Condensed unaudited interim consolidated financial statements of Helix BioPharma Corp.
For the three and six month periods ended January 31, 2017 and 2016

HELIX BIOPHARMA CORP.

Condensed Interim Consolidated Statement of Financial Position
In thousands of Canadian dollars
(Unaudited)

As at:	January 31, 2017	July 31, 2016
ASSETS		
Non-current assets		
Property, plant and equipment (*note 4)*	$ 428	$ 235
	428	235
Current assets		
Prepaid expenses	165	90
Accounts receivable	477	489
Cash	1,423	3,654
	2,065	4,233
Total assets	$ 2,493	$ 4,468
SHAREHOLDERS' EQUITY AND LIABILITIES		
Shareholders' (deficiency) equity (*note 5*)	$ (184)	$ 3,164
Current liabilities		
Accrued liabilities	938	589
Accounts payable	1,739	715
	2,677	1,304
Total liabilities and shareholders' (deficiency) equity	$ 2,493	$ 4,468

Basis of presentation and going concern *(note 1)*
Subsequent event *(note 13)*

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

HELIX BIOPHARMA CORP.

Condensed Interim Consolidated Statement of Net Loss and Comprehensive Loss
In thousands of Canadian dollars, except per share amounts
(Unaudited)

	For the three-month periods ended January 31		For the six-month periods ended January 31	
	2017	2016	2017	2016
Expenses				
Research and development *(note 9)*	1,911	1,246	4,179	2,585
Operating, general and administration	873	957	1,881	2,216
Gain on sale of property, plant and equipment *(note 10)*	(137)	–	(137)	–
	2,647	2,203	5,923	4,801
Results before finance items	(2,647)	(2,203)	(5,923)	(4,801)
Finance items				
Finance income	10	6	9	17
Finance expense	–	(3)	(1)	(8)
Foreign exchange gain (loss)	19	(26)	10	(26)
	29	(23)	18	(17)
Net loss and total comprehensive loss	$ (2,618)	$ (2,226)	$ (5,905)	$ (4,818)
Loss per common share				
Basic and diluted	$ (0.03)	$ (0.03)	$ (0.06)	$ (0.06)
Weighted average number of common shares used in the calculation of basic and diluted loss per share	90,621,018	84,683,201	90,340,149	84,669,008

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

HELIX BIOPHARMA CORP.

Condensed Interim Consolidated Statement of Changes in Shareholders' Equity
In thousands of Canadian dollars, except share and warrant numbers
(Unaudited)

	Common shares		Share purchase warrants				Accumulated other comprehensive income		Total shareholders
	Amount	Number	Amount	Number	Options	Contributed surplus	Deficit	(loss)	equity
July 31, 2016	$ 116,146	89,247,937	$8,837	21,684,000	$1,712	$21,790	$(145,321)	$ –	$ 3,164
Net loss for the period	–	–	–	–	–	–	(5,905)	–	(5,905)
Common stock, issued	1,457	2,164,675	865	2,164,675	–	–	–	–	2,322
Warrants, issued	–	–	–	–	–	–	–	–	–
Warrants, expired unexercised	–	–	–	–	–	–	–	–	–
Warrants exercised	–	–	–	–	–	–	–	–	–
Stock-based compensation	–	–	–	–	15	–	–	–	15
Options, exercised	340	166,667	–	–	(120)	–	–	–	220
Options, cancelled	–	–	–	–	(279)	279	–	–	–
Options, expired unexercised	–	–	–	–	(844)	844	–	–	–
January 31, 2017	$ 117,944	91,579,279	$ 9,702	23,848,675	$ 484	$22,913	$(151,226)	$ –	$ (184)

	Common shares		Share purchase warrants				Accumulated other comprehensive income		Total shareholders
	Amount	Number	Amount	Number	Options	Contributed surplus	Deficit	(loss)	equity
July 31, 2015	$ 112,288	84,653,837	$ 8,825	19,948,584	$2,915	$18,455	$(135,656)	$ –	$ 6,827
Net loss for the period	–	–	–	–	–	–	(4,818)	–	(4,818)
Common stock, issued	–	–	–	–	–	–	–	–	–
Warrants, issued	–	–	–	–	–	–	–	–	–
Warrants, expired unexercised	–	–	–	–	–	–	–	–	–
Warrants exercised	66	34,250	(13)	(34,250)	–	–	–	–	53
Stock-based compensation	–	–	–	–	138	–	–	–	138
Options, exercised	107	50,000	–	–	(40)	–	–	–	67
Options, expired unexercised	–	–	–	–	(529)	529	–	–	–
January 31, 2016	$ 112,461	84,738,087	$ 8,812	19,914,334	$2,484	$18,984	$(140,474)	$ –	$ 2,267

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

HELIX BIOPHARMA CORP.

