FORWARD-LOOKING INFORMATION AND MATERIAL ASSUMPTIONS

This report on results for the six months ended December 31, 2021 contains forward-looking information, including forward-looking information about Defence Therapeutic Inc.'s (formerly Accum Therapeutics Inc.) (the "Company" or "Defence") operations, estimates, and research and development.

Forward-looking information is generally signified by words such as "forecast", "projected", "expect", "anticipate", "believe", "will", "should" and similar expressions. This forward-looking information is based on assumptions that the Company believes were reasonable at the time such information was prepared, but assurance cannot be given that these assumptions will prove to be correct, and the forward-looking information in this report should not be unduly relied upon. The forward-looking information and the Company's assumptions are subject to uncertainties and risks and are based on a number of assumptions made by the Company, any of which may prove to be incorrect.

GENERAL

This Management Discussion and Analysis ("MD&A") of the financial condition, results of operations and cash flows of the Company for the six months ended December 31, 2021 should be read in conjunction with the condensed interim financial statements as at December 31, 2021. This MD&A is effective February 28, 2022. Additional information relating to the Company is available on SEDAR at www.sedar.com.

The Company has prepared its condensed interim financial statements for six months ended December 31, 2021 in Canadian dollars and in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board.

DESCRIPTION OF BUSINESS

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

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 ("CSE") and began trading under the symbol "DTC".

BUSINESS OF THE COMPANY

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 Université 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" or "Accum") 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.

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, 2020, June 30, 2021 and December 31, 2021	**$**	**46,018**

The Accum Invention includes patents as set out below:

Patent Application Number	Region	Application Date	Publication Date
CA3017950Al	Canada	March 15, 2017	September 21, 2017
US2019007787 A1	United States	March 15, 2017	March 14, 2019
JP20195I2545A	Japan	March 15, 2017	May 16, 2019
IL26 l 765D0	Israel	September 13, 2018	October 31, 2018
AU2017233725AI	Australia	March 15, 2017	October 25, 2018
EP3430060Al	Europe	March 15, 2017	January 23, 2019

As of the date of this MD&A, all the patent applications are pending. The Company will commence amortization of the intellectual property if and when the patents are granted.

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 on or before March 31, 2023 to exercise the option;
- $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 within 36 months of the option exercise 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.

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 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 two years 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 $378,373. Each finder's warrant is exercisable into one common share of the Company at a price of $0.60 for a period of two years following the date the Company becomes a reporting issuer in any province or territory.

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 two years after the Company's shares are listed on the CSE and January 25, 2026.

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.

The Company is currently focused on research, development and advancement of three main products using its proprietary Accum technology:

- Dendritic Cell ("DC") cancer vaccines using Accum (Accuvac™)
- A new protein-based vaccine formulation against COVID and infectious disease
- Antibody Drug Conjugates ("ADC") targeting various cancers.

Accuvac™: for Dendritic Cell cancer vaccines

Defence has optimized the chemical manufacturing of its experimental antigens to efficiently link the Accum moiety. When used to pulse DCs, these modified antigens were shown to break-down endosomal membranes leading to efficient processing, presentation and activation of responding T cells. The prophylactic vaccination led to 100% protection against cancer growth. This process was rechallenged three times and led to a continued 100% protection against cancerous tumor growth.

Therapeutic vaccination of animals with pre-established tumors triggered a substantial delay in tumor growth as a stand-alone therapy. Combination of Accuvac™ to the immune-checkpoint inhibitor anti-PD1 cured 70% of treated animals.

To build upon this success, Defence is developing second and third generation Accum moieties to further enhance the potency and efficacy of Accuvac™. Defence has engineered two Accum variants with direct anti-tumoral effects. The results of the Accum variants displayed efficiency at killing melanoma, lymphoma, colon and breast cancer cells in vitro. In vivo studies are currently ongoing to test the intratumoral delivery of these variants as a means to induce regression of established tumors.

Additionally, Defence is currently working to initiate some dry runs with a clean room at the Ottawa Hospital Research Institute to start generating human DCs for its cancer vaccine Phase I trial.

