

Condensed Interim Consolidated Financial Statements  
(Expressed in Canadian Dollars)

**Telo Genomics Corp.**  
**(formerly 3D Signatures Inc.)**

For the Nine Months Ended March 31, 2020  
(unaudited)

**NOTICE OF NO AUDITOR REVIEW OF  
INTERIM FINANCIAL STATEMENTS**

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

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

**Telo Genomics Corp.**

(formerly 3D Signatures Inc.)

**Condensed Interim Consolidated Statements of Financial Position**

(expressed in Canadian dollars)

	Note	As at March 31, 2020	As at June 30, 2019
<b>Assets</b>		\$	\$
Current assets			
Cash		1,010,904	19,495
Amounts receivable		75,237	36,600
Prepaid expenses	6	26,861	26,861
Total current assets		1,113,002	82,956
Non-current assets			
Property and equipment	7	131,173	179,712
Total non-current assets		131,173	179,712
<b>Total assets</b>		<b>1,244,175</b>	<b>262,668</b>
<b>Liabilities and Equity</b>			
Current liabilities			
Accounts payable and accrued liabilities		260,445	1,027,526
Notes payable	8	-	280,000
Total liabilities		260,445	1,307,526
Deficiency			
Share capital	9	14,277,796	11,741,210
Contributed surplus	9	5,489,264	5,089,264
Deficit		(18,783,330)	(17,875,332)
Total deficiency		983,730	(1,044,858)
<b>Total liabilities and deficiency</b>		<b>1,244,175</b>	<b>262,668</b>

Going concern (Note 4)

Commitments (Note 10)

Subsequent events (Note 15)

See accompanying notes to the interim consolidated financial statements.

**Telo Genomics Corp.**

(formerly 3D Signatures Inc.)

**Condensed Interim Consolidated Statements of Loss and Comprehensive Loss**

(expressed in Canadian dollars)

	<b>Note</b>	<b>For the three months ended Mar. 31, 2020</b>	<b>For the three months ended Mar. 31, 2019</b>	<b>For the six months ended Mar. 31, 2020</b>	<b>For the six months ended Mar. 31, 2019</b>
<b>Expenses</b>		<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
General and administrative		<b>171,305</b>	61,886	<b>605,778</b>	737,024
Research and development		<b>150,117</b>	52,561	<b>302,220</b>	132,702
		<b>(321,422)</b>	(114,447)	<b>(907,998)</b>	(869,726)
<b>Net loss and comprehensive loss for the period</b>		<b>(321,422)</b>	(114,447)	<b>(907,998)</b>	(869,726)
Basic and diluted loss per share		<b>(0.00)</b>	(0.00)	<b>(0.03)</b>	(0.07)
Weighted average number of common shares used in computing basic and diluted loss per share		<b>41,210,153</b>	13,306,303	<b>26,192,808</b>	13,198,280

See accompanying notes to the interim consolidated financial statements.

**Telo Genomics Corp.**

(formerly 3D Signatures Inc.)

**Condensed Interim Consolidated Statements of Changes in Deficiency**

(expressed in Canadian dollars)

	Note	Share capital	Contributed Surplus	Deficit	Total
		\$	\$	\$	\$
Balance, June 30, 2018		11,441,210	5,045,913	(16,801,140)	(314,017)
Net loss for the period		-	-	(869,726)	(869,726)
Share based compensation		300,000	-	-	300,000
Stock options vested		-	40,663	-	40,663
Balance, March 31, 2019		11,741,210	5,086,576	(17,630,866)	(843,080)

	Note	Share capital	Contributed Surplus	Deficit	Total
		\$	\$	\$	\$
Balance, June 30, 2019		11,741,210	5,089,264	(17,875,332)	(1,044,858)
Private placement:					
Gross proceeds		1,735,500	-	-	1,735,500
Finders fees – cash		(93,800)	-	-	(93,800)
Finders fees - warrants		(110,000)	110,000	-	-
Other share issuance costs		(50,000)	-	-	(50,000)
Debt settlement		1,054,886	-	-	1,054,886
Share-based compensation		-	290,000	-	290,000
Net loss for the period		-	-	(907,998)	(907,998)
Balance, March 31, 2020		14,277,796	5,489,264	(18,783,330)	(983,730)

See accompanying notes to the interim consolidated financial statements.

**Telo Genomics Corp.**

(formerly 3D Signatures Inc.)