Condensed Interim Consolidated Statement of Cash Flows
In thousands of Canadian dollars
(Unaudited)

For the six-month periods ended:	January 31, 2017	January 31, 2016
Cash flows from operating activities		
Net loss and total comprehensive loss	$ (5,905)	$ (4,818)
Items not involving cash:		
Depreciation of property, plant and equipment	80	70
Stock-based compensation	15	138
Foreign exchange loss (gain)	(10)	26
Gain on sale of property, plant and equipment	(137)	–
Grant non-cash recognition	(32)	–
Change in non-cash working capital:		
Accounts receivable	12	243
Prepaid expenses	(75)	(29)
Accounts payable	1,024	127
Accrued liabilities	349	(92)
Net cash used in operating activities	(4,679)	(4,335)
Cash flows from financing activities		
Exercise of stock options & warrants	220	120
Proceeds from the issuance of common shares and share purchase warrants, net of issue costs	2,322	–
Net cash provided by financing activities	2,542	120
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	168	–
Purchase of property, plant and equipment	(272)	(28)
Net cash used in investing activities	(104)	(28)
Foreign exchange gain on cash	10	26
Net decrease in cash	$ (2,231)	$ (4,269)
Cash, beginning of period	3,654	6,792
Cash, end of period	$ 1,423	$ 2,523

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

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

1. Basis of presentation and going concern

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

The Company reported a consolidated net loss and total comprehensive loss of $2,618,000 for the three-month period ended January 31, 2017 (January 31, 2016 - $2,226,000), and $5,905,000 for the six-month period ended January 31, 2017 (January 31, 2016 - $4,818,000). As at January 31, 2017 the Company had a working capital deficiency of $617,000 and a deficit of $151,191,000. As at July 31, 2016 the Company had working capital of $2,929,000 and a deficit of $145,321,000. The Company will require additional financing in the near term and in the future to see the current research and development initiates 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 condensed unaudited interim consolidated financial statements do not include any adjustments to the carrying amount and classification of reported assets, liabilities and expenses that might be necessary should the Company not be successful in its aforementioned initiatives. Any such adjustments could be material. The Company cannot predict whether it will be able to raise the necessary funds it needs to continue as a going concern.

Statement of compliance

These condensed 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 board of directors approved the condensed unaudited interim consolidated financial statements on March 14, 2017.

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 expanded pursuant to contract 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.

c) Valuation of share-based compensation and warrants

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

d) Income taxes

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

e) Impairment of long-lived assets

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

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, 2016 and have been applied consistently to all periods presented in these condensed unaudited interim consolidated financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these condensed unaudited interim consolidated financial statements. These condensed unaudited interim consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended July 31, 2016.

Basis of consolidation

These condensed unaudited interim 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 condensed unaudited interim consolidated financial statements include the assets and liabilities and results of operations of all subsidiaries after elimination of intercompany transactions and balances.

As at January 31, 2017, the subsidiaries of the Company include: Helix BioPharma Inc., incorporated in the USA, Helix Immuno-Oncology (formerly named Polska Sp.z.o.o.), incorporated in Poland and Helix Product Development (Ireland) Limited, incorporated in Ireland. All these subsidiaries are 100% owned by Helix BioPharma Corporation.

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.

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	6-10 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. The Company is also entitled to a subsidy from the Polish National Centre for Research and Development ("PNCRD") whereby certain research and development expenditures are eligible for reimbursement. The subsidy from the PNCRD is accounted for in the same manner as Canadian federal and provincial investment tax credits.

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 condensed unaudited interim consolidated statement of financial position 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 asset 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.

