



Interim condensed consolidated
financial statements of
Rakovina Therapeutics Inc.

(Formerly Vincero Capital Corp.)

(Expressed in Canadian Dollars)

(Unaudited)

For the three and nine months ended September 30, 2021

NOTICE OF NO AUDITOR REVIEW OF CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Section 4.3(3)(a) of National Instrument 51-102, Continuous Disclosure Obligations, provides that if an auditor has not performed a review of the consolidated interim financial statements, the interim consolidated financial statements must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated financial statements of Rakovina Therapeutics Inc. (the "Company") have been prepared by and are the responsibility of the Company's management and have not been reviewed by the Company's independent auditor.

RAKOVINA THERAPEUTICS INC. (FORMERLY VINCERO CAPITAL CORP.)**INTERIM CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(All figures expressed in Canadian dollars unless otherwise noted)

(Unaudited)

| | <i>Note</i> | September 30, 2021 | December 31, 2020 |
|--|-------------|-----------------------|----------------------|
| | | \$ | \$ |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | | 3,260,154 | 7 |
| Prepaid expenses | 6 | 359,750 | - |
| Amounts receivable | | 55,016 | - |
| Due from related party | | - | 1 |
| | | 3,674,920 | 8 |
| Non-current assets | | | |
| Intangible assets | 5 | 5,722,398 | - |
| | | 9,397,318 | 8 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Accounts payable and accrued liabilities | | 105,833 | - |
| Due to related parties | 12 | 83,153 | 20 |
| | | 188,986 | 20 |
| EQUITY | | | |
| Share capital | 7 | 13,574,617 | 1 |
| Contributed surplus | | 403,514 | - |
| Deficit | | (4,769,799) | (13) |
| | | 9,208,332 | (12) |
| | | 9,397,318 | 8 |

Nature and description of the company (Note 1)

Going concern (Note 2)

Commitments (Note 13)

Subsequent Event (Note 15)

APPROVED BY THE BOARD

"Jeffrey Bacha" Director

"Michael Liggett" Director

The accompanying notes are an integral part of the interim condensed consolidated financial statements

RAKOVINA THERAPEUTICS INC. (FORMERLY VINCERO CAPITAL CORP.)
INTERIM CONDENSED CONSOLIDATED STATEMENT OF NET LOSS AND COMPREHENSIVE LOSS
For the three and nine months ended September 30, 2021
 (All figures expressed in Canadian dollars unless otherwise noted)
 (Unaudited)

| | <i>Note</i> | Three months ended September 30, 2021 | Nine months ended September 30, 2021 |
|------------------------------------|-------------|--|---|
| | | \$ | \$ |
| Expenses | | | |
| Research and development | 14 | 509,995 | 1,028,640 |
| General and administrative | 14 | 229,281 | 693,984 |
| Listing costs and transaction fees | 3 | - | 3,051,607 |
| Total Expenses | | (739,276) | (4,774,231) |
| Finance income | | 2,836 | 5,703 |
| Foreign exchange loss | | (912) | (1,258) |
| | | 1,924 | 4,445 |
| Net Loss | | (737,352) | (4,769,786) |
| Loss per share | | | |
| Basic and diluted | 10 | (0.01) | (0.10) |

The accompanying notes are an integral part of the interim condensed consolidated financial statements

RAKOVINA THERAPEUTICS INC. (FORMERLY VINCERO CAPITAL CORP.)**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASHFLOWS****For the nine months ended September 30, 2021**

(All figures expressed in Canadian dollars unless otherwise noted)

