Consolidated financial statements of Rakovina Therapeutics Inc.

(Expressed in Canadian Dollars)

December 31, 2023 and 2022

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Rakovina Therapeutics Inc.

Opinion

We have audited the accompanying consolidated financial statements of Rakovina Therapeutics Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2023 and 2022, and the consolidated statements of net loss and comprehensive loss, cash flows, and changes in equity for the years then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS").

Basis for Opinion

We conducted our audit 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 in our audit is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 of the consolidated financial statements, which indicates that the Company incurred a net loss of $2,612,925 during the year ended December 31, 2023 and, as of that date, the Company's accumulated deficit was $10,925,311. As stated in Note 2, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our auditor's report.

<u>Impairment of finite life Intangible Assets</u>

As described in Note 5 to the consolidated financial statements, the carrying amount of the Company's Intangible Assets was $4,515,051 as of December 31, 2023. As more described fully in Note 3 to the consolidated financial statements, management uses estimates in determining if there are any events or changes in circumstances that may indicate that the carrying value of the intangible asset may not be recoverable, resulting in impairment to the intangible asset.

The principal considerations for our determination that the assessment of impairment indicators of intangible assets is a key audit matter are that there is judgment by management when assessing the assets' carrying amount which is impacted by the Company's intent and ability to continue to evaluate this asset. This in turn led to high degree of auditor judgment, subjectivity, and effort in performing procedures to evaluate audit evidence relating to the judgments made by management in their assessment of indicators of impairment that could give rise to the requirement to conduct a formal impairment test.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. Our audit procedures included, but were not limited to:

- Assessed impairment indicators.
- Discussed with management regarding the plans and intent for the intangible assets.
- Reviewed, discussed, and obtained support for the estimation of finite life of the intangible asset.
- Recalculated amortization of the intangible asset to ensure amounts recorded were appropriate and in line with the accounting policy.
- Reviewed the Company's ability to fund future activities and reviewed any available budgets for future periods.

Valuation of Convertible Debt

As described in Note 7 to the consolidated financial statements, the carrying amount of the Company's Convertible Debt was $1,333,096 as of December 31, 2023. As more fully described in Note 3 to the consolidated financial statements, management uses estimates in determining the Valuation of the Convertible Debt.

The principal considerations for our determination that the assessment of impairment indicators of the Convertible Debt as a key audit matter are due to the significance of its value and the degree of judgement and subjectivity in evaluating management's estimates. In particular, the valuation is based on, and sensitive to, changes in specific inputs such as market interest rates, share price volatility, and the risk-free rates.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. Our audit procedures included, but were not limited to:

- Discussed and obtained support for management's assumptions in developing and applying estimates.
- Assessed specific inputs including the reasonability of the Company's discount rates, share price volatility, and market interest rates.
- Re-calculated the present value to determine the completeness and accuracy of the amount allocated to the debt and equity components, as well as applicable interest and accretion expenses.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes 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 we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Glenn Parchomchuk.

Davidson & Company LLP

Vancouver, Canada | Chartered Professional Accountants

April 26, 2024

RAKOVINA THERAPEUTICS INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(All figures expressed in Canadian dollars unless otherwise noted)

	Note	December 31, 2023	December 31, 2022
		$	$
ASSETS			
Current assets			
Cash and cash equivalents		**436,313**	896,831
Prepaid expenses	6	**176,136**	157,887
Amounts receivable		**20,079**	14,883
		632,528	1,069,601
Non-current assets			
Intangible assets	5	**4,515,051**	5,051,160
Total assets		**5,147,579**	6,120,761
LIABILITIES			
Current liabilities			
Accounts payable and accrued liabilities		**80,358**	27,739
Due to related parties	14	**74,289**	79,309
Total current liabilities		**154,647**	107,048
Non-current liabilities			
Convertible debt	7	**1,333,096**	-
EQUITY			
Share capital	8	**13,597,046**	13,579,166
Equity component of convertible debt	7	**77,841**	-
Contributed surplus		**910,260**	746,933
Deficit		**(10,925,311)**	(8,312,386)
		3,659,836	6,013,713
Total liabilities and equity		**5,147,579**	6,120,761

Nature and description of the Company (Note 1)
Basis of Presentation and going concern (Note 2)

APPROVED BY THE BOARD

"Jeffrey Bacha" Director

"Michael Liggett" Director

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

RAKOVINA THERAPEUTICS INC.