A COVID Vaccine

Defence is using the Accum technology to develop a distinct COVID-19 protein-based vaccine. So far, the vaccine is highly immunogenic in tests with rodent animals with antibody titers lasting for more than 16 weeks. In addition, the generated

antibodies "neutralized" the ability of pseudotyped viruses (an artificial virus with COVID-19 S proteins) from infecting cells. Also, a non-GLP study on rabbits was recently completed demonstrating no toxicity signs, along with a strong humoral response.

Additionally, Defence successfully tested a new formulation to deliver its protein-based COVID vaccine via the intranasal cavity.

Two GLP studies are currently being prepared to test both COVID vaccines on rabbits (non-rodent model).

Defence is currently preparing the initiation of IND-enabling studies while preparing to begin the Phase I trial.

Antibody Drug Conjugates

Defence has demonstrated that the Accum technology enhances the ability of the ADC Kadcyla ("T-DM1") to specifically target and kill breast cancer cells. Defence completed the synthesis of 18 different Accum-variants conjugated to T-DM1 at 10X ratio. A toxicity screening will be performed in the near future on the selected breast cancer cell line to identify additional leads.

A Phase 1 clinical trial for breast cancer is currently being prepared.

The AccuTOX Program

A novel anti-cancer function was recently discovered for "free" Accum. More specifically, when directly delivered without direct linking onto protein, the Accum moiety behaves as a toxic "bullet" to cancer cells. So far, the Defence team has engineered a large library of Accum variants (over 50) that are currently being tested for their therapeutic efficacy against breast, colon, melanoma and lymphoma cancers. In addition, a new strategy is currently being developed to engineer an "intelligent" Poly-AccuTOX molecule (a chain of various AccuTOX molecules) capable of selectively killing a wide range of cancer cells without collateral side effects.

Prophylactic anti-HPV (L1 proteins) and anti-cervical cancer vaccine (E6/E7 oncoproteins)

The idea would be to link Accum to 9 L1 proteins from different HPV subtypes or to the E6 and/or E7 oncoproteins and demonstrate potent immunogenicity. The L1 vaccine is against the HPV virus itself and has shown a 36 fold higher antibody titer than the commercially available Gardasil-9. The second one is directed against cervical cancer itself.

Therapeutic anti-cervical cancer vaccine (E6/E7 oncoproteins)

For this vaccine, the idea is to use it to trigger an immune response against established cervical cancer itself. Work is in progress.

SELECTED ANNUAL INFORMATION

	June 30, 2021 $	**June 30, 2020 $**	**June 30, 2019 $**
Revenue	-	-	-
Net loss for the year	(2,859,254)	(673,182)	(1,946)
Basic and diluted loss per common share	(0.11)	(0.71)	(19.46)
Total assets	5,609,241	1,911,945	7,765
Long-term debt	-	-	-
Dividends	-	-	-

The June 30, 2019 fiscal year had small net income and net loss amounts. For that fiscal year, the Company incurred some consulting fees, offset by recoveries and other income. The Company had minimal cash and working capital. Late in the 2020 fiscal year, the Company issued shares for services and for the Amended IP Assignment and Royalty Agreement, which was a substantial portion of the net loss. The Company also closed the first tranche of a private placement for cash, which was the

primary reason for the increase in total assets. In 2021, the Company raised $6,170,250 in private placements and special warrants, which increased total assets. The financing allowed the Company to increase research and lab fees, which has resulted in a higher net loss for the 2021 year. Year-to-year variances were not the result of any discontinued operations, changes in accounting policies or significant dispositions.

SELECTED QUARTERLY INFORMATION

Results for the eight most recently completed quarters are summarized below.

For the Quarter Periods Ended	December 31, 2021 $	September 30, 2021 $	June 30, 2021 $	March 31, 2021 $
Total revenue	-	-	-	-
Net loss for the period	(1,941,053)	(1,529,998)	(1,684,748)	(690,746)
Basic and diluted loss per share	(0.05)	(0.04)	(0.05)	(0.02)
Total assets	3,203,079	4,868,830	5,609,241	6,755,004
Total non-current liabilities	-	-	-	-
Dividends	-	-	-	-

For the Quarter Periods Ended	December 31, 2020 $	September 30, 2020 $	June 30, 2020 $	March 31, 2020 $
Total revenue	-	-	-	-
Net loss for the period	(442,255)	(41,505)	(471,507)	(192,270)
Basic and diluted loss per share	(0.02)	(0.00)	(0.27)	(0.61)
Total assets	7,167,702	2,468,903	1,911,945	28,836
Total non-current liabilities	-	-	-	-
Dividends	-	-	-	-

