



**Condensed Interim Consolidated Financial Statements of Helix BioPharma Corp.
For the three-month periods ended October 31, 2021 and 2020 (unaudited)**

Notice to Reader

The accompanying Condensed Interim Consolidated Financial Statements of Helix BioPharma Corp.(the "Company") for the three-month periods ended October 31, 2021 and 2020 (unaudited) have been prepared by management in accordance with International Financial Reporting Standards and approved by the Board of Directors of the Company.

HELIX BIOPHARMA CORP.

Condensed Interim Consolidated Statements of Financial Position

In thousands of Canadian dollars
(Unaudited)

As at:	October 31, 2021	July 31, 2021
ASSETS		
Current assets		
Cash	\$ 1,873	\$ 3,565
Accounts receivable (note 10)	309	353
Prepaid expenses	87	100
	2,269	4,018
Non-current assets		
Property, plant and equipment (note 4)	44	47
Total assets	\$ 2,313	\$ 4,065

LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)

Current liabilities		
Accounts payable	\$ 1,416	\$ 1,466
Accrued liabilities	309	380
Convertible note payable – current portion (note 7)	2,037	2,028
	3,762	3,874
Non-current liabilities		
Convertible note payable net of current portion (note 7)	1,281	1,584
Total liabilities	5,043	5,458
Shareholders' equity / (deficiency)		
Share capital (note 6)	140,071	139,660
Warrants (note 6)	18,157	18,157
Stock options (note 6)	1,542	1,477
Contributed surplus	27,867	27,867
Accumulated deficit	(190,367)	(188,554)
Shareholders' deficiency	(2,730)	(1,393)
Total liabilities and shareholders' deficiency	\$ 2,313	\$ 4,065

Going concern (note 1)
Commitments (note 8)
Subsequent event (note 15)

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements (unaudited).

Approved on behalf of the Board of Directors on December 15, 2021:

/s/ Slawomir Majewski
Slawomir Majewski
Chair, Board of Directors

/s/ Artur Gabor
Artur Gabor
Chair, Audit Committee

HELIX BIOPHARMA CORP.

Condensed Interim Consolidated Statement of Net Loss and Comprehensive Loss

In thousands of Canadian dollars, except per share amounts
(Unaudited)

For the three-month periods ended:	October 31, 2021	October 31, 2020
Expenses		
Research and development (<i>note 12</i>)	\$ 1,249	\$ 1,084
Operating, general and administration (<i>note 13</i>)	447	1,303
Results from operating activities before finance items	(1,696)	(2,387)
Finance items		
Convertible note fair value adjustment (<i>note 7</i>)	(117)	–
Finance income	–	1
Finance expense	(3)	(4)
Foreign exchange gain / (loss)	3	6
	(117)	3
Net loss from continuing operations	(1,813)	(2,384)
Net gain (loss) from discontinued operations (<i>note 14</i>)	–	2,162
Net loss and total comprehensive loss	(1,813)	(222)
Net loss and total comprehensive loss attributable to Helix BioPharma Corp.	\$ (1,813)	\$ (222)
Loss per common share		
Basic and diluted from continuing operations	\$ (0.01)	\$ (0.02)
Basic and diluted from discontinued operations	\$ –	\$ (0.02)
Basic and diluted - total	\$ (0.01)	\$ –
Weighted average number of common shares used in the calculation of basic and diluted loss per share	142,216,381	132,993,017

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements (unaudited).

HELIX BIOPHARMA CORP.

Condensed Interim Consolidated Statement of Changes in Shareholders' Equity

In thousands of Canadian dollars, except common share and warrant figures

(Unaudited)

