

Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)

## **Telo Genomics Corp.**

For the Three Months Ended September 30, 2020  
(unaudited)

**NOTICE OF NO AUDITOR REVIEW OF  
INTERIM FINANCIAL STATEMENTS**

Under National Instrument 51-102, Part 4, subsection 4.3 (3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that an auditor has not reviewed the financial statements.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

**Telo Genomics Corp.**  
**Condensed Interim Consolidated Statements of Financial Position**  
(expressed in Canadian dollars)

	Note	As at September 30, 2020	As at June 30, 2020
<b>Assets</b>		<b>\$</b>	<b>\$</b>
Current assets			
Cash		820,157	920,983
Amounts receivable		47,634	49,265
Prepaid expenses		17,064	67,061
		<b>884,855</b>	<b>1,037,309</b>
Non-current assets			
Property and equipment	6	99,472	114,993
Intangible asset	7	16,371	16,371
		<b>115,843</b>	<b>131,364</b>
<b>Total assets</b>		<b>1,000,698</b>	<b>1,168,673</b>
<b>Liabilities and Equity (Deficiency)</b>			
Current liabilities			
Accounts payable and accrued liabilities	8,11	242,232	353,419
Long-term loan	9	40,000	40,000
<b>Total liabilities</b>		<b>282,232</b>	<b>393,419</b>
Equity (deficiency)			
Share capital	10	14,406,699	14,326,422
Contributed surplus	10	5,565,860	5,565,860
Deficit		(19,254,093)	(19,117,028)
Total equity (deficiency)		<b>718,466</b>	<b>775,254</b>
<b>Total liabilities and equity (deficiency)</b>		<b>1,000,698</b>	<b>1,168,673</b>

Approved on behalf of the board of directors

*/s/ Dr. Sabine Mai*  
**Director**

*/s/ Hugh Rogers*  
**Director**

Going concern (Note 4)

See accompanying notes to the condensed interim consolidated financial statements.

**Telo Genomics Corp.****Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**

(expressed in Canadian dollars)

		For the three months ended September 30, 2020	For the three months ended September 30, 2019
	<b>Note</b>		
<b>Expenses</b>		\$	\$
General and administrative	11,12	106,326	92,827
Research and development	11,12	91,746	45,816
		(198,072)	(138,643)
Other (expenses) income:			
Gain on write-off of accounts payable		61,007	-
<b>Net loss and comprehensive loss for the period</b>		<b>(137,065)</b>	<b>(138,643)</b>
Basic and diluted loss per share		(0.00)	(0.01)
Weighted average number of common shares used in computing basic and diluted loss per share		41,555,253	13,306,303

See accompanying notes to the condensed interim consolidated financial statements.

**Telo Genomics Corp.****Condensed Interim Consolidated Statements of Changes in Equity (Deficiency)**

(expressed in Canadian dollars)

	Number of Shares	Share capital	Contributed Surplus	Deficit	Total
		\$	\$	\$	\$
<b>Balance June 30, 2020</b>	<b>41,285,553</b>	<b>14,326,422</b>	<b>5,565,860</b>	<b>(19,117,028)</b>	<b>775,254</b>
Warrant exercises	702,770	80,277	-	-	80,277
Net loss for the period	-	-	-	(137,065)	(137,065)
<b>Balance, September 30, 2020</b>	<b>41,988,323</b>	<b>14,406,699</b>	<b>5,565,860</b>	<b>(19,254,093)</b>	<b>718,466</b>

	Note	Share capital	Contributed Surplus	Deficit	Total
		\$	\$	\$	\$
<b>Balance, June 30, 2019</b>		<b>11,741,210</b>	<b>5,089,264</b>	<b>(17,875,332)</b>	<b>(1,044,858)</b>
<b>Net loss for the period</b>		<b>-</b>	<b>-</b>	<b>(138,643)</b>	<b>(138,643)</b>
<b>Balance, September 30, 2019</b>		<b>11,741,210</b>	<b>5,089,264</b>	<b>(18,013,975)</b>	<b>(1,183,501)</b>

See accompanying notes to the condensed interim consolidated financial statements.

