Defence Therapeutics Inc.

(formerly Accum Therapeutics Inc.)

Condensed Interim Financial Statements

Nine Months Ended March 31, 2021

(Unaudited – Expressed in Canadian Dollars)

Defence Therapeutics Inc.
(formerly Accum Therapeutics Inc.)

Nine Months Ended March 31, 2021

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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.

May 27, 2021

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

		March 31, 2021 (unaudited)		June 30, 2020 (audited)
Assets				
Current				
Cash	$	6,640,072	$	1,865,927
Sales tax receivable		37,518		-
Prepaids		31,396		-
		6,708,986		1,865,927
Intangible Assets (note 7)		46,018		46,018
	$	6,755,004	$	1,911,945
Liabilities				
Current				
Accounts payable and accrued liabilities (notes 8 and 9)	$	156,922	$	48,351
Shareholders' Equity				
Share Capital (note 9)		4,256,891		2,396,829
Special Warrants (note 9)		3,682,200		-
Share-based Payments Reserve (note 9)		506,853		140,121
Deficit		(1,847,862)		(673,356)
		6,598,082		1,863,594
	$	6,755,004	$	1,911,945

Going Concern (note 2)
Commitments (note 11)
Subsequent Events (note 12)

Approved on behalf of the Board:

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

"Raimar Löbenberg" ……………………………… Director
Raimar Löbenberg

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

Defence Therapeutics Inc.
(formerly Accum Therapeutics Inc.)
Condensed Interim Statements of Comprehensive Loss
(Unaudited – Expressed in Canadian Dollars)

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020	Nine Months Ended March 31, 2021	Nine Months Ended March 31, 2020
Expenses				
Accounting and legal	$ 103,095	$ 12,268	$ 210,450	$ 14,018
Advertising and promotion	525	-	44,235	-
Consulting fees (note 8)	18,000	-	36,000	7,600
Management fees (note 8)	50,992	-	102,360	-
Office and general	7,365	17	9,280	72
Research and lab fees (note 8)	380,185	-	611,853	-
Share-based compensation (notes 8 and 9)	112,122	179,985	141,866	179,985
Transfer agent and filings fees	18,462	-	18,462	-
Net Loss and Comprehensive Loss for the Period	$ (690,746)	$ (192,270)	$ (1,174,506)	$ (201,675)
Basic and Diluted Loss Per Share	$ (0.02)	$ (0.61)	$ (0.05)	$ (1.92)
Weighted Average Number of Common Shares Outstanding – Basic and Diluted	28,658,723	316,557	24,657,464	104,819

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

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

	Share Capital					
	Number of Class A Common Shares	**Share Capital**	**Special Warrants**	**Share-based Payments Reserve**	**Deficit**	**Total**
Balance, June 30, 2019	**100**	**$ 100**	**$ -**	**$ -**	**$ (174)**	**$ (74)**
Shares issued for services	1,199,900	179,985	-	-	-	179,985
Net loss and comprehensive loss for the period	-	-	-	-	(201,675)	(201,675)
Balance, March 31, 2020	**1,200,000**	**180,085**	**-**	**-**	**(201,849)**	**(21,764)**
Shares issued for intellectual property agreement	2,085,714	312,857	-	-	-	312,857
Private placement	15,180,000	2,277,000	-	-	-	2,277,000
Share issue costs	-	(373,113)	-	140,121	-	(232,992)
Net loss and comprehensive loss for the period	-	-	-	-	(471,507)	(471,507)
Balance, June 30, 2020	**18,465,714**	**2,396,829**	**-**	**140,121**	**(673,356)**	**1,863,594**
Private placements	8,823,000	2,488,050	3,682,200	-	-	6,170,250
Share issue costs	302,960	(887,280)	-	323,643	-	(563,637)
Shares issued on exercise of warrants	1,070,100	160,515	-	-	-	160,515
Fair value transferred on exercise of warrants	-	98,777	-	(98,777)	-	-
Share-based compensation	-	-	-	141,866	-	141,866
Net loss and comprehensive loss for the period	-	-	-	-	(1,174,506)	(1,174,506)
Balance, March 31, 2021	**28,661,774**	**$ 4,256,891**	**$ 3,682,200**	**$ 506,853**	**$ (1,847,862)**	**$ 6,598,082**