	Common shares		Share purchase warrants		Options	Contributed surplus	Deficit	Total shareholders' equity /	
	Amount	Number	Amount	Number				NCI	(deficiency)
July 31, 2020	\$ 137,257	132,933,017	\$19,222	65,080,413	\$ 891	\$25,540	\$ (180,516)	\$ 587	\$ 2,981
Net loss for the period	–	–	–	–	–	–	(222)	–	(222)
Subsidiary deconsolidation	–	–	–	–	–	–	–	(587)	(587)
Warrants, expired unexercised	–	–	(1,601)	(4,546,000)	–	1,601	–	–	–
Stock-based compensation	–	–	–	–	424	–	–	–	424
October 31, 2020	\$ 137,257	132,933,017	\$17,621	60,534,413	\$1,315	\$ 27,141	\$ (180,738)	\$ –	\$ 2,596
Net loss for the period	–	–	–	–	–	–	(7,816)	–	(7,816)
Common stock, issued	2,403	8,200,000	–	–	–	–	–	–	2,403
Warrants, issued	–	–	1,185	10,157,056	–	–	–	–	1,185
Warrants, expired unexercised	–	–	(649)	(1,313,500)	–	649	–	–	–
Stock-based compensation	–	–	–	–	239	–	–	–	239
Options, expired unexercised	–	–	–	–	(77)	77	–	–	–
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	–	–	–	–	–	–	(1,813)	–	(1,813)
Common stock, issued	411	819,814	–	–	–	–	–	–	411
Stock-based compensation	–	–	–	–	65	–	–	–	65
October 31, 2021	\$ 140,071	141,952,831	\$18,157	69,377,969	\$1,542	\$27,867	\$ (190,367)	\$ –	\$ (2,730)

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements (unaudited).

HELIX BIOPHARMA CORP.**Condensed Interim Consolidated Statement of Cash Flows**In thousands of Canadian dollars
(Unaudited)

For the three-month periods ended:	October 31, 2021	October 31, 2020
Cash flows from operating activities		
Net loss	\$ (1,813)	\$ (2,384)
Adjustments, to net cash provided by operations:		
Items not involving cash:		
Amortization of right-of-use property and property, plant and equipment	3	76
Stock-based compensation	65	424
Revaluation of convertible note payable	117	–
Foreign exchange gain	(3)	(5)
Change in non-cash working capital:		
Accounts receivable	44	14
Prepaid expenses	13	(79)
Accounts payable	(50)	271
Accrued liabilities	(71)	(103)
Cash from / (used in) operating activities from continuing operations	(1,695)	(1,786)
Cash from / (used in) operating activities from discontinued operations	–	(966)
Net cash used in operating activities	(1,695)	(2,752)
Cash flows from investing activities		
Cash from / (used) in investing activities from continuing operations	–	–
Cash from / (used) in investing activities from discontinued operations	–	–
Net cash from / (used) by investing activities	–	–
Cash flows from financing activities		
Lease liability payments	–	(60)
Cash from / (used in) financing activities from continuing operations	–	(60)
Cash from / (used in) financing activities from discontinued operations	–	–
Net cash provided by financing activities	–	(60)
Foreign exchange gain (loss) on cash	3	5
Net increase / (decrease) in cash	\$ (1,692)	\$ (2,807)
Cash, beginning of period	3,565	4,235
Cash, end of period	\$ 1,873	\$ 1,428

The accompanying notes are an integral part of these Condensed Interim Consolidated Financial Statements (unaudited).

HELIX BIOPHARMA CORP.

Notes to Condensed Interim Consolidated Financial Statements (unaudited)

For the three-month periods ended October 31, 2021 and 2020

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

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 9120 Leslie Street, Suite 205, Richmond Hill, Ontario, Canada.

1. Basis of presentation and going concern

These condensed interim consolidated 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 \$1,813,000 for the three-month period ended October 31, 2021 (October 31, 2020 - \$222,000). As at October 31, 2021 the Company had working capital deficiency of \$1,493,000, shareholders' deficiency of \$2,730,000 and a deficit of \$190,367,000. As at July 31, 2021, the Company had working capital of \$144,000, shareholders' deficiency of \$1,393,000, a deficit of \$188,554,000. 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 condensed interim consolidated 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 condensed interim consolidated financial statements have been prepared in compliance with International Accounting Standard 34, *Interim Financial Reporting*. Accordingly, certain information and footnote disclosure normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed, and therefore these condensed interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the years ended July 31, 2021 and 2020 and the notes to such financial statements

The policies applied in these condensed interim consolidated financial statements are based on IFRS as issued by the International Accounting Standards Board.

The condensed interim consolidated financial statements of the Company were approved and authorized for issue by the board of directors of the Company (the "Board") on December 15, 2021.

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 2022 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.

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Notes to Condensed Interim Consolidated Financial Statements (unaudited)

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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, 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 condensed interim consolidated financial statements.

e) Impairment of long-lived assets

Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances indicating that the carrying value of the asset may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or cash-generating unit). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Management evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

f) Fair value of convertible note payable

In determining the fair values of the convertible note payable 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.

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 condensed interim consolidated financial statements.

