Defence Therapeutics Inc.

Condensed Interim Financial Statements

Six Months Ended December 31, 2024

(Unaudited – Expressed in Canadian Dollars)

Defence Therapeutics Inc.
Six Months Ended December 31, 2024 and 2023

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Condensed Interim Financial Statements

NOTICE OF NO AUDITOR REVIEW OF CONDENSED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of condensed interim financial statements by an entity's auditor.

February 25, 2025

Defence Therapeutics Inc.
Condensed Interim Statements of Financial Position
(Expressed in Canadian Dollars)

	December 30, 2024	June 30, 2024
Assets		
Current		
Cash	$ 130,521	$ 56,547
Receivables (note 10)	45,887	96,523
Prepaids	17,041	61,082
	193,449	214,152
Non-current		
Equipment (note 7)	189,597	230,293
Right-of-use asset (note 7)	19,982	33,302
	209,579	263,595
	$ 403,028	$ 477,747
Liabilities		
Current		
Accounts payable and accrued liabilities (note 10)	$ 2,572,879	$ 2,315,527
Convertible debentures (note 8)	1,245,754	1,660,270
Lease obligation – current portion	22,597	27,965
Loan payable (notes 9 and 10)	15,635	50,342
	3,856,865	4,054,104
Non-current		
Lease obligation – non-current portion	0	7,871
	3,856,865	4,061,975
Shareholders' Deficiency		
Share Capital (note 11)	20,244,519	19,242,375
Share-based Payments Reserve (note 11)	4,170,706	6,877,146
Equity Component of Convertible Debentures (note 8)	202,834	104,340
Deficit	-28,071,896	-29,808,089
	-3,453,837	-3,584,228
	$ 403,028	$ 477,747

Going Concern (note 2)
Commitments (note 14)
Subsequent Events (note 16)

Approved on behalf of the Board of Directors:

"Sébastien Plouffe" ……………………………… Director
Sébastien Plouffe

"Philippe Lefrançois" ……………………………… Director
Philippe Lefrançois

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

Defence Therapeutics Inc.
Condensed Interim Statements of Comprehensive Loss
For the Six Months Ended December 31,
(Unaudited – Expressed in Canadian Dollars)

	Three Months ended		Six Months ended	
	December 31,	December 31,	December 31,	December 31,
	2024	**2023**	**2024**	**2023**
Expenses				
Accounting and legal	$ 31,406	$ 125,695	$ 47,488	$ 178,697
Consulting fees (note 10)	34,956	62,153	84,023	102,653
Depreciation of equipment and right-of-use asset (note 7)	17,709	6,660	35,418	19,155
Depreciation of intangible assets	-	288	0	579
Foreign exchange loss (gain)	67,906	-41,750	58,129	-40,105
Interest accretion (notes 8 and 9)	109,434	58,077	217,463	154,036
Investor relations and shareholder communication	12,536	514,253	71,298	1,367,959
Management fees (note 10)	85,500	120,500	211,000	191,000
Office and general	28,148	56,015	47,595	79,205
Research and lab fees (notes 10 and 12)	220,153	1,567,558	346,491	2,622,894
Share-based compensation (notes 10 and 11)	160,229	5,836,658	230,444	5,836,658
Transfer agent and filing fees	36,860	18,549	62,412	24,131
	804,837	8,324,656	1,411,761	10,536,862
Other Item				
Interest income	-	4,756	63	19,807
Net Loss and Comprehensive Loss for the Period	$ 804,837	$ 8,319,900	$ 1,411,698	$ 10,517,055
Basic and Diluted Loss Per Share	$ (0.02)	$ (0.19)	$ (0.03)	$ (0.24)
Weighted Average Number of Common Shares Outstanding – Basic and Diluted	46,196,711	44,098,478	46,196,711	44,068,486

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

Defence Therapeutics Inc.
Condensed Interim Statements of Changes in Equity (Deficiency)
(Unaudited – Expressed in Canadian Dollars)

