revision could result in a material impact on the Company's financial performance and financial condition.

The most significant critical estimates and judgments made by management include the following:

a) Going Concern

Significant judgments related to the Company's ability to continue as a going concern are disclosed in the first paragraph above in Note 1.

b) Clinical study expenses

Clinical study expenses are accrued based on services received and efforts expended pursuant to contracts with contract research organizations ("CROs"), consultants, clinical study sites and other vendors. In the normal course of business, the Company contracts with third parties to perform various clinical study activities. The financial terms of these agreements vary from contract to contract and are subject to negotiations that may result in uneven payment outflows. Payments under the contracts depend on various factors such as the achievement of certain events, the successful enrollment of patients or the completion of portions of the clinical study and/or other similar conditions. The Company determines the accruals by reviewing contracts, vendor agreements and purchase orders, and through discussions with internal personnel and external providers as to the progress or stage of completion of the clinical studies or services and the agreed-upon fee to be paid for such services. However, actual costs and timing of the Company's clinical studies is uncertain, subject to risk and may change depending upon a number of factors, including the Company's clinical development plans and trial protocols.

c) Valuation of share-based compensation and warrants

Management measures the costs for share-based compensation and warrants using market-based option valuation techniques. Assumptions are made and estimates are used in applying the valuation techniques. These include estimating the future volatility of the share price, expected dividend yield, future employee turnover rates, and future exercise behaviours. Such estimates and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates of share-based payments and warrants.

d) Income taxes

Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate future taxable income in future years in order to utilize any deferred tax asset which has been recognized. Estimates of future taxable income are based on forecasted cash flows. At the current statement of financial position date, no deferred tax assets have been recognized in these annual financial statements.

e) Fair value of convertible note payable

In determining the fair values of the convertible note payable for the initial recognition the Company used a Black-Scholes model with the following assumptions: volatility rate, risk-free rate and the remaining expected life. The inputs used in the model are taken from observable markets. In particular, changes in the fair value of the convertible note payable can have a material impact on the reported loss and comprehensive loss for the applicable reporting period. As at July 31, 2022, the fair value of the convertible note payable was measured at its face value less all converted amounts, which the Company determined approximated fair value.

Functional and presentation currency

The functional and presentation currency of the Company is the Canadian dollar.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these annual financial statements.

Basis of consolidation

Helix Immuno-Oncology S.A. ("HIO") was incorporated on July 6, 2013 in Poland. As at October 31, 2020, the Company's investment in HIO was consolidated and classified as held for sale and was presented as discontinued operations. At September 3, 2020, HIO completed a direct financing with an arm's length party. As a result, the Company determined that it had lost control of HIO and deconsolidated HIO from the Company's financial statements. On December 22, 2020, the Company disposed of its remaining interest in HIO. At October 31, 2021 and as of the date of these annual financial statements, the Company no longer has any subsidiaries. See *Note 15 – Deconsolidation of subsidiary held for sale,* for further information.

Cash

The Company considers cash on hand, bank deposits and bank term deposits with maturities of 90 days or less as cash.

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation. Impairment charges are included in accumulated depreciation.

Depreciation is provided using the following methods and estimated useful life:

Asset	Basis	Rate
Computer equipment and software	Straight line	3 years
Furniture and fixtures	Straight line	5 years
Research and manufacturing equipment	Straight line	4-10 years
Leasehold improvements	Straight line	Lease term

Leases

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost. Subsequent to initial application, the right-of-use asset is measured at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability. In comparison, the lease liability is increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

The Company has applied judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

Research and development costs

Research costs are expensed as incurred. Development costs are expensed as incurred except for those which meet the criteria for deferral, in which case, the costs are capitalized and amortized to operations over the estimated period of benefit. No costs have been deferred to date.

Investment tax credits

The Company is entitled to Canadian federal and provincial investment tax credits, which are earned as a percentage of eligible research and development expenditures incurred in each taxation year. Investment tax credits are accounted for as a reduction of the related expenditure for items of a current nature and a reduction of the related asset cost for items of a capital nature, provided that the Company has reasonable assurance that the tax credits will be realized.

Stock-based compensation

The Company accounts for stock-based compensation and other stock-based payments awarded to employees in accordance with the fair value method. The fair value of stock options granted is determined at the appropriate measurement date using the Black-Scholes option pricing model, and generally expensed over the options' vesting period for employee awards. Awards with graded vesting are considered multiple awards for fair value measurement and stock-based compensation calculation. In determining the expense, the Company accounts for forfeitures using an estimate based on historical trends. When stock-based compensation and other stock-based payments are awarded to persons other than non-employees, share capital is increased for the fair value of goods and services received.

