

Condensed Consolidated Interim Financial Statements  
(Expressed in Canadian Dollars)

## **Telo Genomics Corp.**

For the Three Months Ended September 30, 2022 and 2021  
(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 Consolidated Interim Statements of Financial Position**  
**(Unaudited)**  
**(Expressed in Canadian dollars)**

	Note	As at September 30, 2022	As at June 30, 2022
<b>Assets</b>		<b>\$</b>	<b>\$</b>
Current assets			
Cash and cash equivalents	6	2,125,719	2,692,965
Amounts receivable		30,431	37,977
Prepaid expenses		29,540	55,606
		<b>2,185,690</b>	<b>2,786,548</b>
Non-current assets			
Property and equipment	7	56,472	30,312
Intangible asset	8	16,371	16,371
		<b>72,843</b>	<b>46,683</b>
<b>Total assets</b>		<b>2,258,533</b>	<b>2,833,231</b>
<b>Liabilities and Equity</b>			
Current liabilities			
Accounts payable and accrued liabilities	11	167,145	190,072
Long-term loan	9	40,000	40,000
<b>Total liabilities</b>		<b>207,145</b>	<b>230,072</b>
Equity			
Share capital	10	19,105,745	19,105,745
Contributed surplus	10	5,858,893	5,794,859
Deficit		(22,913,250)	(22,297,445)
Total equity		<b>2,051,388</b>	<b>2,603,159</b>
<b>Total liabilities and equity</b>		<b>2,258,533</b>	<b>2,833,231</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 consolidated financial statements.

**Telo Genomics Corp.**  
**Condensed Consolidated Interim Statements of Loss and Comprehensive Loss**  
**(Unaudited)**  
**(Expressed in Canadian dollars)**

	<b>Notes</b>	<b>For the three months ended September 30, 2022</b>	<b>For the three months ended September 30, 2021</b>
<b>Expenses</b>		<b>\$</b>	<b>\$</b>
General and administrative	<b>11,12</b>	<b>255,768</b>	224,301
Research and development	<b>11,12</b>	<b>360,037</b>	254,642
		<b>(615,805)</b>	<b>(478,943)</b>
<b>Net loss and comprehensive loss</b>		<b>(615,805)</b>	<b>(478,943)</b>
Basic and diluted loss per share		<b>(0.01)</b>	<b>(0.01)</b>
Weighted average number of common shares used in computing basic and diluted loss per share		<b>59,424,433</b>	57,346,261

See accompanying notes to the consolidated financial statements.

**Telo Genomics Corp.**  
**Condensed Consolidated Interim Statements of Changes in Equity**  
**(Unaudited)**  
**(Expressed in Canadian dollars)**

	Number of Shares	Share capital	Contributed Surplus	Deficit	Total
		\$	\$	\$	\$
Balance, June 30, 2022	59,424,433	19,105,745	5,794,859	(22,297,445)	2,603,159
Share-based compensation	-	-	64,034	-	64,034
Net loss for the period	-	-	-	(615,805)	(615,805)
Balance, September 30, 2022	59,424,433	19,105,745	5,858,893	(22,913,250)	2,051,388

	Number of Shares	Share capital	Contributed Surplus	Deficit	Total
		\$	\$	\$	\$
Balance, June 30, 2021	55,542,893	18,234,410	5,638,139	(20,186,991)	3,685,558
Private placement:					
Gross proceeds	390,000	195,000	-	-	195,000
Finders fees – cash	-	(13,650)	-	-	(13,650)
Finders fees - warrants	-	(5,312)	5,312	-	-
Other share issuance costs	-	(3,011)	-	-	(3,011)
Warrant exercises	1,557,260	311,452	-	-	311,452
Share-based compensation	-	-	27,230	-	27,230
Net loss for the period	-	-	-	(478,943)	(478,943)
Balance, September 30, 2021	57,490,153	18,718,889	5,670,681	(20,665,934)	3,723,636

See accompanying notes to the consolidated financial statements.

