

Interim condensed consolidated financial statements of

**GeneTether Therapeutics Inc.**

For the three and nine months ended September 30, 2022 and 2021  
(expressed in United States dollars)

**GeneTether Therapeutics Inc.**  
**Interim Condensed Consolidated Statements of Financial Position**  
(Expressed in United States dollars)  
(Unaudited)

As at		September 30, 2022	December 31, 2021
	Notes	\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash		2,009,085	179,834
Deferred share issuance cost	3	—	190,614
Prepaid expenses and other receivables		238,460	—
<b>Total current assets</b>		<b>2,247,545</b>	<b>370,448</b>
<b>Total assets</b>		<b>2,247,545</b>	<b>370,448</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		113,719	213,223
<b>Total current liabilities</b>		<b>113,719</b>	<b>213,223</b>
<b>Total liabilities</b>		<b>113,719</b>	<b>213,223</b>
<b>Shareholders' equity</b>			
Share capital	3	4,161,989	1,248,027
Contributed surplus	3	1,415,461	788,143
Accumulated deficit		(3,216,725)	(1,878,945)
Accumulated other comprehensive loss		(226,900)	—
<b>Total shareholders' equity</b>		<b>2,133,826</b>	<b>157,225</b>
<b>Total liabilities and shareholders' equity</b>		<b>2,247,545</b>	<b>370,448</b>
Commitments and contingencies	7		

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

**GeneTether Therapeutics Inc.**  
**Interim Condensed Consolidated Statements of Loss and Comprehensive Loss**  
(Expressed in United States dollars, except share amounts)  
(Unaudited)

	Notes	For the three months ended		For the nine months ended	
		September 30,		September 30,	
		2022	2021	2022	2021
		\$	\$	\$	\$
<b>Expenses</b>					
Research and development	10	134,287	113,922	377,542	204,884
General and administrative	10	266,068	319,126	956,872	871,438
<b>Total operating expenses</b>		<b>400,355</b>	<b>433,048</b>	<b>1,334,414</b>	<b>1,076,322</b>
<b>Loss from operations</b>		<b>(400,355)</b>	<b>(433,048)</b>	<b>(1,334,414)</b>	<b>(1,076,322)</b>
Interest expense		—	10	—	313
Foreign exchange loss		1,137	—	3,366	—
<b>Net loss for the period</b>		<b>(401,492)</b>	<b>(433,058)</b>	<b>(1,337,780)</b>	<b>(1,076,635)</b>
Net loss per share, basic and diluted	6	(0.01)	(0.01)	(0.03)	(0.03)
Weighted average number of shares outstanding – basic and diluted	6	48,080,121	36,762,980	48,215,581	34,654,842
Cumulative translation adjustment		(138,369)	—	(226,900)	—
<b>Comprehensive loss for the period</b>		<b>(539,861)</b>	<b>(433,058)</b>	<b>(1,564,680)</b>	<b>(1,076,635)</b>

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

**GeneTether Therapeutics Inc.**  
**Interim Condensed Consolidated Statements of Cash Flows**  
(Expressed in United States dollars)  
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
<b>Operating activities</b>				
Net loss for the period	(401,492)	(433,058)	(1,337,780)	(1,076,635)
Add items not affecting cash				
Share-based compensation	102,625	195,342	543,929	677,906
Foreign exchange loss	1,137	—	3,366	—
Changes in non-cash working capital balances				
Deferred share issuance cost	—	—	190,614	—
Prepaid expenses	90,791	(57,290)	(238,460)	(57,290)
Trade and other payables	(16,068)	66,446	(99,504)	89,418
<b>Cash used in operating activities</b>	<b>(223,007)</b>	<b>(228,560)</b>	<b>(937,835)</b>	<b>(366,601)</b>
<b>Financing activities</b>				
Proceeds from issuance of common shares, net of issuance costs	—	86,330	2,997,350	874,705
<b>Cash provided by (used in) financing activities</b>	<b>—</b>	<b>86,330</b>	<b>2,997,350</b>	<b>874,705</b>
Effect of foreign exchange on cash	(139,505)	—	(230,265)	—
<b>Net increase (decrease)</b>	<b>(362,512)</b>	<b>(142,230)</b>	<b>1,829,251</b>	<b>508,104</b>
Cash, beginning of period	2,371,597	695,723	179,834	45,389
<b>Cash, end of period</b>	<b>2,009,085</b>	<b>553,493</b>	<b>2,009,085</b>	<b>553,493</b>
<b>Other non-cash transactions:</b>				
Agent units and compensation warrants issued (notes 3 and 5)	—	—	252,059	—