There is minimal seasonality in the Company's business. A discussion of the factors that have caused variations over the quarters is as follows:

- During the quarter period ended June 30, 2020, the Company issued shares for services, which was the majority of the net loss for the period. The Company still had minimal cash and working capital.
- During the quarter period ended June 30, 2020, the Company issued shares for the Amended IP Assignment and Royalty Agreement, which was included in net loss. The Company also closed the first tranche of a private placement for cash, which was the primary reason for the increase in total assets.
- During the quarter period ended September 30, 2020, the Company closed the second tranche of a private placement for cash, which was the primary reason for the increase in total assets. Net loss was primarily management fees and accounting and legal expenses, with some research and lab fees.
- During the quarter period ended December 31, 2020, the Company saw a substantial increase in total assets as a result of cash raised in the private placements of shares, units and special warrants. The increase in net loss was primarily due to the Company incurring expenditures as it worked towards filing a preliminary prospectus and beginning to incur substantial research and lab expenses.
- During the quarter periods ended from March 31, 2021 to December 31, 2021, the Company's net loss increase is primarily due to the Company incurring expenditures for its final prospectus and CSE listing, continued research and lab expenses, advertising and promotion, and share-based compensation related to the grant of stock options.

OPERATIONS

During the three months ended December 31, 2021, the Company reported a net loss of $1,941,053 (2020 - $442,255). The Company's loss included expenditures as follows:

- Accounting and legal of $39,190 (2020 - $81,683) decreased due to higher legal and audit fees in the comparative period, as the Company filed the final prospectus and listed on the CSE;

- Advertising and promotion of $654,784 (2020 - $43,710) increased due to the Company's marketing program beginning in late 2021;
- Consulting fees of $34,230 (2020 - $18,000) increased, as the Company became more active and engaged consultants for 2021;
- Management fees of $42,745 (2020 - $42,745) were comparable to the prior period;
- Office and general of $23,284 (2020 - $1,891) increased, as the Company became more active beginning in late 2021;
- Research and lab fees of $872,150 (2020 - $224,482) increased due to additional research and lab testing work beginning in late 2021;
- Share-based compensation of $248,503 (2020 - $29,744) increased due to the higher weighted average fair value for options granted during the period compared with the prior period; and
- Transfer agent and filing fees of $26,167 (2020 - $nil) were for ongoing CSE and transfer agent fees, along with annual SEDAR fees.

During the six months ended December 31, 2021, the Company reported a net loss of $3,471,051 (2020 - $483,760). The Company's loss included expenditures as follows:

- Accounting and legal of $50,220 (2020 - $107,355) decreased due to higher legal and audit fees in the comparative period, as the Company filed the final prospectus and listed on the CSE;
- Advertising and promotion of $1,526,848 (2020 - $43,710) increased due to the Company's marketing program beginning in late 2021;
- Consulting fees of $60,981 (2020 - $18,000) increased, as the Company became more active and engaged consultants for 2021;
- Management fees of $77,241 (2020 - $51,368) increased, as the Company started compensating the Chief Executive Officer and Chief Financial Officer part way through the comparative period;
- Office and general of $39,209 (2020 - $1,915) increased, as the Company became more active beginning in late 2021;
- Research and lab fees of $1,402,534 (2020 - $231,668) increased due to additional research and lab testing work beginning in late 2021;
- Share-based compensation of $283,351 (2020 - $29,744) increased due to the higher weighted average fair value for options granted during the period compared with the prior period; and
- Transfer agent and filing fees of $30,667 (2020 - $nil) were for ongoing CSE and transfer agent fees, along with annual SEDAR fees.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash at December 31, 2021 was $2,847,275 (June 30, 2021 - $5,452,906). The working capital was $2,872,982 at December 31, 2021 (June 30, 2021 - $5,440,967).

During the six months ended December 31, 2021 and as of the date of this MD&A, the Company has issued shares for cash as follows:

- During the six months ended December 31, 2021, the Company received $619,715 on the exercise of 832,700 warrants.
- Subsequent to December 31, 2021, the Company received proceeds of $289,890 on the exercise of 265,400 warrants.