(Unaudited)

| | <i>Note</i> | Nine months ended September 30, 2021 |
|--|-------------|---|
| <hr/> | | |
| \$ | | |
| CASH PROVIDED BY (USED IN): | | |
| OPERATING ACTIVITIES | | |
| Net loss | | (4,769,786) |
| Adjustments for non-cash items | | |
| Amortization | 5,14 | 277,602 |
| Share-based payments | 9,14 | 282,410 |
| Direct listing costs | 3 | 2,576,004 |
| Changes in non-cash working capital | | |
| Prepaid expenses | | (359,750) |
| Amounts receivable | | (55,016) |
| Accounts payable and accrued liabilities | | 105,833 |
| Due to related parties | | 83,133 |
| <hr/> | | |
| (1,859,570) | | |
| FINANCING ACTIVITIES | | |
| Issuance of commons shares net of share issuance costs | 7 | 4,294,717 |
| Exercise of agent options | 9 | 25,000 |
| <hr/> | | |
| 4,319,717 | | |
| INVESTING ACTIVITIES | | |
| Cash received on amalgamation with Vincero | 3 | 800,000 |
| <hr/> | | |
| 3,260,147 | | |
| CHANGE IN CASH AND CASH EQUIVALENTS | | |
| <hr/> | | |
| 7 | | |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | | |
| <hr/> | | |
| 3,260,154 | | |
| <hr/> | | |

The accompanying notes are an integral part of the interim condensed consolidated financial statements

RAKOVINA THERAPEUTICS INC. (FORMERLY VINCERO CAPITAL CORP.)

Interim Condensed Consolidated Statements of Changes in Equity

(All figures expressed in Canadian dollars unless otherwise noted)

(Unaudited)

| | <i>Note</i> | Share Capital | Contributed Surplus | Deficit | Total |
|--------------------------------------|-------------|--------------------------|--------------------------------|--------------------|------------------|
| | | \$ | \$ | \$ | \$ |
| Balance at December 31, 2020 | | 1 | - | (13) | (12) |
| Cancelation of incorporation share | | (1) | - | - | (1) |
| Effect of the reverse acquisition | 3 | 3,345,700 | 30,304 | - | 3,376,004 |
| Issuance of shares and warrants | 4 | 4,565,900 | - | - | 4,565,900 |
| Share and warrant issuance costs | 4 | (271,183) | - | - | (271,183) |
| Issuance of common shares to NewGen | 5 | 6,000,000 | - | - | 6,000,000 |
| Issuance of finders warrants | 4 | (118,705) | 118,705 | - | - |
| Exercise of agent options | 9 | 52,905 | (27,905) | - | 25,000 |
| Share-based payments | 9 | - | 282,410 | - | 282,410 |
| Net loss | | - | - | (4,769,786) | (4,769,786) |
| Balance at September 30, 2021 | | 13,574,617 | 403,514 | (4,769,799) | 9,208,332 |

The accompanying notes are an integral part of the interim condensed consolidated financial statements

RAKOVINA THERAPEUTICS INC. (FORMERLY VINCERO CAPITAL CORP.)

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2021

(All figures expressed in Canadian dollars unless otherwise noted)

(Unaudited)

1. Nature and description of the Company

The Company was incorporated under the *Business Corporations Act* (British Columbia) on May 6, 2019 under the name "Vincero Capital Corp." Prior to completing its qualifying transaction on March 25, 2021, the Company listed its shares on the TSX Venture Exchange ("TSX-V") on February 7, 2020 as a capital pool company ("CPC") (as defined in the TSX-V Policy 2.4 – *Capital Pool Companies*). As a capital pool company, the Company had no assets other than cash and did not carry on any operations.

On March 25, 2021, the Company announced that, pursuant to a business combination agreement dated August 28, 2020, as amended from time to time (the "Business Combination Agreement"), between the Company and NewGen Therapeutics, Inc. ("NewGen"), the Company had completed its qualifying transaction (the "QT" or "Qualifying Transaction"). The Qualifying Transaction was effected by way of a "three-cornered" amalgamation, in which: (a) a subsidiary of NewGen (the "Subco") was to amalgamate with a wholly-owned subsidiary of the Company ("Vincero Subco") to form an amalgamated company ("Amalco"); (b) all issued and outstanding shares of the Subco were exchanged for shares of the Company on a 1:1 basis; (c) all issued and outstanding warrants of the Subco were replaced by warrants of the Company on the same terms; and (d) Amalco became a wholly-owned subsidiary of the Company. The Qualifying Transaction was a reverse-takeover of the Company and upon completion thereof, the Company changed its name to "Rakovina Therapeutics Inc.". On April 1, 2021 following the completion of the Qualifying Transaction, the common shares of the Company (the "Common Shares") resumed trading on the TSX-V under the symbol "RKV". The Company's first financial year-end subsequent to the completion of the Qualifying Transaction is December 31, 2021. Subco has been identified for accounting purposes as the acquiror, and accordingly the reporting entity is considered to be a continuation of Subco and the net assets of Vincero are deemed to have been acquired by Subco. The comparative figures in these interim condensed consolidated financial statements are those of Subco which was incorporated under the *Business Corporations Act* (British Columbia) on September 25, 2020.

