

Theralase Technologies Inc.

Unaudited Condensed Interim Consolidated Financial Statements

As at March 31, 2025 and for the three-month periods ended March 31, 2025 and 2024

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

THERALASE® TECHNOLOGIES INC.

Consolidated Statements of Financial Position

As at March 31, 2025 and December 31, 2024

Stated in Canadian Dollars

	Note	2025	2024
Assets			
Current assets			
Cash and cash equivalents		\$ 131,764	\$ 268,757
Trade and other receivables	3	285,563	330,698
Net investment in lease	4	383,892	380,825
Inventories	5	514,969	545,050
Prepaid expenses and other assets		85,780	58,335
Total current assets		1,401,968	1,583,666
Non-current assets			
Net investment in lease	4	951,846	1,057,490
Property and equipment	6	371,619	348,601
Right-of-use-assets	7	233,596	257,193
Total non-current assets		1,557,061	1,663,284
Total Assets		\$ 2,959,029	\$ 3,246,949
Liabilities			
Current liabilities			
Payables and accruals	8	\$ 1,599,251	\$ 885,634
Current portion of lease liabilities	7	102,659	100,314
Total current liabilities		1,701,910	985,948
Non-current liabilities			
Lease liabilities	7	166,923	193,553
Total non-current liabilities		166,923	193,553
Total Liabilities		1,868,833	1,179,501
Equity attributable to shareholders			
Share capital	9, 12	49,108,886	48,923,596
Contributed surplus	10, 12	17,770,869	17,581,505
Common share purchase warrants	11, 12	3,177,809	3,058,466
Accumulated deficit		(68,967,369)	(67,496,119)
Total Equity		1,090,195	2,067,448
Total Shareholders' Equity and Liabilities		\$ 2,959,029	\$ 3,246,949

Commitments (Note 20)

Approved on Behalf of the Board

[Randy Bruder]

Director

[Guy Anderson]

Director

THERALASE® TECHNOLOGIES INC.

Consolidated Statements of Operations

For the three-month period ended March 31

Stated in Canadian Dollars

	Note	2025	2024
Sales		\$ 91,190	\$ 175,554
Cost of sales		77,896	113,440
Gross margin		13,294	62,114
Operating expenses			
Selling expenses	14	68,143	67,552
Administrative expenses	15	555,074	511,495
Research and development expenses	16	877,670	756,380
(Gain) loss on foreign exchange		(3,325)	3,100
Interest accretion on lease liabilities	7	5,002	6,639
Interest income		(18,020)	(16,341)
		1,484,543	1,328,825
Net loss and comprehensive loss for the period		\$ (1,471,250)	\$ (1,266,711)
Basic and diluted loss per common share	13	(0.006)	(0.006)
Weighted average number of common shares		247,811,531	229,465,425

THERALASE® TECHNOLOGIES INC.

Consolidated Statements of Cash Flows

For the three-month period ended March 31

Stated in Canadian Dollars

	2025	2024
Cash flows from operating activities		
Net loss and comprehensive loss for the period	\$ (1,471,250)	\$ (1,266,711)
Items not involving cash:		
Amortization of property and equipment	41,562	44,442
Amortization of right-of-use assets	23,597	23,598
Stock-based compensation expense	189,364	143,140
Loss on foreign exchange	(3,325)	3,100
Interest accretion from lease liabilities	5,002	6,639
	(1,215,050)	(1,045,792)
Change in operating assets and liabilities other than cash:		
Current trade and other receivables	48,460	59,683
Net investment in leases	102,577	(14,436)
Inventories	30,079	35,446
Prepaid expenses and other assets	(27,446)	(47,010)
Payables and accruals	713,617	(79,745)
	(347,762)	(1,091,854)
Cash flows from investing activity		
Purchase of property and equipment	(64,577)	(3,576)
	(64,577)	(3,576)
Cash flows from financing activities		
Payment of lease liabilities	(29,287)	(22,648)
Proceeds from private placement (net of issuance costs)	304,633	1,188,578
	275,346	1,165,930
Increase (decrease) in cash and cash equivalents during the period	(136,993)	70,500
Cash and cash equivalents, beginning of period	268,757	43,911
Cash and cash equivalents, end of period	\$ 131,764	\$ 114,411
Supplementary Information		
Interest received	\$ 18,020	\$ 16,341

THERALASE® TECHNOLOGIES INC.

