Consolidated Financial Statements of Helix BioPharma Corp.
Years ended July 31, 2017 and 2016

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The accompanying consolidated financial statements of Helix BioPharma Corp. and other financial information contained in this annual report are the responsibility of management. The consolidated financial statements have been prepared in conformity with International Financial Reporting Standards, using management's best estimates and judgments, where appropriate. In the opinion of management, these consolidated financial statements reflect fairly the financial position and the results of operations and cash flows of the Company within reasonable limits of materiality. The financial information contained elsewhere in this annual report has been reviewed to ensure consistency with that in the consolidated financial statements.

To assist management in discharging these responsibilities, the Company maintains an effective system of procedures and internal controls which is designed to provide reasonable assurance that its assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and that the financial records form a reliable base for the preparation of accurate and reliable financial information.

The Board of Directors ensures that management fulfills its responsibilities for the financial reporting and internal control. The Board of Directors exercises this responsibility through its independent Audit Committee comprising a majority of unrelated and outside directors. The Audit Committee meets periodically with management and annually with the external auditors to review audit recommendations and any matters that the auditors believe should be brought to the attention of the Board of Directors. The Audit Committee also reviews the consolidated financial statements and recommends to the Board of Directors that the statements be approved for issuance to the shareholders.

The consolidated financial statements have been audited by BDO Canada LLP, Chartered Professional Accountants, Licensed Public Accountants, which has full and unrestricted access to the Audit Committee. BDO Canada LLP's report on the consolidated financial statements is presented herein.

/s/ Heman Chao
Heman Chao
Chief Executive and Science Officer

/s/ Photios (Frank) Michalargias
Photios (Frank) Michalargias
Chief Financial Officer

October 27, 2017

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Independent Auditor's Report

To the Shareholders of
Helix BioPharma Corp.

We have audited the accompanying consolidated financial statements of Helix BioPharma Corp., and its subsidiaries, which comprise the statements of financial position as at July 31, 2017 and 2016, the consolidated statements of net loss and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Helix BioPharma Corp., as at July 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards**.**

Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1 in the consolidated financial statements, which indicates that Helix BioPharma Corp.'s cash of $897,000 as at July 31, 2017 is insufficient to meet anticipated cash needs for working capital and capital expenditures through the next twelve months. This condition, along with other matters as set forth in Note 1 in the consolidated financial statements, indicate the existence of a material uncertainty that may cast significant doubt about Helix BioPharma Corp.'s ability to continue as a going concern.

/s/ BDO Canada LLP
Chartered Professional Accountants, Licensed Public Accountants
October 27, 2017
Markham, Ontario

HELIX BIOPHARMA CORP.

Consolidated Statement of Financial Position
In thousands of Canadian dollars
As at July 31, 2017 and 2016

As at:	July 31, 2017	July 31, 2016
ASSETS		
Non-current assets		
Property, plant and equipment (*note 4)*	$ 487	$ 235
	487	235
Current assets		
Prepaid expenses	173	90
Accounts receivable	630	489
Cash	897	3,654
	1,700	4,233
Total assets	$ 2,187	$ 4,468
SHAREHOLDERS' EQUITY (DEFICIENCY) AND LIABILITIES		
Shareholders' equity / (deficiency) (*note 5*)	$ (17)	$ 3,164
Current liabilities		
Deferred government grant (*note 11*)	44	–
Accrued liabilities	722	589
Accounts payable	1,438	715
	2,204	1,304
Total liabilities and shareholders' equity (deficiency)	$ 2,187	$ 4,468

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

On behalf of the Board of Directors:

/s/ Sven Rohmann
Sven Rohmann,
Chair, Board of Directors

/s/ Sylwester Cacek
Sylwester Cacek
Chair, Audit Committee

HELIX BIOPHARMA CORP.

Consolidated Statement of Net Loss and Comprehensive Loss

Years ended July 31, 2017 and 2016 (In thousands of Canadian dollars, except per share amounts)

	2017	2016
Expenses		
Research and development	7,055	5,821
Operating, general and administration	3,207	3,836
Gain on sale of property, plant and equipment *(note 13*)	(168)	–
Results from operating activities before finance items	(10,094)	(9,657)
Finance items		
Finance income	16	26
Finance expense	(14)	(17)
Foreign exchange gain (loss)	33	(17)
	35	(8)
Net loss and total comprehensive loss	$ (10,059)	$ (9,665)
Loss per common share		
Basic	$ (0.11)	$ (0.11)
Diluted	$ (0.11)	$ (0.11)
Weighted average number of common shares used in the calculation of basic and diluted loss per share	91,797,627	85,550,926

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

HELIX BIOPHARMA CORP.

Consolidated Statement of Changes in Shareholders' Equity

Years ended July 31, 2017 and 2016 (In thousands of Canadian dollars, except per share amounts)

In thousands of Canadian dollars, except common share and warrant numbers

	Common shares		Share purchase warrants						
	Amount	Number	Amount	Number	Options	Contributed surplus	Deficit	Accumulated other comprehensive income (loss)	Total shareholders equity
Balances, July 31, 2015	$ 112,288	84,653,837	$ 8,825	19,948,584	$2,915	$18,455	$(135,656)	$ –	$ 6,827
Net loss for the year	–	–	–	–	–	–	(9,665)	–	(9,665)
Common stock, issued	3,365	4,355,000	–	–	–	–	–	–	3,365
Warrants, issued	–	–	2,081	4,355,000	–	–	–	–	2,081
Warrants, expired unexercised	–	–	(2,049)	(2,571,084)	–	2,049	–	–	–
Warrants, exercised	93	48,500	(20)	(48,500)	–	–	–	–	73
Stock-based compensation	–	–	–	–	230	–	–	–	230
Options, exercised	400	190,600	–	–	(147)	–	–	–	253
Options, expired unexercised	–	–	–	–	(1,286)	1,286	–	–	–
Balances, July 31, 2016	$ 116,146	89,247,937	$ 8,837	21,684,000	$1,712	$21,790	$(145,321)	$ –	$ 3,164
Net loss for the year	–	–	–	–	–	–	(10,059)	–	(10,059)
Common stock, issued	4,195	6,296,975	–	–	–	–	–	–	4,195
Warrants, issued	–	–	2,304	6,296,975	–	–	–	–	2,304
Warrants, expired unexercised	–	–	–	–	–	–	–	–	–
Warrants, exercised	–	–	–	–	–	–	–	–	–
Stock-based compensation	–	–	–	–	159	–	–	–	159
Options, exercised	340	166,667	–	–	(120)	–	–	–	220
Options, expired unexercised	–	–	–	–	(1,078)	1,078	–	–	–
Balances, July 31, 2017	$ 120,681	95,711,579	$11,141	27,980,975	$ 673	$22,868	$(155,380)	$ –	$ (17)

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

HELIX BIOPHARMA CORP.

