



**Condensed unaudited interim consolidated financial statements of Helix BioPharma Corp.
For the three-month periods ended October 31, 2018 and 2017**

The Company's auditors have not reviewed the condensed unaudited interim consolidated financial statements for the three-month periods ended October 31, 2018 and 2017.

HELIX BIOPHARMA CORP.

Consolidated Statement of Financial Position

In thousands of Canadian dollars

Unaudited

| As at: | October 31, 2018 | July 31, 2018 |
|---|------------------|-----------------|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment (<i>note 4</i>) | \$ 346 | \$ 374 |
| | 346 | 374 |
| Current assets | | |
| Prepaid expenses | 322 | 92 |
| Accounts receivable | 241 | 315 |
| Cash | 871 | 366 |
| | 1,434 | 773 |
| Total assets | \$ 1,780 | \$ 1,147 |
| SHAREHOLDERS' DEFICIENCY AND LIABILITIES | | |
| Shareholders' deficiency (<i>note 5</i>) | \$ (1,651) | \$ (1,527) |
| Current liabilities | | |
| Deferred government grant (<i>note 11</i>) | 30 | 38 |
| Accrued liabilities | 433 | 644 |
| Accounts payable | 2,968 | 1,992 |
| | 3,431 | 2,674 |
| Total liabilities and shareholders' deficiency | \$ 1,780 | \$ 1,147 |

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

HELIX BIOPHARMA CORP.

Consolidated Statement of Net Loss and Comprehensive Loss

In thousands of Canadian dollars, except per share amounts

Unaudited

| | October 31, 2018 | October 31, 2017 |
|--|-------------------|-------------------|
| Expenses | | |
| Research and development (<i>note 10</i>) | 1,014 | 1,764 |
| Operating, general and administration (<i>note 12</i>) | 373 | 526 |
| Results from operating activities before finance items | (1,387) | (2,290) |
| Finance items | | |
| Finance income | 1 | 3 |
| Finance expense | (12) | (5) |
| Foreign exchange gain (loss) | 19 | (11) |
| | 8 | (13) |
| Net loss and total comprehensive loss | \$ (1,379) | \$ (2,303) |
| Loss per common share | | |
| Basic | \$ (0.01) | \$ (0.02) |
| Diluted | \$ (0.01) | \$ (0.02) |
| Weighted average number of common shares used in the calculation of basic and diluted loss per share | 103,646,025 | 96,860,911 |

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

HELIX BIOPHARMA CORP.

Consolidated Statement of Changes in Shareholders' Equity

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

Unaudited

| | Common shares | | Share purchase warrants | | Contributed surplus | | Accumulated other comprehensive income | | Total shareholders equity |
|-------------------------------|---------------|-------------|-------------------------|------------|---------------------|----------|--|--------|---------------------------|
| | Amount | Number | Amount | Number | Options | surplus | Deficit | (loss) | |
| July 31, 2017 | \$ 120,681 | 95,711,579 | \$11,141 | 27,980,975 | \$ 673 | \$22,868 | (155,380) | \$ – | \$ (17) |
| Net loss for the period | – | – | – | – | – | – | (2,303) | – | (2,303) |
| Common stock, issued | 3,010 | 4,350,500 | – | – | – | – | – | – | 3,010 |
| Warrants, issued | – | – | 1,435 | 4,350,500 | – | – | – | – | 1,435 |
| Warrants, expired unexercised | – | – | – | – | – | – | – | – | – |
| Warrants exercised | – | – | – | – | – | – | – | – | – |
| Stock-based compensation | – | – | – | – | 4 | – | – | – | 4 |
| Options, exercised | – | – | – | – | – | – | – | – | – |
| Options, cancelled | – | – | – | – | – | – | – | – | – |
| Options, expired unexercised | – | – | – | – | – | – | – | – | – |
| October 31, 2017 | \$ 123,691 | 100,062,079 | \$12,576 | 32,331,475 | \$ 677 | \$22,868 | \$(157,683) | \$ – | \$ 2,129 |

