

PANGENOMIC HEALTH INC.

Condensed Interim Consolidated Financial Statements

Six Months Ended June 30, 2024 and 2023

(Expressed in Canadian Dollars)

(unaudited)

Notice of No Auditor Review

The accompanying unaudited condensed interim consolidated financial statements of Pangenomic Health Inc. (the "Company") have been prepared by management and approved by the Audit Committee and Board of Directors of the Company. The Company's independent auditors have not performed a review or audit of these condensed interim consolidated financial statements.

PANGENOMIC HEALTH INC.Condensed Interim Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

	June 30, 2024 \$	December 31, 2023 \$
	(unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	13,902	12,560
Amounts receivable (Note 3)	43,882	42,215
Prepaid expenses	-	6,191
Total current assets	57,784	60,966
Non-current assets		
Equipment (Note 5)	4,259	10,512
TOTAL ASSETS	62,043	71,478
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	845,477	798,846
Loans payable (Note 6)	-	964,746
Due to related parties (Note 7)	695,704	452,490
Total liabilities	1,541,181	2,216,082
SHAREHOLDERS' DEFICIT		
Common shares (Note 8)	14,218,558	12,070,043
Equity reserves (Note 9 and 10)	5,017,541	3,739,789
Deficit	(20,715,237)	(17,954,436)
Total shareholders' deficit	(1,479,138)	(2,144,604)
TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIT	62,043	71,478

Nature of operations and continuance of business (Note 1)

Approved and authorized for issuance on behalf of the Board of Directors on August 26, 2024:

/s/ "Kent Carasquero"
Kent Carasquero, Director

/s/ "Robert Nygren"
Robert Nygren, Director

(The accompanying notes are an integral part of these condensed interim consolidated financial statements)

PANGENOMIC HEALTH INC.

Condensed Interim Consolidated Statements of Operations and Comprehensive Loss

(Expressed in Canadian Dollars)

(unaudited)

	Notes	Three months ended		Six months ended	
		2024	2023	2024	2023
				\$	\$
Expenses					
Advertising and promotion		-	12,233	6,452	57,801
Consulting fees	7	79,650	272,105	135,740	560,401
Depreciation	5	3,126	3,126	6,253	6,148
Director's fees	7	-	30,000	-	60,000
General and administrative		10,572	41,738	19,722	87,059
Professional fees		27,901	148,795	68,207	258,909
Rent		-	1,800	-	3,600
Research and development	7	9,370	64,868	(14,839)	224,852
Share-based compensation	7, 9, 10	34,069	87,088	72,944	148,693
Transfer agent and filing fees		4,452	40,354	15,600	105,336
Wages and benefits	7	62,323	206,851	124,646	450,047
Total expenses		231,463	908,958	434,725	1,962,846
Loss before other income (expense)		(231,463)	(908,958)	(434,725)	(1,962,846)
Other income (expense)					
Interest expense		(13,416)	(9,506)	(33,200)	(12,492)
Interest income		63	552	126	,1,239
Foreign exchange translation loss		(17,312)	(7,301)	(13,078)	(9,334)
Loss on settlement of debt		(2,279,924)	-	(2,279,924)	-
Write-off of amounts receivable		-	(36,228)	-	(36,228)
Total other income (expense)		(2,310,589)	(52,483)	(2,326,076)	(56,815)
Net loss and comprehensive loss for the period		(2,542,052)	(961,441)	(2,760,801)	(2,019,661)
Loss per common share, basic and diluted		(0.24)	(0.10)	(0.10)	(0.20)
Weighted average common shares outstanding		10,496,769	9,932,817	27,982,151	9,898,191

(The accompanying notes are an integral part of these condensed interim consolidated financial statements)

PANGENOMIC HEALTH INC.