Consolidated Statements of Changes in Equity

For the three-month period ended March 31

Stated in Canadian Dollars

		Number of Shares	Share Capital	Contributed Surplus	Common Share Purchase Warrants	Deficit	Total Shareholders' Equity
	Note	#	\$	\$	\$	\$	\$
Balance, December 31, 2023		228,460,858	46,435,685	12,490,567	6,219,195	(63,240,005)	1,905,442
Stock-based compensation expense	10	-	-	143,140	-	-	143,140
Expired warrants	11	-	-	587,545	(587,545)	-	-
Issued pursuant to private placement	9	6,666,670	748,993	-	451,007	-	1,200,000
Transaction cost on private placement	9	-	(7,244)	-	(4,178)	-	(11,422)
Net loss and comprehensive loss for the period		-	-	-	-	(1,266,711)	(1,266,711)
Balance, March 31, 2024		235,127,528	47,177,434	13,221,252	6,078,479	(64,506,716)	1,970,449
Balance, December 31, 2024		247,780,369	48,923,596	17,581,505	3,058,466	(67,496,119)	2,067,448
Stock-based compensation expense	10	-	-	189,364	-	-	189,364
Expired warrants	11	-	-	-	-	-	-
Issued pursuant to private placement	9	1,034,002	188,952	-	121,249	-	310,201
Transaction cost on private placement	9	-	(3,662)	-	(1,906)	-	(5,568)
Net loss and comprehensive loss for the period		-	-	-	-	(1,471,250)	(1,471,250)
Balance, March 31, 2025		248,814,371	49,108,886	17,770,869	3,177,809	(68,967,369)	1,090,195

ThERALASE® TECHNOLOGIES INC.

Notes to Consolidated Financial Statements

Three-Month periods ended March, 2025 & 2024

Stated in Canadian Dollars

1. Nature of Operations

Theralase® Technologies Inc. (“**Company**” or “**Theralase**”) has two main divisions.

The Drug Division develops patented, and patent pending drugs, called Photo Dynamic Compounds (“**PDCs**”) and activates them with proprietary and patent pending laser technology to destroy specifically targeted cancers, bacteria and viruses. The Device Division designs, develops, manufactures and markets proprietary super-pulsed laser technology indicated and cleared by Health Canada and the Food and Drug Administration (“**FDA**”) for the healing of chronic knee pain. The technology has been used off-label for healing numerous nerve, muscle and joint conditions.

The Company develops products both internally and using the assistance of specialist external resources. Successful financing enables the commercialization of the Company’s current and future product offerings, which is further supported through the Company’s established network of direct sales and indirect distribution networks.

Theralase® was incorporated by articles of incorporation in the province of Ontario in September 2004. The Company’s common shares trade on the Toronto Stock Venture Exchange under the symbol TLT. The registered office is 41 Hollinger Road, Toronto, Ontario, Canada M4B 3G4.

Going Concern, Capital Disclosures and Statement of Compliance

These unaudited interim condensed consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“**IFRS**”) as issued by the International Accounting Standards Board (“**IASB**”) and includes interpretations of the IFRS Interpretations Committee (“**IFRSIC**”), effective for the reporting period ended March 31, 2025, and have been prepared in accordance with International Accounting Standard (“**IAS**”) 34 “Interim Financial Reporting”. The unaudited interim condensed consolidated financial statements follow the same accounting policies and methods of application as those disclosed in the annual consolidated financial statements for the year ended December 31, 2025, but do not include all the information and disclosures required in the Company’s audited annual financial statements. The preparation of unaudited interim condensed consolidated financial statements in accordance with IAS 34 requires the use of certain accounting estimates and also requires management to use judgement in applying the Company’s accounting policies. The areas that involve judgement and estimates have been disclosed in Note 2 of the Company’s 2024 audited annual consolidated financial statements. These unaudited interim condensed consolidated financial statements should be read in conjunction with the Company’s audited annual consolidated financial statements for the year ended December 31, 2024.

The unaudited interim condensed consolidated financial statements have been prepared by management on a going concern basis which contemplates the realization of assets and the discharge of liabilities in the normal course of business for the foreseeable future. For the three-month period ended March 31, 2025, the Company had a net loss of \$1,471,250 (2024 -\$1,266,711), an accumulated deficit of \$68,967,369 (December 31, 2024 - \$67,496,119) and has historically used net cash in operations.

These conditions indicate the existence of material uncertainties that cast substantial doubt about the Company’s ability to continue as a going concern, which is dependent upon achieving a profitable level of operations and obtaining additional financing, neither of which are assured.

The Company’s objective is to maintain a sufficient capital base to support future research, development and strategic business initiatives allowing the Company to invest in its future and maintain investor, creditor and

THERALASE® TECHNOLOGIES INC.