Consolidated Statement of Cash Flows

Years ended July 31, 2017 and 2016 (In thousands of Canadian dollars)

	2017	2016
Cash flows from operating activities		
Net loss and total comprehensive loss	$ (10,059)	$ (9,665)
Items not involving cash:		
Depreciation of property, plant and equipment	130	134
Stock-based compensation	159	230
Foreign exchange loss	(33)	17
Gain on sale of property, plant and equipment	(168)	–
Change in non-cash working capital:		
Accounts receivable	(141)	2
Prepaid expenses	(83)	94
Accounts payable	723	453
Accrued liabilities	133	(118)
Deferred liabilities	44	–
Net cash used in operating activities	(9,295)	(8,853)
Cash flows from financing activities		
Proceeds from the issuance of common shares and share purchase warrants, net of issue costs	6,499	5,446
Proceeds from the exercise of stock options	220	253
Proceeds from the exercise of warrants	–	73
Net cash provided by financing activities	6,719	5,772
Cash flows from investing activities		
Proceeds from the sale of property, plant and equipment	168	–
Purchase of property, plant and equipment	(382)	(40)
Net cash used in investing activities	(214)	(40)
Foreign exchange gain (loss) on cash	33	(17)
Net decrease in cash	$ (2,757)	$ (3,138)
Cash, beginning of year	3,654	6,792
Cash, end of year	$ 897	$ 3,654

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

Helix BioPharma Corp. (the "Company"), incorporated under the *Canada Business Corporations Act,* is an immune-oncology company primarily focused in the areas of cancer prevention and treatment. The Company has funded its research and development activities, mainly through the issuance of common shares and warrants. The Company expects to incur additional losses and therefore will require additional financial resources, on an ongoing basis. It is not possible to predict the outcome of future research and development activities or the financing thereof.

1. Basis of presentation and going concern

These consolidated financial statements have been prepared on a going-concern basis, which assumes that the Company will continue in operation for the foreseeable future and, accordingly, will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company's ability to continue as a going concern is dependent mainly on obtaining additional financing. The Company does not have sufficient cash to meet anticipated cash needs for working capital and capital expenditures through the next twelve months.

The Company reported a consolidated net loss and total comprehensive loss of $10,059,000 for the fiscal year ended July 31, 2017 (July 31, 2016 - $9,665,000). As at July 31, 2017 the Company had a working capital deficiency of $504,000, shareholders' deficiency of $17,000 and a deficit of $155,380,000. As at July 31, 2016 the Company had working capital of $2,929,000, shareholders' equity of $3,164,000 and a deficit of $145,321,000. The Company will require additional financing in the immediate near term and in the future to see the current research and development initiates through to completion. There can be no assurance however, that additional financing can be obtained in a timely manner, or at all.

Not raising sufficient additional financing on a timely basis may result in delays and possible termination of all or some of the Company's research and development initiatives, and as a result, may cast significant doubt as to the ability of the Company to operate as a going concern and accordingly, the appropriateness of the use of the accounting principles applicable to a going concern. These consolidated financial statements do not include any adjustments to the carrying amount and classification of reported assets, liabilities and expenses that might be necessary should the Company not be successful in its aforementioned initiatives. Any such adjustments could be material. The Company cannot predict whether it will be able to raise the necessary funds it needs to continue as a going concern.

Statement of compliance

The Company's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretation Committee.

The consolidated financial statements of the Company were approved and authorized for issue by the Board of Directors on October 24, 2017.

Use of estimates and critical judgment

The preparation of the Company's financial statements requires management to make critical judgments, estimates and assumptions that affect the reported amounts of expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. On an ongoing basis, management evaluates its judgments, estimates and assumptions using historical experience and various other factors it believes to be reasonable under the given circumstances. Actual outcomes may differ from these estimates that could require a material adjustment to the reported carrying amounts in the future.

The most significant critical estimates and judgments made by management include the following:

a) Going Concern

Significant judgments related to the Company's ability to continue as a going concern are disclosed in the first paragraph above in Note 1.

b) Clinical study expenses

Clinical study expenses are accrued based on services received and efforts expanded pursuant to contracts with contract research organizations ("CROs"), consultants, clinical study sites and other vendors. In the normal course of business, the Company contracts with third parties to perform various clinical study activities. The financial terms of these agreements vary from contract to contract and are subject to negotiations that may result in uneven payment outflows. Payments under the contracts depend on various factors such as the achievement of certain events, the successful enrolment of patients or the completion of portions of the clinical study and/or other similar conditions. The Company determines the accruals by reviewing contracts, vendor agreements and purchase orders, and through discussions with internal personnel and external providers as to the progress or stage of completion of the clinical studies or services and the agreed-upon fee to be paid for such services. However, actual costs

and timing of the Company's clinical studies is uncertain, subject to risk and may change depending upon a number of factors, including the Company's clinical development plans and trial protocols.

c) Valuation of share-based compensation and warrants

Management measures the costs for share-based compensation and warrants using market-based option valuation techniques. Assumptions are made and estimates are used in applying the valuation techniques. These include estimating the future volatility of the share price, expected dividend yield, future employee turnover rates, and future exercise behaviours. Such estimates and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates of share-based payments and warrants.

d) Income taxes

Deferred tax assets, including those arising from unutilized tax losses, require management to assess the likelihood that the Company will generate future taxable income in future years in order to utilize any deferred tax asset which has been recognized. Estimates of future taxable income are based on forecasted cash flows. At the current statement of financial position date, no deferred tax assets have been recognized in these financial statements.

e) Impairment of long-lived assets

Long-lived assets are reviewed for impairment upon the occurrence of events or changes in circumstances indicating that the carrying value of the asset may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or cash-generating unit). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Management evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

Functional and presentation currency

The functional and presentation currency of the Company is the Canadian dollar.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

Basis of consolidation

These consolidated financial statements include the accounts of the Company and its subsidiaries listed below. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is acquired by the Company. Inter-company transactions and balances are eliminated upon consolidation. They are de-consolidated from the date that control by the Company ceases. The consolidated financial statements include the assets and liabilities and results of operations of all subsidiaries after elimination of intercompany transactions and balances.