The Company will need to raise additional financing in order to continue research and for development of its intellectual property beyond the 2022 fiscal year.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has not entered into any off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

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

- Consulting fees of $36,000 (2020 - $18,000) were paid to Carrie Cesarone, the Corporate Secretary;
- Management fees of $41,241 (2020 - $33,368) were paid to Sébastien Plouffe, the Chief Executive Officer, and includes provincial taxes not refundable to the Company;
- Management fees of $36,000 (2020 - $18,000) were paid to Joseph Meagher, the Chief Financial Officer;
- Research and lab fees of $64,714 (2020 - $20,631) were paid to Dr. Simon Beaudoin, the Chief Technical Scientific Officer, and includes provincial taxes not refundable to the Company; and
- Share-based compensation of $248,503 (2020 - $28,178) was for the fair value of stock options granted to Dr. Riam Shammaa, director (2020 - the Chief Executive Officer, Chief Financial Officer, Corporate Secretary, Chief Technical Scientific Officer and Dr. Moutih Rafei, the VP of Research and Development), calculated using the Black-Scholes option pricing model.

During the year ended June 30, 2021, the Company entered into various consulting agreements that included key management (see **Commitments**).

During the six months ended December 31, 2021, the Company paid (inclusive of provincial taxes not refundable to the Company):

- Research and lab fees of $141,074 (2020 - $77,868) to Axiom Services Inc., a company in which the Company's VP of Research and Development is a principal; and
- Research and lab fees of $80,233 (2020 - $27,494) to WASSC Technologie Inc., a company owned and controlled by the Company's Chief Technical Scientific Officer.

As at December 31, 2021, the Company did not have any accounts payable balances (June 30, 2021 - $8,623) with companies controlled by officers and directors. The balances owing are unsecured, non-interest-bearing and have no specific terms of repayment.

COMMITMENTS

On September 18, 2020 and October 23, 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 totaling $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 $77,250 to the consultants.

EVENTS OCCURRING AFTER THE REPORTING DATE

Subsequent to December 31, 2021, the Company received proceeds of $289,890 on the exercise of 265,400 warrants.

Subsequent to December 31, 2021, the Company amended its Articles of Incorporation to remove the Class A Special Shares, Class B Common Shares, Class B Special Shares, Class C Common Shares, Class C Special Shares and Class D Special Shares from its authorized share capital. Only the Class A Common Shares remain. The amendment did not result in any changes to the issued and outstanding share capital.

CAPITAL DISCLOSURES

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

FINANCIAL INSTRUMENTS AND RISKS

As at December 31, 2021, the Company's financial instruments consist of cash and accounts payable and accrued liabilities. The carrying values of these financial instruments approximate their fair values.

Fair value

The Company classifies its fair value measurements in accordance with an established hierarchy that prioritizes the inputs in valuation techniques used to measure fair value as follows:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly.
- Level 3 - Inputs that are not based on observable market data.

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

December 31, 2021	Level 1	Level 2	Level 3	Total
Cash	$ 2,847,275	$ -	$ -	$ 2,847,275

June 30, 2021	Level 1	Level 2	Level 3	Total
Cash	$ 5,452,906	$ -	$ -	$ 5,452,906

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 $22,622 (June 30, 2021 - $71,624) owing from the Canada Revenue Agency.

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, 2021 equal $284,079 (June 30, 2021 - $122,256). All of the liabilities presented as accounts payable are due within 30 days of the reporting date.

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.

CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Going concern risk assessment

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 condensed interim 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.

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.

NEW ACCOUNTING STANDARD ISSUED BUT NOT YET EFFECTIVE

Classification of Liabilities as Current or Non-current (Amendments to International Accounting Standard ("IAS") 1 Presentation of Financial Statements)

The amendments to IAS 1 provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting date. The amendments are effective for annual periods beginning on or after January 1, 2023. The Company is currently evaluating the impact of the amendments.

SHARE CAPITAL

The Company had the following securities issued and outstanding:

	February 28 2022	December 31, 2021	June 30, 2021
Common shares	36,318,874	36,053,474	35,220,774
Warrants	9,126,300	9,391,700	10,224,400
Stock options	1,560,000	1,560,000	1,500,000
Fully diluted shares	47,005,174	47,005,174	46,945,174

RISKS AND UNCERTAINTIES

Limited operating history

The Company has a very limited history of operations and is considered a start-up company. As such, the Company is subject to many risks common to such enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources, and lack of revenues. There is no assurance that the Company will be successful in achieving a return on shareholders' investment and the likelihood of the Company's success must be considered in light of its early stage of operations.

