



TRYP THERAPEUTICS INC.

Consolidated Financial Statements

(Audited and Expressed in Canadian dollars)

**For the Year Ended August 31, 2021 and for the period September 24, 2019
(incorporation) to August 31, 2020.**

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF TRYP THERAPEUTICS INC.

Opinion

We have audited the consolidated financial statements of Tryp Therapeutics Inc. (the "Company"), which comprise:

- ♦ the consolidated statements of financial position as at August 31, 2021 and 2020;
- ♦ the consolidated statements of loss and comprehensive loss for the year ended August 31, 2021 and the period from September 24, 2019 (incorporation) to August 31, 2020;
- ♦ the consolidated statements of cash flows for the year ended August 31, 2021 and the period from September 24, 2019 (incorporation) to August 31, 2020;
- ♦ the consolidated statements of changes in shareholders' equity for the year ended August 31, 2021 and the period from September 24, 2019 (incorporation) to August 31, 2020; and
- ♦ the 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 Company as at August 31, 2021 and 2020, and its financial performance and cash flows for the year ended August 31, 2021 and the period from September 24, 2019 (incorporation) to August 31, 2020 in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company 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 in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the consolidated financial statements, which indicates that the Company incurred a net loss of \$8,254,709 during the year ended August 31, 2021. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 Management's Discussion and Analysis prior to the date of this auditors' report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. 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 IFRS, 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 Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

Auditors' 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 auditors' 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Company 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 Company 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.

The engagement partner on the audit resulting in this independent auditors' report is Sukhjot Gill.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia

December 22, 2021

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TRYP THERAPEUTICS INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at

(audited, expressed in Canadian dollars)

	Notes	August 31, 2021	August 31, 2020
ASSETS			
Current			
Cash and cash equivalents		\$ 3,692,271	\$ 1,019,100
Prepays and advances		369,166	28,700
Other receivables		21,775	-
Total Current Assets		4,083,212	1,047,800
Non-Current			
Deferred financing		-	26,520
Intangible assets	5	24,964	960,725
Total Assets		\$ 4,108,176	\$ 2,035,045
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Trade and other payables	6	\$ 185,363	\$ 188,194
Loans from shareholder	12	-	4,514
Total Liabilities		185,363	192,708
Shareholders' Equity			
Share capital	7	9,691,644	2,264,954
Contributed surplus	7,8	2,908,495	-
Accumulated deficit		(8,677,326)	(422,617)
Total Shareholders' Equity		3,922,813	1,842,337
Total Liabilities and Shareholders' Equity		\$ 4,108,176	\$ 2,035,045

Nature of operations (note 1) and going concern (note 2)

Events after the reporting period (note 16)

Approved on behalf of the Board of Directors:

"Greg McKee" (signed)

"Gage Jull" (signed)

Director

Director

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

TRYP THERAPEUTICS INC.

CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS

(audited, expressed in Canadian dollars)

	Notes	For the Fiscal Year ended August 31, 2021	Period from September 24, 2019 (incorporation) to August 31, 2020
General and administration	9,11	\$ 1,758,658	\$ 372,139
Directors' fees	11	193,333	-
Marketing and corporate development		1,984,502	27,672
Website, advertising and shareholder communication		-	14,479
Research and development	10	889,979	8,327
Share-based payments	8,11	2,461,631	-
Total expenses		7,288,103	422,617
Other income and expenses			
Interest income		10,927	-
Foreign exchange loss		(16,968)	-
Impairment of intangible assets	5	(960,565)	-
Net loss and comprehensive loss		\$ (8,254,709)	\$ (422,617)
Loss per share - basic and diluted		\$ (0.14)	\$ (0.02)
Weighted average number of shares outstanding		57,512,239	18,998,964

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

TRYP THERAPEUTICS INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(audited, expressed in Canadian dollars)

	Notes	For the Fiscal Year Ended August 31, 2021	Period from September 24, 2019 (incorporation) to August 31, 2020
OPERATING ACTIVITIES			
Net loss and comprehensive loss		\$ (8,254,709)	\$ (422,617)
Items not affecting cash			
Share-based payments	8	2,461,631	-
Shares issued for services	7	135,000	189,640
Shares issued for debt		-	21,300
Impairment of intangible assets	5	960,565	-
Changes in non-cash working capital			
Other receivables		(21,775)	-
Prepaid and advances		(340,466)	-
Trade and other payables		(2,832)	175,365
Cash used in operating activities		\$ (5,062,586)	\$ (36,312)
INVESTING ACTIVITY			
Purchase of intangibles	5	\$ (24,804)	\$ (4,205)
Cash used in investing activity		\$ (24,804)	\$ (4,205)
FINANCING ACTIVITIES			
Proceeds from initial public offering (IPO)	7	\$ 5,002,500	\$ -
Proceeds from private placement	7	2,000,000	1,068,794
Proceeds from exercise of warrants	7	1,442,500	-
Proceeds from exercise of compensation units	7	37,051	-
Proceeds from shareholder loan	12	-	4,514
Shareholder loan re-payment	12	(4,514)	-
Deferred financing costs	7	26,520	(13,691)
Share issue costs	7	(743,496)	-
Cash provided by financing activities		\$ 7,760,561	\$ 1,059,617
Increase in cash during the year		\$ 2,673,171	\$ 1,019,100
Cash and cash equivalents, beginning of year		1,019,100	-
Cash and cash equivalents, end of year		\$ 3,692,271	\$ 1,019,100

Supplemental cash flow information – Note 14

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

TRYP THERAPEUTICS INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(expressed in Canadian dollars)

