



THIOGENESIS THERAPEUTICS, CORP.

Unaudited Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended

September 30, 2023 and 2022

(Expressed in Canadian Dollars)

Notice of No Auditor Review of the Unaudited Condensed Interim Consolidated 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 the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated 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 unaudited condensed interim consolidated 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.

Thiogenesis Therapeutics, Corp.

Unaudited Condensed Interim Consolidated Statements of Financial Position

(Expressed in Canadian Dollars)

	As at September 30, 2023	As at December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	\$ 3,631,616	\$ 6,195,961
Accounts receivable	45,294	21,245
Grant receivable (Note 5)	-	34,742
Prepaid expenses	9,226	38,624
Total current assets	3,686,136	6,290,572
Total Assets	\$ 3,686,136	\$ 6,290,572
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 320,439	\$ 307,151
Total current liabilities	320,439	307,151
Shareholders' equity		
Share capital (Note 10)	11,128,175	11,128,175
Reserves (Note 10)	1,441,398	1,055,011
Accumulated other comprehensive loss	(34,806)	(22,313)
Accumulated deficit	(9,169,070)	(6,177,452)
Total shareholders' equity	3,365,697	5,983,421
Total Liabilities and Shareholders' Equity	\$ 3,686,136	\$ 6,290,572

Approved by the Board of Directors

(signed) "Patrice Rioux"
Patrice Rioux, Director

(signed) "Brook Riggins"
Brook Riggins, Director

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

Thiogenesis Therapeutics, Corp.

Unaudited Condensed Interim Consolidated Statements of Operations and Other Comprehensive Loss

(Expressed in Canadian Dollars)

	For the Three Months Ended		For the Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Operating expenses				
Research and development (Note 14)	\$ 864,360	\$ 524,528	\$ 2,375,536	\$ 956,718
General and administrative (Note 14)	230,946	181,409	704,791	475,637
Total operating expenses	1,095,306	705,937	3,080,327	1,432,355
Other (income) expenses				
Interest income	(44,918)	-	(135,381)	-
Loss on foreign exchange	4,157	-	46,672	-
Listing expenses (Note 4)	-	-	-	1,973,753
Loss on derivative liabilities (Note 9)	-	-	-	69,481
Borrowing costs	-	(155)	-	3,318
Total other (income) expenses	(40,761)	(155)	(88,709)	2,046,552
Net loss	1,054,545	705,782	2,991,618	3,478,907
Other comprehensive (income) loss				
Foreign currency translation	19,290	11,340	12,493	(92,301)
Total other comprehensive (income) loss	19,290	11,340	12,493	(92,301)
Net loss from operations and other comprehensive (income) loss	\$ 1,073,835	\$ 717,122	\$ 3,004,111	\$ 3,386,606
Net loss per share, basic and diluted	\$ (0.03)	\$ (0.02)	\$ (0.08)	\$ (0.15)
Weighted average shares outstanding, basic and diluted	38,862,075	28,239,822	38,862,075	22,585,485

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

Thiogenesis Therapeutics, Corp.

Unaudited Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficit)

For the Nine Months Ended September 30, 2023 and 2022

(Expressed in Canadian Dollars)

	Number of Shares	SHARE CAPITAL \$	RESERVES \$	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) \$	ACCUMULATED DEFICIT \$	SHAREHOLDERS' EQUITY (DEFICIT) \$
Balance, December 31, 2021	12,000,000	1,039,237	33,967	(12,307)	(2,116,224)	(1,055,327)
Common shares issued for reverse takeover transaction	5,139,100	1,798,685	-	-	-	1,798,685
Fair value of finder's options issued	-	-	58,740	-	-	58,740
Common shares issued on conversion of special warrants, net	10,000,000	3,246,718	-	-	-	3,246,718
Common shares issue to settle convertible debt	771,075	269,876	-	-	-	269,876
Stock based compensation	-	-	288,244	-	-	288,244
Fair value of warrants	-	-	217,735	-	-	217,735
Exercise of finder's options	322,000	159,301	(42,926)	-	-	116,375
Foreign currency translation	-	-	-	92,301	-	92,301
Net loss for the period	-	-	-	-	(3,478,907)	(3,478,907)
Balance, September 30, 2022	28,232,175	6,513,817	555,760	79,994	(5,595,131)	1,554,440
Balance, December 31, 2022	38,862,075	11,128,175	1,055,011	(22,313)	(6,177,452)	5,983,421
Stock based compensation	-	-	386,387	-	-	386,387
Foreign currency translation	-	-	-	(12,493)	-	(12,493)
Net loss for the period	-	-	-	-	(2,991,618)	(2,991,618)
Balance, September 30, 2023	38,862,075	11,128,175	1,441,398	(34,806)	(9,169,070)	3,365,697

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

Thiogenesis Therapeutics, Corp.