Condensed Interim Consolidated Statements of Changes in Equity (Deficit)

(Expressed in Canadian Dollars)

(unaudited)

	Common shares		Equity reserves \$	Deficit \$	Total shareholders' equity (deficit) \$
	Number of shares* #	Amount \$			
Balance, December 31, 2022	9,437,431	11,240,056	3,526,356	(14,981,522)	(215,110)
Issuance of units for cash	141,500	212,250	–	–	212,250
Share issuance costs	–	(931)	–	–	(931)
Issuance of units to settle loan payable	66,667	100,000	-	-	100,000
Issuance of shares upon exercise of warrants	287,220	327,220	–	–	327,220
Share-based compensation	–	–	148,693	–	148,693
Net loss for the period	–	–	–	(2,019,661)	(2,019,661)
Balance, June 30, 2023	9,932,818	11,878,595	3,675,049	(17,001,183)	(1,447,539)
Balance, December 31, 2023	10,496,748	12,070,043	3,739,789	(17,954,436)	(2,144,604)
Issuance of units to settle loan payable	20,475,000	2,047,500	1,147,246	-	3,194,746
Issuance of units to settle accounts payable	1,027,320	102,732	57,562	-	160,294
Share issuance costs	-	(1,717)	-	-	(1,717)
Share-based compensation	-	-	72,944	-	72,944
Net loss for the period	-	-	-	(2,760,801)	(2,760,801)
Balance, June 30, 2024	31,999,068	14,218,558	5,017,541	(20,715,237)	(1,479,138)

(*) The Company effected a 10:1 share consolidation of its common shares on March 21, 2024. All common share and per share amounts have been retrospectively presented to reflect the share consolidation

(The accompanying notes are an integral part of these condensed interim consolidated financial statements)

PANGENOMIC HEALTH INC.
Consolidated Statements of Cash Flows
(Expressed in Canadian Dollars)
(unaudited)

	Six months ended	
	June 30, 2024	June 30, 2023
	\$	\$
Operating activities		
Net loss	(2,760,801)	(2,019,661)
Items not involving cash:		
Depreciation expense	6,253	6,148
Foreign exchange translation loss	12,004	837
Loss on settlement of debt	2,279,924	-
Write-off of amounts receivable	-	36,228
Share-based compensation	72,944	148,693
Changes in non-cash operating working capital:		
Amounts receivable	(1,667)	46,297
Prepaid expenses	6,191	113,048
Accounts payable and accrued liabilities	97,997	399,985
Due to related parties	243,214	155,428
Net cash used in operating activities	(43,941)	(1,112,997)
Investing activities		
Purchase of equipment	-	(3,142)
Net cash used in investing activities	-	(3,142)
Financing activities		
Proceeds from issuance of units, net of issuance costs	(1,717)	311,319
Proceeds from issuance of shares upon exercise of warrants	-	327,220
Proceeds from loans payable	47,000	500,000
Repayment of loans payable	-	(101,771)
Repayment of related party loans	-	(9,150)
Net cash provided by financing activities	45,283	1,027,618
Change in cash	1,342	(88,521)
Cash and cash equivalents, beginning of period	12,560	88,526
Cash and cash equivalents, end of period	13,902	5
Cash and cash equivalents consist of:		
Cash in bank	2,652	-
Bank indebtedness	-	(11,245)
Cashable short-term investment certificate	11,250	11,250
Total cash and cash equivalents	13,902	5
Non-cash financing activities		
Issuance of common shares to settle accounts payable	102,732	-
Issuance of common shares to settle loans payable	2,047,500	-

(The accompanying notes are an integral part of these condensed interim consolidated financial statements)

PANGENOMIC HEALTH INC.

Notes to the Condensed Interim Consolidated Financial Statements

Six Months Ended June 30, 2024 and 2023

(Expressed in Canadian Dollars)

(unaudited)

1. Nature of Operations and Continuance of Business

Pangenomic Health Inc. (the “Company”) was incorporated under the laws of the province of British Columbia, Canada, on December 11, 2015. The address of the Company’s corporate office and principal place of business is 102 – 3800 Wesbrook Mall, Vancouver, BC, V6S 2L9. The Company’s common shares trade on the Canadian Stock Exchange (“CSE”) under the symbol “NARA”, and the Frankfurt Stock Exchange (“FSE”) under the symbol “LL30”. The Company operates in one business segment being the precision health markets with all assets located in Canada.

