FORWARD-LOOKING INFORMATION AND MATERIAL ASSUMPTIONS

This report on results for the three months ended September 30, 2023 contains forward-looking information, including forward-looking information about Defence Therapeutic Inc.'s (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 three months ended September 30, 2023 should be read in conjunction with the condensed interim financial statements as at September 30, 2023 and for the three months then ended. This MD&A is effective November 24, 2023. Additional information relating to the Company is available on SEDAR+ at www.sedarplus.ca.

The Company has prepared its condensed interim financial statements as at September 30, 2023 and for the three months ended then ended 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 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). During the year ended June 30, 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.

As at September 30, 2023, the Company has capitalized $46,018 of patent costs as intangible assets.

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 (incurred);
- $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 did not exercise the option by the May 31, 2023 deadline and did not complete the acquisition of 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.

During the year ended June 30, 2022 and subsequently, certain patents were granted, and the Company began depreciating costs associated with these patents.

		Intellectual Property
Cost		
Balance at June 30, 2022, June 30, 2023 and September 30, 2023	$	46,018
Accumulated Depreciation		
Balance at June 30, 2022	$	-
Depreciation		7,242
Balance at June 30, 2023		7,242
Depreciation		291
Balance at September 30, 2023	$	7,533
Net Book Value, June 30, 2023	**$**	**38,776**
Net Book Value, September 30, 2023	**$**	**38,485**

On April 7, 2022, the Company was granted US patent number US 11,291,717 covering its vaccine platform technology that utilizes components of Defence's proprietary Accum™ technology attached to various tumor, viral or bacterial antigens to enhance both humoral and cellular immunity.

On June 7, 2022, the Company was granted US patent number US 11,352,437 covering its conjugated compounds permitting delivery of antibodies to the nucleus through Defence's proprietary Accum™ technology. The Company was also granted corresponding Israeli patent number IL 261765 on December 1, 2022 and corresponding Japanese patent number JP 7126956 on August 29, 2022.

On March 28, 2023, the Company was granted US patent number US 11,612,651 covering its Accum™-based vaccine enhancer technology platform as a powerful "drop-in" ingredient to boost immunogenicity and performance of virtually any cell-based or protein subunit vaccine, including both prophylactic and therapeutic vaccines in the fields of cancer and infectious diseases.

The Company is currently focused on research, development and advancement of the following 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 diseases
- Antibody Drug Conjugates ("ADC") targeting various cancers
- Anti-cancer AccuTOX program
- Cervical cancer vaccine
- Mesenchymal stromal cell-based vaccine ("ARM") targeting cancer
- mRNA vaccination

Accuvac™: for DC 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 breakdown 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-PD-1 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.

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 have been completed on hamsters and have shown potent protective effects.

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.

Additional studies are currently being completed by Defence's partners in Europe to identify a lead ADC.

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. Preclinical studies have been completed against solid T-cell lymphoma, breast cancer and melanoma. An AccuTOX variant was identified and is being prepared for a Phase I trial in the US sometime in 2024.

Cervical cancer vaccine

Defence has engineered a protein based anti-cervical cancer vaccine. In a nutshell, Accum is attached to the E7 protein. When tested prophylactically and therapeutically, the vaccine was effective at protecting and controlling cervical cancer growth, respectively. In addition, a good antibody titer was obtained. A GLP study was completed at a local contract research organization (CRO). Defence is currently working on finding a partner or PI to initiate a Phase I trial in 2023.

ARM vaccine program

Defence has engineered an mesenchymal stem cell ("MSC") -based vaccine using the Accum variant A1. Treatment of MSCs with the A1 compounds converts MSCs into potent antigen-presenting cells capable of mounting a potent anti-tumoral response. With all preclinical data completed, Defence is currently at the manufacturing stage in preparation for a potential Phase I trial in melanoma patients by Q1 2024.

mRNA vaccination program

Defence is currently testing the use of the Accum™ technology on mRNA vaccine. As a start, proof-of-concept studies will be conducted using an mRNA encoding for the OVA (ovalbumin) antigen. Once confirmed, Defence will test various mRNA vaccines targeting different cancer and infectious disease indications.