Unaudited Condensed Interim Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

	For the Nine Months Ended September 30,	
	2023	2022
Operating activities		
Net loss for the period	\$ (2,991,618)	\$ (3,478,907)
Items not involving cash:		
Stock based compensation	386,387	288,244
Listing expense	-	1,857,425
Loss on derivative liabilities	-	69,481
Net changes in non-cash working capital		
Accounts receivable	(24,049)	(8,541)
Grant receivable	34,742	152,972
Accounts payable and accrued liabilities	13,289	(687,705)
Prepaid expenses	29,397	-
Net cash used in operating activities	<u>(2,551,852)</u>	<u>(1,807,031)</u>
Investing activities		
Cash assumed on reverse takeover	-	3,350,402
Net cash provided by investing activities	<u>-</u>	<u>3,350,402</u>
Financing activities		
Exercise of finder's options	-	116,375
Repayment of promissory notes	-	(50,172)
Repayment of loans payable	-	(150,000)
Net cash used in financing activities	<u>-</u>	<u>(83,797)</u>
Effect of exchange rate changes on cash	<u>(12,493)</u>	<u>92,592</u>
Increase (decrease) in cash and cash equivalents for the period	(2,564,345)	1,552,166
Cash and cash equivalents, beginning of period	6,195,961	61,641
Cash and cash equivalents, end of period	<u>\$ 3,631,616</u>	<u>\$ 1,613,807</u>

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

Thiogenesis Therapeutics, Corp.
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2023, and 2022
(Expressed in Canadian Dollars)

1. NATURE OF OPERATIONS

Organization

Thiogenesis Therapeutics, Corp., ("TTI" or the "Company") (formerly: Rozdil Capital Corporation) is a clinical stage biotechnology company that was incorporated under the *Ontario Business Corporations Act* on May 3, 2018. On March 22, 2022, the Company filed articles of amendment and changed its name from Rozdil Capital Corporation to Thiogenesis Therapeutics, Corp. The Company is developing thiol-active therapeutic compounds, that are prodrugs, used to treat unmet pediatric medical needs. TTI-0102, the Company's lead compound, was developed to address the obstacles facing previous thiol-based drugs, their short half-life and side effects. TTI-0102's initial applications are for mitochondrial disease, Rett syndrome and pediatric NASH. The registered head office of the Company is located at 4 King Street West, Suite 401, Toronto, Ontario, M5H 1B6.

Rozdil Capital Corporation ("Rozdil") was a capital pool company ("CPC") listed on the TSX Venture Exchange (the "TSXV") that received approval from the TSXV for its acquisition of all of the outstanding shares of Thiogenesis Therapeutics, Inc., ("TTI US") as its proposed "Qualifying Transaction" as defined under TSXV policies. The transaction constituted a reverse take-over ("RTO") by Rozdil which acquired all of the issued and outstanding shares of TTI US by way of a securities exchange agreement in exchange for common shares of Rozdil (Note 4).

On March 31, 2022, the Company closed its Qualifying Transaction (the "QT") as defined by Policy 2.4 of the TSXV with TTI US. The Company received final TSXV acceptance and the common shares of the Company resumed trading on the TSXV on April 13, 2022 (the "Listing Date") under the new name "Thiogenesis Therapeutics, Corp.", with the trading symbol "TTI".

COVID-19

Given the ongoing and dynamic nature of the circumstances surrounding the COVID-19 pandemic, it is difficult to predict how significant the impact of COVID-19 and variants, including any responses to it, will be on the global economy and the business of the Company or for how long any disruptions are likely to continue. The extent of such impact will depend on future developments, which are highly uncertain, rapidly evolving and difficult to predict, including new information that may emerge about COVID-19 or variants and additional actions that may be necessary or taken to contain it. Such developments could have a material adverse effect on the Company's business, including, current or future clinical trials, research and development collaborations and corporate activities; financial condition; results of operations and cash flow and the ability to finance operations. The Company is constantly evaluating the situation and monitoring any impacts or potential impacts to its business. To date, COVID-19 has not impacted the Company's business or its results of operations.

2. BASIS OF PRESENTATION

Statement of Compliance

These unaudited condensed interim consolidated financial statements, including comparatives have been prepared in accordance with International Accounting Standards ("IAS") 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). The accounting policies and methods of computation applied by the Company in these unaudited condensed interim consolidated financial statements are the same as those applied in the Company's annual consolidated financial statements for the year ended December 31, 2022.

The Board of Directors approved the unaudited condensed interim consolidated financial statements for the three and nine months ended September 30, 2023, on November 16, 2023.

Thiogenesis Therapeutics, Corp.
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Basis of Measurement

The unaudited condensed interim consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value.