Notes to Consolidated Financial Statements

Three-Month periods ended March, 2025 & 2024

Stated in Canadian Dollars

1. Nature of Operations (continued)

market confidence. Sales of TLC-2000, the Company's existing product line, have not met expectations and have not been sufficient in and of themselves to enable the Company to fund all its continuing development and commercialization efforts and, accordingly, the Company will require additional capital to continue to research and develop its drug technology and market its device products as it continues to develop sales opportunities. The Company is currently seeking new financing opportunities and intends to complete a financing round in Q2 2025. The Company has successfully raised capital through equity offerings in Q1 2025, 2024, 2023 and 2022, however, there is no guarantee that the Company will be able to raise additional capital on terms and conditions agreeable to the Company. The Company continues to closely monitor its expenses to preserve cash resources until new financing is obtained. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

Management believes the Company will be able to continue in operation for the foreseeable future and secure additional financing to satisfy its liabilities and commitments in the normal course of business. Accordingly, it is appropriate to prepare these consolidated financial statements on a going concern basis.

The Company is not subject to any externally imposed capital requirements and the Company does not use financial ratios to manage capital. There were no changes in the Company's approach to capital management during the years presented.

Approval of Financial Statements

The unaudited condensed interim consolidated financial statements for the three-month period ended March 31, 2025 (including comparatives) were approved and authorized for issue by the board of directors on May 29th, 2025.

2. Summary of Material Accounting Policies

Basis of presentation

These unaudited condensed interim consolidated financial statements, which are presented in Canadian Dollars (unless otherwise stated), have been prepared under the historical cost convention, as modified by the measurement at fair value of certain financial assets and financial liabilities. These unaudited condensed interim consolidated financial statements have been prepared using the same accounting policies and methods of computation followed in the Company's annual consolidated financial statements for the year ended December 31, 2024.

Basis of consolidation

The unaudited condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries; Theralase® Inc. and Theralase® Biotech Inc., over which the Company exercises control. Inter-company balances and transactions are eliminated in preparing the unaudited condensed interim consolidated financial statements.

THERALASE® TECHNOLOGIES INC.

Notes to Consolidated Financial Statements

Three-Month periods ended March, 2025 & 2024

Stated in Canadian Dollars

3. Trade and Other Receivables

	March 31, 2025	December 31, 2024
Subscriptions and other receivables (net)	\$ 74,143	\$ 166,659
Government tax credits receivable	211,420	164,038
Total	\$ 285,563	\$ 330,698

Write offs of trade receivables for the three-month period ended March 31, 2025, amounted to \$10,054 (2024 - \$nil). Refer to note 17 (i) for the continuity schedule of allowance for lease receivables.

Government tax credits receivable comprise of research and development investment tax credits from the federal government and sales tax receivable. Research and development tax credits receivable total \$191,110 for the three-month period ended March 31, 2025 (December 31, 2024 - \$156,000) and have been allocated against research and development expenses.

The Company's exposure to credit and currency risks related to trade and other receivables is presented in note 17.

4. Net Investment in Leases

Net investment in leases represent amounts owing from customers to whom the Company sold products under finance leases with payment term of 60 months. Investment in lease receivables is recorded at the time of origination or purchase at fair value of products sold and are subsequently reported at amortized cost, net of any allowance for credit losses.

	March 31, 2025	December 31, 2024
Lease beginning balance	\$ 1,438,315	\$ 1,193,604
New leases for the period	11,461	538,547
Interest charge for the period ¹	19,121	70,053
Lease payments for the period ²	(133,160)	(363,888)
Total	\$ 1,335,738	\$ 1,438,315

¹⁾ Lease investments are discounted using prime rate at time of inception.

²⁾ Lease investments does not include any variable payments of \$0.50 per minute of use.

	2024	2023
Current portion of net investment in leases	\$ 380,825	\$ 273,638
Non-current net investment in leases	1,057,490	919,967
Total	\$ 1,438,315	\$ 1,193,605

THERALASE® TECHNOLOGIES INC.

Notes to Consolidated Financial Statements

Three-Month periods ended March, 2025 & 2024

Stated in Canadian Dollars

4. Net Investment in Leases (continued)

Principal receivables of the Company's investment in leases until maturity are as follows:

	Undiscounted Lease Receivable	Discounted Lease Receivable	Unearned Finance Income
2025	\$ 345,375	284,758	60,616
2026	459,032	403,028	56,004
2027	367,532	339,415	28,118
2028	225,557	209,390	16,168
2029	94,557	91,698	2,859
2030	7,521	7,448	72
Total	\$ 1,499,575	\$ 1,438,315	\$ 163,836

5. Inventories

	March 31, 2025	December 31, 2024
Raw materials	\$ 408,646	\$ 425,316
Finished goods	106,323	119,734
Total	\$ 514,969	\$ 545,050

During the three-month period, inventories amounting to \$14,416 (2024-\$43,511) were incurred as expense in cost of sales in the Statements of Operations.

