StageZero Life Sciences Ltd.

Three-month periods ended March 31, 2023 and 2022

Unaudited, condensed consolidated interim financial statements and associated notes

[Expressed in US dollars, unless otherwise noted]

StageZero Life Sciences Ltd.

Unaudited Condensed Consolidated Interim Financial Statements
Three-month period ended March 31, 2023 and 2022
[Expressed in US dollars, unless otherwise noted]

Consolidated Financial Statements

STAGEZERO LIFE SCIENCES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
[EXPRESSED IN US DOLLARS]

	Notes	March 31, 2023	December 31, 2022
		$	$
ASSETS			
Current			
Cash		**36,295**	15,684
Trade and other receivables		**72,448**	31,243
Inventories	*4*	**82,943**	95,621
Short-term portion of prepaid expenses and deposits		**107,195**	123,665
Total current assets		**298,881**	266,213
Non-current assets			
Property, plant and equipment, net		**236,979**	286,436
Right of use assets		**148,003**	148,003
Total non-current assets		**384,982**	434,439
Total assets		**683,863**	700,652
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)			
Current			
Trade and other payables	*5*	**6,371,860**	5,473,382
Deferred revenues	*15*	**8,575**	68,824
Short-term portion of lease liabilities	*16*	**132,349**	193,756
Fair value of convertible debenture	*6[c]*	**49,545**	115,918
Short-term loan	*6[d]*	**316,590**	61,746
Short-term liabilities		**67,340**	67,340
Short-term portion of warrant liability	*7*	**231,709**	192,877
Short-term portion of notes payable	*6[a][b]*	**831,323**	852,281
Total current liabilities		**8,009,091**	7,026,124
Non-current liabilities			
Long-term portion of warrant liability	*7*	**971,329**	601,483
Long-term loan		**44,544**	44,544
Long-term portion of notes payable	*6[b]*	**635,249**	531,838
Total non-current liabilities		**1,651,122**	1,177,865
Total liabilities		**9,660,413**	8,203,989
Shareholders' equity (deficiency)			
Share capital	*8[b]*	**101,466,776**	101,392,225
Contributed surplus	*8[d]*	**13,173,161**	12,909,025
Accumulated other comprehensive income		**1,234,743**	1,234,743
Deficit		**(124,851,230)**	(123,039,330)
Total shareholders' deficiency		**(8,976,550)**	(7,503,337)
Total liabilities and shareholders' deficiency		**683,863**	700,652
Commitments and contingencies	*17*		
Subsequent event	*18*		

See accompanying notes to the consolidated financial statements.

Approved by the Company's board of directors and authorized for issue on May 15, 2023:

(signed) James R. Howard-Tripp, Director (signed) Garth MacRae, Director

STAGEZERO LIFE SCIENCES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
[EXPRESSED IN US DOLLARS]

		Three month period ended March 31	
		2023	2022
	Notes	**$**	$
REVENUES		**778,515**	1,320,988
Cost of revenue	*9*	**642,427**	1,361,266
Gross profit		**136,088**	(40,278)
EXPENSES			
Research and development	*9*	**61,010**	126,632
Sales and marketing	*9*	**76,133**	486,840
General and administrative	*9*	**1,254,148**	1,984,293
Total Expenses		**1,391,291**	2,597,765
Loss from operations		**(1,255,203)**	(2,638,043)
Loss from fair valuation of warrants	*7*	**408,678**	(1,318,363)
Gain from fair vauation of contingent consideration	*4*	**-**	(772,284)
Change in fair value of convertible debenture	*6[c]*	**8,178**	-
Finance and transaction costs	*14*	**139,841**	43,102
		556,697	(2,047,545)
Net loss before income taxes		**(1,811,900)**	**(590,498)**
Current income taxes		**-**	**-**
Deferred income taxes		**-**	**-**
Net loss after income taxes		**(1,811,900)**	**(590,498)**
Total loss and comprehensive loss for the year		**(1,811,900)**	(590,498)
Basic and diluted loss per common share	*8[c]*	**(0.02)**	(0.01)

See accompanying notes to the consolidated financial statements.

STAGEZERO LIFE SCIENCES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIENCY)
[EXPRESSED IN US DOLLARS]

	Share capital		Contributed surplus	Accumulated other comprehensive income	Deficit	Total
	Shares	Amount				
	#	$	$	$	$	$
	[note 8[b]]		*[note 8]*			
Balance at January 1, 2023	105,464,644	101,392,225	12,909,025	1,234,743	(123,039,330)	(7,503,337)
Net loss for the three months period ended year	-	-	-	-	(1,811,900)	(1,811,900)
Share-based compensation	-	-	264,136	-	-	264,136
Issuance of broker warrants			-			-
Issuance of common shares in convetiabe debentrue conversion	927,271	74,551	-	-	-	74,551
Balance at March 31, 2023	**106,391,915**	**101,466,776**	**13,173,161**	**1,234,743**	**(124,851,230)**	**(8,976,550)**

	Share capital		Contributed surplus	Accumulated other comprehensive income	Deficit	Total
	Shares	Amount				
	#	$	$	$	$	$
	[note 8[b]]		*[note 8[d]]*			
Balance at January 1, 2022	90,733,283	100,520,978	12,559,288	1,305,457	(111,623,958)	2,761,765
Net loss for the three months period ended year	-	-	-	-	(590,498)	(590,498)
Share-based compensation	-	-	54,275	-	-	54,275
Issuance of broker warrants			111,230			111,230
Issuance of common shares with private placement	10,800,000	665,243	-	-	-	665,243
Share issuance costs		(112,111)				(112,111)
Balance at March 31, 2022	**101,533,283**	**101,074,110**	**12,724,793**	**1,305,457**	**(112,214,456)**	**2,889,904**

See accompanying notes to the consolidated financial statements.