Following completion of the Qualifying Transaction, the Company continued to conduct the biotechnology business previously conducted by Subco until March 23, 2021, when Subco and a subsidiary of the Company were amalgamated, with Amalco being the successor entity. The Company has acquired certain rights to three classes of novel preclinical small-molecule drug candidates with established *in vitro* proof-of-concept data. The Company has acquired worldwide rights, excluding the People's Republic of China, Hong Kong and Taiwan, to develop and commercialize the kt-2000 series under the terms of a purchase and patent assignment agreement dated March 19, 2021 between Subco and NewGen. The Company has also been granted an exclusive option to the kt-3000 and kt-4000 series under the terms of an Evaluation and Option Agreement with the inventor of the kt-2000 series. The Company is conducting lead optimization research on all three series in collaboration with the University of British Columbia ("UBC") under the terms of a collaborative research agreement.

The Company's head office and registered and records office is located at 2201 - 8 Smithe Mews, Vancouver, British Columbia V6B 0A5.

These interim condensed consolidated financial statements were approved by the Company's Board of Directors and authorized for issue on November 23, 2021.

2. Basis of presentation and going concern

a) Statement of compliance

These interim condensed consolidated financial statements ("consolidated financial statements") have been prepared in accordance with International Accounting Standards 34 "Interim Financial Reporting" using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the Interpretations of the International Financial Reporting and Interpretations Committee.

These consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's audited financial statements for the period from incorporation on September 25, 2020 to December 31, 2020.

RAKOVINA THERAPEUTICS INC. (FORMERLY VINCERO CAPITAL CORP.)

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2021

(All figures expressed in Canadian dollars unless otherwise noted)

(Unaudited)

b) Going concern

These consolidated financial statements have been prepared using IFRS, as issued by the IASB applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business. For the nine months ended September 30, 2021, the Company reported a net loss of \$4,769,786 of which \$3,051,607 related to listing costs and transaction fees associated with the QT. As at September 30, 2021, the Company had positive working capital of \$3,485,934. Notwithstanding, the Company will require additional funds to develop and commercialize its technologies.

While the Company has been successful in arranging financing in the past, the success of such initiatives cannot be assured. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption deemed to be inappropriate. These adjustments could be material.

c) Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary Rakovina Research Ltd. Subsidiaries are fully consolidated from the date at which control is determined to have occurred. The financial statements of the subsidiaries are prepared for the same reporting period as the Company using consistent accounting policies. Intercompany transactions, balances, and gains and losses on transactions between subsidiaries are eliminated.

d) Foreign currency

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of the Company and its subsidiary is the Canadian dollar.

Transactions in foreign currencies are translated to the functional currency at the rate on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange as at the period end. All differences are recognized in the statement of net loss and comprehensive loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

e) Cash and cash equivalents

Cash equivalents include guaranteed investments with a maturity of 90 days or less.

f) Research and development costs

Expenditures on research and development activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in net loss and comprehensive loss as incurred. Investment tax credits related to current expenditures are included in the determination of net loss and comprehensive loss as the expenditures are incurred and when there is reasonable assurance they will be realized.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. These criteria will be deemed by the Company to have been met when revenue is received by the Company and a determination that it has sufficient resources to market and sell its product offerings. Upon a determination that the criteria to capitalize development expenditures have been met, the expenditures capitalized will include the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditures will be expensed as incurred.