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

**GeneTether Therapeutics Inc.**  
**Interim Condensed Consolidated Statements of Changes in Shareholders' Equity**

(Expressed in United States dollars, except share amounts)

(Unaudited)

		Common shares		Contributed surplus	Deficit	Accumulated other comprehensive loss	Total
	Notes	#	\$	\$	\$		\$
<b>Balance, December 31, 2020</b>		<b>29,485,362</b>	<b>163,560</b>	—	<b>(241,335)</b>	—	<b>(77,775)</b>
Issuance of common shares upon conversion of notes		837,982	122,415	—	—	—	122,415
Issuance of common shares for cash, net of issuance cost	3	6,003,930	874,705	—	—	—	874,705
Issuance of common shares for the vesting of restricted common stock	5	1,185,760	330,543	—	—	—	330,543
Issuance of common stock for services		223,939	32,713	—	—	—	32,713
Share-based compensation, vesting of stock options	4	—	—	119,308	—	—	119,308
Net loss		—	—	—	(1,076,635)	—	(1,076,635)
<b>Balance, September 30, 2021</b>		<b>37,736,972</b>	<b>1,523,936</b>	<b>119,308</b>	<b>(1,317,970)</b>	—	<b>325,274</b>
<b>Balance, December 31, 2021</b>		<b>38,505,450</b>	<b>1,248,027</b>	<b>788,143</b>	<b>(1,878,945)</b>	—	<b>157,225</b>
Issuance of common shares for the Offering	3	7,500,000	3,597,410	—	—	—	3,597,410
Share issuance costs (cash)	3	—	(600,059)	—	—	—	(600,059)
Share issuance costs (Agent's Units and Compensation Warrants)	3, 5	—	(252,059)	252,059	—	—	—
Issuance of common shares for the vesting of restricted common stock	3	2,173,485	168,670	—	—	—	168,670
Share-based compensation, vesting of stock options	4	—	—	375,259	—	—	375,259
Currency translation adjustment		—	—	—	—	(226,900)	(226,900)
Net loss		—	—	—	(1,337,780)	—	(1,337,780)
<b>Balance, September 30, 2022</b>		<b>48,178,935</b>	<b>4,161,989</b>	<b>1,415,461</b>	<b>(3,216,725)</b>	<b>(226,900)</b>	<b>2,133,826</b>

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

## **GeneTether Therapeutics Inc.**

### **Notes to the interim condensed consolidated financial statements**

For the Periods Ended September 30, 2022 and 2021

(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 (together, the “Offering”) 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 3).

#### **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 September 30, 2022, the Company is pre-revenue, has not initiated commercial sale of product and has an accumulated deficit of approximately \$3,217,000 (December 31, 2021 - \$1,879,000). The Company’s working capital position as at September 30, 2022 was approximately \$2,134,000 (December 31, 2021- \$157,000).

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.

## **GeneTether Therapeutics Inc.**

### **Notes to the interim condensed consolidated financial statements**

For the Periods Ended September 30, 2022 and 2021  
(expressed in United States dollars unless otherwise indicated)

## **2. Basis of presentation and significant accounting policies**

### **Statement of compliance**

These interim condensed 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 interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company’s audited financial statements for the year-ended December 31, 2021.

These interim condensed consolidated financial statements were approved and authorized for issuance by the Company’s Board of Directors of the Company and authorized for issuance on November 25, 2022.