6. Property and Equipment

Cost

	Tools and Dies	Computer Equipment	Furniture and Fixtures	Rental Units ¹	Equipment	Clinical Equipment	Leasehold Improvements	Total
Balance at January 1, 2024	\$ 196,595	\$ 281,252	\$ 88,849	\$ 78,833	\$ 453,004	\$ 564,614	\$ 30,504	\$ 1,693,651
Additions	115	4,942	2,868	7,302	4,741	-	-	19,967
Balance at December 31, 2024	\$ 196,710	\$ 286,194	\$ 91,717	\$ 86,135	\$ 457,745	\$ 564,614	\$ 30,504	\$ 1,713,618
Balance at January 1, 2024	\$ 196,710	\$ 286,194	\$ 91,717	\$ 86,135	\$ 457,745	\$ 564,614	\$ 30,504	\$ 1,713,618
Additions	-	-	734	6,516	6,701	50,628	-	64,579
Balance at December 31, 2024	\$ 196,710	\$ 286,194	\$ 92,451	\$ 92,651	\$ 464,445	\$ 615,242	\$ 30,504	\$ 1,778,197

Depreciation

Balance at January 1, 2024	\$ 169,162	\$ 247,486	\$ 58,221	\$ 14,077	\$ 373,831	\$ 301,165	\$ 23,376	\$ 1,187,318
Depreciation for the period	6,882	10,717	6,462	16,568	20,160	113,192	3,719	177,699
Balance at December 31, 2024	\$ 176,044	\$ 258,203	\$ 64,683	\$ 30,645	\$ 393,991	\$ 414,357	\$ 27,095	\$ 1,365,017
Balance at January 1, 2024	\$ 176,044	\$ 258,203	\$ 64,683	\$ 30,645	\$ 393,991	\$ 414,357	\$ 27,095	\$ 1,365,017
Depreciation for the period	1,274	2,071	1,348	4,248	4,085	27,844	692	41,562
Balance at December 31, 2024	\$ 177,318	\$ 260,274	\$ 66,031	\$ 34,893	\$ 398,076	\$ 442,201	\$ 27,787	\$ 1,406,579

Carrying Amounts

At December 31, 2024	\$ 20,666	\$ 27,991	\$ 27,034	\$ 55,490	\$ 63,754	\$ 150,258	\$ 3,409	\$ 348,601
At December 31, 2024	\$ 19,392	\$ 25,920	\$ 26,420	\$ 57,759	\$ 66,369	\$ 173,042	\$ 2,717	\$ 371,619

¹⁾ Rental units consist of TLC-1000 systems used in customer rentals, demonstrations and service loaner

For the three-month period ended March 31, 2025, there was amortization included in cost of sales amounting to \$5,866 (2024 - \$7,430).

THERALASE® TECHNOLOGIES INC.

Notes to Consolidated Financial Statements

Three-Month periods ended March, 2025 & 2024

Stated in Canadian Dollars

7. Lease Liabilities and Right-of-use-Assets

	Property	Office Equipment	Total
Right-of-use Assets			
Balance at January 1, 2024	\$ 347,047	\$ 4,535	\$ 351,582
Depreciation charge for the period	92,546	1,842	94,389
Balance at December 31, 2024	\$ 254,501	\$ 2,693	\$ 257,193
Balance at January 1, 2025	\$ 254,501	\$ 2,693	\$ 257,193
Depreciation charge for the period	23,136	461	23,597
Balance at March 31, 2025	\$ 231,365	\$ 2,232	\$ 233,596

	Property	Office Equipment	Total
Lease Liabilities			
Balance at January 1, 2024	\$ 382,118	\$ 4,762	\$ 386,880
Interest charge for the period	23,861	274	24,135
Lease payments for the period ¹	(115,000)	(2,148)	(117,148)
Balance at December 31, 2024	\$ 290,979	\$ 2,888	\$ 293,867
Balance at January 1, 2025	\$ 290,979	\$ 2,888	\$ 293,867
Interest charge for the period	4,954	48	5,002
Lease payments for the period ¹	(28,750)	(537)	(29,287)
Balance at March 31, 2025	\$ 267,183	\$ 2,399	\$ 269,582

¹⁾ Lease payments are discounted using an incremental borrowing rate of 7%.

²⁾ Lease payments does not include variable property lease payments of \$10,304 (2024 - \$10,304).

	As at March 31, 2025			As at December 31, 2024		
	Property	Office Equipment	Total	Property	Office Equipment	Total
Current portion of lease liabilities	\$ 100,615	\$ 2,044	\$ 102,659	\$ 91,140	\$ 1,873	\$ 93,013
Non-current portion of lease liabilities	166,568	355	166,923	290,978	2,889	293,867
	\$ 267,183	\$ 2,399	\$ 269,582	\$ 382,118	\$ 4,762	\$ 386,880

Principal repayments of the Company's leased premises and office equipment until maturity are as follows:

	Property	Office Equipment
2025	74,510	1,519
2026	107,209	880
2027	85,464	-
	\$ 267,183	\$ 2,399

8. Payables and Accruals

	March 31, 2025	December 31, 2024
Trade payables	\$ 1,117,544	\$ 362,162
Salaries, employment taxes, and benefits	135,558	85,380
Accrued liabilities	346,149	438,092
Total	\$ 1,599,251	\$ 885,634

THERALASE[®] TECHNOLOGIES INC.