Foreign currency translation

The Company's currency of presentation is the Canadian dollar, which is also the Company's functional currency. Foreign currency-denominated items are translated into Canadian dollars. Monetary assets and liabilities in foreign currencies are translated into Canadian dollars at the rates of exchange in effect at the balance sheet dates. Non-monetary items are translated at historical exchange rates. Revenue and expenses are translated at the exchange rates prevailing at their respective transaction dates. Exchange gains and losses arising on translation are included in income.

Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of certain existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of substantive enactment. Given the Company's history of net losses and expected future losses, the Company is of the opinion that it is probable that these tax assets will not be realized in the foreseeable future and therefore, the deferred tax asset has not been recognized.

Financial instruments

The Company recognizes a financial asset or financial liability when it becomes party to the contractual provisions of the financial instrument. Financial assets are initially measured at fair value and are derecognized either when the Company has transferred substantially all the risks and rewards of ownership of the financial asset, or when cash flows expire. Financial liabilities are initially measured at fair value and are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

A write-off of a financial asset (or a portion thereof) constitutes a derecognition event. Write-offs occur when the Company has no reasonable expectations of recovering the contractual cash flows on a financial asset.

The Company determines the classification of its financial instruments at initial recognition. Financial assets are classified according to the following measurement categories:

i) amortized cost; or
ii) those to be measured subsequently at fair value, either through profit or loss ("FVTPL") or through other comprehensive income ("FVTOCI").

The classification and measurement of financial assets after initial recognition at fair value depends on the business model for managing the financial asset and the contractual terms of the cash flows. Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding, are generally measured at amortized cost at each subsequent reporting period. All other financial assets are measured at their fair values at each subsequent reporting period, with any changes recorded through profit or loss or through other comprehensive income (which designation is made as an irrevocable election at the time of recognition).

After initial recognition at fair value, financial liabilities are classified and measured at either:

i) amortized cost; or
ii) FVTPL, if the Company has made an irrevocable election at the time of recognition, or when required (for items such as instruments held for trading or derivatives).

The Company reclassifies financial assets only when its business model for managing those assets changes. Financial liabilities are not reclassified.

Transaction costs that are directly attributable to the acquisition or issuance of a financial asset or financial liability subsequently measured at amortized cost or FVTOCI are included in the fair value of the instrument on initial recognition. Transaction costs for financial assets and financial liabilities classified at fair value through profit or loss are expensed in profit or loss.

The Company classifies its financial instruments by category according to their nature and their characteristics. Management determines the classification when the instruments are initially recognized, which is normally the date of the transaction. The Company classifies its financial assets and financial liabilities as outlined below:

Asset / Liability	Classification
Cash	Amortized Cost
Account receivable	Amortized Cost
Accounts payable	Amortized Cost
Accrued liabilities	Amortized Cost
Convertible note payable	FVTPL

The Company assesses all information available, including on a forward-looking basis the expected credit losses associated with any financial assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition based on all information available, and reasonable and supportive forward-looking information.

An embedded derivative is separated from the host contract and recognized separately if the economic characteristics and risks of the embedded derivative are not closely related to those of the host, if a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and if the combined instrument is not measured at fair value, with changes in fair value recognized in profit or loss.

Tabular dollar amounts in thousands of Canadian dollars, except per share figures

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values are determined based on prevailing market rates for instruments with similar characteristics and risk profiles.

The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest-level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

Level 1 – unadjusted quoted prices as at the measurement date for identical assets or liabilities in active markets.
Level 2 – observable inputs other than quoted prices included in level 1, such as quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data.
Level 3 – significant unobservable inputs that are supported by little or no market activity.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value

Basic and diluted loss per common share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similarly to basic loss per share, except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods. The inclusion of the Company's stock options and warrants in the computation of diluted loss per share has an anti-dilutive effect on the loss per share and, therefore, they have been excluded from the calculation of diluted loss per share.

Government grants

Government grant funds are recognised in income when there is reasonable assurance that the Company has complied with the conditions attached to them and that the grant funds will be received. Grant funds receivable are recognized in income over the periods in which the entity recognizes as expenses, the related costs for which the grant is intended to compensate. As at the date of these annual financial statements, the Company has received no government assistance.

3. New accounting standards and pronouncements not yet adopted

There are no new accounting standards and pronouncements issued but not yet effective up to the date of issuance of these unaudited interim financial statements that are expected to have a material impact on the Company.