SELECTED ANNUAL INFORMATION

	June 30, 2023 $	June 30, 2022 $	June 30, 2021 $
Revenue	-	-	-
Net loss for the year	(6,762,783)	(7,343,998)	(2,859,254)
Basic and diluted loss per Common Share	(0.17)	(0.20)	(0.11)
Total assets	3,532,709	719,666	5,609,241
Long-term debt	1,746,069	-	-
Dividends	-	-	-

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. The Company was funded for the years ended June 30, 2022 and 2023, and spent primarily on research and lab fees and general and administrative expenses during the years in order to advance the Accum™ technology. 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	September 30, 2023 $	June 30, 2023 $	March 31, 2023 $	December 31, 2022 $
Total revenue	-	-	-	-
Net loss for the period	(2,197,155)	(1,728,777)	(1,343,150)	(1,988,015)
Basic and diluted loss per share	(0.05)	(0.04)	(0.03)	(0.05)
Total assets	1,587,842	3,532,709	3,148,938	446,541
Total non-current liabilities	1,637,910	1,746,069	1,642,580	1,722,292
Dividends	-	-	-	-

For the Quarter Periods Ended	September 30, 2022 $	June 30, 2022 $	March 31, 2022 $	December 31, 2021 $
Total revenue	-	-	-	-
Net loss for the period	(1,702,841)	(2,178,327)	(1,694,620)	(1,941,053)
Basic and diluted loss per share	(0.05)	(0.06)	(0.05)	(0.05)
Total assets	300,700	719,666	1,826,403	3,203,079
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 periods ended from December 31, 2021 to September 30, 2022, the Company's net loss increase is primarily due to continued research and lab expenses, advertising and promotion, and share-based compensation related to the grant of stock options.
- During the quarter period ended December 31, 2022, the Company's net loss was comparable to recent quarters as a result of continuation of research and development, and the increase in non-current liabilities was due to a private placement, which included the issuance of convertible debentures.

- During the quarter period ended March 31, 2023, the Company's net loss decreased from recent quarters as a result of the receipt of $240,481 of refundable investment tax credits under the Canadian government Scientific Research and Experimental Development, and the decrease in non-current liabilities was due to an early conversion of the Company's convertible debentures.
- The quarter periods ended June 30, 2023 and September 30, 2023 were comparable to recent quarters.

OPERATIONS

Three months ended September 30, 2023

During the three months ended September 30, 2023, the Company reported a net loss of $2,197,155 (2022 - $1,702,841). The Company's loss included expenditures as follows:

- Accounting and legal of $53,002 (2022 - $18,620) increased due to higher legal fees in the current period;
- Advertising, promotion and shareholder communication of $853,706 (2022 - $104,089) was lower in the prior period due to cost savings measures;
- Consulting fees of $40,500 (2022 - $28,291) increased due to an additional consultant engaged during the current period;
- Depreciation of equipment of $12,495 (2022 - $nil) increased, as equipment was purchased for the first time after the comparative period;
- Depreciation of intellectual property of $291 (2022 - $nil) increased, as patents had been granted after the comparative period and began depreciating;
- Interest accretion of $95,959 (2022 - $nil) increased, as convertible debentures were issued during after the comparative period;
- Management fees of $70,500 (2022 - $40,500) increased due to an increase in chief executive officer ("CEO") and chief financial officer ("CFO") fees charged compared to the prior period;
- Office and general of $23,190 (2022 - $8,103) increased due to classification and an increase in travel compared to the prior period;
- Research and lab fees of $1,055,336 (2022 - $1,452,818) was higher in the prior period due to timing of significant material purchases and studies;
- Share-based compensation of $nil (2022 - $4,139) decreased, as no stock options were granted during the current period;
- Transfer agent and filing fees of $5,582 (2022 - $6,818) were comparable to the prior period; and
- Interest income of $15,051 (2022 - $nil) increased due to interest received on a savings account that was opened during the period.

LIQUIDITY AND CAPITAL RESOURCES

The Company's cash at September 30, 2023 was $1,350,107 (June 30, 2023 - $2,792,931). The working capital was $1,104,663 at September 30, 2023 (June 30, 2023 - $3,214,238).

During the three months ended September 30, 2023 and as of the date of this MD&A, the Company has issued shares for cash as follows:

- Subsequent to the three months ended September 30, 2023, the Company received $213,750 on the exercise of 171,000 stock options.