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 stock 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

The company has adopted IAS 1, Presentation of Financial Statements

The IASB issued amendments to IAS 1, Presentation of Financial Statements effective for annual periods beginning on or after January 1, 2016 as part of the IASB's disclosure initiative. These amendments encourage entities to apply professional judgment regarding disclosures and presentation in their financial statements. The Company has evaluated the impact of the new standard on its results of operations, financial position and disclosures and has determined that applied judgment has resulted in minimal statement presentation and disclosure adjustments.

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:

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

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 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 statement of financial position. 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

	January 31, 2017			July 31, 2016		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Research equipment	$ 1,560	$ 1,161	$ 399	$ 1,306	$ 1,077	$ 229
Manufacturing equipment	392	392	–	1,555	1,525	30
Leasehold improvements	370	370	–	370	370	–
Computer equipment	249	220	29	232	204	28
Computer software	89	89	–	89	89	–
Furniture and fixtures	19	19	–	19	18	–
	$ 2,679	$ 2,251	$ 428	$ 3,571	$ 3,284	$ 329

The Company announced on December 23, 2016 that it had signed an exclusive agreement for the sale of the Company's late stage Biphasix™ technology platform. The agreement included the sale of various capital equipment (*see Note 10*).

5. Shareholders' equity

Preferred shares

Authorized 10,000,000 preferred shares.
As at January 31, 2017 and July 31, 2016 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, 2017 the Company had 91,579,279 (July 31, 2016 – 89,247,937) common shares issued and outstanding.

On April 1, 2015 the Company completed a private placement, issuing 5,430,000 units at $1.10 per unit, for gross proceeds of $5,973,000. Each unit consists 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 $1.54 until March 30, 2020. Of the gross proceeds amount, $2,266,000 was allocated to the share purchase warrants based on fair value and the residual amount of $3,707,000 was allocated to common stock. Share issue costs totalling $836,000 were proportionately allocated to the share purchase warrants ($317,000) and common stock ($519,000), respectively.

On April 29, 2015 the Company completed a private placement, issuing 3,273,500 units at $1.10 per unit, for gross proceeds of $3,601,000. Each unit consists 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 $1.54 until April 28, 2020. Of the gross proceeds amount, $1,382,000 was allocated to the share purchase warrants based on fair value and the residual amount of $2,219,000 was allocated

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

to common stock. Share issue costs totalling $495,000 were proportionately allocated to the share purchase warrants ($190,000) and common stock ($305,000), respectively.

On April 11, 2016 the Company completed a private placement, issuing 3,105,000 units at $1.50 per unit, for gross proceeds of $4,658,000. Each unit consists 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 $1.98 until April 10, 2021. Of the gross proceeds amount, $1,770,000 was allocated to the share purchase warrants based on fair value and the residual amount of $2,888,000 was allocated to common stock. Share issue costs totalling $700,000 were proportionately allocated to the share purchase warrants ($266,000) and common stock ($434,000), respectively.

On July 29, 2016 the Company completed a private placement, issuing 1,250,000 units at $1.46 per unit, for gross proceeds of $1,825,000. Each unit consists 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 $1.82 until July 28, 2021. Of the gross proceeds amount, $707,000 was allocated to the share purchase warrants based on fair value and the residual amount of $1,118,000 was allocated to common stock. Share issue costs totalling $336,000 were proportionately allocated to the share purchase warrants ($130,000) and common stock ($206,000), respectively.

On August 18, 2016 the Company completed a private placement, issuing 644,675 units at $1.92 per unit, for gross proceeds of $992,800. Each unit consists 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 common stock. Share issue costs totalling $182,000 were proportionately allocated to the share purchase warrants ($69,000) and common stock ($113,000), respectively.

On December 28 and 29, 2016 the Company completed two private placement, issuing a total of 1,520,000 units at $1.20 per unit, for gross proceeds of $1,824,000. Each unit consists 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 common stock. Share issue costs totalling $312,000 were proportionately allocated to the share purchase warrants ($115,000) and common stock ($197,000), respectively.