CONSOLIDATED STATEMENTS OF NET LOSS AND COMPREHENSIVE LOSS

(All figures expressed in Canadian dollars unless otherwise noted)

	Note	**Year Ended** **December 31, 2023**	December 31, 2022
		$	**$**
Expenses			
Research and development	*16*	**1,671,677**	1,949,201
General and administrative	*16*	**810,424**	868,278
Total expenses		**2,482,101**	2,817,479
Other expense (income)			
Interest income		**(22,370)**	(28,275)
Interest expense	7	**107,515**	-
Accretion expense	7	**43,794**	-
Foreign exchange loss		**1,885**	2,030
Total other expense (income)		**130,824**	(26,245)
Net loss and comprehensive loss		**(2,612,925)**	(2,791,234)
Loss per share			
Basic and diluted	*11*	**(0.04)**	(0.04)
Weighted average shares outstanding:			
Basic and diluted	*11*	**69,848,394**	**69,828,794**

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

RAKOVINA THERAPEUTICS INC.

CONSOLIDATED STATEMENTS OF CASHFLOWS

(All figures expressed in Canadian dollars unless otherwise noted)

	Note	Year ended December 31, 2023	December 31, 2022
		$	$
CASH PROVIDED BY (USED IN):			
OPERATING ACTIVITIES			
Net loss		**(2,612,925)**	(2,791,234)
Adjustments for non-cash items			
Amortization	*5,16*	**536,109**	536,109
Share-based payments	*5,16*	**129,277**	258,534
Interest paid in shares	*8*	**17,880**	-
Accretion of convertible debt	*7*	**43,794**	-
Changes in non-cash working capital			
Prepaid expenses		**(18,249)**	27,520
Amounts receivable		**(5,196)**	59,142
Accounts payable and accrued liabilities		**52,619**	(11,925)
Due to related parties		**(5,020)**	4,994
		(1,861,711)	(1,916,860)
FINANCING ACTIVITIES			
Issuance of convertible debt	*7*	**1,514,000**	-
Convertible debt financing costs		**(112,807)**	-
Exercise of agent options	*8*	**-**	2,150
		1,401,193	2,150
CHANGE IN CASH AND CASH EQUIVALENTS		**(460,518)**	(1,914,710)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR		**896,831**	**2,811,541**
CASH AND CASH EQUIVALENTS, END OF YEAR		**436,313**	**896,831**

Other non-cash transactions		
Fair value reversal upon exercise of agent options	-	$2,399
Payment of interest in shares	$17,880	-

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

RAKOVINA THERAPEUTICS INC.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(All figures expressed in Canadian dollars unless otherwise noted)

	Note	**Share Capital**	**Equity Component of Convertible Debt**	**Contributed Surplus**	**Deficit**	**Total**
		$	**$**	**$**	**$**	**$**
Balance at December 31, 2021		13,574,617	-	490,798	(5,521,152)	8,544,263
Exercise of agent options	*8*	4,549	-	(2,399)	-	2,150
Share-based payments	*10*	-	-	258,534	-	258,534
Net loss		-	-	-	(2,791,234)	(2,791,234)
Balance at December 31, 2022		13,579,166	-	746,933	(8,312,386)	6,013,713
Balance at December 31, 2022		13,579,166	-	746,933	(8,312,386)	6,013,713
Issuance of convertible debt						
Conversion option	*7*	-	84,108	-	-	84,108
Warrants	*7*	-	-	36,791	-	36,791
Convertible debt transaction fees	*7*	-	(6,267)	(2,741)	-	(9,008)
Issuance of shares for interest	*7*	17,880	-	-	-	17,880
Share-based payments	*10*	-	-	136,051	-	136,051
Recovery of share-based payments	*10*			(6,774)		(6,774)
Net loss		-	-	-	(2,612,925)	(2,612,925)
Balance at December 31, 2023		**13,597,046**	**77,841**	**910,260**	**(10,925,311)**	**3,659,836**

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

1. Nature and description of the Company

Rakovina Therapeutics Inc. (the "Company" or "Rakovina") was incorporated under the *Business Corporations Act* (British Columbia) on May 6, 2019 under the name "Vincero Capital Corp." On February 7, 2020, the Company listed its shares on the TSX Venture Exchange ("TSX-V") as a capital pool company ("CPC") (as defined in the TSX-V Policy 2.4 – *Capital Pool Companies*). On March 25, 2021, the Company completed a qualifying transaction with NewGen Therapeutics Inc. by way of a "three-cornered" amalgamation.