STAGEZERO LIFE SCIENCES LTD.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
[EXPRESSED IN US DOLLARS]

		Three month period ended March 31	
		2023	2022
	Notes		
OPERATING ACTIVITIES			
Net profit (loss) for the period		**(1,811,900)**	(590,498)
Non-cash adjustments			
Share-based compensation	*8[d]*	**65,163**	165,505
Depreciation	*9*	**59,576**	60,169
Amortization of right of use property		**-**	32,971
Change in fair value of contingent consideration liability		**-**	(772,284)
Change in fair value of convertible debenture		**8,178**	-
Non-cash interest expense		**126,459**	28,760
Non-cash change in interest on lease liability		**6,244**	14,342
Foreign exchange		**(32,307)**	881
(Gain)/loss on revaluation of warrants		**408,678**	(1,318,363)
		(1,169,909)	(2,378,517)
Changes in non-cash working capital balances related to operations			
Trade and other receivables		**(41,205)**	19,667
Contract Liability		**60,249**	18,902
Prepaid expenses and deposits		**16,470**	20,871
Inventory		**12,678**	64,705
Trade and other payables		**898,478**	10,115
Cash used in operating activities		**(223,239)**	(2,244,257)
FINANCING ACTIVITIES			
Short-term loan proceeds		**254,318**	-
Payment of principal to Health Diagnostic Laboratories Inc.	*6[a]*	**-**	(30,000)
Repayment of lease liability		**(67,651)**	(65,682)
Proceeds from issuance of notes payable		**50,000**	-
Proceeds from issuance of units		**-**	1,336,544
Payment of note payable and interest		**7,183**	-
Proceeds from issuance of shares and warrants for capital commitment		**-**	-
Cash share issue costs		**-**	(112,117)
Cash provided by financing activities		**243,850**	1,128,745
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**-**	-
Proceed from disposal of property, plant and equipment		**-**	-
Cash used in investing activities		**-**	-
Net increase (decrease) in cash during the period		**20,611**	(1,115,512)
Cash, beginning of period		**15,684**	1,724,724
Cash, end of period		**36,295**	609,212

See accompanying notes to the consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

StageZero Life Sciences, Limited (“StageZero Life Sciences”, the “Company”, “we”, “us”, “our”) is a vertically integrated healthcare company at the nexus of three of the fastest growing and most exciting sectors of healthcare today; Early Cancer Detection, Liquid Biopsy, and Global Telehealth. The Company is focused on minimizing the risk of cancer and other chronic diseases through early detection and intervention.

In its laboratory business the company continues to develop and commercialize proprietary molecular diagnostic tests for early detection of diseases and personalized health management, with a primary focus on cancer-related indications. The Company has developed a proprietary platform technology, the Sentinel Principle®, to identify novel biomarkers from whole blood. The Company’s lead product, Aristotle®, is a blood-based molecular diagnostic assessment that can detect an individual’s current risk for potentially having a variety of cancers.

The Company acquired the CareOncology businesses of Health Clinics Ltd, and Health Clinics USA Corp (“CareOncology”) in the third quarter of 2021 (Note 3). CareOncology operates a virtual clinic as well as a physical clinic in the UK, that operate on a global telehealth platform and provides clinical consultations, interventions and monitoring services for patients diagnosed with cancer through the CareOncology Protocol (TREAT Program). CareOncology has also developed the AVRT program, which evaluates a patient’s potential risk of developing cancer and a variety of other chronic illnesses. AVRT provides monitoring/interventions that are intended to target the inflammatory and metabolic pathways that underlie the progression of many diseases.

In 2022 and the first quarter of 2023, the Company has focused on its CareOncology businesses and has re-focused on the development and commercialization of Aristotle.

The Company is incorporated under the laws of the Province of Ontario and is domiciled in Ontario, Canada. Its shares are publicly traded under the stock symbol SZLS on the Toronto Stock Exchange. The Company’s registered office is located at Unit 30, 70 East Beaver Creek Road, Richmond Hill, Ontario, L4B 3B2.

StageZero Life Sciences Ltd. has wholly owned subsidiary companies, StageZero Holdings Inc., which owns 100% of StageZero Life Sciences Inc. (“Inc.”), Care Oncology, Inc, and SZ Physician Holdings, Inc, all in the United States, and Clinics Operations, Ltd. (also referred to as CareOncology UK).

These condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes that the future operations will allow for the realization of assets and the discharge of liabilities in the normal course of business. These consolidated financial statements do not include any adjustments to the carrying value and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern, and such adjustments could be material. The Company reported a consolidated net loss of $1.8 million for the three months ended March 31, 2023 [March 2022 – loss of 0.6 million]. As at March 31, 2023, the Company had working capital deficit of $8.8 million [December 31, 2022, working capital deficit of $6.7 million] and a deficit of $125 million [December 31, 2022 – $123 million].

These circumstances create material uncertainties that cast significant doubt as to the ability of the Company to continue as a going concern and, hence, as to the appropriateness of the use of accounting principles applicable to a going concern. The Company is actively pursuing additional financing to further develop certain of the Company’s commercial and scientific initiatives; but there is no assurance these initiatives will be successful, timely or sufficient.

2. BASIS OF PRESENTATION

These consolidated financial statements have been prepared on a historical cost basis, except for the revaluation of certain financial instruments. The Company’s principal accounting policies outlined below have been applied consistently to all periods presented in these condensed consolidated interim financial statements.

[EXPRESSED IN US DOLLARS]

Statement of compliance

These condensed consolidated interim financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS"), and in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2022, which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies followed in these condensed consolidated interim financial statements are consistent with those applied in the Company's consolidated financial statements for the year ended December 31, 2022. These condensed consolidated interim financial statements were approved and authorized for publication by the Board of Directors on May 15, 2023.

