Consolidated financial statements of

GeneTether Therapeutics Inc.

For the years ended December 31, 2021 and 2020
(expressed in United States dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
GeneTether Therapeutics Inc.

Opinion

We have audited the consolidated financial statements of GeneTether Therapeutics Inc. and its subsidiary (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity (deficiency) and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended 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 *Auditor's 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 is sufficient and appropriate to provide a basis for our opinion.

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 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 auditor's report. If, based on the work that we have performed, we conclude that there is a material misstatement of this other information, then 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 it 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 do so.

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the 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 auditor's report is Joseph Green.

Horne LLP

Ridgeland, Mississippi
April 27, 2022

GeneTether Therapeutics Inc.

Consolidated Statements of Financial Position

(expressed in United States dollars)

As at	Notes	December 31, 2021 $	December 31, 2020 $
Assets			
Current assets			
Cash		**179,834**	45,389
Deferred share issuance cost	12	**190,614**	—
Total current assets		**370,448**	45,389
Total assets		**370,448**	45,389
Liabilities			
Current liabilities			
Trade and other payables		**213,223**	1,030
Notes payable	4	**—**	122,134
Total current liabilities		**213,223**	123,164
Total liabilities		**213,223**	123,164
Shareholders' equity (deficiency)			
Share capital	5	**1,248,027**	163,620
Contributed surplus		**788,143**	(60)
Accumulated deficit		**(1,878,945)**	(241,335)
Total shareholders' equity (deficiency)		**157,225**	(77,775)
Total liabilities and shareholders' equity		**370,448**	45,389
Commitments and contingencies	*8*		
Subsequent events	*12*		

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

GeneTether Therapeutics Inc.

Consolidated Statements of Loss and Comprehensive Loss

(expressed in United States dollars, except share amounts)

	Notes	**Year-ended December 31, 2021 $**	Year-ended December 31, 2020 $
Expenses			
Research and development	11	**404,868**	59,388
General and administrative	11	**1,232,065**	12,574
Total operating expenses		**1,636,933**	71,962
Loss from operations		**(1,636,933)**	(71,962)
Interest expense		**282**	1,004
Foreign exchange loss (gain)		**395**	—
Net loss and comprehensive loss		**(1,637,610)**	(72,966)
Net loss per share, basic and diluted	7	**(0.05)**	(0.00)
Weighted average number of shares outstanding – basic and diluted	7	**35,761,916**	26,902,393

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

GeneTether Therapeutics Inc.

Consolidated Statements of Cash Flows

(expressed in United States dollars)

	Year-ended December 31, 2021	Year-ended December 31, 2020
	$	$
Operating activities		
Net loss for the period	**(1,637,610)**	(72,966)
Add items not affecting cash		
Share-based compensation	**875,490**	127
Foreign exchange loss (gain)	**281**	—
Changes in non-cash working capital balances		
Deferred share issuance cost	**(190,614)**	—
Prepaid expenses	**—**	305
Security deposits	**—**	2,700
Trade and other payables	**212,193**	778
Cash used in operating activities	**(740,260)**	(69,056)
Financing activities		
Proceeds from issuance of common shares, net of issuance costs	**874,705**	3,333
Proceeds from issuance of notes payables classified as a liability	**—**	101,000
Cash provided by financing activities	**874,705**	104,333
Effect of foreign exchange on cash	**—**	—
Net increase	**134,445**	35,277
Cash, beginning of period	**45,389**	10,112
Cash, end of period	**179,834**	45,389

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

GeneTether Therapeutics Inc.

Consolidated Statements of Changes in Shareholders' Equity (Deficit)

(expressed in United States dollars, except share amounts)