**Consolidated Statements of Cash Flows**

(expressed in Canadian dollars)

	<b>Note</b>	<b>For the nine months ended Mar. 31, 2020</b>	<b>For the nine months ended Mar. 31, 2019</b>
Cash (used in) provided by:		\$	\$
Operating activities:			
Net loss and comprehensive loss for the period		<b>(907,998)</b>	(869,726)
Impairment loss on property and equipment		-	-
Depreciation of property and equipment	<b>7</b>	<b>48,539</b>	45,362
Shares issued for severance payment		-	300,000
Stock-based compensation	<b>9(c)</b>	<b>290,000</b>	40,663
Changes in non-cash working capital accounts			
Amounts receivable		<b>(38,639)</b>	(10,541)
Prepaid expenses		-	29,670
Accounts payable and accrued liabilities		<b>7,807</b>	241,487
<b>Cash used in operating activities</b>		<b>(600,291)</b>	(223,085)
Financing activities:			
Proceeds from issuance of common shares		<b>1,735,500</b>	-
Finders fees – cash		<b>(93,800)</b>	-
Share issuance costs		<b>(50,000)</b>	-
Advances of notes payable	<b>8</b>	-	180,000
<b>Cash flows from financing activities</b>		<b>1,591,700</b>	180,000
Investing activities:			
Purchases of equipment	<b>7</b>	-	-
Government assistance received	<b>5(h)</b>	-	-
<b>Cash used in investing activities</b>		-	-
Increase (decrease) in cash		<b>991,409</b>	(43,085)
Cash, beginning of period		<b>19,495</b>	67,331
<b>Cash, end of period</b>		<b>1,010,904</b>	24,246

See accompanying notes to the interim consolidated financial statements.

# Telo Genomics Corp.

(formerly 3D Signatures Inc.)

For the Six Months Ended March 31, 2020 and 2019

## Notes to the Interim Condensed Consolidated Financial Statements (expressed in Canadian dollars)

### 1. Reporting entity:

Telo Genomics Corp (formerly 3D Signatures Inc.) (the "Company"), was incorporated in Canada on May 25, 2014 and its shares are listed on the TSX Venture Exchange as a Tier 2 issuer under the symbol "TELO"; the OTCQB Venture Market in the United States under the symbol "TDSGF"; and the Frankfurt Stock Exchange in Germany under the symbol "3D0". The Company's registered office is located at 11200-750 West Pender St. Vancouver, BC V6C 2T8 and its corporate head office is located at MaRS Centre, South Tower, 101 College Street, Suite 200, Toronto, Ontario, M5G 1L7.

The Company, through its wholly owned subsidiary 3D Signatures Holdings Inc., is developing diagnostic and prognostic products that will save lives, improve the quality of life, and reduce the cost of care associated with numerous diseases that display genomic instability.

### 2. Statement of compliance

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34 - Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the IASB. The policies applied in these unaudited condensed interim financial statements are based on IFRSs issued and outstanding as of May 25, 2020, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim financial statements as compared with the most recent annual financial statements as at and for the year ended June 30, 2019, except as noted below. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending June 30, 2020 could result in restatement of these unaudited condensed consolidated interim financial statements.

### 3. Basis of preparation of financial statements:

#### (a) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments at fair value through profit or loss which are measured at fair value.

#### (b) Basis of consolidation

These consolidated financial statements comprise the financial statements of the Company and its subsidiary.

Subsidiaries are fully consolidated from the date of acquisition, being the date in which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies. All intra-group balances, income and expenses, equity and dividends resulting from intra-group transactions have been eliminated upon consolidation.

The Company's subsidiary is as follows:

Telo Genomics Holdings Corp. (formerly 3D Signatures Inc.), 100% owned.

#### (c) Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

#### (d) Significant accounting judgments, estimates and assumptions

The preparation of consolidated financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future.

Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances.

## Telo Genomics Corp.

(formerly 3D Signatures Inc.)

For the Six Months Ended March 31, 2020 and 2019

### Notes to the Interim Condensed Consolidated Financial Statements (expressed in Canadian dollars)

#### *(d) Significant accounting judgments, estimates and assumptions (continued)*

Information about key assumptions and estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year are included in the following notes:

- Note 5(b): The measurement and period of use of property and equipment
- Note 5(c): The measurement and period of use of intangible assets
- Note 5(e): Assumptions related to impairment of non-financial assets
- Note 5(g): The assumptions and model used to estimate the value of share-based payment transactions and warrants
- Note 5(h): The measurement and recognition of government assistance received
- Note 7: The measurement of future economic benefits from prepaid expenses

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 revision affects only that period, or in the period of the revision and futures periods if the revision affects both current and future periods.

