



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

These interim condensed financial statements (unaudited) have not been reviewed by the external auditors.

HELIX BIOPHARMA CORP.

Interim Condensed Statement of Financial Position

In thousands of Canadian dollars

Unaudited

As at:	January 31, 2021	July 31, 2020
ASSETS		
Current assets		
Cash	\$ 4,098	\$ 4,235
Accounts receivable (note 9)	390	180
Prepaid expenses	386	90
Assets held for sale (note 13)	–	155
	4,874	4,660
Non-current assets		
Property, plant and equipment (note 4)	56	91
Right-of-use assets (note 5)	71	155
	127	246
Total assets	\$ 5,001	\$ 4,906
SHAREHOLDERS' EQUITY AND LIABILITIES		
Current liabilities		
Accounts payable	\$ 841	\$ 1,416
Accrued liabilities	327	301
Lease liabilities (note 5)	67	159
Liabilities related to held for sale (note 13)	–	49
	1,235	1,925
Shareholders' equity (note 6)		
Equity attributable to owners of the Company	3,766	2,394
Non-controlling interest (note 13)	–	587
	3,766	2,981
Total liabilities and shareholders' equity	\$ 5,001	\$ 4,906

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

HELIX BIOPHARMA CORP.

Interim Condensed Statement of Net Loss and Comprehensive Loss

In thousands of Canadian dollars, except per share amounts

Unaudited

	For the three-month periods ended January 31		For the six-month periods ended January 31	
	2021	2020	2021	2020
Expenses				
Research and development (note 11)	\$ 1,086	\$ 1,588	\$ 2,170	\$ 3,099
Operating, general and administration (note 12)	818	654	2,121	1,363
Results from operating activities before finance items	(1,904)	(2,242)	(4,291)	(4,462)
Finance items				
Finance income	–	5	1	15
Finance expense	(4)	(3)	(8)	(9)
Foreign exchange gain (loss)	42	(15)	48	(10)
	38	(13)	41	(4)
Net loss from continuing operations	\$ (1,866)	\$ (2,255)	\$ (4,250)	\$ (4,466)
Net gain (loss) from discontinued operations (note 13)	(626)	–	1,536	–
Net loss and comprehensive loss	(2,492)	(2,255)	(2,714)	(4,466)
Less: Net loss and comprehensive loss attributable to non-controlling interest	\$ –	\$ 24	\$ –	\$ 59
Net loss and total comprehensive loss attributable to Helix BioPharma Corp.	\$ (2,492)	\$ (2,231)	\$ (2,714)	\$ (4,407)
Loss per common share				
Basic and diluted from continuing operations	\$ (0.02)	\$ (0.02)	\$ (0.03)	\$ (0.04)
Basic and diluted from discontinued operations	\$ –	\$ –	\$ 0.01	\$ –
Basic and diluted - total	\$ (0.02)	\$ (0.02)	\$ (0.02)	\$ (0.04)
Weighted average number of common shares used in the calculation of basic and diluted loss per share	136,430,843	125,526,218	134,781,930	123,672,112

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

HELIX BIOPHARMA CORP.

Interim Condensed Statement of Changes in Shareholders' Equity

For the six month periods ended January 31, 2021 and 2020

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

Unaudited

	Common shares		Share purchase warrants		Options	Contributed surplus	Deficit	NCI	Total shareholders equity
	Amount	Number	Amount	Number					
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	–	–	–	–	–	–	(2,714)	–	(2,714)
Non-controlling interest	–	–	–	–	–	–	–	(587)	(587)
Common stock, issued	2,403	8,200,000	–	–	–	–	–	–	2,403
Warrants, issued	–	–	1,158	8,200,000	–	–	–	–	1,158
Warrants, expired unexercised	–	–	(1,601)	(4,546,000)	–	1,601	–	–	–
Warrants exercised	–	–	–	–	–	–	–	–	–
Stock-based compensation	–	–	–	–	525	–	–	–	525
Options, expired unexercised	–	–	–	–	(60)	60	–	–	–
January 31, 2021	\$ 139,660	141,133,017	\$18,779	68,734,413	\$ 1,356	\$27,201	\$(183,230)	\$ –	\$ 3,766