### **Principles of Consolidation**

These unaudited condensed 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 period amounts in contributed surplus have been reclassified to share capital to conform to the current period presentation.

### **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 interim condensed 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.

### **Significant accounting policies, estimates and judgments**

The preparation of these unaudited interim condensed 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 unaudited interim condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

The unaudited interim condensed consolidated financial statements include estimates, which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the unaudited interim condensed consolidated financial statements, and may require accounting adjustments based on future occurrences. The estimates and underlying assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

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 unaudited interim condensed consolidated financial statements:

## **GeneTether Therapeutics Inc.**

### **Notes to the interim condensed consolidated financial statements**

For the Periods Ended September 30, 2022 and 2021

(expressed in United States dollars unless otherwise indicated)

#### (i) Share capital

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

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

Professional, consulting, regulatory and other costs directly attributable to financing transactions are recorded as deferred financing costs until the financing transactions are completed, if the completion of the transaction is considered likely; otherwise, they are expensed as incurred. Share issuance costs are charged to share capital when the related shares are issued.

#### (ii) 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. Share capital**

#### **(a) Authorized**

Unlimited common shares.

#### **(b) Share Issuances**

##### (i) 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.

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 ("Agent Units"). Each Broker Unit consists of one common share, and one common share purchase warrant ("Compensation 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 Agent Units, and a corporate finance fee of C\$166,000 in cash.



## GeneTether Therapeutics Inc.

### Notes to the interim condensed consolidated financial statements

For the Periods Ended September 30, 2022 and 2021

(expressed in United States dollars unless otherwise indicated)

Including the cash fees paid to the Agent as described above, the total cash share issuance cost in connection with the Offering is approximately \$600,000 (C\$751,000), resulting in a total share issuance cost of approximately \$852,000 (C\$1,066,000), and net proceeds of approximately \$2,745,000 (C\$3,434,000). The gross and estimated net proceeds from the Offering are summarized below:

<b>Offering Closing Date – March 29, 2022</b>	<b>March 29, 2022</b>
Issue price per unit	C\$0.60
Common shares issued	7,500,000
Warrants issued (C\$0.72 exercise price)	7,500,000
<b>Cash Gross proceeds</b>	<b>C\$4,500,000</b>
<i>Share issuance costs:</i>	
<i>Cash fee to Agent</i>	C\$(237,832)
<i>Other cash share issuance costs</i>	C\$(512,782)
<i>Non-cash compensation to Agent</i>	C\$(315,300)
<b>Estimated Net Proceeds from the Offering</b>	<b>C\$3,434,085</b>

(ii) Agent Units and Compensation Warrants issued

In connection with the Agency Agreement, the Agent received the following non-cash compensation for the issuance of Agent Units and Compensation Warrants as part of the Offering:

	<b># of potential shares to be issued upon exercise</b>	<b>C\$</b>
<b>Agent Units</b>		
Common shares	322,360	\$193,416
Units (C\$0.60 exercise price)		\$66,567
Agent's Compensation Warrants (C\$0.72 exercise price)	322,360	\$55,317
<b>Total Non-Cash Compensation to Agent</b>	<b>644,720</b>	<b>\$315,300</b>

The share issuance cost arising from the grant of Agent Units and the underlying Agent Compensation Warrants recognized during the period ended March 31, 2022 was C\$121,884 using the Black-Scholes option pricing model, resulting in total non-cash issue cost to the Agent of C\$315,300. For purposes of fair value calculations, the following summarizes the weighted average assumptions used for the Black-Scholes valuation model:

	<b>Agent Units</b>	<b>Compensation Warrants</b>
Share price	C\$0.60	C\$0.60
Exercise price	C\$0.60	C\$0.72
Expected life	1.5 years	1.5 years
Volatility	72.77%	72.77%
Risk-free interest rate	0.022%	0.022%
<b>Total fair value per award</b>	<b>C\$0.2065</b>	<b>C\$0.1716</b>
# of Awards issued	322,360	322,360
<b>Total fair value (non-cash share issuance cost to Agent)</b>	<b>C\$66,567</b>	<b>C\$55,317</b>

## GeneTether Therapeutics Inc.

### Notes to the interim condensed consolidated financial statements

For the Periods Ended September 30, 2022 and 2021

(expressed in United States dollars unless otherwise indicated)

#### (ii) 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.

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, resulting in a non-cash share-based compensation expense of \$98,744 for the accelerated vesting.