#### **4. Going concern:**

These consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

The Company is a research and development stage company and as such is primarily dependent on the funding of new investors to continue as a going concern. In the future, the Company's ability to continue as a going concern will be dependent upon its ability to attain profitable operations and generate funds there from, and/or to continue to obtain borrowings from third parties sufficient to meet current and future obligations and/or restructure the existing payables.

On May 31, 2018, the Company announced its intention to file for bankruptcy as a result of the uncertainty surrounding the availability of sufficient capital to complete the commercialization and realization of the intangible assets, the Company has recorded a provision against the value of property and equipment (Note 7). Should the underlying circumstances change, the Company may release this provision in the future. During the year ended June 30, 2019, the Company restructured its Board of Directors and obtained a loan from a related party to support continued operations and management and will not be proceeding with the bankruptcy proceedings. The Company expects to receive additional financing from the related party to continue to support operations for the foreseeable future including the next 12 months. Management will continue with capital raising to fund development of its intangible assets.

These consolidated financial statements do not reflect any other adjustments or reclassification of assets and liabilities which would be necessary if the Company were unable to continue its operations. The disclosed factors indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

During the period ended March 31, 2020, the Company incurred a net loss of \$907,998 (2019 - \$869,726 net loss) and has an accumulated deficit of \$18,783,330 (2019 - \$17,875,332).

# Telo Genomics Corp.

(formerly 3D Signatures Inc.)

For the Six Months Ended March 31, 2020 and 2019

## Notes to the Interim Condensed Consolidated Financial Statements (expressed in Canadian dollars)

### 5. Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements, unless otherwise indicated.

#### (a) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term highly liquid investments with original maturities of three months or less on the date of acquisition that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

#### (b) Property and equipment

##### (i) Recognition and measurement

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of property or equipment have different useful lives, they are accounted for as separate items of property or equipment.

##### (ii) Depreciation

Depreciation is recognized in profit or loss over the estimated useful lives of each part of an item of property and equipment in a manner which most closely reflects the pattern of consumption of the future economic benefits embodied in the asset. Internally constructed assets are depreciated from the time an asset is available for use. The estimated useful lives for the current and comparative periods is as follows:

Asset	Basis	Rate
Computer equipment	Straight line	2 years
Lab equipment	Straight line	5 years
Furniture and equipment	Straight line	5 years
Leasehold improvements	Straight line	Term of lease

As there exists material uncertainty on the Company's ability to realize the full carrying value of assets, the fixed assets of the Company are being carried at recoverable amounts and are not being used currently as management assesses the strategic direction of the Company.

#### (c) Intangible assets

##### (i) Recognition and measurement

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Company intends to, and has sufficient resources to complete development and to use or sell the asset.

As there exists material uncertainty on the Company's ability to realize the full carrying value of assets, the intangible assets of the Company are being carried at recoverable amounts and are not being used currently as management assesses the strategic direction of the Company.

# Telo Genomics Corp.

(formerly 3D Signatures Inc.)

For the Six Months Ended March 31, 2020 and 2019

## Notes to the Interim Condensed Consolidated Financial Statements (expressed in Canadian dollars)

### 5. Summary of significant accounting policies (continued)

#### (c) Intangible assets (continued)

##### (ii) Patents

Costs incurred in obtaining a patent are capitalized and amortized on a straight-line basis over the legal life of the respective patent of twenty years, or its economic life, if shorter. Costs incurred in successfully obtaining a patent are measured at cost less accumulated amortization and accumulated impairment losses. The costs of servicing the Company's patents are expensed as incurred.

##### (iii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are recognized in profit or loss as incurred.

##### (iv) Software

Software packages purchased from third parties for office or lab use are capitalized and amortized over its estimated useful life of five years. Payments made to third parties for the development of software to enable the commercialization of its patented technology are capitalized as incurred. Once the software is available for use, it will be amortized over its estimated useful life.

#### (d) Financial instruments

The Company adopted IFRS 9 in its consolidated financial statements on July 1, 2018. Due to the nature of its financial instruments, the adoption of IFRS 9 had no impact on the opening deficit balance on July 1, 2018. The impact on the classification and measurement of its financial instruments is set out below:

Financial Instrument	Original classification – IAS 39	New classification – IFRS 9
Cash	Loans and receivables	FVTPL
Accounts payable and accrued liabilities	Other payables	Amortized Cost
Notes payable	Other payables	Amortized Cost

##### (i) Financial assets and liabilities

The Company classifies its financial assets into the following categories, depending on the purpose for which the asset was acquired. Management determines the classification of its financial assets at initial recognition.