| | Common shares | | Share purchase warrants | | Contributed surplus | | Accumulated other comprehensive income | | Total shareholders equity |
|-------------------------------|---------------|-------------|-------------------------|------------|---------------------|----------|--|--------|---------------------------|
| | Amount | Number | Amount | Number | Options | surplus | Deficit | (loss) | |
| July 31, 2018 | \$ 125,565 | 102,809,579 | \$13,362 | 35,078,975 | \$ 683 | \$22,868 | \$(164,005) | \$ – | \$ (1,527) |
| Net loss for the period | – | – | – | – | – | – | (1,379) | – | (1,379) |
| Common stock, issued | 940 | 1,347,000 | – | – | – | – | – | – | 940 |
| Warrants, issued | – | – | 313 | 1,347,000 | – | – | – | – | 313 |
| Warrants, expired unexercised | – | – | (43) | (122,000) | – | 43 | – | – | – |
| Warrants exercised | – | – | – | – | – | – | – | – | – |
| Stock-based compensation | – | – | – | – | 2 | – | – | – | 2 |
| Options, exercised | – | – | – | – | – | – | – | – | – |
| Options, cancelled | – | – | – | – | – | – | – | – | – |
| Options, expired unexercised | – | – | – | – | (160) | 160 | – | – | – |
| October 31, 2017 | \$ 126,505 | 104,156,579 | \$13,632 | 36,303,975 | \$ 525 | \$23,071 | \$(165,384) | \$ – | \$ (1,651) |

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

HELIX BIOPHARMA CORP.
Consolidated Statement of Cash Flows
In thousands of Canadian dollars
Unaudited

| | October 31, 2018 | October 31, 2017 |
|---|------------------|-------------------|
| Cash flows from operating activities | | |
| Net loss and total comprehensive loss | \$ (1,379) | \$ (2,303) |
| Items not involving cash: | | |
| Depreciation of property, plant and equipment | 35 | 61 |
| Stock-based compensation | 2 | 4 |
| Foreign exchange loss | (19) | 11 |
| Change in non-cash working capital: | | |
| Accounts receivable | 74 | 221 |
| Prepaid expenses | (230) | 117 |
| Accounts payable | 976 | (140) |
| Accrued liabilities | (211) | (137) |
| Deferred liabilities | (8) | 39 |
| Net cash used in operating activities | (760) | (2,127) |
| Cash flows from financing activities | | |
| Proceeds from the issuance of common shares and share purchase warrants, net of issue costs | 1,253 | 4,445 |
| Net cash provided by financing activities | 1,253 | 4,445 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (7) | (29) |
| Net cash used in investing activities | (7) | (29) |
| Foreign exchange gain (loss) on cash | 19 | (11) |
| Net decrease in cash | \$ 505 | \$ (2,278) |
| Cash, beginning of period | 366 | 897 |
| Cash, end of period | \$ 871 | \$ 3,175 |

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

HELIX BIOPHARMA CORP.

Notes to condensed unaudited interim consolidated financial statements

For the three-month periods ended October 31, 2018 and 2017

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

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.

1. Basis of presentation and going concern

These 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 consolidated net loss and total comprehensive loss of \$1,379,000 for the three-month period ended October 31, 2018 (October 31, 2017 - \$2,303,000). As at October 31, 2018 the Company had working capital deficiency of \$1,997,000, shareholders' deficiency of \$1,651,000 and a deficit of \$165,384,000. As at July 31, 2018 the Company had a working capital deficiency of \$1,901,000, shareholders' deficiency of \$1,527,000 and a deficit of \$164,005,000. 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, may cast 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 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 unaudited interim consolidated financial statements have been prepared in compliance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"). The notes presented in these condensed unaudited interim consolidated 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 condensed unaudited interim consolidated financial statements are based on International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The condensed unaudited interim consolidated financial statements of the Company were approved and authorized for issue by the Board of Directors on December 14, 2018.

Use of estimates and critical judgment

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 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 enrolment of patients or the completion of portions of

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Notes to condensed unaudited interim consolidated financial statements

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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 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.