Accounting standards, amendments, and interpretations not yet adopted or effective

As discussed in the notes to the Company's audited financial statements for the year ended December 31, 2022 certain new standards, amendments, and interpretations have been issued which are not yet effective for the Company's consolidated financial statements for the periods presented. The Company has not early adopted any standards, amendments, or interpretations, which are issued but not yet effective.

3. ACQUISITION OF CARE ONCOLOGY BUSINESS

On September 2, 2021, the Company acquired 100% of the shares of Clinics Operations Limited ("COL"), a company incorporated in England and, through the Company's newly incorporated subsidiaries Care Oncology Inc.("COI") and Care Oncology Physicians ("COP"), the operating assets of Health Clinics USA Corp. Both were acquired from Health Clinics Limited ("HCL"), the ultimate parent of both entities, for consideration with a fair value of $7,283,827.

The consideration was comprised of: 12,500,000 shares issued on the date of closing, September 2, 2021; 2,500,000 shares that were issued upon the successful acquisition of a Care Quality Commission ("CQC") license by COL (the "CQC Consideration"), October 22, 2021; and contingent consideration consisting of 8,000,000 common shares, pending approval by the Company's shareholders. On December 10, 2021 the shareholders elected to award the issuance of the 8,000,000 common shares upon achieving the Earn Out Consideration. Since the revenue target was not attained in a continuous 12-month period between September 2021 and December 31, 2022, the shares were not earned. The 12,500,000 shares were valued based on the share price at issuance, September 2, 2021, being Cdn$ 0.42, or $4,160,625. These shares were subject to a Lock Up Agreement that restricted the Holders' ability to sell those shares, releasing one third four months from the closing date, one third eight months from the closing date, and the final third on the anniversary of the closing date.

Company issued an additional 2,500,000 common shares on December 2, 2021, upon Clinic Operations Limited obtaining a Care Quality Commission license in England and accordingly, the related shares were valued using the same closing price, at $832,125.

4. INVENTORIES

Inventories comprise of lab supplies and test kits.

	At March 31, 2023	At December 31, 2022
Inventory	**82,943**	177,905
Impairment of inventory	-	(82,284)
Total Inventory	**82,943**	95,621

5. TRADE AND OTHER PAYABLES

[EXPRESSED IN US DOLLARS]

The Company's exposure to liquidity and currency risks related to trade and other payables is presented in note 12.

	At March 31, 2023	At December 31, 2022
	$	$
Trade payables	**3,014,274**	2,821,499
Accrued directors' compensation	**420,000**	540,000
Accrued salary related expenses	**1,764,485**	1,521,982
Other accrued liabilities	**1,173,101**	589,901
Total trade payables and accrued liabilities	**6,371,860**	5,473,382

6. NOTES PAYABLE AND CONVERTIBLE DEBENTURES

Notes payable consists of:

	At March 31, 2023	At December 31, 2022
	$	$
Note payable to HDL [a]	**755,249**	725,838
Note payable to shareholders and a director [b]	**711,323**	658,821
Total	**1,466,572**	1,384,659
Less: current portion of notes payable	**(831,323)**	(852,281)
Long-term portion of notes payable	**635,249**	532,378

Convertible debenture held at fair value consists of:

	At March 31, 2023	At December 31, 2022
	$	$
Convertible debenture [c]	**49,454**	115,918

Long-term loan consists of:

	At March 31, 2023	At December 31, 2022
	$	$
Other loans [d] (short-term)	**316,590**	61,746
CEBA Loan [d] (long-term)	**44,544**	44,544

[a] Note payable to HDL

In May 2015, StageZero Holdings issued a note payable in the amount of $1.0 million to Health Diagnostic Laboratories (HDL) to purchase additional shares of StageZero Life Sciences Inc. increasing its share from 33⅓% to 50% and in March 2016, StageZero Holdings assumed an additional $1.0 million note payable to HDL to own 100% of StageZero Life Sciences Inc. Effective March 1, 2017, the Company agreed to pay principal of $2,095,843.

On March 1, 2017 the Company and HDL's representative reached an agreement pursuant to which StageZero Holdings would pay the principal amount of $2,095,843, to be paid in a $25,000 upfront payment and monthly payments of $15,000 beginning March 1, 2017 to July 1, 2017, followed by monthly payments of $10,000 until the outstanding debt has been paid in full.

[EXPRESSED IN US DOLLARS]

The note payable was initially recognized at fair value, and subsequently measured at amortized cost using the effective interest rate method. The initial fair values were calculated with a valuation technique that uses parameters obtained from observable markets, including credit spread and interest rate volatility. The prevailing interest rate used in the valuations was 16% at initial recognition. The loan is unsecured, and the balance of the note is expected to be repaid in full by 2034. During three months ended March 31, 2023, the Company paid nil [2022 - $30,000]

[b] Notes payable to shareholders and director

At March 31, 2023, the convertible notes payable balance is $711,323 including accrued interest payable, which approximates the fair value. The notes are secured by a security interest in the Company's patents and trademarks.

[c] Convertible debenture

Convertible Debenture Private Placement in August 2022

The Company closed a private placement of convertible debentures (each a "Debenture") for gross proceeds of Cdn$177,000 on August, 2022 (the "Offering"). Each Unit is composed of (i) a $1,000 unsecured convertible debenture ("Debenture"), bearing interest at a rate of 8% per annum, having a term of eighteen (18) months from the date of issuance and is convertible into common shares ("Common Shares") of the Company, at a conversion price of $0.11 per Common Share, and (ii) 9090 Common Share purchase warrants (each a "Warrant"). Each Warrant is exercisable into one (1) Common Share of the Company at an exercise price of CAD$0.15 per Common Share for a period of eighteen (18) months from the date of issuance of the Units. Securities issued pursuant to the Offering are subject to a statutory hold period lasting four (4) months and a day after the issuance of the securities.