	Share Capital					
	Number of Common Shares	**Share Capital**	**Share-based Payments Reserve**	**Equity Component of Convertible Debentures**	**Deficit**	**Total**
Balance, June 30, 2023	**43,780,674**	**$ 16,951,207**	**$ 1,387,080**	**$135,058**	**$ (16,907,178)**	**$ 1,566,167**
Shares issued on exercise of stock options	339,000	423,750	-	-	-	423,750
Fair value transferred on exercise of stock options	-	96,412	(96,412)	-	-	-
Fair value transferred on expiry of stock options	-	-	(143,275)	-	143,275	-
Share-based compensation	-	-	5,836,658	-	-	5,836,658
Conversion of convertible debentures	349,999	425,828	-	(30,718)	-	395,110
Net loss and comprehensive loss for the period	-	-	-	-	(10,517,055)	(10,517,055)
Balance, December 31, 2023	**44,469,673**	**17,897,197**	**6,984,051**	**104,340**	**(27,280,958)**	**(2,295,370)**
Balance, June 30, 2024	**45,536,673**	**$ 19,242,375**	**$ 6,877,146**	**104,340**	**$ (29,808,089)**	**$ (3,584,228)**
Shares issued for private placements	1,600,000	596,208	203,792	-	-	800,000
Share issuance costs	-	(28,631)	7,215	-	-	(21,416)
Fair value transferred on expiry of stock options	-	-	(3,147,891)	-	3,147,891	-
Share-based compensation	-	-	230,444	-	-	105,656
Conversion of convertible debentures	440,697	370,607	-	(104,340)	-	266,267
Issuance of convertible debentures	-	-	-	202,834	-	202,834
Finders' fees on issuance of convertible debentures	123,000	63,960	-	-	-	63,960
Net loss and comprehensive loss for the period	-	-	-	-	(1,411,698)	(1,411,698)
Balance, December 31, 2024	**47,700,370**	**20,244,519**	**4,170,706**	**202,834**	**(28,071,896)**	**(3,453,837)**

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

Defence Therapeutics Inc.
Condensed Interim Statements of Cash Flows
For the Six Months Ended December 31,
(Unaudited – Expressed in Canadian Dollars)

		2024		2023
Operating Activities				
Net loss for the period	$	(1,411,698)	$	(2,197,155)
Items not involving cash				
Depreciation of equipment and right-of-use asset		35,418		12,495
Depreciation of intangible assets		-		291
Interest accretion		212,839		95,959
Share-based compensation		230,444		-
Changes in non-cash working capital				
Receivables		50,636		89,071
Prepaids		44,041		406,686
Accounts payable and accrued liabilities		257,352		170,993
Cash Provided by (Used in) Operating Activities		(580,968)		(1,421,660)
Investing Activity				
Purchase of equipment		18,597		(6,500)
Cash Used in Investing Activity		18,597		(6,500)
Financing Activities				
Proceeds from share issuance		800,000		-
Share issue costs		(21,416)		-
Proceeds from loan payable		15,000		-
Repayments of convertible debentures		(94,000)		(14,664)
Repayments of loan payable		(50,000)		-
Repayment of lease obligation		(13,239)		-
Cash Used in Financing Activities		636,345		(14,664)
Inflow (Outflow) of Cash		73,974		(1,442,824)
Cash, Beginning of Period		56,547		2,792,931
Cash, End of Period	$	130,521	$	1,350,107

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

1. NATURE OF OPERATIONS

Defence Therapeutics Inc. (the "Company") was incorporated as Accum Therapeutics Inc. on July 18, 2017, under the laws of the province of Québec. The Company changed its name to Defence Therapeutics Inc. on March 26, 2020 and was continued into British Columbia on July 10, 2020. Its principal business activity is the development of a biological drug enhancer platform that improves the efficacy and safety of a multitude of biological-/biosimilar-based pharmaceuticals used in the treatment of cancer and infectious diseases. The Company's head office address and registered and records office is 7171 Rue Frederick Banting, Montréal, QC H4S 1Z9, Canada.

On April 30, 2021, the Company became a reporting issuer, and on May 7, 2021, the Company's Common Shares were listed on the Canadian Securities Exchange and began trading under the symbol "DTC".

2. GOING CONCERN

These condensed interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations.