	Common shares		Share purchase warrants		Options	Contributed surplus	Deficit	NCI	Total shareholders equity
	Amount	Number	Amount	Number					
July 31, 2019	\$ 129,532	111,225,501	\$14,763	43,372,897	\$ 640	\$23,315	(171,531)	\$ –	\$ (3,281)
Net loss for the period	–	–	–	–	–	–	(4,407)	(59)	(4,466)
Non-controlling interest	–	–	–	–	–	–	–	1,032	1,032
Common stock, issued	4,849	16,665,500	–	–	–	–	–	–	4,849
Warrants, issued	–	–	2,808	16,665,500	–	–	–	–	2,808
Warrants, expired unexercised	–	–	–	–	–	–	–	–	–
Warrants exercised	–	–	–	–	–	–	–	–	–
Stock-based compensation	–	–	–	–	146	–	–	–	146
Options, expired unexercised	–	–	–	–	(220)	220	–	–	–
January 31, 2020	\$ 134,381	127,891,001	\$17,571	60,038,397	\$ 566	\$23,535	\$(175,938)	\$973	\$ 1,088

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

HELIX BIOPHARMA CORP.**Interim Condensed Statement of Cash Flows**

In thousands of Canadian dollars

Unaudited

For the six-month periods ended	January 31, 2021	January 31, 2020
Cash flows from operating activities		
Net loss and total comprehensive loss including non-controlling interest	\$ (2,714)	\$ (4,466)
Adjustments, including non-controlling interest to net cash provided by operations:		
Items not involving cash:		
Depreciation of property, plant and equipment & right-of-use assets	97	160
Stock-based compensation	525	146
Foreign exchange gain/loss	(48)	10
Gain on disposition of investment in associate	(1,536)	–
Change in non-cash working capital:		
Accounts receivable	(210)	144
Prepaid expenses	(296)	(66)
Accounts payable	(575)	(1,986)
Accrued liabilities	26	(590)
Other liabilities	–	238
Net cash used in operating activities from continuing operations	(4,731)	(6,410)
Net cash used in operating activities from discontinued operations	(966)	(297)
Net cash used in operating activities	(5,697)	(6,707)
Cash flows from financing activities		
Proceeds from the issuance of common shares and share purchase warrants, net of issue costs	3,561	7,657
Lease liability payments	(69)	(68)
Net cash provided by financing activities	3,492	7,589
Cash flows from investing activities		
Purchase of property, plant and equipment	–	(16)
Net proceeds from the sale of investment in associate	2,020	1,032
Net cash provided by investing activities	2,020	1,016
Foreign exchange gain / (loss) on cash	48	(10)
Net increase / (decrease) in cash	\$ (137)	\$ 1,888
Cash, beginning of period	4,235	206
Cash, end of period	\$ 4,098	\$ 2,094

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

HELIX BIOPHARMA CORP.

Notes to interim condensed financial statements (unaudited)

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

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 interim condensed financial statements (unaudited) 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 \$2,492 and \$2,714 for the three and six month periods ended January 31, 2021, respectively (January 31, 2020 – loss of \$2,255 and \$4,466 respectively). As at January 31, 2021, the Company had working capital of \$3,639, shareholders' equity of \$3,766 and a deficit of \$183,230. As at July 31, 2020 the Company had working capital of \$2,735, shareholders' equity of \$2,981 and a deficit of \$180,516. The Company will require additional financing in the foreseeable 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 on terms acceptable to the Company, 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 condensed unaudited interim financial statements do not include any adjustments to the carrying amount and classification of reported assets, liabilities and expenses that might be necessary should the Company not be successful in its aforementioned initiatives. Any such adjustments could be material. The Company cannot predict whether it will be able to raise the necessary funds it needs to continue as a going concern.

Statement of compliance

These interim condensed financial statements (unaudited) have been prepared in compliance with International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34"). The notes presented in these interim condensed financial statements (unaudited) 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 financial statements.