**Telo Genomics Corp.**  
**Condensed Interim Consolidated Statements of Cash Flows**  
(expressed in Canadian dollars)

	Note	For the three months ended Sept. 30, 2020	For the three months ended Sept. 30, 2019
Cash (used in) provided by:		\$	\$
Operating activities:			
Net loss and comprehensive loss for the period		(137,065)	(138,643)
Gain on write-off of accounts payable	8	(61,007)	-
Depreciation of property and equipment	6	15,521	16,180
Changes in non-cash working capital accounts			
Amounts receivable		1,631	(12,644)
Prepaid expenses		50,000	-
Accounts payable and accrued liabilities		(50,183)	(34,451)
<b>Cash used in operating activities</b>		<b>(181,103)</b>	<b>(169,560)</b>
Financing activities:			
Proceeds from warrant exercises		80,277	-
Advances of notes payable	8	-	350,000
<b>Cash flows from financing activities</b>		<b>80,277</b>	<b>350,000</b>
Increase (decrease) in cash		(100,826)	180,440
Cash, beginning of period		920,983	19,945
<b>Cash, end of period</b>		<b>820,157</b>	<b>199,935</b>

See accompanying notes to the condensed interim consolidated financial statements.

# Telo Genomics Corp.

For the Period Ended September 30, 2020 and 2019

## Notes to the Condensed Interim Consolidated Financial Statements (expressed in Canadian dollars)

### 1. Reporting entity

Telo Genomics Corp. (the "Company"), was incorporated in Canada on May 25, 2014 and its shares are listed on the TSX Venture Exchange as a Tier 2 issuer under the symbol "TELO"; the OTCQB Venture Market in the United States under the symbol "TDSGF"; and the Frankfurt Stock Exchange in Germany under the symbol "3D0". The Company's registered office is located at 11200-750 West Pender St. Vancouver, BC V6C 2T8 and its corporate head office is located at MaRS Centre, South Tower, 101 College Street, Suite 200, Toronto, Ontario, M5G 1L7.

The Company, through its wholly owned subsidiary Telo Genomics Holdings Corp., is developing diagnostic and prognostic products that will save lives, improve the quality of life, and reduce the cost of care associated with numerous diseases that display genomic instability.

### 2. Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB. The policies applied in these unaudited condensed interim financial statements are based on IFRSs issued and outstanding as of November 30, 2020, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim financial statements as compared with the most recent annual financial statements as at and for the year ended June 30, 2020, except as noted below. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending June 30, 2021 could result in restatement of these unaudited condensed consolidated interim financial statements.

### 3. Basis of preparation of consolidated financial statements

#### (a) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments at fair value through profit or loss which are measured at fair value. The consolidated financial statements have been prepared using the accrual basis of accounting, except of cash flow information.

#### (b) Basis of consolidation

These consolidated financial statements comprise the financial statements of the Company and its wholly owned subsidiary, Telo Genomics Holdings Corp., a corporation incorporated under the Canadian *Business Corporations Act*.

Subsidiaries are fully consolidated from the date of acquisition, being the date in which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies. All intra-group balances, income and expenses, equity and dividends resulting from intra-group transactions have been eliminated upon consolidation.

#### (c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its subsidiary.

## Telo Genomics Corp.

For the Period Ended September 30, 2020 and 2019

### Notes to the Condensed Interim Consolidated Financial Statements (expressed in Canadian dollars)

#### 3. Basis of preparation of financial statements (continued)

##### (d) Significant accounting judgments, estimates and assumptions

The preparation of consolidated financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future.

Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances.

Information about key assumptions and estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year are as follows:

- **Property and equipment** - Property and equipment is amortized over the estimated useful life of the assets. Changes in the estimated useful lives could significantly increase or decrease the amount of amortization recorded during the year and the carrying value of property and equipment.

##### (d) Significant accounting judgments, estimates and assumptions (continued)

- **Development costs** - Costs to develop products that will be sold are capitalized to the extent that the criteria for recognition as intangible assets in IAS 38 Intangible Assets are met. Those criteria require that the product is technically and economically feasible, which management assessed based on the attributes of the development project, perceived user needs, industry trends and expected future economic conditions. Management considers these factors in aggregate and applies significant judgment to determine whether the product is feasible.
- **Intangible assets** – Depreciation of intangible assets is dependent upon estimates of useful lives which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.
- **Going Concern** - The assessment of whether the going concern assumption is appropriate requires management to take into account all available information about the future, which is at least, but not limited to, 12 months from the end of the reporting period. The Company is aware that material uncertainties exist related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.
- **Impairment of non-financial assets** - When there are indications that an asset may be impaired, the Company is required to estimate the asset's recoverable amount. Recoverable amount is the greater of value in use and fair value less costs to sell. Determining the value in use requires the Company to estimate expected future cash flows associated with the assets and a suitable discount rate in order to calculate present value. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior reporting periods. A reversal of an impairment loss is recognized immediately in profit or loss.
- **Stock based compensation** - The fair value of share-based payments and warrants is subject to the limitations of the Black-Scholes option pricing model that incorporates market data and involves uncertainty in estimates used by management in the assumptions. Because the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the volatility of share prices, changes in subjective input assumptions can materially affect the fair value estimate.