The Company's ability to continue its operations and to realize assets at their carrying value is dependent upon its ability to generate positive cash flows and/or obtain additional financing sufficient to fund its development and operating costs. The Company may be able to generate working capital to fund its operations by raising additional capital through equity markets. However, there is no assurance it will be able to raise funds in the future. Based on its current plans, budgeted expenditures and cash requirements, the Company does not have sufficient cash to finance its current plans for at least twelve months from the date the condensed interim financial statements are issued. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. These condensed interim financial statements do not give effect to any adjustments required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying condensed interim financial statements.

If the going concern assumption were not appropriate for these condensed interim financial statements, then adjustments may be necessary in the carrying values of assets and liabilities, the reported expenses and the statement of financial position classifications used. Such adjustments could be material.

The Company's business may be affected by changes in political and market conditions, such as interest rates, availability of credit, inflation rates, changes in laws, and national and international circumstances. Recent geopolitical events and potential economic global challenges, such as the risk of higher inflation and the energy crises, may create further uncertainty and risk with respect to the prospects of the Company's business.

3. BASIS OF PREPARATION

a) Statement of compliance

The condensed interim financial statements of the Company have been prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting*.

The condensed interim financial statements of the Company should be read in conjunction with the Company's June 30, 2024 audited financial statements, which have been prepared in accordance with IFRS Accounting Standards, as issued by the International Accounting Standards Board.

These condensed interim financial statements were reviewed by the Audit Committee and approved and authorized for issue by the Board of Directors on February 25 2025.

3. BASIS OF PREPARATION (Continued)

b) Basis of measurement

These condensed interim financial statements have been prepared under the historical cost basis, except for certain financial instruments that are measured at fair value, as explained in the material accounting policies (note 4). These condensed interim financial statements have been prepared under the accrual basis of accounting, except for cash flow information.

4. MATERIAL ACCOUNTING POLICIES

These condensed interim financial statements have been prepared, for all periods presented, following the same accounting policies and methods of computation as described in note 4 to the audited financial statements as at June 30, 2024 and for the year then ended, except for the following:

Classification of liabilities as current or non-current (amendments to IAS 1)

IAS 1 has been amended to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

These amendments were adopted for the reporting period beginning July 1, 2024. There was no impact for the Company.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income/loss in the year of the change if the change affects that year only, or in the year of the change and future years if the change affects both.

Critical judgments in applying accounting policies

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the condensed interim financial statements within the next fiscal year are discussed below.

Going concern risk assessment

The assessment of the Company's ability to continue as a going concern requires significant judgment. The condensed interim financial statements have been prepared on the basis of accounting principles applicable to a going concern, as disclosed in note 2.

(Unaudited – Expressed in Canadian Dollars)

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

Key sources of estimation uncertainty

Convertible debentures and lease obligation

The debt component of the convertible debenture and lease obligation are calculated using a discounted cash flow method, which requires management to make an estimate of an appropriate discount rate. Changes in the discount rate can materially affect the calculation of the debt component of the convertible debentures and the lease obligation.

6. FINANCIAL INSTRUMENTS

Financial instruments are agreements between two parties that result in promises to pay or receive cash or equity instruments. The carrying values of accounts payable and accrued liabilities, lease obligation, loan payable and convertible debentures approximate their fair values due to their short term to maturity.

The following table sets forth the Company's financial asset measured at fair value by level within the fair value hierarchy:

December 31, 2024	Level 1	Level 2	Level 3	Total
Cash	$ 130,521	$ -	$ -	$ 130,521

June 30, 2024	Level 1	Level 2	Level 3	Total
Cash	$ 56,547	$ -	$ -	$ 56,547

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Market risk.

a) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company manages credit risk, in respect of cash, by placing it at major Canadian financial institutions. The Company has minimal credit risk. Of the $45,887 (June 30, 2024 - $96,523) receivables balance, $45,887 (June 30, 2024 - $96,416) is owing from the Canada Revenue Agency and Revenue Québec.

b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquid funds to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The contractual financial liabilities of the Company as of December 31, 2024 equal $3,855,983 (June 30, 2024 - $4,061,975). The face value of the convertible debenture is $1,475,000 and matures on November 18, 2025. All of the liabilities presented as accounts payable are due within 30 days of the reporting date.