During the three and nine months ended September 30, 2022, the Company recognized a total of \$17,538 and \$168,670 respectively (2021 – \$88,749 and \$419,292), of share-based compensation expenses related to restricted common shares. During the nine months ended September 30, 2022, 2,173,485 restricted common shares have vested (2021 – 1,185,760), resulting in 1,185,350 restricted common shares remaining subject to the Repurchase Option.

#### (c) Escrowed securities

In connection with the Offering completed on March 29, 2022, 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. As at September 30, 2022, 30,285,656 common shares, 4,734,936 warrants, and 4,380,661 stock options remain subject to escrow.

## 4. Stock Options

On January 26, 2022, the Company’s Board of Directors approved the GeneTether Equity Plan (the “Plan”), under which any future stock options and incentive awards will be granted subsequent to the completion of the Offering. The aggregate number of Common Shares issuable upon the exercise of all Options granted under the Plan and GT Inc.’s legacy option plan (“Legacy Plan”) has been fixed at 20% of the Company’s issued and outstanding Common Shares, on a non-diluted basis, following the completion of the Offering, being 9,833,330 Common Shares.

There were no stock options granted during the three and nine months ended September 30, 2022 and 2021.

The following table is a summary of the Company’s stock options at September 30, 2022:

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	9.0	0.146	4,312,187	0.146
	<b>9,798,135</b>	<b>9.0</b>	<b>0.146</b>	<b>4,312,187</b>	<b>0.146</b>

As at September 30, 2022, of the 9,798,135 stock options outstanding, 4,380,661 stock options remain in escrow (see note 3c). As at September 30, 2022, of the 4,312,187 exercisable stock options outstanding, 2,809,024 remain in escrow.

## GeneTether Therapeutics Inc.

### Notes to the interim condensed consolidated financial statements

For the Periods Ended September 30, 2022 and 2021

(expressed in United States dollars unless otherwise indicated)

The Company recognized \$85,087 and \$375,259 during the three and nine months ended September 30, 2022, respectively (2021 –\$195,342 and \$677,906 for three and nine months respectively) of share-based compensation expenses related to stock options vesting.

#### 5. Warrants

During the three months ended March 31, 2022, the Company closed its Offering and issued an aggregate of:

- 7,500,000 Offering Warrants, exercisable into one common share at an exercise price of C\$0.72 until March 29, 2025
- 322,360 Agent Units, exercisable into one common share and one Compensation Warrant at an exercise price of C\$0.60 until March 29, 2025
- 322,360 Compensation Warrants, exercisable into one common share at an exercise price of C\$0.72 until March 29, 2025

#### Warrants continuity

	# of Warrants	Weighted Average Exercise Price
<b>Warrants outstanding at December 31, 2021</b>	-	-
Warrants issued in the Offering	7,500,000	C\$0.60
Agent Units issued in the Offering	322,360	C\$0.60
Agent Compensation Warrants issued in the Offering	322,360	C\$0.72
<b>Warrants outstanding at September 30, 2022</b>	<b>8,144,720</b>	<b>C\$0.60</b>

The following table summarizes warrants outstanding and exercisable at September 30, 2022:

Outstanding #	Exercise Price	Expiry Date
7,822,360	C\$0.60	March 29, 2025
322,360	C\$0.72	March 29, 2025
<b>8,144,720</b>		

#### 6. 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 period.

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 period.