4. Property, plant and equipment

	January 31, 2023			July 31, 2022		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Research equipment	$ 1,356	$ 1,326	$ 30	$ 1,356	$ 1,321	$ 34
Leasehold improvements	359	359	-	359	359	-
Computer equipment	68	59	9	58	58	1
Computer software	21	21	-	21	21	-
Furniture and fixtures	20	20	-	20	20	-
	$ 1,822	**$ 1,784**	**$ 39**	**$ 1,813**	**$ 1,778**	**$ 35**

Tabular dollar amounts in thousands of Canadian dollars, except per share figures

5. Shareholders' equity (deficiency)

Preferred shares

The Company is authorized to issue 10,000,000 preferred shares. As at January 31, 2023 the Company had nil preferred shares issued and outstanding (January 31, 2022 – nil).

Common shares and share purchase warrants

The Company is authorized to issue an unlimited number of common shares without par value. As at January 31, 2023 the Company had 200,018,859 common shares issued and outstanding (July 31, 2022 – 171,794,753).

On December 4 and 30, 2020, the Company completed private placement financings of an aggregate of 8,200,000 units of the Company at a price of $0.50 per unit, for aggregate gross proceeds of $4,100,000. Each unit consisted of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at a price of $0.70 until December 3 and 29, 2025, respectively. Of the gross proceeds amount of $4,100,000, approximately $1,333,000 was allocated to the share purchase warrants based on fair value and approximately $2,767,000 was allocated to the common shares. Share issue costs totalling approximately $537,000 were proportionately allocated to the share purchase warrants ($174,000) and the common shares ($363,000), respectively. See *Note 14 – Deconsolidation of subsidiary held for sale* for further information.

On May 11, 2021, the Company entered into a definitive convertible security funding agreement ("the Funding Agreement") with Lind Global Macro Fund, LP, a New York based institutional investment fund managed by The Lind Partners, LLC (collectively "Lind"). The Company closed the first tranche under the Funding Agreement on May 13, 2021 for gross proceeds of $3,500,000 (the "First Tranche"). In connection with the closing of the First Tranche, the Company issued (i) an 8.75% convertible note (a "Convertible Security") with a two-year term and a face value of $4,112,500 and (ii) an aggregate of 1,957,056 common share purchase warrants exercisable into 1,957,056 common shares until May 12, 2025 at an exercise price of $1.0283 per common share and classified as equity instruments. The approximate residual fair value of the share purchase warrants was estimated at approximately $30,000. In connection with the closing of the First Tranche, the Company paid Lind a 3% commitment fee of the amount funded under the First tranche. The Funding Agreement also contemplates the issuance of a second Convertible Debentures upon the mutual agreement of the Company and Lind for gross proceeds to the Company of up to $6,500,000 (the "Second Tranche").

As of January 31, 2023, Lind has converted an aggregate of $2,050,625 of the face value of the Convertible Security issued under the First Tranche into an aggregate of 9,272,127 common shares of the Company at an average deemed price of $0.2212 per common share. See Note 7 – Convertible note payable for additional information.

Date	Lind Conversion	Share price	Shares	Amount of conversion
September 13, 2021	Conversion 1	$ 0.6686	307,545	$ 205,625
October 11, 2021	Conversion 2	$ 0.4014	512,269	$ 205,625
December 3, 2021	Conversion 3	$ 0.3967	518,338	$ 205,625
January 11, 2022	Conversion 4	$ 0.2368	868,348	$ 205,625
February 22, 2022	Conversion 5	$ 0.2076	990,486	$ 205,625
April 12, 2022	Conversion 6	$ 0.1791	1,148,101	$ 205,625
May 12, 2022	Conversion 7	$ 0.1661	1,237,959	$ 205,625
June 27, 2022	Conversion 8	$ 0.1740	1,181,752	$ 205,625
August 2, 2022	Conversion 9	$ 0.1652	1,244,703	$ 205,625
August 26, 2022	Conversion 10	$ 0.1584	1,262,626	$ 200,000
			9,272,127	**$ 2,050,625**

On March 11, 2022, the Company closed a private placement financing for gross proceeds of $1,001,000 from the issuance of 3,850,000 common share at a price of $0.26 per common share. On April 21, 2022, the Company closed a private placement financing for net proceeds of $2,002,000 from the issuance of 7,700,000 common shares at a price of $0.26 per common share.