Functional and presentation currency

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

2. Significant accounting policies

The Company's significant accounting policies were outlined in the Company's annual audited consolidated financial statements for the year ended July 31, 2018 and have been applied consistently to all periods presented in these unaudited interim condensed consolidated financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these unaudited interim condensed consolidated financial statements. These unaudited interim condensed consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended July 31, 2018.

These consolidated financial statements include the accounts of the Company and its subsidiaries listed below. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. Inter-company transactions and balances are eliminated upon consolidation. They are de-consolidated from the date that control by the Company ceases. The consolidated financial statements include the assets and liabilities and results of operations of all subsidiaries after elimination of intercompany transactions and balances.

As at October 31, 2018, the wholly-owned subsidiaries of the Company include: Helix BioPharma Inc., incorporated in the USA, Helix Immuno-Oncology S.A., incorporated in Poland and Helix Product Development (Ireland) Limited, incorporated in Ireland.

Cash

The Company considers cash on hand, deposits in banks 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.

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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 |

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 made in exchange for goods and services provided by employees and non-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.

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

Financial assets and financial liabilities are initially recorded at fair value and their subsequent measurements are determined in accordance with their classification. The classification depends on the purpose for which the financial instruments were acquired or issued and their characteristics. Cash is classified as a held-for-trading assets and is accounted for at fair value. Accounts receivable are classified as loans and receivables, and after initial recognition are recorded at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, and after initial recognition are recorded at amortized cost.

*Impairment**(i) Financial assets:*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

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An impairment test is performed, on an individual basis, for each material financial asset. Other individually non-material financial assets are tested as groups of financial assets with similar risk characteristics. Impairment losses are recognized in income.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the assets original effective interest rate. Losses are recognized in income and reflected in an allowance account against the respective financial asset. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through income for all financial assets except available-for-sale equity securities.

(ii) Non-financial assets:

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount is estimated.

The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of cash inflows of other assets or cash-generating units. An impairment loss is recognized if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses recognized in prior periods are assessed each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

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 and Disclosure of Government Assistance

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.

3. New accounting standards and pronouncements not yet adopted

New accounting standards and pronouncements issued but not yet effective up to the date of issuance of the Company's consolidated financial statements are listed below. This listing includes standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

Certain pronouncements have been issued by the IASB or International Financial Reporting Interpretations Committee. Many of these updates are not applicable or are inconsequential to the Company and have been excluded from the discussion below:

IFRS 9, Financial Instruments

The IASB has issued a new standard, IFRS 9, Financial Instruments ("IFRS 9"), which will ultimately replace IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). The project had three main phases: classification and measurement, impairment and general hedging. The standard becomes effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively. Early adoption is permitted. The Company is evaluating the impact of the new standard on its results of operations, financial position and disclosures.

IFRS 15, Revenue from Contracts with Customers

The IASB has issued a new standard, IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). IFRS 15 contains a single

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model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The standard becomes effective for annual periods beginning on or after January 1, 2018. The Company is evaluating the impact of the new standard on its results of operations, financial position and disclosures.

IFRS 16, Leases

In January 2016, the IASB has issued IFRS 16 *Leases* ("IFRS 16"), its new leases standard that requires lessees to recognize assets and liabilities for most leases on their balance sheets. Lessees applying IFRS 16 will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The new standard will be effective from January 1, 2019 with limited early application permitted. The Company is evaluating the impact of the new standard on its results of operations, financial position and disclosures.

4. Property, plant and equipment

| | October 31, 2018 | | | July 31, 2018 | | |
|-------------------------|------------------|--------------------------|----------------|---------------|--------------------------|----------------|
| | Cost | Accumulated depreciation | Net book value | Cost | Accumulated depreciation | Net book value |
| Research equipment | \$ 1,696 | \$ 1,370 | \$ 326 | \$ 1,689 | \$ 1,339 | \$ 350 |
| Manufacturing equipment | 402 | 402 | – | 402 | 402 | – |
| Leasehold improvements | 359 | 359 | – | 359 | 359 | – |
| Computer equipment | 106 | 97 | 9 | 106 | 93 | 13 |
| Computer software | 61 | 58 | 3 | 61 | 58 | 3 |
| Furniture and fixtures | 22 | 14 | 8 | 22 | 14 | 8 |
| | \$ 2,646 | \$ 2,300 | \$ 346 | \$ 2,639 | \$ 2,265 | \$ 374 |

5. Shareholders' deficiency*Preferred shares*

Authorized 10,000,000 preferred shares.