	Notes	Number	Share Capital	Contributed Surplus	Accumulated Deficit	Total
Balance September 24, 2019 (date of incorporation)		1	\$ 1	\$ -	\$ -	\$ -
Repurchase and cancellation of incorporation share		(1)	(1)	-	-	-
Shares issued to founders	7	48,000	1	-	-	-
Shares issued for debt	7	666,667	50,000	-	-	50,000
Shares issued for services	7	3,792,800	189,640	-	-	189,640
Shares issued for cash	7	14,725,055	1,068,793	-	-	1,068,794
Shares issued for intangible assets	7	19,159,200	956,520	-	-	956,520
Net loss for the period	7	-	-	-	(422,617)	(422,617)
Balance August 31, 2020		38,391,722	\$ 2,264,954	\$ -	\$ (422,617)	\$ 1,842,337
Net loss and comprehensive loss		-	-	-	(8,254,709)	(8,254,709)
Shares issued for IPO	7	20,010,000	5,002,500	-	-	5,002,500
Shares issued for services	7	900,000	135,000	-	-	135,000
Shares issued for agent's compensation	7	1,000,500	(274,021)	274,021	-	-
Shares issued for private placement	7	3,333,333	2,000,000	-	-	2,000,000
Fair value of agent's compensation units	7	-	(95,933)	95,933	-	-
Fair value of agent's compensation units with warrants	7	-	(76,910)	76,910	-	-
Exercise of warrants	7	2,885,000	1,442,500	-	-	1,442,500
Exercise of agent compensation units	7	148,204	37,051	-	-	37,051
Share-based payments	8	-	-	2,461,631	-	2,461,631
Share issuance costs (cash)	7	-	(743,497)	-	-	(743,497)
Balance August 31, 2021		66,668,759	\$ 9,691,644	\$ 2,908,495	\$ (8,677,326)	\$ 3,922,813

The accompanying notes are an integral part of these consolidated financial statements

TRYP THERAPEUTICS INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year Ended August 31, 2021 and Period from September 24, 2019 (incorporation) to August 31, 2020

(audited, expressed in Canadian dollars)

1. COMPANY INFORMATION

Nature of Operations

The Company was incorporated under *the BC Business Corporations Act* on September 24, 2019 under the name "Artos Pharma Corp." ("Artos"). On June 30, 2020, Artos changed its name to "Tryp Therapeutics Inc." ("Tryp"). On January 9, 2020, Artos split the common shares on the basis of two hundred (200) new shares for every one (1) common share held. On June 23, 2020, Artos consolidated the common shares on the basis of one (1) new share for every two hundred and fifty (250) common shares held. All common share information in these consolidated financial statements has been presented on a post-split and post-consolidation basis.

Tryp Therapeutics Inc. is a pharmaceutical company focused on identifying and developing compounds for diseases with high unmet medical needs.

On December 17, 2020, the Company completed its initial public offering ("IPO") of the Company's shares pursuant to a final prospectus dated December 8, 2020 (the "Prospectus") including the exercise in full by the Agent of its over-allotment option for an aggregate issuance of 20,010,000 units at a price of \$0.25 per unit for aggregate gross proceeds of \$5,002,500.

On March 16, 2021, Tryp Therapeutics (USA) Inc. was incorporated in the State of Delaware, United States of America and is 100% owned by Tryp Therapeutics Inc.

The Common Shares of Tryp commenced trading on the Canadian Securities Exchange under the symbol "TRYP" on December 18, 2020. On April 5, 2021, the Company commenced trading on the OTCQB Venture Market under the symbol "TRYPF".

The Company's principal address, records office and registered address are located at 301 – 1665 Ellis Street, Kelowna, BC V1Y 2B3, Canada.

The consolidated financial statements were authorized for issue by the Board of Directors on December 22, 2021.

2. BASIS OF PRESENTATION AND GOING CONCERN

Statement of Compliance

These 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 authorized for issue by the Board of Directors on December 22, 2021.

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which have been measured at fair value. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information

Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency. The functional currency of the Company is measured using the currency of the primary economic environment which the entity operates. The functional currency of Tryp Therapeutics Inc. is Canadian dollars ("CAD"). The functional currency of Tryp Therapeutics (USA) Inc. is U.S. dollars ("USD").

TRYP THERAPEUTICS INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Fiscal Year Ended August 31, 2021 and Period from September 24, 2019 (incorporation) to August 31, 2020

(audited, expressed in Canadian dollars)

2. BASIS OF PRESENTATION AND GOING CONCERN (continued)**Basis of consolidation**

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Tryp Therapeutics (USA) Inc. ("Tryp USA"), and Tryp Therapeutics Inc. ("Tryp"). The Company consolidates these subsidiaries on the basis that it controls the subsidiaries. Control is defined as the exposure, or rights, to variable returns from involvement with an investee and the ability to affect those returns through power over the investee. All intercompany transactions and balance have been eliminated on consolidation.

Use of estimates and judgments

In preparing these consolidated financial statements, management has made judgments and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results could differ from these estimates, and as such, the estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both the current and future periods. The areas involving a higher degree of judgments or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

Going Concern

The Company is in the development stage and currently has no sources of cash from operations. Further funds will be required to successfully develop the Company's business and there is no certainty that these funds will be available. The Company had a net loss and comprehensive loss of \$8,254,709 for the fiscal year ended August 31, 2021 (period from September 24, 2019 (incorporation) to August 31, 2020 – \$422,617) and a negative cash flows from operating activities of \$5,062,586 (period from September 24, 2019 (incorporation) to August 31, 2020 - \$36,312) for the fiscal year ended August 31, 2021. The Company has accumulated a deficit of \$8,677,326 (August 31, 2020 – \$422,617 deficit) since inception. The operations of the Company have primarily been funded by the issuance of common shares. The Company's continuation as a going concern is dependent upon its ability to raise equity capital or borrowings sufficient to meet current and future obligations, development and ultimately achieve profitable operations. These consolidated financial statements do not include any adjustments to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

COVID-19

The COVID-19 pandemic promoted various recommendations and safety measures from governmental authorities to try and limit the pandemic. The response of governmental authorities is having a significant impact on the private sector and individuals, including unprecedented business, employment and economic disruptions. During the current reporting period, aspects of the Company's business continue to be affected by the COVID-19 pandemic, with the Company's operations within local rules and regulations. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or results of operations at this time.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year Ended August 31, 2021 and Period from September 24, 2019 (incorporation) to August 31, 2020

(audited, expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES**Cash and Cash Equivalents**

Cash and cash equivalents comprise of cash in the bank held at financial institutions, cash held in trust, and short-term GIC's. The balance consists of \$3,610,236 in cash held at financial institutions, \$22,546 of cash held in trust, and the remaining amount, \$59,489, in two short-term GIC's.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at fair value. Following initial recognition, intangible assets with finite useful lives are stated at cost less accumulated amortization (note 5). The Company has capitalized direct costs that were directly attributable to the acquisition of its intellectual property and patents (note 5). Those capitalized direct costs include costs incurred during the application and infrastructure of its patents.