On April 13, 2022, the Company announced that it had received conditional approval from the Toronto Stock Exchange to extend its previously announced Early Warrant Exercise Incentive Program from April 28, 2022, to May 31, 2022. The Incentive Program is a period during which holders of the Company's eligible common share purchase warrants ("Eligible Warrants") may take advantage of a temporary reduction in the exercise price of the Eligible Warrants to a price of C$0.26. The Eligible Warrants included an aggregate of 49,806,469 warrants that if exercised at the Incentive Exercise Price would have resulted in the Company receiving gross proceeds of up to $12,949,682. During the year ended July 31, 2022, 12,346,938 warrants were exercised for a total subscription amount of $3,210,204. As the modified equity warrants were originally accounted for under IAS 32 and remain equity classified after modification, the Company has elected to not record accounting entries that would have been within equity.

Tabular dollar amounts in thousands of Canadian dollars, except per share figures

On August 2, 2022, Lind converted $205,625 of the face value of the Convertible Security issued under the First Tranche into 1,244,703 common shares of the Company at a deemed price of $0.1652 per common share. On August 26, 2022, Lind further converted $200,000 of the face value of the Convertible Security into 1,262,626 common shares of the Company at a deemed price of $0.1584 per common share

On August 30, 2022, the Company announced that it had completed the buyback of the outstanding amount of the convertible security funding agreement with Lind Global Macro Fund, LP. As of that date, Lind converted an aggregate of $2,050,625 of the face value of the Convertible Security issued under the First Tranche into an aggregate of 9,272,127 common shares. The Company has now bought back the amount outstanding of the Convertible Security which is $2,061,875. The Agreement stands terminated with the completion of the buyback.

On September 12, 2022, the Company applied to the TSX to price protect a proposed $5 million financing of common shares at a price of $0.18 per share. The TSX granted a price protection letter on September 14, 2022, and the conditional approval of the placement on September 26, 2022. On November 3, 2022, the Company announced that it had closed a private placement financing for net proceeds of CAD $4,629,020 from the issuance of 25,716,777 common shares at a price of $0.18 per common share. The common shares issued pursuant to the Private Placement are subject to a statutory hold period of four months and one day ending on March 4, 2023, in accordance with applicable securities law. In connection with the closing, the Company paid a cash fee of 10% of gross proceeds raised to an eligible finder.

The following table provides information on common share purchase warrants of the Company outstanding as at:

		January 31, 2023		July 31, 2022	
Exercise Price		**Weighted average remaining contractual life (in years)**	**Number of share purchase warrants outstanding**	**Weighted average remaining contractual life (in years)**	**Number of share purchase warrants outstanding**
$	0.70	2.89	8,200,000	3.40	8,200,000
$	0.72	1.48	17,707,500	1.98	17,707,500
$	1.03	3.28	1,957,056	3.78	1,957,056
$	1.43	1.95	2,940,000	2.45	2,940,000
$	1.50	0.67	6,095,000	0.93	8,207,500
$	1.82	0.49	1,250,000	0.99	1,250,000
$	1.92	0.54	644,675	1.05	644,675
$	1.98	0.23	2,837,000	0.74	2,837,000
$	2.24	0.44	1,637,500	0.94	1,637,500
Outstanding, end of period		**1.58**	**43,268,731**	**2.00**	**45,381,231**

Stock options
The Company's equity compensation plan reserves up to 10% of the Company's outstanding common shares from time to time for granting to directors, officers and employees of the Company or any person or company engaged to provide ongoing management or consulting services. Based on the Company's current issued and outstanding common shares as at January 31, 2023, options to purchase up to 20,001,886 common shares (July 31, 2022 – 17,179,475) may be granted under the plan. As at January 31, 2023, options to purchase a total of 5,875,000 common shares (July 31, 2022 – 9,050,000) were issued and outstanding under the equity compensation plan.

Tabular dollar amounts in thousands of Canadian dollars, except per share figures

The following table provides information on options of the Company outstanding and exercisable as at:

	January 31, 2023			July 31, 2022		
Exercise price	**Weighted average remaining contractual life (in years)**	**Number of options outstanding**	**Number of vested and exercisable options**	**Weighted average remaining contractual life (in years)**	**Number of options outstanding**	**Number of vested and exercisable Options**
$0.35	4.94	2,300,000	933,334	4.39	2,000,000	1,500,000
$0.51	1.32	1,875,000	1,875,000	1.82	4,350,000	3,350,000
$0.53	2.52	1,350,000	1,350,000	3.03	2,150,000	1,612,500
$1.30	1.86	350,000	350,000	2.37	550,000	550,000
Outstanding, end of period	**3.04**	**5,875,000**	**4,508,334**	**2.69**	**9,050,000**	**7,012,500**

The following table summarized activity under the Company's stock option plan for the six-month periods ended:

