THIOGENESIS THERAPEUTICS, INC.

Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

(Expressed in United States Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Thiogenesis Therapeutics, Inc.

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

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 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 financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 to the financial statements, which indicates that the Company is not able to finance day to day activities through operations and has an accumulated deficit of $1,693,521. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, 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.

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

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

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

DMCL

DALE MATHESON CARR-HILTON LABONTE LLP
CHARTERED PROFESSIONAL ACCOUNTANTS
Vancouver, BC

May 2, 2022

MOORE

An independent firm
associated with Moore
Global Network Limited

Thiogenesis Therapeutics, Inc.

Consolidated Statements of Financial Position

(Expressed in United States Dollars)

	As at December 31, 2021	As at December 31, 2020
Assets		
Current assets		
Cash	$ 49,329	$ 15,071
Accounts receivable	10,422	1,055
Grant receivable (Note 4)	122,417	-
Prepaid expenses	-	25,000
Total current assets	182,168	41,126
Total Assets	**$ 182,168**	$ 41,126
Liabilities and Stockholders' Equity		
Current liabilities		
Accounts payable and accrued liabilities	$ 537,071	$ 30,582
Convertible promissory notes payable (Note 5 and Note 10)	211,749	211,749
Promissory note (Note 6 and Note 10)	39,200	39,200
Loans payable (Note 7)	113,347	-
Derivative liabilities (Note 8)	118,641	-
Total current liabilities	1,020,008	281,531
Stockholders' equity		
Share capital (Note 9)	1,200	1,000
Reserves (Note 9)	857,638	485,918
Accumulated other comprehensive loss	(3,157)	(622)
Accumulated deficit	(1,693,521)	(726,701)
Total stockholders' equity	(837,840)	(240,405)
Total Liabilities and Stockholders' Equity	**$ 182,168**	$ 41,126

Nature of Operations and Going Concern (Note 1)
Subsequent Events (Note 15)

Approved by the Board of Directors

(signed) *"Patrice Rioux"*
Patrice Rioux, Director

(signed) *"Brook Riggins"*
Brook Riggins, Director

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

Thiogenesis Therapeutics, Inc.

Consolidated Statements of Operations and Comprehensive Loss

(Expressed in United States Dollars)

For the Years Ended	**December 31, 2021**	**December 31, 2020**
Operating expenses		
Research and development (Note 11)	$ 1,069,075	$ 391,874
Selling, general and administrative (Note 11)	255,835	59,793
Stock based compensation (Note 9)	5,264	21,918
Gain on derivative liabilities (Note 8)	(51,889)	-
Total operating expenses	1,278,285	473,585
Other income (expenses)		
Grant income (Note 4)	313,860	-
Interest income	39	33
Financing costs	(2,434)	(2,749)
Total other income (expenses)	311,465	(2,716)
Net loss	(966,820)	(476,301)
Other comprehensive loss		
Foreign currency translation	(2,535)	(578)
Total other comprehensive loss	(2,535)	(578)
Net loss from operations and other comprehensive loss	$ (969,355)	$ (476,879)
Net loss per share, basic and diluted	$ (0.08)	$ (0.05)
Weighted average shares outstanding, basic and diluted	11,556,164	10,000,000

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

Thiogenesis Therapeutics, Inc.

Consolidated Statements of Changes in Shareholders' Equity
For the Years Ended December 31, 2021 and 2020
(Expressed in United States Dollars)

	Number of Shares	SHARE CAPITAL $	ADDITIONAL PAID-IN CAPITAL $	ACCUMULATED OTHER COMPREHENSIVE LOSS $	ACCUMULATED DEFICIT $	SHAREOLDERS' EQUITY $
Balance, December 31, 2019	10,000,000	1,000	464,000	(44)	(250,400)	214,556
Stock based compensation	-	-	21,918	-	-	21,918
Net loss for the year	-	-	-		(476,301)	(476,301)
Foreign currency translation	-	-	-	(578)	-	(578)
Balance, December 31, 2020	10,000,000	1,000	485,918	(622)	(726,701)	(240,405)
Stock based compensation	-	-	5,264	-	-	5,264
Private placement of units	2,000,000	200	366,456	-	-	366,656
Net loss for the year	-	-	-	-	(966,820)	(966,820)
Foreign currency translation	-	-	-	(2,535)	-	(2,535)
Balance, December 31, 2021	**12,000,000**	**1,200**	**857,638**	**(3,157)**	**(1,693,521)**	**(837,840)**

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

Thiogenesis Therapeutics, Inc.