Intangible assets with finite lives are amortized over their useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization periods and the amortization methods for an intangible asset with a finite useful live are reviewed at least at the end of each reporting period. Changes in the expected useful lives or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the remaining amortization periods or methods, as appropriate, and are treated as changes in accounting estimates.

The amortization period for the patents will be straight-line over 20 years upon the approval of the patents.

Research and development expenditures

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. As at August 31, 2021, the Company has capitalized \$24,804 in research and development costs.

Financial instrumentsClassification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI"), or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or the Company has opted to measure them at FVTPL.

TRYP THERAPEUTICS INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Fiscal Year Ended August 31, 2021 and Period from September 24, 2019 (incorporation) to August 31, 2020

(audited, expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial instruments (continued)**MeasurementFinancial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment. The Company's cash and cash equivalents, loan from shareholder, and trade and other payables are classified as amortized cost.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statement of comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in profit or loss.

Financial assets at FVTOCI

Financial assets at FVTOCI are initially recorded at fair value adjusted for transaction costs. Dividends are recognized as income in the statement of comprehensive loss unless the dividend clearly represents a recovery of part of the cost of the investment. Gains or losses recognized on the sale of FVTOCI investment are recognized in other comprehensive income (loss) and are never reclassified to profit or loss.

Impairment

An 'expected credit loss' impairment model applies which requires a loss allowance to be recognized based on expected credit losses. The estimated present value of future cash flows associated with the asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the asset is reduced to estimated present value of the future cash flows associated with the asset, discounted at the financial asset's original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period.

In a subsequent period, if the amount of the impairment loss related to financial assets measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

DerecognitionFinancial assets

The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the statement of comprehensive loss.

TRYP THERAPEUTICS INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Fiscal Year Ended August 31, 2021 and Period from September 24, 2019 (incorporation) to August 31, 2020

(audited, expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**Financial instruments (continued)*****Derecognition (continued)******Financial liability***

The Company derecognized financial liabilities when the obligation is discharged, cancelled or expired.

Impairment of non-financial assets

Impairment tests of non-financial assets are undertaken whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Where the carrying value of an asset exceeds its recoverable amount, which is the higher of value in use and fair value less costs to sell, the asset is written down accordingly.

Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets.

Share capital

Common shares are classified as equity. Transaction costs directly attributable to the issue of common shares and share options are recognized as a deduction from equity, net of any tax effects. Common shares issued for consideration other than cash are valued at the fair value of the assets received or the services rendered. If the fair value of the assets received or services rendered cannot be reliably measured, common shares issued for consideration will be valued at their fair value on the date of issuance.

The Company has adopted a residual value method with respect to the measurement of shares and warrants issued as private placement units. The residual value method first allocates value to the more easily measurable component based on fair value and then the residual value, if any, to the less measurable component. The Company considers the fair value of common shares issued in a unit private placement to be the more easily measurable component and the common shares are valued at their fair value, as determined by the closing quoted bid price on the issued date. The balance, if any, is allocated to the attached warrants. Any value attributed to the warrants is recorded as contributed surplus.

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise, they are expensed as incurred. Share issue costs are charged to share capital when the related shares are issued. Deferred financing costs related to financing transactions that are not completed are expensed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year Ended August 31, 2021 and Period from September 24, 2019 (incorporation) to August 31, 2020

(audited, expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**Share-based compensation**

The fair value, at the grant date, of equity-settled share option awards is charged to profit or loss over the period for which the benefits of employees and others providing similar services are expected to be received. The corresponding accrued entitlement is recorded in contributed surplus. The amount recognized as an expense is adjusted to reflect the number of share options expected to vest. The fair value of awards is calculated using the Black-Scholes option pricing model which considers the following factors:

- Exercise price
- Expected life of the award
- Forfeiture rate
- Current market price of the underlying shares
- Risk-free interest rate
- Expected volatility

Equity settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where this fair value cannot be measured reliably, in which case they are measured at the fair value of the equity instruments grants, as at the date the Company obtains the goods or the counterparty renders the service. The fair value of the share-based compensation is only re-measured if there is a modification to the terms of the instrument, such as change in exercise price or legal life. The fair value of the share-based compensation is recognized as an expense over the expected vesting period with a corresponding entry to shareholders equity.

Contributed surplus

Contributed surplus consists of the fair value of stock options granted since inception, less amounts transferred to share capital for exercised stock options and warrants. If granted options or warrants vest and then subsequently expire or are forfeited, no reversal of contributed surplus is recognized.

Loss per share

Basic loss per share is computed by dividing net loss available to common shareholders by the weighted average number of common shares outstanding during the reporting period. Diluted loss per share is computed similarly to basic loss per share except that the weighted average common shares outstanding are increased to include additional shares for the assumed exercise of share options and share purchase warrants, if dilutive. The number of additional common shares is calculated by assuming that outstanding share options and share purchase warrants were exercised and that the proceeds from such exercises were used to acquire common shares at the average market price during the reporting periods.

Shares held in escrow, other than where their release is subject to the passage of time, are not included in the calculation of the weighted average number of common shares outstanding.

Income taxes

Tax provisions are recognized when it is considered probable that there will be a future outflow of funds to a taxing authority. In such cases, a provision is made for the amount that is expected to be settled, where this can be reasonably estimated. This requires the application of judgment as to the ultimate outcome, which can change over time depending on facts and circumstances. A change in estimate of the likelihood of a future outflow and/or in the expected amount to be settled would be recognized in income in the period in which the change occurs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the Fiscal Year Ended August 31, 2021 and Period from September 24, 2019 (incorporation) to August 31, 2020

(audited, expressed in Canadian dollars)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**Income taxes (continued)**

Deferred tax assets or liabilities, arising from temporary differences between the tax and accounting values of assets and liabilities, are recorded based on tax rates expected to be enacted when these differences are reversed. Deferred tax assets are recognized only to the extent it is considered probable that those assets will be recovered. This involves an assessment of when those deferred tax assets are likely to be realized, and a judgment as to whether there will be sufficient taxable profits available to offset the tax assets when they do reverse. This requires assumptions regarding future profitability and is therefore inherently uncertain. To the extent assumptions regarding future profitability change, there can be an increase or decrease in the amounts recognized in respect of deferred tax assets, as well as in the amounts recognized in income in the period in which the change occurs. Tax provisions are based on enacted or substantively enacted laws. Changes in those laws could affect amounts recognized in income both in the period of change, which would include any impact on cumulative provisions, and in future periods.