	Fair value of convertible debenture
	$
At January 1, 2023	115,918
Issuance during the period	-
Revaluation during the period	8,178
Less: Conversion	(74,551)
At March 31, 2023	49,545

[d] Short-term and long-term loans

During 2020 and second quarter of 2021, the Company received a Cdn$60,000 Canada Emergency Business Account ("CEBA") loan from the Government of Canada via its commercial bank. The loan was interest free until December 31, 2022. If Cdn$40,000 of the loan was repaid by December 31, 2022, the remaining balance (maximum Cdn$20,000) would have been forgiven. Since the loan was not repaid by December 31, 2022, interest at 5% will be charged per annum commencing on January 1, 2023 until maturity on December 31, 2025. The loan is unsecured.

In 2022and the first quarter of 2023, the Company received a loan $16,030 from a former employee and $300,560 from a third party. The loan from the third party is secured by a security interest in the Company's accounts receivable.

7. WARRANT LIABILITY

	#	$
At January 1, 2023	48,356,982	794,360
Fair value changes		408,678
At March 31, 2023	48,356,982	1,203,038
Short-term portion of warrant liability		**231,709**
Long-term portion of warrant liability		**971,329**

The following warrants were issued and outstanding at March 31, 2023:

The weighted average exercise price for total outstanding warrants as at March 31 2023 is Cdn$ 0.61.
The exchange rate of USD to Cdn$ was 1.3533 at March 31, 2023.

[a] Warrants issued 2022

Warrants issued for Unit Private Placement on March 3, 2022
The Company closed a private placement of its common shares ("Common Shares") and warrants to purchase Common Shares ("Warrants") with institutional investors for gross proceeds of approximately CAD$1.87 million (the "Private Placement"). Pursuant to the Private Placement, the Company issued 10,000,000 Common Shares and Warrants to purchase up to an aggregate of 10,000,000 Common Shares at a purchase price of CAD$0.187 per Common Share and associated Warrant. Each Warrant entitles the holder to purchase one Common Share at an exercise price of CAD$0.2206 per Common Share for a period of four years following the issuance date. H.C. Wainwright & Co. acted as the exclusive placement agent for the Private Placement. 800,000 broker warrants have been issued to H.C. Wainwright & Co. at an exercise price of CAD$0.2206 per Common Share for a period of four years following the issuance date.

Warrants issued for Unit Private Placement on August 18, 2022
The Company closed a private placement of its common shares ("Common Shares") and warrants to purchase Common Shares ("Warrants") with institutional investors for gross proceeds of approximately CAD$177,000 (the "Private Placement"). Each Unit is composed of (i) a $1,000 unsecured convertible debenture ("Debenture"), bearing interest at a rate of 8% per annum, having a term of eighteen (18) months from the date of issuance and is convertible into common shares ("Common Shares") of the Company, at a conversion price of $0.11 per Common Share, and (ii) 9090 Common Share purchase warrants (each a "Warrant"). Each Warrant is exercisable into one (1) Common Share of the Company at an exercise price of CAD$0.15 per Common Share for a period of eighteen (18) months from the date of issuance of the Units. Securities issued pursuant to the Offering are subject to a statutory hold period lasting four (4) months and a day after the issuance of the securities.

Warrants issued to GEM on November 27, 2022
In conjunction with the financing in note 8[iii], the Company issued 4,731,328 warrants with an exercise price of Cdn$0.14 on November 27, 2022.

[b] Warrants extension in January 2023
The Company announced that it has applied to the Toronto Stock Exchange (the "Exchange") to extend the expiry date of 5,478,845 outstanding common share purchase warrants (the "Warrants") to January 31, 2023. The Warrants consist of certain of the Company's Warrants that are currently due to expire in 2022. The Warrants were originally issued pursuant to non-brokered private placements and debenture conversions. None of the Warrants to be extended are held, directly or indirectly, by any insiders of the Company. The effective date for amendments to the Warrants is February 18, 2022, subject to the requisite approval of the Exchange, which was granted.

[c] Financial liability accounting

Because such warrants were denominated in Cdn$ [a currency different from the Company's functional currency], they were recognized as a financial liability at fair value through profit or loss, except for broker warrants issued to Hampton Security Company, National Bank Financial Inc., Fidelity Clearing Canada ULC, and H.C. Wainwright & Co., LLC. which were compensation warrants and were recorded as contributed surplus in accordance with IFRS 2, Share-based Payments. The fair value of each warrant is estimated on the date of grant and on the valuation date using the Black-Scholes option pricing model. The Black-Scholes option pricing model requires four subjective assumptions, including future stock price volatility of the Company's common shares which trade on the TSX ("Expected volatility"), the risk-free interest rate (sourced to Government of Canada Bond Yields for the noted term); expected dividend yield and expected time until exercise ("Expected life"), which greatly affect the calculated values.