Functional and Presentation Currency

The functional and presentation currency of the Company is the Canadian Dollar (“CAD”). The functional currency of the Company’s wholly-owned United States subsidiary, TTI US, is the United States Dollar (“USD” or “US\$”). The functional currency of TTI US’s wholly-owned Australian subsidiary, Thiogenesis Australia Pty Ltd. is the Australian Dollar (“AUD”) and the functional currency of TTI US’s wholly-owned France subsidiary, Thiogenesis Therapeutics, SARL is the EURO.

TTI US’s annual consolidated financial statements as at and for the year ended December 31, 2021, were converted from USD to CAD (see Note 16, Change in Presentation Currency in the Company’s audited consolidated financial statements for the year ended December 31, 2022).

Basis of Consolidation

These unaudited condensed interim consolidated financial statements include the financial results of the Company and the entities controlled by the Company. Control occurs when the Company is exposed to, or has right to, variable return from its involvements with an investee and has the ability to affect those returns through its power over the investee. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are deconsolidated from the date that control ceases. All intercompany transactions and balances have been eliminated.

The Company’s wholly owned subsidiaries are TTI US, Thiogenesis Australia Pty Ltd., and Thiogenesis Therapeutics, SARL.

Foreign currency translation

The unaudited condensed interim consolidated financial statements are presented in CAD. The functional currency of the parent Company is the CAD. The functional currency of the Company’s U.S. subsidiary is the USD. The functional currency of the Company’s Australian subsidiary is the AUD, and the functional currency of the Company’s France subsidiary is the EURO.

The financial statements of entities for which the functional currency is not CAD are translated into CAD using the exchange rate in effect at the end of the reporting period for assets and liabilities and the average exchange rates for the period for income, expenses, and cash flows. Foreign exchange differences arising on translation are recognized in other comprehensive income (loss) and in accumulated other comprehensive income (loss) in shareholders’ equity (deficit).

Significant Accounting Estimates and Judgments

The preparation of these unaudited condensed interim consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during each reporting period. Actual results could differ from those estimates. The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the unaudited condensed interim consolidated financial statements are:

Recognition of internally generated intangible assets

The Company is in the process of undergoing clinical trials for its thiol-active therapeutic compound, TTI-0102. Accordingly, management applies judgment in its assessment of the activities being undertaken and whether certain costs meet the definition of internally generated intangible assets in the research or development phase.

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Recognition of deferred tax assets

The recognition of deferred tax assets is based upon whether it is probable that sufficient and suitable taxable profits will be available in the future or whether taxable temporary differences will reverse such that deferred tax assets can be utilized. Recognition therefore involves a degree of judgment regarding the future financial performance of the Company or the timing of the reversal of deferred tax liabilities where deferred tax assets have been recognized.

Fair Value of Stock Based Compensation and Warrants

In determining the fair value of stock based payments, the calculated amounts are not based on historical cost, but is derived based on assumptions (such as the expected volatility of the price of the underlying security, expected hold period before exercise, dividend yield and the risk-free rate of return) input into a pricing model. The resulting value calculated is not necessarily the value that the holder of the option or warrant could receive in an arm's length transaction, given that there is no market for the options or compensation warrants and they are not transferable. Similar calculations are made in estimating the fair value of the warrant component of an equity unit. The assumptions used in these calculations are inherently uncertain. Changes in these assumptions could materially affect the related fair value estimates.

The Company's significant accounting policies are outlined in the Company's audited consolidated financial statements for the year ended December 31, 2022, and have been applied consistently in these unaudited condensed interim consolidated financial statements.

Accounting standard issued but not yet adopted and recently adopted accounting standard

IAS 1 – Presentation of Financial Statements

On January 23, 2020, the IASB issued an amendment to IAS 1 to clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. The standard is effective for periods beginning on or after January 1, 2024, and the Company has assessed that there will be no impact of applying the new standard on the unaudited condensed interim consolidated financial statements.

Definition of Accounting Estimates (Amendments to IAS 8)

On February 12, 2021, the IASB issued Definition of Accounting Estimates (Amendments to IAS 8). The amendments will require the disclosure of material accounting policy information rather than disclosing significant accounting policies and clarifies how to distinguish changes in accounting policies from changes in accounting estimates. The amendments are effective for annual periods beginning on or after January 1, 2023. The Company adopted this amendment in its unaudited condensed interim consolidated financial statements for the annual period beginning January 1, 2023. The adoption of this amendment did not have a material impact on the unaudited condensed interim consolidated financial statements.

4. REVERSE TAKEOVER TRANSACTION (“RTO”)

Pursuant to a securities exchange agreement dated February 8, 2021, as amended, among the Company, TTI US and the security-holders of TTI US (the "Securities Exchange Agreement"), the Company agreed to acquire all of the outstanding securities of TTI US resulting in TTI US becoming a wholly owned subsidiary of the Company (the “Transaction”).

In exchange for all of the outstanding securities of TTI US, the former shareholders of TTI US received a total of 12,000,000 common shares of the Company, representing 70% of the total issued and outstanding shares of the Company, prior to giving effect to the Special Warrant financing (Note 10) and the settlement of the convertible promissory notes (Note 6).