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

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

		2021		2020
Operating Activities				
Net loss for the period	$	(1,174,506)	$	(201,675)
Item not involving cash				
Share-based compensation		141,866		179,985
Changes in non-cash working capital				
Sales tax receivable		(37,518)		-
Prepaids		(31,396)		6,999
Accounts payable and accrued liabilities		108,571		14,017
Cash Used in Operating Activities		(992,983)		(674)
Financing Activities				
Shares issued for cash		2,648,565		-
Special warrants issued for cash		3,682,200		-
Share issue costs		(563,637)		-
Cash Provided by Financing Activities		5,767,128		-
Inflow (Outflow) of Cash		4,774,145		(674)
Cash, Beginning of Period		1,865,927		766
Cash, End of Period	$	6,640,072	$	92
Supplemental Disclosure with Respect to Cash Flows				
Income tax paid	$	-	$	-
Interest paid	$	-	$	-
Fair value of finder's warrants issued	$	323,643	$	-
Fair value transferred on exercise of warrants	$	98,777	$	-

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 Quebec. 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 1680 – 200 Burrard Street, Vancouver, British Columbia, Canada, V6C 3L6.

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 has sufficient cash to finance its current plans for at least twelve months from the date the financial statements are issued. 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.

In early March 2020, there was a global outbreak of coronavirus (COVID-19). The effects of COVID-19 could delay any future clinical trials, the magnitude of which will depend, in part, on the length and severity of the restrictions and other limitations on the Company's ability to conduct business in the ordinary course. These and similar, and perhaps more severe, disruptions to operations could negatively impact the Company's business, financial condition and results of operations, including the ability to obtain financing.

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 34 *Interim Financial Reporting*.

The condensed interim financial statements of the Company should be read in conjunction with the Company's June 30, 2020 audited financial statements, which have been prepared in accordance with International Financial Reporting 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 May 27, 2021.

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

4. SIGNIFICANT 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 for the year ended June 30, 2020.

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 financial statements within the next fiscal year are discussed below.

a) Income taxes

Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Company recognizes liabilities and contingencies for anticipated tax audit issues based on the Company's current understanding of the tax law. For matters where it is probable that an adjustment will be made, the Company records its best estimate of the tax liability, including the related interest and penalties in the current tax provision. Management believes they have adequately provided for the probable outcome of these matters; however, the final outcome may result in a materially different outcome than the amount included in the tax liabilities.

In addition, the Company recognizes deferred tax assets relating to tax losses carried forward to the extent that it is probable that taxable profit will be available against which a deductible temporary difference can be utilized. This is deemed to be the case when there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity that are expected to reverse in the same year as the expected reversal of the deductible temporary difference, or in years into which a tax loss arising from the deferred tax asset can be carried back or forward. However, utilization of the tax losses also depends on the ability of the taxable entity to satisfy certain tests at the time the losses are recouped.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

b) 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.

c) Impairment of intangible assets

The application of the Company's accounting policy for intangible assets and impairment of the capitalized expenditures requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. Estimates and assumptions made may change if new information becomes available. If, after expenditure is capitalized, information becomes available suggesting that the recovery of expenditure is unlikely, the amount capitalized is written off in profit or loss in the year the new information becomes available.

Key sources of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of resulting in material adjustments to the financial statements.

a) Fair value of stock options and finder's warrants granted

The Company uses the Black-Scholes option pricing model to value the stock options and finder's warrants granted during the period. The Black-Scholes model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. The model requires management to make estimates that are subjective and may not be representative of actual results. Changes in assumptions can materially affect estimates of fair values.

6. FINANCIAL INSTRUMENTS

Financial instruments are agreements between two parties that result in promises to pay or receive cash or equity instruments. The Company classifies its financial instruments as follows: cash is classified as fair value through profit or loss; and accounts payable and accrued liabilities, as amortized cost. The carrying values of these instruments 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:

March 31, 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash	$ 6,640,072	$ -	$ -	$ 6,640,072

June 30, 2020	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash	$ 1,865,927	$ -	$ -	$ 1,865,927

6. FINANCIAL INSTRUMENTS (Continued)

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. Included in the sales tax receivable balance is $37,518 (June 30, 2020 - $nil) owing from the Canada Revenue Agency.

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 March 31, 2021 equal $156,922 (June 30, 2020 - $48,351). All of the liabilities presented as accounts payable are due within 30 days of the reporting date.

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 no funds held in a foreign currency, and as a result, is not exposed to significant currency risk on its financial instruments at period-end.

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, and therefore, the Company does not consider interest rate risk to be significant. The Company has no interest-bearing financial liabilities.

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.

6. FINANCIAL INSTRUMENTS (Continued)

d) Capital management

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

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 nine months ended March 31, 2021. The Company is not subject to externally imposed capital requirements.