	Notes	Common shares #	Common shares $	Contributed surplus $	Deficit $	Total $
Balance, December 31, 2019		**26,872,736**	**160,100**	**-**	**(168,369)**	**(8,269)**
Issuance of common shares upon convertible bridge note conversion	4	2,239,394	60	(60)	—	—
Issuance of common shares, net	5	373,232	3,333	—	—	3,333
Issuance of restricted common shares, net	6	—	127	—	—	127
Net loss and comprehensive loss for the year		—	—	—	(72,966)	(72,966)
Balance, December 31, 2020		**29,485,362**	**163,620**	**(60)**	**(241,335)**	**(77,775)**
Balance, December 31, 2020		**29,485,362**	**163,620**	**(60)**	**(241,335)**	**(77,775)**
Issuance of common stock upon conversions of demand and convertible bridge notes	4	837,980	122,415	-	—	122,415
Issuance of common stock for services	5	597,171	87,245	-	—	87,245
Issuance of common stock for cash, net	5	6,003,925	874,705	-	—	874,705
Share-based compensation, vesting of restricted common stock	6	1,581,012	42	489,224	—	489,266
Share-based compensation, vesting of stock options	6	—	—	298,979	—	298,979
Net loss and comprehensive loss for the year		—	—	—	(1,637,610)	(1,637,610)
Balance, December 31, 2021		**38,505,450**	**1,248,027**	**788,143**	**(1,878,945)**	**157,225**

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

Notes to the consolidated financial statements

For the Years Ended December 31, 2021 and 2020
(expressed in United States dollars unless otherwise indicated)

1. Nature of business

GeneTether Therapeutics Inc. (“GeneTether”, or together with its wholly-owned subsidiary GeneTether Inc., the “Company”) is a biopharmaceutical company focused on the development of high efficiency precision gene editing for human therapeutics applications. The Company has a wholly-owned subsidiary, GeneTether Inc. (“GT Inc.”), which was incorporated in Delaware on February 12, 2018, with the initial capitalization occurring on March 30, 2018.

The Company was incorporated on October 13, 2021 and formed to acquire and hold all of the shares of common stock of GT Inc., resulting in GT Inc. becoming a wholly-owned subsidiary of GeneTether (the “Reorganization”). In connection with the Reorganization on November 30, 2021, the shareholders of GT Inc. exchanged all of their issued and outstanding shares of GT Inc,’s common stock for common shares of the Company on a 37.32:1 basis with the same rights and privileges. Since the Reorganization was between entities under common control, and GeneTether had no assets, liabilities, equity or operations prior to the Reorganization, these consolidated financial statements have been presented as a continuation of the activities of GT Inc. and as if the Reorganization had occurred on the earliest date presented.

The Company’s registered and records office is located in Kelowna, British Columbia, Canada.

On March 29, 2022, the Company announced that it closed its initial public offering (“IPO”) of the Company’s shares and concurrent private placement for an issuance of 7,500,000 units at a price of C$0.60 per unit for gross proceeds of C$4,500,000. The Company’s common shares commenced trading on the Canadian Securities Exchange (“CSE”) under the symbol “GTTX” on March 30, 2022 (see Note 12).

Going concern

The consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. As at December 31, 2021, the Company is pre-revenue, has not initiated commercial sale of product and has an accumulated deficit of $1,878,945 (2020 - $241,335). The Company’s working capital position as at December 31, 2021 was $157,225 (2020- $77,775 deficit).

Management has forecasted the Company will have sufficient working capital to operate for the ensuing 12 months. While the Company has been successful in the past in obtaining financing, there can be no assurance that the Company will be able to obtain adequate financing, or that such financing will be on terms acceptable to the Company, to meet future operational needs which may result in the delay, reduction, or discontinuation of ongoing developments. These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

COVID-19 Update

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak and any related adverse public health developments has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. This may impact the Company’s ability to raise capital. Further, the pandemic has an impact on the Company’s third-party vendors and service providers, which could result in the interruption of operations and result in development delays, including the ongoing discovery and/or planned pre-clinical, manufacturing and future clinical activities related to our programs. The Company will continue to rely on guidance and recommendations from local health authorities, Health Canada and Centers for Disease Control and Prevention to update the Company's policies.

2. Basis of presentation

Statement of compliance

These consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles in Canada for publicly accountable enterprises, as set out in the *CPA Canada Handbook – Accounting*, which incorporates International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the Interpretations of the International Financial Reporting and Interpretations Committee ("IFRIC"). The policies set out below have been consistently applied to all periods presented, unless otherwise noted.

These consolidated financial statements were approved and authorized for issuance by the Company's Board of Directors of and authorized for issuance on April 27, 2022.