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For accounting purposes, the Transaction was accounted for as a RTO, with TTI US identified as the accounting acquirer, and the Company identified as the accounting acquiree. As the Company did not meet the definition of a business under IFRS 3, the Transaction was accounted for as a Share-based payment in accordance with IFRS 2.

The fair value of share consideration comprises the 5,139,100 common shares maintained by the original shareholders of the Company, fair valued by reference to the special warrant financing completed concurrent with the RTO transaction (note 10). The Company incurred an additional \$38,563 comprising legal, accounting, and filing fees which have been included in the listing expense in the unaudited condensed interim consolidated statements of operations and other comprehensive income (loss).

On the acquisition of the Company by TTI US, the Company's share capital, reserves and deficit were eliminated.

The allocation of the cost of the acquisition is summarized as follows:

<u>Net Assets (Liabilities) Acquired</u>	
Cash and cash equivalents	\$ 107,457
Cash held in escrow	3,340,458
Loan receivable	25,332
Accounts receivable	39
Accounts payable and accrued liabilities	(304,333)
Special warrants liability, net	(3,305,458)
<u>Fair Value of Net Assets (Liabilities) Acquired</u>	<u>\$ (136,505)</u>
Fair value of share consideration	\$ 1,798,685
Legal and other costs related to transaction	38,563
	<u>1,837,248</u>
Less fair value of net assets (liabilities) acquired	136,505
<u>Total Listing Expense</u>	<u>\$ 1,973,753</u>

5. GRANT RECEIVABLE

As at September 30, 2023, the grant receivable from the Australian government was \$nil (December 31, 2022: \$34,742).

Thiogenesis Therapeutics, Corp.
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6. CONVERTIBLE PROMISSORY NOTES

On August 21, 2020, as amended on August 31, 2021, the Company issued to two directors of the Company convertible promissory notes for proceeds of \$272,118 (US\$209,000) with interest rate of 4% per annum and due on December 31, 2021. The notes automatically convert into the equity instruments that the Company issues in the event an equity security raise with total proceeds of not less than US\$2,000,000 is completed while the notes are outstanding. The conversion price is the lesser of (i) the price paid per share for equity securities in the financing multiplied by 0.80 and (ii) the quotient resulting from dividing US\$5,000,000 by the number of outstanding shares of common stock immediately prior to the financing. The Company accounted for the notes as a liability as the conversion feature is contingent on a qualified financing outside the control of the Company (the "Notes").

On October 31, 2021, the Notes were amended to reflect if a change of control or qualified financing is consummated, all interest on the Notes would stop accruing after December 31, 2020. As a result of the Securities Exchange Agreement, the Company stopped accruing interest on the Notes.

On December 31, 2021, the Notes were amended to extend the principal and interest due date to January 31, 2022, and on January 31, 2022, the Notes were further amended to extend the principal and interest due date to, March 31, 2022.

As of December 31, 2021, the principal and interest owing on the Notes amounted to \$268,455 (US\$211,749). On March 31, 2022, following the closing of the RTO, the Company issued 771,075 common shares as settlement of the convertible notes and interest due.

7. PROMISSORY NOTES

On December 31, 2020, the Company issued non-interest-bearing promissory notes to the Chief Executive Officer of the Company for proceeds of US\$39,200. As of December 31, 2021, the balance of the promissory notes was \$49,698 (US\$39,200). On April 8, 2022, the promissory notes in the amount of \$50,172 (US\$39,200) were repaid in full.

8. LOANS PAYABLE

On December 1, 2021, the Company received proceeds of \$65,000 and issued a promissory note, due on demand and bearing interest at 4% per annum to a director of the Company. For the year ended December 31, 2022, the Company recorded \$715 of interest. (December 31, 2021: \$217). During the year ended December 31, 2022, the Company repaid the note of \$65,000 and paid interest of \$932.

On December 1, 2021, the Company received proceeds of \$60,000 and issued a promissory note, due on demand and bearing interest at 4% per annum to a director of the Company. For the year ended December 31, 2022, the Company recorded \$690 of interest. (December 31, 2021: \$200). During the year ended December 31, 2022, the Company repaid the note of \$60,000 and paid interest of \$890.

In connection with the RTO, on December 1, 2021, TTI US received proceeds of \$25,000 and issued a demand promissory note to the Company, bearing interest at 4% per annum. For the year ended December 31, 2022, the Company recorded interest of \$332. Upon closing of the RTO, the intercompany note and interest was eliminated upon consolidation.

