Defence Therapeutics Inc.

Condensed Interim Financial Statements

Nine Months Ended March 31, 2022

(Unaudited – Expressed in Canadian Dollars)

Defence Therapeutics Inc.

Nine Months Ended March 31, 2022

INDEX | **Page**

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, 2022

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

	March 31, 2022	June 30, 2021
	(unaudited)	
Assets		
Current		
Cash	$ 1,589,139	$ 5,452,906
Sales tax receivable	22,100	71,624
Prepaids	169,146	38,693
	1,780,385	5,563,223
Intangible Assets (note 7)	46,018	46,018
	$ 1,826,403	$ 5,609,241
Liabilities		
Current		
Accounts payable and accrued liabilities (note 8)	$ 312,133	$ 122,256
Shareholders' Equity		
Share Capital (note 9)	9,005,465	7,971,160
Share-based Payments Reserve (note 9)	1,207,086	1,048,435
Deficit	(8,698,281)	(3,532,610)
	1,514,270	5,486,985
	$ 1,826,403	$ 5,609,241

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

Approved on behalf of the Board of Directors:

"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.
Condensed Interim Statements of Comprehensive Loss
(Unaudited – Expressed in Canadian Dollars)

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021	Nine Months Ended March 31, 2022	Nine Months Ended March 31, 2021
Expenses				
Accounting and legal	$ 76,614	$ 103,095	$ 126,834	$ 210,450
Advertising and promotion	512,288	525	2,039,136	44,235
Consulting fees (note 8)	39,996	18,000	100,977	36,000
Foreign exchange loss	17,423	-	17,423	-
Management fees (note 8)	42,744	50,992	119,985	102,360
Office and general	12,619	7,365	51,828	9,280
Research and lab fees (note 8)	988,300	380,185	2,390,834	611,853
Share-based compensation (notes 8 and 9)	-	112,122	283,351	141,866
Transfer agent and filings fees	4,636	18,462	35,303	18,462
Net Loss and Comprehensive Loss for the Period	$ (1,694,620)	$ (690,746)	$ (5,165,671)	$ (1,174,506)
Basic and Diluted Loss Per Share	$ (0.05)	$ (0.02)	$ (0.14)	$ (0.05)
Weighted Average Number of Common Shares Outstanding – Basic and Diluted	36,133,815	28,658,723	35,926,504	24,657,464

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

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

	Share Capital					
	Number of Common Shares	**Share Capital**	**Special Warrants**	**Share-based Payments Reserve**	**Deficit**	**Total**
Balance, June 30, 2020	**18,465,714**	**$ 2,396,829**	**$ -**	**$ 140,121**	**$ (673,356)**	**$ 1,863,594**
Private placement	8,823,000	2,488,050	3,682,200	-	-	6,170,250
Share issue costs	302,960	(1,016,735)	-	453,098	-	(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**	**4,127,436**	**3,682,200**	**636,308**	**(1,847,862)**	**6,598,082**
Shares issued on exercise of special warrants	6,137,000	3,682,200	(3,682,200)	-	-	-
Shares issued on exercise of warrants	422,000	109,500	-	-	-	109,500
Fair value transferred on exercise of warrants	-	52,024	-	(52,024)	-	-
Share-based compensation	-	-	-	464,151	-	464,151
Net loss and comprehensive loss for the period	-	-	-	-	(1,684,748)	(1,684,748)
Balance, June 30, 2021	**35,220,774**	**7,971,160**	**-**	**1,048,435**	**(3,532,610)**	**5,486,985**
Shares issued on exercise of warrants	1,098,100	909,605	-	-	-	909,605
Fair value transferred on exercise of warrants	-	124,700	-	(124,700)	-	-
Share-based compensation	-	-	-	283,351	-	283,351
Net loss and comprehensive loss for the period	-	-	-	-	(5,165,671)	(5,165,671)
Balance, March 31, 2022	**36,318,874**	**$ 9,005,465**	**$ -**	**$ 1,207,086**	**$ (8,698,281)**	**$ 1,514,270**