*Amortized cost* - Amortized cost are those assets which are held within a business whose objective is to hold financial assets to collect contractual cash flows; and the terms of the financial assets must provide on specified dates cash flows solely through the collection of principal and interest.

*Fair value through profit or loss ("FVTPL")* - A financial asset shall be measured at fair value through profit or loss unless it is measured at amortized cost or FVOCI. The Company may however make the irrevocable option to classify particular investments as FVTPL.

*Fair value through other comprehensive income ("FVOCI")* - FVOCI assets are those assets which are held within a business whose objective is achieved by both collecting contractual cash flows and selling financial assets; and the contractual terms of the financial assets give rise on specified dates to cash flows solely through the collection of principal and interest.

Management determines the classification of its financial liabilities at initial recognition.

*Amortized cost* - The Company classifies all financial liabilities as subsequently measured at amortized cost using the effective interest method, except for financial liabilities carried at FVTPL and certain other exceptions.

Financial liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

## **Telo Genomics Corp.**

(formerly 3D Signatures Inc.)

**For the Six Months Ended March 31, 2020 and 2019**

### **Notes to the Interim Condensed Consolidated Financial Statements**

(expressed in Canadian dollars)

#### **5. Summary of significant accounting policies (continued)**

##### **(d) Financial instruments (continued)**

###### **(ii) Derecognition**

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or when the Company has transferred its rights to receive cash flows from the asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of comprehensive income.

###### **(iii) Impairment of financial assets**

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset, an incurred 'loss event', and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For financial assets carried at amortized cost, the Company first assesses whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has occurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance costs.

Financial assets, together with the associated allowance, are written off when there is no realistic prospect of future recovery. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to finance costs.

###### **(iv) Interest income and expense**

For all financial instruments measured at amortized cost, interest income or expense is recorded using the effective interest method, which is the rate that discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. Interest income and expense is included in finance cost.

###### **(v) Fair value of financial instruments**

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. The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques that are recognized by market participants. Such techniques may include using recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis or other valuation models.

## **Telo Genomics Corp.**

(formerly 3D Signatures Inc.)

**For the Six Months Ended March 31, 2020 and 2019**

### **Notes to the Interim Condensed Consolidated Financial Statements**

(expressed in Canadian dollars)

#### **5. Summary of significant accounting policies (continued)**

##### **(d) Financial instruments (continued)**

For those financial instruments where fair value is recognized in the statement of financial position the methods and assumptions used to develop fair value measurements have been classified into one of the three levels of the fair value hierarchy for financial instruments:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable;
- Level 3 – Unobservable inputs in which little or no market activity exists, therefore requiring an entity to develop its own assumptions about the assumptions that market participants would use in pricing.

The following methods and assumptions were used to estimate the fair values:

Cash approximates its carrying amount due to the short-term maturities of these instruments and was originally determined using Level 2 inputs. Accounts payable and accrued liabilities approximate their carrying amount due to their short-term nature and was originally determined using Level 2 inputs. Notes payable's fair value is referenced to similar instruments and reflects its carrying value and was originally determined using Level 2 inputs. Deferred rent obligations represent its amortized cost and was originally determined using Level 2 inputs.

The fair value of notes payable is determined by discounting future cash flows using rates currently available for instruments and debt on similar terms, credit risk and remaining maturities.

##### **(e) Impairment of non-financial assets**

The carrying amount of long-lived non-financial assets, including intangible assets, prepaid expenses, and property and equipment, is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Intangible assets with indefinite lives and intangible assets not yet put into use are evaluated for impairment at least annually. An impairment exists when the carrying value of an asset exceeds its recoverable amount, which is higher of its fair value less costs to sell or its value in use. The fair value less costs to sell calculation is based on available data from observable market prices, less incremental costs. The value in use calculation is based on a discounted cash flow model. These calculations require the use of estimates and forecasts of future cash flows. Qualitative factors, including market size and market growth trends, strength of customer demand and degree of variability in cash flows, as well as other factors, are considered when making assumptions with regard to future cash flows and the appropriate discount rate.