Thiogenesis Therapeutics, Corp.
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9. DERIVATIVE LIABILITIES

On March 23, 2021, TTI US closed a non-brokered private placement and issued 2,000,000 units for gross cash proceeds of \$674,813 (US\$537,186). Each unit was comprised of one (1) common share and one-half (1/2) of a common share purchase warrant (each whole warrant, a "Warrant") (the "Units"). Each whole warrant will entitle the holder to acquire one common share of the Company at a price of \$0.50 per warrant for a period of two years following the closing date. As the warrants are held with an exercise price in CAD which was different from the functional currency of TTI US (USD) the warrants were treated as a financial liability and the fair value movement during the period was recognized in the unaudited condensed interim consolidated statements of operations and other comprehensive income (loss). The amount allocated to derivative liabilities based on fair value using the Black-Scholes pricing model was \$214,220 assuming an estimated life of 2 years, a risk-free rate of 0.23% an expected dividend rate of 0.00%, and an expected annual volatility of 137%. At December 31, 2021, the Company revalued the warrants using the Black-Scholes pricing model and the amount allocated to derivative liabilities was \$150,413 assuming an estimated life of 1.2 years, a risk-free rate of 0.95% an expected dividend rate of 0.00%, and an expected annual volatility of 127%. At December 31, 2021, the Company recorded a gain on the revaluation of \$63,807.

Upon closing of the RTO on March 31, 2022, TTI US revalued the 1,000,000 outstanding warrants using the Black-Scholes pricing model with the fair value determined to be \$88,948 assuming a fair market share price of \$0.35 an estimated life of 1 year, a risk-free interest rate of 2.27% an expected dividend rate of 0.00%, and an expected annual volatility of 93%.

Upon closing of the RTO, TTI US cancelled the 1,000,000 warrants and re-issued them, modifying the legal life of the warrants from March 21, 2023, to March 31, 2024. In connection with the change in legal life, the incremental change in fair value of the warrants was determined to be \$109,703 using the Black-Scholes pricing model, assuming a fair market share price of \$0.35, an estimated life of 2 years, a risk-free rate of 2.27%, an expected dividend rate of 0%, and an expected annual volatility of 127%. The incremental change in the fair value of the warrants was recognized directly within accumulated deficit.

On re-issuance, the warrants resided in the Company with a functional currency (CAD) that was consistent with the currency that the exercise price of the warrants are denominated in. As a result, the warrants were deemed to meet the definition of an equity instrument and the fair value of the warrants totaling \$198,651 was reallocated to contributed surplus.

The following table set out the changes in derivative liabilities during the respective years.

	Number of Derivative Warrants	Value Assigned	Average Exercise Price
Balance, December 31, 2020	-		-
Warrants issued	1,000,000	214,220	0.50
Fair value re-measurement	-	(63,807)	-
Balance, December 31, 2021	1,000,000	150,413	0.50
Fair value re-measurement		(61,465)	-
Modification of warrants	-	109,703	-
Fair value transferred to reserves	(1,000,000)	(198,651)	0.50
Balance, December 31, 2022	-	-	-

Thiogenesis Therapeutics, Corp.
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10. SHARE CAPITAL AND RESERVES

Share Capital

Authorized:

Unlimited common shares

Issued:

The following table sets out the changes in common shares during the period:

	Note	#	\$
Balance, December 31, 2021		12,000,000	1,052,631
Common shares issued for RTO	(i)	5,139,100	1,798,685
Common shares issued on conversion of special warrants, net	(ii)	10,000,000	3,264,117
Common shares issued for convertible promissory notes	(iii)	771,075	269,876
Exercise of finder's options	(iv)	332,500	146,585
Private placement	(v)	10,619,400	4,596,281
Balance, September 30, 2023, and December 31, 2022		38,862,075	11,128,175

(i) In connection with the closing of the RTO on March 31, 2022, the Company issued 5,139,100 common shares at a fair value of \$0.35 per common share to effect the RTO amounting to total consideration of \$1,798,685.

(ii) In connection with the RTO on July 30, 2021, the Company closed in escrow a non-brokered private placement of 10,000,000 special warrants of the Company at a purchase price of \$0.35 per special warrant for gross proceeds of \$3,500,000. Each special warrant was converted into one (1) common share of the Company without further consideration (the "Special Warrants"). The conversion of the Special Warrants took place on March 31, 2022.

In connection with the Special Warrants financing, the Company paid a cash finder's fees equal to an aggregate of \$159,250 and issued 455,000 compensation options (the "Finder's Options") with an estimated fair value of \$41,341. In addition, the Company recorded approximately \$35,000 in direct legal costs related to the Special Warrant financing.

(iii) In connection with the closing of the RTO on March 31, 2022, the Company issued 771,075 common shares at a fair value of \$0.35 per common share amounting to total consideration of \$269,876 to settle convertible promissory notes and interest (Note 6).

(iv) During the year ended December 31, 2022, 332,500 finder's options were exercised at \$0.35 per share for proceeds of \$116,375. The fair value attributed to these finder's options of \$30,210 was transferred to share capital upon exercise.