Notes to Consolidated Financial Statements

Three-Month periods ended March, 2025 & 2024

Stated in Canadian Dollars

9. Private Placement

On February 5, 2024, the Company completed a financing by way of a non-brokered private placement, where 6,666,670 units were issued at a price of \$0.18 per unit for gross proceeds of \$1,200,000. Each unit consisted of 1 common share and 1 non-transferable common share purchase warrant. Each whole warrant entitles the holder thereof to acquire 1 common share at a price of \$0.25, expiring on February 5, 2029. An aggregate of 1,310,502 Units, representing gross proceeds of \$235,890, were issued to certain insiders of the Company. In connection with the offering, the Company incurred financing costs of \$11,422 paid in cash and the issuance of 4,166 broker warrants. Each broker warrant is exercisable into one common share at an exercise price of \$0.25 per share for a period of 60 months after the closing of the offering. The purchase price of \$0.18 per unit was allocated between the common shares (\$0.11 per share) and common share purchase warrants

(\$0.07 per warrant), based on their relative fair values. Management determined that the allocation of the net proceeds of \$1,188,578 was \$741,749 for the common shares issued and \$446,829 for the common share purchase warrants issued.

On April 24, 2024, the Company completed a financing by way of a non-brokered private placement, where 4,167,778 units were issued at a price of \$0.18 per unit for gross proceeds of \$750,200. Each unit consisted of 1 common share and 1 non-transferable common share purchase warrant. Each whole warrant entitles the holder thereof to acquire 1 common share at a price of \$0.25, expiring on April 24, 2029. In connection with the offering, the Company incurred financing costs of \$6,818 paid in cash. The purchase price of \$0.18 per unit was allocated between the common shares (\$0.12 per share) and common share purchase warrants (\$0.06 per warrant), based on their relative fair values. Management determined that the allocation of the net proceeds of \$743,382 was \$476,699 for the common shares issued and \$266,683 for the common share purchase warrants issued.

On July 8, 2024, the Company completed a financing by way of a non-brokered private placement, where 3,522,729 units were issued at a price of \$0.22 per unit for gross proceeds of \$775,000. Each unit consisted of 1 common share and 1 non-transferable common share purchase warrant. Each whole warrant entitles the holder thereof to acquire 1 common share at a price of \$0.30, expiring on July 7, 2029. In connection with the offering, the Company incurred financing costs of \$7,114 paid in cash. The purchase price of \$0.22 per unit was allocated between the common shares (\$0.15 per share) and common share purchase warrants (\$0.07 per warrant), based on their relative fair values. Management determined that the allocation of the net proceeds of \$767,886 was \$508,284 for the common shares issued and \$259,602 for the common share purchase warrants issued.

On September 24, 2024, the Company completed a financing by way of a non-brokered private placement, where 2,720,000 units were issued at a price of \$0.20 per unit for gross proceeds of \$544,000. Each unit consisted of 1 common share and 1 non-transferable common share purchase warrant. Each whole warrant entitles the holder thereof to acquire 1 common share at a price of \$0.30, expiring on September 24, 2029. In connection with the offering, the Company incurred financing costs of \$10,125 in which \$4,844 was paid in cash and \$5,281 was paid through the issuance of 21,000 common shares and 14,250 broker warrants. Each broker warrant is exercisable into one common share at an exercise price of \$0.30 per share for a period of 60 months after the closing of the offering. The purchase price of \$0.20 per unit was allocated between the common shares (\$0.13 per share) and common share purchase warrants (\$0.07 per warrant), based on their relative fair values. Management determined that the allocation of the net proceeds of \$539,155 was \$356,669 for the common shares issued and \$182,486 for the common share purchase warrants issued.

THERALASE® TECHNOLOGIES INC.

Notes to Consolidated Financial Statements

Three-Month periods ended March, 2025 & 2024

Stated in Canadian Dollars

9. Private Placement (continued)

On November 15, 2024, the Company completed a financing by way of a non-brokered private placement, where 2,221,334 units were issued at a price of \$0.30 per unit for gross proceeds of \$666,400. Each unit consisted of 1 common share and 1 non-transferable common share purchase warrant. Each whole warrant entitles the holder thereof to acquire 1 common share at a price of \$0.45, expiring on November 15, 2029. In connection with the offering, the Company incurred financing costs of \$6,372 paid in cash. The purchase price of \$0.30 per unit was allocated between the common shares (\$0.18 per share) and common share purchase warrants (\$0.12 per warrant), based on their relative fair values. Management determined that the allocation of the net proceeds of \$660,028 was \$404,512 for the common shares issued and \$255,516 for the common share purchase warrants issued.