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

The interim condensed financial statements (unaudited) of the Company were approved and authorized for issue by the Board of Directors on March 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 COVID-19 on estimates and critical judgements. Although the Company expects COVID-19 related disruptions to continue into the Company's fiscal 2021 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, judgements or assumptions were required, the pandemic is fluid and given the inherent uncertainty at this time, revisions may be required in future periods to the extent that the negative impacts on the Company's business operations arising from COVID-19 continue or become worse. Any such revision could result in a material impact on the Company's financial performance and financial condition. The Company has received no government assistance.

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.

HELIX BIOPHARMA CORP.

Notes to interim condensed financial statements (unaudited)

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

In thousands of Canadian dollars, except per share amounts

b) Consolidation

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. Subsidiaries are de-consolidated from the date that control by the Company ceases. Significant judgment is used in determining whether the Company has lost control of a subsidiary resulting in de-consolidating the subsidiary.

c) 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 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.

d) 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, and additionally in the case of valuing share-based compensation awards, future employee turnover rates and future exercise behaviour. Such estimates and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates of share-based payments and warrants.

e) 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.

f) 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 accounting policies set out below have been applied consistently to all periods presented in these condensed unaudited interim financial statements.

Basis of accounting for subsidiary

Helix Immuno-Oncology S.A. ("HIO") was incorporated on July 6, 2013 in Poland. The Company's investment in HIO was consolidated and 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 the financing, the Company's ownership in HIO was diluted down to 29.89% and consequently, the Company determined that it had lost control of HIO in the quarter ended October 31, 2020. As the Company's remaining interest allowed the Company to exert significant influence over HIO, the Company's investment in HIO was accounted for as an interest in associate using the equity method for the quarter ended October 31, 2020. On December 22, 2020, the Company disposed its remaining interest in HIO for gross proceeds of PLN 6,700 (CAD\$2,308) and as of January 31, 2021, the Company has no investment in HIO. The loss on disposition of its interest in HIO of

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

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

In thousands of Canadian dollars, except per share amounts

\$626 is recorded in the Statement of Net Loss and Comprehensive Loss for the three-month period ended January 31, 2021. For the six-month period ended January 31, 2021 a gain of \$1,536 was recorded.

Cash

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

Property, plant and equipment

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

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

Asset	Basis	Estimated useful life
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 particular, 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.**Notes to interim condensed financial statements (unaudited)**

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

In thousands of Canadian dollars, except per share amounts

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's financial assets and liabilities are initially recorded at fair value and subsequently measured based on their assigned classifications as follows. The classification depends on the nature and purpose of the financial asset or liability and is determined at the time of initial recognition.

Asset / Liability	Classification
Cash	Amortized Cost
Account receivable	Amortized Cost
Accounts payable	Amortized Cost
Accrued liabilities	Amortized Cost
Lease liabilities	Amortized Cost

De-recognition of financial assets and liabilities

De-recognition is applied for all or part of a financial asset when the contractual rights to the cash flows and benefits from the financial asset expire, the Company loses controls of the assets, or the Company substantially transfers the significant risks and rewards of ownership of the asset.

De-recognition is applied for all or part of a financial liability when the liability is extinguished due to cancellation or discharge or expiry of the obligation.

*Impairment**(i) Financial assets:*

On an individual basis, material financial assets are assessed for indicators of impairment at the end of each reporting period. Other individually non-material financial assets are tested as a group of financial assets based on similar risk characteristic. Financial assets are considered to be impaired when based upon an expected loss model as prescribed by IFRS 9, taking into consideration both historic and forward-looking information.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's effective interest rate. Impairment losses are recognized in income and reflected in an allowance account against the respective financial asset.

(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.