(v) On November 18, 2022, the Company closed a private placement and issued 10,619,400 common shares at \$0.50 per common share for gross proceeds of \$5,309,700. In connection with the private placement, the Company recorded \$76,980 in direct costs and paid cash finder's fees of \$352,750 and issued 675,500 compensation options (the "Finder's Options") with an estimated fair value of \$283,689.

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Escrow Securities

CPC Escrow

An aggregate of 2,775,000 common shares were held in escrow in accordance with the CPC Policy of the TSXV and were released as to 10% immediately following the issuance of the Final TSXV Bulletin dated April 11, 2022 (the "Bulletin") and as to 15% every six months thereafter.

Value Security Escrow

In addition to the CPC Escrowed common shares a further 10,737,869 common shares will be held in escrow after giving effect to the RTO and were released as to 10% on the date of the Bulletin and as to 15% every six months thereafter.

Weighted Average Shares Outstanding

The following table summarizes the weighted average shares outstanding:

	For the Three Months Ended September 30		For the Nine Months Ended September 30	
	2023	2022	2023	2022
Weighted Average Shares Outstanding, basic and diluted	38,862,075	28,239,822	38,862,075	22,585,485

The effects of any potential dilutive instruments on loss per share are anti-dilutive and therefore have been excluded from the calculation of diluted loss per share.

Common Share Purchase Options

The Company has established a stock option plan for its directors, officers and consultants under which the Company may grant options from time to time to acquire a up to a fixed 20% of the outstanding common shares as of August 15, 2022 or 5,648,535. The exercise price of each option granted under the plan shall be determined by the Company's Board of Directors ("Directors").

Options may be granted for a maximum term of ten years from the date of the grant. They are exercisable as determined by the Directors when the option is granted. Options expire within 90 days of termination of employment or holding office as director or officer of the Company, within 30 days of termination of consultants of the Company and, in the case of death, expire within a maximum period of one year after such death, subject to the expiry date of the option.

For the nine months ended September 30, 2023, and 2022 the Company recorded stock based compensation expense of \$386,387 and \$288,244, respectively (Note 14).

The following table is a summary of the status of the Company's common share purchase options and changes during the period:

	Number of Options	Weighted Average Exercise Price \$
Balance December 31, 2021	300,000	0.20
Common share purchase options granted	2,750,000	0.40
Balance, September 30, 2023, and December 31, 2022	3,050,000	0.38

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In connection with the closing of the RTO on March 31, 2022, the Company modified the terms of 300,000 stock options previously granted by TTI US on June 26, 2020, to be exercisable at a price of \$0.20 per common share (previously exercisable at US\$0.125) up until March 31, 2025 (previously expiring exercisable up until June 26, 2030), to now vest immediately. As the modification of the terms of the options resulted in a decrease in the incremental fair value, the modification resulted in \$nil impact to the stock-based compensation recognized during the year ended December 31, 2022.

On March 31, 2022, the Company granted 1,950,000 common share purchase options exercisable at \$0.35 per share until March 31, 2032, to directors and officers of Company. The options vest 25% on each of September 30, 2022, March 31, 2023, September 30, 2023, and March 31, 2024. The fair value of the options was estimated on the date of issue using the Black-Scholes option pricing model with the following assumptions: share price of \$0.35, dividend yield 0%, risk-free interest rate of 2.40%, expected volatility of 125% and an expected life of ten years. The fair value attributed to these options was \$653,242.

On March 31, 2022, the Company granted 150,000 common share purchase options exercisable at \$0.35 per share until March 31, 2025, to consultants of the Company. The options vest 50% on each of September 30, 2022, and March 31, 2023. The fair value of the options was estimated on the date of issue using the Black-Scholes option pricing model with the following assumptions: share price of \$0.35, dividend yield 0%, risk-free interest rate of 2.28%, expected volatility of 132% and an expected life of three years. The fair value attributed to these options was \$39,664.

On April 12, 2022, the Company granted 50,000 common share purchase options exercisable at \$0.35 per share until March 31, 2025, to a consultant of the Company. The options vest 50% on each of September 30, 2022, and March 31, 2023. The fair value of the options was estimated on the date of issue using the Black-Scholes option pricing model with the following assumptions: share price of \$0.35, dividend yield 0%, risk-free interest rate of 2.39%, expected volatility of 132% and an expected life of three years. The fair value attributed to these options was \$13,365.

On August 30, 2022, the Company granted 150,000 common share purchase options exercisable at \$0.50 per share until August 31, 2032, to members of the advisory board of the Company. The options vest 25% on each of March 31, 2023, August 30, 2023, March 31, 2024, and August 30, 2024. The fair value of the options was estimated on the date of issue using the Black-Scholes option pricing model with the following assumptions: share price of \$0.55, dividend yield 0%, risk-free interest rate of 3.06%, expected volatility of 124% and an expected life of ten years. The fair value attributed to these options was \$79,172.