RAKOVINA THERAPEUTICS INC. (FORMERLY VINCERO CAPITAL CORP.)

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(All figures expressed in Canadian dollars unless otherwise noted)

(Unaudited)

Capitalized development expenditures will be measured at cost less accumulated amortization and accumulated impairment losses. No development costs have been capitalized to date.

g) Intangible assets

The Company owns certain patents, intellectual property licenses and options to acquire intellectual property. The Company expenses patent costs, including license fees and other maintenance costs, until such time as the Company has certainty over the future recoverability of the intellectual property at which time it capitalizes the costs incurred. The Company capitalizes costs directly related to the acquisition of existing license patents.

The Company does not hold any intangible assets with an indefinite life.

Intangible assets with finite lives that are acquired separately are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization method and amortization period of an intangible asset with a finite life is reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in research and development expenses.

Amortization is recognized in research and development expense on a straight-line basis over the useful economic lives of intangible assets from the date they are available for use.

h) Share Capital

The Company records proceeds from share issuances net of issue costs and any tax effects. The Company has adopted the residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less easily measurable component.

i) Share-based payments

The Company has a share-based payment plan (the "Plan") available to officers, directors, employees, advisors and consultants with grants under the Plan approved by the Company's Board of Directors. The Plan is equity settled. The Company uses the fair value-based method of accounting for employee awards granted under the Plan. The Company calculates the fair value of each stock option grant using the Black Scholes option pricing model at the grant date. The share-based payment expense of the options is recognized over the relevant vesting period of the stock options and a corresponding increase to contributed surplus. Forfeitures are estimated and accounted for at the grant date and adjusted, if necessary, in subsequent periods.

Stock options awarded to non-employees are accounted for at the fair value of the goods received or the services rendered. The fair value is measured at the date the Company obtains the goods or the date the counterparty renders the service. If the fair value of the goods or services cannot be reliably measured, the fair value of the options granted will be used.

3. Reverse acquisition

On March 25, 2021, the Company completed the QT in accordance with the policies of the TSX Venture exchange. In connection with the transaction, the following occurred:

- Vincero and NewGen each incorporated a new subsidiary, Vincero Subco, and Subco, respectively.
- Subco acquired the rights to the kt-2000 PARP inhibitor intellectual property from NewGen in exchange for 30,000,000 Subco shares.
- Subco separately acquired certain rights to the kt-3000 and kt-4000 series and completed the financing transactions described in Note 4, resulting in the issuance of 22,829,500 common shares and 11,414,750 common share purchase warrants for gross proceeds of \$4,565,900.

RAKOVINA THERAPEUTICS INC. (FORMERLY VINCERO CAPITAL CORP.)

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2021

(All figures expressed in Canadian dollars unless otherwise noted)

(Unaudited)

- Vincero Subco and Subco amalgamated, with the newly formed Amalco becoming a wholly-owned subsidiary of Vincero.
- The registered holders of shares and warrants of Subco became registered holders of Vincero common shares and warrants.
- Vincero became the registered holder of all of Amalco's issued and outstanding common shares.
- Vincero changed its name to Rakovina Therapeutics Inc.

As Vincero did not meet the definition of a business, the QT has been accounted for as a reverse acquisition of net assets, pursuant to IFRS 3, *Business Combinations*. The consideration paid was determined as an equity settled share-based payment under IFRS 2, *Share-based payment* and measured at the fair value of the equity interest SubCo would have had to give to the owners of Vincero, before the reverse acquisition, to provide the same percentage equity interest in the combined entity that results from the reverse acquisition and is recorded as an increase in share capital in the consolidated statement of financial position.