7. INTELLECTUAL PROPERTY AGREEMENT AND INTANGIBLE ASSETS

On May 12, 2017, prior to the incorporation of the Company, a precursor entity to the Company and a former principal of the Company, entered into an Intellectual Property Assignment and Royalty Agreement (the "Original IP Assignment and Royalty Agreement") with TransferTech Sherbrooke, a limited liability partnership ("TTS"), and Jeffrey Victor Leyton ("Leyton"), a professor at the Universite de Sherbrooke. The Original IP Assignment and Royalty Agreement assigns Leyton's invention known as "Novel Immunoconjugates with cholic acid nuclear localization sequence peptide and uses thereof" (the "Accum Invention") and any related intellectual property to the Company.

On May 20, 2020, the Company and TTS entered into an Amended and Restated Intellectual Property Assignment and Royalty Agreement (the "Amended IP Assignment and Royalty Agreement"), which amends and restates the Original IP Assignment and Royalty Agreement, assigning the Accum Invention and any related intellectual property to the Company in exchange for consideration as follows:

- $25,000 upon completion of the agreement (paid); and
- The issuance of 2,085,714 common shares of the Company (issued and valued at $312,857).

The Company must also make milestone payments related to the Accum Invention and any related or derivative inventions as follows:

- $10,000 within 30 days of the completion of the first non-rodent positive toxicology study;
- $25,000 within 30 days of the recruitment of the first phase 1 patient;
- $50,000 within 30 days of the recruitment of the first phase 2 patient;
- $100,000 within 30 days of the recruitment of the first phase 3 patient; and
- $250,000 within 30 days of the first regulatory approval from a relevant registration authority.

In addition, the Company must pay a royalty of 3% calculated on the net revenues and all commercial activities involving the Accum Invention, and 4% calculated on the net revenues and all commercial activities involving any related or derivative inventions.

(Unaudited – Expressed in Canadian Dollars)

7. INTELLECTUAL PROPERTY AGREEMENT AND INTANGIBLE ASSETS (Continued)

The Company was also required to enter into a research contract for a minimum of $45,000 (completed).

The Company has determined that the cash and share consideration paid for the Amended IP Assignment and Royalty Agreement, along with the costs of the research contract, do not qualify as development costs. Accordingly, the amounts have been expensed to research and lab fees.

The Company has capitalized the following amounts as intangible assets:

		Intellectual Property
Cost		
Balance at June 30, 2019	**$**	**-**
Patent costs		46,018
Balance at June 30, 2020 and March 31, 2021	**$**	**46,018**

On December 1, 2020, the Company entered into an option and right of first refusal agreement to acquire intellectual property. In order to acquire the intellectual property, the Company paid $25,000 and must make additional payments as follows:

- Up to $200,000 in development costs;
- $75,000 upon completion of the acquisition;
- A minimum of $200,000 related to a service agreement for continuing development to be entered into between the Company and the vendor at a future date; and
- $100,000 upon submission of a patent for the intellectual property.

The Company's Chief Technical Scientific Officer is an officer of the vendor. The Company has determined the costs do not qualify as development costs. Accordingly, the amounts have been expensed to research and lab fees.

8. RELATED PARTY TRANSACTIONS

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

		Nine Months Ended March 31, 2021		Nine Months Ended March 31, 2020
Consulting fees	$	36,000	$	-
Management fees		102,360		-
Research and lab fees		65,115		-
Share-based compensation		140,300		-
	$	343,775	$	-

8. RELATED PARTY TRANSACTIONS (Continued)

During the nine months ended March 31, 2021, the Company entered into various consulting agreements that included key management (note 11).

During the nine months ended March 31, 2021, the Company paid research and lab fees of $202,761 (2019 - $nil) to companies in which management and directors are principals.

As at March 31, 2021, the Company had accounts payable of $17,795 (June 30, 2020 - $nil) with companies controlled by officers and directors. The balances owing are unsecured, non-interest-bearing and have no specific terms of repayment.