# Telo Genomics Corp.

For the Period Ended September 30, 2020 and 2019

## Notes to the Condensed Interim Consolidated Financial Statements (expressed in Canadian dollars)

### 3. Basis of preparation of financial statements (continued)

- **Income taxes** - The measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgments in the interpretation and application of the relevant tax laws. The Company's deferred tax assets have not been recorded in these consolidated financial statements, as the Company's future profitability has been judged to be not more likely than not. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the consolidated financial statements.
- **Government Assistance** - The recovery of government grants and partner project contributions requires judgement to determine when reasonable assurance exists that the Company has complied with conditions contained in the applicable contribution agreements. Scientific Research and Experimental Development credits are not certain until received as such judgement is applied to determine when receipt is delivered prior to recording the credit.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if revision affects only that period, or in the period of the revision and futures periods if the revision affects both current and future periods.

### 4. Going concern

These consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

The Company is a research and development stage company and as such is primarily dependent on the funding from investors to continue as a going concern. In the future, the Company's ability to continue as a going concern will be dependent upon its ability to attain profitable operations and generate funds there from, and/or to continue to obtain borrowings from third parties and related parties sufficient to meet current and future obligations and/or restructure the existing payables.

These consolidated financial statements do not reflect any other adjustments or reclassification of assets and liabilities which would be necessary if the Company were unable to continue its operations. Such adjustments could be material. The disclosed factors indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

During the period ended September 30, 2020, the Company incurred a net loss of \$137,065 (2019 - \$138,643 net loss) and has an accumulated deficit of \$19,254,093 (2020 - \$19,117,028).

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", has resulted in a widespread health crisis that has affected economies and financial markets around the world resulting in an economic downturn. This outbreak may also cause staff shortages, reduced customer demand, increased government regulations or interventions, all of which may negatively impact the business, financial condition or results of operations of the Company. The duration and impact of the COVID-19 outbreak is unknown at this time and it is not possible to reliably estimate the length and severity of these developments.

**Telo Genomics Corp.**  
**For the Period Ended September 30, 2020 and 2019**  
**Notes to the Condensed Interim Consolidated Financial Statements**  
**(expressed in Canadian dollars)**

**5. Summary of significant accounting policies**

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements, unless otherwise indicated.

**(a) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand, demand deposits and short-term highly liquid investments with original maturities of three months or less on the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. There were no cash equivalents as at September 30, 2020, and June 30, 2020.

**(b) Property and equipment**

**(i) Recognition and measurement**

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items of property or equipment.

**summary of significant accounting policies (continued)**

**(ii) Depreciation**

As there exists material uncertainty on the Company's ability to realize the full carrying value of assets, the fixed assets of the Company are being carried at recoverable amounts and are not being used currently as management assesses the strategic direction of the Company.

Depreciation is recognized in profit or loss over the estimated useful lives of each part of an item of property and equipment in a manner which most closely reflects the pattern of consumption of the future economic benefits embodied in the asset. Internally constructed assets are depreciated from the time an asset is available for use. The estimated useful lives for the current and comparative periods is as follows:

<b>Asset</b>	<b>Basis</b>	<b>Rate</b>
Computer equipment	Straight line	2 years
Lab equipment	Straight line	5 years
Furniture and equipment	Straight line	5 years

**(b) Research and development**

The Company incurs costs on activities that relate to research and development of new technologies. Research and development costs are expensed, except in cases where development costs meet certain identifiable criteria for deferral, including technical and economic feasibility. Development costs are capitalized only if the expenditures 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. Deferred development costs are amortized over the life of related commercial production, or in the case of serviceable property and equipment, are included in the appropriate property group and are depreciated over its estimated useful life. As at June 30, 2020, the Company has not capitalized any research and development costs.

## Telo Genomics Corp.

For the Period Ended September 30, 2020 and 2019

### Notes to the Condensed Interim Consolidated Financial Statements (expressed in Canadian dollars)

#### 5. Summary of significant accounting policies (continued)

##### **(c) Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses, if any. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives 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 period and the amortization method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. A change in the expected useful life of 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 treated as changes in accounting estimates.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. The Company amortizes intangible assets with finite lives on a straight-line basis over their estimated useful lives.

##### **(d) Financial instruments**

The following is the Company's accounting policy for financial instruments under IFRS 9 Financial Instruments ("IFRS 9"):

##### **(i) Financial assets and liabilities**

The Company classifies its financial assets into the following categories, depending on the purpose for which the asset was acquired. Management determines the classification of its financial assets at initial recognition.

*Amortized cost* - Amortized cost are those assets which are held within a business whose objective is to hold financial assets to collect contractual cash flows; and the terms of the financial assets must provide on specified dates cash flows solely through the collection of principal and interest.