[EXPRESSED IN US DOLLARS]

The fair values of the warrants issued during 2022 were determined at the date of grant with the following assumptions (all with an expected dividend yield of nil):

Issuance date (mm/dd/yyyy)	Date of extension	Extended expiry date	Expected volatility	Risk-free interest rate	Expected life	Weighted-average fair value at measurement date (in Cdn$)
3/25/2019	12-Jan-23	1/31/2024	112.00%	3.02%	11 months	0.051
4/23/2019	12-Jan-23	1/31/2024	112.00%	3.02%	11 months	0.0461
4/23/2019	12-Jan-23	1/31/2024	112.00%	3.02%	11 months	0.0384
4/23/2019	12-Jan-23	1/31/2024	112.00%	3.02%	11 months	0.0225
7/10/2019	12-Jan-23	1/31/2024	112.00%	3.02%	11 months	0.0235
7/24/2019	12-Jan-23	1/31/2024	112.00%	3.02%	11 months	0.0235
2/19/2020	12-Jan-23	1/31/2024	112.00%	3.02%	11 months	0.0636
7/8/2020	12-Jan-23	1/31/2024	112.00%	3.02%	11 months	0.0636
7/9/2020	12-Jan-23	1/31/2024	112.00%	3.02%	11 months	0.0636
9/28/2020	12-Jan-23	1/31/2024	112.00%	3.02%	11 months	0.0636
9/29/2020	12-Jan-23	1/31/2024	112.00%	3.02%	11 months	0.0636
10/27/2020	12-Jan-23	1/31/2024	112.00%	3.02%	11 months	0.0636
1/25/2021	12-Jan-23	1/31/2024	112.00%	3.02%	11 months	0.0636
1/28/2021	12-Jan-23	1/31/2024	112.00%	3.02%	11 months	0.0636
1/29/2021	12-Jan-23	1/31/2024	112.00%	3.02%	11 months	0.0636
1/29/2021	12-Jan-23	1/31/2024	112.00%	3.02%	11 months	0.0636
2/25/2021	12-Jan-23	1/31/2024	112.00%	3.02%	11 months	0.0636
3/1/2021	12-Jan-23	1/31/2024	112.00%	3.02%	11 months	0.0636
3/9/2021	12-Jan-23	1/31/2024	112.00%	3.02%	11 months	0.0636
3/25/2021	12-Jan-23	1/31/2024	112.00%	3.02%	11 months	0.0636
8/18/2021	12-Jan-23	1/31/2024	112.00%	3.02%	11 months	0.0636
8/19/2021	12-Jan-23	1/31/2024	112.00%	3.02%	11 months	0.0636
1/16/2020	12-Jan-23	1/31/2024	112.00%	3.02%	11 months	0.0636

The fair values of the warrants, except for broker warrants issued to Hampton Security Company, National Bank Financial Inc., Fidelity Clearing Canada ULC and H.C. Wainwright, was computed at March 31, 2023 using the Black-Scholes option pricing model with the following assumptions (all with dividend yield of nil):

	Expiry date (mm/dd/yy)	Expected volatility	Risk-free interest rate	Expected life	Weighted-average fair value at measurement date (in Cdn$)
Date issued:					
25-Mar-19	1/31/2024	112%	3.02%	11 months	0.0000

[EXPRESSED IN US DOLLARS]

April 23, 2019 *	1/31/2024	112%	3.02%	11 months	0.0000
23-Apr-19	1/31/2024	112%	3.02%	11 months	0.0000
23-Apr-19	1/31/2024	112%	3.02%	11 months	0.0000
10-Jul-19	1/31/2024	112%	3.02%	11 months	0.0000
24-Jul-19	1/31/2024	112%	3.02%	11 months	0.0000
16-Jan-20	1/31/2024	112%	3.02%	11 months	0.0000
June 29, 2020 (i)	6/29/2023	n/a	n/a	n/a	0.0000
June 29, 2020 (i)	6/29/2023	n/a	n/a	n/a	0.0000
8-Jul-20	1/31/2024	112%	3.02%	11 months	0.0000
9-Jul-20	1/31/2024	112%	3.02%	11 months	0.0000
28-Sep-20	1/31/2024	112%	3.02%	11 months	0.0000
29-Sep-20	1/31/2024	112%	3.02%	11 months	0.0000
27-Oct-20	1/31/2024	112%	3.02%	11 months	0.0000
December 4, 2020 (ii)	12/4/2023	n/a	n/a	n/a	0.0000
December 4, 2020 (ii)	12/4/2023	n/a	n/a	n/a	0.0000
25-Jan-21	1/31/2024	112%	3.02%	11 months	0.0000
28-Jan-21	1/31/2024	112%	3.02%	11 months	0.0000
29-Jan-21	1/31/2024	112%	3.02%	11 months	0.0000
29-Jan-21	1/31/2024	112%	3.02%	11 months	0.0000
25-Feb-21	1/31/2024	112%	3.02%	11 months	0.0000
1-Mar-21	1/31/2024	112%	3.02%	11 months	0.0001
9-Mar-21	1/31/2024	112%	3.02%	11 months	0.0001
25-Mar-21	1/31/2024	112%	3.02%	11 months	0.0001
18-Aug-21	1/31/2024	112%	3.02%	11 months	0.0001
19-Aug-21	1/31/2024	112%	3.02%	11 months	0.0001
26-Nov-21	11/26/2025	112%	3.02%	2 years and 11 months	0.029
2-Mar-22	3/2/2026	112%	3.02%	3 years and 2 months	0.0447
18-Aug-22	2/18/2024	112%	4.00%	1 years and 2 months	0.0279

* The indicated warrants were valued using a Barrier Option Pricing Model in order to reflect the Acceleration clause noted in the related warrant agreements in addition to the usual inputs used in the Black Scholes Model.

(i) warrants valued based on public warrant price (TSX: SZLS-WT-T)
(ii) warrants valued based on public warrant price (TSX: SZLS-WS-T)
The exchange rate of USD to Cdn$ was Cdn$ 1.37 at September 30, 2022.

8. SHARE CAPITAL

On September 18, 2020, a share consolidation of 1:8 was completed. All references to the common shares, warrants, stock options, and earnings per share have been updated in the notes to reflect the 1:8 share consolidation.

[a] Authorized

An unlimited number of non-voting preference shares, issuable in one or more series. Issued: none (2022: none). An unlimited number of voting special shares, entitling the holder to a dividend if and when declared by the Board in parity with the common shares and convertible into common shares. Issued: none (2022: none).

