



TRYP THERAPEUTICS INC.

Condensed Interim Consolidated Financial Statements

For the Three and Nine Months Ended May 31, 2023 and 2022

(Expressed in Canadian dollars)

(Unaudited)

Notice to Reader of Condensed Interim Consolidated Financial Statements

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by, and are the responsibility of, the Company's management. The Company's independent auditor has not performed a review of these financial statements



TRYP THERAPEUTICS INC.

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Management's Responsibility for Financial Statements

The accompanying condensed interim consolidated financial statements of Tryp Therapeutics Inc. (the "Company" or Tryp) are the responsibility of management and the Board of Directors. These condensed interim consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the condensed interim consolidated financial statements. Where necessary, management has made informed judgments and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the condensed interim consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards ("IFRS") appropriate in the circumstances.

Management has established processes, which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the condensed interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the condensed interim financial statements and (ii) the condensed interim consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the condensed interim consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the condensed interim consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the condensed interim consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the condensed interim consolidated financial statements together with other financial information of the Company for issuance to the shareholders. Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(signed) "Jim Gilligan"
Jim Gilligan
Chief Executive Officer

(signed) "Jim O'Neill"
Jim O'Neill
Chief Financial Officer

Kelowna, B.C., Canada
July 31, 2023

TRYP THERAPEUTICS INC.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF LOSS AND COMPREHENSIVE LOSS

For the three and nine months ended May 31, 2023

(Unaudited, expressed in Canadian dollars)

	Notes	Three months ended May 31, 2023	Three months ended May 31, 2022	Nine months ended May 31, 2023	Nine months ended May 31, 2022
General and administration	10	\$ 421,581	\$ 1,031,201	\$ 1,363,436	\$ 4,100,377
Research and development	11	295,581	167,404	1,944,282	1,117,172
Share-based payments	12	54,014	(497,616)	345,483	42,100
Total expenses		771,176	700,989	3,653,201	5,259,649
Other Income and expenses					
Interest income		-	254	(1,750)	2,734
Accretion expense	7	58,255	-	58,255	-
Unrealized loss (gain) on derivative liability	7	(2,700)	-	(2,700)	-
Foreign exchange (gain) loss		(42,894)	(49,140)	(2,112)	(68,301)
Net loss and comprehensive loss for the period before the income tax		783,837	749,875	3,704,894	5,325,216
Deferred income tax recovery		(128,038)	-	(128,038)	-
Net Loss and comprehensive loss for the period		655,799	749,875	3,576,856	5,235,216
Loss per share for the period-basic diluted		\$ (0.01)	\$ (0.01)	\$ (0.04)	\$ (0.07)
Weighted average number of shares outstanding		96,419,347	81,950,440	96,419,347	71,996,086

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

TRYP THERAPEUTICS INC.
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF
CHANGES IN SHAREHOLDERS' EQUITY
(Unaudited - expressed in Canadian dollars)

	Notes	Number	Share Capital	Equity Component of Convertible Debentures	Warrants	Contributed Surplus	Accumulated Deficit	Total
Balance August 31, 2021		66,668,759	\$ 9,691,644		-	\$ 2,908,495	\$ (8,677,326)	\$ 3,922,813
Net loss for the period		-	-		-	-	(5,325,216)	(5,325,216)
Share issue for private placement		25,000,000	4,000,000		-	-	-	\$ 4,000,000
Exercise of options	6	180,000	46,963		-	(19,963)	-	27,000
Warrants issued on exercise of units		-	(264,580)		264,580	-	-	-
Shares issued for services		3,570,588	303,500		-	-	-	303,500
Share-based payments	7, 11	-	-		-	42,100	-	42,100
Balance May 31, 2022		95,419,347	\$ 13,777,527	-	264,580	\$ 2,930,632	\$ (14,002,542)	\$ 2,970,197
Balance August 31, 2022	6, 7	96,419,347	\$ 13,497,123	-	\$ 655,000	\$ 3,163,447	\$ (16,172,292)	\$ 1,143,278
Net loss for the period		-	-	-	-	-	(3,576,856)	(3,576,856)
Share-based payments	7, 11	-	-	-	-	345,483	-	345,483
Convertible debenture equity conversion costs	7	-	-	78,982	-	-	-	78,982
Balance May 31, 2023		96,419,347	\$ 13,497,123	78,982	\$ 655,000	\$ 3,508,930	\$ (19,749,148)	\$ (2,009,113)

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

TRYP THERAPEUTICS INC.