These condensed interim consolidated financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes that the Company will be able to realize its assets and satisfy its liabilities in the normal course of business for the foreseeable future. Management is aware, in making its going concern assessment, of material uncertainties related to events and conditions that may cast significant doubt upon the Company’s ability to continue as a going concern. For the six months ended June 30, 2024, the Company has not generated any revenues and has negative cash flow from operations. As at June 30, 2024, the Company has an accumulated deficit of \$20,715,237. The continued operations of the Company are dependent on future profitable operations, management’s ability to manage costs and the future availability of equity or debt financing. Whether and when the Company can generate sufficient operating cash flows to pay for its expenditures and settle its obligations as they fall due is uncertain. These condensed interim consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption inappropriate. These adjustments could be material.

2. Basis of Presentation

(a) Statement of Compliance

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting*. The condensed interim consolidated financial statements of the Company should be read in conjunction with the Company’s annual audited financial statements for the year ended December 31, 2023, which were prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

(b) Basis of Presentation

These condensed interim consolidated financial statements have been prepared on a historical cost basis. In addition, these condensed interim consolidated financial statements have been prepared using the accrual basis of accounting, except for the cash flow information. In the opinion of the Company’s management, all adjustments considered necessary for a fair presentation have been included.

These condensed interim consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Pangenomic Technologies Corp. (“PTC”), MUJN Diagnostics Inc. (formerly PlantGX Diagnostics Inc.) (“MUJN”) and Mindleap Health Inc. (“Mindleap”), which were incorporated on in the province of British Columbia, Canada. All intercompany transactions have been eliminated on consolidation.

PANGENOMIC HEALTH INC.

Notes to the Condensed Interim Consolidated Financial Statements
Six Months Ended June 30, 2024 and 2023
(Expressed in Canadian Dollars)
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2. Basis of Presentation (continued)

(c) Significant Accounting Estimates and Judgments

The preparation of these condensed interim consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income, and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Significant areas requiring the use of estimates include:

Carrying Value of Equipment and Intangible Assets

The Company assesses impairment of non-financial assets such as equipment and intangible assets. In assessing impairment, management estimates the recoverable amount of each asset or cash generating unit ("CGU") based on expected future cash flows. When measuring expected future cash flows, management makes assumptions about future growth of profits which relate to future events and circumstances. Actual results could vary from these estimated future cash flows. Estimation uncertainty relates to assumptions about future operating results and the application of an appropriate discount rate.

Long-lived assets are reviewed for impairment by determining the recoverable amount of each CGU or groups of CGUs to which the long-lived assets relate. Management estimates the recoverable amount of the CGUs based on the higher of value-in-use ("VIU") and fair value less costs of disposal ("FVLCD"). The VIU calculations are based on expected future cash flows. When measuring expected future cash flows, management makes key assumptions about future growth of profits which relate to future events and circumstances. Estimation uncertainty relates to assumptions about future operating results and the application of an appropriate discount rate. Actual results could vary from these estimates which may cause significant adjustments to the Company's long-lived assets in subsequent reporting periods.

Share-based Payments

Fair values of share-based payments are determined using the Black-Scholes option pricing model. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. Option-pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, existing models do not necessarily provide reliable measurement of the fair value of the Company's stock options and performance warrants.

Current and Deferred Income Taxes

The determination of income tax expense and the composition of deferred income tax assets and liabilities involves judgment and estimates as to the future taxable earnings, expected timing of reversals of deferred income tax assets and liabilities, and interpretations of tax laws. The Company is subject to assessments by tax authorities who may interpret the tax law differently. Changes in these interpretations, judgments, and estimates may materially affect the final amount of current and deferred income tax provisions, deferred income tax assets and liabilities, and results of operations.

PANGENOMIC HEALTH INC.