An unlimited number of voting common shares. Issued: 106,391,915 common shares

[b] Financings

[i] Unit Private Placement on March 3, 2022
The Company closed a private placement of its common shares ("Common Shares") and warrants to purchase Common Shares ("Warrants") with an institutional investor for gross proceeds of $1,476,160 (CAD$1.87 million) (the "Private Placement"). Net with cash finder’s fee and expense allowance totaling $123,655 and clearing fee $15,961, the net proceeds Company received is $1,336,544. Pursuant to the Private Placement, the Company issued 10,000,000 Common Shares and Warrants to purchase up to an aggregate of 10,000,000 Common Shares at a purchase price of CAD$0.187 per Common Share and associated Warrant. Each Warrant will entitle the holder to purchase one Common Share at an exercise price of CAD$0.2206 per Common Share for a period of four years following the issuance date. Pursuant to the private placement, the Company issued 800,000 broker warrants that was in the amount of $112,110 by using Black–Scholes model (Note 8). The above share issuance cost was allocated to reduce the share capital and warrants liabilities in the amount of $136,667 and $115,060 respectively.

[ii] Unit Private Placement on August 18, 2022
The Company closed a private placement of units (each a “Unit”) for gross proceeds of $137,255 (CAD$177,000) (the "Private Placement"). Each Unit is composed of (i) a $1,000 unsecured convertible debenture (“Debenture”), bearing interest at a rate of 8% per annum, having a term of eighteen (18) months from the date of issuance and is convertible into common shares (“Common Shares”) of the Company, at a conversion price of $0.11 per Common Share, and (ii) 9090 Common Share purchase warrants (each a “Warrant”). Each Warrant is exercisable into one (1) Common Share of the Company at an exercise price of CAD$0.15 per Common Share for a period of eighteen (18) months from the date of issuance of the Units. Securities issued pursuant to the Offering are subject to a statutory hold period lasting four (4) months and a day after the issuance of the securities. The net proceeds of the Private Placement will be used to accelerate the Company's Global Growth Strategy and further support the commercialization of Aristotle® , AVRT and TREAT.

[iii] Capital commitment agreement
On November 21, 2022, the Company announced that it had entered into a capital commitment agreement with GEM Global Yield Fund LLC SCS (“GEM”) for a Cdn$25 million Capital Commitment. Proceeds raised from the investment will be used for working capital and general corporate purposes, but especially to expand collaborations with employers, clinic and healthcare systems, and the insurers who support them. In December 2022, the Company issued 4,731,328 common shares and 4,731,328 warrants and received $206,004 (Cdn$280,000) under the agreement. The commitment by GEM will provide funding up to CDN$25 million. The fee charged by GEM for the $25 million commitment is 2% or $500,000, which can be paid to them over the period that the funding is drawn down.

[c] Weighted-average number of shares

On September 18, 2020 the Company announced that trading of the common shares on the TSX on a post-Consolidation basis commenced at market opening on September 18, 2020. The Company’s options, warrants, including its TSX-listed warrants, and convertible debentures have also proportionately been adjusted in accordance with their terms effective September 18, 2020. All shares and purchase amounts in these consolidated financial statements have been retroactively restated to reflect the 1 for 8 consolidation. The weighted-average number of shares outstanding (post-consolidation) for period ended March 31, 2023, is 105,531,278 [December 31, 2022 – 99,426,473].

The Company has not adjusted its weighted-average number of shares outstanding for the purpose of calculating the diluted loss per share, as any adjustment would be antidilutive. All issued and outstanding stock options at March 31, 2023 of 13,616,274 [December 31, 2022 –6,865,524] and warrants of 48,356,982 (post-consolidation) [December 31, 2022 – 48,356,982] are deemed anti-dilutive such that the basic and net loss per share are equal.

[d] Employee stock option plan

On May 25, 2000, the Company adopted a stock option plan (the “Plan”) pursuant to which the Board may grant stock options to directors, officers, employees or consultants of the Company. The current terms of the Plan, approved by the Company’s shareholders on June 30, 2016, provide that the maximum number of common shares available for issuance under the Plan does not exceed 15% of the Company’s issued and outstanding shares at any time. All options granted have a term of five years from the date of grant. The vesting schedule of all granted options is determined at the discretion of the Board. The exercise price of an option must be not less than the closing price of the Company's common shares on the TSX on the trading day immediately preceding the date the option is granted. As at As at March 31, 2023, there were 13,616,274 [December 31, 2022 –6,865,524] options outstanding, representing 13% [2022 – 6.5%] of the Company's issued and outstanding common shares. All exercised options are settled by the issuance of the Company's common shares.

[EXPRESSED IN US DOLLARS]

There were no option cancellations or modifications to the Plan during the during the three months period ended March 31, 2023 and 2022.