On December 8, 2022, the Company granted to directors and a consultant, respectively 350,000 and 100,000 common share purchase options exercisable at \$0.60 per share until December 8, 2032. The options vest 25% on each of June 30, 2023, December 31, 2023, June 30, 2024, and December 31, 2024. The fair value of the options was estimated on the date of issue using the Black-Scholes option pricing model with the following assumptions: share price of \$0.60, dividend yield 0%, risk-free interest rate of 2.80%, expected volatility of 123% and an expected life of ten years. The fair value attributed to these options was \$258,004.

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The following table is a summary of the status of the Company's Finder's Options and changes during the respective periods:

	Number of Finder's Options	Weighted Average Exercise Price \$
Balance December 31, 2021	-	-
Finder's options granted (i) (ii)	1,130,500	0.44
Finder's options exercised	(332,500)	0.35
Finder's options expired	(122,500)	0.35
Balance, September 30, 2023, and December 31, 2022	675,500	0.50

(i) In connection with the Special Warrants financing, the Company issued 455,000 compensation options (the "Finder's Options"). Each Finder's Option is exercisable into one (1) Common Share at a price of \$0.35 per common share until July 29, 2022, subject to an acceleration clause which provides that if the common shares of the Company trade at or above \$0.70 per share for a period of twenty (20) consecutive trading days, the Company may elect to reduce the expiry period of the Finder's Options to twenty (20) days from the date notice of the accelerated expiry is sent to holders of the Finder's Options. The fair value of the Finder's Options was estimated on the date of issue using the Black-Scholes option pricing model with the following assumptions: share price of \$0.35, dividend yield 0%, discount rate 2.27%, expected volatility 114%, forfeiture rate 0% and expected life of 0.3 year. The fair value attributed to the Finder's Options was \$41,341.

(ii) In connection with the November 18, 2022, private placement, the Company issued 675,500 compensation options (the "Finder's Options"). Each Finder's Option is exercisable into one (1) common share at a price of \$0.50 per common share until November 18, 2024. The fair value of the Finder's Options was estimated on the date of the issue using the Black-Scholes option pricing model with the following assumptions: share price of \$0.64, dividend yield 0%, discount rate 3.86 %, expected volatility 117%, forfeiture rate 0% and expected life of two years. The fair value attributed to the Finder's Options was \$283,689.

The following table is a summary of the Company's stock options and Finder's Options outstanding and exercisable as at September 30, 2023 and December 31, 2022:

Expiry Date	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Number of Options Outstanding	Number of Options Vested (Exercisable)
March 31, 2025	\$0.20	1.50	300,000	300,000
March 31, 2032	\$0.35	8.51	1,950,000	1,462,500
March 31, 2025	\$0.35	1.50	200,000	200,000
August 31, 2032	\$0.50	8.93	150,000	75,000
November 18, 2024	\$0.50	1.14	675,500	675,500
December 8, 2032	\$0.60	9.20	450,000	112,500
As at September 30, 2023	\$0.40	6.38	3,725,500	2,825,500

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Expiry Date	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Number of Options Outstanding	Number of Options Vested (Exercisable)
March 31, 2025	\$0.20	2.25	300,000	300,000
March 31, 2032	\$0.35	9.25	1,950,000	487,500
March 31, 2025	\$0.35	2.25	200,000	100,000
August 31, 2032	\$0.50	9.67	150,000	-
November 18, 2024	\$0.50	1.88	675,500	675,500
December 8, 2032	\$0.60	9.94	450,000	-
As at December 31, 2022	\$0.40	7.07	3,725,500	1,563,000

Common Share Purchase Warrants

The following table summarizes the changes in common share purchase warrants for the periods set out:

	Number of Warrants	Weighted Average Price \$
Balance, December 31, 2021	-	-
Warrants reclassified	1,000,000	0.50
Balance, September 30, 2023, and December 31, 2022	1,000,000	0.50

The following table summarizes the outstanding common share purchase warrants as at:

	Number of Warrants	Exercise Price	Expiry Date	Weighted Average Remaining Life (Years)
September 30, 2023	1,000,000	\$0.50	March 31, 2024	0.50

	Number of Warrants	Exercise Price	Expiry Date	Weighted Average Remaining Life (Years)
December 31, 2022	1,000,000	\$0.50	March 31, 2024	1.25

11. RELATED PARTY TRANSACTIONS

The following transactions with individuals related to the Company arose in the normal course of business have been accounted for at the amount agreed to by the related parties.

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Compensation of Key Management Personnel

The remuneration of directors and other members of key management personnel during the reporting periods were as follows:

	For the Three Months Ended		For the Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Salaries and management fees (i)	\$120,946	\$83,242	\$362,409	\$162,708
Stock based compensation (ii)	74,067	83,740	306,035	166,570
Director fees (iii)	24,255	16,623	81,771	57,179
Total	\$219,268	\$183,605	\$750,215	\$386,457

(i) Salaries and management fees paid or accrued to the CEO and CFO, respectively.

