

Consolidated Financial Statements  
(Expressed in Canadian Dollars)

**Telo Genomics Corp.**  
For the Years Ended June 30, 2023 and 2022

## Independent Auditor's Report

To the Shareholders of Telo Genomics Corp.

### Opinion

We have audited the consolidated financial statements of Telo Genomics Corp. (the "Group"), which comprise the consolidated statement of financial position as at June 30, 2023 and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Material Uncertainty Related to Going Concern

We draw attention to Note 4 to the consolidated financial statements which describes the material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Other than the matter described in the Material Uncertainty Related to Going Concern section, we have determined there are no key audit matters to be communicated in our report.

### Other matter

The consolidated financial statements of Telo Genomics Corp. for the year ended June 30, 2022 were audited by another auditor who expressed an unmodified opinion on those statements on September 26, 2022.

### Other Information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the other information prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Todd Freer.

**"Crowe MacKay LLP"**

**Chartered Professional Accountants  
Calgary, Canada  
October 30, 2023**

**Telo Genomics Corp.**  
**Consolidated Statements of Financial Position**  
**(Expressed in Canadian dollars)**

	Note	As at June 30, 2023	As at June 30, 2022
<b>Assets</b>		\$	\$
Current assets			
Cash and cash equivalents	6	2,673,247	2,692,965
Amounts receivable		63,763	37,977
Prepaid expenses		105,934	55,606
		<b>2,842,944</b>	2,786,548
Non-current assets			
Property and equipment	7	66,260	30,312
Intangible asset	8	16,371	16,371
		<b>82,631</b>	46,683
<b>Total assets</b>		<b>2,925,575</b>	2,833,231
<b>Liabilities and Equity</b>			
Current liabilities			
Accounts payable and accrued liabilities	11	280,369	190,072
Long-term loan	9	32,500	40,000
<b>Total liabilities</b>		<b>312,869</b>	230,072
Equity			
Share capital	10	21,687,372	19,105,745
Shares to be issued	10	42,000	-
Contributed surplus	10	6,001,551	5,794,859
Deficit		(25,118,217)	(22,297,445)
Total equity		<b>2,612,706</b>	2,603,159
<b>Total liabilities and equity</b>		<b>2,925,575</b>	2,833,231

Approved on behalf of the board of directors

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

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

Going concern (Note 4)

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

		<b>For the year ended June 30, 2023</b>	For the year ended June 30, 2022
	<b>Notes</b>	<b>\$</b>	<b>\$</b>
<b>Expenses</b>			
General and administrative	<b>11,12</b>	<b>1,457,042</b>	986,628
Research and development	<b>11,12</b>	<b>1,363,730</b>	1,123,826
		<b>(2,820,772)</b>	(2,110,454)
<b>Net loss and comprehensive loss for the year</b>		<b>(2,820,772)</b>	(2,110,454)
Basic and diluted loss per share		<b>(0.05)</b>	(0.04)
Weighted average number of common shares used in computing basic and diluted loss per share		<b>60,152,278</b>	58,661,088

**Telo Genomics Corp.**  
**Consolidated Statements of Changes in Equity**  
**(Expressed in Canadian dollars)**  
**For the years ended June 30, 2023 and 2022**

	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	3,491,540	698,308	-	-	698,308
Share-based compensation	-	-	151,408	-	151,408
Net loss for the year	-	-	-	(2,110,454)	(2,110,454)
<b>Balance, June 30, 2022</b>	<b>59,424,433</b>	<b>19,105,745</b>	<b>5,794,859</b>	<b>(22,297,445)</b>	<b>2,603,159</b>