Foreign currency transactions and translations

Foreign currency accounts are translated into Canadian dollars as follows:

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency are translated into Canadian dollars by the use of the exchange rate in effect at that date.

At the year end date, unsettled monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at the year-end date and the related translation differences are recognized in net loss. Exchange gains and losses on non-monetary financial assets form part of the overall gain or loss recognized in respect of that financial instrument.

The Company translates the accounts of Tryp Therapeutics (USA) Inc. into Canadian dollars using the closing rate of exchange for both monetary and non-monetary assets and liabilities and the average exchange rate for revenues and expenses. The Company records the exchange differences on the translation of net assets whose functional currency is the USD in unrealized foreign exchange gain (loss) on translation of foreign subsidiary in the consolidated statement of loss and comprehensive loss. This amount is reflected on the consolidated statement of financial position as part of the other comprehensive loss. For the year-ended August 31, 2021, there was no activity in Tryp Therapeutics (USA) Inc.; therefore, no adjustment to OCI.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities. Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The effect of a change in an accounting estimate is recognized prospectively by including it in loss/income in the year of the change, if the change affects that year only, or in the year of the change and future years, if the change affects both.

Information about critical judgments and estimates in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below:

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For the Fiscal Year Ended August 31, 2021 and Period from September 24, 2019 (incorporation) to August 31, 2020

(audited, expressed in Canadian dollars)

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS
(continued)

Critical accounting estimates:

Recoverability of the carrying value of intangible assets

Recoverability of the carrying value of intangible assets requires management to determine whether future economic benefits from sale or otherwise are likely. Evaluation may be more complex where activities have not reached a stage that permits a reasonable assessment of the viability of the asset. Management must make certain estimates and assumptions about future events or circumstances including, but not limited to, the interpretation of research results, as well as the Company's financial ability to continue sales activities and operations. Refer to Note 5.

Useful lives of intangible assets

Amortization is recorded on the straight-line basis based upon management's estimate of the useful life and residual value. The estimates are reviewed at least annually and are updated if expectations change as a result of the technical obsolescence or legal and other limits to use. A change in the useful life or residual value will impact the reported carrying value of the intangible assets resulting in a change in related amortization expense. As at August 31, 2020 and August 31, 2021, the Company has not amortized the intangible assets as amortization begins when the intangible assets are available for use.

Fair value of consideration for intangible assets acquired

The Company has applied estimates with respect to the valuation of shares issued for non-cash consideration in the acquisition of intangible assets. Shares are valued at the fair value of the equity instruments granted at the date the Company receives the goods or services for share-based payments made to those other than employees or others providing similar services.

Share-based payments and warrants

The fair value of share-based compensation expense and warrants is estimated using the Black-Scholes option pricing model and rely on a number of estimates, such as the expected life of the option or warrant, the volatility of the underlying share price, the risk-free rate of return, the estimated rate of forfeiture of options granted, future exercise behaviors and corporate performance. Such estimates and assumptions are inherently uncertain, and any changes in these assumptions affect the fair value estimates of share-based compensation expense and warrants.

The Company measures equity settled share-based payments based on their fair value at the grant date and recognizes compensation expense over the vesting period based on the Company's estimate of equity instruments that will eventually vest. Expected forfeitures are estimated at the date of grant and subsequently adjusted if further non-market-based information indicates actual forfeitures may vary from the original estimate. Any revisions are recognized in the consolidated statements of loss and comprehensive loss such that the cumulative expense reflects the revised estimate.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS
(continued)

Critical accounting estimates: (continued)

The measurement of deferred income tax assets and liabilities

Deferred tax assets, including those arising from un-utilized tax losses, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows.

In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the net deferred tax assets recorded at the reporting date could be impacted.

Critical accounting judgments:

Going concern

The preparation of these financial statements requires management to make judgments regarding the going concern of the Company as discussed in note 2.

Research and development

Management monitors the progress of its research and development activities. Significant judgment is required to distinguish between the research and development phases and if development cost capitalization criteria are met. Development costs are recognized as an asset when the following criteria are met: (i) technical feasibility; (ii) intention to complete the project; (iii) the ability to generate future economic benefits; (iv) availability of technical and financial resources; and (v) the ability to measure the expenditures reliably. Research costs are expensed as incurred. Management considers these factors in aggregate and applies significant judgment to determine whether the product is feasible. The Company has capitalized \$24,804 to development costs as at August 31, 2021.

Treatment of acquired intangible assets

Consideration paid in the acquisition of intangible assets is capitalized to the extent that the definition of an intangible asset and the criteria for recognition as intangible assets in IAS 38 Intangible Assets are met. Those criteria require that the intangible asset be identifiable, the Company must have control over it, and it must provide future economic benefits. Management considers these factors in aggregate and applies significant judgment to determine whether the intangible asset should be recognized in the statement of financial position.

At each reporting date, the Company assesses if the intangible assets have indicators of impairment. In determining whether the intangible assets are impaired, the Company assesses certain criteria, including observable decreases in value, significant changes with adverse effect on the entity, evidence of technological obsolescence and future plans.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS
(continued)**Critical accounting judgments:** (continued)**Treatment of deferred financing costs**

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise, they are expensed as incurred. Management applies significant judgment to determine whether the completion of the transaction is considered likely.

Deferred taxes

Significant estimates are required in determining the Company's income tax provision. Some estimates are based on interpretations of existing tax laws or regulations. Various internal and external factors may have favorable or unfavorable effects on the Company's future effective tax rate. These include, but are not limited to, changes in tax laws, regulations and/or rates, changing interpretations of existing tax laws or regulations, and results of tax audits by tax authorities.