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Nine months ended May 31, 2023 and May 31, 2022

(Unaudited - expressed in Canadian dollars)

		Nine months ended May 31, 2023	Nine months ended May 31, 2022
OPERATING ACTIVITIES			
Net loss and comprehensive loss		\$ (3,576,856)	\$ (5,325,216)
Items not affecting cash:			
Share-based payments	9,12	345,483	42,100
Share issued for services		-	303,500
Unrealized exchange gain		(17,665)	-
Deferred tax recovery		(128,038)	-
Accretion expenses		58,255	-
Warrant revaluation loss (gain)		(2,700)	-
Changes in non-cash working capital			
Other receivables		(16,369)	14,608
Prepays and advances	4	190,677	(151,501)
Trade and other payables	6	644,247	364,462
Cash used in operating activities		\$ (2,502,967)	\$ (4,752,047)
INVESTING ACTIVITY			
Purchase of intangibles	5	\$ (8,168)	\$ (121,940)
Cash used in investing activity		\$ (8,168)	\$ (121,940)
FINANCING ACTIVITIES			
Exercise of stock options	8	-	27,000
Proceeds from convertible debentures	7	1,962,675	-
Proceeds from private placement		-	4,000,000
Cash provided by financing activities		\$ 1,962,675	\$ 4,027,000
Increase (decrease) in cash, cash equivalents and restricted cash during the period		\$ (548,460)	\$ (846,987)
Cash, cash equivalents and restricted cash, beginning of the period		1,882,185	3,692,271
Cash, cash equivalents and restricted cash, end of the period		\$ 1,333,725	\$ 2,845,284
Reconciliation of cash, cash equivalents and restricted cash:			
Cash and cash equivalents		\$ 1,294,616	\$ 2,808,921
Restricted cash		39,109	36,363
Total cash, cash equivalents and restricted cash		\$ 1,333,725	\$ 2,845,284

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

TRYP THERAPEUTICS INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three and nine months ended May 31, 2023 and 2022
(Expressed in Canadian dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN

Tryp Therapeutics Inc. (the “Company” or “Tryp”) 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.” The Company’s principal address, records office and registered address are located at 301 – 1665 Ellis Street, Kelowna, BC V1Y 2B3, Canada.

Tryp is a clinical-stage biotechnology company focused on developing psilocybin-related molecules, including TRP-8803, for the treatment of diseases with unmet medical needs through accelerated regulatory pathways. Tryp’s Psilocybin-For-Neuropsychiatric Disorders (PFN™) program is focused on the development of synthetic psilocybin-related molecules as a new class of drug for the treatment of binge eating, chronic pain, and other indications.

On March 16, 2021, Tryp Therapeutics (USA) Inc. (“Tryp USA”) 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 accompanying Condensed Interim Consolidated Financial Statements For the three and nine months ended May 31, 2023 and 2022 (the “Financial Statements”) have been prepared on the basis of a going concern, which contemplates the realization of assets and liquidation of liabilities in the normal course of business.

As at May 31, 2023, the Company had cash and cash equivalents of \$1,255,712 (August 31, 2022: \$1,810,137) and an accumulated deficit of \$19,749,148 (August 31, 2022: \$16,172,292) and for the nine months ended May 31, 2023 had a negative cash flow from operating activities of \$2,502,967 (nine months ended May 31, 2022: \$4,752,047).

In assessing whether the going concern assumption is appropriate, management considers all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company’s ability to continue operations and fund its research and development expenditures is dependent on management’s ability to secure additional financing. Management is actively pursuing such additional sources of financing, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. The Company is currently conducting research and development and has not developed any products that are approved for sale. These conditions indicate that a material uncertainty exists that may cast significant doubt about the Company’s ability to continue as a going concern.