On April 1, 2021 following the completion of the Qualifying Transaction, the common shares of the Company (the "Common Shares") resumed trading on the TSX-V under the symbol "RKV". The Company's first financial year-end subsequent to the completion of the Qualifying Transaction was December 31, 2021

As part of the Qualifying Transaction, The Company acquired certain rights to three classes of novel preclinical small-molecule drug candidates with established *in vitro* proof-of-concept data. The Company acquired worldwide rights, excluding the People's Republic of China, Hong Kong and Taiwan, to develop and commercialize the kt-2000 series under the terms of a purchase and patent assignment agreement. The Company has also been granted an exclusive option to patents claiming the initial kt-3000 and kt-4000 series drug candidates under the terms of an Evaluation and Option Agreement with the inventor of the kt-2000 series. The Company is conducting lead optimization research on all three series in collaboration with the University of British Columbia ("UBC") under the terms of a collaborative research agreement.

The Company's head office and registered and records office is located at Suite 720, 999 West Broadway, Vancouver, British Columbia, V5Z 1K5.

2. Basis of presentation and going concern

a) *Statement of compliance*

These consolidated financial statements ("financial statements") have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS").

These financial statements were approved by the Company's Board of Directors and authorized for issue on April 25, 2024.

b) *Basis of measurement*

These financial statements have been prepared on a historical cost basis, except for financial instruments classified at fair value through profit or loss, which are stated at their fair value or at amortized cost.

c) *Functional and presentation currency*

The functional currency of an entity is the currency of the primary economic environment in which the entity operates. The financial statements are presented in Canadian dollars which is the functional currency of the Company and its subsidiary.

d) *Principles of consolidation*

These financial statements include the accounts of the Company and its wholly-owned subsidiary Rakovina Research Ltd. Subsidiaries are fully consolidated from the date at which control is determined to have occurred. The financial statements of the subsidiaries 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.

e) *Uses of significant estimates and judgements*

The preparation of these financial statements in conformity with IFRS requires management to make estimates and judgements that affect the application of accounting policies, the reported amounts of assets and liabilities, expenses and related disclosures of contingent assets and liabilities, as well as the Company's ability to continue as a going concern. These estimates and judgements take into account historical and forward-looking factors that the Company believes are reasonable. Actual results could differ materially from these estimates and judgements. The Company reviews its estimates and underlying judgements on an ongoing basis. Revisions are recognized in the period in which the estimates are revised and may impact future periods

Management has applied significant estimates and judgements to the following:

Going concern

These financial statements have been prepared using IFRS, as issued by the IASB applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business. For the year ended December 31, 2023, the Company reported a net loss of $2,612,925. As at December 31, 2023 the Company had positive working capital of $477,881 and an accumulated deficit of $10,925,311 . Notwithstanding, the Company will require additional funds to develop and commercialize its technologies.

The Company is currently in the process of raising capital to support its ongoing operations and expects to secure sufficient financing during the second quarter of 2024 to fund operations over the next 12 months. Management believes that the Company will be able to continue as a going concern should the financing be obtained. However, there is no assurance that the financing will be obtained on terms favorable to the Company or at all. If the financing is not obtained, the Company may be required to take additional measures to address its liquidity needs, including reducing operating expenses or seeking alternative sources of financing. These events and conditions cast significant doubt on the Company's ability to continue as a going concern.

While the Company has been successful in arranging financing in the past, the success of such initiatives cannot be assured. These financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption deemed to be inappropriate. These adjustments could be material.

Impairment of finite life intangible assets

Finite life intangible assets are reviewed for impairment upon the occurrence of events or changes in circumstances indicating that the carrying value of the asset may not be recoverable. For the purpose of measuring recoverable amounts, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (being the present value of the expected future cash flows of the relevant asset or cash-generating unit). An impairment loss is recognized for the amount by which the asset's carrying value exceeds its recoverable amount. Management evaluates impairment losses for potential reversals when events or circumstances warrant such consideration.

Valuation of share-based payments, warrants and convertible debt

Management measures the costs for share-based payments, warrants and the conversion feature of convertible debt 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 risk-free and market rates of interest, future employee turnover rates, future exercise behaviors and corporate performance. Such estimates and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates of share-based payments and warrants.

3. Material accounting policies

a) Foreign currency translation

Transactions in foreign currencies are translated to the functional currency at the exchange rate on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the spot rate of exchange as at the period end. All differences are recognized in the statement of net loss and comprehensive loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date when the fair value was determined.

b) *Cash and cash equivalents*

Cash equivalents include guaranteed investments with a maturity of 90 days or less.

c) *Research and development expenses*

Expenditures on research and development activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in net loss and comprehensive loss as incurred. Investment tax credits related to current expenditures are included in the determination of net loss and comprehensive loss as the expenditures are incurred and when there is reasonable assurance they will be realized.