Future Accounting Changes**IAS 1 Classification of Liabilities as Current or Non-Current**

In January 2021, the International Accounting Standards Board ("IASB") issued a narrow scope amendment to IAS 1 – Classification of Liabilities as Current or Non-Current, which affects only the presentation of liabilities in the statement of financial position and not the amount or timing of their recognition. The amendment clarifies that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period and specifies that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability. It also introduces a definition of settlement to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendment is effective for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. The implementation of this amendment is not expected to have a significant impact on the Company.

IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

In February 2021, the IASB issued an amendment to IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors. The amendment introduces the definition of an accounting estimate and sets criteria to help entities distinguish changes in accounting estimates from changes in accounting policies. The amendment is effective for annual periods beginning on or after January 1, 2023, and changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. Management is currently assessing the impact of this amendment.

TRYP THERAPEUTICS INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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(audited, expressed in Canadian dollars)

5. INTANGIBLE ASSETS

During the year ended August 31, 2021, the Company invested \$24,804 (period from September 24, 2019 (incorporation) to August 31, 2020 - \$960,725) in intellectual property to secure patents as follows:

Costs	Intellectual Property
Balance at September 24, 2019 (incorporation)	-
Additions – Note 7	\$ 960,725
Balance August 31, 2020	960,725
Additions	24,804
Impairment	(960,565)
Balance August 31, 2021	\$ 24,964

On January 9, 2020, the Company and a director entered into a purchase and assignment agreement (the “IP Purchase Agreement”) pursuant to which the Company acquired certain inventions, technical information and patent application (the “Purchased Assets”). Pursuant to the terms of the IP Purchase Agreement, the Company issued 32,000 common shares at a price of \$0.005 per common share for a value of \$160 for the Purchased Assets.

On June 23, 2020 the Company entered into purchase agreements (collectively the “Additional IP Purchased Agreements”) with the directors of the Company pursuant to which to which the Company acquired certain inventions, technical information and patent application (the “Additional Purchased Assets”). Pursuant to the terms of the Additional IP Purchase Agreements, the Company issued an aggregate of 19,127,200 common shares at a price of \$0.05 per common share for an aggregate value of \$956,360 for the Additional Purchased Assets.

In April 2021, the Company determined that it was in the Company’s best interest with respect to its IP strategy to discontinue the prosecution of the Additional Purchase Assets resulting in a reduction in value of intangible assets by \$960,565. On February 28, 2021, the Company recorded an impairment of \$960,565 on intangible assets. The impairment was based on Level 3 in accordance with financial instruments, refer to note 15.

The balance as at August 31, 2021 relates to patent applications.

6. TRADE AND OTHER PAYABLES

	August 31, 2021	August 31, 2020
Trade payables	\$ 185,266	\$ 141,081
Due to related party - Note 11	332	47,113
Total	\$ 185,598	\$ 188,194

TRYP THERAPEUTICS INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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(audited, expressed in Canadian dollars)

7. SHARE CAPITAL AND WARRANTS**Authorized share capital**

The Company's authorized share capital consists of:

Unlimited common shares without par value.

Unlimited preferred shares without par value. As at August 31, 2021 there were no preferred shares issued.

Common Shares

The following is a summary of changes in share capital from August 31, 2020 to August 31, 2021:

	Number	Issue Price	Total
Balance September 24, 2019 (date of incorporation)	1	\$ 1	\$ 1
Repurchase and cancellation of incorporation share	(1)	(1)	(1)
Shares issued to founders	48,000	-	1
Shares issued for intangible assets	32,000	0.01	160
Shares issued for intangible assets	19,127,200	0.05	956,360
Shares issued for debt	500,000	0.05	25,000
Shares issued for services	166,667	0.15	25,000
Shares issued for services	3,792,800	0.05	189,640
Shares issued for private placement	11,399,650	0.05	569,982
Shares issued for private placement	3,325,405	0.15	498,811
Balance August 31, 2020	38,391,722		\$ 2,264,954
Shares issued for services	900,000	\$ 0.15	\$ 135,000
Shares issued for IPO	20,010,000	0.25	5,002,500
Shares issued for corporate finance fee	1,000,500	0.25	(274,021)
Shares issued for private placement	3,333,333	0.60	2,000,000
Shares issued on exercise of warrants	2,885,000	0.50	1,442,500
Exercise of compensation units	148,204	0.25	37,051
Issuance of agent units	-	-	(172,843)
Share issue costs	-	-	(743,498)
Balance August 31, 2021	66,668,759		\$9,691,643

TRYP THERAPEUTICS INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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(audited, expressed in Canadian dollars)

7. SHARE CAPITAL AND WARRANTS (continued)**Share Issuance**

On September 24, 2019, the Company issued an incorporation share at \$1 per share. On September 24, 2019, the Company repurchased and cancelled the incorporation share and issued 48,000 founder's shares at \$0.000001 per share for total proceeds of \$1.

On January 3, 2020, the Company issued 32,000 common shares at \$0.005 per common share with a value of \$160 for intellectual property purchase.

On June 30, 2020, the Company issued 3,792,800 common shares at \$0.05 per common share with a fair value of \$189,640 for past services to consultants and an officer.

On June 30, 2020 the Company issued 19,127,200 common shares at \$0.05 per common share with a fair value of \$956,360 for Intellectual Property purchased.

On August 4, 2020 the Company completed a non-brokered private placement of 11,399,650 common shares at a price of \$0.05 per common share for gross proceeds of \$569,982.

On August 4, 2020 the Company issued 500,000 common shares at \$0.05 per common share with a fair value of \$25,000 as shares for debt for marketing and corporate development services.

On August 14, 2020 the Company issued 166,667 common shares at \$0.15 per common share with a value of \$25,000 as shares for debt for marketing and corporate development services.

In August 2020, the Company completed a non-brokered private placement in two tranches for an aggregate of 3,325,405 common shares at a price of \$0.15 per common share as follows:

- i. August 14, 2020 – 2,825,405 for gross proceeds of \$423,811; and
- ii. August 31, 2020 – 500,000 common shares for gross proceeds of \$75,000.

On September 21, 2020 the Company issued 900,000 common shares at \$0.15 per common share with a fair value of \$135,000 as determined by seed financings, an observable market transaction valuation, with third parties of \$0.15 per share, a Level 2 valuation shares for marketing and corporate development services.