In compliance with current accounting standards, the fair value of each stock option is estimated on the date of grant using the Black-Scholes option pricing model. The Black-Scholes model requires four subjective assumptions, including future stock price volatility and expected time until exercise, which greatly affect the calculated values. The following assumptions were used to calculate the weighted-average fair values of the stock options granted during the years ended:

	March 31, 2023	**March 31, 2022**
Expected option life in years	**4.2**	2.6
Expected volatility	**167%**	152%
Risk-free interest rate	**3.50%**	1.05%
Vesting period in years	**0.5**	0.5

The following table summarizes the measurement date weighted-average fair value of stock options granted during the periods ended March 31, 2023 and 2022:

	Number of options granted	**Grant date weighted-average fair value**
	#	(In Cdn$)
Three months ended March 31, 2022	1,500,000	0.405
Three months ended March 31, 2023	6,717,000	0.065

The following is a summary of the status of the Plan at March 31, 2023 and 2022, and changes during the periods then ended:

	Three month period ended March 31,			
	2023		2022	
	Number of options	**Weighted-average exercise price**	Number of options	Weighted-average exercise price
	#	**Cdn$**	#	Cdn$
Outstanding, beginning of period	**6,865,524**	**0.56**	6,019,899	0.638
Granted	**6,817,000**	**0.065**	-	-
Exercised	-	-	-	-
Expired or forfeited	**(66,250)**	**0.59**	-	-

[EXPRESSED IN US DOLLARS]

Outstanding, end of period	**13,616,274**	**0.282**	6,019,899	0.638
Exercisable, end of period	**12,466,247**	**0.282**	5,019,899	0.638

The following table summarizes information about stock options outstanding at March 31, 2023:

Range of exercise prices per share	Number outstanding	Number exercisable	Weighted-average exercise price	Weighted-average remaining contractual life
Cdn$	#	#	Cdn$	years
$0.07	6,717,000	5,617,000	0.065	4.74
$0.15	2,740,000	2,740,000	$0.08	4.48
$0.44	1,681,250	1,681,250	$0.35	2.26
$0.64	118,750	118,750	$0.57	0.16
$0.80	1,862,399	1,862,399	$0.73	1.31
$1.52	496,875	446,848	$1.47	4.17
	13,616,274	**12,466,247**		

9. EXPENSES BY NATURE

Expenses included in the consolidated statements of loss for three months period ended March 31, 2023 and 2022, are as follows:

	For three months period ended March 31,					
	2023			2022		
	Cost of revenue	**General and administrative**	**Total**	Cost of revenue	General and administrativ e	Total
	$	$	$	$	$	$
Salaries and benefits	**421,305**	**535,160**	**956,465**	932,813	901,464	1,834,277
Share-based compensation	**-**	**65,163**	**65,163**	-	54,274	54,274
Rent and facilities	**26,895**	**40,256**	**67,151**	25,650	39,059	64,709
Depreciation	**50,951**	**8,625**	**59,576**	50,951	9,218	60,169
Professional fee	**-**	**261,174**	**261,174**	-	537,382	537,382
Public entity costs	**-**	**68,060**	**68,060**	-	98,545	98,545
Lab supplies and equipment maintenance	**84,153**	**-**	**84,153**	263,452	-	263,452
Office equipment maintenance	**-**	**72,047**	**72,047**	-	66,423	66,423
Shipping and courier	**2,568**	**4,073**	**6,641**	68,072	2,012	70,083
Other	**56,555**	**231,897**	**288,452**	20,328	273,252	293,580

[EXPRESSED IN US DOLLARS]

Foreign exchange loss (gain)	-	**(32,307)**	**(32,307)**	-	2,665	2,665
	642,427	**1,254,148**	**1,896,575**	1,361,266	1,984,293	3,345,559

Expenses in sales and marketing primarily are salary and marketing/advertising costs. Expenses in research and development are a combination of compensation and lab supplies.

10. RELATED-PARTY TRANSACTIONS

The key management personnel of the Company at March 31, 2023 and 2022 are the directors, including the Chairman and Chief Executive Officer and the Consultant to the CEO.

Compensation for key management personnel of the Company is detailed below for three months ended March 31, 2023 and 2022:

	Three-month period ended March 31,	
	2023	2022
	$	$
Salaries, fees and short-term benefits	**97,500**	196,347
Share-based compensation	**-**	54,274
	97,500	250,621

As at March 31, 2023, key management personnel controlled 2.5% (2022-2.5%) of the issued and outstanding common shares of the Company and $621,256 (2022-$435,624) of compensation remains unpaid to current and former key management personnel which is included in trade and other payables. Such amounts are unsecured, non-interest bearing with no fixed terms of repayment.

Stock options held by key management personnel to purchase common shares have the following expiry dates and exercise prices:

			Number outstanding	
Year issued	**Year of expiry**	**Range of exercise prices per share**	**At March 31, 2023**	**At December 31, 2022**
		$	#	#
2018	2023	0.64 to 0.88	**381,250**	381,250
2019	2024	0.8	**1,371,357**	1,371,357
2020	2025	0.44	**1,187,500**	1,187,500
2022	2027	0.15	**2,740,000**	2,740,000
2023	2028	0.065	**4,467,000**	
			10,147,107	5,680,107

[EXPRESSED IN US DOLLARS]

11. SEGMENT INFORMATION

With the significant decline in COVID revenue in 2022, management has re-focused on its operations respecting cancer testing and care. Consequently, the Company has one reportable operating segment, operating in two major geographic areas, North America and Western Europe.

12. FINANCIAL INSTRUMENTS AND FINANCIAL RISK-MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to liquidity, credit and market risk, the management of which is overseen by the Company's senior management.

[a] Financial instruments

The fair value of warrants is estimated using the Black-Scholes option pricing model incorporating various inputs including the underlying price volatility and discount rate, [see *note 7*]. All other notes payable were initially recognized at fair value, and subsequently were measured at amortized cost using the effective interest rate method, whereby the fair value of the notes payable approximates their carrying value. As at March 31, 2023, the Company's warrant liability and notes payable, are carried on the consolidated statements of financial position at fair value, warrant liability has been classified as Level 2, and notes payable have been classified as Level 3, in the fair value hierarchy.

[b] Liquidity risk

Liquidity risk represents the contingency that the Company is unable to gather the funds required with respect to its financial obligations at the appropriate time and under reasonable conditions. The Company attempts to manage this risk in order to ensure that it has sufficient liquidity at all times to be able to honor its current and future financial obligations under normal conditions and in exceptional circumstances. Financing strategies to ensure the management of this risk include resorting to the capital markets through the issuance of equity or debt securities.