Principles of Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, GT Inc. The financial statements for the subsidiary are prepared for the same reporting period as the Company using consistent accounting policies. Intercompany transactions, balances, and gains and losses on transactions between subsidiaries are eliminated upon consolidation. Certain prior year amounts in contributed surplus have been reclassified to share capital conform to the current year presentation.

Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at fair value. Historical costs are generally based upon the fair value of the consideration given in exchange for goods and services received. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

Functional currency and presentation currency

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The functional currency of GeneTether is the Canadian dollar, and the functional currency of GT Inc. is the United States ("US") dollar.

These consolidated financial statements are presented in U.S. dollars, and all references to "$" are to U.S. dollars. References to "C$" are to Canadian dollars.

Use of estimates and judgments

The preparation of these consolidated financial statements in conformity with IFRS requires management to make estimates, judgments and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities as at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future. 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgments, apart from those involving estimations, that management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements:

(i) Valuation of share-based payments

Management measures the costs for share-based payments and warrants using market-based option valuation techniques. Assumptions are made and estimates are used in applying the valuation techniques. These include estimating the future volatility of the share price, expected dividend yield, expected term, expected risk-free interest rate and the rate of forfeiture. Such estimates and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates of share-based payments and warrants.

3. Significant accounting policies

a) Cash

Cash includes deposits held with financial institutions.

b) Research and Development

The Company expenses research and development costs as incurred, with the exception of development costs for new products with proven technical feasibility and for which a defined future market exists. Such development costs are capitalized if all criteria are met. No development costs have been capitalized to date.

Research and development costs include rent related to the laboratory space, lab supplies, outside consulting services and the costs associated with the filing and maintenance of the patent portfolio.

c) Loss per share

The Company presents basic and diluted loss per share data for its common shares. Basic loss per share is calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the year. Diluted loss per share is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares, which comprise convertible debentures issued.

d) Income taxes

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net profit or loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets.

As GeneTether was incorporated on October 13, 2021 and did not have operations from inception to the year-ended December 31, 2021, GeneTether did not have any deferred tax assets or net operating loss carryforwards as at December 31, 2021.

GT Inc. files its tax return in the United States. As at December 31, 2021 and 2020, GT Inc. has net deferred tax assets consisting primarily of net operating loss carryforwards totaling approximately $280,000 and $60,000, respectively. As at December 31, 2021, GT Inc. had net operating loss carry forwards, with an indefinite carryforward period, of approximately $1,000,000. The Company's income tax benefits at its statutory tax rate are fully reduced by the change in valuation allowance for the years ended December 31, 2021 and 2020.

e) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

(i) Financial assets

On initial recognition, a financial asset is classified as measured at amortized cost, fair value through other comprehensive income (''FVOCI''), or fair value through profit and loss (''FVTPL''). The classification of financial assets is based on the business model in which a financial asset is managed and its contractual cash flow characteristics. Derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated. Instead, the hybrid financial asset as a whole is assessed for classification.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income ("OCI"). This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets.

Financial assets at FVTPL	Subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.
Financial assets at amortized cost	Subsequently measured at amortized cost using the effective interest method, less any impairment losses. Interest income, foreign exchange gains and losses and impairment losses are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments at FVOCI	Subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment losses are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	Subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are not reclassified to profit or loss, even upon derecognition.

(ii) Financial liabilities

The Company initially recognizes financial liabilities at fair value on the date at which the Company becomes a party to the contractual provisions of the instrument.

The Company classifies its financial liabilities as either financial liabilities at FVTPL or other liabilities.
Subsequent to initial recognition, other liabilities are measured at amortized cost using the effective interest method. Financial liabilities at fair value are stated at fair value with changes being recognized in profit or loss.

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

(iii) Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by the Company are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

(iv) Classification of financial instruments

The Company classifies its financial assets and liabilities depending on the purpose for which the financial instruments were acquired, their characteristics and management intent as outlined below:

Financial assets/liabilities	Classification
Cash	FVTPL
Trade and other payables	Amortized cost
Notes payable	Amortized cost

(v) Impairment of financial assets

Financial assets, other than those classified as FVTPL, incorporate an allowance for expected credit losses.

f) Share-based Compensation

Stock options and warrants awarded to employees are accounted for using the fair value method. The fair value is calculated using the Black-Scholes option pricing model with assumptions applicable at the date of grant. The fair value of such stock options and warrants granted is recognized as an expense over the relevant vesting period on a proportionate basis consistent with the vesting features of each tranche of the grant.