On February 16, 2021, the Company completed a non-brokered private placement and issued 3,333,333 units (the "Units") at a price of \$0.60 per Unit, for gross proceeds of \$2,000,000 (the "Placement"). Each individual unit consists of one common share and one-half of one non-transferable common share purchase warrant (each whole warrant, a "Warrant"). Each Warrant entitles the holder to acquire one additional common share at a price of \$0.75 per Common Share until February 16, 2023.

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7. SHARE CAPITAL AND WARRANTS (continued)**Share Issuance (continued)**

Share issue costs during the year ended August 31, 2021 in connection with the Placement included transfer agent and filing fees in the amount of \$1,259.

Placement Closing Date	February 16, 2021
Issue price per unit	\$ 0.60
Common shares issued	3,333,333
Warrants issued	1,666,667
Warrant exercise price	\$ 0.75
Cash Proceeds Summary	
Gross Proceeds	\$ 2,000,000
Cash issuance proceeds	1,259
Net cash proceeds on issuance	\$ 1,998,741

On December 17, 2020, the Company pursuant to an agency agreement (the "Agency Agreement") completed its IPO and issued an aggregate 20,010,000 units ("IPO Unit") at a price of \$0.25 per IPO Unit for aggregate gross proceeds of \$5,002,500 (the "Offering"). Each IPO Unit consists of one common share in the capital of the Company and one-half of one common share purchase warrant (each whole warrant an "IPO Warrant"). Each IPO Warrant is exercisable into one common share at an exercise price of \$0.50 per Warrant Share until December 17, 2021, subject to acceleration in certain events. Share issue costs during the period ended August 31, 2021 in connection with the Placement included transfer agent and filing fees in the amount of \$341,211.

Placement Closing Date	February 16, 2021
Issue price per unit	\$ 0.25
Common shares issued	20,010,000
Warrants issued	10,005,000
Warrant exercise price	\$ 0.50
Cash Proceeds Summary	
Gross Proceeds	\$ 5,002,500
Cash issuance proceeds	341,211
Net cash proceeds on issuance	\$ 4,661,129

Pursuant to the terms and conditions of the Agency Agreement, the Company has paid the Agent a cash fee equal to 8% of the gross proceeds of the Offering plus a 4% commission on the presidents list (the "Agent's Fee") in cash and compensation units (an "Agent's Unit"). Pursuant to the Agent's Fee the Company issued 1,443,200 Agent's Units at a value of \$172,843. Each Agent's Unit is exercisable into one common share and one-half of one common share purchase warrant (each whole warrant an "Agent Compensation Warrant") at an exercise price of \$0.25 per Agent Compensation Warrant until December 17, 2021.

Agent Units	December 17, 2020
Issue price per unit	\$ 0.25
Common shares issued	1,443,200
Warrants issued	721,600
Warrant exercise price	\$ 0.25
Issuance costs	
Shares	\$ 360,800
Units	172,843
Total issuance costs	\$ 533,643

TRYP THERAPEUTICS INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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7. SHARE CAPITAL AND WARRANTS (continued)**Share Issuance (continued)**

There were 721,600 underlying warrants issued with the Agent Units. The total number of warrants available for exercise at August 31, 2021 is 74,102 as a result of the exercise of 148,204 agent units. The fair value of the non-cash share issuance costs of \$138,382 for the Agent Units was estimated using the Black-Scholes option pricing model as outlined below. The fair value of the non-cash share issuance costs of \$34,462 for the Agent Compensation Warrants was estimated using the Black-Scholes option pricing model as outlined below.

	August 31, 2021
Share price	\$0.25
Exercise price	\$0.25
Expected life	1 year
Volatility	100%
Risk-free interest rate	0.20%

The Company paid a corporate finance fee of 5% of the of the aggregate number of IPO Units issued pursuant to the Offering (the "Corporate Finance Fee"). Pursuant to the Corporate Finance Fee the Company issued an aggregate 1,000,500 common shares (the "Corporate Finance Shares") and 500,250 Agent warrants (an "Agent Warrant"). Each Agent Warrant is exercisable into one common share at an exercise price of \$0.50 per Agent Warrant until December 17, 2021, subject to acceleration in certain events.

Agent Warrants	December 17, 2020
Issue price per unit	\$ 0.20
Common shares issued	1,000,500
Warrants issued	500,250
Warrant exercise price	\$ 0.50
Issuance costs	
Shares	\$ 250,125
Units	23,896
Total issuance costs	\$ 274,021

Total issuance costs arising from the grant of Agent Warrants recognized during the period ended August 31, 2021 were \$23,896 (2020 - \$nil) using the Black-Scholes option pricing model. For purposes of the fair value calculations, the following summarizes the weighted average assumption used for the Black-Scholes valuation model:

	August 31, 2021
Share price	\$0.25
Exercise price	\$0.50
Expected life	1 year
Volatility	100%
Risk-free interest rate	0.20%

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7. SHARE CAPITAL AND WARRANTS (continued)**Warrants Continuity**

During the year ended August 31, 2021, the Company issued an aggregate 2,885,000 common shares pursuant the exercise of 2,885,000 IPO Warrants at an exercise price of \$0.50.

The following is a summary of changes in share purchase warrants from August 31, 2020 to August 31, 2021:

	Number of Warrants	Weighted Average Exercise Price
Balance September 24, 2019 (incorporation) and August 31, 2020	-	-
Granted	11,671,667	\$0.54
Exercised	(2,885,000)	\$0.50
Balance August 31, 2021	8,786,667	\$0.55

As at August 31, 2021 the following share purchase warrants were outstanding:

Expiry Date	Number of Warrants	Exercise Price
December 17, 2021	7,120,000	\$0.50
February 16, 2023	1,666,667	\$0.75
	8,786,667	

As at August 31, 2021, 8,786,667 (August 31, 2020 - nil) share purchase warrants were outstanding and exercisable with a weighted average remaining contractual life of 0.52 (August 31, 2020 - nil) years.

The following is a summary of changes in Agent warrants from August 31, 2020 to August 31, 2021:

	Number of Warrants	Weighted Average Exercise Price
Balance September 24, 2019 (incorporation) and August 31, 2020	-	-
Granted	500,250	\$0.50
Issued upon exercise of Agent Compensation Units	74,102	\$0.50
Balance August 31, 2021	574,352	\$0.50

As at August 31, 2021, the following Agent warrants were outstanding:

Expiry Date	Number of Warrants	Exercise Price
December 17, 2021	574,352	\$0.50

As at August 31, 2021, 574,352 Agent warrants were outstanding and exercisable with a weighted average remaining contractual life of 0.30 years.