On March 10, 2025, the Company completed a financing by way of a non-brokered private placement, where 6,666,670 units were issued at a price of \$0.30 per unit for gross proceeds of \$310,201. Each unit consisted of 1 common share and 1 non-transferable common share purchase warrant. Each whole warrant entitles the holder thereof to acquire 1 common share at a price of \$0.45, expiring on March 10, 2030. An aggregate of 251,668 Units, representing gross proceeds of \$75,500, were issued to certain insiders of the Company. In connection with the offering, the Company incurred financing costs of \$5,568 paid in cash and the issuance of 2,880 broker warrants. Each broker warrant is exercisable into one common share at an exercise price of \$0.45 per share for a period of 60 months after the closing of the offering. The purchase price of \$0.30 per unit was allocated between the common shares (\$0.18 per share) and common share purchase warrants (\$0.12 per warrant), based on their relative fair values. Management determined that the allocation of the net proceeds of \$304,189 was \$185,290 for the common shares issued and \$118,899 for the common share purchase warrants issued.

The fair value of each common share purchase warrants granted was estimated on the dates of the grant using the Black-Scholes option pricing model with the following assumptions:

	10-Mar-25	15-Nov-24	24-Sep-24	08-Jul-24	04-Apr-24	05-Feb-24
Expected volatility ¹	95.93%	94.72%	88.61%	89.03%	87.60%	87.54%
Risk-free interest rate	2.63%	3.10%	2.74%	3.46%	3.82%	3.60%
Expected life	5 Years	5 Years	5 Years	5 Years	5 Years	5 Years
Expected dividends	Nil	Nil	Nil	Nil	Nil	Nil
Strike Price	\$0.45	\$0.45	\$0.30	\$0.30	\$0.25	\$0.25
Share Price	\$0.24	\$0.29	\$0.17	\$0.18	\$0.16	\$0.17

1) Based on Historical Value

10. Stock Options

The Company has a rolling stock option plan reserving for issue under this plan up to 10% (24,881,437 common shares) of the outstanding common shares at a purchase price not less than the fair market value of the Company's stock at the grant date. Under the Company's stock option plan, the board of directors may grant, at its discretion, stock options to purchase common shares to certain employees, officers, directors and consultants of the Company. Terms and conditions of the stock option and vesting provisions are at the discretion of the Board of Directors.

THERALASE[®] TECHNOLOGIES INC.

Notes to Consolidated Financial Statements

Three-Month periods ended March, 2025 & 2024

Stated in Canadian Dollars

10. Stock Options (continued)

A summary of stock options issued under the stock option plan for the three month period ended March 3, 2025 and the year ended December 31, 2024 is provided below.

	Common shares under option	Weighted average exercised price \$
Outstanding, December 31, 2023	18,510,000	0.31
Forefeited during period ¹	(10,000)	0.25
Expired during period ²	(10,280,000)	0.26
Option grant during period ³	11,400,000	0.25
Outstanding, December 31, 2024	19,620,000	0.25
Outstanding, March 31, 2025	19,620,000	0.25

- 1) During 2024, certain employees and consultants were terminated and/or resigned from the employment of the Company and forfeited all non-vested options totaling 10,000.
- 2) During 2024, 10,280,000 options expired
- 3) During 2024, options were granted to certain officers, directors and employees of the Company totaling 11,400,000.

The following table summarizes information on the stock options outstanding as at March 31, 2025:

Stock Options Outstanding			Stock Options Exercisable	
Stock Options Outstanding	Weighted Average Remaining Life (years)	Weighted Average Exercise Price \$	Stock Options Exercisable	Weighted Average Exercise Price \$
7,860,000	2.63	0.25	5,240,000	0.25
360,000	3.47	0.25	120,000	0.25
11,400,000	4.47	0.25	-	-
19,620,000			5,360,000	

Under the stock option plan, the stock options vest over a three year period, commencing one year after the grant. As at March 31, 2025, 5,360,000 of the stock options were vested. All outstanding stock options as at March 31, 2025 will be fully vested by September 18, 2027.

Options to employees are measured at the fair value of the equity instruments granted on the grant date were measured using the following weighted average assumptions:

	2024	2023
Risk-free interest rate	2.74%	4.25%
Expected volatility (based on historical volatility)	65.30%	65.70%
Expected life	5 years	5 years
Expected dividends	Nil	Nil
Weighted average grant date fair value	\$0.13	\$0.13
Weighted average exercise price	\$0.25	\$0.25
Employee forfeiture rate	45%	33%
Directors & officers forfeiture rate	8%	8%

THERALASE® TECHNOLOGIES INC.