##### **(f) Foreign currency translation**

Transactions denominated in foreign currencies are translated into the functional currency of the Company at exchange rates prevailing at the transaction dates (spot exchange rates). Monetary assets and liabilities are retranslated at the exchange rates at the statement of financial position date. Exchange gains and losses on translation or settlement are recognized in profit or loss for the current period.

Non-monetary items that are measured at historical cost are translated using the exchange rates at the date of the transaction and non-monetary items that are measured at fair value are translated using the exchange rates at the date when the items' fair value was determined. Translation gains and losses are included in profit or loss.

## **Telo Genomics Corp.**

(formerly 3D Signatures Inc.)

**For the Six Months Ended March 31, 2020 and 2019**

### **Notes to the Interim Condensed Consolidated Financial Statements (expressed in Canadian dollars)**

#### **5. Summary of significant accounting policies (continued)**

##### ***(g) Share-based payments***

Where equity instruments are issued and some or all of the goods or services received by the Company as consideration cannot be specifically identified, these non-identifiable goods or services are measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received at the grant date.

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity instruments granted is recognized as an expense over the estimated vesting period with a corresponding increase to contributed surplus.

Non-market vesting conditions are taken into account by adjusting the number of equity instruments included in the measurement of the transaction. The estimate of the number of equity instruments expected to vest is revised if subsequent information indicates that the number of equity instruments expected to vest differs from previous estimates. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense and contributed surplus reflects the revised estimate.

Market and non-vesting conditions are taken into account when estimating the fair value of the equity instruments granted and therefore the expense is recognized irrespective of whether or not the market condition is satisfied, provided that all other vesting conditions are satisfied.

##### ***(h) Government assistance***

Government assistance for the acquisition of property and equipment or intangible assets is recorded as a credit to the cost of the related asset when received. During the year ended June 30, 2018, the Company received Scientific Exploration and Experimental Development credits totaling \$1,148 from the Province of Manitoba, of which \$1,148 was credited against the cost of lab equipment.

Income tax credits related to scientific research and development activities are accounted for as a credit to the related expense or as a reduction of capital expenditures based on the nature of the expenses that qualify for the credit. During the year ended June 30, 2018, the Company received Scientific Exploration and Experimental Development credits totaling \$59,415, grants from the National Research Council credits totaling \$3,225, and has credited these amounts against research and development expenses.

For the period ended March 31, 2020, no additional government assistance was received.

## **Telo Genomics Corp.**

(formerly 3D Signatures Inc.)

**For the Six Months Ended March 31, 2020 and 2019**

### **Notes to the Interim Condensed Consolidated Financial Statements (expressed in Canadian dollars)**

#### **5. Summary of significant accounting policies (continued)**

##### **(i) Standards issued but not yet effective**

The Company has not yet applied the following new standards, interpretations and amendments to standards that have been issued as at June 30, 2019 but are not yet effective. Unless otherwise stated, the Company does not plan to early adopt any of these new or amended standards and interpretations.

##### ***IFRS 16 Leases***

On January 13, 2016, the IASB issued new IFRS 16 *Leases*. The new standard will replace IAS 17 *Leases* and is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that also apply IFRS 15 *Revenue from Contracts with Customers*. The Company is currently assessing the impact of this standard on its financial statements.

##### **(j) Recently adopted standards due to accounting policy changes**

##### ***New standard IFRS 9 “Financial Instruments”***

This new standard is a partial replacement of IAS 39 “Financial Instruments: Recognition and Measurement”. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets.

The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. This new standard does not have a significant impact on the Company’s financial statements.

## Telo Genomics Corp.

(formerly 3D Signatures Inc.)

For the Six Months Ended March 31, 2020 and 2019

### Notes to the Interim Condensed Consolidated Financial Statements (expressed in Canadian dollars)

#### 6. Prepaid expenses

During the previous year ended June 30, 2018, prepaid expenses included fees paid to a shareholder of the Company for advisory services to be rendered over a period of three years. This arrangement was entered into on September 8, 2016 and concludes September 8, 2019. During the year ended June 30, 2018, the Company recorded an expense of \$540,411 in general and administrative relating to this agreement as the services are no longer being provided and the Company does not intend to recover the costs from the provider.