Stock options and warrants awarded to non-employees are accounted for using the fair value of the instrument awarded or service provided. The fair value is measured at the date the Company obtains the goods or the date the counterparty renders the service. If the fair value of the goods or services cannot be reliably measured, the fair value of the options granted will be used.

g) Share Capital

The Company engages in equity financing transactions to obtain funds necessary to continue operations and to explore and evaluate additional product development opportunities. Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a reduction of equity.

h) Foreign Currency Translation

Foreign currency transactions are translated into United States dollars at exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the consolidated statement of financial position date are translated to United States dollars at the foreign exchange rate applicable at that date. Realized and unrealized exchange gains and losses are recognized through profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

i) New standards, amendments and interpretations adopted by the Company

IFRS 3 – *Business combinations* (“IFRS 3”)

Amendments to IFRS 3, issued in October 2018, provide clarification on the definition of a business. The amendments permit a simplified assessment to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments are effective for transactions for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020. The amendment adoption did not have a significant impact on the Company’s consolidated financial statements.

IAS 1 – *Presentation of financial statements* (“IAS 1”)

Amendments to IAS 1, issued in October 2018, provide clarification on the definition of material and how it should be applied. The amendments also align the definition of material across International Financial Reporting Standards and other publications.

The amendments are effective for annual periods beginning on or after January 1, 2020 and are required to be applied prospectively. The amendment adoption did not have a significant impact on the Company’s consolidated financial statements.

j) New standards, amendments and interpretations not yet adopted by the Company

IAS 1 – *Presentation of financial statements* (“IAS 1”)

In January 2020, the IASB issued Classification of Liabilities as Current or Non-current (Amendments to IAS 1). The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the consolidated statements of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or noncurrent.

The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. The amendments are effective for annual reporting periods beginning on or after January 1, 2022, with earlier application permitted. In July 2020, the effective date was deferred to January 1, 2023. The Company does not expect a material impact on the consolidated financial statements from these changes.

IAS 8 – *Accounting Policies, Changes in Accounting Estimate and Errors* (“IAS 8”)

On February 12, 2021, the IASB issued amendments to IAS 8, in which it introduces a new definition of ‘accounting estimates’. The amendments are designed to clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors.

The amended standard explains how entities use measurement techniques and inputs to develop accounting estimates and states that these can include estimation and valuation techniques. The amendments become effective for annual reporting periods beginning on or after January 1, 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The Company is assessing the potential impact of these changes.

4. Notes payable

Demand Notes

On June 12, 2019, the Company issued two demand bridge notes in the principal amount of $10,000 each (the “Demand Notes”) to two members of the Board of Directors. These Demand Notes become due and payable upon 90 days’ notice from the holder and accrue interest at the rate of 2.5% per annum. On February 3, 2021, the Company issued a total of 142,536 common shares related to the conversion of the Demand Notes principal and accrued interest of $825 at a conversion price of $0.1461.

Convertible Bridge Notes

On October 19, 2020, the Company issued a convertible bridge note in the principal amount of $25,000 to a member of the Board of Directors. On November 13, 2020, the Company issued a convertible bridge note in the principal amount of $50,000 to a third-party investor. On November 24, 2020, the Company issued a convertible bridge note in the principal amount of $26,000 to a member of the Board of Directors.

The convertible bridge notes accrue interest at the rate of 2.5% and at maturity and upon the election of a majority of the convertible bridge note holders, the convertible bridge note principal and any unpaid accrued interest shall convert to common shares at a price of $0.093. In the event of a qualified financing prior to maturity, the outstanding principal and any unpaid accrued interest automatically converts to common shares at 100% of the price per share paid by other purchasers of preferred or common shares in such financing.

On February 3, 2021, the Company issued a total of 695,444 common shares related to the conversion of the convertible bridge notes. The convertible bridge notes and all accrued but unpaid interest were converted in their entirety as a result of the Company entering in qualified financing arrangement (see Note 5a). Pursuant to the convertible bridge note agreements, the convertible bridge notes were converted at the price paid per share under the qualified financing of $0.1461.