These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and consolidated statement of financial position classifications that may be necessary were the going concern assumption inappropriate, and these adjustments could be material.

The Company may experience business interruptions, expenses and delays relating to COVID-19, which could have a material adverse impact on the Company’s business, operating results, financial condition and the market for its securities. As at the date of these financial statements, the duration of potential business disruptions and related financial impact of COVID-19 cannot be reasonably estimated. Going forward, the Company presently expects fewer COVID-19 related operating issues compared to the years ended August 31, 2022 and 2021.

TRYP THERAPEUTICS INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three and nine months ended May 31, 2023 and 2022
(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION

Statement of compliance

These Financial Statements have been prepared in accordance and comply with IAS 34, Interim Financial Reporting using accounting policies consistent with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and interpretations issued by the IFRS Interpretations Committee (“IFRIC”). They do not include all information required for annual financial statements and should be read in conjunction with the consolidated financial statements of the Company as at and for the year ended August 31, 2022. Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes to the Company’s financial position and performance since the last audited annual consolidated financial statements.

The Financial Statements were approved by the Board of Directors on July 31, 2023.

Basis of measurement

These Financial Statements have been prepared on a historical cost basis, using the accrual basis of accounting, except for certain financial instruments that have been measured at fair value at the end of each reporting period as explained in the accounting policies.

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 in which the entity operates. The functional currency of Tryp Therapeutics Inc. is Canadian dollars (“CAD”). The functional currency of Tryp USA is U.S. dollars (“USD”).

Basis of consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiary, Tryp USA. The Company consolidates this subsidiary on the basis that it controls the subsidiary. 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.

Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires that management make judgements, estimates and assumptions about future events that affect the amounts reported in the financial statements and related notes to the financial statements. Although these estimates are based on management’s best knowledge of the amount, event or actions, actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The Company makes estimates and assumptions about the future that affect the reported amounts of assets and liabilities, profits, and expenses. 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. The effect of a change in an accounting estimate is recognized prospectively by including it in income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

TRYP THERAPEUTICS INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three and nine months ended May 31, 2023 and 2022
(Expressed in Canadian dollars)

2. BASIS OF PRESENTATION (continued)

Interim results are not necessarily indicative of the results expected for the financial year. Actual annual results may differ from interim estimates. The accounting policies, including significant judgements made by management applied in the preparation of the Financial Statements, are consistent with those applied and disclosed in the Company's audited consolidated financial statements for the year ended August 31, 2022.

Going concern

The preparation of these condensed interim consolidated financial statements requires management to make judgments regarding the going concern of the Company as discussed in Note 1.

Share-based payments

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 granted, 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 a 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.

Convertible debenture

The convertible debenture included an option which can be settled in the Company's common shares. Therefore, the value of the convertible debenture was separated into its liability and equity components on the condensed interim consolidated statements of financial position. The liability component is initially recognized at fair value, calculated at the net present value of the liability based upon non-convertible debt issued by comparable issuers and accounted for at amortized cost using the effective interest rate method. The effective interest rate used is the estimated rate for non-convertible debt with similar terms at the time of issue.

Derivative Liabilities

The Company values derivative liabilities by reference to their fair value at the date at which the instrument is granted and each reporting period. Estimating fair value requires determining the most appropriate valuation model. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life and volatility and making assumptions about them. Changes in the input assumptions can materially affect the fair value estimate.

TRYP THERAPEUTICS INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three and nine months ended May 31, 2023 and 2022
(Expressed in Canadian dollars)

3. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

Cash and cash equivalents

Cash and cash equivalents comprise of cash held at financial institutions and cash held in trust. As at May 31, 2023, the balance consists of \$1,255,712 (August 31, 2022 - \$1,796,050) in cash held at financial institutions and \$14,087 (August 31, 2022 - \$14,087) of cash held in trust.

Restricted cash

Restricted cash consists of short-term guaranteed investment certificates (“GICs”) used to secure corporate credit cards. As at May 31, 2023, the balance consists of \$39,109 (August 31, 2022 - \$72,048) in a short-term GIC that bears interest at 2% per annum.