#### 7. Property and equipment:

Cost	Computer equipment	Lab equipment	Furniture & equipment	Leasehold improvements	Total
Balance, June 30, 2018	58,209	472,486	13,584	22,624	\$ 566,903
Additions	-	-	-	-	-
Government assistance received	-	-	-	-	-
Balance, June 30, 2019	\$ 58,209	\$ 472,486	\$ 13,584	\$ 22,624	\$ 566,903
Additions	-	-	-	-	-
Government assistance received	-	-	-	-	-
Balance, March 31, 2020	\$ 58,209	\$ 472,486	\$ 13,584	\$ 22,624	\$ 566,903

Accumulated depreciation	Computer Equipment	Lab Equipment	Furniture & Equipment	Leasehold Improvements	Total
Balance, June 30, 2018	35,822	233,349	12,487	22,624	304,282
Depreciation	20,578	62,073	258	-	82,909
Impairment	-	-	-	-	-
Balance, June 30, 2019	\$ 56,401	\$ 295,421	\$ 12,745	\$ 22,624	\$ 387,191
Depreciation	1,355	46,555	629	-	48,539
Impairment	-	-	-	-	-
Balance, March 31, 2020	\$ 57,756	\$ 341,976	\$ 13,374	\$ 22,624	\$ 435,730

Carrying amounts	Computer Equipment	Lab Equipment	Furniture & Equipment	Leasehold Improvements	Total
At June 30, 2018	\$ 22,386	\$ 239,138	\$ 1,097	\$ -	\$ 262,621
At June 30, 2019	\$ 1,808	\$ 177,065	\$ 839	\$ -	\$ 179,712
At March 31, 2020	\$ 453	\$ 130,510	\$ 210	\$ -	\$ 131,173

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### Notes to the Interim Condensed Consolidated Financial Statements (expressed in Canadian dollars)

#### 8. Note payable

On November 25, 2019, the Company settled \$630,000 promissory notes and \$32,886 of accrued interest through the issuance of 6,682,850 common shares of the Company.

During the year ended June 30, 2019, the Company secured several promissory note financings totaling \$280,000 (2018 - \$Nil) bearing interest at 10% and maturing one year from the loan date. As at June 30, 2019, the Company incurred \$6,861 (2018 - \$Nil) in interest payable which has been included in accounts payable. Of this balance, \$230,000 of the notes payable were owing to the Chairman of the Company (2018 - \$Nil). The Company's promissory note financings are secured by its present and after acquired personal and intellectual property. These notes were settled on November 25, 2019.

During the year ended June 30, 2019, the Company secured several promissory note financings totaling \$350,000 bearing interest at 10% and maturing one year from the loan date. These notes were settled on November 25, 2019.

#### 9. Share capital:

##### (a) Authorized

The Company has authorized share capital of an unlimited number of common voting shares without par value, an unlimited number of non-voting common shares without par value, and an unlimited amount of Class A, B, C, and D shares

##### (b) Shares issued and outstanding

Shares issued and outstanding are as follows:

	Number	Amount
	\$	\$
<b>Balance at June 30, 2018</b>	<b>13,906,303</b>	<b>11,441,210</b>
Shares issued for severance payments	400,000	300,000
<b>Balance at June 30, 2019</b>	<b>13,306,303</b>	<b>\$ 11,741,210</b>
<b>Private placement, net of costs</b>	<b>17,355,000</b>	<b>1,481,700</b>
<b>Debt settlements</b>	<b>10,548,850</b>	<b>1,054,886</b>
<b>Balance at March 31, 2020</b>	<b>41,210,153</b>	<b>\$ 14,277,796</b>

On November 25, 2019, the Company issued a total of 17,355,000 units at a price of \$0.10 per unit under the offering. Each unit issued under the offering comprised one post-consolidation common share of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to acquire one additional post-consolidation common share at a price of \$0.20 per share for a period of 12 months from the date of issuance.

In addition, the Company paid finder's fees of \$61,180 in cash and 611,800 finder's warrants to Leede Jones Gable Inc., \$9,380 in cash and 93,800 finder's warrants to Haywood Securities Inc., \$15,750 in cash and 157,500 finder's warrants to Mackie Research Capital, and \$7,490 in cash and 74,900 finder's warrants to Canaccord Genuity Corp. Each finder's warrant entitles the holder to acquire one post-consolidation common share of the Company at a price of \$0.10 per share for a period of 12 months from the date of issuance.

On September 12, 2018, a former key management personnel was issued 400,000 common shares of the Company to settle \$337,500 in severance payments. These shares were valued at \$0.75 per share based on the fair value of the instruments granted. In addition, the same key management personnel waived all rights to 185,000 stock options described in Note 11 and agreed to an amended expiry date of September 12, 2023 for 55,000 stock options with an original expiry of September 26, 2026 and 63,280 stock options with an original expiry of January 17, 2027.