	Number of Shares	Share capital	Shares to be issued	Contributed Surplus	Deficit	Total
		\$	\$	\$	\$	\$
Balance, June 30, 2022	59,424,433	19,105,745	-	5,794,859	(22,297,445)	2,603,159
Private placement:						
Gross proceeds	11,335,500	2,833,875	-	-	-	2,833,875
Finders fees – cash	-	(173,504)	-	-	-	(173,504)
Finders fees – warrants	-	(101,759)	-	101,759	-	-
Other share issuance costs	-	(92,220)	42,000	-	-	(50,220)
Share-based compensation	-	-	-	160,168	-	160,168
Issuance of shares on exercise of options	400,000	115,235	-	(55,235)	-	60,000
Net loss for the year	-	-	-	-	(2,820,772)	(2,820,772)
<b>Balance, June 30, 2023</b>	<b>71,159,933</b>	<b>21,687,372</b>	<b>42,000</b>	<b>6,001,551</b>	<b>(25,118,217)</b>	<b>2,612,706</b>

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

	Notes	For the year ended June 30, 2023	For the year ended June 30, 2022
		\$	\$
Operating activities:			
Net loss for the year		(2,820,772)	(2,110,454)
Depreciation of property and equipment	7,12	33,114	56,956
Share-based compensation	10(d),12	160,168	151,408
Changes in non-cash working capital accounts			
Amounts receivable		(25,786)	58,753
Prepaid expenses		(50,328)	(28,070)
Accounts payable and accrued liabilities		74,045	76,416
<b>Cash used in operating activities</b>		<b>(2,629,559)</b>	<b>(1,794,991)</b>
Investing activity:			
Property and equipment additions	7	(69,062)	(25,193)
<b>Cash flows used in investing activity</b>		<b>(69,062)</b>	<b>(25,193)</b>
Financing activities:			
Proceeds from issuance of common shares	10(b)	2,833,875	195,000
Finders' fees – cash	10(b)	(173,504)	(13,650)
Share issuance costs	10(b)	(33,968)	(3,011)
Proceeds from exercise of warrants	10(e)	-	698,308
Proceeds from exercise of options	10(d)	60,000	-
Loan repayment	9	(7,500)	-
<b>Cash flows from financing activities</b>		<b>2,678,903</b>	<b>876,647</b>
Decrease in cash and cash equivalents		(19,718)	(943,537)
Cash and cash equivalents, beginning of year		2,692,965	3,636,502
<b>Cash and cash equivalents, end of year</b>		<b>2,673,247</b>	<b>2,692,965</b>
<b>Supplemental Disclosures:</b>			
Warrants issued for finders' fees		101,759	5,312
Share issuance cost included in accounts payable and accrued liabilities		16,252	-
Shares to be issued		42,000	-
Contributed surplus reclassified to share capital on exercise of stock options		55,235	-

# Telo Genomics Corp.

For the Years Ended June 30, 2023 and 2022  
Notes to the 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 October 27, 2023.

## 3. Basis of preparation

### (a) Basis of measurement

These 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. These 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 the 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 Years Ended June 30, 2023 and 2022  
Notes to the Consolidated Financial Statements  
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### 3. Basis of preparation (continued)

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

##### Significant estimates

The preparation of the consolidated financial statements in accordance with IFRS requires the Company to make estimates when applying accounting policies. The most significant estimates 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.
- **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.
- **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. Management considers these factors in aggregate and applies significant judgment to determine whether the product is feasible. To date, management's assessment has concluded that the capitalization criteria have not been met; hence, research and development costs have been expensed as incurred.

### 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 funding through equity or debt financings sufficient to meet current and future obligations.

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 year ended June 30, 2023, the Company incurred a net loss of \$2,820,772 (2022 - \$2,110,454) and has an accumulated deficit of \$25,118,217 (2022 - \$22,297,445).

## Telo Genomics Corp.

For the Years Ended June 30, 2023 and 2022  
Notes to the 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 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 June 30, 2023, there was \$Nil (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. The estimated useful lives are as follows:

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

#### (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 June 30, 2023 and 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.