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

	Notes	For the three months ended September 30, 2022	For the three months ended September 30, 2021
		\$	\$
Operating activities:			
Net loss and comprehensive loss		(615,805)	(478,943)
Depreciation of property and equipment	7,12	6,154	15,984
Share-based compensation	10(c),12	64,034	27,230
Changes in non-cash working capital accounts			
Amounts receivable		7,546	51,773
Prepaid expenses		26,066	6,935
Accounts payable and accrued liabilities		(22,928)	52,231
<b>Cash used in operating activities</b>		<b>(534,933)</b>	<b>(324,790)</b>
Investing activity:			
Property and equipment additions	7	(32,313)	-
<b>Cash flows used in investing activity</b>		<b>(32,313)</b>	<b>-</b>
Financing activities:			
Proceeds from issuance of common shares	10(b)	-	195,000
Finders fees – cash	10(b)	-	(13,650)
Share issuance costs	10(b)	-	(3,011)
Proceeds from warrant exercises	10(b)	-	311,452
<b>Cash flows from financing activities</b>		<b>-</b>	<b>489,791</b>
(Decrease) increase in cash and cash equivalents		(567,246)	165,001
Cash and cash equivalents, beginning of year		2,692,965	3,636,502
<b>Cash and cash equivalents, end of period</b>		<b>2,125,719</b>	<b>3,801,503</b>
<b>Supplemental Disclosures:</b>			
Warrants issued for finders' fees		-	5,312

See accompanying notes to the consolidated financial statements.

# Telo Genomics Corp.

For the Period Ended September 30, 2022 and 2021

## 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 under the symbol "TDSGF" and the Frankfurt Stock Exchange in Germany under the symbol "3D0". The Company's registered office is located at 1200-750 West Pender Street, 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 may 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 consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The consolidated financial statements were approved and authorized for issue by the Board of Directors on November 16, 2022.

### 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.

#### (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.

# Telo Genomics Corp.

For the Period Ended September 30, 2022 and 2021

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

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

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

#### Significant estimates

Estimates and assumptions where there is significant risk of material adjustments to the consolidated statements of financial position in future accounting periods include the recoverability and measurement are as follows:

- **Property and equipment** - Property and equipment is depreciated over the estimated useful life of the assets. Changes in the estimated useful lives could significantly increase or decrease the amount of depreciation recorded during the year and the carrying value of property and equipment.
- **Intangible assets** - The application of the Company's accounting policy for intangible assets requires judgment in determining whether it is likely that future economic benefits will flow to the Company, which may be based on assumptions about future events or circumstances. The calculations for impairment testing of the Company's indefinite life intangible assets involve significant estimates and assumptions.
- **Share-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.

#### Significant judgments

The preparation of the consolidated financial statements in accordance with IFRS requires the Company to make judgments, apart from those involving estimates, in applying accounting policies. The most significant judgments in applying the Company's financial statements are as follows:

- **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.
- **Income taxes** - Deferred tax assets, including those arising from tax loss carry-forwards, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognised deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows. In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realise the net deferred tax assets recorded at the reporting date could be impacted.
- **Research and development** - Management monitors the progress of its research and development activities. Significant judgment is required to distinguish between the research and development phases and if development cost capitalization criteria are met. Development costs are recognized as an asset when the following criteria are met: (i) technical feasibility; (ii) intention to complete the project; (iii) the ability to generate future economic benefits; (iv) availability of technical and financial resources; and (v) the ability to measure the expenditures reliably. Research costs are expensed as incurred. Management considers these factors in aggregate and applies significant judgment to determine whether the product is feasible.

## 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.

# Telo Genomics Corp.

For the Period Ended September 30, 2022 and 2021

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

## 4. Going concern (continued)

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, 2022, the Company incurred a net loss of \$615,805 (September 30, 2021 - \$478,943) and has an accumulated deficit of \$22,913,250 (June 30, 2022 - \$22,297,445).

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 affected the Company as there were delays in the Company receiving the lab samples from the Mayo clinic.

## 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 and guaranteed investment certificates (GIC's) with original maturities of twelve 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. As of September 30, 2022, there was \$7,000 (June 30, 2022 - \$2,000) in cash equivalents held in a GIC.

### (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.

#### (ii) Depreciation

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:

Asset	Basis	Rate
Computer equipment	Straight line	2 years
Computer Software & lab equipment	Straight line	5 years
Furniture and equipment	Straight line	5 years

## Telo Genomics Corp.

For the Period Ended September 30, 2022 and 2021

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

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

#### (c) *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 September 30, 2022, the Company has not capitalized any research and development costs.

#### (d) *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.

#### (e) *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, 2022 and 2021

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

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

#### (e) Financial instruments (continued)

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

The following table shows the classification under IFRS 9:

Financial Instrument	Classification
Cash and cash equivalents	FVTPL
Accounts payable and accrued liabilities	Amortized Cost
Long-term loan	Amortized Cost

##### (ii) Derecognition

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 consolidated statements of loss and comprehensive loss.