6. FINANCIAL INSTRUMENTS (Continued)

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on capital.

i) Currency risk – The Company has minimal funds held in a foreign currency and holds a material amount of accounts payable and accrued liabilities in United States dollars. A fluctuation in the exchange rate between the Canadian and United States dollars of 10% would result in a $103,000 change in the Company's accounts payable and accrued liabilities. The Company does not use any techniques to mitigate currency risk.

ii) Interest rate risk – Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest earned on cash is at nominal interest rates. The Company currently has no debt subject to variable interest rates. Accordingly, the Company does not consider interest rate risk to be significant.

iii) Other price risk – Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices, other than those arising from interest rate risk. The Company is not exposed to significant other price risk.

d) Capital management

The Company considers its capital to be comprised of shareholders' equity (deficiency).

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares. Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will continue this method of financing due to the current difficult market conditions.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

Management reviews the capital structure on a regular basis to ensure that the above objectives are met. There have been no changes to the Company's approach to capital management during the Six Months Ended December 31, 2024. The Company is not subject to externally imposed capital requirements.

(Unaudited – Expressed in Canadian Dollars)

7. EQUIPMENT AND RIGHT-OF-USE-ASSET

	Equipment	Right-of-use Asset
Cost		
Balance at June 30, 2023	$ 65,803	$ -
Additions	203,239	53,282
Balance at June 30, 2024	269,042	53,282
Disposals	-18,598	-
Balance at December 31, 2024	$ 250,444	$ 53,282
Accumulated Depreciation		
Balance at June 30, 2023	$ 6,581	$ -
Depreciation	32,168	19,980
Balance at June 30, 2024	38,749	19,980
Depreciation	22,099	13,320
Balance at December 31, 2024	$ 60,848	$ 33,300
Net Book Value, June 30, 2024	$ **230,293**	**$ 33,302**
Net Book Value, December 31, 2024	$ **189,596**	**$ 19,982**

8. CONVERTIBLE DEBENTURES

On November 16, 2022, the Company closed a non-brokered private placement of 2,355 convertible debenture units for gross proceeds of $2,355,000. Each debenture unit consists of: (i) $1,000 principal amount of 8% unsecured convertible debenture; and (ii) 636 common share purchase warrants. The debentures bear interest at 8% per annum, payable at maturity, and mature on November 16, 2024. The debentures are convertible at the option of the holder into Common Shares of the Company at a conversion price of $1.57 per Common Share.

Each warrant is exercisable to acquire one Common Share at an exercise price of $2.50 until November 16, 2024. In connection with the offering, the Company paid a cash fee of $188,400 and issued 120,000 finders' warrants to a finder. Each finder's warrant entitles the holder thereof to purchase one Common Share at an exercise price of $2.50 until November 16, 2024. The finders' warrants had a fair value of $97,675 estimated using the Black-Scholes option pricing model with a volatility of 102%, risk-free interest rate of 3.84%, dividend rate of 0% and expected life of 2 years.

8. CONVERTIBLE DEBENTURES (Continued)

The debentures are compound instruments, and the proceeds are required to be bifurcated to record the fair value of the separate debt and equity components. The fair value of the debt was determined using a discounted cash flow model using an estimated market interest rate for equivalent debt of 18%. The initial fair value of the debt was calculated to be $1,911,015 with the residual portion of $443,985 allocated to both the equity component ($245,295) and the warrants ($198,690). Transaction costs totaled $295,463, of which $239,760 were allocated to the liability component and offset the carrying value and are amortized using the effective interest method as finance costs over the expected life of the debentures. Transactions costs of $30,775 were charged to the equity component and $24,928 were charged to the warrant component. In addition, the resulting deferred tax amount of $105,000 has been charged to the equity component.

On March 20, 2023, debentures with a principal amount of $235,500 were converted by the holder into 150,000 Common Shares, with the debt having a value of $181,873 at the date of conversion. The Company repaid interest of $6,246 in relation to the conversions.

During the year ended June 30, 2024, debentures with a principal amount of $549,499 were converted by the holder into 349,999 Common Shares, with the debt having a value of $441,349 at the date of conversion. The Company repaid interest of $36,140 in relation to the conversions.