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

	January 31, 2017		July 31, 2016	
Exercise Price	Weighted average remaining contractual life (in years)	Number of share purchase warrants outstanding	Weighted average remaining contractual life (in years)	Number of share purchase warrants outstanding
$1.50	4.85	1,520,000	–	–
$1.54	3.20	5,430,000	3.67	5,430,000
$1.54	3.25	3,250,000	3.75	3,250,000
$1.61	1.75	4,653,000	2.25	4,653,000
$1.82	4.49	1,250,000	4.99	1,250,000
$1.92	4.60	644,675	–	–
$1.98	4.20	3,105,000	4.70	3,105,000
$2.24	2.44	3,996,000	2.94	3,996,000
Outstanding, end of period		23,848,675		21,684,000

Stock options

The Company's equity compensation plan reserves up to 10% of the Company's outstanding common stock 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, 2016, options to purchase up to 9,157,928 common shares may be granted under the plan. As at January 31, 2017, options to purchase a total of 516,667 common shares have been issued and are outstanding under the equity compensation plan.

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

	January 31, 2017			July 31, 2016		
Exercise Price	Weighted average remaining contractual life (in years)	Number of options outstanding	Number of vested and exercisable options	Weighted average remaining contractual life (in years)	Number of options outstanding	Number of vested and exercisable options
$1.30	–	–	–	0.92	200,000	200,000
$1.34	1.75	200,000	200,000	2.25	234,400	234,400
$1.50	2.95	200,000	200,000	3.46	300,000	199,998
$1.65	2.75	100,000	100,000	3.26	150,000	99,999
$1.68	–	–	–	0.38	692,084	692,084
$2.00	3.75	50,000	16,667	3.99	110,000	20,000
Outstanding, end of period	2.55	550,000	516,667	0.57	1,686,484	1,466,481

The following table summarized activity under the Company's stock option plan for the six-months ended January 31, 2017 and 2016:

	January 31, 2017		July 31, 2016	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding, beginning of period	1,686,484	$ 1.57	2,730,084	$ 1.92
Granted	–	–	50,000	2.00
Exercised	(166,667)	1.33	(190,600)	1.33
Cancelled	(277,733)	1.08	–	–
Expired	(692,084)	1.22	(903,000)	2.68
Outstanding, end of period	550,000	$ 1.51	1,686,484	$ 1.57
Vested and exercisable, end of period	516,667	$ 1.48	1,466,481	$ 1.56

Weighted average market share prices for stock options exercised during the six-month periods ended January 31, 2017 and the year ended July 31, 2016 were $1.79 and $1.97 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
November 2, 2015	50,000	80.47 %	0.73 %	0.00 %	5 years	3 years	$ 61
May 8, 2015	60,000	80.27 %	0.91 %	0.00 %	5 years	3 years	$ 72
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
November 1, 2013	475,000	76.69 %	1.62 %	0.00 %	5 years	1 year	$ 379
July 3, 2012	250,000	62.16 %	1.25 %	0.00 %	5 years	3 years	$ 170
December 17, 2008	2,070,000	64.30 %	2.44 %	0.00 %	8 years	3 years	$ 2,525

For the quarter ended January 31, 2017, 133,336 stock options vested (2016 – 149,994) with a fair value of $145,674 (2016 – $164,157).

6. 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.

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

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.

7. Financial instruments and risk management

The Company has classified its financial instruments measured at fair value as follows:

	January 31, 2017		July 31, 2016	
	Fair Value	Fair value hierarchy	Fair Value	Fair value hierarchy
Cash	$ 1,423	Level 1	$ 3,654	Level 1

Fair value hierarchy

Financial instruments recorded at fair value on the statement of financial position 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 condensed unaudited interim consolidated financial statements, measured at fair value, is cash and cash equivalents.

Fair value

The fair value of financial instruments carried at amortized costs as at January 31, 2017 and July 31, 2016 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 Ireland. In addition, foreign exchange risks arise from purchase transactions, as well as recognized financial assets and liabilities denominated in foreign currencies.

The Company has maintained minimal cash balances denominated in both Euro and U.S. dollars due to Canadian dollar stability and strength against foreign currencies.