	January 31, 2023		January 31, 2022	
	Number	Weighted average exercise price $	Number	Weighted average exercise price $
Outstanding, beginning of period	9,050,000	0.26	7,050,000	0.58
Granted	2,300,000	0.47	2,000,000	0.35
Cancelled/Forfeited	(3,475,000)	0.51	-	-
Expired	(2,000,000)			
Outstanding, end of period	5,875,000	$0.46	9,050,000	$0.53
Vested and exercisable, end of period	4,508,334	$0.51	6,512,500	$0.56

No stock options were exercised during the six-month period ended January 31, 2023 (January 31, 2022 - $nil). During the six-month period ended January 31, 2023, 1,470,834 options vested (January 31, 2022 – 2,470,833) with a fair value of $325,000 (January 31, 2022 - $628,000).

The fair value of each option granted was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

Grant Date	Number of options granted	Volatility factor	Risk free interest rate	Dividend rate	Expected life	Vesting period	Fair value of options granted
May 27, 2019	4,625,000	66.76%	1.49%	nil	5 years	2 years	$ 666
December 12, 2019	550,000	73.81%	1.67%	nil	5 years	2 years	$ 397
August 11, 2020	2,150,000	80.36%	0.32%	nil	5 years	2 years	$ 655
December 20, 2021	2,000,000	90.14%	1.10%	nil	4 years	3 years	$ 446
January 9, 2023	2,300,000	95.08%	3.46%	nil	4 years	3 years	$ 398

7. Convertible note payable

On May 11, 2021, the Company entered into the Funding Agreement with Lind. Each Convertible Security issuable under the Funding Agreement will have a two-year term from the date of issuance and will accrue simple interest rate obligation of 8.75% per annum. The face value of the Convertible Security issued under the First Tranche was $4,112,500 to maturity. The Company agreed to pay Lind a 3% commitment fee of the amounts funded under the First Tranche and Second Tranche and due upon closing of each such tranche.

Lind is entitled to convert the Convertible Securities into common shares in the capital of the Company over the term of the applicable Convertible Security, subject to certain limitations, at a conversion price equal to 85% of the five-day trailing volumeweighted average price ("VWAP") of the common shares prior to the date a notice of conversion is provided to the Company by Lind. The aggregate conversion amount shall not exceed 1/20th of the face value of the Convertible Security per month.

Tabular dollar amounts in thousands of Canadian dollars, except per share figures

In respect to the First Tranche, the Company issued 1,957,056 common share purchase warrants exercisable into 1,957,056 common shares at an exercise price of CAD$1.0283 for a period of 48 months from the date of issuance.

In addition, the Company has the option to buy-back 66.7% of the Convertible Securities in cash at any time with no penalty, subject to the option of Lind to convert up to one-third of the face value of the applicable Convertible Security into common shares at the time such option is exercised by the Company.

The Convertible Security issued under the First Tranche has characteristics of a hybrid compound financial instrument with both an equity component and a financial liability component.

On May 13, 2021, the closing date of the First Tranche, the monthly debt conversion amount of $205,625 was discounted using a risk adjusted discount rate and comparable bond option-adjusted spreads with ratings ranging from CCC to CC. The common share purchase warrants were valued using a Black-Scholes model. A liquidity discount was also incorporated to equate the debt, conversion options and warrants to the total gross proceeds received of $3,500,000. Total transaction costs associated with the Convertible Security issued under the First Tranche were $340,982 of which $2,947 was allocated to common share purchase warrants.

The Funding Agreement contains certain ongoing covenants of the Company typical of an agreement of its nature. In the event of certain defaults by the Company under the Funding Agreement, Lind has the right, upon notice to the Company, to accelerate the conversion of the face value of any outstanding Convertible Security or demand repayment of such face value in cash and terminate the Funding Agreement. No such notice has been delivered to the Company as at the date of these annual financial statements. A copy of the Funding Agreement is available on SEDAR at www.sedar.com.

As of July 31, 2022, Lind has, so far, converted an aggregate of $1,645,000 of the face value of the Convertible Security issued under the First Tranche into an aggregate of 6,764,798 common shares. As of July 31, 2022, the fair value of the Convertible Security was measured at its face value less all converted amounts, which approximated fair value. On August 2, 2022, Lind converted $205,625 of the face value of the Convertible Security issued under the First Tranche into 1,244,703 common shares of the Company at a deemed price of $0.1652 per common share. Lind further converted $200,000 of the face value of the Convertible Security into 1,262,626 common shares of the Company at a deemed price of $0.1584 per common share.