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. These criteria will be deemed by the Company to have been met when revenue is received by the Company and a determination that it has sufficient resources to market and sell its product offerings. Upon a determination that the criteria to capitalize development expenditures have been met, the expenditures capitalized will include the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditures will be expensed as incurred.

Capitalized development expenditures will be measured at cost less accumulated amortization and accumulated impairment losses. No development costs have been capitalized to date.

d) *Government assistance*

Government grants, including grants from similar bodies, consisting of investment tax credits are recorded as a reduction of the related expense or cost of the asset acquired. Government grants are recognized when there is reasonable assurance that the Company has met the requirements of the approved grant program and there is reasonable assurance that the grant will be received.

Research grants that compensate the Company for expenses incurred are recognized in net loss and compressive loss in the same period in which the expenses are recognized. Grants that compensate the Company for the cost of an asset are recognized in net loss and comprehensive net loss on a systematic basis over the useful life of the asset.

e) *Leases*

The Company assesses whether a contract is or contains a lease at inception of the contract. A lease conveys the right to direct the use and obtain substantially all of the economic benefits of an identified asset for a period of time in exchange for consideration.

The Company currently has one short term lease for office space which it has elected to account for using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the monthly lease payment is recognised as an expense in profit or loss on a straight-line basis over the lease term.

f) *Intangible assets*

The Company owns certain patents, intellectual property licenses and options to acquire intellectual property. The Company expenses patent costs, including license fees and other maintenance costs, until such time as the Company has certainty over the future recoverability of the intellectual property at which time it capitalizes the costs incurred. The Company capitalizes costs directly related to the acquisition of existing license patents.

The Company does not hold any intangible assets with an indefinite life.

Intangible assets with finite lives that are acquired separately are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization method and amortization period of an intangible asset with a finite life is reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in research and development expenses. Amortization of intangible assets is recognized in research and development expense on a straight-line basis over the useful economic lives of intangible assets from the date they are available for use.

g) Impairment

<u>Financial assets</u>

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired.

The Company applies a forward-looking expected credit loss (“ECL”) model, which requires a loss allowance be recognized based on expected credit losses, to financial assets measured at amortized cost. The estimated present value of future cash flows associated with the financial asset is determined and an impairment loss is recognized for the difference between this amount and the carrying amount as follows: the carrying amount of the financial asset is reduced to estimated present value of the future cash flows associated with the financial asset, discounted at the financial asset’s original effective interest rate, either directly or through the use of an allowance account and the resulting loss is recognized in profit or loss for the period. In a subsequent period, if the amount of the impairment loss related to the financial asset measured at amortized cost decreases, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

<u>Non-financial assets</u>

The carrying amounts of the Company's intangible assets with finite lives are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount is estimated. The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of cash inflows of other assets or cash-generating units. An impairment loss is recognized if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount. Impairment losses for intangible assets are recognized in research and development expenses. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

h) Provisions

Provisions are recognized when a present legal, statutory or constructive obligation exists as a result of past events where it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the consolidated statement of financial position date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, if the effect is material, its carrying amount is the present value of those cash flows.

i) Income taxes

Current tax and deferred tax are recognized in the Company's profit and loss, except to the extent that it relates to a business combination or items recognized directly in equity or in net loss and comprehensive loss.

Current income taxes are recognized for the estimated 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 period 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 assets can be utilized. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has been probable that future taxable profit will allow the deferred tax asset to be recovered.

j) Loss per share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share, except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. The inclusion of the Company's options and warrants in the computation of diluted loss per share has an anti-dilutive effect on the loss per share and therefore have been excluded from the calculation of diluted loss per share.

k) Share capital

The Company records proceeds from share issuances net of issue costs and any tax effects. The Company has adopted the 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 easily measurable component.

l) Share-based payments

The Company uses the fair value-based method of accounting for options granted. The Company calculates the fair value of each option grant using the Black Scholes option pricing model at the grant date. The share-based payment expense of the options is recognized over the relevant vesting period of the options and a corresponding increase to contributed surplus. Forfeitures are estimated and accounted for at the grant date and adjusted, if necessary, in subsequent periods.

Options awarded to non-employees are accounted for at the fair value of the goods received or the services rendered. 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.

The company accounts for options forfeited due to failure to meet vesting conditions by reversing the fair value of the unvested portion of the forfeited options and recognizing a credit to shared based compensation expense in the period of forfeiture

m) Convertible debentures

Convertible debentures are compound financial instruments which are accounted for separately by their components: a financial liability and an equity instrument. The financial liability, which represents the obligation to pay coupon interest on the convertible debenture in the future, is initially measured at its fair value and subsequently measured at amortized cost. The residual amount is accounted for as an equity instrument at issuance. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition. Upon conversion, the carrying value of the equity portion is transferred to common shares.