4. PREPAIDS AND ADVANCES

	May 31, 2023	August 31, 2022
Insurance	\$ 66,984	\$ 255,176
Legal retainers	19,550	-
Other	9,683	-
Total	\$ 96,217	\$ 286,894

5. INTANGIBLE ASSETS

During the nine months ended May 31, 2023, the Company invested \$8,168 (May 31, 2022 - \$121,940) in intellectual property to secure patents as follows:

Costs	Intellectual Property
Balance August 31, 2021	\$ 24,964
Additions	68,913
Balance May 31, 2022	93,877
Additions	69,214
Balance August 31, 2022	163,091
Additions	8,168
Balance May 31, 2023	\$ 171,259

The balance as at May 31, 2023, relates to patent applications. The intangible assets are not yet available for their intended use and no amortization has been recorded for the nine months ended May 31, 2023.

6. TRADE PAYABLES AND ACCRUED LIABILITIES

	May 31, 2023	August 31, 2022
Trade payables and accrued liabilities	\$ 1,839,521	\$ 1,148,863

Trade payables and accrued liabilities include expenditures for normal operations, as well as costs related to clinical studies and the manufacturing of intermediates in 2022. Payment terms have been extended beyond the normal due dates.

TRYP THERAPEUTICS INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three and nine months ended May 31, 2023 and 2022
(Expressed in Canadian dollars)

7. CONVERTIBLE DEBENTURES

On April 26, 2023, the Company issued secured convertible debentures at a price of AUD\$1,000 each (the “Debentures”) for gross proceeds of AUD\$2,400,000 (CAD \$2,149,759). The Debentures are denominated in Australian Dollars, with a term of 18 months (the “Maturity Date”), and are interest free during the initial 8 months following the date of issuance. During the period between the date that is 8 months from the date of issuance and 18 months from the date of issuance, the Debentures shall pay interest of 20% per annum. The Debentures shall automatically convert, as to principal and accrued interest, into common shares in the capital of the Company (the “Common Shares”) on the earlier of: (i) the Maturity Date, or (ii) the time the Company is completing a liquidity event. The price at which the Debentures (including any accrued but unpaid interest thereon) shall be converted into Common Shares (the “Conversion Price”) will vary depending on various scenarios as set out in the debenture and at a conversion price fixed in accordance with CSE policies.

The Debentures are secured by a general security interest over substantially all of the present and after-acquired personal property of the Company. The Debentures and the underlying Common Shares will be subject to a statutory hold period of four months plus a day from the date of issuance in accordance with applicable securities legislation.

In accordance with the terms of the engagement agreement, Westar Capital Limited (“Westar”) received a cash fee of 6% of gross proceeds or AUD\$144,000 (CA\$128,745) and were issued warrants (the “Broker Warrants”) equal to 10.05% of the Company’s total undiluted issued and outstanding shares on closing, or 9,690,144 Broker Warrants. Each Broker Warrant shall entitle the holder to acquire one Common Share at an exercise price equal to the greater of: (i) the closing market price of the Common Shares on the date of issuance and (ii) the price implied by an AUD\$15 million equity valuation on an undiluted basis, for a period of three years from the date of issuance. The Company shall retain the ability to cancel up to 60% of the Broker Warrants in certain circumstances.

The fair value of the liability component of the convertible debt was calculated using an imputed interest rate of 22%. The fair value of the liability component was determined to be \$1,827,479, with the residual amount of \$318,280 being allocated to equity. The conversion option is recorded as a derivative liability and revalued at the period end.

The Company recognized \$567,000 as Debenture issuance costs related to the broker warrants, which were valued using the Black-Scholes option pricing model under the following assumptions: a risk-free interest rate of 3.69%, annualized volatility of 99.32%, an expected life of 1.5 years, nil dividend yield, \$0.106 exercise price and a \$0.09 share price. The costs associated with issuing the convertible debt totaled \$750,085 and was allocated to the liability and equity component on a prorated basis of the convertible debt.

For the three months ended May 31, 2023, the Company recorded \$58,255 in accretion expense (May 31, 2022 - nil) related to the Debenture.