Consolidated Statements of Cash Flows

(Expressed in United States Dollars)

For the Years Ended	**December 31, 2021**	**December 31, 2020**
Cash provided by (used in)		
Operating activities		
Net loss for the year	$ (966,820)	$ (476,301)
Items not involving cash:		
Gain on derivative liabilities	(51,889)	-
Stock based compensation	5,264	21,918
Interest	-	2,749
Net changes in non-cash working capital		
Accounts receivable	(9,367)	695
Grant receivable	(122,417)	-
Prepaid expenses	25,000	56,680
Accounts payable and accrued liabilities	506,489	21,224
Net cash used in operating activities	(613,740)	(373,035)
Financing activities		
Private placement of units	537,186	-
Loans payable	113,347	-
Convertible promissory notes payable	-	209,000
Promissory note payable	-	39,200
Net cash provided by financing activities	650,533	248,200
Effect of exchange rate changes on cash	(2,535)	(578)
Increase in cash for the year	34,258	(125,413)
Cash, beginning of year	15,071	140,484
Cash, end of year	$ 49,329	$ 15,071

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Organization

Thiogenesis Therapeutics, Inc. (the "Company or "TTI") is a Delaware Foreign Corporation incorporated on February 24, 2016. The Company is developing better ways of delivering thiols and has patented cysteamine precursor compounds, enhancers and formulations. The Company's office of register and record is located at 4795 Keswick Court, San Diego, CA, 92130337.

On March 31, 2022, the Company completed its reverse take-over transaction with Thiogenesis Therapeutics, Corp., (formerly: Rozdil Capital Corporation) ("Rozdil") whereby Rozdil acquired all of the issued and outstanding common shares of the Company in exchange for 12,000,000 common shares of Rozdil at a deemed price of CDN$0.35. On closing, Rozdil also acquired the $209,000 convertible promissory notes of the Company in exchange for 771,075 common shares of Rozdil. In addition, Rozdil exchanged the 300,000 stock options issued by the Company for 300,000 stock options of Rozdi and Rozdil exchanged the 1,000,000 common share purchase warrants issued by the Company in exchange for 1,000,000 common share purchase warrants in Rozdil. The reverse takeover transaction constitutes a reverse take-over of Rozdil by the Company which is a fundamental change within the meaning of the policies of the TSX Venture Exchange (the "Exchange") (the "Resulting Issuer").

The Resulting Issuer, received final Exchange acceptance and the common shares of the Company resumed trading on the Exchange on April 13, 2022 (the "Listing Date") under the new name "Thiogenesis Therapeutics, Corp.", with the trading symbol "TTI".

Going Concern

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business, as they come due for the foreseeable future.

The Company's working capital deficit on December 31, 2021 was $837,840 and the Company has incurred operating losses and has an accumulated deficit of $1,693,521.

The Company's ability to continue as a going concern is dependent upon its ability to fund its research and development programs and generate future positive cash flows from operations. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and balance sheet classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

The global outbreak of COVID-19 (coronavirus) has had a significant impact on businesses through the restrictions put in place by the Canadian, provincial and municipal governments regarding travel, business operations and isolation/quarantine orders. At this time, it is unknown the extent of the impact the COVID-19 outbreak may have on the Company as this will depend on future developments that are highly uncertain and that cannot be predicted with confidence. These uncertainties arise from the inability to predict the ultimate geographic spread of the disease, and the duration of the outbreak, including the duration of travel restrictions, business closures or disruptions, and quarantine/isolation measures that are currently, or may be put, in place by Canada and other countries to fight the virus. The Company does not believe the effect of COVID-19 will have an impact on operations.

2. BASIS OF PRESENTATION

Statement of Compliance
These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretation Committee ("IFRIC"). The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of December 31, 2021. The Board of Directors approved the Consolidated Financial Statements on May 2, 2022.

Basis of Measurement
The consolidated financial statements have been prepared on a historical cost basis except for certain financial instruments measured at fair value.