As at July 31, 2017, the wholly-owned subsidiaries of the Company include: Helix BioPharma Inc., incorporated in the USA, Helix Immuno-Oncology Sp. z.o.o., incorporated in Poland and Helix Product Development (Ireland) Limited, incorporated in Ireland.

Cash

The Company considers cash on hand, deposits in banks and bank term deposits with maturities of 90 days or less as cash.

Property, plant and equipment

Property, plant and equipment are recorded at cost less accumulated depreciation. Impairment charges are included in accumulated depreciation.

Depreciation is provided using the following methods and estimated useful life:

Asset	Basis	Rate
Computer equipment and software	Straight line	3 years
Furniture and fixtures	Straight line	5 years
Research and manufacturing equipment	Straight line	4-10 years
Leasehold improvements	Straight line	Lease term

Research and development costs

Research costs are expensed as incurred. Development costs are expensed as incurred except for those which meet the criteria for deferral, in which case, the costs are capitalized and amortized to operations over the estimated period of benefit. No costs have been deferred to date.

Investment tax credits

The Company is entitled to Canadian federal and provincial investment tax credits, which are earned as a percentage of eligible research and development expenditures incurred in each taxation year. Investment tax credits are accounted for as a reduction of the related expenditure for items of a current nature and a reduction of the related asset cost for items of a capital nature, provided that the Company has reasonable assurance that the tax credits will be realized.

Stock-based compensation

The Company accounts for stock-based compensation and other stock-based payments made in exchange for goods and services provided by employees and non-employees in accordance with the fair value method. The fair value of stock options granted is determined at the appropriate measurement date using the Black-Scholes option pricing model, and generally expensed over the options' vesting period for employee awards. Awards with graded vesting are considered multiple awards for fair value measurement and stock-based compensation calculation. In determining the expense, the Company accounts for forfeitures using an estimate based on historical trends.

Foreign currency translation

The Company's currency of presentation is the Canadian dollar, which is also the Company's functional currency. Foreign currency-denominated items are translated into Canadian dollars. Monetary assets and liabilities in foreign currencies are translated into Canadian dollars at the rates of exchange in effect at the balance sheet dates. Non-monetary items are translated at historical exchange rates. Revenue and expenses are translated at the exchange rates prevailing at their respective transaction dates. Exchange gains and losses arising on translation are included in income.

Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of certain existing assets and liabilities and their respective tax bases. Deferred income tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of substantive enactment. Given the Company's history of net losses and expected future losses, the Company is of the opinion that it is probable that these tax assets will not be realized in the foreseeable future and therefore, the deferred tax asset has not been recognized.

Financial instruments

Financial assets and financial liabilities are initially recorded at fair value and their subsequent measurements are determined in accordance with their classification. The classification depends on the purpose for which the financial instruments were acquired or issued and their characteristics. Cash is classified as a held-for-trading assets and is accounted for at fair value. Accounts receivable are classified as loans and receivables, and after initial recognition are recorded at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, and after initial recognition are recorded at amortized cost.

Impairment

(i) Financial assets:

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment test is performed, on an individual basis, for each material financial asset. Other individually non-material financial assets are tested as groups of financial assets with similar risk characteristics. Impairment losses are recognized in income.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the assets original effective interest rate. Losses are recognized in income and reflected in an allowance account against the respective financial asset. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through income for all financial assets except available-for-sale equity securities.

(ii) Non-financial assets:
The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount is estimated.

The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of cash inflows of other assets or cash-generating units. An impairment loss is recognized if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses recognized in prior periods are assessed each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognized.

Basic and diluted loss per common share
Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similarly to basic loss per share, except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods. The inclusion of the Company's stock options and warrants in the computation of diluted loss per share has an anti-dilutive effect on the loss per share and, therefore, they have been excluded from the calculation of diluted loss per share.

Government Grants and Disclosure of Government Assistance
Government grant funds are recognised in income when there is reasonable assurance that the Company has complied with the conditions attached to them and that the grant funds will be received. Grant funds receivable are recognized in income over the periods in which the entity recognizes as expenses, the related costs for which the grant is intended to compensate.

3. New accounting standards and pronouncements not yet adopted

New accounting standards and pronouncements issued but not yet effective up to the date of issuance of the Company's consolidated financial statements are listed below. This listing includes standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective.

Certain pronouncements have been issued by the IASB or International Financial Reporting Interpretations Committee. Many of these updates are not applicable or are inconsequential to the Company and have been excluded from the discussion below:

IFRS 9, Financial Instruments
The IASB has issued a new standard, IFRS 9, Financial Instruments ("IFRS 9"), which will ultimately replace IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). The project had three main phases: classification and measurement, impairment and general hedging. The standard becomes effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively. Early adoption is permitted. The Company is evaluating the impact of the new standard on its results of operations, financial position and disclosures.

IFRS 15, Revenue from Contracts with Customers
The IASB has issued a new standard, IFRS 15, Revenue from Contracts with Customers ("IFRS 15"). IFRS 15 contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The standard becomes effective for annual periods beginning on or after January 1, 2018. The Company is evaluating the impact of the new standard on its results of operations, financial position and disclosures.