Notes to the Condensed Interim Consolidated Financial Statements
Six Months Ended June 30, 2024 and 2023
(Expressed in Canadian Dollars)
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2. Basis of Presentation (continued)

(c) Significant Accounting Estimates and Judgments (continued)

Significant Judgments

The critical judgments that the Company's management has made in the process of applying the Company's accounting policies that have the most significant effect on the amounts recognized in the Company's condensed interim consolidated financial statements are as follows:

Going Concern

Management has applied judgments in the assessment of the Company's ability to continue as a going concern when preparing its condensed interim consolidated financial statements for the six months ended June 30, 2024. Management prepares the condensed interim consolidated financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management considered a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing. As a result of the assessment, management concluded there is a significant doubt as to the ability of the Company to meet its obligations as they fall due and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern.

(d) Recent Accounting Pronouncement

The following new standards and amendments to existing standards have been issued by the IASB and are effective for annual periods beginning on or after January 1, 2024:

- i. Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- ii. Lease Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases).

The adoption of these amendments had no material impact on the condensed interim consolidated financial statements.

3. Amounts Receivable

	June 30, 2024	December 31, 2023
	\$	\$
Accrued interest receivable and other	228	103
GST receivable	133,338	128,677
Allowance for GST receivable	(89,684)	(86,565)
	43,882	42,215

During the period ended June 30, 2024, the Company recognized an allowance for GST receivable totaling \$89,684 (December 31, 2023 - \$86,565) due to uncertainty surrounding the collectability of certain GST receivable amounts.

PANGENOMIC HEALTH INC.

Notes to the Condensed Interim Consolidated Financial Statements
Six Months Ended June 30, 2024 and 2023
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4. Loan Receivable

On November 23, 2021, the Company entered into an agreement with The Horizons Center Public Benefit Corporation (“Horizons”) whereby the Company can invest up to US\$1,000,000 in convertible promissory notes which bear interest at 6% per annum and will be due on the two year anniversary of the date as of which the first of the convertible notes is issued. The promissory note is convertible upon the initial closing of the sale of equity securities by Horizons of at least US\$500,000 (“Qualified Financing”) into shares of Horizons at 90% of the price per equity for the Qualified Financing. Upon the initial closing of the sale of equity securities by Horizons that is not a Qualified Financing (“Non-Qualified Financing”), the total debt is to be repaid and at the option of the Company, the note can be converted into shares of Horizon at 90% of the price per equity for the Non-Qualified Financing. The Company invested US\$25,000.

During the year ended December 31, 2023, the Company recognized an impairment loss of loan receivable of \$37,345 consisting of \$33,159 (US\$25,000) and accrued interest of \$4,186 (US\$3,156) due to the uncertainty on the recoverability.

5. Equipment

	Computer equipment \$	Lab equipment \$	Total \$
Cost			
Balance, December 31, 2023 and June 30, 2024	35,634	3,142	38,776
Depreciation			
Balance, December 31, 2023	27,740	524	28,264
Depreciation	5,939	314	6,253
Balance, June 30, 2024	33,679	838	34,517
Carrying amounts			
Balance, December 31, 2023	7,894	2,618	10,512
Balance, June 30, 2024	1,955	2,304	4,259

6. Loans Payable

- On November 23, 2022, the Company entered into a loan agreement with an arm’s length party for \$101,771 (US\$75,000). The loan bears interest at 8% per annum and was due on or before December 31, 2022. The loan was repaid on January 19, 2023.
- On March 6, 2023, the Company entered into a loan agreement with an arm’s length party for \$100,000. The loan bears interest at 8% per annum and is due and payable on June 30, 2023. The loan was repaid during the period ended June 30, 2024 (Note 8).
- On March 8, 2023, the Company entered into a loan agreement with an arm’s length party for \$50,000. The loan bears interest at 8% per annum and is due and payable on June 30, 2023. The loan was repaid during the period ended June 30, 2024 (Note 8).
- On March 28, 2023, the Company entered into a loan agreement with an arm’s length party for \$50,000. The loan bears interest at 8% per annum and was due and payable on June 30, 2023. The loan was repaid during the period ended June 30, 2024 (Note 8).
- On March 28, 2023, the Company entered into a loan agreement with an arm’s length party for \$200,000. The loan bears interest at 8% per annum and was due and payable on June 30, 2023. The loan was repaid during the period ended June 30, 2024 (Note 8).

PANGENOMIC HEALTH INC.