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

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

In thousands of Canadian dollars, except per share amounts

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

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

4. Property, plant and equipment

	January 31, 2021				July 31, 2020			
	Cost	Accumulated depreciation	Transferred to held for sale	Net book value	Cost	Accumulated depreciation	Transferred to held for sale	Net book value
Research equipment	\$ 1,356	\$ 1,306	\$ –	\$ 50	\$ 1,664	\$ 1,476	\$ (105)	\$ 83
Leasehold improvements	359	359	–	–	359	359	–	–
Computer equipment	58	53	–	5	84	76	(2)	6
Computer software	21	21	–	–	33	33	–	–
Furniture and fixtures	19	18	–	1	20	17	(1)	2
	\$ 1,813	\$ 1,757	\$ –	\$ 56	\$ 2,160	\$ 1,961	\$ (108)	\$ 91

5. Right-of-use assets

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

	January 31, 2021		July 31, 2020	
	Right of Use assets	Lease Liabilities	Right of use assets	Lease Liability
Beginning balances	\$ 155	\$ 159	\$ –	\$ –
Additions/(adjustments)	(15)	(26)	310	310
Amortization	(69)	–	(155)	–
Lease payments	–	(69)	–	(161)
Lease interest	–	3	–	10
Ending balances	\$ 71	\$ 67	\$ 155	\$ 159

6. Shareholders' equity*Preferred shares*

Authorized 10,000,000 preferred shares.

As at January 31, 2021 and July 31, 2020 the Company had nil preferred shares issued and outstanding.

Common shares and share purchase warrants

Authorized unlimited common shares without par value.

As at January 31, 2021 the Company had 141,133,017 (July 31, 2020 – 132,933,017) common shares issued and outstanding.

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

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

In thousands of Canadian dollars, except per share amounts

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 of its Polish subsidiary, for aggregate gross proceeds of approximately \$7,000. 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 \$0.72 until August 20, 2024. Of the aggregate gross proceeds, approximately \$755 was allocated to the disposition of the Company's 25% stake in its Polish subsidiary with costs totalling approximately \$99. Of the residual gross proceeds amount of \$6,245, approximately \$2,275 was allocated to the share purchase warrants based on fair value and approximately \$3,970 was allocated to the common shares. Share issue costs totalling \$815 were proportionately allocated to the share purchase warrants (\$297) and the common shares (\$518), 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 of its Polish subsidiary, for aggregate gross proceeds of approximately \$2,999. 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 was allocated to the disposition of the Company's 8.5% stake in its Polish subsidiary with costs totalling approximately \$57. Of the residual gross proceeds amount of \$2,566, approximately \$956 was allocated to the share purchase warrants based on fair value and approximately \$1,610 was allocated to the common shares. Share issue costs totalling approximately \$339 were proportionately allocated to the share purchase warrants (\$126) and the common shares (\$213), respectively.

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

On December 4 and 30, 2020, the Company completed private placements financing of an aggregate of 8,200,000 units of the Company at a price of \$0.50 per unit, for aggregate gross proceeds of approximately \$4,100. 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 \$0.70 until December 3 and 29, 2025, respectively. Of the gross proceeds amount of \$4,100, approximately \$1,333 was allocated to the share purchase warrants based on fair value and approximately \$2,767 was allocated to the common shares. Share issue costs totalling approximately \$537 were proportionately allocated to the share purchase warrants (\$174) and the common shares (\$363), respectively.

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

Exercise Price	January 31, 2021		July 31, 2020	
	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	4.89	8,200,000	—	—
\$ 0.72	3.46	18,909,422	3.97	18,909,422
\$ 1.43	3.95	2,940,000	4.45	2,940,000
\$ 1.50	1.81	15,982,300	2.32	15,982,300
\$ 1.54	1.24	8,680,000	1.74	8,680,000
\$ 1.61	—	—	0.25	4,546,000
\$ 1.67	4.11	5,042,016	4.61	5,042,016
\$ 1.82	0.49	1,250,000	0.99	1,250,000
\$ 1.92	0.54	644,675	1.05	644,675
\$ 1.98	0.20	3,105,000	0.70	3,105,000
\$ 2.24	0.44	3,981,000	0.94	3,981,000
Outstanding, end of period	2.63	68,734,413	2.64	65,080,413

During the six-month period ended January 31, 2021, a total of 4,546,000 warrants expired unexercised.