*Fair value through profit or loss ("FVTPL")* - A financial asset shall be measured at fair value through profit or loss unless it is measured at amortized cost or FVOCI. The Company may however make the irrevocable option to classify particular investments as FVTPL.

*Fair value through other comprehensive income ("FVOCI")* - FVOCI assets are those assets which are held within a business whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial assets give rise on specified dates to cash flows solely through the collection of principal and interest.

Management determines the classification of its financial liabilities at initial recognition.

*Amortized cost* - The Company classifies all financial liabilities as subsequently measured at amortized cost using the effective interest method, except for financial liabilities carried at FVTPL and certain other exceptions.

Financial liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

## Telo Genomics Corp.

For the Period Ended September 30, 2020 and 2019

### Notes to the Condensed Interim Consolidated Financial Statements (expressed in Canadian dollars)

#### 5. Summary of significant accounting policies (continued)

The following table shows the classification under IFRS 9:

Financial Instrument	Classification
Cash	FVTPL
Accounts payable and accrued liabilities	Amortized Cost
Notes payable	Amortized Cost
Loan payable	Amortized Cost

#### (ii) *Derecognition Note*

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or when the Company has transferred its rights to receive cash flows from the asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

#### (iii) *Impairment of financial assets*

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset, an incurred 'loss event', and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For financial assets carried at amortized cost, the Company first assesses whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance costs.

Financial assets, together with the associated allowance, are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs.

## **Telo Genomics Corp.**

For the Period Ended September 30, 2020 and 2019

### **Notes to the Condensed Interim Consolidated Financial Statements (expressed in Canadian dollars)**

#### **5. Summary of significant accounting policies (continued)**

##### ***(iv) Interest income and expense***

For all financial instruments measured at amortized cost, interest income or expense is recorded using the effective interest method, which is the rate that discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income and expense is included in finance cost.

##### ***(v) Fair value of financial instruments***

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques that are recognized by market participants. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

For those financial instruments where fair value is recognized in the statement of financial position the methods and assumptions used to develop fair value measurements have been classified into one of the three levels of the fair value hierarchy for financial instruments:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable;
- Level 3 – Unobservable inputs in which little or no market activity exists, therefore requiring an entity to develop its own assumptions about the assumptions that market participants would use in pricing.

The following methods and assumptions were used to estimate the fair values:

Cash approximates its carrying amount due to the short-term maturities of these instruments and was originally determined using Level 2 inputs. Accounts payable and accrued liabilities approximate their carrying amount due to their short-term nature and was originally determined using Level 2 inputs. The fair value of notes payable is referenced to similar instruments and reflects its carrying value and was originally determined using Level 2 inputs.

The fair value of notes payable is determined by discounting future cash flows using rates currently available for instruments and debt on similar terms, credit risk and remaining maturities.

##### ***(e) Impairment of non-financial assets***

The carrying amount of long-lived non-financial assets, including intangible assets, prepaid expenses, and property and equipment, is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Intangible assets with indefinite lives and intangible assets not yet put into use are evaluated for impairment at least annually. An impairment exists when the carrying value of an asset exceeds its recoverable amount, which is higher of its fair value less costs to sell or its value in use. The fair value less costs to sell calculation is based on available data from observable market prices, less incremental costs. The value in use calculation is based on a discounted cash flow model. These calculations require the use of estimates and forecasts of future cash flows. Qualitative factors, including market size and market growth trends, strength of customer demand and degree of variability in cash flows, as well as other factors, are considered when making assumptions with regard to future cash flows and the appropriate discount rate.

## **Telo Genomics Corp.**

For the Period Ended September 30, 2020 and 2019

### **Notes to the Condensed Interim Consolidated Financial Statements (expressed in Canadian dollars)**

#### **5. Summary of significant accounting policies (continued)**

##### **(f) Foreign currency translation**

Transactions denominated in foreign currencies are translated into the functional currency of the Company at exchange rates prevailing at the transaction dates (spot exchange rates). Monetary assets and liabilities are retranslated at the exchange rates at the statement of financial position date. Exchange gains and losses on translation or settlement are recognized in profit or loss for the current period.

Non-monetary items that are measured at historical cost are translated using the exchange rates at the date of the transaction and non-monetary items that are measured at fair value are translated using the exchange rates at the date when the items' fair value was determined. Translation gains and losses are included in profit or loss.

##### **(g) Share-based payments**

Where equity instruments are issued and some or all of the goods or services received by the Company as consideration cannot be specifically identified, these non-identifiable goods or services are measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received at the grant date.

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity instruments granted is recognized as an expense over the estimated vesting period with a corresponding increase to contributed surplus.