Notes to the Condensed Interim Consolidated Financial Statements

Six Months Ended June 30, 2024 and 2023

(Expressed in Canadian Dollars)

(unaudited)

6. Loans Payable (continued)

- (f) On May 8, 2023, the Company entered into a loan agreement with an arm's length party for \$100,000. The loan bears interest at 8% per annum and was due and payable on June 30, 2023. The loan was repaid during the period ended June 30, 2024 (Note 8).
- (g) On August 1, 2023, the Company entered into a loan agreement with an arm's length party for \$100,000. The loan bears interest at 8% per annum and was due and payable on September 30, 2023. The loan was repaid during the period ended June 30, 2024 (Note 8).
- (h) On September 15, 2023, the Company entered into a loan agreement with an arm's length party for \$26,527 (US\$20,000). The loan bears interest at 8% per annum and is due and payable on February 28, 2024. The loan was repaid during the period ended June 30, 2024 (Note 8).
- (i) On October 10, 2023, the Company entered into a loan agreement with an arm's length party for \$338,219 (US\$255,000). The loan bears interest at 8% per annum and is due and payable on February 28, 2024. The loan was repaid during the period ended June 30, 2024 (Note 8).
- (j) On April 11, 2024, the Company entered into a loan agreement with an arm's length party for \$20,000. The loan bears interest at 8% per annum and is due and payable on August 31, 2024. The loan was repaid during the period ended June 30, 2024 (Note 8).
- (k) On April 12, 2024, the Company entered into a loan agreement with an arm's length party for \$17,000. The loan bears interest at 8% per annum and is due and payable on August 31, 2024. The loan was repaid during the period ended June 30, 2024 (Note 8).
- (l) On April 24, 2024, the Company entered into a loan agreement with an arm's length party for \$7,000. The loan bears interest at 8% per annum and is due and payable on August 31, 2024. The loan was repaid during the period ended June 30, 2024 (Note 8).
- (m) On April 29, 2024, the Company entered into a loan agreement with an arm's length party for \$3,000. The loan bears interest at 8% per annum and is due and payable on August 31, 2024. The loan was repaid during the period ended June 30, 2024 (Note 8).

7. Related Party Transactions

Key management personnel are the persons responsible for the planning, directing and controlling the activities of the Company and includes both executive and non-executive directors, and entities controlled by such persons. The Company considers all Directors and Officers of the Company to be key management personnel. The following are the remuneration of the Company's related parties:

	Six months ended	
	June 30, 2024	June 30, 2023
	\$	\$
Chief Executive Officer ("CEO"), for wages incurred	30,000	82,500
Chief Financial Officer ("CFO"), for consulting fees	37,500	37,500
Executive Chair and Director, for wages incurred	30,000	62,500
Chief Scientific Officer ("CSO"), for wages incurred	24,750	43,915
Former CEO and former director, for wages	7,500	84,915
Company controlled by a Director, for consulting fees	60,000	-
Company controlled by the Chief Technology Officer ("CTO"), for consulting fees	-	30,000
Company controlled by the CTO, for research and development	-	69,999
Company controlled by a Director, for consulting fees and director's fees	-	60,000
Director, for consulting fees and director's fees	-	60,000
Share-based compensation	74,176	86,528
	<u>263,926</u>	<u>617,857</u>

PANGENOMIC HEALTH INC.

Notes to the Condensed Interim Consolidated Financial Statements
Six Months Ended June 30, 2024 and 2023
(Expressed in Canadian Dollars)
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7. Related Party Transactions (continued)

Amounts due to related parties are non-interest bearing, unsecured and due on demand.

	June 30, 2024	December 31, 2023
	\$	\$
CEO	102,500	72,500
CFO	60,788	26,250
Companies controlled by the CTO of MUJN	13,125	13,125
CSO	40,615	15,865
Executive Chair and company controlled by the Executive Chair	202,000	156,500
Company controlled by a former Director*	-	31,500
Former Director*	-	67,250
CEO of Mujn and former Director	99,500	69,500
Director and company controlled by Director	177,176	-
	695,704	452,490

* Amounts owing to former director and companies controlled by former directors have been reclassified to accounts payable at June 30, 2024.