##### (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.

##### (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.

## **Telo Genomics Corp.**

For the Period Ended September 30, 2022 and 2021

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

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

#### **(e) Financial instruments (continued)**

##### **(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 consolidated 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 and cash equivalents approximates its carrying amount due to the short-term maturities of these instruments and was originally determined using Level 1 inputs. Accounts payable and accrued liabilities approximate their carrying amount due to their short-term nature and was originally determined using Level 1 inputs. The fair value of the long-term loan is determined using level 2 inputs.

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

The carrying amount of 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.

#### **(g) 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.

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

For equity-settled share-based payments to non-employees, the Company measures the equity awards issued as the fair value of the goods or services received, and the corresponding increase in equity, unless that fair value cannot be estimated reliably. When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value of the equity award is measured by use of a valuation model.

# Telo Genomics Corp.

For the Period Ended September 30, 2022 and 2021

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

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

### (h) *Share-based payments (continued)*

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.

Forfeited or expired equity instruments are not adjusted through earnings and contributed surplus.

### (i) *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 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.

### (j) *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.

### (k) *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 financial position 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.

## Telo Genomics Corp.

For the Period Ended September 30, 2022 and 2021

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

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

#### (l) Government Assistance

Government assistance from the Canada Emergency Business Account (“CEBA”) loans under federal COVID-19 response programs are recorded as a liability until there is reasonable assurance that the forgivable portion of the assistance will not be repayable. Government assistance under the Canada Emergency Wage Subsidy (“CEWS”) program is recognized as a reduction in the related expense in the period in which there is reasonable assurance that the grant or assistance has become receivable and all conditions, if any, have been satisfied.

### 6. Cash and Cash Equivalents

As of September 30, 2022, there was \$7,000 (June 30, 2022 - \$2,000) in cash equivalents held in the form of a GIC bearing interest at 0.75% with maturity date of September 13, 2023. The GIC is held as collateral for a Company credit card and is automatically renewed at maturity.

### 7. Property and equipment

Cost	Computer Equipment	Computer Software & Lab Equipment	Furniture & Equipment	Total
Balance, June 30, 2021	\$ 58,209	\$ 778,858	\$ 13,584	\$ 850,651
Additions	22,565	-	2,628	25,193
<b>Balance, June 30, 2022</b>	<b>80,774</b>	<b>778,858</b>	<b>16,212</b>	<b>875,844</b>
Additions	32,313	-	-	32,313
<b>Balance, September 30, 2022</b>	<b>\$ 113,087</b>	<b>\$ 778,858</b>	<b>\$ 16,212</b>	<b>\$ 908,157</b>

Accumulated depreciation	Computer Equipment	Computer Software & Lab Equipment	Furniture & Equipment	Total
Balance, June 30, 2021	\$ 58,209	\$ 716,783	\$ 13,584	\$ 788,576
Depreciation	1,897	54,665	394	56,956
<b>Balance, June 30, 2022</b>	<b>60,106</b>	<b>771,448</b>	<b>13,978</b>	<b>845,532</b>
Depreciation	5,024	998	131	6,153
<b>Balance, September 30, 2022</b>	<b>\$ 65,130</b>	<b>\$ 772,446</b>	<b>\$ 14,109</b>	<b>\$ 851,685</b>

Carrying amounts	Computer Equipment	Computer Software & Lab Equipment	Furniture & Equipment	Total
Balance, June 30, 2022	\$ 20,668	\$ 7,410	\$ 2,234	\$ 30,312
<b>Balance, September 30, 2022</b>	<b>\$ 47,957</b>	<b>\$ 6,412</b>	<b>\$ 2,103</b>	<b>\$ 56,472</b>

### 8. 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.

## **Telo Genomics Corp.**

**For the Period Ended September 30, 2022 and 2021**

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

### **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. The Government of Canada extended the December 31, 2022 forgiveness repayment date to December 31, 2023. If the balance is not paid prior to December 31, 2023, the remaining balance will be converted to a 3-year term loan at 5% annual interest, paid monthly effective January 1, 2024. The full balance must be repaid by no later than December 31, 2025.