5. Share capital

(a) Authorized

On January 14, 2021, the Board of Directors approved the increase in the number of shares of common shares authorized from 37,323,248 to 48,520,222. All common shares have a par value of $0.001.

The Board of Directors also approved a Common Share Purchase Agreement (the “Purchase Agreement”) between the Company and certain purchasers for the purchase of up to an aggregate of 6,841,899 common shares at a purchase price of $0.1461, of which 837,980 relate to the conversion of the notes payable (see Note 4).

Each holder of common shares is entitled to one vote for each share owned on all matters voted upon by shareholders. In the event the Company liquidates, dissolves or wind-ups the operations, the holders of the common shares are entitled to share equally and ratably in the Company’s assets, if any, remaining after the payment of all the Company’s debts and liabilities and the liquidation preference of any preferred shares that may then be outstanding. The common shares have no preemptive rights, no cumulative voting rights, and no redemption, sinking fund, or conversion provisions.

(expressed in United States dollars unless otherwise indicated)

Holders of common shares are entitled to receive dividends, if and when declared by the Board of Directors, out of funds legally available for such purpose, subject to the dividend and liquidation rights of any preferred share that may then be outstanding.

(b) Issued and outstanding

Reconciliation of the Company's share capital is as follows:

	Common Shares	
	#	$
Balance, December 31, 2020	**29,485,362**	**163,620**
Vesting of restricted common shares	1,581,012	42
Issuance of common shares upon conversions of convertible bridge and demand notes (i)	837,980	122,415
Issuance of common shares of services (ii)	597,171	87,245
Issuance of common shares for cash, net (iii)	6,003,925	874,705
Balance, December 31, 2021	**38,505,450**	**1,248,027**

(i) On February 3, 2021, the Company issued a total of 837,980 common shares related to the conversion of the notes payable, of which 493,786 were issued to two members of the Board of Directors (see Note 4).

(ii) On April 21, 2021, the Company issued 223,939 common shares to a consultant as payment for executive search services in the amount of $32,713. On October 13, 2021, the Company issued 373,232 common shares to the consultant as partial payment for his services as interim CEO in the amount of $54,532. The expenses were recognized in the consolidated statement of loss and comprehensive loss within share-based compensation expense.

(iii) In four separate transactions in February, March, April and July of 2021, the Company issued, pursuant to the Purchase Agreement approved by the Board of Directors in January 2021, an aggregate of 6,003,925 common shares at $0.1461 per share, for gross proceeds of $877,000. The Company incurred cash transaction costs of $2,295.

6. Share-based compensation

On January 14, 2021, the Board of Directors approved the GT Inc. 2021 Employee, Director and Consultant Equity Incentive Plan (the "2021 Plan" or the "Equity Plan") reserving for the issuance of up to 7,445,689 common shares pursuant to the 2021 Plan. On October 19, 2021, the Board of Directors approved an further increase to the number of common shares available for issuance pursuant to the Equity Plan to 15,862,380.

The 2021 Plan provides for the granting of incentive stock options, non-qualified stock options, share appreciation rights, and restricted share and other share awards. Options granted and shares underlying share awards issued under the 2021 Plan vest over periods determined by the Compensation Committee of the Board of Directors.

All non-qualified stock options were issued to non-employees. The options are exercisable for a period not to exceed ten years and vesting for the options range from being 0% to 6% immediately vested with the remainder vesting over a range of 20 to 36 months.

On November 30, 2021, following the completion of the Reorganization, GeneTether assumed the GT Inc. Equity Plan, including all outstanding options granted under the GT Inc. Equity Plan, with all the same terms and conditions, except that they will be exercisable for GeneTether shares.

(expressed in United States dollars unless otherwise indicated)

On January 26, 2022, the Company's Board of Directors approved the GeneTether Therapeutics Stock Option Plan ("GeneTether Equity Plan"), under which any future stock options and incentive awards will be granted (see Note 12).