Non-market vesting conditions are taken into account by adjusting the number of equity instruments included in the measurement of the transaction. The estimate of the number of equity instruments expected to vest is revised if subsequent information indicates that the number of equity instruments expected to vest differs from previous estimates. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense and contributed surplus reflects the revised estimate.

Market and non-vesting conditions are taken into account when estimating the fair value of the equity instruments granted and therefore the expense is recognized irrespective of whether or not the market condition is satisfied, provided that all other vesting conditions are satisfied.

##### **(h) Share Capital**

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share options, and warrants are classified as equity instruments. Incremental costs directly attributable to the issue of new share options and are shown in equity as a deduction, net of tax, from the proceeds. Where the Company issued common shares and warrants together as units, value is allocated first to share capital based on the market value of common shares on the date of issue, with any residual value from the proceeds being allocated to the warrants.

##### **(i) Earnings (loss) per share**

Basic earnings (loss) per share is calculated by dividing the net earnings available to common shareholders divided by the weighted average number of common shares outstanding during the period. The diluted earnings per share are calculated based on the weighted average number of common shares outstanding during the period, plus the effects of the dilutive common share equivalents. This method requires that the dilutive effect of outstanding options and warrants issued be calculated using the treasury stock method. This method assumes that all common share equivalents have been exercised at the beginning of the period (or at the time of issuance, if later), and that the funds obtained thereby were used to purchase common shares of the Company at the average trading price of common shares during the period.

## **Telo Genomics Corp.**

For the Period Ended September 30, 2020 and 2019

### **Notes to the Condensed Interim Consolidated Financial Statements (expressed in Canadian dollars)**

#### **5. Summary of significant accounting policies (continued)**

##### ***(j) Income taxes***

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is recorded using the liability method, providing for temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for goodwill that is not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable loss, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it provides a valuation allowance against that excess.

##### ***(k) Government assistance***

Government assistance for the acquisition of property and equipment or intangible assets is recorded as a credit to the cost of the related asset when received.

Income tax credits related to scientific research and development activities are accounted for as a credit to the related expense or as a reduction of capital expenditures based on the nature of the expenses that qualify for the credit.

For the period ended September 30, 2020 and year ended June 30, 2020, no government assistance was received relating to Scientific Research and Experimental Development.

##### ***(m) Recently adopted accounting standards***

###### ***IFRS 16 Leases***

IFRS 16 is a new standard that sets out the principles for recognition, measurement, presentation, and disclosure of leases including guidance for both parties of a contract, the lessee and the lessor. The new standard eliminates the classification of leases as either operating or finance leases as is required by IAS 17 and instead introduces a single lessee accounting model. The adoption of this standard did not have an impact on the Company's consolidated financial statements as the Company does not have any long-term leases.

## Telo Genomics Corp.

For the Period Ended September 30, 2020 and 2019

### Notes to the Condensed Interim Consolidated Financial Statements (expressed in Canadian dollars)

#### 6. Property and equipment:

Cost	Computer Equipment	Lab Equipment	Furniture & Equipment	Total
Balance, June 30, 2019	58,209	495,110	13,584	566,903
Additions	-	-	-	-
<b>Balance, June 30, 2020</b>	<b>\$ 58,209</b>	<b>\$ 495,110</b>	<b>\$ 13,584</b>	<b>\$ 566,903</b>
<b>Balance, September 30, 2020</b>	<b>\$ 58,209</b>	<b>\$ 495,110</b>	<b>\$ 13,584</b>	<b>\$ 566,903</b>

Accumulated depreciation	Computer Equipment	Lab Equipment	Furniture & Equipment	Total
Balance, June 30, 2019	56,401	318,045	12,745	387,191
Depreciation	1,808	62,072	839	64,719
<b>Balance, June 30, 2020</b>	<b>\$ 58,209</b>	<b>\$ 380,117</b>	<b>\$ 13,584</b>	<b>\$ 451,910</b>
Depreciation	-	15,521	-	15,521
<b>Balance, September 30, 2020</b>	<b>\$ 58,209</b>	<b>395,638</b>	<b>\$ 13,584</b>	<b>\$ 467,431</b>

Carrying amounts	Computer Equipment	Lab Equipment	Furniture & Equipment	Total
At June 30, 2020	\$ -	\$ 114,993	\$ -	\$ 114,993
<b>At September 30, 2020</b>	<b>\$ -</b>	<b>\$ 99,472</b>	<b>\$ -</b>	<b>\$ 99,472</b>

#### 7. Intangible asset

On April 27, 2020, the Company repurchased from Knight Therapeutics Inc. ("Knight") the exclusive license to commercialize diagnostic and prognostic test products of the Company and the right to act as the exclusive distributor of such products in Canada. In consideration for the rights, the Company paid \$5,000 and issued 50,000 share purchase warrants to Knight. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of \$0.25 per share for a period of five years from the date of issuance. The warrants are exercisable at \$0.25 per share for five years from the date of grant. The fair value of these warrants was determined to be \$7,700 using the Black-Scholes valuation model and the following inputs: i) exercise price \$0.25, ii) stock price \$0.15, iii) volatility: 243%, iv) risk free rate: 1.50%. In addition, the Company paid \$3,671 professional fees in connection with the repurchase. The intangible asset has an indefinite useful life.