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Stock options

The Company's equity compensation plan reserves up to 10% of the Company's outstanding common shares from time to time for granting to directors, officers and employees of the Company or any person or company engaged to provide ongoing management or consulting services. Based on the Company's current issued and outstanding common shares as at January 31, 2021, options to purchase up to 14,113,301 common shares (July 31, 2020 – 13,293,301) may be granted under the plan. As at January 31, 2021, options to purchase a total of 7,200,000 common shares (July 31, 2020 – 5,225,000) were issued and outstanding under the equity compensation plan.

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

Exercise Price	January 31, 2021			July 31, 2020		
	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	3.22	4,500,000	2,466,668	3.72	4,625,000	2,149,998
\$0.53	4.52	2,150,000	1,075,000	–	–	–
\$1.30	3.86	550,000	366,667	4.36	550,000	183,333
\$2.00	–	–	–	0.25	50,000	50,000
Outstanding, end of period	3.66	7,200,000	3,908,335	3.75	5,225,000	2,783,335

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

	January 31, 2021		January 31, 2020	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding, beginning of period	5,225,000	\$ 0.61	4,875,000	\$ 0.57
Granted	2,150,000	0.53	–	–
Exercised	–	–	–	–
Cancelled/Forfeited	(175,000)	0.94	(200,000)	1.54
Outstanding, end of period	7,200,000	\$ 0.58	4,675,000	\$ 0.53
Vested and exercisable, end of period	3,908,335	\$ 0.59	2,199,998	\$ 0.54

Weighted average market share prices for stock options exercised during the three and six-month periods ended January 31, 2021 and 2020 were both \$nil, respectively. For the six-month period ended January 31, 2021, 1,258,334 stock options vested (January 31, 2020 – nil) with a fair value of \$459 (January 31, 2020 – \$nil).

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
November 2, 2015	50,000	80.47%	0.73%	nil	5 years	3 years	\$ 61
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. Commitments, contingent liabilities and contingent assets

The Company's commitments are summarized as follows:

	2021	2022	2023	2024	2025	2026+	Total
Clinical research organizations	\$ 877	\$ 1,463	\$ 585	\$ –	\$ –	\$ –	\$ 2,925
Collaborative research organizations	1,198	–	–	–	–	–	1,198
Contract manufacturing organizations	151	–	–	–	–	–	151
Royalty and in-licensing	20	20	20	20	10	60	150
Facility leases	41	–	–	–	–	–	41
	\$ 2,287	\$ 1,483	\$ 605	\$ 20	\$ 10	\$ 60	\$ 4,465

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8. 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. The Company does not have any credit facilities and is therefore not subject to any externally imposed capital requirements or covenants. See also *Note 1 - Basis of presentation and going concern*.

9. Financial instruments and risk management

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:

- a. Level 1 reflects valuation based on quoted prices observed in active markets for identical assets or liabilities;
- b. 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
- c. 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.

Fair value

The fair value of financial instruments as at January 31, 2021 and July 31, 2020 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. In addition, foreign exchange risks arise from purchase transactions, as well as recognized financial assets and liabilities denominated in foreign currencies.

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Balances in foreign currencies are as follows, as at:

	January 31, 2021		July 31, 2020	
	USD	EUR	USD	EUR
Accounts payable	(275)	(257)	(622)	(257)
Accruals	(119)	–	(44)	–
Net foreign currencies	(394)	(257)	(666)	(257)
Closing exchange rate	1.2842	1.5542	1.3404	1.5831
Impact of 1% change in exchange rate	+/- 5	+/- 4	+/-9	+/- 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 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:

	January 31, 2021	July 31, 2020
Government related – HST/VAT	\$ 81	\$ 46
Research and development investment tax credits	93	121
Other	216	13
	\$ 390	\$ 180

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 as at January 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.

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.