The identification of convertible debenture components is based on interpretations of the substance of the contractual arrangement and therefore requires judgement from management. The separation of the components affects the initial recognition of the convertible debenture at issuance and the subsequent recognition of interest on the liability component. The determination of the fair value of the liability component is also based on a number of assumptions, including contractual future cash flows, discount rates and the presence of any derivative financial instruments.

n) Financial instruments

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

The Company recognizes financial instruments based on their classification. Depending on the financial instruments' classification, changes in subsequent measurements are recognized in net loss and comprehensive loss. The Company has implemented the following classifications:

- Cash and cash equivalents are classified at fair value through profit or loss.
- Amounts receivable are classified as amortized cost. After their initial fair value measurement, they are measured at amortized cost using the effective interest method; and
- Accounts payable and accrued liabilities, Due to related parties and convertible debt are classified as other amortized cost. After their initial fair value measurement, they are measured at amortized cost using the effective interest method.

4. New standards and interpretations not yet adopted

Certain pronouncements have been issued by the IASB or IFRIC that are effective for accounting periods beginning on or after January 1, 2023.

i. Classification of liabilities as current or non-current (amendment to IAS 1);
ii. Disclosure of accounting policy amendments (amendment to IAS1);
iii. Property, plant and equipment – proceeds before intended use (amendment to IAS 16); and
iv. Annual improvements to IFRS standards – 2018-2020

With the exception of changing the Company's accounting policies from “significant” to “material”, the Company has reviewed all other updates and determined that many of these updates are not applicable to or consequential to the Company and have been excluded from discussion within these material accounting policies.

(All figures expressed in Canadian dollars unless otherwise noted)

There are no other standards, interpretations or amendments to existing standards that are not yet effective that are expected to have a material impact on the financial statements of the Company.

Certain pronouncements have been issued by the IASB or IFRIC that are effective for accounting periods beginning on or after January 1, 2024. The Company has reviewed these updates and determined that many of these updates are not applicable to or consequential to the Company and have been excluded from discussion with these material accounting policies.

5. Intangible assets

In conjunction with the Qualifying Transaction which closed on March 25, 2021, the Company acquired the world-wide rights, excluding the Peoples Republic of China, Hong Kong and Taiwan, to the kt-2000 series of PARP inhibitors from NewGen in exchange for 30,000,000 shares with a value of $6,000,000. The Company has been issued patents and patent pending applications related to the kt-2000 asset extending to at least 2032.

The Company is amortizing the value of the acquired patents on a straight-line basis over the patent's useful life. The Company assessed the kt-2000 for impairment at December 31, 2023 and concluded that there is no impairment.

	Acquired Patents $
Cost	
Balance at December 31, 2021	6,000,000
Additions	-
Balance at December 31, 2022 and 2023	**6,000,000**
Accumulated amortization	
Balance at December 31, 2021	412,731
Amortization	536,109
Balance at December 31, 2021	948,840
Amortization	**536,109**
Balance at December 31, 2023	**1,484,949**
Net book value	
Balance at December 31, 2022	5,051,160
Balance at December 31, 2023	**4,515,051**

6. Prepaid expenses

The Company had prepaid expenses as follows:

	December 31 2023 $	December 31 2022 $
UBC research contract	108,500	152,250
Marketing agreements	62,000	-
D&O insurance	5,636	5,637
	176,136	157,887

7. Convertible Debt

On May 29, 2023, the Company closed a non-brokered financing of unsecured convertible debenture units ("Debenture Units") for gross proceeds of $1,514,000. Each Debenture Unit is deemed to consist of $50,000 in principal amount of unsecured convertible debenture of the Company and 100,000 common share purchase warrants. The convertible debenture bears interest at 12% per annum, is paid semi-annually in arrears in cash or common shares at the holder's option and matures on November 29, 2025. Each warrant is exercisable at $0.15 for a period of 30 months. The convertible debentures are convertible at the holder's option into common shares at a fixed conversion price of $0.20 per share.

(All figures expressed in Canadian dollars unless otherwise noted)

The component parts of the convertible debt, a compound instrument, are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instrument is an equity instrument. The warrants have also been classified as equity.

At initial recognition, the Convertible Debt proceeds of $1,514,000 were allocated between the debt and equity components. The fair value of the debt portion was estimated at $1,289,301 net of transaction costs of $103,800 using a discounted cash flow model method with an expected life of 30 months and a discount rate of 16.0%. which was the estimated rate for a similar instrument without a conversion feature. This amount is recorded as a financial liability on an amortized cost basis using an effective interest rate of 19.6% until extinguished upon conversion or at its maturity date.