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(audited, expressed in Canadian dollars)

7. SHARE CAPITAL AND WARRANTS (continued)**Warrants Continuity (continued)**

The following is a summary of changes in Agent units from August 31, 2020 to August 31, 2021:

	Number of Warrants	Weighted Average Exercise Price
Balance September 24, 2019 (incorporation) and August 31, 2020	-	-
Granted	1,443,200	\$0.25
Exercised	(148,204)	\$0.25
Balance August 31, 2021	1,294,996	

As at August 31, 2021, the following Agent Compensation Units were outstanding:

Expiry Date	Exercise Price	Number of Compensation Units	Weighted Average Exercise Price
December 17, 2021	\$0.25	1,294,996	\$0.25

As at August 31, 2021, 1,294,996 Agent Compensation Units were outstanding and exercisable with a weighted average remaining contractual life of 0.30 years.

Total issuance costs arising from the grant of Agent Compensation Units and the underlying Agent Compensation Warrants recognized during the period ended August 31, 2021 were \$172,843 using the Black-Scholes option pricing model. For purposes of the fair value calculations, the following summarizes the weighted average assumption used for the Black-Scholes valuation model:

	August 31, 2021
Share price	\$0.25
Exercise price	\$0.50
Expected life	1 year
Volatility	100%
Risk-free interest rate	0.20%

Escrow Shares

In connection with the IPO as at August 31, 2021, 15,219,300 common shares were held in escrow and will be released based on the Company's escrow agreement whereby 3,043,860 common shares will be released every six months until December 17, 2023.

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8. SHARE-BASED PAYMENTS**Option Plan Details**

On January 9, 2020, the Company implemented an Incentive Stock Option Plan that was further amended on April 1, 2021 (the "Stock Option Plan"). Pursuant to the Stock Option Plan, the Company will grant stock options to directors, officers, employees and consultants for services, provided that the number of common shares reserved for issuance shall not exceed 15% of the issued and outstanding common shares with options exercisable for a period of up to 10 years. The exercise price and vesting terms of the options granted under the Stock Option Plan will be determined by the Board of Directors.

Options

The following is the summary of changes in options from August 31, 2020 to August 31, 2021:

	Number of Options	Weighted Average Exercise Price
Balance September 24, 2019 (incorporation) and August 31, 2020	-	\$ -
Granted	14,869,684	0.32
Balance, August 31, 2021	14,869,684	\$ 0.32

As at August 31, 2021, the following options were outstanding:

Expiry Date	Exercise Price	Number of Options	Vested and Exercisable	Unvested
September 29, 2025	\$0.15	1,600,000	533,333	1,066,667
November 2, 2025	\$0.15	1,500,000	1,138,889	361,111
November 2, 2030	\$0.15	3,769,684	769,357	3,000,327
December 22, 2030	\$0.75	400,000	333,333	66,667
January 13, 2031	\$0.75	200,000	158,333	41,667
January 13, 2031	\$0.70	2,000,000	388,889	1,611,111
March 8, 2031	\$0.79	1,500,000	-	1,500,000
March 31, 2031	\$0.68	2,300,000	383,334	1,916,666
March 31, 2031	\$0.68	100,000	16,668	83,332
April 1, 2031	\$0.68	200,000	27,780	172,220
July 8, 2031	\$0.50	100,000	-	100,000
August 31, 2031	\$0.75	1,200,000	-	1,200,000
		14,869,684	3,749,916	11,119,768

On June 1, 2021, 6,000,000 options were cancelled and re-granted under a new option plan. There was no significant change to the fair value of the options. The New Option Plan has the identical term, vesting period, exercise price, and forfeiture rate. As at August 31, 2021, 14,869,684 (2020 – nil) options were outstanding with a weighted average remaining contractual life of 7.66 (2020 – nil) years. The Company did not grant any stock options during the period ended August 31, 2020.

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8. SHARE-BASED PAYMENTS (continued)**Fair Value of Options Granted During the Year**

During the year ended August 31, 2021, the weighted average fair value at grant date of options granted was \$0.32 per option. During the period ended August 31, 2021, there were 14,869,684 options granted of which 3,749,916 were exercisable under the Plan with a weighted average contractual life of 4.67 years with the remaining 11,119,768 unvested options with an average contractual life of 3.28 years remaining.

Expenses Arising from Share-based Payment Transactions

The fair value of the options was determined using the following Black-Scholes option pricing model assumptions for the year ended:

	August 31, 2021
Share price	\$0.15-\$0.78
Exercise price	\$0.15 - \$0.69
Expected life	5 – 10 years
Volatility	59.99% - 100%
Risk-free Rate	0.70%-1.55%

The total fair value of options granted during the year ended August 31, 2021 was \$4,947,967 (2020 - \$nil) of which \$2,461,631 (2020 - \$nil) has been recorded to share-based payment in the consolidated statements of loss and comprehensive loss with a corresponding increase in contributed surplus. The remaining amount of \$2,486,336 will be expensed as the remaining unvested options vest.

9. GENERAL AND ADMINISTRATION EXPENSES

	Notes	For the Year Ended August 31, 2021	For the period ended September 24, 2019 (incorporation) to August 31, 2020
Professional fees		\$ 64,687	\$ -
Consulting fees and salaries	11	1,069,886	-
Insurance		90,635	-
Office and administration fees	11	329,220	372,139
Regulatory and legal fees		204,230	-
		\$ 1,758,658	\$ 372,139

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10. Research and Development Expenses

	For the Year Ended August 31, 2021	For the period ended September 24, 2019 (incorporation) to August 31, 2020
Preclinical Activities for TRP-8803	\$ 424,822	\$ -
Development Activities for TRP-8802	465,157	-
Other	-	8,327
	\$ 889,979	\$ 8,327

11. KEY MANAGEMENT AND PERSONNEL COMPENSATION

Key management personnel include those persons having authority and responsibility for planning, directing, and controlling the activities of the Company as a whole. The Company has determined that key management personnel consist of executive and non-executive members of the Company's Board of Directors and corporate officers. Key management personnel compensation for the period, including Company officers, directors, and private companies controlled by officers and directors, was as follows:

	For the Year- ended August 31, 2021	For the period from September 24, 2019 (incorporation) to August 31, 2020
Key management personnel compensation comprised:		
Consulting fees and salaries	\$ 592,102	\$ 42,500
Director fees	193,333	-
Administration fees	1,525	-
Share-based payments	2,132,644	-
	\$ 2,919,604	\$ 42,500

Key management and personnel compensation for the period from September 24, 2019 to August 31, 2020 was \$42,500.