Functional and Presentation Currency
The functional and presentation currency of the Company is the United States dollar. The functional currency of the Company's wholly-owned Australian subsidiary, Thiogenesis Australia Pty Ltd. is the Australian dollar and the functional currency of the Company's wholly-owned France subsidiary, Thiogenesis Therapeutics, EURL is the Euro.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation
These consolidated financial statements include the financial statements of the Company and the entities controlled by the Company. Control occurs when the Company is exposed to, or has right to, variable return from its involvements with an investee and has the ability to affect those returns through its power over the investee. Subsidiaries are fully consolidated from the date on which control is obtained by the Company and are deconsolidated from the date that control ceases. All intercompany transactions and balances have been eliminated.

The Company's wholly owned subsidiaries are Thiogenesis Australia Pty Ltd. and Thiogenesis Therapeutics, EURL.

Foreign Currencies
Items included in the consolidated financial statements of each entity are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities not denominated in the functional currency of an entity are recognized in the consolidated statements of operations.

Assets and liabilities of entities with functional currencies other than United States dollars (the presentation and functional currency of the Company) are translated at the period end rates of exchange, and the results of their operations are translated at average rates of exchange for the period. The resulting translation adjustments are included in the foreign currency translation reserve under the equity section of the consolidated statement of financial position.

Additionally, foreign exchange gains and losses related to certain intercompany loans that are permanent in nature are also included in the foreign currency translation reserve.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Significant Accounting Estimates and Judgements

The preparation of these consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during each reporting period. Actual results could differ from those estimates. The key sources of estimation uncertainty that have a significant risk of causing material adjustment to the amounts recognized in the consolidated financial statements are:

Going Concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. There is an uncertainty regarding the Company's ability to continue as a going concern.

Fair Value of financial instruments

The estimated fair value of financial assets and liabilities, by their very nature, are subject to measurement uncertainty

Fair Value of Derivative Liabilities

The Company's derivative instruments consist of derivative liabilities in relation to its share purchase warrants. These share purchase warrants were issued with an exercise price in Canadian ("CDN") dollars, rather than United States dollars (the presentation and functional currency of the Company) and are required to re-measure the fair value of these at each reporting date and adjustments are recorded to the consolidated statement of operations. Assumptions used in the re-measurement of the fair value could materially affect the recorded amounts.

Income Tax

Provisions for taxes are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. The Company reviews the adequacy of these provisions at the end of the reporting period. However, it is possible that at some future date an additional liability could result from audits by taxing authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Fair Value of Stock Based Compensation and Warrants

In determining the fair value of share based payments the calculated amounts are not based on historical cost, but is derived based on assumptions (such as the expected volatility of the price of the underlying security, expected hold period before exercise, dividend yield and the risk-free rate of return) input into a pricing model. The model requires that management make forecasts as to future events, including estimates of: the average future hold period of issued stock options and compensation warrants before exercise, expiry or cancellation; future volatility of the Company's share price in the expected hold period; dividend yield; and the appropriate risk-free rate of interest. The resulting value calculated is not necessarily the value that the holder of the option or warrant could receive in an arm's length transaction, given that there is no market for the options or compensation warrants and they are not transferable. Similar calculations are made in estimating the fair value of the warrant component of an equity unit. The assumptions used in these calculations are inherently uncertain. Changes in these assumptions could materially affect the related fair value estimates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Cash

Cash is comprised of currency on hand and demand deposits with financial institutions.

Financial instruments

(i) Classification

The Company classifies its financial instruments in the following categories: at fair value through profit and loss ("FVTPL"), at fair value through other comprehensive income (loss) ("FVTOCI") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL.

The following table shows the classification under IFRS 9:

Financial assets/liabilities	**Classification**
Cash	Fair value through profit or loss
Accounts receivable	Amortized cost
Grant receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Promissory notes	Amortized cost
Loans payable	Amortized cost
Derivative liabilities	Fair value through profit or loss

(ii) Measurement

<u>Financial assets and liabilities at amortized cost</u>
Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

<u>Financial assets and liabilities at FVTPL</u>
Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of loss and comprehensive loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of loss and comprehensive loss in the period in which they arise.