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Stock Options (continued)

For the three month period ended March 31, 2025, the Company recognized stock-based compensation expense of \$189,394 (2024 - \$143,140) for stock options issued to directors, officers, employees and consultants, of which \$119,814 (2024 - \$91,255) is included in administrative expenses, \$1,156 (2024 - \$1,024) in selling expenses and \$68,395 (2024 - \$50,861) is included in research and development expenses. The remaining stock based compensation amount to be expensed on non-vested options, net of forfeiture, is \$644,689 (2024 - \$314,651).

11. Common Share Purchase Warrants

Common Share Purchase Warrants (“Warrants”) consisted of the following:

	Number outstanding	Weighted average exercised price \$	Fair value at date of grant \$
Outstanding December 31, 2023	84,619,174		6,219,195
Extension Costs ¹	-	-	(2,000)
Expired ²	(61,655,591)	-	(4,569,845)
Granted ³	19,313,177	0.29	1,411,115
Outstanding December 31, 2024	42,276,760		3,058,465
Granted⁴	1,036,882	0.45	119,343
Outstanding March 31, 2025	43,313,642	0.32	3,177,808

1) During 2024, 11,000,000 warrants were extended

2) During 2024, 61,652,891 warrants expired

3) During 2024, 10,838,614 warrants were granted at an exercise price of \$0.25, 6,253,229 at an exercise price of \$0.30 and 2,221,334 at an exercise price of \$0.45 (note 9)

The following table summarizes information on the common share purchase warrants outstanding for the three month period ended March 31, 2025:

Exercise Price	Outstanding Beginning of the year	Expired During the period	Exercised During the period	Granted During the period	Outstanding End of Period	Weighted Average Remaining Contractual Life (years)
\$0.350	10,000,000	-	-	-	10,000,000	2.48
\$0.350	1,000,000	-	-	-	1,000,000	2.63
\$0.350	4,805,400	-	-	-	4,805,400	0.25
\$0.350	1,840,000	-	-	-	1,840,000	0.44
\$0.280	5,318,183	-	-	-	5,318,183	3.66
\$0.250	6,670,836	-	-	-	6,670,836	3.85
\$0.250	4,167,778	-	-	-	4,167,778	4.07
\$0.300	3,522,729	-	-	-	3,522,729	4.27
\$0.300	2,730,500	-	-	-	2,730,500	4.49
\$0.450	2,221,334	-	-	-	2,221,334	4.63
\$0.450	-	-	-	1,036,882	1,036,882	4.95
	42,276,760	-	-	1,036,882	43,313,642	3.10

TherLase® Technologies Inc.

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11. Common Share Purchase Warrants (continued)

On September 20, 2024, the Company extended the expiry date of 10,000,000 warrants, all of which are exercisable at \$0.35 per share. The warrants were issued on September 22, 2022, pursuant to a private placement involving the issuance of 10,000,000 units of the Company. The new expiry date of the warrants is September 22, 2027.

On November 12, 2024, the Company extended the expiry date of 1,000,000 warrants, all of which are exercisable at \$0.35 per share. The warrants were issued on November 17, 2024, pursuant to a private placement involving the issuance of 1,000,000 units of the Company. The new expiry date of the warrants is November 17, 2027.

12. Share Capital

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

13. Loss Per Common Share

Basic loss per common share has been calculated based on the weighted average number of common shares outstanding during each of the three-month periods presented in the unaudited condensed consolidated financial statements.

Stock options to purchase 19,620,000 (2024 - 18,500,000) common shares and common share purchase warrants totaling 43,313,642 (2024 - 87,194,853) were not included in the computation of diluted loss and comprehensive loss per common share due to their anti-dilutive nature.

14. Selling Expenses

The following are expenses classified as selling expenses on the unaudited condensed consolidated interim financial statements:

	2025	2024
Sales salaries	\$ 49,848	\$ 49,074
Advertising	7,100	5,849
Commission	153	5,996
Travel	6,515	2,182
Stock based compensation	1,156	1,024
Amortization and depreciation allocation	3,371	3,428
Total selling expenses	\$ 68,143	\$ 67,552

THERALASE® TECHNOLOGIES INC.