For all the periods presented, diluted loss per share equals basic loss per share due to the anti-dilutive effect of the stock options, restricted shares, and warrants. 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 period ended September 30, 2022 and 2021 presented are as follows:

	2022 #	2021 #
Stock options	9,798,135	-
Restricted common shares	987,723	3,951,711
Warrants	8,144,720	-
<b>Outstanding</b>	<b>18,330,578</b>	<b>3,951,711</b>

## GeneTether Therapeutics Inc.

### Notes to the interim condensed consolidated financial statements

For the Periods Ended September 30, 2022 and 2021

(expressed in United States dollars unless otherwise indicated)

## 7. Commitments and contingencies

### Commitments

As at September 30, 2022, the Company had no long-term commitments.

### Contingencies

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 interim condensed consolidated financial statements.

## 8. Related party transactions

Key management personnel compensation and Board of Directors' fees during the three and nine months ended September 30, 2022, and 2021 consisted of the following:

	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
Salaries and benefits	-	-	-	-
Share-based compensation	73,715	157,608	428,224	592,411
Consulting fees and Board fees	108,869	36,446	307,937	75,120
<b>Total</b>	<b>182,584</b>	<b>194,054</b>	<b>736,160</b>	<b>667,531</b>

On March 29, 2022, two independent members of the Board and the CEO participated in the Offering, and acquired 5,883,824 private placement units ("Private Placement Unit") at C\$0.60 per unit for a total of C\$3,530,294, in aggregate. 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 3).

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, resulting in a non-cash share-based compensation expense of \$98,744 for the accelerated vesting (see note 3).

## 9. 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.

## GeneTether Therapeutics Inc.

### Notes to the interim condensed consolidated financial statements

For the Periods Ended September 30, 2022 and 2021

(expressed in United States dollars unless otherwise indicated)

#### 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 September 30, 2022, the Company does not have any material contractual maturities and the Company's liabilities consist of current accounts payable.

#### 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.

#### Currency risk

Currency risk is the risk to that future cash flows of a financial instrument will fluctuate because of foreign exchange rates. The Company is exposed to currency risk from the consulting fees as well as the purchase of goods and services primarily in the United States and cash and cash equivalent balances held in foreign currencies. Fluctuations in the US dollar exchange rate could have a significant impact on the Company's results. Assuming all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the US dollar would result in an immaterial increase or decrease in loss and comprehensive loss for the period ended September 30, 2022. Prior to January 1, 2022, the Company had minimal exposure to currency risk, as the Company operated primarily in the United States through its U.S. operating subsidiary, GT Inc., and held all cash in the US dollar, which was also the functional currency of GT Inc.

Balances in US dollars are as follows:

	<u>September 30, 2022</u>
	\$
Cash	16,505
Accounts payable and accrued liabilities	(58,788)
<b>Total</b>	<b>(42,282)</b>

#### 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 interim condensed 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.

## GeneTether Therapeutics Inc.

### Notes to the interim condensed consolidated financial statements

For the Periods Ended September 30, 2022 and 2021

(expressed in United States dollars unless otherwise indicated)

- 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.

#### 10. Components of expenses

	Three months ended Sept 30,		Nine months ended Sept 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
<b>Research and development (“R&amp;D”) expenses</b>				
Consulting fees	58,940	40,163	167,433	65,163
Patent and IP	4,804	6,803	22,840	9,326
Research contracts and laboratory expenses	23,886	28,947	44,875	76,929
Laboratory rent and insurance	11,336	-	11,336	-
Share-based compensation	31,930	37,733	127,667	52,782
Other R&D	3,391	276	3,391	684
	<b>134,287</b>	113,922	<b>377,542</b>	204,884
	Three months ended Sept 30,		Nine months ended Sept 30,	
	2022	2021	2022	2021
	\$	\$	\$	\$
<b>General and administrative (“G&amp;A”) expenses</b>				
Consulting fees	92,915	32,350	256,478	122,343
Investor relations and filing fees	25,338	27,500	98,065	32,500
Legal and professional fees	3,376	49,663	29,423	112,172
Share-based compensation	70,695	262,734	416,262	592,411
Insurance and other G&A	73,744	5,295	156,644	12,012
	<b>266,068</b>	377,542	<b>956,872</b>	871,438