<u>Debt investments at FVTOCI</u>
These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognized in profit or loss. Other net gains and losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss

<u>Equity investments at FVTOCI</u>
These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the statements of loss and comprehensive loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(i) Derecognition

Financial assets
The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity.

Financial liabilities
The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Company also derecognizes a financial liability when the terms of the liability are modified such that the terms and / or cash flows of the modified instrument are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

Gains and losses on derecognition are generally recognized in profit or loss.

Grants and assistance

Research grants currently represent our sole source of income. Grants from the government and other independent agencies are recognized at their fair value where there is a reasonable assurance that the grant will be received, and the Company will comply with all attached conditions. All grants are recorded as grant income in the consolidated statements of operations and comprehensive loss.

Income is earned as research expenses related to the grants are incurred. Income earned on government grants, but not yet invoiced as of the date of the consolidated statement of financial position, is recorded as unbilled receivables in the accompanying consolidated statements of financial position for the years ended December 31, 2021 and December 31, 2020. Funds received from government grants in advance of work being performed are recorded as deferred income until earned. During the year ended December 31, 2021, the Company recorded $313,860 (December 31, 2020 - Nil) in grant income.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Share capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, and common share warrants are classified as equity instruments.

Incremental costs directly attributable to the issue of new common shares, common share warrants, or stock options are shown in equity as a deduction, net of tax, from the proceeds.

Stock-based compensation

The Company grants stock options to purchase common shares of the Company to directors, officers, employees and consultants. An individual is classified as an employee when the individual is an employee for legal or tax purposes, or provides services similar to those performed by an employee.

The fair value of stock options is measured on the date of grant, using the Black-Scholes option pricing model and is recognized over the vesting period. Consideration paid for the shares on the exercise of stock options is credited to share capital. When the stock options are forfeited or expire, the amount previously recognized in the reserve is transferred to deficit.

In situations where stock options are issued to non-employees and some or all of the goods or services received by the Company as consideration cannot be specifically identified, they are measured at fair value of the share-based payments. Otherwise, they are measured at the fair value of goods or services received.

Warrants

When the Company issues units comprising common shares and warrants, the Company follows the relative fair value method of accounting for warrants attached to and issued with common shares of the Company. Under this method, the fair value of the common shares is estimated and the fair value of the warrants issued is estimated using an option pricing model. The fair value is then prorated to the total of the net proceeds received on issuance of the common shares and the warrants.

Loss per common share

Basic loss per share has been calculated using the weighted average number of common shares outstanding during the year.

Diluted loss per share has been calculated using the weighted average number of common shares that would have been outstanding during the respective period had all of the stock options and warrants outstanding (if any) at year end having a dilutive effect been converted into shares at the beginning of the year and the proceeds used to repurchase the Company's common shares at the average market price for the year. If these computations prove to be anti-dilutive, diluted loss per share is the same as basic loss per share.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Income Tax

Income tax comprises current and deferred tax. Income tax is recognized in the statement of income except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized for unused tax losses and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined on a non–discounted basis using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Research and development

All research costs are expensed in the period incurred. Development costs are expensed in the period incurred, unless they meet the criteria for capitalization, in which case they are capitalized and amortized over the useful life. Development costs are written off when there is no longer an expectation of future benefits. No development costs have been capitalized to date.

Clinical trial expenses result from obligations under contracts with vendors, consultants and clinical site agreements in connection with conducting clinical trials. The financial terms of these contracts are subject to negotiations, which vary from contract to contract and may result in payment flows that do not match the periods which materials and services are provided by the Company. The appropriate level of clinical trial expenses is reflected in the Company's consolidated financial statements by matching period expenses with period services and efforts expended. These expenses are recorded according to the progress of the clinical trial as measured by subject's progression and the timing of various aspects of the clinical trial. Clinical trial accrual estimates are determined through discussions with internal clinical personnel and outside service providers as to the progress or state of completion of clinical trials, or the services completed. Service provider status is then compared to the contractually obligated fees to be paid for such services. During the course of a clinical trial, the Company may adjust the rate of the clinical expense recognized if actual results differ from management's estimates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Leases

At the inception of a contract, the Company assesses whether a contract is or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right- of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle or remove the underlying asset.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an option renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest rate method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

The Company has elected to not recognize right-of-use assets and lease liabilities for short-term lease of assets that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payments associated with the leases as an expense on a straight-line basis over the lease term.