(a) Stock options

The changes in the number of stock options during the years ending December 30, 2020, and 2021 are as follows:

	Options #	Weighted Average Exercise price $
Outstanding as at December 31, 2020	**-**	**-**
Granted	13,903,506	0.146
Cancelled and Forfeited	(4,105,371)	0.146
Outstanding as at December 31, 2021	**9,798,135**	**0.146**

The following table is a summary of the Company's stock options as at December 31, 2021:

	Options Outstanding			Options Exercisable	
Exercise Price	Outstanding #	Weighted average remaining contractual life (years) #	Weighted Average Exercise price $	Exercisable #	Weighted Average Exercise price $
0.146	9,798,135	9.73	0.146	1,059,204	0.146
	9,798,135	**9.73**	**0.146**	**1,059,204**	**0.146**

On March 29, 2022, in connection with the Company's IPO and concurrent private placement completion, the directors, officers, and insiders have entered into an escrow agreement pursuant to which their securities will be held in escrow and released over a period of 36 months, including 40,380,875 common shares, 5,883,824 warrants, and 6,270,305 stock options (see note 12).

Measurement of fair values

The fair value of stock options granted during the year ended December 31, 2021, was estimated using a Black-Scholes option pricing model with the following inputs:

	December 31, 2021
Grant date share price	**$ 0.146**
Exercise price	**$ 0.146**
Expected dividend yield	—
Risk free interest rate	**1.03% - 1.41%**
Expected life	**6 years**
Expected volatility	**69% - 71%**

The expected volatility was estimated using the volatility of publicly traded companies that the Company considered to be comparable. The expected option life represents the period of time that options granted are expected to be outstanding. The risk-free interest rate is based on government bonds with a term equal to the expected life of the options.

(expressed in United States dollars unless otherwise indicated)

The Company recognized $298,979 of share-based compensation expenses during the year ended December 31, 2021 (2020 –$nil) related to stock options. There were no stock options outstanding as of December 31, 2020.

(b) Restricted Common Shares

In December 2020, the Company issued 4,742,217 common shares to each of two members of the Board of Directors, subject to repurchase provisions (“Repurchase Option”) whereby the Company has the right to repurchase the common shares at $0.0001 in the event the relationship with the restricted common shareholders terminates for any reason, no reason with or without cause. The restricted common shares vest (ie. are released from the Repurchase Option) in equal monthly amounts over three years with the last increment vesting on December 15, 2023. Vesting will accelerate to 100% upon the event of a change of control.

The Company recognized $489,266 of share-based compensation expenses during the year ended December 31, 2021 (2020 – $nil) related to restricted common shares. As at December 31, 2021, 4,742,217 restricted common shares were outstanding, of which 1,581,012 restricted common shares have vested and 3,161,205 remain subject to the Repurchase Option.

Following the completion of the Company’s IPO on March 29, 2022, in accordance with the terms of the Restricted Stock Purchase Agreement of one member of the Board of Directors, 1,382,976 restricted common shares, representing the total unvested restricted common shares for the one member of the Board of Directors as at that date, became fully vested (see Notes 9 and 12).

7. Loss per share

Net loss per common share represents net loss attributable to common shareholders divided by the weighted average number of common shares outstanding during the year.

Diluted loss per common share is calculated by dividing the applicable net loss by the sum of the weighted average number of common shares outstanding and all additional common shares that would have been outstanding if potentially dilutive common shares had been issued during the year.

For all the years presented, diluted loss per share equals basic loss per share due to the anti-dilutive effect of the convertible bridge notes and restricted shares. The outstanding number and type of securities that could potentially dilute basic net loss per share in the future but would have decreased the loss per share (anti-dilutive) for the years presented are as follows:

	2021	2020
	#	#
Convertible bridge notes	**-**	1,086,330
Stock options	**9,798,135**	-
Restricted common shares	**4,742,217**	4,742,217
Outstanding as at December 31, 2021	**14,540,352**	5,828,547

8. Commitments and contingencies

Commitments

As at December 31, 2021, the Company had no long-term commitments.

Contingencies

(expressed in United States dollars unless otherwise indicated)

In the ordinary course of business, from time to time, the Company may be involved in various claims related to operations, rights, commercial, employment or other claims. Although such matters cannot be predicted with certainty, management does not consider the Company's exposure to such claims to be material to these consolidated financial statements.