On August 30, 2022, the Company announced that it had completed the buyback of the outstanding amount of the convertible security funding agreement with Lind Global Macro Fund, LP. As of that date, Lind converted an aggregate of $2,050,625 of the face value of the Convertible Security issued under the First Tranche into an aggregate of 9,272,127 common shares. The Company has now bought back the amount outstanding of the Convertible Security which is $2,061,875. The Agreement stands terminated with the completion of the buyback.

The table below summarizes the components of the Convertible Security:

	Credit Spread	Liquidity Discount	Debt	Conversion Option	Note Payable	Warrant
At July 31, 2020			$ –	$ –	$ –	$ –
Fair value on issuance	15.21%	97.16%	3,449	21	3,470	30
Revaluation			66	76	142	–
At July 31, 2021	16.15%	86.63%	$ 3,515	$ 97	$ 3,612	$ 30
Converted to common shares			(1,645)	–	(1,645)	–
Revaluation			598	(97)	501	–
At July 31, 2022	0%	0%	$ 2,468	$ –	$ 2,468	$ 30
Converted to common shares			(406)	–	(406)	–
At January 31, 2023	0%	0%	$ 2,062	$ –	$ 2,062	$ 30

Tabular dollar amounts in thousands of Canadian dollars, except per share figures

8. Commitments

The Company's commitments are summarized as follows:

	2023	2024	2025	2026	2027	2028+	Total
Clinical research organizations	$ 1,547	$ 1,889	$ –	$ –	$ –	$ –	$ 3,436
Pre-clinical research organizations	740	828	–	–	–	–	1,569
Royalty and in-licensing	20	20	10	10	10	50	120
Operating leases	13	–	–	–	–	–	13
	$ 2,783	$ 2,710	$ 10	$ 10	$ 10	$ 50	$ 5,573

Clinical Research Organization ("CRO") Commitments

The Company has CRO supplier agreements in place for clinical research services related to the management of the Company's clinical stage programs. As at January 31, 2023, the Company has accrued $171,000 (July 31, 2022 – $144,000).

Royalty and in-licensing commitments

Pursuant to an agreement dated April 28, 2005 with the National Research Council of Canada (the "NRC"), the Company is required to pay a royalty to the NRC of 3% of net sales, with a minimum royalty of $10,000 per annum generated from the use of a certain antibody to target cancerous tissues of the lung. In addition to the royalty payments, the Company is also required to make certain milestone payments: $25,000 upon successful completion of Phase I clinical trials; $50,000 upon successful completion of Phase IIb clinical trials; $125,000 upon successful completion of Phase III clinical trials; and $200,000 upon receipt of market approval by regulatory authority.

Pursuant to an agreement dated September 22, 2016 with the NRC, the Company is required to pay a royalty to the NRC of 3% of net sales, with a minimum royalty of $10,000 per annum generated from the use of a certain antibody to target cancerous tissues of the lung. In addition to the royalty payments, the Company is also required to make certain milestone payments for the first licensed product: $25,000 upon successful completion of Phase I clinical trials; $50,000 upon successful completion of Phase IIb clinical trials; $150,000 upon successful completion of Phase III clinical trials; $200,000 upon receipt of first regulatory approval by a regulatory authority; and $200,000 upon receipt of a second regulatory approval by a regulatory authority. For the development of each subsequent licensed product: $200,000 upon receipt of first regulatory approval by a regulatory authority; and $200,000 upon receipt of a second regulatory approval by a regulatory authority. As it relates to sub-licensing arrangements, the Company is required to pay the NRC 33% of any sub-licensing revenues received. The anti-CEACAM6 single domain antibody 2A3 is subject to this agreement. As at January 31, 2023 the Company has accrued $nil (July 31, 2022 – $nil).

Pre-clinical Research Organizations

In Fiscal 2022, the Company signed two pre-clinical collaboration agreements to research new and additional insights into the therapeutic response of L-DOS47; the first with the University of Tübingen for € 900.000 and the second with Moffitt Cancer Center and Research Inc. for US$479,630.

Operating lease commitments

The Company is committed to paying $13,000 under two month to month facility lease agreements with notice periods of no longer than two months.

9. Capital risk management

The Company's main objectives when managing capital are to ensure sufficient liquidity to finance research and development activities, clinical trials, ongoing administrative costs, working capital and capital expenditures. The Company includes cash in the definition of capital. The Company endeavours not to unnecessarily dilute shareholders when managing the liquidity of its capital structure.