#### 8. Notes payable

During the year ended June 30, 2019, the Company secured several promissory notes totaling \$280,000 bearing interest at 10% per annum and maturing one year from the loan date. Of this balance, \$230,000 of the notes payable were received from the Chairman of the Company. The Company's promissory note financings are secured by its present and after acquired personal and intellectual property. During the year ended June 30, 2020, the Company secured additional promissory notes in the amount of \$350,000 with the same terms as the previous notes. During the year ended June 30, 2020, the Company incurred \$26,025 in interest expense relating to these notes (2019 - \$6,861) which is included in accounts payable.

On November 25, 2019, the Company settled \$630,000 promissory notes and \$32,885 of accrued interest through the issuance of 6,682,850 units of the Company with a fair value of \$0.10 per unit (Note 10).

#### 9. Long term loan

On June 19, 2020, the Company borrowed \$40,000 from the Canada Emergency Business Account ("CEBA") program. The CEBA Loan has an initial term that expires on December 31, 2022, throughout which, the CEBA Loan remains interest free. Repayment of \$30,000 by December 31, 2022, results in a \$10,000 loan forgiveness. If the balance is not paid prior to December 31, 2022, the remaining balance will be converted to a 3-year term loan at 5% annual interest, paid monthly effective January 1, 2023. The full balance must be repaid by no later than December 31, 2025.

## **Telo Genomics Corp.**

For the Period Ended September 30, 2020 and 2019

### **Notes to the Condensed Interim Consolidated Financial Statements (expressed in Canadian dollars)**

#### **10. Share capital:**

##### ***(a) Authorized***

The Company has authorized share capital of an unlimited number of common voting shares without par value, an unlimited number of non-voting common shares without par value, and an unlimited amount of Class A, B, C, and D shares.

On November 22, 2019, the Company completed a 5 to 1 share consolidation, with the exchange of every five existing common shares for one new common share. All comparative references to the number of shares, options, warrants, and loss per share have been restated for the share consolidation.

##### ***(b) Shares issued and outstanding***

During the period ended September 30, 2020, 702,770 share purchase options were exercised between \$0.10 and \$0.20 per share.

On November 25, 2019, the Company issued a total of 17,355,000 units at a price of \$0.10 per unit under the offering. Each unit issued under the offering comprised one post-consolidation common share of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one additional post-consolidation common share at a price of \$0.20 per share for a period of 12 months from the date of issuance.

In addition, the Company paid cash finder's fees of \$93,800 in cash, incurred legal fees and other associated costs of \$12,019 and issued 938,000 finder's warrant in connection with the unit offering. Each finder's warrant entitles the holder to acquire one post-consolidation common share of the Company at a price of \$0.10 per share for a period of 12 months from the date of issuance. The fair value of the Finder Warrants granted was determined to be \$110,000, using the Black-Scholes valuation model and the following inputs: i) exercise price \$0.10, ii) stock price \$0.15, iii) volatility: 154%, iv) risk free rate: 1.50%.

Concurrent with the unit offering, the Company issued 6,628,850 units with a fair value of \$0.10 per share to settle notes payable of \$662,885, comprising \$630,000 of principle and \$32,885 of accrued interest (Note 8). Each unit was comprised of one post consolidation common share and one share purchase warrant entitling the holder to acquire one additional post consolidation common share at a price of \$0.20 for a period of two years from the date of issuance. In addition, the Company issued 500,000 units at a fair value of \$0.10 per unit and 3,420,000 post consolidation common shares at a fair value of \$0.10 to settle accounts payable of \$392,000 to various vendors. Each unit was comprised of one post consolidation common share and one-half share purchase warrant. Each whole warrant entitles the holder to acquire one additional post consolidation common share at a price of \$0.20 for a period of 12 months from the date of issuance. Total debts settled by the issuance of these units was \$1,054,885.

##### ***(c) Stock options***

The Company has an incentive stock option plan (the "Plan") whereby the Company may grant to directors, officers, employees and contractors' options to purchase common voting shares of the Company. The terms and conditions of each option granted under the Plan are determined by the Board of Directors.