9. SHARE CAPITAL

a) Authorized

- Unlimited Class A Common Shares, voting, participating, without par value (“Common Shares”);
- Unlimited Class A Special Shares, voting, non-participating, non-cumulative, redeemable, without par value;
- Unlimited Class B Common Shares, non-voting, participating, without par value;
- Unlimited Class B Special Shares, non-voting, non-participating, redeemable, without par value;
- Unlimited Class C Common Shares, non-voting, participating, without par value;
- Unlimited Class C Special Shares, non-voting, non-participating, non-cumulative, redeemable, without par value; and
- Unlimited Class D Special Shares, non-voting, non-participating, non-cumulative, redeemable without par value.

b) Issued and outstanding

During the nine months ended March 31, 2021

On August 31, 2020, the Company closed the second tranche of a private placement for gross proceeds of $630,000. The Company issued 4,200,000 Common Shares at a price of $0.15 per share. The Company paid finder’s fees of $34,650 and issued 189,000 finder’s shares valued at $28,350 and 420,000 finder’s warrants valued at $38,758 (note 9(c)). Each finder’s warrant is exercisable into one Common Share of the Company at a price of $0.15 for a period of 36 months following the date the Company becomes a reporting issuer in any province or territory. See note 12.

On October 9, 2020, the Company closed the third and final tranche of a private placement for gross proceeds of $305,250. The Company issued 2,035,000 Common Shares at a price of $0.15 per share. The Company paid finder’s fees of $13,431 and issued 113,960 finder’s shares valued at $17,094 and 203,500 finder’s warrants valued at $18,770 (note 9(c)). Each finder’s warrant is exercisable into one Common Share of the Company at a price of $0.15 for a period of 36 months following the date the Company becomes a reporting issuer in any province or territory. The Company incurred other share issue costs of $5,556. See note 12.

9. SHARE CAPITAL (Continued)

b) Issued and outstanding (continued)

On December 24, 2020, the Company closed a private placement and issued 6,000,000 special warrants at a price of $0.60 per special warrant, for gross proceeds of $3,600,000. The Company also issued 2,584,000 units at a price of $0.60 per unit, for gross proceeds of $1,550,400. The special warrants are deemed to be exercised into one Common Share of the Company and one share purchase warrant on the earlier of three business days after the Company receives a prospectus receipt and April 25, 2021. Each warrant is exercisable into one Common Share of the Company at a price of $1.25 for a period equal to the shorter of two years after the Company's shares are listed on the Canadian Securities Exchange ("CSE") and December 24, 2025. The units consist of one Common Share and one share purchase warrant, with each warrant being exercisable into one Common Share of the Company at a price of $1.25 for a period equal to the shorter of 24 months after the Company's shares are listed on the CSE and December 24, 2025. The Company paid finder's fees of $510,000 and issued 850,000 finder's warrants valued at $266,115 (note 9(c)). Each finder's warrant is exercisable into one Common Share of the Company at a price of $0.60 for a period of 24 months following the date the Company becomes a reporting issuer in any province or territory. See note 12.

On January 25, 2021, the Company closed a private placement and issued 137,000 special warrants at a price of $0.60 per special warrant, for gross proceeds of $82,200. The Company also issued 4,000 units at a price of $0.60 per unit, for gross proceeds of $2,400. The special warrants are deemed to be exercised into one Common Share of the Company and one share purchase warrant on the earlier of three business days after the Company receives a prospectus receipt and May 26, 2021. Each warrant is exercisable into one Common Share of the Company at a price of $1.25 for a period equal to the shorter of two years after the Company's shares are listed on the CSE and January 25, 2026. The units consist of one Common Share and one share purchase warrant, with each warrant being exercisable into one Common Share of the Company at a price of $1.25 for a period equal to the shorter of 24 months after the Company's shares are listed on the CSE and January 25, 2026. See note 12.

During the nine months ended March 31, 2021, the Company received $160,515 on the exercise of 1,070,100 finder's warrants. The Company transferred $98,777 from the share-based payments reserve to share capital in relation to the exercise.

During the year ended June 30, 2020

On March 7, 2020, the Company issued 1,199,900 Common Shares valued at $179,985 for services provided by consultants and former key management.

On June 18, 2020, the Company issued 2,085,714 Common Shares valued at $312,857 in relation to an intellectual property agreement (note 7).

On June 18, 2020, the Company closed the first tranche of a private placement for gross proceeds of $2,277,000. The Company issued 15,180,000 Common Shares at a price of $0.15 per share. The Company paid finder's fees of $227,700 and issued 1,518,000 finder's warrants valued at $140,121 (note 9(c)). Each finder's warrant is exercisable into one Common Share of the Company at a price of $0.15 for a period of 36 months following the date the Company becomes a reporting issuer in any province or territory. The Company incurred other share issue costs of $5,292. See note 12.