Since inception, the Company has financed its operations from public and private sales of equity, credit facilities, the exercise of warrants and stock options, and, to a lesser extent, from interest income from funds available for investment, government grants and investment tax credits. Since the Company does not have net earnings from its operations, the Company's long-term liquidity depends on its ability to access capital markets, which depends substantially on the success of the Company's ongoing research and development programs, as well as capital market conditions and availability.

The Company does not currently have enough cash reserves to fully fund its clinical trials nor does the Company have sufficient cash reserves to meet anticipated cash needs for working capital and capital expenditures through at least the next twelve months.

Tabular dollar amounts in thousands of Canadian dollars, except per share figures

10. Financial instruments and risk management

Financial risk management

The Company is exposed to a variety of financial risks by virtue of its activities: market risk (including currency and interest rate risk), credit risk and liquidity 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 (the identification and evaluation of financial risk) is carried out by the finance department, in close cooperation with management. The finance department is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated in accordance with the approved policies. The Board has the overall responsibility for the oversight of these risks and reviews the Company's policies on an ongoing basis to ensure that these risks are appropriately managed.

Fair value of financial instruments

Convertible note payable was recognized at fair value, both at the date of issuance on May 13, 2021 and subsequently at July 31, 2021. As of January 31, 2023, the fair value of the convertible note was measured at its face value less the converted amounts, which approximated fair value. See Note 7 – *Convertible note payable* for further information.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Company's income or the value of its financial instruments.

Currency risk

The Company has international transactions and is exposed to foreign exchange risks from various currencies, primarily the Euro and U.S. dollar. In addition, foreign exchange risks arise from purchase transactions, as well as recognized financial assets and liabilities denominated in foreign currencies.

Balances in foreign currencies are as follows, as at:

	January 31, 2023		July 31, 2022	
	USD	EUR	USD	EUR
Accounts payable	(172)	(254)	(135)	(247)
Accruals	(14)	–	–	–
Net foreign currencies	(186)	(254)	(135)	(247)
Closing exchange rate	1.3377	1.4499	1.2824	1.3072
Impact of 1% change in exchange rate	+/- 2	+/- 3	+/- 2	+/- 3

Any fluctuation in the exchange rates of the foreign currencies listed above could have an impact on the Company's results from operations; however, they would not impair or enhance the ability of the Company to pay its foreign-denominated expenses.

Interest rate risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in interest rates, which are affected by market conditions. The Company is exposed to interest rate risk arising from fluctuations in interest rates received on its cash and cash equivalents. The Company is not subject to any debt related interest rate risk.

The Company manages its interest rate risk by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct its operations on a day-to-day basis. Any investment of excess funds is limited to risk-free financial instruments. Fluctuations in the market rates of interest do not have a significant impact on the Company's results of operations due to the relatively short-term maturity of any investments held by the Company at any given point in time and the low global interest rate environment. The Company does not use derivative instruments to reduce its exposure to interest rate risk.

Credit risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation.

Tabular dollar amounts in thousands of Canadian dollars, except per share figures

The table below breaks down the various categories that make up the Company's accounts receivable balances as at:

	January 31, 2023	July 31, 2022
Government related – GST/HST	$ 32	$ 76
Research and development investment tax credits	58	127
Patent costs recoverable from HIO	15	77
	$ 105	$ 279

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. Since inception, the Company has mainly relied on financing its operations from public and private sales of equity. The Funding Agreement is subject to certain ongoing covenants of the Company that could affect the Company's liquidity. See *Note 7 – Convertible note payable*.

The Company manages its liquidity risk by continuously monitoring forecasts and actual cash flow from operations and anticipated investing and financing activities.

The Company's cash reserves of $ $2,824,000 as at January 31, 2023 are insufficient to meet anticipated cash needs for working capital and capital expenditures through the next twelve months, nor are they sufficient to see the current research and development initiates through to completion. To the extent that the Company does not believe it has sufficient liquidity to meet its current obligations, management considers securing additional funds primarily through equity arrangements to be of utmost importance.

The Company's long-term liquidity depends on its ability to access the capital markets, which depends substantially on the success of the Company's ongoing research and development programs, as well as economic conditions relating to the state of the capital markets generally. Accessing the capital markets is particularly challenging for companies that operate in the biotechnology industry.

The following are the contractual maturities of the undiscounted cash flows of financial liabilities as at:

	January 31, 2023			July 31, 2022		
	Carrying amount	Less than one year	Greater than one-year	Carrying amount	Less than one year	Greater than one-year
Accounts payable	$ 707	$ 707	$ –	$ 599	$ 599	$ –
Accrued liability	266	266	–	345	345	–
Convertible note payable	–	–	–	2,468	2,468	–

This table only covers liabilities and obligations relative to financial instruments and does not anticipate any income associated with assets.