In estimating the fair value of options issued using the Black-Scholes option pricing model, the Company is required to make assumptions. The expected volatility assumption is based on the historical volatility of the Company's common share price on the TSX Venture Exchange. The risk-free interest rate assumption is based on yield curves on Canadian government zero-coupon bonds with a remaining term equal to the stock options' expected life. The Company uses historical data to estimate option exercise, forfeiture and employee termination within the valuation model. The Company has historically not paid dividends on its common stock.

## Telo Genomics Corp.

For the Period Ended September 30, 2020 and 2019

### Notes to the Condensed Interim Consolidated Financial Statements (expressed in Canadian dollars)

#### 10. Share capital (continued)

##### (c) Stock options (continued)

On May 13, 2020, the Company granted 500,000 stock options to directors and consultants. Each option entitles the holder to acquire one common share of the Company at an exercise price of \$0.15 per share for a period of five years from the date of grant. The fair value of these stock options granted was determined to be \$69,500 using the Black-Scholes valuation model and the following inputs: i) exercise price \$0.15, ii) stock price \$0.14, iii) volatility: 237%, iv) risk free rate: 1.50%, v) term: 5 years.

On November 28, 2019, 2,100,000 options were granted to directors, officers, and consultants of the Company. The options are exercisable at \$0.15 per share for five years from the date of grant. The fair value of the options was estimated at \$290,000, using the Black-Scholes Option Pricing Model with the following inputs: i) exercise price \$0.15, ii) stock price \$0.14, iii) volatility: 217%, iv) risk free rate: 1.50% v) term: 5 years.

Changes in the number of options outstanding and exercisable are as follows:

	September 30, 2020		June 30, 2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of period	3,269,737	\$ 0.85	669,737	\$ 3.57
Granted	-	-	2,600,000	0.15
Exercised	-	-	-	-
Forfeited, cancelled or expired	-	-	-	-
Balance, end of period	3,269,737	\$ 0.85	3,269,737	\$ 0.85
Options exercisable, end of period	3,269,737	\$ 0.85	3,269,737	\$ 0.85

The following is a summary of stock options issued under the Plan as at September 30, 2020:

Expiry Date	Number outstanding	Weighted average exercise price
May 4, 2025	335,121	\$ 0.60
June 16, 2025	8,075	0.35
August 7, 2025	8,075	0.35
October 13, 2025	26,917	1.25
September 26, 2026	187,924	10.15
October 27, 2026	40,000	2.20
December 9, 2026	13,000	0.70
January 18, 2027	50,625	2.85
November 28, 2024	2,100,000	0.15
May 19, 2025	500,000	0.15
	<b>3,269,737</b>	<b>\$ 0.85</b>

As of September 30, 2020, the weighted average remaining contractual life of the options was 4.46 years (2020 – 4.71 years).

## Telo Genomics Corp.

For the Period Ended September 30, 2020 and 2019

### Notes to the Condensed Interim Consolidated Financial Statements (expressed in Canadian dollars)

#### 10. Share capital (continued)

##### (d) Warrants

On April 27, 2020, as part of the repurchase of the licensing rights from Knight Therapeutics Inc. (Note 7), the Company issued 50,000 warrants. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of \$0.25 per share for a period of five years from the date of issuance. The warrants are exercisable at \$0.25 per share for five years from the date of grant. The fair value of these stock options granted was determined to be \$7,700 using the Black-Scholes valuation model and the following inputs: i) exercise price \$0.25, ii) stock price \$0.15, iii) volatility: 243%, iv) risk free rate: 1.50%.

On November 25, 2019, as part of the unit offering, 938,000 broker warrants were issued to directors, officers, and consultants of the Company. The warrants are exercisable at \$0.10 per share for one year from date of grant. The fair value of the warrants was estimated at \$110,000, using the Black-Scholes Option Pricing Model with the following weighted average assumptions: expected dividend yield - 0%, share price of \$0.15, expected volatility - 154% (average based on comparable companies), risk-free interest rate – 1.50%, exercise price of \$0.10 and an expected average life of 1 year. This amount has been included as a reduction of share capital.

Changes in the number of warrants outstanding are as follows:

	September 30, 2020		June 30, 2020	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Balance, beginning of period	16,468,950	\$ 0.19	3,123,340	\$ 2.90
Exercised	(702,770)	0.11	(75,400)	0.13
Expired	-	-	(3,123,340)	2.93
Granted	-	-	16,544,350	0.19
Balance, end of period	15,766,180	\$ 0.19	16,468,950	\$ 0.19

The following is a summary of share purchase warrants at September 30, 2020:

Expiry Date	Number outstanding	Weighted average exercise price
November 25, 2020	8,552,500	\$ 0.20
November 25, 2021	6,628,850	0.20
November 25, 2020	250,000	0.20
November 25, 2020	284,830	0.10
April 24, 2025	50,000	0.25
	15,766,180	\$ 0.19

As of September 30, 2020, the weighted average remaining contractual life of the warrants was 0.59 years (2020 – 0.82 years).