(Unaudited – Expressed in Canadian Dollars)

9. SHARE CAPITAL (Continued)

c) Warrants

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

	Nine Months Ended March 31, 2021		**Year Ended June 30, 2020**	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	1,518,000	$ 0.15	-	$ -
Issued	4,061,500	$ 0.95	1,518,000	$ 0.15
Exercised	(1,070,100)	$ 0.15	-	$ -
Outstanding, end of period	4,509,400	$ 0.87	1,518,000	$ 0.15

The following warrants were outstanding and exercisable at March 31, 2021:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	**March 31, 2021**
24 months after the Company becomes a reporting issuer*	N/A	$ 0.60	850,000
36 months after the Company becomes a reporting issuer*	N/A	$ 0.15	1,071,400
The shorter of 24 months after the Company's shares are listed on the CSE and December 24, 2025**	N/A	$ 1.25	2,584,000
The shorter of 24 months after the Company's shares are listed on the CSE and January 25, 2026**	N/A	$ 1.25	4,000
	N/A		4,509,400

* Subsequent to March 31, 2021, the Company become a reporting issuer on April 30, 2021.
**Subsequent to March 31, 2021, the Company's shares were listed on the CSE on May 7, 2021.

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its finder's warrants issued. During the nine months ended March 31, 2021, 1,473,500 (year ended June 30, 2020 - 1,518,000) finder's warrants were issued with a fair value of $323,643 (year ended June 30, 2020 - $140,121).

(Unaudited – Expressed in Canadian Dollars)

9. SHARE CAPITAL (Continued)

c) Warrants (continued)

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

	Nine Months Ended March 31, 2021	**Year Ended June 30, 2020**
Expected life (years)	2.42	3.00
Risk-free interest rate	0.27%	0.32%
Annualized volatility	100%	100%
Dividend yield	N/A	N/A
Stock price at grant date	$ 0.41	$ 0.15
Exercise price	$ 0.41	$ 0.15
Weighted average grant date fair value	$ 0.22	$ 0.09

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 nine months ended March 31, 2021, the Company transferred $98,777 (year ended June 30, 2020 - $nil) from the share-based payments reserve to share capital as 1,070,100 (year ended June 30, 2020 - nil) finder's warrants were exercised.

d) Stock options

The Company has a stock option plan 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:

	Nine Months Ended March 31, 2021		**Year Ended June 30, 2020**	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	-	$ -	-	$ -
Issued	1,350,000	$ 1.25	-	$ -
Outstanding, end of period	1,350,000	$ 1.25	-	$ -

(Unaudited – Expressed in Canadian Dollars)

9. SHARE CAPITAL (Continued)

d) Stock options (continued)

The following stock options were outstanding and exercisable at March 31, 2021:

Expiry Date	Weighted Average Remaining Contractual Life in Years	Exercise Price	Outstanding	Exercisable
October 9, 2023	2.53	$ 1.25	700,000	700,000
October 23, 2023	2.56	$ 1.25	250,000	250,000
January 5, 2024	2.77	$ 1.25	400,000	400,000
	2.60		1,350,000	1,350,000

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its stock options granted. Accordingly, share-based payments of $141,866 (year ended June 30, 2020 - $nil) were recognized during the nine months ended March 31, 2021.

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

	Nine Months Ended March 31, 2021	Year Ended June 30, 2020
Expected life (years)	3.00	N/A
Risk-free interest rate	0.24%	N/A
Annualized volatility	100%	N/A
Dividend yield	N/A	N/A
Stock price at grant date	$ 0.28	N/A
Exercise price	$ 1.25	N/A
Weighted average grant date fair value	$ 0.11	N/A

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.

10. SEGMENTED DISCLOSURE

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

11. COMMITMENTS

On September 18, 2020, the Company entered into consulting agreements with its Chief Executive Officer, Chief Financial Officer, Corporate Secretary and Chief Technical Scientific Officer. The consulting agreements have indefinite terms and monthly fees totalling $25,760. In the event the agreements are terminated by the Company or the consultants as a result of a change in control, the Company would be required to pay a total of $77,280 to the consultants.

12. SUBSEQUENT EVENTS

a) On April 25, 2021 and May 5, 2021, the Company's outstanding special warrants were deemed to be exercised into one Common Share of the Company and one share purchase warrant. Each warrant is exercisable into one Common Share of the Company at a price of $1.25 for a period of two years expiring on May 7, 2023.

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

c) On May 10, 2021, the Company granted 100,000 stock options to a consultant. The stock options have an exercise price of $2.56 and expire on May 10, 2022.

d) Subsequent to March 31, 2021, the Company received proceeds of $3,125 on the exercise of 2,500 warrants.