Derivative Financial Instruments

The Company's derivative instruments consist of derivative liabilities in relation to its share purchase warrants with a CDN Dollar exercise price. In March 2021, the Company issued share purchase warrants with an exercise price in CDN dollars, rather than United States Dollars (the functional currency of the Company). Such share purchase warrants are derivative instruments and the Company is required to re-measure the fair value at each reporting date. The fair value of these share purchase warrants are re-measured at each reporting date using the Black-Scholes option pricing model with changes recorded to the consolidated statement of operations.

(Expressed in United States Dollars)

4. GRANT RECEIVABLE

As at December, 2021, the grant receivable from Australian government was $122,417 (AUD $168,618) (December 31, 2020: Nil). During the year ended December 31, 2021, the Company recorded approximately $313,860 (AUD $417,653) as grant income on the consolidated statement of operations and comprehensive loss (December 31, 2020: $Nil).

5. CONVERTIBLE PROMISSORY NOTES

On August 21, 2020, as amended on August 31, 2021, the Company issued to two directors of the Company convertible promissory notes for proceeds of $209,000 with interest rate of 4% per annum and due on December 31, 2021. The notes automatically convert into the equity instruments that the Company issues in the event an equity security raise with total proceeds of not less than $2,000,000 is completed while the notes are outstanding. The conversion price is the lessor of (i) the price paid per share for equity securities in the financing multiplied by 0.80 and (ii) the quotient resulting from dividing $5,000,000 by the number of outstanding shares of common stock immediately prior to the financing. The Company accounted for the notes as a liability as the conversion feature is contingent on a qualified financing outside the control of the Company (the “Notes”).

On October 31, 2021, the Notes were amended to reflect if a change of control or qualified financing is consummated, all interest on the Notes was deemed to have stopped accruing after December 31, 2020. As a result of Thiogensis Therapeutics, Corp. (formerly: Rozdil Capital Corporation), the Company, the Company’s shareholders and the Company’s note holders. The Company recorded interest on the Notes at December 31, 2020 in the amount of $2,749.

On December 31, 2021, the Notes were amended to extend the principal and interest due date to January 31, 2022 and on January 31, 2022 the Notes were further amended to extend the principal and interest due date to, March 31, 2022 (see Note 1).

A continuity of the convertible promissory notes for the years ended December 31, 2021 and 2020 is as follows:

As of December 31,	**2021**	**2020**
	$	**$**
Balance, opening	211,749	-
Proceeds from issuance of convertible promissory notes	-	209,000
Interest accrued	-	2,749
Balance, ending	211,749	211,749

6. PROMISSORY NOTES

In November 2020, the Company issued a non-interest-bearing promissory note to a director and majority shareholder of the Company for proceeds of $30,000. In December 2020, the Company issued a further non-interest-bearing promissory note to the same director for proceeds $10,000. The promissory notes are due on demand. During the year ended December 31, 2021, the Company repaid $Nil on the promissory note (December 31, 2020: $800.) As of December 31, 2021 and 2020, the balance of the promissory notes was $39,200 (see Note 1).

7. LOANS PAYABLE

On December 1, 2021, the Company received proceeds of $49,131 (CDN $65,000) and issued a promissory note, due on demand and bearing interest at 4% per annum (see Note 15).

On December 1, 2021, the Company received proceeds of $45,351 (CDN $60,000) and issued a promissory note, due on demand and bearing interest at 4% per annum (see Note 15).

As connection with the reverse takeover transaction on December 1, 2021, the Company received proceeds of $18,865 (CDN $25,000) and issued a demand promissory note to Rozdil, bearing interest at 4% per annum (see Note 1).

At December 31, 2021, included in accounts payable and accrued liabilities is interest on the loans of $363.

8. DERIVATIVE LIABILITIES

The Company has warrants issued with an exercise price in CDN dollars which are different from the functional currency of the Company (United States Dollars) and accordingly the warrants are treated as a financial liability and the fair value movement during the period is recognized in the statement of operations.