The Company recorded total listing costs of \$3,051,607 in the consolidated statement of net loss and comprehensive loss, calculated as follows:

| | |
|--|------------------|
| Consideration comprised of non-cash consideration of: | \$ |
| Fair value of SubCo shares (16,728,500 shares at \$0.20 per share) | 3,345,700 |
| Fair value of agent options assumed | 30,304 |
| Total consideration paid | 3,376,004 |
| Consideration paid | 3,376,004 |
| Less: net assets of Vincero (cash) | (800,000) |
| Direct listing costs | 2,576,004 |
| Transaction costs related to the QT | 475,603 |
| Total listing costs and transaction fees | 3,051,607 |

The fair value of the agent options of \$30,304 assumed by the Company was determined based on the Black Scholes pricing model using the following assumptions:

| | |
|--------------------------------|--------|
| Grant date share price | \$0.20 |
| Exercise price | \$0.10 |
| Risk-free interest rate | 0.16% |
| Expected life (years) | 1 year |
| Expected annualized volatility | 80% |
| Expected dividend yield | 0% |

Transaction costs of \$475,603 relating to professional and consulting fees incurred in connection with the QT have been expensed during the nine months ended September 30, 2021.

4. Private placement financing

On March 25, 2021, the Company completed a private placement non-brokered financing (the "Financing") immediately prior to, and as a condition of, the completion of the QT. The Financing consisted of 22,829,500 units at a price of \$0.20 per unit for aggregate gross proceeds of \$4,565,900. Each unit consisted of one common share of the Company and one half of one common share purchase warrant. Each whole warrant entitles the holder thereof to purchase one Company common share at a price of \$0.40 per share before March 25, 2023, subject to an acceleration of expiry in the event that the common shares trade at a volume weighted average of \$0.50 per share or more for a period of at least 10 consecutive trading days.

In connection with the Financing, the Company entered into finder's fee arrangements with three arm's length finders and incurred cash finder's fees of \$262,288 and issued 1,318,940 finder's warrants to the finders of the financing described above. Each finder's warrant is exercisable into one (1) common share of the Company at an exercise price of \$0.20 per unit and are exercisable for a period of 24 months from the date of issuance. The fair value of the finder's warrants was determined to be \$118,705 (note 8). A total of \$389,888 representing the cash finder's fees, fair value of the finders warrants, and other direct costs related to the issuance of shares, was deducted from share capital as share issuance costs.

RAKOVINA THERAPEUTICS INC. (FORMERLY VINCERO CAPITAL CORP.)

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2021

(All figures expressed in Canadian dollars unless otherwise noted)

(Unaudited)

5. Intangible assets

In conjunction with the QT which closed on March 25, 2021, the Company acquired the world-wide rights, excluding the Peoples Republic of China, Hong Kong and Taiwan, to the kt-2000 series of PARP inhibitors from NewGen in exchange for 30,000,000 shares with a value of \$6,000,000. The Company has been issued patents and patent pending applications related to the kt-2000 asset extending to at least 2032.

The Company is amortizing the value of the acquired patents on a straight-line basis over the patent's remaining useful life of 11 years and recorded amortization expense of \$277,602 during the nine months ended September 30, 2021.

| | Acquired Patents |
|---------------------------------|-------------------------|
| | \$ |
| Cost | |
| Balance at December 31, 2020 | - |
| Additions | 6,000,000 |
| Balance at September 30, 2021 | 6,000,000 |
| Accumulated amortization | |
| Balance at December 31, 2020 | - |
| Amortization | 277,602 |
| Balance at September 30, 2021 | 277,602 |
| Net book value | |
| Balance at September 30, 2021 | 5,722,398 |

6. Prepaid expenses

The Company had prepaid expenses as follows:

| | \$ |
|--|----------------|
| University of British Columbia (Note 13) | 304,500 |
| Marketing agreement | 45,000 |
| D&O insurance | 10,250 |
| Balance at September 30, 2021 | 359,750 |

7. Share capital

The Company is authorized to issue an unlimited number of voting and participating common shares.