IFRS 16, Leases
In January 2016, the IASB has issued IFRS 16 *Leases* ("IFRS 16"), its new leases standard that requires lessees to recognize assets and liabilities for most leases on their balance sheets. Lessees applying IFRS 16 will have a single accounting model for all leases, with certain exemptions. Lessor accounting is substantially unchanged. The new standard will

(Tabular dollar amounts in thousands of Canadian dollars, except per share amounts)

be effective from January 1, 2019 with limited early application permitted. The Company is evaluating the impact of the new standard on its results of operations, financial position and disclosures.

4. Property, plant and equipment

	2017			2016		
	Cost	Accumulated depreciation	Net book value	Cost	Accumulated depreciation	Net book value
Research equipment	$ 1,654	$ 1,198	$ 456	$ 1,306	$ 1,106	$ 200
Manufacturing equipment	402	402	–	1,555	1,553	2
Leasehold improvements	359	359	–	370	370	–
Computer equipment	103	72	31	244	211	33
Computer software	56	56	–	89	89	–
Furniture and fixtures	12	12	–	19	19	–
	$ 2,586	$ 2,099	$ 487	$ 3,583	$ 3,348	$ 235

5. Shareholders' equity (deficiency)

Preferred shares

Authorized 10,000,000 preferred shares.
As at July 31, 2017 and 2016 the Company had nil preferred shares issued and outstanding.

Common shares and share purchase warrants

Authorized unlimited common shares without par value.
As at July 31, 2017 the Company had 95,711,579 (2016 – 89,247,937) common shares issued and outstanding.

On April 11, 2016, the Company completed a private placement, issuing 3,105,000 units at $1.50 per unit, for gross proceeds of $4,658,000. Each unit consisted of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at a price of $1.98 until April 10, 2021. Of the gross proceeds amount, $1,770,000 was allocated to the share purchase warrants based on fair value and the residual amount of $2,888,000 was allocated to the common shares. Share issue costs totalling $700,000 were proportionately allocated to the share purchase warrants ($266,000) and the common shares ($434,000), respectively.

On July 29, 2016, the Company completed a private placement, issuing 1,250,000 units at $1.46 per unit, for gross proceeds of $1,825,000. Each unit consisted of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at a price of $1.82 until July 28, 2021. Of the gross proceeds amount, $707,000 was allocated to the share purchase warrants based on fair value and the residual amount of $1,118,000 was allocated to the common shares. Share issue costs totalling $336,000 were proportionately allocated to the share purchase warrants ($130,000) and the common shares ($206,000), respectively.

On August 18, 2016, the Company completed a private placement, issuing 644,675 units at $1.54 per unit, for gross proceeds of $993,000. Each unit consisted of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at a price of $1.92 until August 17, 2021. Of the gross proceeds amount, $377,000 was allocated to the share purchase warrants based on fair value and the residual amount of $616,000 was allocated to the common shares. Share issue costs totalling $182,000 were proportionately allocated to the share purchase warrants ($69,000) and the common shares ($113,000), respectively.

On December 28 and 29, 2016 the Company completed two private placements, issuing a total of 1,520,000 units at $1.20 per unit, for gross proceeds of $1,824,000. Each unit consisted of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at a price of $1.50 until December 28 and 29, 2021. Of the gross proceeds amount, $672,000 was allocated to the share purchase warrants based on fair value and the residual amount of $1,152,000 was allocated to the common shares. Share issue costs totalling $312,000 were proportionately allocated to the share purchase warrants ($115,000) and the common shares ($197,000), respectively.

On March 16, 2017, the Company completed a private placement, issuing a total of 925,000 units at $1.20 per unit, for gross proceeds of $1,110,000. Each unit consisted of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at a price of $1.50 until March 15, 2022. Of the gross proceeds amount, $402,000 was allocated to the share purchase warrants based on fair value and the residual amount of

(Tabular dollar amounts in thousands of Canadian dollars, except per share amounts)

$708,000 was allocated to the common shares. Share issue costs totalling $188,000 were proportionately allocated to the share purchase warrants ($68,000) and the common shares ($120,000), respectively.

On April 28, 2017, the Company completed a private placement, issuing a total of 683,300 units at $1.20 per unit, for gross proceeds of $820,000. Each unit consisted of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at a price of $1.50 until April 27, 2022. Of the gross proceeds amount, $285,000 was allocated to the share purchase warrants based on fair value and the residual amount of $535,000 was allocated to the common shares. Share issue costs totalling $150,000 were proportionately allocated to the share purchase warrants ($52,000) and the common shares ($98,000), respectively.

On June 7, 2017, the Company completed a private placement, issuing a total of 2,524,000 units at $1.20 per unit, for gross proceeds of $3,029,000. Each unit consisted of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at a price of $1.50 until June 6, 2022. Of the gross proceeds amount, $1,022,000 was allocated to the share purchase warrants based on fair value and the residual amount of $2,007,000 was allocated to the common shares. Share issue costs totalling $443,000 were proportionately allocated to the share purchase warrants ($149,000) and the common shares ($294,000), respectively.

The following table provides information on share purchase warrants outstanding as at:

	July 31, 2017		July 31, 2016	
Exercise Price	Weighted average remaining contractual life (in years)	Number of share purchase warrants outstanding	Weighted average remaining contractual life (in years)	Number of share purchase warrants outstanding
$1.50	4.85	2,524,000	–	–
$1.50	4.74	683,300	–	–
$1.50	4.62	925,000	–	–
$1.50	4.41	1,520,000	–	–
$1.92	4.05	644,675	–	–
$1.82	3.99	1,250,000	4.99	1,250,000
$1.98	3.70	3,105,000	4.70	3,105,000
$1.54	2.75	3,250,000	3.75	3,250,000
$1.54	2.67	5,430,000	3.67	5,430,000
$2.24	1.94	3,996,000	2.94	3,996,000
$1.61	1.25	4,653,000	2.25	4,653,000
Outstanding, end of year		27,980,975		21,684,000

Stock options

The Company's equity compensation plan reserves up to 10% of the Company's outstanding common shares from time to time for granting to directors, officers and employees of the Company or any person or company engaged to provide ongoing management or consulting services. Based on the Company's current issued and outstanding common shares as at July 31, 2017, options to purchase up to 9,571,157 common shares (2016 – 8,924,793) may be granted under the plan. As at July 31, 2017, options to purchase a total of 930,000 common shares (2016 – 1,686,484) were issued and outstanding under the equity compensation plan.