As at October 31, 2018 and 2017 the Company had nil preferred shares issued and outstanding.

Common shares and share purchase warrants

Authorized unlimited common shares without par value.

As at October 31, 2018 the Company had 104,156,579 (July 31, 2018 – 102,809,579) common shares issued and outstanding.

On August 18, 2016, the Company completed a private placement, issuing 644,675 units at \$1.54 per unit, for gross proceeds of \$993,000. 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 \$1.92 until August 17, 2021. Of the gross proceeds amount, \$377,000 was allocated to the share purchase warrants based on fair value and the residual amount of \$616,000 was allocated to the common shares. Share issue costs totalling \$182,000 were proportionately allocated to the share purchase warrants (\$69,000) and the common shares (\$113,000), respectively.

On December 28 and 29, 2016 the Company completed two private placements, issuing a total of 1,520,000 units at \$1.20 per unit, for gross proceeds of \$1,824,000. 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 \$1.50 until December 28 and 29, 2021. Of the gross proceeds amount, \$672,000 was allocated to the share purchase warrants based on fair value and the residual amount of \$1,152,000 was allocated to the common shares. Share issue costs totalling \$312,000 were proportionately allocated to the share purchase warrants (\$115,000) and the common shares (\$197,000), respectively.

On March 16, 2017, the Company completed a private placement, issuing a total of 925,000 units at \$1.20 per unit, for gross proceeds of \$1,110,000. 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 \$1.50 until March 15, 2022. Of the gross proceeds amount, \$402,000 was allocated to the share purchase warrants based on fair value and the residual amount of \$708,000 was allocated to the common shares. Share issue costs totalling \$188,000 were proportionately allocated to the share purchase warrants (\$68,000) and the common shares (\$120,000), respectively.

On April 28, 2017, the Company completed a private placement, issuing a total of 683,300 units at \$1.20 per unit, for gross proceeds of \$820,000. Each unit consisted of one common share and one common share purchase warrant. Each common

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share purchase warrant entitles the holder to purchase one common share at a price of \$1.50 until April 27, 2022. Of the gross proceeds amount, \$285,000 was allocated to the share purchase warrants based on fair value and the residual amount of \$535,000 was allocated to the common shares. Share issue costs totalling \$150,000 were proportionately allocated to the share purchase warrants (\$52,000) and the common shares (\$98,000), respectively.

On June 7, 2017, the Company completed a private placement, issuing a total of 2,524,000 units at \$1.20 per unit, for gross proceeds of \$3,029,000. 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 \$1.50 until June 6, 2022. Of the gross proceeds amount, \$1,022,000 was allocated to the share purchase warrants based on fair value and the residual amount of \$2,007,000 was allocated to the common shares. Share issue costs totalling \$443,000 were proportionately allocated to the share purchase warrants (\$149,000) and the common shares (\$294,000), respectively.

On August 31, 2017, the Company completed a private placement, issuing a total of 1,092,500 units at \$1.20 per unit for gross proceeds of approximately \$1,311,000. Each common share purchase warrant entitles the holder to purchase one common share at a price of \$1.50 until August 30, 2022. Of the gross proceeds amount, \$438,000 was allocated to the share purchase warrants based on fair value and the residual amount of \$873,000 was allocated to the common shares. Share issue costs totalling \$221,000 were proportionately allocated to the share purchase warrants (\$74,000) and the common shares (\$147,000), respectively.