Basis of consolidation

Helix Immuno-Oncology S.A. ("HIO") was incorporated on July 6, 2013 in Poland. As at July 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

HELIX BIOPHARMA CORP.**Notes to Condensed Interim Consolidated Financial Statements (unaudited)**

For the three-month periods ended October 31, 2021 and 2020

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

interest in HIO. As of the date of these condensed interim consolidated financial statements, the Company no longer has any subsidiaries. See *Note 14 – Deconsolidation of subsidiary held for sale*, for further information.

Cash

The Company considers cash on hand, bank deposits in Canada and Poland 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.

HELIX BIOPHARMA CORP.

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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
Lease liabilities	Amortized Cost
Convertible note payable	FVTPL

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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.

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 condensed interim consolidated 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 condensed interim consolidated financial statements that are expected to have a material impact on the Company.

4. Property, plant and equipment

	October 31, 2021				July 31, 2021			
	Cost	Accumulated depreciation	Transferred to held for sale	Net book value	Cost	Accumulated depreciation	Transferred to held for sale	Net book value
Research equipment	\$ 1,355	\$ 1,314	\$ –	\$ 41	\$ 1,355	\$ 1,311	\$ –	\$ 44
Leasehold improvements	359	359	–	–	359	359	–	–
Computer equipment	58	55	–	3	58	55	–	3
Computer software	21	21	–	–	21	21	–	–
Furniture and fixtures	20	20	–	–	20	20	–	–
	\$ 1,813	\$ 1,769	\$ –	\$ 44	\$ 1,813	\$ 1,766	\$ –	\$ 47

HELIX BIOPHARMA CORP.**Notes to Condensed Interim Consolidated Financial Statements (unaudited)**

For the three-month periods ended October 31, 2021 and 2020

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

5. Right-of-use assets

The movement and carrying amounts of the Company's right-of-use assets and lease liabilities for the three-month periods ended:

	October 31, 2021		July 31, 2021	
	Right of use assets	Lease liabilities	Right of use assets	Lease liability
Beginning balances	–	–	155	159
Additions	–	–	(15)	(27)
Amortization	–	–	(140)	–
Lease payments	–	–	–	(135)
Lease interest	–	–	–	3
Ending balances	–	–	–	–

6. Shareholders' equity*Preferred shares*

The Company is authorized to issue 10,000,000 preferred shares. As at October 31, 2021 the Company had nil preferred shares issued and outstanding (October 31, 2020 – nil).

Common shares and share purchase warrants

The Company is authorized to issue an unlimited number of common shares without par value. As at October 31, 2021 the Company had 141,952,831 common shares issued and outstanding (July 31, 2021 – 141,133,017).

On August 21, 2019, the Company completed a private placement financing of 13,725,500 units of the Company at a price of \$0.51 per unit and the disposition of a 25% stake in HIO, its former Polish subsidiary, for aggregate gross proceeds of approximately \$7,000,000. Each unit consisted of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder thereof to purchase one common share of the Company at a price of \$0.72 until August 20, 2024. Of the aggregate gross proceeds, approximately \$755,000 was allocated to the disposition of the Company's 25% stake in HIO with costs totalling approximately \$99,000. Of the residual gross proceeds amount of \$6,245,000, approximately \$2,275,000 was allocated to the share purchase warrants based on fair value and approximately \$3,970,000 was allocated to the common shares. Share issue costs totalling \$815,000 were proportionately allocated to the share purchase warrants (\$297,000) and the common shares (\$518,000), respectively.

On January 13, 2020, the Company completed a private placement financing of 2,940,000 units of the Company at a price of \$1.02 per unit and the disposition of an 8.5% stake in HIO for aggregate gross proceeds of approximately \$2,999,000. 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 of the Company at a price of \$1.42 until January 12, 2025. Of the aggregate gross proceeds, approximately \$433,000 was allocated to the disposition of the Company's 8.5% stake in its Polish subsidiary with costs totalling approximately \$57,000. Of the residual gross proceeds amount of \$2,566,000, approximately \$956,000 was allocated to the share purchase warrants based on fair value and approximately \$1,610,000 was allocated to the common shares. Share issue costs totalling approximately \$339,000 were proportionately allocated to the share purchase warrants (\$126,000) and the common shares (\$213,000), respectively. See *Note 14 – Deconsolidation of subsidiary held for sale* for further information.