- i) Immediately prior to the QT, 1,500,000 Vincero common share options and 228,500 Vincero agent options were exercised, which in combination with the 15,000,000 Vincero common shares issued and outstanding resulted in 16,728,500 common shares continuing as common shares in the Company. Proceeds of \$172,850 related to the exercise of the common share options and agent options is included in the net assets acquired of Vincero as detailed in Note 3.
- ii) On March 25, 2021, concurrent with the QT described in Note 1, Subco issued 30,000,000 common shares to NewGen at a deemed price of \$0.20 per share to acquire the rights to the kt-2000 series of PARP inhibitors.
- iii) On March 25, 2021, in connection with the QT, the Company issued 22,829,500 units at a price of \$0.20 per unit for gross proceeds of \$4,565,900. Each unit was comprised of one common share and one-half of one share purchase warrant. No value was attributed to the warrant component of the unit. In addition, 1,318,940 finder's warrants with a fair value of \$118,705 (Note 8) were issued in conjunction with the financing. The fair value of the finder's warrants, in addition to cash costs directly attributable to the financing of \$271,183 were recorded as share issuance costs.

RAKOVINA THERAPEUTICS INC. (FORMERLY VINCERO CAPITAL CORP.)

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2021

(All figures expressed in Canadian dollars unless otherwise noted)

(Unaudited)

The number of common shares outstanding and their carrying values for the periods presented are as follows:

| | For the nine months ended September 30, 2021 | |
|---|---|-------------------|
| | # | \$ |
| Balance at December 31, 2020 | 1 | 1 |
| Cancellation of incorporation share | (1) | (1) |
| Reverse acquisition of Vincero | 16,728,500 | 3,345,700 |
| Issuance of common shares to NewGen | 30,000,000 | 6,000,000 |
| Issuance of common shares pursuant to private placement | 22,829,500 | 4,565,900 |
| Share issuance costs | - | (389,888) |
| Exercise of agent options | 250,000 | 52,905 |
| Balance at September 30, 2021 | 69,808,000 | 13,574,617 |

The 30,000,000 common shares issued to NewGen and 10,000,000 former Vincero shares are subject to escrow agreements whereby 10% were released from escrow upon close of the QT and 15% are released every six months with full release after 36 months.

8. Warrants

In connection with the private placement financing described in Note 4, the Company issued 1,318,940 finder's warrants exercisable at \$0.20 per share. The fair value of the finder's warrants are \$118,705 and have been determined based on the Black-Scholes pricing model using the following assumptions:

| | |
|--------------------------------|---------|
| Grant date share price | \$0.20 |
| Exercise price | \$0.20 |
| Risk-free interest rate | 0.22% |
| Expected life (years) | 2 years |
| Expected annualized volatility | 80% |
| Expected dividend yield | 0% |

The changes to the warrant balance during the nine months ended September 30, 2021 are as follows:

| | Number # | Weighted average exercise price | Expiry Date |
|--------------------------------------|-------------------|---------------------------------------|----------------|
| | | \$ | |
| Balance at December 31, 2020 | - | - | - |
| Investor warrants | 11,414,750 | 0.40 | March 25, 2023 |
| Finder's warrants | 1,318,940 | 0.20 | March 25, 2023 |
| Balance at September 30, 2021 | 12,733,690 | 0.38 | |

9. Share-based payments

Option Plan Details

The Plan provides that the aggregate number of common shares of the Company's capital stock issuable pursuant to the Plan may not exceed 10% of the issued and outstanding common shares of the Company. Options granted under the Plan will have a maximum term of ten years. The exercise price of options granted under the Plan will not be less than the market price of the common shares (defined as the last closing market price of the Company's common shares immediately preceding the day on which the Company announces the granting of the options), or such other price as may be agreed to by the Company and accepted by the TSX-V. Vesting terms are determined by the Board of Directors at the time of grant.

RAKOVINA THERAPEUTICS INC. (FORMERLY VINCERO CAPITAL CORP.)