The following table provides information on options outstanding and exercisable as at:

	July 31, 2017			July 31, 2016		
Exercise Price	Weighted average remaining contractual life (in years)	Number of options outstanding	Number of vested and exercisable options	Weighted average remaining contractual life (in years)	Number of options outstanding	Number of vested and exercisable options
$2.00	3.26	50,000	16,667	3.99	110,000	20,000
$0.92	2.86	380,000	380,000	–	–	–
$1.50	2.46	200,000	200,000	3.46	300,000	199,998
$1.65	2.26	100,000	100,000	3.26	150,000	99,999
$1.34	1.25	200,000	200,000	2.25	234,400	234,400
$1.30	–	–	–	0.92	200,000	200,000
$1.68	–	–	–	0.38	692,084	692,084
Outstanding, end of year	2.39	930,000	896,667	1.57	1,686,484	1,466,481

(Tabular dollar amounts in thousands of Canadian dollars, except per share amounts)

The following table summarized activity under the Company's equity compensation plan for the fiscal years ended:

	July 31, 2017		July 31, 2016	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding, beginning of year	1,686,484	$ 1.57	2,730,084	$ 1.92
Granted	380,000	0.92	50,000	2.00
Exercised	(166,667)	1.32	(190,600)	1.33
Expired	(969,817)	1.65	(903,000)	2.68
Outstanding, end of year	930,000	$ 1.27	1,686,484	$ 1.57
Vested and exercisable, end of year	896,667	$ 1.24	1,466,481	$ 1.56

Weighted average market share prices for options exercised during the fiscal years 2017 and 2016 were $1.32 and $1.97 respectively.

The fair value of each option granted was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

Grant Date	Number of options granted	Volatility factor	Risk free interest rate	Dividend rate	Expected life	Vesting period	Fair value of options granted
June 12, 2017	380,000	57.30 %	0.88 %	0.00 %	5 years	3 years	$ 136
November 2, 2015	50,000	80.47 %	0.73 %	0.00 %	5 years	3 years	$ 61
January 16, 2015	300,000	79.56 %	1.02 %	0.00 %	5 years	3 years	$ 333
November 3, 2014	150,000	78.61 %	1.37 %	0.00 %	5 years	3 years	$ 160
November 1, 2013	475,000	76.69 %	1.62 %	0.00 %	5 years	1 year	$ 379

For the year ended July 31, 2017, 530,003 options vested (2016 – 169,994) with a fair value of $301,663 (2016 – $188,353).

6. Commitments, contingent liabilities and contingent assets

The Company's commitments are summarized as follows:

	2018	2019	2020	2021	2022	2023 and beyond	Total
V-DOS47 co-funded project	$ 606	$ 1,452	$ 2,578	$ 1,805	$ –	$ –	$ 6,441
Clinical research organizations	2,165	–	–	–	–	–	2,165
Contract manufacturing organizations	615	–	–	–	–	–	615
Collaborative research organizations	321	–	–	–	–	–	321
Royalty and in-licensing	20	20	20	20	20	100	200
Operating leases	52	26	–	–	–	–	78
Financial and investor relations	127	–	–	–	–	–	127
	$ 3,906	$ 1,498	$ 2,598	$ 1,825	$ 20	$ 100	$ 9,947

Grant Funding Agreement (the "Agreement") with the Polish National Centre for Research and Development ("PNCRD")

Based on the Agreement, certain expenditures made commencing on March 1, 2016 are eligible for reimbursement with the final reimbursement submission to be made no later than September 30, 2021. Total costs associated with the V-DOS47 development program under the Agreement is PLN19,794,416 ($6,830,815). Of the total project costs of PLN19,794,416 ($6,830,815), the PNCRD will reimburse the Company's Polish subsidiary PLN12,506,955 ($4,316,000) for eligible expenditures, under the program. Under the Agreement, the Company's subsidiary is required to spend PLN4,437,459 ($1,531,00) towards eligible project expenditures plus an additional PLN2,850,000 ($984,000) for manufacturing and clinical trial documentation costs that are not eligible for subsidies from the PNCRD. Subsidized amounts may be drawn in advance or on a reimbursement basis, with varying criteria and timelines for justification of claims being made by the Company's subsidiary. Of the $6,441,000 in total future commitments towards this program, the Company is projecting that approximately $3,974,000 will be reimbursed by the PNCRD.

Clinical Research Organization ("CRO") Commitments

The Company has CRO supplier agreements in place for clinical research services related to the management of the Company's clinical stage programs

As at July 31, 2017, the Company accrued $1,128,000 (2016 – $446,000) for services provided by these CRO's.

Contract Manufacturing Organization ("CMO") commitments

The Company has CMO supplier agreements related to the Company's L-DOS47 program, all of which are inter-dependant with manufacturing of L-DOS47.

As at July 31, 2017, the Company accrued $38,000 (2016 – $nil) for CMO services it had received and is committed to pay $nil for additional services.

Collaborative Research Organization Service Commitments

The Company has one collaborative research agreement relating to the Company's L-DOS47 program. The nature of the services includes assay development, animal studies and imaging and ongoing future clinical sample analysis.

As at July 31, 2017, the Company accrued $nil (2016 – $82,000) for collaborative research organizations services it had received.
Royalty and in-licensing commitments

Pursuant to an agreement dated April 28, 2005 with the National Research Council of Canada (the "NRC"), the Company is required to pay a royalty to the NRC of 3% of net sales, with a minimum royalty of $10,000 per annum generated from the use of a certain antibody to target cancerous tissues of the lung. In addition to the royalty payments, the Company is also required to make certain milestone payments: $25,000 upon successful completion of Phase I clinical trials; $50,000 upon successful completion of Phase IIb clinical trials; $125,000 upon successful completion of Phase III clinical trials; and $200,000 upon receipt of market approval by regulatory authority. L-DOS47 is subject to this agreement.