The following table discloses the components associated with the convertible debenture:

Convertible Debenture	May 31, 2023	August 31, 2022
Balance, at beginning of period	-	-
Additions	1,188,654	-
Accretion	58,255	-
Unrealized exchange (gain)	(17,665)	-
Balance, at end of period	1,229,244	-

TRYP THERAPEUTICS INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three and nine months ended May 31, 2023 and 2022
(Expressed in Canadian dollars)

7. CONVERTIBLE DEBENTURES (continued)

The following table discloses the components associated with the derivative liability:

Derivative Liability	May 31, 2023	August 31, 2022
Balance, at beginning of period	-	-
Additions	\$ 567,000	-
Unrealized exchange (gain)	(2,700)	-
Balance, at end of period	\$ 564,300	-

Continuity schedule of equity component of convertible debentures as at May 31, 2023:

Equity Component of Convertible Debenture	May 31, 2023	August 31, 2022
Balance, at beginning of period	-	-
Additions	318,280	-
Issuance cost	(112,260)	-
Deferred income tax recovery	(128,038)	-
Balance, at end of period	78,982	-

8. SHARE CAPITAL AND WARRANTS

Authorized share capital

The Company's authorized share capital consists of:

- a) Unlimited common shares without par value.
- b) Unlimited preferred shares without par value. As at May 31, 2023, there were no preferred shares issued.

Common Shares

The following is a summary of changes in share capital:

	Number	Issue Price	Share Capital
Balance August 31, 2021	66,668,759		9,691,644
Shares issued on exercise of options	180,000	0.150	46,963
Shares issued for settlement of consulting fee	3,570,588	0.085	303,500
Shares issued for private placement	20,000,000	0.200	3,000,000
Balance May 31, 2022	95,419,347		13,777,527
Balance August 31, 2022	96,419,347		13,497,123
Changes in period	-		-
Balance May 31, 2023	96,419,347		13,497,123

TRYP THERAPEUTICS INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three and nine months ended May 31, 2023 and 2022
(Expressed in Canadian dollars)

8. SHARE CAPITAL AND WARRANTS (continued)

The following is a summary of changes in broker warrants:

	Number of Broker Warrants	Weighted Average Exercise Price
Balance August 31, 2021	574,352	\$0.50
Expired	(574,352)	0.50
Balance May 31, 2022	-	-
Balance August 31, 2022	-	-
Changes	9,690,144	0.106
Balance May 31, 2023	9,690,144	\$0.106

During the period ended August 31, 2021, the Company issued 500,250 agent warrants exercisable into one common share at an exercise price of \$0.50 per Agent Warrant until December 17, 2021. These agent warrants expired on December 17, 2021.

On April 26, 2023, the Company issued 9,960,144 Broker Warrants. Each Broker Warrant shall entitle the holder to acquire one Common Share at an exercise price equal to the greater of: (i) the closing market price of the Common Shares on the date of issuance and (ii) the price implied by an AUD\$15 million equity valuation on an undiluted basis, for a period of three years from the date of issuance. The Company shall retain the ability to cancel up to 60% of the Broker Warrants in certain circumstances.

The following is a summary of changes in Agent Compensation Units from August 31, 2022 to May 31, 2023:

	Number of Agent Units	Weighted Average Exercise Price
Balance August 31, 2021	1,294,996	\$0.25
Expired	(1,294,996)	\$0.25
Balance May 31, 2022	-	-
Balance August 31, 2022	-	-
Changes	-	-
Balance May 31, 2023	-	-

Agent Compensation Units outstanding at August 31, 2021 expired on December 17, 2021.

Escrow Shares

In connection with the Company's initial public offering completed on December 17, 2020, as at May 31, 2023, 6,087,720 common shares were held in escrow (August 31, 2022 – 9,131,580) 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.