The following table set out the changes in derivative warrant liabilities during the respective periods.

	Number of Warrants	Value Assigned $US	Average Exercise Price $CDN
Balance, December 31, 2020	-	-	-
Warrants issued	1,000,000	170,530	0.50
Fair value re-measurement	-	(51,889)	
Balance, December 31, 2021	**1,000,000**	**118,641**	**0.50**

On March 23, 2021, the Company closed a non-brokered private placement and issued 2,000,000 units for gross cash proceeds of $537,186. Each unit is comprised of one (1) common stock (also known as "common share"), par value $0.001 per share and one-half (1/2) of a common share purchase warrant (each whole warrant, a "Warrant") (the "Units"). Each whole warrant will entitle the holder to acquire one common share of the Company at a price of CDN$0.50 per warrant for a period of two years following the closing date. The amount allocated to derivative liabilities based on fair value using the Black Scholes pricing model was $170,530 assuming an estimated life of 2 years, a risk-free rate of 0.23% an expected dividend rate of 0.00%, and an expected annual volatility of 137%. At December 31, 2021, the Company revalued the warrants using the Black Scholes pricing model and the amount allocated to derivative liabilities was $118,641 assuming an estimated life of 1.2 years, a risk-free rate of 0.95% an expected dividend rate of 0.00%, and an expected annual volatility of 127%. At December 31, 2021, the Company recorded a gain on the revaluation of $51,889.

The following tables set out the number of derivative liabilities outstanding at December 31, 2021:

Number of Warrants	Exercise Price CDN ($)	Expiry Date	Weighted Average Remaining Life (Years)	Fair Value US ($)
1,000,000	**$0.50**	**March 21, 2023**	**1.22**	**118,641**

(Expressed in United States Dollars)

9. STOCKHOLDERS' EQUITY

Common Stock

Authorized:
The authorized share capital of the Company consists of 15,000,000 common shares with a par value of $0.0001.

Issued:
On March 15, 2021, the Company closed a non-brokered private placement and issued 2,000,000 units for gross cash proceeds of $537,186. Each unit is comprised of one common share and one-half warrant. Each warrant entitles the holder to acquire one common share at a price of CDN$0.50 for a period of two years following the closing date. The amount allocated to derivative liabilities based on fair value using the Black Scholes model was $170,530 (see Note 8 and Note 1).

Stock Options

Under the Company's 2016 Equity Incentive Plan ("the Plan"), the Company may grant options to directors, officers, employees and consultants, provided that the maximum number of options outstanding at any time shall not exceed 2,000,000 common shares.

The following table is a summary of the status of the Company's stock options and changes during the period:

	Number of Options	Weighted Average Exercise Price $
Balance, December 31, 2019	-	-
Granted	300,000	0.125
Balance, December 31, 2021 and December 31, 2020	**300,000**	**0.125**

The following table is a summary of the Company's stock options outstanding and exercisable as at December 31, 2021 and December 31, 2020, respectively:

Options Outstanding				Options Exercisable	
Exercise Price	Number of Options	Weighted Average Remaining Life (Years)	Expiry Date	Number of Options	Weighted Average Exercise Price $
$0.125	300,000	8.49	June 26, 2030	175,475	0.125

Options Outstanding				Options Exercisable	
Exercise Price	Number of Options	Weighted Average Remaining Life (Years)	Expiry Date	Number of Options	Weighted Average Exercise Price $
$0.125	300,000	9.49	June 26, 2030	118,775	0.125

On June 26, 2020, the Company granted 300,000 options with an exercise price of US $0.125 per share exercisable until June 26, 2030. 73,200 options vested immediately and the remaining options vest over 48 months. The options have a fair value, calculated using the Black-Scholes Option Pricing Model of $33,426, assuming an expected life of 10 years, a risk-free interest rate of 0.93%, an expected dividend rate of 0.00%, and an expected annual volatility of 100%.

(Expressed in United States Dollars)

10. RELATED PARTY TRANSACTIONS

The following transactions with individuals related to the Company arose in the normal course of business have been accounted for at the amount agreed to by the related parties.