On November 18, 2024,

a) Debentures amounting to $ 94,000 were repaid.
b) Interest on debentures amounting to $251,200 were converted by the holders to 440,697 Common Shares.
c) The balance amount of Debentures were converted to new debentures having a principal value of $1,476,000 carrying an interest rate of 8%. These new debentures mature on November 16, 2025. Each new debenture is unsecured and rank pari passu in right of payment of principal and interest with all the existing and future unsecured indebtedness of the Company. The principal amount of each new debenture is convertible at the option of the holder into common shares at a price of $0.60 per Common Share at any time up to and including the maturity date.
d) In connection with the above, 123,000 Common Shares were issued to an arm's length finder as finders fees. Accordingly, this transaction cost of has been adjusted offsetting the debentures by $54,772 and the equity component of debentures by $9,188.
e) The fair value of the new debentures have been determined as $1,209,206 (net of adjustment for transaction costs) and discounted 23%. Accordingly, the equity component of the new debentures has been determined as $202,834.

(Unaudited – Expressed in Canadian Dollars)

8. CONVERTIBLE DEBENTURES (Continued)

Convertible debenture transactions are summarized as follows:

		Six Months Ended `December 31, 2024		**Year Ended June 30, 2024**
Opening balance	$	1,660,270	$	1,746,069
Interest accretion		175,997		391,690
Repayments of interests				(36,140)
Interest converted to shares		(251,200)		-
Repayments		(109,067)		-
Conversion to shares		-		(441,349)
Re-issue of ne debentures		(1,476,000)		-
Add issue of new debentures		1,476,000		-
Less proportinate transaction costs		(63,959)		-
Less equity portion		(202,834)		-
Interest accretion		36,547		-
	$	1,245,754	$	1,660,270
Current portion	$	1,245,754	$	1,660,270
Non-current portion	$	-	$	-

9. LOAN PAYABLE

On June 5, 2024, the Company entered into a loan agreement with a relative of an officer and director. Under the terms of the agreement, the Company borrowed $50,000. The loan is unsecured and bears interest at 10% per annum payable on maturity. The maturity date of the loan is the earlier of December 5, 2024 and the day the Company closes a financing resulting in gross proceeds equal to or greater than $2,000,000. The Company accrued an interest of $1,777 (year ended June 30, 2024 - $342) of interest and repaid $50,000 (year ended June 30, 2024 - $nil). During the Six Months Ended December 31, 2024, the Company repaid the loan including a cumulative interest accrued balance of $2120.

On August 1, 2024, the Company entered into a loan agreement with a relative of an officer and director. Under the terms of the agreement, the Company borrowed $15,000. The loan is unsecured and bears interest at 10% per annum payable on maturity. The maturity date of the loan is the earlier of February 1, 2025 and the day the Company closes a financing resulting in gross proceeds equal to or greater than $2,000,000. During the Six Months Ended December 31, 2024, the Company has accrued $635 (year ended June 30, 2024 - $nil) of interest, resulting in a balance of $15,635 as at December 31, 2024 (June 30, 2024 - $nil).

(Unaudited – Expressed in Canadian Dollars)

9. LOAN PAYABLE (Continued)

Loan payable transactions are summarized as follows:

	Six Months Ended December 31, 2024	Year Ended June 30, 2023
Opening balance	$ 50,342	$ -
Loan proceeds advanced	15,000	50,000
Interest accretion	2,412	342
Repayments	(52,120)	-
	$ 15,635	$ 50,342
Current portion	$ 15,635	$ 50,342
Non-current portion	$ -	$ -

10. RELATED PARTY TRANSACTIONS

These amounts of key management compensation are included in the amounts shown on the condensed interim statements of comprehensive loss:

	Six Months Ended December 31, 2024	Six Months Ended December 31, 2023
Consulting fees	$ 58,500	$ 51,000
Management fees	226,000	191,000
Research and lab fees	125,000	135,096
Share-based compensation	159,514	5,836,658
	$ 569,014	$ 6,213,754

During the year ended June 30, 2021, the Company entered into various consulting agreements that included key management (note 14). . The agreements were terminated during the Six Months Ended December 31, 2024.