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

	January 31, 2021			July 31, 2020		
	Carrying amount	Less than one year	Greater than one-year	Carrying amount	Less than one year	Greater than one-year
Accounts payable	\$ 841	\$ 841	\$ –	\$ 1,416	\$ 1,416	\$ –
Accrued liabilities	327	327	–	301	301	–

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

10. Related party transactions

The following table summarizes key management personnel compensation:

	For the three-month periods ended January 31		For the six-month periods ended January 31	
	2021	2020	2021	2020
	Compensation	\$ 138	\$ 146	\$ 285
Stock-based compensation	7	54	7	107
	\$ 145	\$ 200	\$ 292	\$ 400

The following table summarizes non-management directors' compensation:

	For the three-month periods ended January 31		For the six-month periods ended January 31	
	2021	2020	2021	2020
	Director fees	\$ 57	\$ 39	\$ 119
Stock-based compensation	94	7	514	14
	\$ 151	\$ 46	\$ 633	\$ 95

The following table summarizes both ACM Alpha Consulting Management EST ("ACMest") and ACM Alpha Consulting Management AG ("ACMag") compensation:

	For the three-month periods ended January 31		For the six-month periods ended January 31	
	2021	2020	2021	2020
	Financial and investor relations consulting	\$ –	\$ 134	\$ 287
Finder fee commissions	801	375	1,088	1,250
	\$ 801	\$ 509	\$ 1,375	\$ 1,516

The Company had agreements in place with both ACM Alpha Consulting Management EST ("ACMest") and ACM Alpha Consulting Management AG ("ACMag"). Mr. Kandziora is President of "ACMest" and acted as Observer on the Board of Directors of the Company until August 22, 2019 and is on the Supervisory Board of HIO. Mrs. Kandziora is President of ACMest and was the Company's Corporate Secretary until August 22, 2019. On October 21, 2020 the agreements with both ACMag and ACMest were terminated by mutual agreement of the parties. The finder fee commissions incurred in the three-month period ended January 31, 2021 relates to the private placements and the sale of the investment in HIO completed in December 2020. These fees were committed as part of the termination agreement.

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

11. Research and development

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

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Components of research and development expenses are as follows:

	For the three-month periods ended January 31		For the six-month periods ended January 31	
	2021	2020	2021	2020
Research and development programs, excluding the below items \$	727	\$ 1,322	\$ 1,415	\$ 2,528
Salaries and benefits	299	292	613	549
Stock-based compensation expense	7	40	11	79
Amortization of property, plant and equipment	17	34	34	48
Amortization of right of use assets	36	32	69	54
Research and development investment tax credits	—	(132)	28	(159)
	\$ 1,086	\$ 1,588	\$ 2,170	\$ 3,099

12. Operating, General and Administration

Components of operating, general and administration expenses are as follows:

	For the three-month periods ended January 31		For the six-month periods ended January 31	
	2021	2020	2021	2020
Operating, general and administration (excluding below items) \$	618	\$ 473	\$ 1,394	\$ 972
Salaries and benefits	105	145	212	319
Stock-based compensation	94	33	514	66
Amortization of property, plant and equipment	1	3	1	6
	\$ 818	\$ 654	\$ 2,121	\$ 1,363

13. Disposition of Investment in Associate 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 the financing, the Company's ownership in HIO was diluted down to 29.89% and consequently, the Company determined that it had lost control of HIO during the three months ended October 31, 2020. As the Company's remaining interest allowed the Company to exert significant influence over HIO, the Company's investment was 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 \$2,231 was recognized as a gain on loss of control of subsidiary in the three months ended October 31, 2020. On November 9, 2020, the Company announced that it had signed a definitive share purchase agreement with CAIAC Fund Management AG to purchase the Company's remaining 29.89% holdings in HIO, for gross proceeds of PLN6,700 (CAD\$2,308). This transaction closed on December 22, 2020. The Company incurred transaction fees of 12.5% payable to ACMest.

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

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The continuity of the Company's investment in associate related to HIO for the six months ended January 31, 2021 is as follows:

Balance - September 3, 2020	\$	–
Fair value in retained interest in associate		2,715
Share of net loss for the period		(69)
Balance – October 31, 2020	\$	2,646
Proceeds of disposition of retained interest in associate (net of transaction costs)		(2,020)
Loss on disposition of retained interest		(626)
Balance – January 31, 2021	\$	–