9. Related party transactions

On February 3, 2021, the Company issued 314,933 common shares to Dr. Garner related to the conversion of a convertible bridge note and a Demand Note held by him.

On February 3, 2021, the Company issued 178,853 common shares to Mr. Fraga related to the conversion of a convertible bridge note held by him.

On October 19, 2021, 6,270,305 stock options were granted to directors and officers of the Company, including the new CEO, new CFO, and CSO.

Key management personnel compensation during the years ended December 31, 2021, and 2020 consisted of the following:

	2021	2020
	$	$
Salaries and benefits	**-**	-
Share-based compensation	**717,980**	-
Other (consulting fees, fees paid to related parties)	**260,856**	-
Total	**978,836**	**-**

On March 29, 2022, Dr. Garner participated in the Company's private placement concurrent with its IPO ("the Offering"). Dr. Garner acquired 5,718,824 private placement units ("Private Placement Unit") at C$0.60 per unit for a total of C$3,431,294. Each Private Placement Unit consists of one common share, and one common share purchase warrant which is exercisable into one common share at an exercise price of C$0.72 until March 29, 2025 (see note 12).

Following the completion of the Offering on March 29, 2022, in accordance with the terms of the Restricted Stock Purchase Agreement of one member of the Board of Directors, 1,382,976 restricted common shares, representing the total unvested restricted common shares as at that date of for the one member of the Board of Directors, became fully vested (see Notes 9 and 12).

10. Financial instruments and risk management

The Company's financial instruments are exposed to certain risks as summarized below.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from deposits with banks and outstanding receivables. The Company does not hold any collateral as security but mitigates this risk by dealing only with what management believes to be financially sound counterparties and, accordingly, does not anticipate significant loss for non-performance.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they become due. The Company's exposure to liquidity risk is dependent on the Company's ability to raise additional financing to meet its commitments and sustain operations. The Company mitigates liquidity risk by management of working capital, cash flows and the issuance of share capital.

As at December 31, 2021, the Company does not have any material contractual maturities and the Company's liabilities consist of current accounts payable.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Currency risk

Currency risk is the risk to the Company's earnings that arises from fluctuations of foreign exchange rates. As at December 31, 2021, the Company has minimal exposure to foreign currency exchange risk as it has minimal financial instruments denominated in a foreign currency and all of the Company's transactions are primarily in United States (U.S.) dollars, which is also the functional currency of GeneTether Inc., the Company's U.S. operating subsidiary.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company has no outstanding debt and is not exposed to interest rate risk as at December 31, 2021.

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to other price risks as at December 31, 2021.

Notes to the consolidated financial statements

For the Years Ended December 31, 2021 and 2020
(expressed in United States dollars unless otherwise indicated)

Fair values

The carrying values of cash, notes payable and trade and other payables approximate the fair values due to the short-term nature of these items. The risk of material change in fair value is not considered to be significant due to a relatively short-term nature. The Company does not use derivative financial instruments to manage this risk.

Financial instruments recorded at fair value on the consolidated statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The Company categorizes its fair value measurements according to a three-level hierarchy. The hierarchy prioritizes the inputs used by the Company's valuation techniques. A level is assigned to each fair value measurement based on the lowest-level input significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined as follows:

- Level 1 – Unadjusted quoted prices as at the measurement date for identical assets or liabilities in active markets.
- Level 2 – Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3 – Significant unobservable inputs that are supported by little or no market activity. The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is classified to the lowest level of the hierarchy for which a significant input has been considered in measuring fair value.

11. Components of expenses

	2021	2020
	$	$
Research and development expenses		
Consulting fees	171,566	525
Patent and IP	17,217	50,595
Research supplies	8,217	5,325
Research contracts	84,377	-
Share-based compensation	122,627	-
Other research and development	864	2,943
	404,868	59,388

	2021	2020
	$	$
General and administrative expenses		
Consulting fees	201,856	3,333
Investor relations and filing fees	58,865	-
Legal and professional fees	194,333	6,080
Share-based compensation	752,863	-
Other general and administrative	24,148	3,161
	1,232,065	12,574

12. Subsequent events

(a) GeneTether Therapeutics Inc. Stock Option Plan ("GeneTether Equity Plan")

On January 26, 2022, the Company's Board of Directors approved the GeneTether Equity Plan, under which any future stock options and incentive awards will be granted subsequent to the completion of the IPO. The aggregate number of Common Shares issuable upon the exercise of all Options granted under the Plan and the Legacy Plan shall be fixed at 20% of the Company's issued and outstanding Common Shares, on a non-diluted basis, upon completion of the initial public offering ("IPO") and concurrent private placement ("Offering").