On October 19, 2017, the Company completed a private placement, issuing a total of 3,258,000 units at \$1.20 per unit for gross proceeds of approximately \$3,910,000. Each common share purchase warrant entitles the holder to purchase one common share at a price of \$1.50 until October 18, 2022. Of the gross proceeds amount, \$1,248,000 was allocated to the share purchase warrants based on fair value and the residual amount of \$2,662,000 was allocated to the common shares. Share issue costs totalling \$555,000 were proportionately allocated to the share purchase warrants (\$177,000) and the common shares (\$378,000), respectively.

On December 22, 2017, the Company completed a private placement, issuing a total of 625,500 units at \$1.20 per unit for gross proceeds of approximately \$751,000. Each common share purchase warrant entitles the holder to purchase one common share at a price of \$1.50 until December 21, 2022. Of the gross proceeds amount, \$232,000 was allocated to the share purchase warrants based on fair value and the residual amount of \$519,000 was allocated to the common shares. Share issue costs totalling \$156,000 were proportionately allocated to the share purchase warrants (\$45,000) and the common shares (\$111,000), respectively.

On April 30, 2018, the Company completed a private placement, issuing a total of 504,500 units at \$1.20 per unit for gross proceeds of approximately \$605,000. Each common share purchase warrant entitles the holder to purchase one common share at a price of \$1.50 until April 29, 2023. Of the gross proceeds amount, \$179,000 was allocated to the share purchase warrants based on fair value and the residual amount of \$426,000 was allocated to the common shares. Share issue costs totalling \$129,000 were proportionately allocated to the share purchase warrants (\$38,000) and the common shares (\$91,000), respectively.

On June 7, 2018, the Company completed a private placement, issuing a total of 784,000 units at \$1.20 per unit for gross proceeds of approximately \$941,000. Each common share purchase warrant entitles the holder to purchase one common share at a price of \$1.50 until June 6, 2023. Of the gross proceeds amount, \$277,000 was allocated to the share purchase warrants based on fair value and the residual amount of \$664,000 was allocated to the common shares. Share issue costs totalling \$173,000 were proportionately allocated to the share purchase warrants (\$51,000) and the common shares (\$122,000), respectively.

On July 9, 2018, the Company completed a private placement, issuing a total of 833,500 units at \$1.20 per unit for gross proceeds of approximately \$1,000,000. Each common share purchase warrant entitles the holder to purchase one common share at a price of \$1.50 until July 8, 2023. Of the gross proceeds amount, \$284,000 was allocated to the share purchase warrants based on fair value and the residual amount of \$716,000 was allocated to the common shares. Share issue costs totalling \$181,000 were proportionately allocated to the share purchase warrants (\$51,000) and the common shares (\$130,000), respectively.

On August 8, 2018, the Company completed a private placement, issuing a total of 682,000 units at \$1.20 per unit for gross proceeds of approximately \$818,000. Each common share purchase warrant entitles the holder to purchase one common share at a price of \$1.50 until August 7, 2023. Of the gross proceeds amount, \$212,000 was allocated to the share purchase warrants based on fair value and the residual amount of \$606,000 was allocated to the common shares. Share issue costs totalling \$157,000 were proportionately allocated to the share purchase warrants (\$41,000) and the common shares (\$116,000), respectively.

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On September 10, 2018, the Company completed a private placement, issuing a total of 380,000 units at \$1.20 per unit for gross proceeds of approximately \$456,000. Each common share purchase warrant entitles the holder to purchase one common share at a price of \$1.50 until September 9, 2023. Of the gross proceeds amount, \$128,000 was allocated to the share purchase warrants based on fair value and the residual amount of \$328,000 was allocated to the common shares. Share issue costs totalling \$111,000 were proportionately allocated to the share purchase warrants (\$31,000) and the common shares (\$80,000), respectively.

On October 30, 2018, the Company completed a private placement, issuing a total of 285,000 units at \$1.20 per unit for gross proceeds of approximately \$342,000. Each common share purchase warrant entitles the holder to purchase one common share at a price of \$1.50 until October 29, 2023. Of the gross proceeds amount, \$61,000 was allocated to the share purchase warrants based on fair value and the residual amount of \$281,000 was allocated to the common shares. Share issue costs totalling \$111,000 were proportionately allocated to the share purchase warrants (\$17,000) and the common shares (\$78,000), respectively.