During the Six Months Ended December 31, 2024, the Company paid research and lab fees of $nil (2023 - $129,470) to companies in which management and directors are principals.

As at December 31, 2024, the Company had accounts payable of $325,426 (June 30, 2024 - $224,841) with companies controlled by current and former officers and directors. The balances owing are unsecured, non-interest-bearing and have no specific terms of repayment.

10. RELATED PARTY TRANSACTIONS (Continued)

On June 5, 2024, the Company entered into a loan agreement with a relative of an officer and director. Under the terms of the agreement, the Company borrowed $50,000. The loan is unsecured and bears interest at 10% per annum payable on maturity. The maturity date of the loan is the earlier of December 5, 2024 and the day the Company closes a financing resulting in gross proceeds equal to or greater than $2,000,000. The Company accrued an interest of $1,777 (year ended June 30, 2024 - $342) and repaid $50,000 (year ended June 30, 2024 - $nil). During the Six Months Ended December 31, 2024, the Company repaid the loan including a cumulative interest accrued balance of $2120.

On August 1, 2024, the Company entered into a loan agreement with a relative of an officer and director. Under the terms of the agreement, the Company borrowed $15,000. The loan is unsecured and bears interest at 10% per annum payable on maturity. The maturity date of the loan is the earlier of February 1, 2025 and the day the Company closes a financing resulting in gross proceeds equal to or greater than $2,000,000. During the Six Months Ended December 31, 2024, the Company has accrued $635 (year ended June 30, 2024 - $nil) of interest, resulting in a balance of $15,635 as at December 31, 2024 (June 30, 2024 - $nil).

At December 31, 2024, the Company had accounts receivable of $nil (June 30, 2024 - $108) from a company with a common officer for expense reimbursement.

11. SHARE CAPITAL

a) Authorized

Unlimited Class A Common Shares, voting, participating, without par value ("Common Shares")

b) Issued and outstanding
During the year ended June 30, 2024

During the year ended June 30, 2024, the Company received $15,000 on the exercise of 100,000 warrants and $423,750 on the exercise of 339,000 stock options. The Company transferred $9,229 and $96,412 from the share-based payments reserve to share capital in relation to the exercise of the warrants and stock options, respectively.

During the year ended June 30, 2024, the Company issued 349,999 Common Shares at a value of $441,349 pursuant to a convertible debenture conversion (note 8). Included in the value upon conversion was $30,718 allocated from equity component of convertible debenture to share capital.

b) Issued and outstanding (continued)

During the year ended June 30, 2024 (continued)

On January 30, 2024, the Company closed the first tranche of a non-brokered private placement. The Company issued 567,000 units at a price of $1.50 per unit for gross proceeds of $850,500. Each unit consists of one Common Share and one share purchase warrant. Each warrant is exercisable into one Common Share at an exercise price of $2.00 for a period of two years. The Company paid cash finder's fees of $68,040 and issued 45,360 finder's warrants with a fair value of $30,061 with the same terms as the warrants issued in the units.

(Unaudited – Expressed in Canadian Dollars)

12. **SHARE CAPITAL** (Continued)

On March 22, 2024, the Company closed the second tranche of a non-brokered private placement. The Company issued 400,000 units at a price of $1.50 per unit for gross proceeds of $600,000. Each unit consists of one Common Share and one share purchase warrant. Each warrant is exercisable into one Common Share at an exercise price of $2.00 for a period of two years. The Company paid cash finder's fees of $48,000 and issued 32,000 finder's warrants with a fair value of $21,122 with the same terms as the warrants issued in the units. The Company paid other share issuance costs of $8,567.