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

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

		2022		2021
Operating Activities				
Net loss for the period	$	(5,165,671)	$	(1,174,506)
Item not involving cash				
Share-based compensation		283,351		141,866
Changes in non-cash working capital				
Sales tax receivable		49,524		(37,518)
Prepaids		(130,453)		(31,396)
Accounts payable and accrued liabilities		189,877		108,571
Cash Used in Operating Activities		(4,773,372)		(992,983)
Financing Activities				
Shares issued for cash		909,605		2,648,565
Special warrants issued for cash		-		3,682,200
Share issue costs		-		(563,637)
Cash Provided by Financing Activities		909,605		5,767,128
Inflow (Outflow) of Cash		(3,863,767)		4,774,145
Cash, Beginning of Period		5,452,906		1,865,927
Cash, End of Period	$	1,589,139	$	6,640,072
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	$	124,700	$	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 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".

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 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.

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, 2021 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, 2022.

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, 2021.

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.

a) 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.

b) 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.

(Unaudited – Expressed in Canadian Dollars)

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, 2022	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash	$ 1,589,139	$ -	$ -	$ 1,589,139

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

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. The sales tax receivable balance of $22,100 (June 30, 2021 - $71,624) is 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, 2022 equal $312,133 (June 30, 2021 - $122,256). 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.

6. FINANCIAL INSTRUMENTS (Continued)

c) Market risk (continued)

i) Currency risk – The Company has no 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 dollar of 10% would result in a $7,000 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, 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.

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, 2022. The Company is not subject to externally imposed capital requirements.

7. INTELLECTUAL PROPERTY 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 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") and any related intellectual property to the Company.

(Unaudited – Expressed in Canadian Dollars)

7. INTELLECTUAL PROPERTY AND INTANGIBLE ASSETS (Continued)

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). During the nine months ended March 31, 2022, the research contract was terminated and the $45,000 was refunded to the Company.

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 March 31, 2022	**$**	**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 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.

(Unaudited – Expressed in Canadian Dollars)

7. INTELLECTUAL PROPERTY AND INTANGIBLE ASSETS (Continued)

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, 2022	Nine Months Ended March 31, 2021
Consulting fees	$ 54,000	$ 36,000
Management fees	119,985	102,360
Research and lab fees	97,736	65,115
Share-based compensation	248,503	140,300
	$ 520,224	$ 343,775

During the year ended June 30, 2021, the Company entered into various consulting agreements that included key management (note 11).

During the nine months ended March 31, 2022, the Company paid research and lab fees of $263,794 (2021 - $202,761) to companies in which management and directors are principals.

As at March 31, 2022, the Company had accounts payable of $40,443 (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.

9. SHARE CAPITAL

a) Authorized

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

On December 9, 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. The amendment did not result in any changes to the issued and outstanding share capital.

b) Issued and outstanding

During the nine months ended March 31, 2022

During the nine months ended March 31, 2022, the Company received $909,605 on the exercise of 1,098,100 warrants. The Company transferred $124,700 from the share-based payments reserve to share capital in relation to the exercise.

9. SHARE CAPITAL (Continued)

b) Issued and outstanding (continued)

During the year ended June 30, 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 $50,438 (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.

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 $24,287 (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.

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 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 $378,373 (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.

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.

(Unaudited – Expressed in Canadian Dollars)

9. SHARE CAPITAL (Continued)

b) Issued and outstanding (continued)

During the year ended June 30, 2021 (continued)

On April 25, 2021 and May 5, 2021, the Company's outstanding 6,137,000 special warrants were deemed to be exercised into one Common Share of the Company and one share purchase warrant. The Company transferred $3,682,200 from special warrants to share capital in relation to the exercise.