### **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.

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

On July 2, 2021, the Company issued 390,000 units at \$0.50 per unit for gross proceeds of \$195,000. Each unit consisted of one common share and one-half share purchase warrant, with each whole warrant exercisable into one additional common share at a price of \$0.75 per share until January 2, 2023. The Company paid finder fees of \$13,650, cash share issuance costs of \$3,011 and issued 27,300 finders warrants to purchase an aggregate of 27,300 common shares at a price of \$0.50 per share until July 2, 2022. The finders' warrants had a fair value of \$5,312, estimated using the Black-Scholes valuation model and the following inputs: i) exercise price \$0.50, ii) stock price \$0.49, iii) volatility 105.57%, iv) risk free rate: 0.24%

During the year ended June 30, 2022, 3,491,540 share purchase warrant were exercised at \$0.20 per share for gross proceeds of \$698,308.

#### **(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.

On September 30, 2022, the Company granted 252,000 stock options to employees of the Company. The options are exercisable for \$0.265 per share, vesting immediately from the date of grant and expire 5 years from the date of grant. The fair value of the options was estimated at \$55,017, using the Black-Scholes option pricing model with the following inputs: i) exercise price \$0.265, ii) stock price \$0.29, iii) volatility: 96.44%, iv) risk free rate: 3.20%, v) term: 5 years

On July 19, 2022, the Company granted 10,000 stock options to a consultant. The options are exercisable for \$0.34 per share, vesting immediately from the date of grant and expire 5 years from the date of grant. The fair value of the options was estimated at \$2,664, using the Black-Scholes option pricing model with the following inputs: i) exercise price \$0.34, ii) stock price \$0.34, iii) volatility: 106.46%, iv) risk free rate: 3.07%, v) term: 5 years.

On March 15, 2022, the Company granted 250,000 stock options to a director. The options are exercisable for \$0.335 per share, vesting immediately from the date of grant and expire 5 years from the date of grant. The fair value of the options was estimated at \$79,768, using the Black-Scholes option pricing model with the following inputs: i) exercise price \$0.335, ii) stock price \$0.36, iii) volatility: 137.63%, iv) risk free rate: 1.96%, v) term: 5 years.

## Telo Genomics Corp.

For the Period Ended September 30, 2022 and 2021

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

### 10. Share capital (continued)

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

On March 15, 2022, the Company granted 120,000 stock options to a consultant. The options are exercisable for \$0.335 per share, vesting 25% every three months from the date of grant and expire 2 years from the date of grant. The fair value of the options was estimated at \$25,585, using the Black-Scholes option pricing model with the following inputs: i) exercise price \$0.335, ii) stock price \$0.36, iii) volatility: 111.44%, iv) risk free rate: 1.78%, v) term: 2 years.

On September 15, 2021, the Company granted 100,000 stock options to a consultant. The options are exercisable for \$0.50 per share, vesting 25% every three months from the date of grant and expire 2 years from the date of grant. The fair value of the options was estimated at \$26,469, using the Black-Scholes option pricing model with the following inputs: i) exercise price \$0.50, ii) stock price \$0.43, iii) volatility: 129.84%, iv) risk free rate: 0.42%, v) term: 2 years.

On August 6, 2021, the Company granted 100,000 stock options to consultants of the Company. The options are exercisable for \$0.50 per share, with 50,000 stock options vesting immediately and the remaining 50,000 stock options vesting 25% every three months from the date of grant with expiry being 2 years from the date of grant. The fair value of the options was estimated at \$29,082, using the Black-Scholes option pricing model with the following inputs: i) exercise price \$0.50, ii) stock price \$0.44, iii) volatility: 140.70%, iv) risk free rate: 0.46%, v) term: 2 years.

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

	September 30, 2022		June 30, 2022	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of year	3,611,143	\$ 0.62	3,191,143	\$ 0.65
Granted	262,000	0.27	570,000	0.39
Cancelled	(120,000)	0.49	(150,000)	0.50
Balance, end of period	3,753,143	\$ 0.60	3,611,143	\$ 0.62
Options exercisable, end of period	3,693,143	\$ 0.59	3,521,143	\$ 0.63

The following is a summary of stock options issued under the Plan as at September 30, 2022:

Expiry Date	Number outstanding	Options exercisable	Weighted average exercise price
August 5, 2023	50,000	50,000	\$ 0.50
March 15, 2024	120,000	60,000	0.335
November 28, 2024	2,000,000	2,000,000	0.15
May 4, 2025	262,444	262,444	0.60
May 13, 2025	500,000	500,000	0.15
June 16, 2025	8,075	8,075	0.35
August 7, 2025	8,075	8,075	0.35
April 1, 2026	100,000	100,000	0.64
September 26, 2026	121,924	121,924	10.15
October 27, 2026	20,000	20,000	2.20
January 18, 2027	50,625	50,625	2.85
March 15, 2027	250,000	250,000	0.335
July 18, 2027	10,000	10,000	0.34
September 30, 2027	252,000	252,000	0.265
	<b>3,753,143</b>	<b>3,693,143</b>	<b>\$ 0.60</b>

## Telo Genomics Corp.

For the Period Ended September 30, 2022 and 2021

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

### 10. Share capital (continued)

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

As of September 30, 2022, the weighted average remaining contractual life of the options was 2.70 years (June 30, 2022–2.81 years).