8. Common Shares

Authorized: Unlimited number of Class A common shares without par value

Share transactions during the six months ended June 30, 2024:

- (a) The Company completed a settlement of outstanding indebtedness through a private placement offering (the "Offering") of an aggregate of 21,502,320 units valued at \$2,150,232 resulting in a loss on settlement of debt of \$1,075,116. Each unit consisted of one common share and one share purchase warrant with each exercisable at a price of \$0.10 per common share for a period of 2 years from the date of issuance. If the closing price of the common shares is greater than or equal to \$0.20 for a period of 10 consecutive trading days, the Company may accelerate the expiration of the share purchase warrants to the date that is 30 days after the issuance of a news release announcing such acceleration. The indebtedness settled in the Offering consisted of cash loans advanced (Note 6) to the Company as well as accounts payable owed by the Company.

Share transactions during the six months ended June 30, 2023:

- (a) The Company issued 141,500 units at \$1.50 per unit for gross proceeds of \$212,250. The Company also issued 66,667 units at \$1.50 per unit to settle a loan payable of \$100,000. Each unit consisted of one common share and one share purchase warrant. Each share purchase warrant is exercisable at \$3.00 per common share expiring on January 19, 2025, subject to the Company's right to accelerate the expiry date of such warrant if the closing price of the common shares is equal to or greater than \$6.00 per share for 10 consecutive trading days. In connection with the issuance, the Company incurred share issuance costs of \$931.
- (b) The Company issued a total of 267,200 common shares upon the exercise of share purchase warrants at \$1.00 per share for proceeds of \$267,220.
- (c) The Company issued a total of 20,000 common shares upon the exercise of share purchase warrants at \$3.00 per share for proceeds of \$60,000.

PANGENOMIC HEALTH INC.

Notes to the Condensed Interim Consolidated Financial Statements

Six Months Ended June 30, 2024 and 2023

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9. Warrants

During the period ended June 30, 2024, the Company issued 21,502,320 warrants with a value of \$0.056 per warrant in connection with the Offering resulting in a loss on settlement of debt of \$1,204,808 (Note 8a). The value of the warrants were determined using the Black-Scholes option pricing model. The weighted average assumptions used were as follows:

Risk-free interest rate	4.26%
Dividend rate	0%
Annualized volatility	122.28%
Expected life (years)	1.50

The following table summarizes the continuity of the Company's warrants:

	Number of warrants	Weighted average exercise price \$
Balance, December 31, 2023	3,591,949	1.92
Issued	21,502,320	0.10
Balance, June 30, 2024	25,094,269	0.36

As at June 30, 2024, the following warrants were outstanding:

Number of warrants outstanding	Number of warrants exercisable	Exercise price \$	Expiry date	Weighted average remaining contracted life (years)
736,600	736,600	2.00 ⁽¹⁾	July 7, 2024	0.02
1,800,000	1,800,000	2.00 ⁽¹⁾	December 9, 2024	0.44
200,000	200,000	3.00	December 9, 2024	0.44
133,333	133,333	2.00 ⁽¹⁾	December 23, 2024	0.48
208,167	208,167	2.00 ⁽¹⁾	January 19, 2025	0.56
300,000	100,000	1.50	July 1, 2025	1.00
213,849	213,849	0.50	August 31, 2025	1.17
21,502,320	21,502,320	0.10	May 27, 2026	1.91
25,094,269	24,894,269			

⁽¹⁾ On April 21, 2023, the directors of the Company approved a reduction of the exercise price of certain outstanding share purchase warrants of the Company from \$3.00 per share to \$2.00 per share. Upon the modification of a total of 1,814,911 share purchase warrants originally issued for a debt settlement and for the acquisition of Mindleap Health Inc., the Company measured the fair value of the warrants immediately before and after the modification in accordance with IFRS 2, Share-based Payment, and recognized the incremental fair value of \$91,573, which was included in share-based compensation.