During the year ended June 30, 2021, the Company received $270,015 on the exercise of 1,492,100 warrants. The Company transferred $150,801 from the share-based payments reserve to share capital in relation to the exercise.

c) Warrants

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

	Nine Months Ended March 31, 2022		**Year Ended June 30, 2021**	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	10,224,400	$ 1.12	1,518,000	$ 0.15
Issued	-	-	10,198,500	$ 1.13
Exercised	(1,098,100)	$ 0.83	(1,492,100)	$ 0.18
Outstanding, end of period	9,126,300	$ 1.16	10,224,400	$ 1.12

The following warrants were outstanding and exercisable at March 31, 2022:

Expiry Date	**Weighted Average Remaining Contractual Life in Years**	**Exercise Price**	**March 31, 2022**
April 30, 2023	1.08	$ 0.60	630,800
May 7, 2023	1.10	$ 1.25	8,095,500
April 30, 2024	2.08	$ 0.15	400,000
	1.14		9,126,300

The Company applies the fair value method using the Black-Scholes option pricing model in accounting for its finder's warrants issued. There were no finder's warrants issued during the nine months ended March 31, 2022. During the year ended June 30, 2021, 1,473,500 finder's warrants were issued with a fair value of $453,098.

(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, 2022	**Year Ended June 30, 2021**
Expected life (years)	N/A	2.42
Risk-free interest rate	N/A	0.27%
Annualized volatility	N/A	154%
Dividend yield	N/A	N/A
Stock price at grant date	N/A	$ 0.41
Exercise price	N/A	$ 0.41
Weighted average grant date fair value	N/A	$ 0.31

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, 2022, the Company transferred $124,700 (year ended June 30, 2021 - $150,801) from the share-based payments reserve to share capital, as 1,098,100 (year ended June 30, 2021 - 1,492,100) 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, 2022		**Year Ended June 30, 2021**	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding, beginning of period	1,500,000	$ 1.53	-	$ -
Issued	60,000	$ 6.64	1,500,000	$ 1.53
Outstanding, end of period	1,560,000	$ 1.73	1,500,000	$ 1.53

(Unaudited – Expressed in Canadian Dollars)

9. SHARE CAPITAL (Continued)

d) Stock options (continued)

The following stock options were outstanding and exercisable at March 31, 2022:

Expiry Date	**Weighted Average Remaining Contractual Life in Years**	**Exercise Price**	**Outstanding**	**Exercisable**
May 10, 2022 (note 12(b))	0.11	$ 2.56	100,000	100,000
June 17, 2022	0.21	$ 7.05	50,000	50,000
August 30, 2022	0.42	$ 7.35	10,000	10,000
October 9, 2023	1.53	$ 1.25	700,000	700,000
October 23, 2023	1.56	$ 1.25	250,000	250,000
January 5, 2024	1.77	$ 1.25	400,000	400,000
November 9, 2024	2.61	$ 6.50	50,000	50,000
	1.49		1,560,000	1,560,000

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 $283,351 (year ended June 30, 2021 - $606,017) were recognized during the nine months ended March 31, 2022.

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

	Nine Months Ended March 31, 2022	**Year Ended June 30, 2021**
Expected life (years)	2.67	2.80
Risk-free interest rate	0.89%	0.24%
Annualized volatility	139%	148%
Dividend yield	N/A	N/A
Stock price at grant date	$ 6.53	$ 0.67
Exercise price	$ 6.64	$ 1.53
Weighted average grant date fair value	$ 4.72	$ 0.40

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.

e) Escrow shares

At March 31, 2022, there were 1,639,500 Common Shares owned by directors and officers held in escrow; 327,900 Common Shares will be released from escrow on each of the following dates: May 7, 2022, November 7, 2022, May 7, 2023, November 7, 2023 and May 7, 2024.

9. SHARE CAPITAL (Continued)

e) Escrow shares (continued)

Additionally, at March 31, 2022, there were 1,564,285 Common Shares held in escrow; 312,857 Common Shares will be released from escrow on each of the following dates: May 7, 2022, November 7, 2022, May 7, 2023, November 7, 2023 and May 7, 2024.

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 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 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 $77,250 to the consultants.

12. SUBSEQUENT EVENTS

a) Subsequent to March 31, 2022, the Company received proceeds of $177,420 on the exercise of 295,700 warrants.

b) Subsequent to March 31, 2022, 100,000 stock options expired unexercised.

c) On May 10, 2022, the Company granted 100,000 stock options to a consultant at an exercise price of $3 and with a term to expiry of one year.