In November 2024, the Company closed private placement at a price of $0.50 per unit for aggregate gross proceeds of $800,000. Each Unit consists of one common share and one-half of one common share purchase warrant. Each warrant is exercisable to acquire one additional Share at an exercise price of $1.00 per Share for a period of 24 months from the date of the closing. The Company paid cash finder's fees of $14,000 and issued 28,000 finder's warrants with a fair value of $7,215 with the same terms as the warrants issued in the units.

c) Warrants

Warrant transactions and the number of warrants outstanding are summarized as follows:

	Six Months Ended 31-Dec-24		**Year Ended June 30, 2023**	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	2,974,260	$2.02	2,029,900	$2.50
Issued	828000	$1.00	1,044,360	$2.00
Exercised	-	-	-100,000	$0.15
Expired	-164,475	$16.84	-	-
Outstanding, end of period	3,637,785	$1.12	2,974,260	$2.02

The following warrants were outstanding and exercisable at December 31, 2024:

Expiry Date	**Weighted Average Remaining Contractual Life in Years**	**Exercise Price**	**Outstanding**
30-Jan-25	0.08	$3.00	169,100
27-Feb-25	0.16	$3.00	6,200
27-Apr-25	0.32	$4.00	61,020
12-May-25	0.36	$4.00	31,325
16-Nov-25	0.88	$0.75	1,497,780*
30-Jan-26	1.08	$2.00	612,360
22-Mar-26	1.22	$2.00	432,000
30-Oct-26	1.83	$1.00	803,000
29-Nov-26	1.91	$1.00	25,000
	1.12		3,637,785

(Unaudited – Expressed in Canadian Dollars)

11. SHARE CAPITAL (Continued)

* During November 2024, these warrants were repriced from $1.75 to $0.75 extending the original expiry date of November 16, 2024 to November 16, 2025.

The fair value of each finder's warrant issued was calculated using the following weighted average assumptions:

	Six Months Ended December 31, 2024	**Year Ended June 30, 2024**
Expected life (years)	2	2.00
Risk-free interest rate	3.11%	4.06%
Annualized volatility	97%	94%
Dividend yield	0%	0%
Stock price at grant date	0.63	$ 1.50
Exercise price	1	$ 2.00
Weighted average grant date fair value	$0.25	$ 1.03

Option pricing models require the input of highly subjective assumptions regarding volatility. The Company has estimated the volatility of the share price based on comparable start-up companies' volatilities.

During the Six Months Ended December 31, 2024, the Company transferred $81,895 (2023 - $nil) from the share-based payments reserve to deficit, as 44,475 (2023 - nil) warrants expired unexercised.

d) Stock options

Defence's Omnibus Incentive Plan allows the Company to grant incentive stock options to directors, officers, employees and consultants. Under the plan, the aggregate number of Common Shares that may be subject to option at any one time may not exceed 10% of the issued Common Shares of the Company as of that date, including options granted prior to the adoption of the plan. Options granted may not exceed a term of 10 years. All options vest when granted unless they are otherwise specified by the Board of Directors.

Stock option transactions and the number of stock options outstanding are summarized as follows:

	Six Months Ended 31-Dec-24		**Year Ended June 30, 2024**	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding, beginning of period	2,500,000	$2.48	1,600,000	$1.39
Issued	725,000	$0.61	2,400,000	$2.50
Exercised	-	-	-339,000	$1.25
Expired	(1,400,000)	$2.47	-1,161,000	$1.38
Outstanding, end of period	1,825,000	$1.75	2,500,000	$2.48

(Unaudited – Expressed in Canadian Dollars)

10. **SHARE CAPITAL** (Continued)

d) Stock options (continued)

The following stock options were outstanding and exercisable at December 31, 2024:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	Outstanding	Exercisable
08-Jul-26	1.52	1.00	25,000	25,000
10-Oct-26	1.78	0.60	200,000	200,000
27-Sep-27	2.74	0.60	200,000	200,000
13-Nov-27	2.87	0.60	100,000	100,000
15-Nov-27	2.87	0.60	100,000	100,000
19-Dec-27	2.97	0.60	100,000	100,000
06-Oct-33	8.77	2.50	1,100,000	1,100,000
	6.28	1.75	1,825,000	1,825,000

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its stock options granted. During the current year, 725,000 Options were granted and accordingly, an amount of $230,444 (2023 - $nil) was recorded as share-based compensation with a corresponding allocation to Share based payment reserve. During the year 1,400,000 options expired. Accordingly, an amount of $3,147,891 (2023: $143,275) was transferred from Share based payment reserve to Deficit.