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#### 9. Share capital (continued)

On November 25, 2019, the Company issued 3,420,000 common shares to settle \$342,000 in accrued payables to various vendors and related parties. In addition, the Company issued 500,000 units holding the same terms as the November 25, 2019 private placement units, to a vendor to settle \$50,000 in historical payables.

#### (c) Stock option plan

The Company has an incentive stock option plan (the "Plan") whereby the Company may grant to directors, officers, employees and contractors options to purchase voting common shares of the Company. The terms and conditions of each option granted under the Plan are determined by the Board of Directors.

On November 28, 2019, 2,100,000 options were issued to directors, officers, and consultants of the Company. The options are exercisable at \$0.15 per share for five years from date of grant. The fair value of the options was estimated at \$290,000, using the Black-Scholes Option Pricing Model with the following weighted average assumptions: expected dividend yield - 0%, share price of \$0.14, expected volatility - 217% (average based on comparable companies), risk-free interest rate - 1.502%, exercise price of \$0.15 and an expected average life of 5 years.

Changes in the number of options outstanding are as follows:

		March 31, 2020		June 30, 2019
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Balance, beginning of year	669,737	\$ 3.57	757,310	\$ 5.05
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited, cancelled or expired	-	-	(87,573)	(3.00)
Balance, end of period	669,737	\$ 3.57	669,737	\$ 3.57
Granted	2,100,000	0.15	-	-
Options exercisable, end of period	2,769,737	\$ 0.98	669,737	\$ 3.57

The following is a summary of stock options issued under the Plan as at March 31, 2020:

Expiry Date	Number outstanding	Weighted average remaining contractual life (years)
May 4, 2025	335,121	0.62
June 16, 2025	8,075	0.02
August 7, 2025	8,075	0.02
October 13, 2025	26,917	0.05
September 26, 2026	187,924	0.44
October 27, 2026	40,000	0.09
December 9, 2026	13,000	0.03
January 18, 2027	50,625	0.12
November 28, 2024	2,100,000	3.54
	2,769,737	4.93

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### Notes to the Interim Condensed Consolidated Financial Statements (expressed in Canadian dollars)

#### 9. Share capital (continued)

##### (c) Warrants

On November 25, 2019, 938,000 broker warrants were issued to directors, officers, and consultants of the Company. The options are exercisable at \$0.10 per share for one year from date of grant. The fair value of the options was estimated at \$110,000, using the Black-Scholes Option Pricing Model with the following weighted average assumptions: expected dividend yield - 0%, share price of \$0.15, expected volatility - 219% (average based on comparable companies), risk-free interest rate - 1.502%, exercise price of \$0.10 and an expected average life of 1 year. This amount has been included as a reduction of share capital.

Changes in the number of warrants outstanding are as follows:

		March 31, 2020		June 30, 2019
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Balance, beginning of period	3,123,340	\$ 2.90	3,123,340	\$ 2.90
Expired	(3,123,340)	2.93	-	-
Granted	16,494,350	0.19	-	-
Balance, end of period	16,494,350	\$ 0.19	3,123,340	\$ 2.90

The following is a summary of share purchase warrants at March 31, 2020:

Expiry Date	Number outstanding	Weighted average remaining contractual life (years)
November 25, 2020	8,677,500	0.87
November 25, 2020	6,628,850	0.03
November 25, 2020	250,000	0.09
November 25, 2020	938,000	1.07
	16,494,350	2.06

#### 10. Commitments

As at March 31, 2020, and in the normal course of business, the Company has obligations to make future payments representing contracts and other commitments that are known and committed as follows:

##### Contractual obligations payment due to April 30, 2020:

2020	\$ 34,780
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The Company has entered into sublease agreements which offset its obligation under other agreements. Should these agreements not be fulfilled, the Company would be obligated to pay approximately \$12,600 in 2019 and \$13,125 in 2020 and 2021.

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#### 11. Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company. The Chief Executive Officer, Chief Financial Officer, Chief Business Officer, Chief Scientific Officer and VP Finance are key management personnel.