Compensation of Key Management Personnel
The remuneration of directors and other members of key management personnel during the years set out were as follows:

	2021	2020
	$	$
Stock-based compensation (1)	3,507	15,411
Subcontractor labor (2)	24,087	12,000
Total	$27,594	27,411

1) Stock based compensation recorded on vested stock options granted to a director of the Company.
2) Director fees and professional fees recorded to a director of the Company.

As of December 31, 2021, a convertible promissory note together with accrued interest in the amount of $9,118 is payable to a director of the Company (December 31, 2020: $9,118). As of December 31, 2021, accounts payable and accrued liabilities include $4,000 payable to the same director of the Company (December 31, 2020: $4,000).

As of December 31, 2021, a convertible promissory note together with accrued interest in the amount of $202,631 is payable to the President, director and majority shareholder of the Company (December 31, 2020: $202,631). As of December 31, 2021, a promissory note in the amount of $39,200 is payable to the President, director and majority shareholder of the Company (December 31, 2020: $39,200).

11. EXPENSES BY NATURE

The Company presents operating expenses by function. The following tables present a breakdown of research and development costs and selling, general and administrative costs for the years set out:

Research and development expenses	**2021**	**2020**
	$	**$**
Subcontractor labor	1,072,832	126,239
Lab supplies	(3,757)	161,262
Internal analysis	-	104,373
Total	**1,069,075**	**391,874**

(Expressed in United States Dollars)

11. EXPENSES BY NATURE (cont'd)

Selling, general and administrative expenses	2021	2020
	$	$
Accounting	1,491	4,616
Bank charges	1,602	193
Computer and internet	3,072	8,765
Dues and subscriptions	989	1,241
Insurance	4,195	8,774
Office	879	-
Professional fees	223,432	17,217
Shipping	5,129	17,085
Miscellaneous taxes	3,774	1,902
Director fees	11,272	-
Total	**255,835**	**59,793**

12. CAPITAL MANAGEMENT

The capital managed by the Company includes the components of shareholders' equity as described in the consolidated statements of shareholders' equity. The Company is not subject to externally imposed capital requirements. There were no changes in the Company's capital management for the year ended December 31, 2021.

The Company's objectives of capital management are to create long-term value and economic returns for its shareholders. It does this by seeking to maximize its resources to fund the growth and development of its business, and to support the working capital required to maintain its ability to continue as a going concern. The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its assets by seeking to limit shareholder dilution and optimize its cost of capital while maintaining an acceptable level of risk. In order to maintain or adjust its capital structure, the Company considers all sources of financing reasonably available to it, including but not limited to the issuance of new capital, the issuance of new debt and the sale of assets in whole or in part.

13. FINANCIAL RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks.

Credit Risk
Credit risk is primarily related to the Company's receivables and cash and the risk of financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. At December 31, 2021, accounts receivable was $10,422 of which of $9,567 is Goods and Services Tax due from the Australian Government (December 31, 2020 accounts receivable: $1,055). At December 31, 2021, grant receivable is $122,417 also due from the Australian Government (December 31, 2020: Nil). At December 31, 2021, the Company has Nil in prepaid expenses (December 31, 2020: $25,000)

Concentration risk exists in cash because cash balances are maintained with financial institutions. The risk is mitigated because the financial institutions are international banks and all amounts are due on demand.

13. FINANCIAL RISK MANAGEMENT (cont'd)

The Company's maximum exposure to credit risk is as follows:

	December 31, 2021	December 31, 2020
	$	$
Cash	49,329	15,071
Account receivable	10,422	1,055
Grant receivable	122,417	-
Prepaid expenses	-	25,000
	182,168	**41,426**

Currency Risk

The Company's functional currency is the United States dollar. The Company has two wholly owned subsidiaries, Thiogenesis Australia Pty Ltd. and Thiogenesis Therapeutics, EURL, for the purpose of carrying clinical studies or trials. Trial costs are being paid in local currency, AUD and EURO dollars, respectively. A significant change in the currency exchange rates between the United States dollar relative to AUD and EURO dollar could have an effect on the Company's financial instruments. The Company does not hedge its foreign currency exposure.