The following table provides information on share purchase warrants outstanding as at:

| Exercise Price | October 31, 2018 | | July 31, 2018 | |
|----------------------------|--|---|--|---|
| | 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 |
| \$1.50 | 3.93 | 14,097,300 | 4.08 | 12,750,300 |
| \$1.92 | 2.80 | 644,675 | 3.05 | 644,675 |
| \$1.82 | 2.74 | 1,250,000 | 2.99 | 1,250,000 |
| \$1.98 | 2.45 | 3,105,000 | 2.70 | 3,105,000 |
| \$1.54 | 1.44 | 8,680,000 | 1.71 | 8,680,000 |
| \$2.24 | 0.69 | 3,981,000 | 0.94 | 3,981,000 |
| \$1.61 | 2.00 | 4,546,000 | 0.25 | 4,668,000 |
| Outstanding, end of period | | 36,303,975 | | 35,078,975 |

On October 16, 2018, the Company announced to extend the exercise period of a total of 4,546,000 outstanding common share purchase warrants (the "Warrants"), all of which are held by arm's length parties. The Warrants were issued pursuant to a private placement of the Company completed on November 1, 2013. The TSX approved the extension of the expiry date of the Warrants and as a result, each Warrant entitles the holder to purchase one common share of the Company at an exercise price of \$1.61 at any time until October 31, 2020. The exercise price of \$1.61 remains unchanged.

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, 2018, options to purchase up to 10,415,657 common shares (July 31, 2018 – 10,280,957) may be granted under the plan. As at October 31, 2018, options to purchase a total of 730,000 common shares (July 31, 2018 – 930,000) were issued and outstanding under the equity compensation plan.

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

| Exercise Price | October 31, 2018 | | | July 31, 2018 | | |
|--------------------------|--|-------------------------------|--|--|-------------------------------|--|
| | 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 |
| \$2.00 | 2.26 | 50,000 | 50,000 | 2.26 | 50,000 | 33,333 |
| \$0.92 | 1.86 | 380,000 | 380,000 | 1.86 | 380,000 | 380,000 |
| \$1.50 | 1.46 | 200,000 | 200,000 | 1.46 | 200,000 | 200,000 |
| \$1.65 | 1.26 | 100,000 | 100,000 | 1.26 | 100,000 | 100,000 |
| Outstanding, end of year | 1.25 | 730,000 | 730,000 | 1.37 | 930,000 | 913,333 |

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

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

| | October 31, 2018 | | July 31, 2018 | |
|-------------------------------------|------------------|---------------------------------|---------------|---------------------------------|
| | Number | Weighted average exercise price | Number | Weighted average exercise price |
| Outstanding, beginning of year | 930,000 | \$ 1.27 | 930,000 | \$ 1.27 |
| Granted | – | – | – | – |
| Exercised | – | – | – | – |
| Expired | 200,000 | 1.34 | – | – |
| Outstanding, end of year | 730,000 | \$ 1.25 | 930,000 | \$ 1.27 |
| Vested and exercisable, end of year | 730,000 | \$ 1.25 | 913,333 | \$ 1.26 |

Weighted average market share prices for stock options exercised during the first quarter of 2018 and 2017 were \$nil, respectively.

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 |
|------------------|---------------------------|-------------------|-------------------------|---------------|---------------|----------------|-------------------------------|
| June 12, 2017 | 380,000 | 57.30 % | 0.88 % | 0.00 % | 5 years | 3 years | \$ 136 |
| November 2, 2015 | 50,000 | 80.47 % | 0.73 % | 0.00 % | 5 years | 3 years | \$ 61 |
| January 16, 2015 | 300,000 | 79.56 % | 1.02 % | 0.00 % | 5 years | 3 years | \$ 333 |
| November 3, 2014 | 150,000 | 78.61 % | 1.37 % | 0.00 % | 5 years | 3 years | \$ 160 |

For the three-months ended October 31, 2018, 16,667 stock options vested (2017 – 16,666) with a fair value of \$20,235 (2017 – \$20,234).