In addition to their salaries, the Company also provides non-cash benefits and participation in the Stock Option Plan. The following table details the compensation to key management personnel and directors:

	March 31, 2020	March 31, 2019
Salaries, fees and short-term benefits	\$ 157,897	\$ 204,000
Stock-based compensation	255,476	-
	\$ 415,373	\$ 204,000

As at March 31, 2020, the Company has \$23,315 (2019 - \$219,390) recorded within accounts payable and accrued liabilities relating to amounts payable to key management personnel. See Note 8 for additional related party balances.

During the year ended June 30, 2019, the Company paid \$11,878 in fees to former key management personnel that resigned early in the year. \$39,137 in stock-based compensation expenses were also incurred with former key management personnel. See Note 9 (b) for additional stock-based compensation issued to former key management personnel.

#### 12. Financial instruments and financial risk management:

##### (a) Risks arising from financial instruments

###### (i) Market risk

The Company is exposed to foreign exchange risk, the risk that the fair value of future cash flows for financial instruments will fluctuate because of changes in foreign exchange rates, due to its United States dollar denominated cash and accounts payable and accrued liabilities. A 5% appreciation or deterioration of the Canadian dollar against the United States dollar would result in an increase and decrease, respectively in the Company's net income of approximately \$10,000 as at March 31, 2020. The Company is not exposed to any significant interest risk as it does not have any variable rate borrowings.

###### (ii) Credit risk

Credit risk is the potential that customers or a counterparty to a financial instrument fail to meet their obligation to the Company. The Company believes this risk to be low as there are no trade receivables as no revenues have been earned to March 31, 2020. Additionally, amounts receivable are primarily composed of government remittances receivable in which the Company believes the collection risk is low. Additionally, the Company mitigates credit risk by holding all cash in a chartered bank.

##### (b) Risks arising from financial instruments

###### (iii) Liquidity risk

Liquidity risk is the risk the Company will encounter difficulties in meeting its financial obligations as they become due. The Company manages liquidity risk through cash management. In managing liquidity risk, the Company maintains access to equity markets, the availability of which is dependent on market conditions. The Company monitors its requirements regularly and believes there may not be sufficient funding for the foreseeable future. All financial liabilities are current and due within the next twelve months.

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### Notes to the Interim Condensed Consolidated Financial Statements (expressed in Canadian dollars)

#### 12. Financial instruments and financial risk management: (continued)

##### (c) Capital management

The Company's objective when managing capital is for the Company to safeguard the entity's ability to continue as a going concern, so that it can continue to explore and develop its research to ultimately provide returns for shareholders and benefits for other stakeholders.

The Company sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets as with consideration of externally imposed capital requirements. In order to maintain or adjust the capital structure, the Company may issue new shares or attempt to obtain debt financing.

The Company's management of capital as at March 31, 2020 consists of only the remaining cash at year end.

#### 13. Segmented information:

The Company has a single operating segment, focused on the development and commercialization of predictive technological products designed to personalize treatment plans for patients who have specific conditions. Substantially all of the Company's employees and assets are located within Canada.

#### 14. Tax losses

As at June 30, 2019, the most recently completed tax fiscal year, the unused tax losses for which deferred tax assets are not recognized, including their dates of expiry where applicable, are approximately as follows:

2034	\$	168,000
2035		823,000
2036		742,000
2037		5,557,000
2038		4,638,000
2039		628,000
	<b>\$</b>	<b>12,556,000</b>

#### 15. Subsequent events

On April 27, 2020, the Company has repurchased from Knight Therapeutics Inc. ("Knight") the exclusive license to commercialize diagnostic and prognostic test products of the Company and the right to act as the exclusive distributor of such products in Canada. In consideration for the rights, the Company paid \$5,000 and issued 50,000 share purchase warrants to Knight. Each warrant entitles the holder to acquire one common share of the Company at an exercise price of \$0.25 per share for a period of five years from the date of issuance. The warrants are exercisable at \$0.25 per share for five years from the date of grant. The fair value of these stock options granted was determined to be \$7,700 using the Black-Scholes valuation model and the following inputs: i) exercise price \$0.25, ii) stock price \$0.15, iii) volatility: 243%, iv) risk free rate: 1.50%.

On May 13, 2020, the Company granted 500,000 stock options to directors and consultants. Each option entitles the holder to acquire one common share of the Company at an exercise price of \$0.15 per share for a period of five years from the date of issuance. The options are exercisable at \$0.15 per share for five years from the date of grant. The fair value of these stock options granted was determined to be \$69,500 using the Black-Scholes valuation model and the following inputs: i) exercise price \$0.15, ii) stock price \$0.14, iii) volatility: 237%, iv) risk free rate: 1.50%.