The conversion option and warrants are classified as separate components in equity and fair value was estimated based on the residual value of $111,891 net of transaction costs of $9,008. The residual value was allocated between the conversion option and warrant components based on their relative fair values using the Black Scholes option pricing model with the following assumptions:

	Warrants	**Conversion Option**
Grant date share price	$0.13	$0.13
Exercise price	$0.15	$0.20
Risk-free interest rate	4.33%	4.33%
Expected life (years)	2.5	2.5
Expected annualized volatility	115%	115%
Expected dividend yield	0%	0%
Fair value	$0.081	$0.074

This amount is not subsequently remeasured and will remain in equity until the conversion option and warrants are exercised, in which case, the balance recognized in equity will be transferred to share capital. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance will be reclassified to contributed surplus.

Total transaction costs of $112,808 that relate to the issuance of the Convertible Debt were allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the life of the convertible debentures using the effective interest method.

The following table summarizes the continuity of the Company’s Convertible Debt:

	$
Balance, December 31, 2022	-
Issuance of convertible debt	1,514,000
Equity component of convertible debt	(84,108)
Warrants	(36,791)
Transaction costs	(103,800)
Interest at effective rate of 19.6%	151,309
Current interest payable	(107,515)
Balance – December 31, 2023	**1,333,096**

Accretion expense of $43,794 was booked for the year ended December 31, 2023 (2022 – nil) which reflects the difference between interest expense at the effective rate of 19.6% and interest payable.

(All figures expressed in Canadian dollars unless otherwise noted)

8. Share capital

The Company is authorized to issue an unlimited number of voting and participating common shares.

Share capital activities for the year ended December 31, 2023:

i) On November 27, 2023, there were 255,425 shares issued at a fair value of $0.07 per share to pay $17,880 of accrued convertible debenture interest.

Share capital activities for the year ended December 31, 2022:

ii) On January 13, 2022, there were 21,500 agent options exercised for proceeds of $2,150.

The number of common shares outstanding and their carrying values for the years presented are as follows:

	#	$
Balance at December 31, 2021	69,808,000	13,574,617
Exercise of agent options	21,500	4,549
Balance at December 31, 2022	69,829,500	13,579,166
Issuance of common shares – convertible debt interest	255,425	17,880
Balance at December 31, 2023	**70,084,925**	**13,597,046**

As at December 31, 2023 there were 4,612,500 shares held in escrow which were released on March 31, 2024.

9. Warrants

Changes to the warrants balance during the years ended December 31, 2023 and 2022 are as follows:

	Number #	Weighted average exercise price $	Weighted-average Remaining life
Balance at December 31, 2021 and December 31 2022	12,733,690	0.38	0.5 years
Finder's warrants expired	(1,318,940)	0.20	-
Issued with convertible debt	3,028,000	0.15	1.9 years
Balance at December 31, 2023	**14,442,750**	**0.35**	**0.6 years**

The Company extended the expiry date of 11,414,750 investor warrants with an exercise price of $0.40 per warrant by one year to March 24, 2024.

10. Share-based payments

Long term incentive plan ("LTI Plan")

The Company maintains an LTI Plan which provides the Company with the flexibility to attract, retain and motivate employees, officers, directors, advisors, and consultants through the ability to issue options and additional award types such as performance share units, restricted share units, restricted shares and deferred share units. The maximum number of common shares that may be issued under the LTI Plan and any share-based payment arrangements may not exceed 10% of the common shares issued and outstanding. Options granted under the option plan will have a maximum term of ten years. The exercise price of options granted will not be less than the market price of the common shares (defined as the last closing market price of the Company's common shares immediately preceding the day on which the Company announces the granting of the options), or such other price as may be agreed to by the Company and accepted by the TSX-V. Vesting terms are determined by the Board of Directors at the time of grant.