Consulting fees of \$78,125 (2020 - \$nil) were paid to a company controlled by the Company's director and former CEO.

Consulting fees of \$40,711 (2020 - \$nil) and gross salaries of \$62,879 (2020 - \$nil) were paid to the Company's CEO.

Consulting fees of \$52,175 (2020 - \$nil) gross salaries of \$58,933 (2020 - \$nil) were paid to the Company's CFO.

Consulting fees of \$126,274 (2020 - \$nil) and gross salaries of \$61,401 (2020 - \$nil) were paid to a company controlled by the Company's President and CSO.

TRYP THERAPEUTICS INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Fiscal Year Ended August 31, 2021 and Period from September 24, 2019 (incorporation) to August 31, 2020

(audited, expressed in Canadian dollars)

11. KEY MANAGEMENT AND PERSONNEL COMPENSATION (continued)

Consulting fees of \$60,667 (2020 - \$nil) were paid to the Company's COO.

Share-based payments are the fair value of options granted to key management personnel.

As of August 31, 2021, included in trade and other payables are amounts due to officers and directors for fees and expenses of \$322 (2020 - \$41,113).

Amounts due to related parties included in trade and other payables are unsecured, non-interest bearing and are without fixed terms of repayment.

12. RELATED PARTY TRANSACTIONS**Shareholder loans**

As at August 31, 2021, cash advances to the Company in the amount of \$nil (2020 - \$4,514) were due and payable to a director and shareholder of the Company. This amount is due on demand, unsecured, and without interest.

13. INCOME TAXES

	For the Fiscal Year Ended August 31, 2021	Period from September 24, 2019 (incorporation) to August 31, 2020
Net loss	\$ 8,254,709	\$ 422,617
Statutory tax rate	27%	27%
Expected income tax recovery at the statutory tax rate	\$ 2,228,771	\$ 114,107
Non-deductible items and other	464,560	56,975
Change in unrecognized deductible temporary differences	1,762,211	57,132
Income tax recovery	-	-
Non-capital loss carried forward	1,764,211	57,132
Income tax recovery	\$ -	\$ -

The Company has the following deductible temporary differences for which no deferred tax asset has been recognized:

	2021	2020
Non-capital losses	\$ 5,190,356	\$ 211,601
Share issuance cost	594,796	-
Intangible assets	960,567	-
	\$ 6,745,719	\$ 211,601

The Company's non-capital losses will commence expiring in the year 2040.

TRYP THERAPEUTICS INC.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

For the Fiscal Year Ended August 31, 2021 and Period from September 24, 2019 (incorporation) to August 31, 2020

(audited, expressed in Canadian dollars)

14. SUPPLEMENTAL CASH FLOW INFORMATION

	Notes	For the year-end August 31, 2021	Period from September 24, 2019 (incorporation) to August 31, 2020
Non-cash investing and financing activities	(i)	\$ 135,200	\$ -
	(ii)	\$ 274,021	\$ -
	(iii)	\$ 138,281	\$ -
	(iv)	\$ 23,896	\$ -
	(v)	\$ -	\$ 160

- (i) The Company issued 900,000 common shares of the Company with a fair value of \$135,200 in connection with compensation for marketing and corporate development of which \$135,200 was record in the consolidated statement of loss and comprehensive loss (Note 6);
- (ii) The Company recognized share issuance costs of \$274,021 associated with the issuance of 1,000,500 Corporate Finance Shares in connection with the IPO was recorded as share issue costs (Note 6);
- (iii) \$138,281 associated with the grant of 1,443,200 Agent Compensation Units was recorded as share issue costs (Note 6);
- (iv) \$23,896 associated with the grant of 500,250 Agent Warrants was recorded as share issue costs (Note 6); and
- (v) As outlined in Note 5, the Company issued an aggregate 32,000 common shares of the Company with a fair value of \$160 as consideration for the purchase of Intellectual Property, which was capitalized as intangible assets.

15. FINANCIAL INSTRUMENTS

The fair values of cash and cash equivalents, loans from shareholders, and trade and other payable approximate their carrying values as they are typically expected to be settled within twelve months.

Fair value measurements recognized in the consolidated statement of financial position is categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values. The three fair value hierarchy levels are as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: 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: Inputs for the asset or liability that is not based on observable market data (unobservable inputs).

15. FINANCIAL INSTRUMENTS (continued)

a) Risks associated with financial instruments

(i) Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company's primary exposure to credit risk is on its cash and cash equivalents held in bank accounts. The majority of cash is deposited in bank accounts held with a major bank in Canada. As most of the Company's cash is held by one bank there is a concentration of credit risk. This risk is managed by using major banks that are high credit quality financial.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company ensures that there are sufficient funds to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash.

Historically, the Company's sole source of funding has been loans from related parties and private placements. The Company's access to financing is always uncertain. There can be no assurance of continued access to significant equity funding. The Company's financial liabilities are comprised of trade and other payables, and shareholder loan, which are classified as current on the consolidated statement of financial position.

(iii) Interest 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. As at August 31, 2021 and 2020, the Company did not have any financial instruments subject to significant interest rate risk.

b) Capital management

The Company considers its share capital as capital. The Company's objectives when maintaining capital are to maintain a sufficient capital base in order to meet its short-term obligations and at the same time preserve investor's confidence required to sustain future development and production of the business.

The Company is not exposed to any externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year ended August 31, 2021.

16. EVENTS AFTER THE REPORTING DATE

On October 18, 2021, the Company granted 200,000 stock options to a senior director. The options vest monthly over a 36-month period with a six-month cliff.

Subsequent to year end, 7,120,000 share purchase warrants, 1,294,996 Agent Compensation Units and 574,352 Agent warrants expired unexercised.