Pursuant to an agreement dated September 22, 2016 with the National Research Council of Canada, the Company is required to pay a royalty to the NRC of 3% of net sales, with a minimum royalty of $10,000 per annum generated from the use of a certain antibody to target cancerous tissues of the lung. In addition to the royalty payments, the Company is also required to make certain milestone payments for the first licensed product: $25,000 upon successful completion of Phase I clinical trials; $50,000 upon successful completion of Phase IIb clinical trials; $150,000 upon successful completion of Phase III clinical trials; $200,000 upon receipt of first regulatory approval by a regulatory authority; and $200,000 upon receipt of a second regulatory approval by a regulatory authority. For the development of each subsequent licensed product: $200,000 upon receipt of first regulatory approval by a regulatory authority; and $200,000 upon receipt of a second regulatory approval by a regulatory authority. As it relates to sub-licensing arrangements, the Company is required to pay the NRC 33% of any sub-licensing revenues received. The anti-CEACAM6 single domain antibody 2A3 is subject to this agreement.

As at July 31, 2017, the Company has $nil (2016 – $80,000) in financial obligations outstanding related to royalty and in-licensing commitments.

Operating lease commitments

The Company is committed to pay $78,000 under four facility lease agreements with lease terms up to 24 months.

Financial and investor relations agreements

The Company entered into a non-exclusive financial and investor relations agreement with ACM Alpha Consulting Management EST ("ACMest"), effective May 1, 2012. The agreement may now be terminated by either party at any time upon ninety days written notice to the other party. On March 7, 2014, Mr. Andreas Kandziora was asked to act as an Observer on the Board of Directors of the Company. Mr. Kandziora is President and CEO of ACMest. The agreement includes the following provisions:

a) a monthly fee for investor relations services of CHF33,000 and reimbursement of certain expenses;

b) a 12.5% fee on the gross proceeds on any capital raised up to six months after the termination of this agreement from an ACMest introduced investor with residency outside Canada and the U.S.;

c) a 12.5% fee on the value of a transaction up to twelve months after the termination of the agreement from an ACMest introduced strategic partner, including but not limited to, any cash payments to the Company as an up-front payment, any co-development proceeds, any milestone payments and any royalties associated with the transaction; and

(Tabular dollar amounts in thousands of Canadian dollars, except per share amounts)

d) a 12.5% fee on the gross proceeds of any capital raised up to twelve months after the termination of the agreement from an ACMest introduced strategic partner.

At July 31, 2017, the Company accrued $nil (2016 – $251,000) for services provided by ACMest. Also see *Note 9 – Related Party Transactions*).

Non-disclosure agreement ("NDA")

The Company and its wholly-owned subsidiary signed two separate non-disclosure agreements which included specific wording as to the use of data for purposes other than those specified or in the event of disclosure to a third party of all or a part of certain data. Under the NDA, and the event of a breach, the Company would be liable for a contractual penalty of PLN500,000 for each case of breach under each of the NDA's.

Legal proceedings and claims

There are two claims made against the Company in the normal course of operations that remain pending at the end of fiscal 2017. Management believes that these claims are without merit. These actions are not sufficiently advanced for the outcome to be presently determinable and, accordingly, no provision for these claims have been made in these financial statements.

7. Capital risk management

The Company's main objectives when managing capital are to ensure sufficient liquidity to finance research and development activities, clinical trials, ongoing administrative costs, working capital and capital expenditures. The Company includes cash in the definition of capital. The Company endeavours not to unnecessarily dilute shareholders when managing the liquidity of its capital structure.

Since inception, the Company has financed its operations from public and private sales of equity, the exercise of warrants and stock options, and, to a lesser extent, from interest income from funds available for investment, government grants and investment tax credits. Since the Company does not have net earnings from its operations, the Company's long-term liquidity depends on its ability to access capital markets, which depends substantially on the success of the Company's ongoing research and development programs, as well as capital market conditions and availability.

The Company does not currently have enough cash reserves to fully fund its clinical trials nor does the Company have sufficient cash reserves to meet anticipated cash needs for working capital and capital expenditures through at least the next twelve months.

The Company does not have any credit facilities and is therefore not subject to any externally imposed capital requirements or covenants.

8. Financial instruments and risk management

The Company has classified its financial instruments as follows:

	2017		2016	
	Fair Value	Fair value hierarchy	Fair Value	Fair value hierarchy
Cash	$ 897	Level 1	$ 3,654	Level 1

Fair value hierarchy

Financial instruments recorded at fair value on the balance sheet are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

a. Level 1 reflects valuation based on quoted prices observed in active markets for identical assets or liabilities;
b. Level 2 reflects valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived principally from or corroborated by observable market data by correlation or other means; and
c. Level 3 reflects valuation techniques with significant unobservable market inputs.

A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

(Tabular dollar amounts in thousands of Canadian dollars, except per share amounts)

The financial instrument in the Company's financial statements, measured at fair value, is cash.

Fair value

The fair value of financial instruments as at July 31, 2017 and 2016 approximates their carrying value because of the near-term maturity of these instruments.

Financial risk management

The Company is exposed to a variety of financial risks by virtue of its activities: market risk (including currency and interest rate risk), credit risk and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance.

Risk management (the identification and evaluation of financial risk) is carried out by the finance department, in close cooperation with management. The finance department is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated in accordance with the approved policies. The Company's Board of Directors has the overall responsibility for the oversight of these risks and reviews the Company's policies on an ongoing basis to ensure that these risks are appropriately managed.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates, will affect the Company's income or the value of its financial instruments.

Currency risk

The Company has international transactions and is exposed to foreign exchange risks from various currencies, primarily the Euro and U.S. dollar. Foreign exchange risks arise from the foreign currency translation of the Company's integrated foreign operation in Poland. In addition, foreign exchange risks arise from purchase transactions, as well as recognized financial assets and liabilities denominated in foreign currencies.