## Telo Genomics Corp.

For the Years Ended June 30, 2023 and 2022  
Notes to the Consolidated Financial Statements  
(Expressed in Canadian dollars)

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

#### (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.

The following table shows the classification under IFRS 9:

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

## **Telo Genomics Corp.**

**For the Years Ended June 30, 2023 and 2022**  
**Notes to the Consolidated Financial Statements**  
**(Expressed in Canadian dollars)**

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

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

##### **(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 profit or 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 nominal and included in general and administrative expense.

## **Telo Genomics Corp.**

**For the Years Ended June 30, 2023 and 2022**  
**Notes to the 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 are measured at fair value which is determined using Level 1 inputs. Accounts payable and accrued liabilities and the long-term loan are carried at amortized cost.

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

The carrying amount of non-financial asset 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.

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.

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### 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.

Consideration paid for the shares on the exercise of stock options is credited to share capital; upon exercise, shares are issued from treasury and the amount reflected in contributed surplus is credited to share capital. 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 from the proceeds. Where the Company issues 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.

## **Telo Genomics Corp.**

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### **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.

#### ***(m) New standards not yet adopted***

The following amendments will be effective for annual reporting periods beginning on or after January 1, 2023:

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) – the amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies. Further amendments explain how an entity can identify a material accounting policy. Classification of Liabilities as Current or Non-current (Amendments to IAS 1) – the amendments provide a more general approach to the classification of liabilities based on the contractual arrangements in place at the reporting period date.

Definition of Accounting Estimates (Amendments to IAS 8) – the amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are “monetary amounts in financial statements that are subject to measurement uncertainty”. Entities develop accounting estimates if accounting policies require items in financial statements to be measured in a way that involves measurement uncertainty. The amendments clarify that a change in accounting estimate that results from new information or new developments is not the correction of an error.

The Company anticipates that these amendments will not have a material impact on the results and financial position of the Company.

### **6. Cash and Cash Equivalents**

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

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### 7. Property and equipment

<b>Cost</b>	<b>Computer Equipment</b>	<b>Computer Software &amp; Lab Equipment</b>	<b>Furniture &amp; Equipment</b>	<b>Total</b>
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	44,313	24,094	655	69,062
<b>Balance, June 30, 2023</b>	<b>\$ 125,087</b>	<b>\$ 802,952</b>	<b>\$ 16,867</b>	<b>\$ 944,906</b>

<b>Accumulated depreciation</b>	<b>Computer Equipment</b>	<b>Computer Software &amp; Lab Equipment</b>	<b>Furniture &amp; Equipment</b>	<b>Total</b>
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	28,895	3,607	612	33,114
<b>Balance, June 30, 2023</b>	<b>\$ 89,001</b>	<b>\$ 775,055</b>	<b>\$ 14,590</b>	<b>\$ 878,646</b>

<b>Carrying amounts</b>	<b>Computer Equipment</b>	<b>Computer Software &amp; Lab Equipment</b>	<b>Furniture &amp; Equipment</b>	<b>Total</b>
Balance, June 30, 2022	\$ 20,668	\$ 7,410	\$ 2,234	\$ 30,312
<b>Balance, June 30, 2023</b>	<b>\$ 36,086</b>	<b>\$ 27,897</b>	<b>\$ 2,277</b>	<b>\$ 66,260</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.

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### 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 January 18, 2024. If the balance is not paid prior to January 18, 2024, the remaining balance will be converted to a 3-year term loan at 5% annual interest, paid monthly effective January 19, 2024. The full balance must be repaid by no later than December 31, 2026. The Company repaid \$7,500 (2022 - \$nil) in the fiscal year ending June 30, 2023.

### 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 June 13, 2023, the Company issued 11,335,500 units at \$0.25 per unit for gross proceeds of \$2,833,875. 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 \$0.40 per share until June 13, 2025. The Company incurred finder fees of \$173,504, other share issuance costs of \$92,220 and issued 694,015 finders warrants to purchase an aggregate of 694,015 common shares at a price of \$0.25 per share until June 13, 2024. The finders’ warrants had a fair value of \$101,759, estimated using the Black-Scholes valuation model and the following inputs: i) exercise price \$0.25, ii) stock price \$0.32, iii) volatility 93.86%, iv) risk free rate: 5.26%.