(ii) Stock based compensation recorded for stock options granted to directors and officers.

(iii) Director fees paid or accrued to directors of the Company.

12. CAPITAL MANAGEMENT

The capital managed by the Company includes the components of shareholders' equity as described in the unaudited condensed interim consolidated statements of changes in shareholders' equity (deficit). The Company is not subject to externally imposed capital requirements. There were no changes in the Company's capital management for the three months ended September 30, 2023.

The Company's objectives of capital management are to create long-term value and economic returns for its shareholders. It does this by seeking to maximize its resources to fund the growth and development of its business, and to support the working capital required to maintain its ability to continue as a going concern. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its assets by seeking to limit shareholder dilution and optimize its cost of capital while maintaining an acceptable level of risk. In order to maintain or adjust its capital structure, the Company considers all sources of financing reasonably available to it, including but not limited to the issuance of new capital, the issuance of new debt, the receipt of government grants and the sale of assets in whole or in part.

13. FINANCIAL RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks.

Credit Risk

Credit risk is primarily related to the Company's receivables and cash and cash equivalents and the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. At September 30, 2023, accounts receivable was \$45,294 of which \$43,303 was Goods and Services Tax (December 31, 2022: \$21,245 of which of \$13,927 was Goods and Services Tax). At September 30, 2023, the grant receivable from the Australian Government was \$nil (December 31, 2022: \$34,742).

The Company's maximum exposure to credit risk is as follows:

	September 30, 2023	December 31, 2022
Cash and cash equivalents	\$3,631,616	\$6,195,961
Account receivable	1,991	6,270
Grant receivable	-	34,742
	\$3,633,607	\$6,236,973

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Currency Risk

The Company holds financial instruments denominated in CAD, USD, AUD and Euros that may differ from the functional currency of the entity in which the financial instrument resides in. A significant change in the currency exchange rates between the currency of the financial instrument and the functional currency of the Company could have a material effect on the Company's financial instruments.

As at September 30, 2023, a 5% fluctuation in the foreign exchange rate would have an impact of approximately \$3,390 in the Company's unaudited condensed interim consolidated statement of operations and other comprehensive income (loss) (December 31, 2022: \$254).

Interest Rate Risk

The Company's exposure to interest rate risk relates to its ability to earn interest income on cash balances at variable rates. The fair value of the Company's cash accounts is relatively unaffected by changes in short term interest rates. The income earned on certain bank accounts is subject to the movements in interest rates. Currently, this risk will have an immaterial effect on operations.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's main source of cash resources has been through equity financings, grants and loans. The Company's financial obligations are limited to its current liabilities which have contractual maturities of less than one year. The Company manages liquidity risk as part of its overall "Management of Capital".

The following tables illustrate the contractual maturities of financial liabilities as at September 30, 2023 and December 31, 2022, respectively:

September 30, 2023

	Payments Due by Year \$				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Accounts payable and accrued liabilities	320,439	320,439	-	-	-
Total	320,439	320,439	-	-	-

December 31, 2022

	Payments Due by Year \$				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Accounts payable and accrued liabilities	307,151	307,151	-	-	-
Total	307,151	307,151	-	-	-

Fair Value

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

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As of September 30, 2023, and December 31, 2022, cash and cash equivalents are recorded at fair value under level 1 within the fair value hierarchy. During the year ended December 31, 2022, derivative liabilities previously recorded at fair value under level 2 were reclassified to shareholders' equity (deficit).

Management believes that the recorded values of accounts receivable, grant receivable, accounts payable and accrued liabilities, approximate their current fair values because of their nature and anticipated short term settlement dates.

14. EXPENSES BY NATURE

The Company presents operating expenses by function. The following tables present a breakdown of research and development costs and general and administrative costs for the periods set out:

Research and development expenses	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Subcontract labor	\$561,285	\$375,972	\$1,217,279	\$517,565
Professional fees	151,626	56,426	438,033	158,125
Stock based compensation	35,022	35,326	144,526	158,865
Director fees	-	1,755	9,107	9,071
Salaries	65,329	54,819	197,036	108,090
Travel	25,424	230	60,193	5,002
Shipping	25,674	-	25,674	-
Lab supplies	-	-	283,688	-
Total research and development	\$864,360	\$524,528	\$2,375,536	\$956,718

General and administrative expenses	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Professional fees	\$37,150	\$39,973	\$116,758	\$133,444
General and office	8,541	4,508	21,873	18,858
Stock based compensation	55,617	65,043	241,861	129,379
Management fees	55,618	28,424	165,373	67,334
Director fees	24,255	24,899	72,663	48,108
Public company expenses	9,535	13,284	25,066	73,236
Investor relations	40,230	-	40,230	-
Travel	-	5,278	20,967	5,278
Total general and administrative	\$230,946	\$181,409	\$704,791	\$475,637