The following assets and liabilities are denominated in AUD dollars as at the year-end set out below:

	December 31, 2021($) (2) (3)	December 31, 2020($) (2) (3)
Cash	1,708	-
Accounts receivable	13,178	-
Tax credit receivable	168,618	-
Accounts payable and accrued liabilities	(374,204)	-
Net assets (liabilities) denominated in AUD$	(190,700)	-
Net assets (liabilities) US dollar equivalent at period end (1)	(138,448)	-

(1) Translated at the exchange rate in effect at December 31, 2021: $0.726 (December 31, 2021: N/A)
(2) Thiogenesis Australia Pty Ltd. commenced operations in 2021
(3) Thiogenesis Therapeutics, EURL operations are immaterial at December 31, 2021 and 2020

The following table shows the estimated sensitivity of the Company's total loss for the period set out from a change in the AUD dollar exchange rate in which the Company has exposure with all other variables held constant.

	December 31, 2021	
	Increase	Decrease
Percentage change in US Dollar	In total loss from a change in % in the AUD Exchange Rate ($)	
5%	(5,026)	5,026
10%	(10,051)	10,051
15%	(15,077)	15,077

Interest Rate Risk

The Company's exposure to interest rate risk relates to its ability to earn interest income on cash balances at variable rates. The fair value of the Company's cash accounts is relatively unaffected by changes in short term interest rates. The income earned on certain bank accounts is subject to the movements in interest rates. Currently, this risk will have an immaterial effect on operations.

(Expressed in United States Dollars)

13. FINANCIAL RISK MANAGEMENT (cont'd)

Liquidity Risk
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's main source of cash resources has been through equity financing. The Company's financial obligations are limited to its current liabilities which have contractual maturities of less than one year. The Company manages liquidity risk as part of its overall "Management of Capital". The Company entered into a securities exchange agreement with Rozdil (see Note 1).

The following table illustrates the contractual maturities of financial liabilities for the years set out:

December 31, 2021	Payments Due by Period $				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Accounts payable and accrued liabilities	537,071	537,071	-	-	-
Convertible promissory notes payable	211,749	211,749	-	-	-
Promissory note payable	39,200	39,200	-	-	-
Loans payable	113,347	113,347	-		
Total	901,367	901,367	-	-	-

December 31, 2020	Payments Due by Period $				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
Accounts payable and accrued liabilities	30,582	30,582	-	-	-
Convertible promissory notes payable	211,749	211,749	-	-	-
Promissory note payable	39,200	39,200	-	-	-
Total	281,531	281,531	-	-	-

Fair value
Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

As of December 31, 2021 and December 30, 2020, cash is recorded at fair value under level 1 within the fair value hierarchy, and derivative liabilities are classified as level 2.

Management believes that the recorded values of cash, accounts receivable, tax credit receivable, accounts payable and accrued liabilities, convertible promissory notes, promissory notes, loans payable and derivative liabilities approximate their current fair values because of their nature and anticipated settlement dates.

(Expressed in United States Dollars)

14. INCOME TAXES

The income tax provisions differ from the expected amounts calculated by applying Canadian combined federal and provincial corporate income tax rates to the Company's loss before income taxes. The components of these differences are as follows:

	2021	2020
	$	$
Net loss	(966,820)	(476,301)
Statutory tax rate	29%	29%
Expected income tax recovery	(280,000)	(138,000)
Non-deductible expenditures	25,000	6,000
Unrecognized deferred assets	255,000	132,000
Income tax recovery	-	-

The Company's tax-effected future income tax assets and liabilities are estimated as follows:

	2021	2020
	$	$
Deferred tax assets	-	-
Non-capital loss carry forwards	423,000	168,000
Less: Unrecognized deferred tax assets	(423,000)	(168,000)
Income tax recovery	-	-

The Company has non-capital losses of approximately $1,441,000 available for carry-forward to reduce future years' income for income tax purposes. These losses do not have an expiry date.

15. SUBSEQUENT EVENTS

On March 13, 2022, the Company received a loan in the amount of AUD $134,124 secured against the AUD $168,618 grant receivable from the Australian government. The loan had an interest rate of 15% and on March 29, 2022, the Company repaid the lender the secured loan of $134,124 and interest and borrowing costs of AUD $1,504.

On April 8, 2022, Rozdil paid $39,200 of promissory notes due to a director of the Company.

On April 8, 2022, Rozdil paid the demand promissory notes in the amount of $49,131 and $45,351.