The Company's ability to continue as a going concern depends upon its ability to achieve profitable operations and raise additional capital. In the past three years, the Company has earned limited revenue. During nine months 2022 and 2021, the Company completed a series of common share, structured notes payable, capital commitment, common share and warrant and convertible debenture financings. The Company expects to continue to pursue further financings as or until operations become profitable.

The tables below summarize the maturity profile of the Company's financial instruments as at March 31, 2023 and December 31, 2022:

	1 year or less	**1 to 5 years**	**5 years or more**	**Total**
At March 31, 2023	$	$	$	$
Financial assets				
Cash	36,295	-	-	36,295
Trade and other receivables	72,448	-	-	72,448
Financial liabilities				
Trade and other payables	6,371,860	-	-	6,371,860
Notes payable	905,323	480,000	615,844	2,001,167
Short-term loans	316,590			316,590
Long-term	-	44,544	-	44,544
Short-term liabilities	-	67,340	-	67,340

[EXPRESSED IN US DOLLARS]

At December 31, 2022	1 year or less $	1 to 5 years $	5 years or more $	Total $
Financial assets				
Cash	15,684	-	-	15,684
Trade and other receivables	31,243	-	-	31,243
Financial liabilities				
Trade and other payables	5,473,382	-	-	5,473,382
Notes payable	852,281	480,000	735,844	2,068,125
Short-term loans	61,746	-	-	61,746
Long-term loan	-	44,544	-	44,544
Short-term liabilities	67,340	-	-	67,340

[c] Credit risk

The Company's financial assets that are exposed to credit risk consist primarily of cash and other receivables.

[d] Market risk

Market risk is comprised of foreign exchange rate risk and interest rate risk.

<u>Foreign exchange rate risk</u>

The Company operates in the Canada, the United States, and United Kingdom, and transacts business primarily with US partners and suppliers. During the three month period ended March 31, 2023, a 5% appreciation (depreciation) in the Cdn$ to US dollar foreign exchange rate, with all else being equal, would have affected net income by approximately $128,706 [December 31, 2022 – $59,294]; in the UK GBP to US dollar foreign exchange rate, with all else being equal, would have affected net income by approximately $6,852 [December 31, 2022 – $19,618].

<u>Interest rate risk</u>

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

13. CAPITAL RISK MANAGEMENT

The Company's objective when managing capital is to safeguard its accumulated capital in order to maintain the ability to continue as a going concern and provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of issues of notes payable, common shares and warrants totaling $104.1 million as at March 31, 2023

To address this risk, the Company manages its capital structure and makes adjustments to it in light of economic conditions. Upon approval of the Board, the Company balances its overall capital structure through new share or debt issuances, or by undertaking other activities as deemed appropriate in the circumstances.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the Toronto Stock Exchange ("TSX") which requires adequate working capital or financial resources such that, in the opinion of TSX, it will be able to continue as a going concern.

The Company's ability to continue as a going concern depends upon its ability to achieve profitable operations and raise additional capital. From 2019 to 2023, the Company completed a series of common share, structured notes payable, capital commitment, common share and warrant and convertible debenture financings.

[EXPRESSED IN US DOLLARS]

14. FINANCE AND TRANSACTION COSTS

	Three-month period ended March 31	
	2023	2022
	$	$
Interest on note payable to HDL	**29,411**	26,260
Interest on note payable to shareholder and director	**3,042**	2,500
Interest on convertible debenture	**7,138**	-
Interest costs on lease liability	**6,244**	14,432
Other interest costs	**94,006**	-
	139,841	43,192

15. REVENUE

Revenue and deferred revenue:

	Three-month period ended March 31	
	2023	2022
	$	$
Revenue	**778,515**	1,320,988
Deferred Revenue	**8,575**	214,133

16. LEASES

The Company's lease consists of office spaces with lease terms that will expire in September 2023 with a right to renew. The Company currently does not have leases with variable lease payments, residual value guarantees, or leases not yet commenced to which the Company is committed. Lease liabilities have been measured by discounting future lease payments using our incremental borrowing rate as rates implicit in the leases were not readily determinable. The weighted-average rate applied was 14%. The landlord keeps $25,000 as security according to leasing agreements.

Lease liabilities

Accounting of factors affecting the lease liabilities during the nine months period ended March 31, 2023 and 2022 were as follows:

		Period ended March 31
	2023	2022
	$	$
Lease liability as at January 1	**193,756**	415,376
Interest expense	**6,244**	37,300
Lease payments	**(67,651)**	(199,672)
Lease liabilities	**132,349**	253,004
Less current portion of lease liabilities	**132,349**	253,004

[EXPRESSED IN US DOLLARS]

Long-term portion of lease liabilities	**-**	-

The maturity of the contractual undiscounted lease obligation payments as at March 31, 2023 is as follows:

	$
2023	137,995
Total undiscounted payments	137,995
Less: imputed interest	5,646
Lease liability	132,349

17. COMMITMENTS AND CONTINGENCIES

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of our business. As at March 31, 2023 and 2022, there was no pending or threatened material litigation related to the Company's operations. There are also no proceedings in which any of the Company's directors, officers or affiliates is an adverse party or has a material interest adverse to the Company's interest.

18. SUBSEQUENT EVENT

Subsequent to December 31, 2022 the Company has made drawdowns totaling $246,042 (CDN $337,045) out of the $25 million commitment with GEM Global, leaving the remaining undrawn commitment balance of approximately $24.3 million. In connection with these drawdowns, it is issuing 3,590,331 shares at prices from $0.0618 to $0.1107. In addition, it is issuing 566,890 shares at the same prices in lieu of the commitment fees of $36,904 (CDN $50,553).