The Company's officers and directors may be engaged in a range of business activities resulting in conflicts of interest

The Company may be subject to various potential conflicts of interest as some of its officers and directors may be engaged in a range of business activities. In addition, the Company's executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to the Company. In some cases, the Company's executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to the Company's business and affairs and that could adversely affect the Company's operations. These business interests could require significant time and attention of the Company's executive officers and directors.

In addition, the Company may become involved in other transactions that conflict with the interests of its directors and officers who may from time-to-time deal with persons, firms, institutions or companies with which the Company may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the Company. In addition, from time to time, these persons may be competing with the Company for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, if such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company.

The Company's intellectual property and licenses thereto

The Company's success will depend in part on its ability to protect and maintain its intellectual property rights and its licenses. No assurance can be given that the license or rights used by the Company will not be challenged, invalidated, infringed or circumvented, nor that the rights granted thereunder will provide competitive advantages to the Company. It is not clear whether the pending patent applications will result in the issuance of patents. There is no assurance that the Company will be able to enter into licensing arrangements, develop or obtain alternative technology in respect of patents issued to third parties that incidentally cover its production processes. Moreover, the Company could potentially incur substantial legal costs in defending legal actions that allege patent infringement or by instituting patent infringement suits against others. The Company's commercial success also depends on the Company not infringing patents or proprietary rights of others and not breaching the exclusive license granted to the Company. There can be no assurance that the Company will be able to maintain such licenses that it may require to conduct its business or that such licenses have been obtained at a reasonable cost. Furthermore, there can be no assurance that the Company will be able to remain in compliance with its licenses. Consequently, there may be a risk that such licenses may be withdrawn with no compensation or penalties to the Company.

If patent laws or the interpretation of patent laws change, the Company's competitors may be able to develop and commercialize its discoveries

Important legal issues remain to be resolved as to the extent and scope of available patent protection for biopharmaceutical products and processes in Canada, and other important markets outside Canada, such as Europe or the United States. As such, litigation or administrative proceedings may be necessary to determine the validity, scope and ownership of certain of the Company's and others' proprietary rights. Any such litigation or proceeding may result in a significant commitment of resources in the future and could force the Company to do one or more of the following: cease selling or using any of its future products that incorporate a challenged intellectual property, which would adversely affect its revenue; obtain a license or other rights from the holder of the intellectual property rights alleged to have been infringed or otherwise violated, which license may not be available on reasonable terms, if at all; and redesign its future products to avoid infringing or violating the intellectual property rights of third parties, which may be time-consuming or impossible to do. In addition, changes in patent laws in Canada and other countries may result in allowing others to use its discoveries or develop and commercialize its products. The Company cannot provide assurance that the patents it obtains will afford it significant commercial protection.

The Company may not be able to enforce its intellectual property rights throughout the world. This risk is exacerbated, as it expects that one or more of its product candidates will be manufactured and used in a number of foreign countries

The laws of foreign countries may not protect intellectual property rights to the same extent as the laws of Canada. Many companies have encountered significant problems in protecting and defending intellectual property rights in certain foreign jurisdictions. This risk is exacerbated for the Company, as it expects that future product candidates could be manufactured and used in a number of foreign countries.

The legal systems of some countries, particularly developing countries, do not favor the enforcement of patents and other intellectual property protection, especially those relating to life sciences. This could make it difficult to stop the infringement or other misappropriation of the Company's intellectual property rights. For example, several foreign countries have compulsory licensing laws under which a patent owner must grant licenses to third parties. In addition, some countries limit the enforceability of patents against third parties, including government agencies or government contractors. In these countries, patents and trade secrets may provide limited or no benefit.

Most jurisdictions in which the Company intends to apply for patents have patent protection laws similar to those of Canada, but some of them do not. For example, the Company may do business in the future in countries that may not provide the same or similar protection as that provided in Canada. Additionally, due to uncertainty in patent protection law, the Company has not filed applications in many countries where significant markets exist.