On March 12, 2020, the Company completed a private placement financing of 5,042,016 units at a price of \$1.19 per unit including the disposition of a 15.5% stake of HIO, its Polish subsidiary, for aggregate gross proceeds of approximately \$6,000,000. 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 of the Company at a price of \$1.67 until March 11, 2025. Of the aggregate gross proceeds, approximately \$791,000 was allocated to the disposition of the Company's 15.5% stake in HIO with costs totalling approximately \$103,000. Of the residual gross proceeds amount of \$5,209,000, approximately \$1,900,000 was allocated to the share purchase warrants based on fair value and approximately \$3,310,000 was allocated to the common shares. Share issue costs totalling approximately \$682,000 were proportionately allocated to the share purchase warrants (\$249,000) and the common shares (\$433,000), respectively. See *Note 14 – Deconsolidation of subsidiary held for sale* for further information.

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

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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”).

On September 16, 2021, Lind converted \$205,625 of the face value of the Convertible Security issued under the First Tranche into 307,545 common shares of the Company at a deemed price of \$0.6686 per common share. On October 12, 2021, Lind converted an additional \$205,625 of the face value of the Convertible Security into 512,269 common shares of the Company at a deemed price of \$0.4014 per common share. See Note 7 – Convertible note payable for additional information.

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

Exercise Price	October 31, 2021		July 31, 2021	
	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	4.15	8,200,000	4.40	8,200,000
\$ 0.72	2.71	18,909,422	2.97	18,909,422
\$ 1.03	4.53	1,957,056	4.78	1,957,056
\$ 1.43	3.20	2,940,000	3.45	2,940,000
\$ 1.50	1.07	15,982,300	1.32	15,982,300
\$ 1.54	0.44	8,680,000	0.74	8,680,000
\$ 1.67	3.36	5,042,016	3.61	5,042,016
\$ 1.82	1.74	1,250,000	1.99	1,250,000
\$ 1.92	1.79	644,675	2.05	644,675
\$ 1.98	1.48	2,837,000	1.74	2,837,000
\$ 2.24	1.69	2,935,500	1.94	2,935,000
Outstanding, end of period	2.28	69,377,969	2.54	69,377,969

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 October 31, 2021, options to purchase up to 14,195,283 common shares (July 31, 2021 – 14,113,302) may be granted under the plan. As at October 31, 2021, options to purchase a total of 7,050,000 common shares (July 31, 2021 – 7,050,000) were issued and outstanding under the equity compensation plan.

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

Exercise price	October 31, 2021			July 31, 2021		
	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
\$0.51	2.57	4,350,000	2,600,000	2.82	4,350,000	2,600,000
\$0.53	3.78	2,150,000	1,612,500	4.03	2,150,000	1,075,000
\$1.30	3.11	550,000	366,667	3.37	550,000	366,667
Outstanding, end of period	3.04	7,050,000	4,579,167	3.23	7,050,000	4,041,667

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

	October 31, 2021		October 31, 2020	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding, beginning of period	7,050,000	\$ 0.58	5,225,000	\$ 0.61
Granted	–	–	2,150,000	0.53
Exercised	–	–	–	–
Cancelled/Forfeited	–	–	(100,000)	0.51
Outstanding, end of period	7,050,000	\$ 0.58	7,275,000	\$ 0.59
Vested and exercisable, end of period	4,579,167	\$ 0.58	3,791,668	\$ 0.57

No stock options were exercised during the three-month period ended October 31, 2021 (October 31, 2020 - \$nil). For the three-month period ended October 31, 2021, 537,500 stock options vested (October 31, 2020 – 1,075,000) with a fair value of \$65,000 (October 31, 2020 – \$424,000).

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

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 volume-weighted 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. 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 condensed interim consolidated financial statements. A copy of the Funding Agreement is available on SEDAR at www.sedar.com.

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During the three-month period ended October 31, 2021, Lind converted an aggregate of \$411,250 of the face value of the Convertible Security issued under the First Tranche into an aggregate of 819,814 common shares. See Note 15 – Subsequent events for additional information related to additional conversions by Lind subsequent to October 31, 2021.

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			(411)	–	(411)	–
Revaluation			71	46	117	–
At October 31, 2021	20.12%	74.49%	\$ 3,175	\$ 143	\$ 3,318	\$ 30

8. Commitments

The Company's commitments are summarized as follows:

	2022	2023	2024	2025	2026	2027+	Total
Clinical research organizations	\$ 961	\$ 1,427	\$ –	\$ –	\$ –	\$ –	\$ 2,388
Royalty and in-licensing	20	20	20	10	10	50	130
Operating leases	41	–	–	–	–	–	41
	\$ 1,022	\$ 1,447	\$ 20	\$ 10	\$ 10	\$ 50	\$ 2,559

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. On May 11, 2021, the Company entered into the Funding Agreement with Lind. The Funding Agreement is subject to certain ongoing covenants of the Company. See Note 7 – *Convertible note payable* and also Note 1 - *Basis of presentation and going concern*.