During the year ended June 30, 2023, 400,000 options were exercised at \$0.15 per share for gross proceeds of \$60,000. The share price on the date of exercise was \$0.32.

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

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%.

#### (c) Shares to be issued

On July 14, 2023, the Company issued 150,000 common shares at \$0.28 per share as payment for services rendered.

#### (d) Stock options

The Company has an incentive stock option plan (the “Plan”) whereby the Company may grant 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 August 5, 2023, 50,000 options with an exercise price of \$0.50 per common share expired unexercised.

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### 10. Share capital (continued)

#### (d) Stock options (continued)

On December 12, 2022, the Company granted 1,000,000 stock options to an officer of the Company. The options are exercisable for \$0.35 per share, vest over four years with 25% of the options vesting 12 months from the grant date, 25% of the options vesting 24 months from the grant date, 25% vesting 36 months from the grant date, and the remaining 25% vesting 48 months after the grant date and expire 5 years from the date of grant. The fair value of the options was estimated at \$320,646 using the Black-Scholes option pricing model with the following inputs: i) exercise price \$0.35, ii) stock price \$0.36, iii) volatility: 139.24%, iv) risk free rate: 2.98%, v) term: 5 years. For the year ending June 30, 2023, the Company recorded share-based compensation of \$91,457 with respect to these options.

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.

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. For the year ended June 30, 2023, the Company recorded share-based compensation of \$11,030 with respect to these options.

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:

		<b>June 30, 2023</b>		<b>June 30, 2022</b>
	<b>Number of options</b>	<b>Weighted average exercise price</b>	<b>Number of options</b>	<b>Weighted average exercise price</b>
Balance, beginning of year	3,611,143	\$ 0.62	3,191,143	\$ 0.65
Granted	1,262,000	0.33	570,000	0.39
Exercised	(400,000)	0.15	-	-
Cancelled	(170,000)	0.42	(150,000)	0.50
Balance, end of year	4,303,143	\$ 0.59	3,611,143	\$ 0.62
Options exercisable, end of year	3,303,143	\$ 0.66	3,521,143	\$ 0.63

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### 10. Share capital (continued)

#### (d) Stock options (continued)

The following is a summary of stock options issued under the Plan as at June 30, 2023:

Expiry Date	Number outstanding	Options exercisable	Weighted average exercise price
August 5, 2023	50,000	50,000	\$ 0.50
March 15, 2024	120,000	120,000	0.335
November 28, 2024	1,600,000	1,600,000	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	202,000	202,000	0.265
December 12, 2027	1,000,000	-	0.35
	<b>4,303,143</b>	<b>3,303,143</b>	<b>\$ 0.59</b>

As of June 30, 2023, the weighted average remaining contractual life of the options was 2.56 years (2022 – 2.81 years).

#### (e) Warrants

On July 14, 2023, pursuant to an advisory agreement, the Company issued 75,000 warrants. Each warrant is exercisable into one common share at an exercise price of \$0.40 per share until July 14, 2024. The warrants have a fair value of \$4,662, estimated using the Black-Scholes valuation model and the following inputs: i) exercise price \$0.40, ii) stock price \$0.27, iii) volatility 89.43%, iv) risk free rate: 5.33%.

On June 13, 2023, as part of the unit offering, the Company issued 5,667,750 warrants to subscribers. Each warrant is exercisable into one additional common share at an exercise price of \$0.40 per share until June 13, 2025. The Company also issued 694,015 finders warrants to purchase an aggregate of 694,015 common shares at a price of \$0.25 per share until June 13, 2024. The finders' warrants had a fair value of \$101,759, estimated using the Black-Scholes valuation model and the following inputs: i) exercise price \$0.25, ii) stock price \$0.32, iii) volatility 93.86%, iv) risk free rate: 5.26%.

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%.