Balances in foreign currencies at July 31, 2017 and 2016 are as follows:

	2017			2016		
	EUR	USD	PLN	EUR	USD	PLN
Cash	32	1	276	30	48	77
Accounts receivable	–	–	178	–	–	–
Accounts payable	(468)	(229)	(201)	(77)	(48)	–
Accruals	(217)	(24)	(99)	(82)	(165)	(90)
Net foreign currencies	(653)	(252)	154	(129)	(165)	(13)
Closing exchange rate	1.4719	1.2485	0.3451	1.4594	1.3056	0.3345
Impact of 1% change in exchange rate	+/- 9	+/- 3	+/- 1	+/- 1	+/- 1	+/- 1

Any fluctuation in the exchange rates of the foreign currencies listed above could have an impact on the Company's results from operations; however, they would not impair or enhance the ability of the Company to pay its foreign-denominated expenses.

The following summary illustrates the purchasing power of the Canadian dollar for the fiscal years 2017 and 2016 against the Euro (EUR), the U.S. dollar (USD) and the Polish Zloty (PLN):

	2017			2016		
	EUR	USD	PLN	EUR	USD	PLN
High	0.7232	0.8043	3.2108	0.7102	0.7972	3.0998
Average	0.6910	0.7556	2.9737	0.6784	0.7531	2.9274
Low	0.6569	0.7277	2.7488	0.6278	0.6854	2.7693

Interest rate risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in interest rates, which are affected by market conditions. The Company is exposed to interest rate risk arising from fluctuations in interest rates received on its cash and cash equivalents. The Company does not have any credit facilities and is therefore not subject to any debt related interest rate risk.

(Tabular dollar amounts in thousands of Canadian dollars, except per share amounts)

The Company manages its interest rate risk by maximizing the interest income earned on excess funds while maintaining the liquidity necessary to conduct its operations on a day-to-day basis. Any investment of excess funds is limited to risk-free financial instruments. Fluctuations in the market rates of interest do not have a significant impact on the Company's results of operations due to the relatively short-term maturity of any investments held by the Company at any given point in time and the low global interest rate environment. The Company does not use derivative instruments to reduce its exposure to interest rate risk.

Credit risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation.

The table below breaks down the various categories that make up the Company's accounts receivable balances as at July 31:

	2017	2016
Government related – HST/VAT	$ 177	$ 106
Research and development investment tax credits	430	380
Other	23	3
	$ 630	$ 489

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. Since inception, the Company has mainly relied on financing its operations from public and private sales of equity. The Company does not have any credit facilities and is therefore not subject to any externally imposed capital requirements or covenants.

The Company manages its liquidity risk by continuously monitoring forecasts and actual cash flow from operations and anticipated investing and financing activities.

The Company's cash reserves of $897,000 as at July 31, 2017 are insufficient to meet anticipated cash needs for working capital and capital expenditures through the next twelve months, nor are they sufficient to see the current research and development initiates through to completion. To the extent that the Company does not believe it has sufficient liquidity to meet its current obligations, management considers securing additional funds primarily through equity arrangements to be of utmost importance.

The Company's long-term liquidity depends on its ability to access the capital markets, which depends substantially on the success of the Company's ongoing research and development programs, as well as economic conditions relating to the state of the capital markets generally. Accessing the capital markets is particularly challenging for companies that operate in the biotechnology industry.

The following are the contractual maturities of the undiscounted cash flows of financial liabilities as at July 31:

	2017			2016		
	Carrying amount	Less than one year	Greater than one-year	Carrying amount	Less than one year	Greater than one-year
Accounts payable	$ 1,438	$ 1,438	$ –	$ 715	$ 715	$ –
Accrued liabilities	722	722	–	589	589	–

This table only covers liabilities and obligations relative to financial instruments and does not anticipate any income associated with assets.

9. Related party transactions

The following table summarizes key management personnel compensation for the fiscal years ended:

	2017	2016
Compensation	$ 1,081	$ 1,283
Stock-based compensation	–	53
	$ 1,081	$ 1,336

(Tabular dollar amounts in thousands of Canadian dollars, except per share amounts)

The following table summarizes non-management directors' compensation for the fiscal years ended:

	2017	2016
Directors' fees	$ 314	$ 352
Stock-based compensation	16	150
Consulting fees	329	187
Sub-lease payments	144	–
	$ 803	$ 689

The Company entered into a consulting agreement with the Chairman of the Board to act as Chief Executive Officer of the Company. The agreement had a twelve-month term which expired on March 31, 2017. During the 2017 fiscal year, the Company entered into an agreement with a company controlled by a director of the Company to sub-lease office space.

The following table summarizes the Board Observer's compensation for the fiscal years ended:

	2017	2016
Finder's fee commissions	$ 972	$ 810
Financial and investor relations consulting fee	532	540
Expense reimbursement	31	80
	$ 1,535	$ 1,430

The Company entered into a non-exclusive financial and investor relations agreement with ACM Alpha Consulting Management EST ("ACMest"), effective May 1, 2012. On March 7, 2014, Mr. Andreas Kandziora became an Observer to the Board of Directors of the Company. Mr. Kandziora was also appointed to the Supervisory Board of the Company's wholly-owned Polish subsidiary, Helix Immuno-Oncology. Mr. Kandziora is President and CEO of ACMest (also see *Note 6 – Commitments, contingent liabilities and contingent assets*). During the 2017 fiscal year, the Board of Directors of the Company appointed Mrs. Veronika Kandziora, the spouse of Mr. Kandziora, as Corporate Secretary of the Company.
Related party transactions are at arm's length and recorded at the amount agreed to by the related parties.

10. Research and development projects

As at July 31, 2017, the Company has incurred research and development expenditures primarily on the L-DOS47 research and development program.

Included in research and development expenditures are costs directly attributable to the various research and development functions and initiatives the Company has underway and include: salaries; bonuses; benefits; stock based compensation; depreciation of property, plant and equipment; patent costs; consulting services; third party contract manufacturing, third party clinical research organization services; and all overhead costs associated with the Company's research facilities.