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.

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 and October 31, 2021. The convertible note payable has been classified as Level 3 in the fair value hierarchy. See Note 7 – *Convertible note payable* for further information.

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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:

	October 31, 2021		July 31, 2021	
	USD	EUR	USD	EUR
Accounts payable	(634)	(248)	(825)	(252)
Accruals	–	–	(70)	–
Net foreign currencies	(634)	(248)	(895)	(252)
Closing exchange rate	1.2359	1.4381	1.1995	1.4788
Impact of 1% change in exchange rate	+/- 8	+/- 4	+/- 11	+/- 4

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.

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

	October 31, 2021	July 31, 2021
Government related – GST/HST	\$ 55	\$ 78
Research and development investment tax credits	116	140
Patent costs recoverable from HIO	138	135
	\$ 309	\$ 353

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 \$1,873,000 as at October 31, 2021 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 initiatives 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.

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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:

	October 31, 2021			July 31, 2021		
	Carrying amount	Less than one year	Greater than one-year	Carrying amount	Less than one year	Greater than one-year
Accounts payable	\$ 1,416	\$ 1,416	\$ –	\$ 1,466	\$ 1,466	\$ –
Accrued liability	309	309	–	369	369	–
Convertible note payable	3,318	2,037	1,281	3,612	2,028	1,584

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 three-month periods ended October 31:

	2021	2020
Compensation	\$ 128	\$ 147
Stock-based compensation	–	–
	\$ 128	\$ 147

The following table summarizes non-management directors' compensation for the three-month periods ended October 31:

	2021	2020
Directors' fees	\$ 39	\$ 62
Stock-based compensation	65	420
	\$ 104	\$ 482

The following table summarizes the total compensation for both ACM Alpha Consulting Management EST ("ACMest") and ACM Alpha Consulting Management AG ("ACMag") for the three-month periods ended October 31:

	2021	2020
Finder's fee commissions (ACMag)	\$ –	\$ –
Financial and investor relations consulting fee (ACMest)	–	287
	\$ –	\$ 287

Until October 21, 2020, the Company had agreements in place with both ACMest and ACMag. Mr. Kandziora is President of ACMest and acted as a Board observer up until August 22, 2019, in addition to being on the Supervisory Board of the Company's former subsidiary, HIO. Mrs. Kandziora acted as Corporate Secretary of the Company up until August 22, 2019.

Related party transactions are at arm's length and recorded at the amount agreed to by the related parties.

12. Research and development projects

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.

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The following table summarizes the components of research and development expenses for the three-month periods ended October 31:

	2021	2020
Research and development programs (excluding the below items)	\$ 982	\$ 689
Salaries and benefits	264	315
Stock-based compensation expense	–	4
Amortization of property plant and equipment	3	17
Amortization of right of use assets	–	32
Research and development investment tax credits	–	27
	\$ 1,249	\$ 1,084

13. Operating, general and administration

The following table outlines operating, general and administration expenses for the three-month periods ended October 31:

	2021	2020
Operating, general and administration (excluding the below items)	\$ 223	\$ 394
Wages and benefits	97	107
Directors' fees	65	62
Investor relations	39	319
Stock-based compensation expense	23	421
	\$ 447	\$ 1,303

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 July 31, 2020. 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, 2020. 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.

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	
Prepays	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)
Net gain from discontinued operations		\$ 2,162

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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)
	\$	–

15. Subsequent events

Subsequent to October 31, 2021, Lind converted \$205,625 of the face value of the Convertible Security issued under the First Tranche into 518,338 common shares of the Company at a deemed price of \$0.3967 per common share.

On December 13, 2021, the Company announced the extension of the exercise period of an aggregate of 1,520,000 common share purchase warrants of the Company for a period of two years from their current expiry dates (the "Warrant Extension"). Such warrants are all held by arm's length parties to the Company. The Warrants were issued pursuant to private placements of the Company that closed in December 2016 and were originally set to expire on December 28 and 29, 2021. The Warrant Extension is subject to the approval of the TSX.