Share-based compensation expense is determined using the Black-Scholes option pricing model. During the six months ended June 30, 2024, the Company recognized share-based compensation expense of \$44,262 (2023 - \$13,011) in equity reserves related to the performance warrants, of which \$44,262 (2023 - \$13,011) pertains to officers and directors of the Company. As at June 30, 2024, there was \$64,774 (December 31, 2023 - \$109,036) of unrecognized share-based compensation related to the unvested performance warrants.

PANGENOMIC HEALTH INC.

Notes to the Condensed Interim Consolidated Financial Statements
Six Months Ended June 30, 2024 and 2023
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10. Stock Options

On December 27, 2021, the Company adopted a stock option plan providing for the grant of stock options to purchase Class A common shares to officers, directors, employees, and consultants in an amount equal to up to 20% of the issued and outstanding common shares. The exercise price is determined by the Board of Directors. Stock options are granted for a maximum term of 10 years.

The following table summarizes the continuity of the Company's stock options:

	Number of stock options	Weighted average exercise price \$
Balance, December 31, 2023 and June 30, 2024	260,000	1.86
Exercisable, June 30, 2024	167,500	1.81

Additional information regarding stock options outstanding as at June 30, 2024, is as follows:

Number of stock options outstanding	Number of stock options exercisable	Exercise price \$	Expiry date	Weighted average remaining contracted life (years)
145,000	102,500	1.50	December 27, 2024	0.49
3,000	3,000	2.50	July 19, 2024	0.05
100,000	50,000	2.30	September 6, 2025	1.19
12,000	12,000	2.30	December 9, 2025	1.44
260,000	167,500			

Share-based compensation expense is determined using the Black-Scholes option pricing model. During the six months ended June 30, 2024, the Company recognized share-based compensation expense of \$28,682 (2023 - \$70,131) in equity reserves, of which \$29,914 (2023 - \$86,528) pertains to officers and directors of the Company. The weighted average fair value of options granted or vested during the six months ended June 30, 2024, was \$Nil (2023 - \$0.12) per share. Weighted average assumptions used in calculating the fair value of share-based compensation expense are as follows:

	2023
Risk-free interest rate	4.32%
Dividend yield	0%
Expected volatility	138%
Expected life (years)	1.84
Forfeiture rate	0%

As at June 30, 2024, there was \$27,359 (December 31, 2023 - \$56,041) of unrecognized share-based compensation related to the unvested stock options.

PANGENOMIC HEALTH INC.

Notes to the Condensed Interim Consolidated Financial Statements

Six Months Ended June 30, 2024 and 2023

(Expressed in Canadian Dollars)

(unaudited)

11. Financial Instruments and Risk Management

(a) Fair Values

Fair value measurements are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of financial instruments, which includes cash and cash equivalents, amounts receivable (except GST receivable), accounts payable and accrued liabilities, loans payable, and amounts due to related parties, approximate their carrying values due to the relatively short-term maturity of these instruments.

(b) Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligation. Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company minimizes its credit risk associated with its cash balance by dealing with major financial institutions in Canada. The carrying amount of financial assets represents the maximum credit exposure.

(c) Foreign Exchange Rate Risk

Foreign exchange risk is the risk that the Company's financial instruments will fluctuate in value as a result of movements in foreign exchange rates. The Company is not exposed to any significant foreign exchange rate risk.

(d) Interest Rate Risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is not exposed to interest rate risk as it does not have any assets or liabilities that are affected by changes in interest rates.

(e) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Company manages liquidity risk by maintaining sufficient cash balances and adjusting its operating budget and expenditure. Liquidity requirements are managed based on expected cash flows to ensure that there is sufficient capital in order to meet short-term and other specific obligations.

PANGENOMIC HEALTH INC.

Notes to the Condensed Interim Consolidated Financial Statements
Six Months Ended June 30, 2024 and 2023
(Expressed in Canadian Dollars)
(unaudited)

12. Capital Management

The Company manages its capital structure and makes adjustments to it, based on the funds available to the Company, in order to support the general operations of the Company and facilitate the liquidity needs of its operations. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business. The Company defines capital to include its working capital position, share capital, and accumulated deficit.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. There were no changes in the Company's approach to capital management during the six months ended June 30, 2024. The Company is not subject to externally imposed capital requirements.