The fair value of each stock option granted was calculated using the following weighted average assumptions:

	Six Months Ended December 31, 2024	Year Ended June 30, 2024
Expected life (years)	2.92	10.00
Risk-free interest rate	3.03%	4.15%
Annualized volatility	91%	138%
Dividend yield	0%	0%
Stock price at grant date	$ 0.58	$ 2.49
Exercise price	$ 0.63	$ 2.50
Weighted average grant date fair value	$ 0.33	$ 2.43

Option pricing models require the input of highly subjective assumptions regarding volatility. The Company has estimated the volatility of the share price based on comparable start-up companies' volatilities.

13. RESEARCH AND LAB FEES

An investment tax credit refund under the government of Québec Scientific Research & Experimental Development program of $163,247 for the Six Months Ended December 31, 2024 (2023 - $nil) has been recorded as a reduction of research and lab fees.

14. SEGMENTED DISCLOSURE

The Company has one operating segment, being research and development. All of the Company's assets are located in Canada.

(Unaudited – Expressed in Canadian Dollars)

15. COMMITMENTS

On September 18, 2020, the Company entered into consulting agreements with its chief executive officer, chief financial officer and corporate secretary. On March 21, 2023 and September 23, 2023, the consulting agreements were amended. The consulting agreement with the chief executive officer contained bonus payments upon reaching certain milestones related to clinical trials and license agreements. During the Six Months Ended December 31, 2024, bonuses of $25,000 (2023 - $nil) were accrued to the chief executive officer. .

During the Six Months Ended December 31, 2024, the consulting agreement with the chief executive officer was terminated. . As a result, a $45,000 termination fee was accrued to the chief executive officer. . The Company also provided three-month termination notices to the chief financial officer and the corporate secretary during the Six Months Ended December 31, 2024.

On May 9, 2023, the Company entered into a lease agreement for lab space commencing October 1, 2023 for a period of two years. Basic rent per fiscal year is approximately as follows:

Fiscal 2025	$	16,000
Fiscal 2026		8,000
	$	32,000

16. SUPPLEMENTAL DISCLOSURES WITH RESPECT TO CASH FLOWS

		2024		2023
Interest paid	$	(2,118.58)	$	36,140.00
Interest received	$	62.00	$	
Non-cash investing and financing activities				
Conversion of convertible debenture to shares	$	(320,516.00)	$	395,110.00
Fair value transferred on exercise of stock options	$	-	$	96,412.00
Fair value transferred on expiry of stock options	$	31,310.00	$	143,275.00
Fair value of finders' shares issued	$	63,960.00	$	-

Reconciliation of liabilities arising from financing activities for the Six Months Ended December 31, 2024 and year ended June 30, 2024:

			Non-cash Items				
	June 30, 2024	**Cash Flow**	**Accretion**	**Bifurcation to Equity**	**Conversion**	**Interest Payment**	**31-Dec-24**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Convertible debentures	1,660,270	(94,000)	212,544	(202,834)	(330,226)	-	1,245,754
	June 30, 2023	**Cash Flow**	**Accretion**	**Bifurcation to Equity**	**Conversion**	**Interest Payment**	**June 30, 2024**
	$	**$**	**$**	**$**	**$**	**$**	**$**
Convertible debentures	1,746,069	-	391,690	-	(441,349)	(36,140)	1,660,270

17. SUBSEQUENT EVENTS

a) During December 2024 and January 2025, the Company closed a non-brokered private placement. The Company issued 7,025,000 units at a price of $0.60 per unit for gross proceeds of $4,215,000. Each unit consists of one Common Share and one share purchase warrant. Each warrant is exercisable into one Common Share at an exercise price of $0.75 for a period of two years. The Company paid cash finder's fees of $241,680 and issued 412,000 finder's warrants with the same terms as the warrants issued in the units.

b) On January 31, 2025, the Company has granted 250,000 incentive stock options to two board members and 100,000 incentive stock option to a consultant, in accordance with the terms and conditions of Defence's Omnibus Incentive Plan. The stock options granted are vested immediately and exercisable at a price of $1.02 per common share of the Company, of which the Director's Options are for a period of ten years from the grant date and the Consultant's Options are for a period of three years.