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2021

(All figures expressed in Canadian dollars unless otherwise noted)

(Unaudited)

New Long Term Incentive Plan ("LTI Plan")

On September 29, 2021, the Company's shareholders voted to adopt the LTI Plan which provides the Company with enhanced flexibility to attract, retain and motivate employees, officers, directors, advisors, and consultants through the ability to issue additional award types such as Performance Share Units, Restricted Share Units, Restricted Shares and Deferred Share Units. The maximum number of Common Shares that may be issued under the LTI Plan and any share-based compensation arrangements may not exceed 10% of the common shares issued and outstanding. As of September 30, 2021, the Company has not issued any securities under the new LTI.

Options

Information concerning the change in options outstanding is as follows:

| | Number # | Weighted average exercise price \$ |
|--------------------------------------|------------------|--|
| Balance at December 31, 2020 | - | - |
| Granted | 5,420,000 | 0.20 |
| Assumed agent options | 271,500 | 0.10 |
| Exercised agent options | (250,000) | 0.10 |
| Balance at September 30, 2021 | 5,441,500 | 0.20 |

As at September 30, 2021 the following options were outstanding:

| Weighted average exercise price \$ | Number # | Weighted average remaining contractual life | Exercisable # | Weighted average exercise price \$ |
|--|------------------|---|------------------|--|
| 0.10 | 21,500 | 0.5 years | 21,500 | 0.10 |
| 0.20 | 5,420,000 | 4.5 years | - | - |
| 0.20 | 5,441,500 | 4.5 years | 21,500 | 0.10 |

Fair Value of options Issued

On March 31, 2021, the Company issued 5,420,000 stock options to officers, directors and advisors. The fair value of each option granted was determined using the Black-Scholes option pricing model with the following assumptions:

| | |
|--------------------------------|---------|
| Grant date share price | \$0.20 |
| Exercise price | \$0.20 |
| Risk-free interest rate | 0.99% |
| Expected life (years) | 5 years |
| Expected annualized volatility | 80% |
| Expected dividend yield | 0% |
| Fair value | \$0.13 |

Share-based payment expense of \$141,205 and \$282,410 was recognized for the three and nine months ended September 30, 2021, respectively, and was allocated between research and development expense and general and administrative expense as detailed in Note 14.

10. Loss per share

Loss per share is calculated by dividing the loss by the weighted average number of shares outstanding during the reporting period. For the three and nine months ended September 30, 2021, the Company excluded all dilutive instruments as their inclusion would be anti-dilutive. The following table reconciles the denominator used for the basic and diluted loss per share calculation:

RAKOVINA THERAPEUTICS INC. (FORMERLY VINCERO CAPITAL CORP.)

Notes to the Interim Condensed Consolidated Financial Statements

For the three and nine months ended September 30, 2021

(All figures expressed in Canadian dollars unless otherwise noted)

(Unaudited)

| | For the three months ended September 30, 2021 # | For the nine months ended September 30, 2021 # |
|---------------------------------|--|---|
| Basic weighted average shares | 69,808,000 | 48,252,608 |
| Effect of dilutive instruments | - | - |
| Diluted weighted average shares | 69,808,000 | 48,252,608 |

11. Financial instruments and risk management

The Company classifies its financial assets into the following specified categories: amortized cost, fair value through other comprehensive income ("FVTOCI"); and fair value through profit or loss ("FVTPL"). Financial liabilities are classified as FVTPL or classified as loans and borrowings measured at amortized cost. Classification depends on the purpose for which the financial assets and liabilities were acquired or incurred. Management determines the classification of its financial instruments at initial recognition.

Financial instruments consist of cash and cash equivalents, amounts receivable, trade and other payables and due/to from related party.

Fair values

The Company has classified its financial instrument fair values based on the required three level hierarchies:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included in Level 1, but that are observable for the asset or liability, either directly or indirectly; and

Level 3: inputs for the asset or liability that are not based on observable market data.

The fair value hierarchy level at which a fair value measurement is categorized is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. The Company records cash and cash equivalents at fair value using level 1 inputs. There were no transfers from levels 1, 2 and 3 during the three and nine months ended September 30, 2021.

The fair values of cash and cash equivalents, amounts receivable, trade and other payables and due/to from related parties approximate the carrying values due to the short-term nature of these instruments.

Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist of cash and cash equivalents and amounts receivable. The Company's cash and cash equivalents consists of funds held in a reputable bank. The amounts receivable is related to GST receivable from the Canada Revenue Agency and accrued interest from a reputable Canadian bank. At September 30, 2021, the Company does not believe it is currently exposed to any significant credit risk.

Interest rate risk

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial instruments, known as interest rate cash flow risk, or on the fair value of other financial instruments, known as interest rate price risk. The Company is not exposed to any significant interest rate risk.

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(All figures expressed in Canadian dollars unless otherwise noted)

(Unaudited)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Liquidity risk is managed by maintaining adequate cash reserves and by closely monitoring forecast and actual cash flows. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company's ability to raise equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations in foreign exchange rates for any cash, amounts receivable, accounts payable and accrued liabilities that are denominated in foreign currencies. The Company's foreign currency risk is primarily related to expenses denominated in United States dollars.

There has been no significant change in the credit risk and concentrations, interest rate risk, liquidity risk or foreign currency risk since December 31, 2020.

12. Related party transactions

The key management personnel of the Company are the Directors, Executive Chairman, President and Chief Scientific Officer, Chief Operating Officer, and Chief Financial Officer. Amounts due to related parties, including amounts due to key management personnel, at the period-end are unsecured, interest free and settlement generally occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

As at September 30, 2021, the Company had amounts due to related parties of \$83,153 comprised of board fees, management compensation and reimbursable expenses. Compensation to key management personnel for the reporting period is as follows:

| | Three months ended September 30, 2021 | Nine months ended September 30, 2021 |
|--------------------------------------|--|---|
| | \$ | \$ |
| Compensation and short term benefits | 127,910 | 274,318 |
| Board fees | 43,676 | 82,566 |
| Share-based payments | 141,205 | 282,410 |
| | 312,791 | 639,294 |

For the three and nine months ended September 30, 2021, the Company incurred rent expense of \$10,000 and \$20,000, respectively, to a Director of the Company pursuant to a short-term lease agreement for office space.

All related party transactions, whether monetary or non-monetary, are conducted in the normal course of business and are measured at fair value, which is the consideration established and agreed to by the related parties.

13. Commitments

Pursuant to a collaborative research agreement with UBC, the Company has committed to payments as follows:

| | \$ |
|--------------------|------------------|
| March 31, 2022 | 304,500 |
| September 30, 2022 | 304,500 |
| March 31, 2023 | 217,000 |
| September 30, 2023 | 217,000 |
| | 1,043,000 |

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(All figures expressed in Canadian dollars unless otherwise noted)

(Unaudited)

14. Components of expenses

| | Three months ended September 30, 2021 | Nine months ended September 30, 2021 |
|---|--|---|
| | \$ | \$ |
| Research and development | | |
| Contract research per the Collaborative Research Agreement | 152,250 | 304,500 |
| Amortization (Note 5) | 135,129 | 277,602 |
| Consulting | 91,271 | 198,422 |
| Share-based payments (Note 9) | 89,960 | 179,920 |
| Patent and legal fees | 41,385 | 68,196 |
| | 509,995 | 1,028,640 |
| | | |
| | Three months ended September 30, 2021 | Nine months ended September 30, 2021 |
| | \$ | \$ |
| General and administrative | | |
| Legal and professional | 34,859 | 242,133 |
| Corporate communications | 40,571 | 146,635 |
| Share-based payments (Note 9) | 51,245 | 102,490 |
| Consulting | 39,000 | 81,000 |
| Director fees | 43,676 | 82,566 |
| Rent | 10,000 | 20,000 |
| Other expenses | 9,930 | 19,160 |
| | 229,281 | 693,984 |

15. Subsequent event

On November 17, 2021 the Company granted an aggregate of 210,000 incentive stock options to its research team at the University of British Columbia pursuant to the LTI plan. The stock options are exercisable at \$0.24 per share for a period of five years and vest over three years in equal 1/6 installments every six months.