(All figures expressed in Canadian dollars unless otherwise noted)

Stock Options

Changes to the stock option balance during the years ended December 31, 2023 and 2022 are as follows:

	Number #	Weighted average exercise price $
Balance at December 31, 2021	5,651,500	0.20
Issuance of options	150,000	0.15
Exercised agent options	(21,500)	0.10
Balance at December 31, 2022	5,780,000	0.20
Issuance of options	1,367,500	0.15
Options forfeited	(165,000)	0.20
Balance at December 31, 2023	**6,982,500**	**0.19**

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

Weighted average exercise price $	Number #	Weighted average remaining contractual life	Exercisable #	Weighted average exercise price $
0.20	5,295,000	2.25 years	4,412,505	0.20
0.24	170,000	2.88 years	113,331	0.24
0.15	150,000	3.40 years	75,000	0.15
0.15	1,367,500	4.66 years	-	0.15
0.19	**6,982,500**	**2.76 years**	**4,600,836**	**0.19**

Fair Value of options Issued

On August 28, 2023 the Company issued 1,367,500 stock options to certain directors, officers, and consultants. The fair value of each option granted was determined using the Black-Scholes option pricing model with the following assumptions:

Grant date share price	$0.105
Exercise price	$0.15
Risk-free interest rate	4.02%
Expected life (years)	5 years
Expected annualized volatility	146%
Expected dividend yield	0%
Fair value	$0.09

On May 25, 2022, the Company issued 150,000 stock options to a contract researcher. The fair value of each option granted was determined using the Black-Scholes option pricing model with the following assumptions:

Grant date share price	$0.15
Exercise price	$0.15
Risk-free interest rate	2.6%
Expected life (years)	5 years
Expected annualized volatility	100% (historical volatility of similar listed entities)
Expected dividend yield	0%
Fair value	$0.11

The Company recognized share-based payments expense of $129,277 for the year ended December 31, 2023 (2022 - $258,534) which was allocated between research and development expenses and general and administrative expenses as detailed in Note 17.

(All figures expressed in Canadian dollars unless otherwise noted)

11. Loss per share

Loss per share is calculated by dividing the loss by the weighted average number of shares outstanding during the reporting period. For the years ended December 31, 2023 and 2022, respectively, the Company excluded all dilutive instruments as their inclusion would be anti-dilutive.
The following table reconciles the denominator used for the basic and diluted loss per share calculation:

	Year ended December 31, 2023	Year ended December 31, 2022
	#	#
Basic weighted average shares	**69,848,394**	69,828,794
Effect of dilutive instruments	**-**	-
Diluted weighted average shares	**69,848,394**	69,828,794

12. Capital risk management

The Company's objectives when managing capital are to advance its programs in a timely manner, while safeguarding the Company’s cash and cash equivalents and its ability to continue as a going concern, and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

The Company manages its capital structure and adjusts it, based on the funds available to the Company, in order to support the development and commercialization of its technologies. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company’s management to sustain future development and commercialization of the business. The Company defines capital that it manages as shareholders’ equity. The intellectual property in which the Company currently has an interest are in the development stage, as such the Company has historically relied on the equity markets to fund its activities. The Company will continue to assess sources of working capital and financing available and to assess the potential for collaboration with interested partners with a view to managing its current financial resources, in the interest of sustaining the long-term viability of the Company’s research and development programs.

Management reviews its capital management approach on an on-going basis and believes that this approach, given the stage of the Company, is reasonable. There have been no changes to the Company’s approach to capital management during the year ended December 31, 2023.

13. Financial instruments and risk management

The Company classifies its financial assets into the following specified categories: amortized cost, fair value through other comprehensive income (“FVTOCI”); and fair value through profit or loss (“FVTPL”). Financial liabilities are classified as FVTPL or classified as loans and borrowings measured at amortized cost. Classification depends on the purpose for which the financial assets and liabilities were acquired or incurred. Management determines the classification of its financial instruments at initial recognition.

Financial instruments consist of cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities, due to related parties and convertible debt.

Fair values

The Company has classified its financial instrument fair values based on the required three level hierarchies:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: inputs other than quoted prices included in Level 1, but that are observable for the asset or liability, either directly or indirectly; and
Level 3: inputs for the asset or liability that are not based on observable market data.

The fair value hierarchy level at which a fair value measurement is categorized is determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Company records cash and cash equivalents at fair value using level 1 inputs. There were no transfers from levels 1, 2, and 3 during the year ended December 31, 2023.

The fair values of cash and cash equivalents, amounts receivable, accounts payable and accrued liabilities, due from related parties, and convertible debt approximate the carrying values due to the short-term nature of these instruments.

Financial risk factors

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

Credit risk

Credit risk is the risk of loss associated with the counterparty's inability to fulfill its payment obligations. Financial instruments that potentially subject the Company to concentrations of credit risks consist of cash and cash equivalents and amounts receivable. The Company's cash and cash equivalents consists of funds held in a reputable Canadian bank. The amounts receivable is related to GST receivable from the Government of Canada and accrued interest from a reputable Canadian bank. Management actively reviews the risk of the financial institutions and/or the counterparty to underlying financial instruments failing to meet its obligations and adjusts if and when any undue risk is identified. At December 31, 2023, the Company does not believe it is currently exposed to any significant credit risk.