TRYP THERAPEUTICS INC.
NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
For the three and nine months ended May 31, 2023 and 2022
(Expressed in Canadian dollars)

9. 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 may 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, other than common shares issuable upon the exercise of Special Consultant Options. Special Consultant Options relate to the 5,089,684 options granted to consultants of the Company on November 2, 2020. 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:

	Number of Options	Weighted Average Exercise Price
Balance August 31, 2021	14,869,684	\$ 0.32
Granted	7,200,000	\$ 0.18
Exercised	(180,000)	\$(0.15)
Cancelled	(2,000,000)	\$(0.71)
Forfeited	(6,000,000)	\$(0.72)
Balance May 31, 2022	13,889,684	\$ 0.17
Balance August 31, 2022	15,989,684	\$ 0.17
Granted	500,000	\$ 0.17
Forfeited	(1,894,445)	\$(0.17)
Balance May 31, 2023	14,595,239	\$ 0.17

As at May 31, 2023, the following options were outstanding:

Expiry Date	Exercise Price	Number of Options	Vested and Exercisable	Unvested	Remaining Life in Years
September 29, 2025	\$0.15	800,000	733,333	66,667	2.3
November 2, 2025	\$0.15	1,320,000	1,250,556	69,444	2.4
November 2, 2030	\$0.15	3,769,684	3,051,672	718,012	7.4
March 31, 2031	\$0.68	100,000	75,006	24,994	7.8
April 22, 2032	\$0.17	5,000,000	5,000,000	-	8.9
May 22, 2032	\$0.17	2,000,000	2,000,000	-	9.0
June 14, 2032	\$0.17	1,105,555	733,333	66,667	9.0
September 15, 2032	\$0.17	500,000	-	500,000	9.3
		14,595,239	12,843,901	1,751,338	7.9

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10. SHARE-BASED PAYMENTS (continued)

On October 18, 2021, 200,000 options were granted to an employee. The options have an exercise price of \$0.40, a term of 10 years, with one-sixth vesting in April 2022 and the remaining options vesting in equal monthly instalments thereafter. These options were subsequently cancelled on April 22, 2022 and 200,000 options were reissued to the employee on May 22, 2022 as described below.

On October 22, 2021, 180,000 vested options that were originally issued on November 2, 2020 were exercised for shares at \$0.15. The Company's stock price on the date of exercise was \$0.37 per common share.

On September 15, 2022, the Company granted 500,000 options to an officer at an exercise price of \$0.17, a term of 10 years, and vesting in equal monthly instalments over a period of 36 months.

The fair value of the options was determined using the Black-Scholes option pricing model assumptions in the table below for the nine months ended May 31, 2023 and 2022.

	February 28, 2023	February 28, 2022
Options granted	500,000	200,000
Share price	\$0.17	\$0.40
Exercise price	\$0.17	\$0.40
Expected life	10 years	10 years
Volatility	96.3%	81.4%
Risk-free Rate	3.03%	1.66%
Fair value of options grant	\$ 75,694	\$ 65,383

The total fair value of options vested during the nine months ended May 31, 2023 was \$345,483 (May 31, 2022 – \$42,100) has been recorded to share-based payments in the condensed interim consolidated statements of loss and comprehensive loss with a corresponding increase in contributed surplus.

11. GENERAL AND ADMINISTRATION EXPENSES

	Three months ended		Nine months ended	
	May 31, 2023	May31, 2022	May 31, 2023	May 31, 2022
Director's fee	20,002	37,651	106,667	157,651
Professional fees	40,391	25,412	156,184	134,079
Consulting fees and salaries	147,863	566,194	367,347	1,820,221
Insurance	98,427	193,757	377,609	398,575
Office and administrative fees	5,959	16,584	133,389	290,242
Regulatory and legal fees	65,071	120,470	92,819	257,834
Investors relation and corporate development	43,868	71,133	129,421	1,041,775
	421,581	1,031,201	1,363,436	4,100,377

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12. RESEARCH AND DEVELOPMENT EXPENSES

	Three months ended		Nine months ended	
	May 31, 2023	May 31, 2022	May 31, 2023	May 31, 2022
Preclinical activities TRP-8803	2,035	6,396	117,302	312,007
Development activities for TRP-8802	8,358	161,008	1,026,002	805,165
Staff, consultants and other expenses	285,188	-	800,978	-
	295,581	167,404	1,944,282	1,117,172

13. KEY MANAGEMENT AND PERSONNEL COMPENSATION

Key management personnel include those people who have 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 includes amounts paid directly to Company officers, directors, and to private companies controlled by officers and directors. Share-based payments represent the fair value of options granted allocated based on the vesting periods of the options granted.