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### 10. Share capital (continued)

#### (e) Warrants (continued)

Changes in the number of warrants outstanding are as follows:

	June 30, 2023		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
Issued	6,361,765	0.38	222,300	0.72
Exercised	-	-	(3,491,540)	0.20
Expired	(3,937,723)	1.16	(203,805)	0.50
Balance, end of year	6,361,765	\$ 0.38	3,937,723	\$ 1.16

The following is a summary of share purchase warrants as at June 30, 2023:

Expiry Date	Number outstanding	Weighted average exercise price
June 13, 2024	694,015	\$ 0.25
June 13, 2025	5,667,750	0.40
	6,361,765	\$ 0.38

As of June 30, 2023, the weighted average remaining contractual life of the warrants was 1.85 years (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:

	June 30, 2023	June 30, 2022
Salaries, fees, and short-term benefits	\$ 740,020	\$ 353,554
Share-based compensation	91,457	79,768
	\$ 831,477	\$ 433,322

As at June 30, 2023, the Company has \$125,745 (2022 - \$48) recorded within accounts payable and accrued liabilities relating to amounts payable to key management personnel. The balance is unsecured, non-interest bearing and due pursuant to normal trade creditor terms.

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

General and administrative expenses include depreciation of \$800 (2022 – \$nil), share-based compensation of \$116,067 (2022 - \$96,983), employee wages and benefits of \$140,161 (2022- \$83,514). Research and development expenses include depreciation of \$32,314 (2022 – \$56,956), share-based compensation of \$44,101 (2022 - \$54,425) and employee wages and benefits of \$512,746 (2022 - \$283,557).

## **Telo Genomics Corp.**

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### **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 June 30, 2023 and 2022, the Company had no cash and cash equivalents and \$27,322 (2022 – \$Nil) in accounts payable and accrued liabilities denominated in the United States dollar. A 10% change in the value of the US dollar against the Canadian dollar would not result in a material effect on net loss for the year. 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 and no revenues have been earned to June 30, 2023. 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 June 30, 2023, 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.

### **15. Commitments**

In October 2022, the Company renewed its agreement for lease of office and laboratory space at MaRS Discovery District for a period of one-year, effective November 1, 2022 until October 31, 2023. In accordance with the lease renewal, the Company is committed to payments of \$8,925 per month. Subsequent to year end, the Company extended its agreement for lease of office and laboratory space at MaRS Discovery District for a period of six months effective November 1, 2023 until April 30, 2024 with monthly payments of \$9,750.

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### 16. Tax losses

The income tax provision recorded differs from the income tax obtained by applying the statutory income tax rate to the loss for the year and is reconciled as follows:

	2023	2022
Loss before income taxes	\$ (2,821,000)	\$ (2,110,000)
Statutory income tax rate	27%	27%
Expected income tax recovery	(762,000)	(570,000)
Non-deductible items	45,000	42,000
Change in estimate	-	3,168,000
Share issuance costs	(72,000)	1,000
Change in tax assets not recognized	789,000	(2,641,000)
Income tax expense	\$ -	\$ -

As at June 30, 2023 and 2022, the Company has unused tax losses and deductible temporary difference for which no deferred tax assets have been recognized. The tax effected amounts are as follows:

	2023	2022
Non-capital losses	\$ 5,659,000	\$ 4,920,000
Property and equipment	217,000	208,000
Other	174,000	133,000
	\$ 6,050,000	\$ 5,261,000

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not recognized on the consolidated statements of financial position are as follows:

	June 30, 2023	Expiry Date	June 30, 2022	Expiry Date
	\$	Range	\$	Range
<b>Temporary differences</b>				
Property and equipment	803,000	No expiry date	769,000	No expiry date
Share issuance costs	316,000	2024 to 2027	164,000	2023 to 2026
Non-capital losses available for future years	20,960,000	2031 to 2043	18,223,000	2031 to 2042
Other	328,000	No expiry date	328,000	No expiry date

Tax attributes are subject to review, and potential adjustment, by tax authorities.