The Company will need to raise additional financing for working capital purposes and in order to continue research and for development of its intellectual property beyond the 2024 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:

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022
Consulting fees	$ 25,500	$ 18,000
Management fees	70,500	40,500
Research and lab fees	67,548	30,048
	$ 163,548	$ 88,548

- Consulting fees of $25,500 (2022 - $18,000) were paid to Carrie Cesarone, Corporate Secretary;
- Management fees of $45,000 (2022 - $22,500) were paid to Sébastien Plouffe, CEO;
- Management fees of $25,500 (2022 - $18,000) were paid to Joseph Meagher, CFO;
- Research and lab fees of $30,048 (2022 - $30,048) were paid to Dr. Simon Beaudoin, Chief Technical Scientific Officer; and
- Research and lab fees of $37,500 (2022 - $nil) were paid to Dr. Moutih Rafei, Chief Scientific Officer.

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

During the three months ended September 30, 2023, the Company paid research and lab fees of $18,043 (2022 - $42,420) to Axiom Services Inc., a company in which the Company's VP of Research and Development is a principal.

As at September 30, 2023, the Company had accounts payable of $13,707 (June 30, 2023 - $28,744) 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, the Company entered into consulting agreements with its CEO, CFO and corporate secretary. On March 21, 2023, the consulting agreements were amended. The consulting agreements have indefinite terms and monthly fees totaling $32,000. 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 $96,000 to the consultants. The consulting agreement with the CEO contains bonus payments upon reaching certain milestones, up to $150,000.

On October 23, 2020, the Company entered into a consulting agreement with its chief technical scientific officer. The consulting agreement has an indefinite term and a minimum monthly fee of $6,260. In the event the agreement is terminated by the Company or the consultant as a result of a change in control, the Company would be required to pay a total of $18,780 to the consultant.

On May 9, 2023, the Company entered into a lease agreement for lab space commencing October 1, 2023 for a period of two years.

EVENTS OCCURRING AFTER THE REPORTING DATE

a) Subsequent to September 30, 2023, debentures with a principal amount of $292,499 were converted by the holder into 186,305 common shares of the Company.

b) Subsequent to September 30, 2023, the Company received $213,750 on the exercise of 171,000 stock options, while 811,000 stock options expired unexercised.

c) On October 6, 2023, the Company granted 2,400,000 stock options to officers and directors exercisable at a price of $2.50 per share and with a term to expiry of 10 years.

CAPITAL DISCLOSURES

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

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

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

Management reviews the capital structure on a regular basis to ensure that the above objectives are met. There have been no changes to the Company's approach to capital management during the three months ended September 30, 2023. The Company is not subject to externally imposed capital requirements.

FINANCIAL INSTRUMENTS AND RISKS

As at September 30, 2023, the Company's financial instruments consist of cash, accounts payable and accrued liabilities, and convertible debentures. 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:

September 30, 2023	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash	$ 1,350,107	$ -	$ -	$ 1,350,107

June 30, 2023	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash	$ 2,792,931	$ -	$ -	$ 2,792,931

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company manages credit risk, in respect of cash, by placing it at major Canadian financial institutions. The Company has minimal credit risk. Of the $60,534 (June 30, 2023 - $149,605) receivables balance, $60,534 (June 30, 2023 - $72,037) is owing from the Canada Revenue Agency and Revenu Québec.

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 September 30, 2023 equal $2,029,377 (June 30, 2023 - $1,966,542). The face value of the convertible debenture is $2,160,752 and matures on November 16, 2024. 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 holds a material amount of accounts payable and accrued liabilities in United States dollars. A fluctuation in the exchange rate between the Canadian and United States dollars of 10% would result in a $34,000 change in the Company's prepaid expenses and $13,000 in the Company's accounts payable and accrued liabilities. The Company does not use any techniques to mitigate currency risk.

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

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

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 does not have sufficient cash to finance its current plans for at least twelve months from the date the condensed interim financial statements are issued. These material uncertainties may cast significant doubt upon the Company's ability to continue as a going concern. These condensed interim financial statements do not give effect to any adjustments required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying condensed interim financial statements.

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

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*)*

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

These amendments to IAS 1 are effective for years beginning on or after January 1, 2024. These amendments are expected to have no impact for the Company.

SHARE CAPITAL

The Company had the following securities issued and outstanding:

	November 24, 2023	September 30, 2023	June 30, 2023
Common Shares	44,301,673	43,944,368	43,780,674
Warrants	2,029,900	2,029,900	2,029,900
Stock options	3,018,000	1,600,000	1,600,000
Convertible debentures	1,676,195	1,862,500	2,119,500
Fully diluted shares	51,025,768	49,436,768	49,530,074

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.

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.

Geopolitical risks

Recent geopolitical events and potential economic global challenges, such as the risk of higher inflation and the energy crises, may create further uncertainty and risk with respect to the prospects of the Company's business.