	Three months ended		Nine months ended	
	May 31, 2023	May 31, 2022	May 31, 2023	May 31, 2022
Key management personnel compensation:				
Compensation ⁽¹⁾	140,475	171,712	455,175	802,777
Director fees	20,002	37,651	106,667	157,651
Share-based payments	54,014	247,467	345,483	686,839
	214,491	456,830	907,325	1,647,267

(1) Compensation includes fees charged by officers or by companies controlled by them and allocated to professional fees, consulting fees and research and development expenses.

14. RELATED PARTY TRANSACTIONS

As of May 31, 2023, included in trade and other payables are amounts due to officers, directors and private companies controlled by officers and directors for fees and expenses of \$43,694 (August 31, 2022 - \$46,411). Amounts due to related parties included in trade and other payables are unsecured, non-interest bearing and payable according to normal trade terms.

Related party transactions have occurred in the normal course of operations and are measured at the exchange amount which is established and agreed to by the related parties.

Prior to the issuance of the Debentures, Dr. William Garner beneficially owned or exercised control or direction over 38,420,000 Common Shares and 10,000,000 Warrants, representing approximately 39.85% and 45.50% of the issued and outstanding Common Shares on an undiluted and partially diluted basis, respectively. Dr. Garner acquired an aggregate principal amount of AUD\$1,200,000 of Debentures. Subsequent to the closing of the Debentures, Dr. Garner beneficially owns or exercises control or direction over 38,420,000 Common Shares, 10,000,000 Warrants and an aggregate principal amount of AUD\$1,200,000 of Debentures, representing approximately 39.85% and 51.57% of the issued and outstanding Common Shares on an undiluted and partially diluted basis respectively (assuming that the Debentures convert at a price of CDN\$0.09/share).

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14. RELATED PARTY TRANSACTIONS (continued)

A director of the Company acquired US\$100,000 of the Debentures on the same basis as other subscribers. In addition, this same director received certain fees from the broker in connection with the Debentures, including 4,845,072 Broker Warrants.

15. CAPITAL MANAGEMENT

The Company defines capital management as the manner in which it manages its shareholders' equity. As at May 31, 2023, the Company's shareholders' equity was a deficit of \$2,009,113 (shareholders' equity as at August 31, 2022 - \$1,143,278). There were no changes in the Company's approach to capital management during the nine months ended May 31, 2023 and the Company is not subject to any externally imposed capital requirements.

The Company's objective in managing capital is to maintain the entity's ability to continue as a going concern, support the Company's normal operating requirements and to continue the research and development for the treatment of diseases with unmet medical needs. The Board of Directors does not establish a 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 regularly monitors and reviews the amount of capital in proportion to risk and future development and exploration opportunities. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new debt or equity or similar instruments to obtain additional financing.

As at May 31, 2023, the Company had a working capital deficit of \$386,828 (working capital as at August 31, 2022: \$980,187) and for the nine months ended May 31, 2023, cash used in operating activities of \$2,502,967 (May 31, 2022: \$4,752,047). Working capital is a non-GAAP measure calculated as total current assets less total current liabilities.

16. SEGMENTED DISCLOSURES

The Company is a Canadian clinical stage pharmaceutical development company that operates in two reportable operating segments: the development of repurposed therapeutic drugs in Canada, and the facilitation of the Company's lead drug candidates into off-label phase II clinical trials (humans) in the United States. The Company's expenditures are incurred in Australia, Canada and the United States. As at May 31, 2023 and August 31, 2022, all of the Company's long-term assets are located in Canada.

17. SUBSEQUENT EVENT

Effective July 27, 2023, the Company reduced the exercise price of 10,000,000 warrants to \$0.10 per common shares and extended the expiry date to April 22, 2027. The warrants were originally issued to the controlling shareholder as part of a \$3,000,000 non-brokered private placement on April 22, 2022, which entitled the holder to acquire one additional common share at a price of \$0.20 per common share until April 22, 2024.