6. Commitments, contingent liabilities and contingent assets

The Company's commitments are summarized as follows:

| | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 and beyond | Total |
|--------------------------------------|----------|----------|--------|--------|-------|-----------------|----------|
| V-DOS47 co-funded project | \$ 2,458 | \$ 2,617 | \$ 761 | \$ 253 | \$ – | \$ – | \$ 6,089 |
| Clinical research organizations | 738 | – | – | – | – | – | 738 |
| Collaborative research organizations | 338 | – | – | – | – | – | 338 |
| Royalty and in-licensing | 20 | 20 | 20 | 20 | 20 | 80 | 180 |
| Financial and investor relations | 130 | – | – | – | – | – | 130 |
| Clinical distribution services | 102 | – | – | – | – | – | 102 |
| Operating leases | 59 | – | – | – | – | – | 59 |
| Contract manufacturing organizations | 34 | – | – | – | – | – | 34 |
| | \$ 3,879 | \$ 2,637 | \$ 781 | \$ 273 | \$ 20 | \$ 80 | \$ 7,670 |

7. 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, 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.

HELIX BIOPHARMA CORP.**Notes to condensed unaudited interim consolidated financial statements**

For the three-month periods ended October 31, 2018 and 2017

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The Company does not have any credit facilities and is therefore not subject to any externally imposed capital requirements or covenants.

8. Financial instruments and risk management

The Company has classified its financial instruments as follows:

| | October 31, 2018 | | July 31, 2018 | |
|------|------------------|----------------------|---------------|----------------------|
| | Fair Value | Fair value hierarchy | Fair Value | Fair value hierarchy |
| Cash | \$ 871 | Level 1 | \$ 366 | Level 1 |

Fair value hierarchy

Financial instruments recorded at fair value on the balance sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 reflects valuation based on quoted prices observed in active markets for identical assets or liabilities;
- Level 2 reflects valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived principally from or corroborated by observable market data by correlation or other means; and
- Level 3 reflects valuation techniques with significant unobservable market inputs.

A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

The financial instrument in the Company's financial statements, measured at fair value, is cash.

Fair value

The fair value of financial instruments as at October 31, 2018 and July 31, 2018 approximates their carrying value because of the near-term maturity of these instruments.

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 Company's Board of Directors 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.

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. Foreign exchange risks arise from the foreign currency translation of the Company's integrated foreign operation in Poland. In addition, foreign exchange risks arise from purchase transactions, as well as recognized financial assets and liabilities denominated in foreign currencies.

HELIX BIOPHARMA CORP.**Notes to condensed unaudited interim consolidated financial statements**

For the three-month periods ended October 31, 2018 and 2017

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

Balances in foreign currencies are as follows, as at:

| | October 31, 2018 | | | July 31, 2018 | | |
|--------------------------------------|------------------|--------|--------|---------------|--------|--------|
| | EUR | USD | PLN | EUR | USD | PLN |
| Cash | – | – | 309 | 33 | – | 241 |
| Accounts receivable | – | – | 137 | – | – | 126 |
| Accounts payable | (565) | (689) | (276) | (412) | (334) | (299) |
| Accruals | – | (36) | (69) | – | (63) | (69) |
| Net foreign currencies | (565) | (725) | 101 | (379) | (397) | (1) |
| Closing exchange rate | 1.4876 | 1.3142 | 0.3435 | 1.5239 | 1.3017 | 0.3568 |
| Impact of 1% change in exchange rate | +/- 8 | +/- 10 | +/- 1 | +/- 6 | +/- 5 | +/- 0 |

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 does not have any credit facilities and is therefore 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, 2018 | July 31, 2018 |
|---|------------------|---------------|
| Government related – HST/VAT | \$ 58 | \$ 73 |
| Research and development investment tax credits | 167 | 233 |
| Other | 16 | 9 |
| | \$ 241 | \$ 315 |

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 Company does not have any credit facilities and is therefore not subject to any externally imposed capital requirements or covenants.

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 \$871,000 as at October 31, 2018 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.

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.