The following table outlines research and development costs expensed and investment tax credits for the Company's significant research and development projects for the fiscal years ended July 31:

	2017	2016
L-DOS47	$ 5,496	$ 5,017
V-DOS47	894	159
CAR-T	259	–
Corporate research and development expenses	474	431
Trademark and patent related expenses	361	244
Stock-based compensation expense	24	27
Depreciation expense	112	118
Research and development investment tax credits	(230)	(175)
Polish government grant subsidy (V-DOS47)	(335)	–
	$ 7,055	$ 5,821

11. Government grant

On July 21, 2016, the Company announced that a grant funding agreement was entered into by the Company's wholly-owned subsidiary in Poland and the PNCRD, whereby certain expenditures made commencing on March 1, 2016 are eligible for reimbursement with the final reimbursement submission to be made no later than September 30, 2021. Subsidized amounts may be drawn in advance or on a reimbursement basis, with varying criteria and timelines for justification of claims being made by the Company's subsidiary. The Agreement may be terminated by either party upon one month's written notice and must also state

(Tabular dollar amounts in thousands of Canadian dollars, except per share amounts)

the grounds for which the Agreement is being terminated. In certain cases of termination, the Company's Polish subsidiary may be obligated to return the received financial support in full within fourteen days of the day notice is served, with interest (also see *Note 6 – Commitments, contingent liabilities and contingent assets*).

12. Income taxes

The Company recognizes deferred tax assets and liabilities for expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities and certain carry-forward balances. The Company's effective income tax rate in fiscal 2017 is 25.7% (2016 – 26.7%).

The tax effects of temporary differences for the Company that gives rise to the unrecorded deferred tax asset presented in the following table:

	2017	2016
Deferred tax assets:		
Scientific Research & Experimental Development expenditure pool	$ 12,438	$ 11,978
Non-capital losses and other credits carried forward	20,335	18,293
Capital losses carried forward	161	161
Excess of tax basis over book basis of capital assets	1,525	1,500
Deductible share issue costs	561	454
	$ 35,040	$ 32,386

Current income tax expense and non-capital tax carry-forwards

As at July 31, 2017, the Company has Canadian tax losses that can be carried forward of approximately $76,284,000 (2016 – $68,621,000) and are available until 2037 as follows:

2025	$ 862
2026	2,113
2027	2,904
2028	2,438
2029	9,188
2030	6,552
2031	6,793
2032	13,242
2033	2,437
2034	6,727
2035	7,256
2036	7,883
2037	7,889
	$ 76,284

Scientific Research & Experimental Development expenditures ("SR&ED")

Under the *Income Tax Act* (Canada), certain expenditures are classified as SR&ED expenditures and are grouped into a pool for tax purposes. This expenditure pool can be carried forward indefinitely and deducted in full in any subsequent year. The SR&ED expenditure pool at July 31, 2017 is approximately $46,883,000 (2016 – $44,911,000).

Investment tax credits

The Company has also earned investment tax credits in Canada, on eligible SR&ED expenditures at July 31, 2017 of approximately $11,468,000 (2016 – $11,014,000), which can offset Canadian income taxes otherwise payable in future years up to 2037. Investment tax credits are accounted for as a reduction of the related expenditure for items of a current nature and a reduction of the related asset cost for items of a capital nature, provided that the Company has reasonable assurance that the tax credits will be realized. During the year, the Company received cash refundable investment tax credits related to prior years in the amount of $179,000 (2016 – $184,000). At July 31, 2017, cash refundable investment tax credits total $430,000 (2016 – $379,000). The research and development investment tax credits recorded are based on management's estimates of amounts expected to be recovered and are subject to audit by the taxation authorities and, accordingly, these amounts may vary. Federal investment tax credits are non-refundable to the Company. Refundable investment tax credits reflect eligible SR&ED expenditures incurred in various provinces.

(Tabular dollar amounts in thousands of Canadian dollars, except per share amounts)

Tax - Poland

As at July 31, 2017, the Company has Poland tax losses that can be carried forward of approximately $777,000 (2016 – $170,000) and are available until 2022 as follows:

2019	$	3
2020		26
2021		146
2022		602
	$	777

13. Gain on sale of property, plant and equipment

On December 23, 2016, the Company announced, it signed an exclusive out-license agreement with Xisle for the Company's late-stage, Biphasix™ technology platform, including the lead product candidate, interferon alpha. Xisle is responsible for the continued clinical development and subsequent commercialization of the product for the treatment of HPV-induced, low-grade, cervical intraepithelial lesions. As part of its asset development strategy, Xisle has initiated collaboration with senior pharmaceutical executives at Altum Pharmaceuticals Inc., who possess regulatory, clinical, and product development expertise. Under the terms of the agreement, Xisle paid an up-front fee of USD125,000 and agreed to pay subsequent milestone payments as they advance the technology to registration and market approvals and royalties. As part of the agreement, Helix retains marketing rights for Belarus, Bulgaria, Czech Republic, former Eastern Germany, Hungary, Moldova, Poland, Romania, Russia, Slovakia and Ukraine. In addition, the Company also retains non-exclusive rights for co-promotion in Canada.

The Company subsequently assigned the marketing rights which it retained over to HIO, its wholly-owned subsidiary in Poland pursuant to an agreement between the Company and HIO with the agreement being subject to the restrictions and limitations associated with the out-license agreement signed between the Company and Xisle. In addition, HIO will be responsible for continuing clinical development and subsequent commercialization with milestone and royalty payments to be paid back to the Company upon successful product development through to commercialization.

14. Subsequent Event

On August 31, 2017, the Company completed a private placement, issuing a total of 1,092,500 units at $1.20 per unit for gross proceeds of approximately $1,311,000. Each unit consisted of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at a price of $1.50 and has an expiry of five years from the date of issuance.

On October 19, 2017, the Company completed a private placement, issuing a total of 3,258,000 units at $1.20 per unit for gross proceeds of approximately $3,910,000. Each unit consisted of one common share and one common share purchase warrant. Each common share purchase warrant entitles the holder to purchase one common share at a price of $1.50 and has an expiry of five years from the date of issuance.