Interest rate risk

Interest rate risk is the risk that changes in market interest rates may have an effect on the cash flows associated with some financial instruments, known as interest rate cash flow risk, or on the fair value of other financial instruments, known as interest rate price risk. The Company is not exposed to any significant interest rate risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. Liquidity risk is managed by maintaining adequate cash reserves and by closely monitoring forecast and actual cash flows. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company's ability to raise equity financing in a timely manner and by maintaining sufficient cash over anticipated needs.

The Company is obligated to the following contractual maturities of undiscounted cash flows at December 31, 2023:

	Amount $	Year 1 $	Year 2 $	Year 3 and over $	Total $
Trade and other payables	154,647	154,647	-	-	154,647
Convertible debt[1]	1,514,000	181,680	1,695,680	-	1,877,360
	1,668,647	336,327	1,695,680	-	2,032,007

[1] The principle amount of convertible debt ($1,514,000) can be settled with common shares at the Company's option and the related interest can be settled in common shares of the Company at the option of the holders (see note 5).

Foreign currency risk

The Company is exposed to foreign currency risk on fluctuations in foreign exchange rates for any cash, amounts receivable, accounts payable and accrued liabilities that are denominated in foreign currencies. The Company's foreign currency risk is primarily related to expenses denominated in United States dollars.

There has been no significant change in the credit risk and concentrations, interest rate risk, liquidity risk or foreign currency risk since December 31, 2023.

(All figures expressed in Canadian dollars unless otherwise noted)

14. Related party transactions

The key management personnel of the Company are the Directors, Executive Chairman, President and Chief Scientific Officer, Chief Operating Officer, and Chief Financial Officer. Amounts due to related parties, including amounts due to key management personnel, at the period-end are unsecured, interest-free and settlement generally occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

As at December 31, 2023, the Company had amounts due to related parties of $74,289 **(**$79,309 at December 31, 2022) comprised of board fees, management compensation and reimbursable expenses. Compensation to key management personnel for the reporting period is as follows:

	Year ended December 31, 2023 $	Year ended December 31, 2022 $
Compensation and short term benefits	511,638	462,648
Board fees	119,954	120,920
Share-based payments	117,015	224,189
	748,608	**807,757**

For the year ended December 31, 2023, the Company incurred rent expense of $42,000 (2022 - $38,500) to a Director of the Company, pursuant to a short-term lease agreement for office space.

All related party transactions, whether monetary or non-monetary, are conducted in the normal course of business and are measured at fair value, which is the consideration established and agreed to by the related parties.

15. Income taxes

The tax provision differs from the amount computed by applying the statutory income tax rate to net loss before income taxes as follows:

	Year ended December 31, 2023 $	Year ended December 31, 2022 **$**
Loss before income taxes	(2,612,925)	(2,791,234)
Statutory income tax rate	27%	27%
Expected tax recovery	(705,000)	(754,000)
Permanent differences	35,000	71,000
Share issuance costs	115,000	**-**
Adjustment to prior years provision versus statutory tax return	-	235,000
Change in unrecognized deferred tax asset	555,000	448,000
Total income tax expense (recovery)	-	-

	December 31, 2023 $	December 31, 2022 $
Non-capital loss carry forward	1,472,000	970,000
Intangible assets	215,000	191,000
Convertible debt	16,000	-
Share issuance costs	69,000	55,000
	1,772,000	1,216,000
Unrecognized deferred tax asset	(1,722,000)	(1,216,000)
Net deferred tax assets	-	-

(All figures expressed in Canadian dollars unless otherwise noted)

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included in the consolidated statements of financial position are as follows:

Type	**2023 $**	**Estimated Expiry**
Non-capital losses	5,452,000	2026 to 2043
Intangible assets	2,281,000	No Expiry date
Convertible debt	60,000	No Expiry date
Share issuance costs	255,000	2024-2048

16. Components of expenses

	Year ended December 31, 2023 $	Year ended December 31, 2022 $
Research and development		
Contract research per the UBC Agreement	477,750	609,000
Amortization (Note 7)	536,109	536,109
Consulting	311,068	358,084
Chemistry and manufacturing	210,285	183,516
Share-based payments (Note 10)	76,839	175,565
Patent and legal fees	59,626	86,927
	1,671,677	1,949,201
General and administrative		
Legal and professional	155,795	261,995
Corporate communications	225,190	114,214
Share-based payments (Note 10)	52,438	82,969
Consulting	156,000	156,020
Director fees	119,955	120,920
Rent	42,000	38,500
Other expenses	59,045	93,660
	810,424	868,278