HELIX BIOPHARMA CORP.**Notes to condensed unaudited interim consolidated financial statements**

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

| | October 31, 2018 | | | July 31, 2018 | | |
|---------------------|------------------|--------------------|-----------------------|-----------------|--------------------|-----------------------|
| | Carrying amount | Less than one year | Greater than one-year | Carrying amount | Less than one year | Greater than one-year |
| Accounts payable | \$ 2,968 | \$ 2,968 | \$ – | \$ 1,992 | \$ 1,992 | \$ – |
| Accrued liabilities | 433 | 433 | – | 644 | 644 | – |

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

9. Related party transactions

The following table summarizes key management personnel compensation for the three-month periods ended:

| | October 31 2018 | October 31 2017 |
|--------------------------|-----------------|-----------------|
| Compensation | \$ 147 | \$ 209 |
| Stock-based compensation | – | – |
| | \$ 147 | \$ 209 |

The following table summarizes directors' compensation for the three-month periods ended:

| | October 31 2018 | October 31 2017 |
|--------------------------|-----------------|-----------------|
| Directors' fees | \$ 39 | \$ 80 |
| Stock-based compensation | – | – |
| | \$ 39 | \$ 80 |

The following table summarizes the total compensation for both ACMest and ACMag for the three-month periods ended:

| | October 31 2018 | October 31 2017 |
|---|-----------------|-----------------|
| Finder's fee commissions | \$ 202 | \$ 653 |
| Financial and investor relations consulting fee | 131 | 128 |
| | \$ 333 | \$ 781 |

The Company has agreements with both ACM Alpha Consulting Management EST ("ACMest") and ACM Alpha Consulting Management AG ("ACMag"). The agreements are both effective July 2, 2018 and can be terminated upon ninety days notice. Mr. Kandziora is President of ACMest and acts as Observer on the Board of Directors of the Company in addition to also being on the Supervisory Board of the Company's wholly-owned Polish subsidiary, Helix Immuno-Oncology S.A. Mrs. Kandziora is President of ACMest and acts as Corporate Secretary of the Company.

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

10. 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.

HELIX BIOPHARMA CORP.**Notes to condensed unaudited interim consolidated financial statements**

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

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-month periods ended:

| | October 31 2018 | October 31 2017 |
|---|--------------------|--------------------|
| L-DOS47 | \$ 861 | \$ 1,482 |
| V-DOS47 | 130 | 113 |
| Corporate research and development expenses | 100 | 98 |
| Trademark and patent related expenses | 25 | 99 |
| Depreciation expense | 33 | 55 |
| Polish government grant subsidy (V-DOS47) | (135) | (83) |
| | \$ 1,014 | \$ 1,764 |

11. Government grant

On July 21, 2016, the Company announced that a grant funding agreement was entered into by the Company's wholly-owned subsidiary in Poland and the PNCRD, whereby certain expenditures made commencing on March 1, 2016 are eligible for reimbursement with the final reimbursement submission to be made no later than September 30, 2021. Subsidized amounts may be drawn in advance or on a reimbursement basis, with varying criteria and timelines for justification of claims being made by the Company's subsidiary. The Agreement may be terminated by either party upon one month's written notice and must also state the grounds for which the Agreement is being terminated. In certain cases of termination, the Company's Polish subsidiary may be obligated to return the received financial support in full within fourteen days of the day notice is served, with interest.

12. Operating, General and Administration

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-month periods ended:

| | October 31 2018 | October 31 2017 |
|----------------------------------|--------------------|--------------------|
| Wages and benefits | \$ 155 | \$ 127 |
| Director fees | 39 | 80 |
| Third-party advisors | 109 | 150 |
| Other general and administrative | 67 | 163 |
| Stock-based compensation expense | 1 | - |
| Depreciation expense | 2 | 6 |
| | \$ 373 | \$ 526 |

13. Subsequent Event

On December 6, 2018, the Company completed a private placement, issuing a total of 726,000 units at \$1.20 per unit for gross proceeds of approximately \$871,000. 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 \$1.50 and has an expiry of five years from the date of issuance.