#### (d) Warrants

On July 2, 2021, as part of the unit offering, the Company issued 195,000 warrants to subscribers. Each warrant is exercisable into one additional common share at an exercise price of \$0.75 per share until January 2, 2023. The Company also issued 27,300 finders warrants to purchase an aggregate of 27,300 common shares at a price of \$0.50 per share until July 2, 2022. The finders' warrants had a fair value of \$5,312, estimated using the Black-Scholes valuation model and the following inputs: i) exercise price \$0.50, ii) stock price \$0.49, iii) volatility: 105.57%, iv) risk free rate: 0.24%.

Changes in the number of warrants outstanding are as follows:

	September 30, 2022		June 30, 2022	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Balance, beginning of year	3,937,723	\$ 1.16	7,410,768	\$ 0.70
Exercised	-	-	(3,491,540)	0.20
Expired	(27,300)	0.50	(203,805)	0.50
Issued	-	-	222,300	0.72
Balance, end of period	3,910,423	\$ 1.16	3,937,723	\$ 1.16

The following is a summary of share purchase warrants at September 30, 2022:

Expiry Date	Number outstanding	Weighted average exercise price
December 5, 2022	1,622,673	\$ 1.75
December 30, 2022	2,092,750	\$ 0.75
January 2, 2023	195,000	\$ 0.75
	3,910,423	\$ 1.16

As of September 30, 2022, the weighted average remaining contractual life of the warrants was 0.22 years (June 30, 2022–0.47 years).

### 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, 2022	September 30, 2021
Salaries, fees, and short-term benefits	\$ 138,332	\$ 88,543
	\$ 138,332	\$ 88,543

As at September 30, 2022, the Company has \$nil (June 30, 2022 - \$48) recorded within accounts payable and accrued liabilities relating to amounts payable to key management personnel.

## **Telo Genomics Corp.**

**For the Period Ended September 30, 2022 and 2021**

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

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

General and administrative expenses include share-based compensation of \$19,933 (2021 - \$12,690), employee wages and benefits of \$25,192 (2021- \$20,392). Research and development expenses include depreciation of \$6,154 (2021 – \$15,984), share-based compensation of \$44,101 (2021 - \$14,541) and employee wages and benefits of \$135,112 (2021 - \$62,098).

### **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 in accounts payable and accrued liabilities. As at September 30, 2022 and 2021, the Company had no cash and cash equivalents or accounts payable and accrued liabilities denominated in the United States dollar. 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, 2022. 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 long term loan with terms as disclosed in Note 9

#### **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 of September 30, 2022, consists of cash and cash equivalents 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 current fiscal year. 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.

## Telo Genomics Corp.

For the Period Ended September 30, 2022 and 2021

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

### 15. Tax losses

As at June 30, 2022 and 2021, the Company has unused tax losses and deductible temporary difference for which no deferred tax asset has been recognized as follows:

	2022	2021
Loss before income taxes	\$ (2,110,000)	\$ (1,070,000)
Statutory income tax rate	27%	27%
Income tax benefit	(570,000)	(289,000)
Non-deductible items	42,000	38,000
Change in estimate	3,168,000	4,000
Share issuance costs	1,000	(21,000)
Change in tax assets not recognized	(2,641,000)	268,000
Income tax expense (recovery)	\$ -	\$ -

Significant tax benefits and unused tax losses for which no deferred tax asset is recognized as of June 30 are as follows:

	2022	2021
Non-capital losses	\$ 1,527,000	\$ 4,158,000
Property and equipment	208,000	186,000
Other	94,000	127,000
Deferred tax assets not recognized	\$ 1,829,000	\$ 4,471,000

As at June 30, 2022, the Company has non-capital losses of approximately \$5,655,000 (2021 - \$15,400,000) expiring between 2037 and 2042.