# Telo Genomics Corp.

For the Period Ended September 30, 2020 and 2019

## Notes to the Condensed Interim Consolidated Financial Statements (expressed in Canadian dollars)

### 11. Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Company has identified its directors and officers as its key management personnel

In addition to their salaries, the Company also provides non-cash benefits and participation in the Stock Option Plan. The following table details the compensation to key management personnel and directors:

	September 30, 2020	September 30, 2019
Salaries, fees and short-term benefits	\$ 71,811	\$ 41,000
	\$ 71,811	\$ 41,000

As at September 30, 2020, the Company has \$20,250 (2020 - \$26,355) recorded within accounts payable and accrued liabilities relating to amounts payable to key management personnel.

### 12. Supplemental disclosures – Consolidated statements of loss and comprehensive loss

General and administrative expenses and research and development expenses include depreciation of \$15,122 (2020 – \$16,180), and gross employee expenses of \$33,819 (2020 - \$Nil).

### 13. Financial instruments and financial risk management

#### (a) Risks arising from financial instruments

##### (i) Market risk

The Company is exposed to foreign exchange risk, the risk that the fair value of future cash flows for financial instruments will fluctuate because of changes in foreign exchange rates, due to its United States dollar denominated cash and accounts payable and accrued liabilities. A 5% appreciation or deterioration of the Canadian dollar against the United States dollar would result in an increase and decrease, respectively in the Company's net income of approximately \$41,000 as September 30, 2020. The Company is not exposed to any significant interest risk as it does not have any variable rate borrowings.

##### (ii) Credit risk

Credit risk is the potential that customers or a counterparty to a financial instrument fail to meet their obligation to the Company. The Company believes this risk to be low as there are no trade receivables as no revenues have been earned to September 30, 2020. Additionally, amounts receivable are primarily composed of government remittances receivable in which the Company believes the collection risk is low. Additionally, the Company mitigates credit risk by holding all cash in a chartered bank.

##### (iii) Liquidity risk

Liquidity risk is the risk the Company will encounter difficulties in meeting its financial obligations as they become due. The Company manages liquidity risk through cash management. In managing liquidity risk, the Company maintains access to equity markets, the availability of which is dependent on market conditions. The Company monitors its requirements regularly and believes there may not be sufficient funding for the foreseeable future. All financial liabilities are current and due within the next twelve months, with the exception of the loan payable with terms as disclosed in Note 9.

## Telo Genomics Corp.

For the Period Ended September 30, 2020 and 2019

### Notes to the Condensed Interim Consolidated Financial Statements (expressed in Canadian dollars)

#### 13. Financial instruments and financial risk management (continued)

##### *(b) Capital management*

The Company's objective when managing capital is for the Company to safeguard the entity's ability to continue as a going concern, so that it can continue to explore and develop its research to ultimately provide returns for shareholders and benefits for other stakeholders.

The Company sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets as with consideration of externally imposed capital requirements. In order to maintain or adjust the capital structure, the Company may issue new shares or attempt to obtain debt financing.

The Company's management of capital as at September 30, 2020 consists of cash and the components of shareholders' equity in the definition of capital. There were no changes in the Company's approach to capital management during the year ended June 30, 2020. The Company is not subject to externally imposed capital requirements.

#### 14. Segmented information

The Company has a single operating segment, focused on the development and commercialization of predictive technological products designed to personalize treatment plans for patients who have specific conditions. Substantially all of the Company's employees and assets are located within Canada.

#### 15. Tax losses

Significant tax benefits and unused tax losses for which no deferred tax asset is recognized as of July 31 are as follows:

	<b>2020</b>	2019
Non-capital losses	<b>\$ 3,443,000</b>	\$ 3,402,000
Property and equipment	<b>171,000</b>	151,000
Other	<b>116,000</b>	87,000
Deferred tax assets not recognized	<b>\$ 3,730,000</b>	\$ 3,640,000

As of June 30, 2020 the Company has non-capital losses of approximately \$12,750,000 (2019 - \$12,556,000) expiring between 2034 and 2040.

#### 15. Subsequent Events

Subsequent to September 30, 2020, the Company issued 5,6,031,760 common shares through various warrant exercises for gross proceeds of \$1,177,869. In addition, \$43,750 in historical debt owed to a former employee of the Company was settled through the issuance of 100,000 common shares valued at \$0.25 per share and cash payment of \$15,000.