Proceedings to enforce patent rights in foreign jurisdictions could result in substantial costs and divert the Company's efforts and attention from other aspects of its business. Accordingly, efforts to protect intellectual property rights in such countries may be inadequate. In addition, changes in the law and legal decisions by courts in Canada, the US and foreign countries may affect the Company's ability to obtain adequate protection for the Company's technology and the enforcement of its intellectual property.

COVID-19 may materially and adversely affect the Company's business and financial results

In December 2019, a novel strain of coronavirus, which causes the disease known as COVID-19, was reported to have surfaced in Wuhan, China. Since then, COVID-19 has spread globally. In March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic.

The effects of COVID-19 could disrupt the Company's business and 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 its business in the ordinary course. These and similar, and perhaps more severe, disruptions in the Company's operations could negatively impact the Company's business, financial condition and results of operations, including its ability to obtain financing. Quarantines, shelter-in-place and similar government orders, or the perception that such orders, shutdowns or other restrictions on the conduct of business operations could occur, related to COVID-19 or other infectious diseases, could impact

personnel at third-party manufacturing facilities or the availability or cost of materials, which would disrupt the Company's supply chain.

In addition, any future clinical trials have been and may be further affected by the COVID-19 pandemic, including:

- Delays or difficulties in enrolling patients in the clinical trial, including patients that may not be able to comply with clinical trial protocols if quarantines impede patient movement or interrupt healthcare services;
- Delays or difficulties in clinical site initiation, including difficulties in recruiting clinical site investigators and clinical site staff;
- Diversion or prioritization of healthcare resources away from the conduct of clinical trials and towards the COVID-19 pandemic, including the diversion of hospitals serving as the Company's clinical trial sites and hospital staff supporting the conduct of the clinical trials, who, as healthcare providers, may have heightened exposure to COVID-19 and adversely impact the clinical trial operations;
- Interruption of key clinical trial activities, such as clinical trial site monitoring, due to limitations on travel imposed or recommended by federal, state or provincial governments, employers and others; and
- Limitations in employee resources that would otherwise be focused on the conduct of the Company's clinical trials, including due to sickness of employees or their families or the desire of employees to avoid contact with large groups of people.

Preclinical studies, clinical trials, licensing, regulations and products

The Company is also exposed to risks related to preclinical studies, clinical trials, licensing, regulations and products as follows:

- The Company may not be successful in its efforts to identify, license or discover additional product candidates;
- The Company faces product liability exposure, which, if not covered by insurance, could result in significant financial liability;
- If the Company is unable to advance product candidates through clinical development, obtain regulatory approval and ultimately commercialize product candidates, or if the Company experiences significant delays in doing so, business will be materially harmed;
- The Company's business is highly dependent on its lead product candidate, Accum, and it must complete preclinical studies and clinical testing before it can seek regulatory approval and begin commercialization of any of its other product candidates. If the Company is unable to obtain regulatory approval for and successfully commercialize Accum, its business may be materially harmed and such failure may affect the viability of its other product candidates;
- Any product candidates that the Company successfully develops and commercializes will have to compete with existing therapies and new therapies that may become available in the future;
- Clinical development involves a lengthy and expensive process with uncertain outcomes, and results of earlier studies and trials may not be predictive of future clinical trial results. If preclinical studies and clinical trials are not sufficient to support regulatory approval of any of the Company's product candidates, it may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development of such product candidate;
- The Company expects to develop Accum, and potentially future product candidates, in combination with other therapies, which exposes it to additional risks;
- The Company's preclinical studies and clinical trial may fail to adequately demonstrate the safety, potency and purity of any of its product candidates, which would prevent or delay development, regulatory approval and commercialization;
- The results of preclinical studies and early-stage clinical trials may not be predictive of future results. Initial success in the Company's ongoing clinical trials may not be indicative of results obtained when these trials are completed or in later-stage trials;
- Interim, "top-line" and preliminary data from clinical trials that the Company announces or publishes from time to time may change as more patient data become available, and are subject to audit and verification procedures that could result in material changes in the final data; and

- Disruptions at Health Canada and other government agencies caused by funding shortages or global health concerns could hinder their ability to hire, retain or deploy key leadership and other personnel, or otherwise prevent new or modified products and services from being developed, approved or commercialized in a timely manner, which could negatively impact the Company's business.