The purposes of the Plan are to: (i) to attract and retain the types of employees, consultants, and directors who will contribute to the Company's long-range success, (ii) provide incentives that align the interests of employees, consultants, and directors with those of the security holders of the Company, and (c) promote the success of the Company's business.

(b) Initial Public Offering and Concurrent Private Placement

On March 29, 2022, the Company announced it closed its Offering, following which the Company's common shares commenced trading on the Canadian Securities Exchange ("CSE") under the symbol "GTTX" on March 30, 2022.

Under the Offering, the Company issued an aggregate of 7,500,000 units ("Offering Unit") at a price of C$0.60 per unit for aggregate gross proceeds of C$4,500,000. Each Offering Unit consists of one common share, and one common share purchase warrant ("Offering Warrant"). Each Offering Warrant is exercisable into one common share at an exercise price of C$0.72 until March 29, 2025. Excluding the compensation to the Agent as described below, the total estimated share issuance cost in connection with the Offering is approximately C$550,000. As at December 31, 2021, the Company recorded $190,614 in expenses directly related to the Offering as deferred share issuance cost.

In connection with the concurrent private placement, Dr. Garner acquired 5,718,824 Private Placement Units ("Private Placement Unit") at C$0.60 per unit for a total of C$3,431,294. Each Private Placement Unit consists of one common share, and one common share purchase warrant which is exercisable into one common share at an exercise price of C$0.72 until March 29, 2025. Prior to the Offering, Dr. Garner beneficially owned or exercised control or direction over 18,230,089 Common Shares and 746,465 incentive stock options ("Options") representing approximately 43.75% and 36.87% of the issued and outstanding Common Shares on an undiluted and fully-diluted basis, respectively. Following the Offering, Dr. Garner beneficially owns or exercises control or direction over 23,948,913 Common Shares, 746,465 Options and 5,718,824 Warrants, representing approximately 48.71% and 45.32% of the issued and outstanding Common Shares on an undiluted and fully-diluted basis, respectively.

In connection with the IPO, on March 21, 2022, the Company entered into an agency agreement (the "Agency Agreement") with Research Capital Corporation ("RCC" or "the Agent"), under which the Agent is eligible to receive 8% of the gross proceeds of the IPO in the form of a cash fee and compensation units ("Broker Units"). Each Broker Unit consists of one common share, and one common share purchase warrant ("Compensation Unit Warrant"), which entitles the Agent to purchase one additional common share at a price of C$0.72 until March 29, 2025. In addition, the Agent is entitled to receive a management fee of C$45,000, representing 1% on the gross proceeds of the IPO and concurrent private placement, as well as 4% of the gross proceeds of the concurrent private placement in the form of Broker Units, and a corporate finance fee of C$166,000 in cash. Further, in accordance with the terms of the Agency Agreement, directors, officers, and insiders of the company have agreed to a 180-day lock-up period on the common shares of other securities of the Company (the "Subject Securities") that they each hold. In addition, the directors, officers, and insiders have entered into an escrow agreement pursuant to which their Subject Securities will be held in escrow and released over a period of 36 months.

(c) Accelerated vesting of restricted common shares

In accordance with the terms of the Restricted Stock Purchase Agreement member of the Board of Directors, upon closing of the Offering, the Repurchase Option lapsed and the shareholder become fully vested with respect to 100% of the restricted common shares subject to the Repurchase Provision.

Immediately prior to the completion of the Offering on March 29, 2022, 1,382,976 restricted common shares remain subject to the Repurchase Provision. Upon completion of the Offering, 1,382,976 restricted common shares became fully vested, resulting in a non-cash share-based compensation expense of $98,744 for the accelerated vesting.