11. Related party transactions

The following table summarizes key management personnel compensation for the following periods:

	For the three-month periods ended January 31		For the six-month periods ended January 31	
	2023	2022	2023	2022
Compensation	$ 65	$ 184	$ 102	$ 262
Stock-based compensation	31	-	31	-
	$ 96	$ 184	$ 133	$ 262

The following table summarizes non-management directors' compensation:

	For the three-month periods ended January 31		For the six-month periods ended January 31	
	2023	2022	2023	2022
Directors' fees	$ -	$ 81	$ -	$ 121
Stock-based compensation	28	17	30	72
	$ 28	$ 98	$ 30	$ 193

Tabular dollar amounts in thousands of Canadian dollars, except per share figures

12. Research and development

Included in research and development expenditures are costs directly attributable to the various research and development functions and initiatives the Company has underway and include: salaries; bonuses; benefits; stock-based compensation; depreciation of property, plant and equipment; patent costs; consulting services; third party contract manufacturing, third party clinical research organization services; and all overhead costs associated with the Company's research facilities.

The following table outlines research and development costs expensed and investment tax credits for the Company's significant research and development projects for the three and six-month periods ended January 31:

	For the three-month periods ended January 31		For the six-month periods ended January 31	
	2023	2022	2023	2022
Research and development programs, excluding the below items	$ 659	1025	$ 1,675	$ 2,007
Salaries and benefits	306	290	572	554
Stock-based compensation expense	61	188	75	200
Amortization of property plant and equipment	3	3	6	6
	$ 1,029	**$ 1,506**	**$ 2,329**	**$ 2,767**

13. Operating, general and administration

The following table outlines operating, general and administration costs expensed or the following periods:

	For the three-month periods ended January 31		For the six-month periods ended January 31	
	2023	2022	2023	2022
Operating, general and administration (excluding below items)	$ 135	$ 203	$ 408	$ 425
Wages and benefits	-	78	-	176
Director fees and Investor relations	11	81	21	143
Stock-based compensation	62	58	64	110
Amortization of property, plant and equipment	-	-	-	1
	$ 207	**$ 420**	**$ 493**	**$ 855**

14. Deconsolidation of subsidiary held for sale

The Company's investment in HIO was classified as held for sale and was presented as discontinued operations at October 31, 2020. During fiscal 2021, at September 3, 2020 HIO completed a direct financing with an arm's length party. As a result of such financing, the Company's ownership in HIO was diluted down to 29.89% and, as a result, the Company determined that it had lost control of HIO during the three months ended October 31, 2021. As the Company's interest allows the Company to exert significant influence over HIO, the Company's remaining interest is now accounted for as an interest in associate using the equity method. The Company's remaining interest in HIO was recognized at its fair value as at September 3, 2020 based on the post financing valuation. The difference between the carrying value of the net assets of HIO and non-controlling interest and the value assigned to the shares of HIO of $2,231,000 was recognized as a gain on loss of control of subsidiary.

Tabular dollar amounts in thousands of Canadian dollars, except per share figures

The following information summarizes the accounting of the investment in HIO as at September 3, 2020, which is the date of deconsolidation:

Fair value of retained interest		$	2,715
Net assets of HIO			
Cash	966		
Receivables	25		
Due from intercompany	2		
Prepaids	10		
Capital assets	69		
Accounts payable	(46)		
Accrued liabilities	(3)		
Net assets of HIO			(1,023)
Deconsolidation of non-controlling interest in HIO			587
Deconsolidation of accumulated foreign exchange amount			138
Book value of investment in HIO			(186)
Gain on loss of control of subsidiary		$	2,231
Share of net loss			(69)
Loss on deposition of retained interest			(626)
Net gain from discontinued operations		$	1,536

The continuity of the Company's investment in associate related to HIO:

Balance - September 3, 2020	$	–
Fair value in retained interest in associate		2,715
Share of net loss until disposition		(69)
Proceeds of disposition of retained interest in associate (net of transaction costs)		(2,020)
Loss on disposition of retained interest		(626)
	$	–

Statement of stand alone net loss and comprehensive loss for the fiscal years ended July 31:

		2022		2021
Research and development expenses (net of PNCRD grant)	$	–	$	20
Operating, general and administration		–		48
Finance items		–		1
Net loss and comprehensive loss associated to HIO		–		(69)
Gain on loss of control of HIO		–		2,231
Loss on disposition of retained interest		–		(626)
Net gain from discontinued operations	$	–	$	1,536