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

Balances in foreign currencies at January 31, 2017 and July 31, 2016 are as follows:

	January 31, 2017			July 31, 2016		
	Euros	US Dollars	Zloty	Euros	US Dollars	Zloty
Cash	182	97	230	30	48	77
Accounts payable	(534)	(237)	(15)	(77)	(48)	-
Accrued liabilities	(206)	(250)	(652)	(82)	(165)	(90)
Net foreign currencies	(558)	(390)	(437)	(129)	(165)	(13)
Closing exchange rate	1.4048	1.3012	0.3253	1.4594	1.3056	0.3345
Impact of 1% change in exchange rate	+/- 2	+/- 2	–	+/- 1	+/- 1	–

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, 2017	July 31, 2016
Accounts receivable		
Government related – HST/VAT	237	106
Research and development investment tax credits	240	380
Other	–	3
	$ 477	$ 489

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 balance of $1,423,000 as at January 31, 2017 is insufficient to meet anticipated cash needs for working capital and capital expenditures, nor is it sufficient to see the current research and development initiates through to completion. As at January 31, 2017 the Company had a working capital deficiency of $617,000 and a deficit of $151,191,000. As at July 31, 2016 the Company had working capital of $2,929,000 and a deficit of $145,321,000.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. There can be no assurance however, that additional financing can be obtained in a timely manner, or at all.

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

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.

8. Related party transactions

The key management personnel of the Company include the Chief Executive Officer, Chief Financial Officer, Chief Scientific Officer, Chief Medical Officer and Chief Operating Officer. In addition to the aforementioned key management personnel, the table below also includes compensation for the former Interim Chief Executive Officer and former Chief Executive Officer.

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

	For the three-month periods ended January 31		For the six-month periods ended January 31	
	2017	2016	2017	2016
Compensation	$ 414	$ 270	$ 848	$ 538
Stock-based compensation	2	11	(13)	22
	$ 416	$ 281	$ 835	$ 560

The following table summarizes non-management directors' compensation:

	For the three-month periods ended January 31		For the six-month periods ended January 31	
	2017	2016	2017	2016
Director fees	$ 62	$ 90	$ 143	$ 196
Stock-based compensation	8	45	14	108
	$ 70	$ 135	$ 157	$ 304

The following table summarizes the Board Observer's compensation for the three and six-month periods ended:

	For the three-month periods ended January 31		For the six-month periods ended January 31	
	2017	2016	2017	2016
Financial and investor relations agreement	$ 130	$ 139	$ 264	$ 275
Finder fee commissions	228	–	352	–
Expense reimbursement	19	28	19	31
	$ 377	$ 167	$ 635	$ 306

The Company entered into a non-exclusive financial and investor relations agreement with ACM Alpha Consulting Management EST ("ACMest"), effective May 1, 2012. On March 7, 2014, Mr. Andreas Kandziora was asked to act as an Observer on the Board of Directors of the Company. Mr. Kandziora is President and CEO of ACMest.

Related party transactions are in the normal course of operations and recorded at the amount agreed to by the related parties.

9. Research and development

The Company has incurred research and development expenditures primarily on L-DOS47.

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.

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:

	For the three-month periods ended January 31		For the six-month periods ended January 31	
	2017	2016	2017	2016
L-DOS47	$ 1,585	$ 1,017	$ 3,272	$ 2,111
V-DOS47	209	–	349	–
Corporate research and development expenses	136	133	502	275
Trademark and patent related expenses	51	49	123	122
Stock-based compensation expense	–	9	–	9
Depreciation expense	39	31	69	61
Research and development investment tax credits	–	7	–	7
Polish grant government funding	(109)	–	(136)	–
	$ 1,911	$ 1,246	$ 4,179	$ 2,585

A grant funding agreement was entered into with the Polish National Centre for Research and Development ("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. The public subsidy funds may be drawn in advance or on a reimbursement basis, with varying criteria and timelines on justification of claims being made by the Company's Polish subsidiary against the PNCRD for funding of the V-DOS47 development program in Poland. 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.

10. Gain on sale

The Company announced on December 23, 2016 that it had signed an exclusive agreement with Xisle Pharma Ventures ("Xisle") for the Company's late stage Biphasix™ technology platform, including the lead product candidate, interferon alpha for the treatment of HPV-induced, low-grade cervical intraepithelial lesions. Xisle will be responsible for the continued clinical development and subsequent commercialization of the product. Under the terms of the agreement, Xisle paid an up-front fee of USD125,000 and subsequent milestone payments as they advance the technology to registration and market approvals.

11. Subsequent event

On March 16, 2017, subsequent to the Company's fiscal quarter ending January 31, 2017, the Company closed a private placement for gross proceeds of $1,110,000. The terms of the private placement are for the purchase of units at $1.20 per unit. Each unit is comprised of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at an exercise price of $1.50 until March 15, 2022. A total of 925,000 common shares and 925,000 warrants were issued as part of the private placement.