Notes to Consolidated Financial Statements

Three-Month periods ended March, 2025 & 2024

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15. Administrative Expenses

The following are expenses classified as administrative expenses on the unaudited condensed consolidated interim financial statements:

		2025		2024
Insurance	\$	17,295	\$	13,625
Professional fees		133,999		117,939
Rent		10,304		10,304
General and administrative expenses		65,800		51,647
Investor Relations		54,691		69,422
Administrative salaries		124,181		128,592
Director and advisory fees		22,246		21,856
Stock based compensation		119,814		91,255
Amortization and depreciation allocation		6,744		6,856
Total administrative expenses	\$	555,074	\$	511,495

16. Research and Development Expenses

The following are expenses classified as research and development expenses on the unaudited condensed consolidated interim financial statements:

		2025		2024
Research and development (net of investment tax credit)	\$	760,096	\$	654,033
Stock based compensation		68,395		50,861
Amortization and depreciation allocation		49,179		51,486
Total research and development expenses	\$	877,670	\$	756,380

17. Financial Instruments – Fair Value and Risks

IFRS 7 - Financial Instruments: Disclosures establishes a fair value hierarchy that reflects the significance of inputs used in making fair value measurements as follows:

Level 1 quoted prices in active markets for identical assets or liabilities;

Level 2 inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. from derived prices); and

Level 3 inputs for the asset or liability that are not based upon observable market data

Cash and cash equivalents, trade and other receivable and payables and accrued liabilities are valued at Level 1. These are stated at fair value due to the short-term maturities of these instruments.

The investment in leases is fair valued using Level 3. All future receipts have been discounted using the Bank prime rate of interest as at March 31, 2025. No Level 3 adjustment was required. (See Note 4 for reconciliation)

THERALASE® TECHNOLOGIES INC.

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17. Financial Instruments – Fair Value and Risks (continued)

i Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's trade and other receivable. The amounts reported in the consolidated balance sheets are net of expected credit losses, estimated by the Company's management based on prior experience and its assessment of the current economic environment. The Company reviews its trade receivable and investment in leases regularly and reduces amounts to their expected realizable values by adjusting the expected credit losses when management determines that the account may not be fully collectible. The Company has adopted credit policies in an effort to minimize those risks. In addition, the Company maintains a security interest in all financed equipment until the entire balance is paid off. The carrying value of trade and other receivables and investment in leases represent the Company's maximum exposure to credit risk.

The following table reflects the balance and age of trade receivables, excluding Government receivables of \$211,420 (December 31, 2024 - \$164,038) as at:

	March 31, 2025	December 31, 2024
Subscriptions and other receivables (net)	\$ 74,143	\$ 166,659
Percentage outstanding more than 30 days	13%	41%
Percentage outstanding more than 120 days	13%	24%

The following table reflects the changes in the allowance for credit losses during the years ended December 31:

	March 31, 2025	December 31, 2024
Allowance for credit losses- beginning of period	\$ 10,143	\$ 5,731
Adjustment based on collection experience	-	4,389
Amounts written off	6,889	23
Allowance for credit losses - end of period	\$ 3,254	\$ 10,143

The company's investment in leases of \$1,438,315 (Note 4 including maturity dates) represents 84 contracts. The amounts owing are from well established medical practitioners whose credit is checked upon initiation of the lease contract and secured by the underlying assets. Monthly lease payments are being received from all contracts on a timely basis. There is one case of non-payment which has been provided for above. There are an additional 2 leases where minor payments are overdue, however, full recovery is expected.

The table below provides an analysis of the balance outstanding at March 31, 2025 for leases by year of inception:

2021	31,840
2022	296,049
2023	484,076
2024	512,529
2025	11,244
Total	\$ 1,335,738

THERALASE® TECHNOLOGIES INC.

Notes to Consolidated Financial Statements

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17. Financial Instruments – Fair Value and Risks (continued)

i Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages its liquidity risk by continuously monitoring forecasted and actual cash flows, as well as anticipated investing and financing activities. The Company does not have material long-term financial liabilities.

The table below reflects the contractual obligations of the Company's financial liabilities:

	Total	Payments Due by Period						
		2025	2026	2027	2028	2029	2030	2031
Payables and accruals	\$ 1,599,251	\$ 1,599,251	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lease liabilities	294,606	88,436	118,195	87,975	-	-	-	-
Commitments (note 22)	136,447	55,020	38,127	8,800	8,800	8,800	8,800	8,100
Total	\$ 2,030,304	\$ 1,742,707	\$ 156,322	\$ 96,775	\$ 8,800	\$ 8,800	\$ 8,800	\$ 8,100

The Company also has contractual obligations (note 21) in the form of research and development commitments.

iii Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect the Company's income or the value of the financial instruments held. The Company is subject to interest rate risk on its cash and investment in leases; however, it does not expect a movement in interest rates to have a significant impact on the Company's financial position.

iv Foreign currency exchange risk

The Company is exposed to foreign currency exchange risk. This risk arises from the Company's holdings of US dollar denominated cash, trade and other receivables and payables and accrued liabilities. Changes arising from this risk could impact the Company's reported foreign currency exchange gains or losses.

Accounts exposed to foreign currency exchange risk as at March 31, 2025 and December 31, 2024 are as follows:

	March 31, 2025		December 31, 2024	
	Canadian	U.S.	Canadian	U.S.
Cash	\$ 567	\$ 394	\$ 567	\$ 6,477
Subscriptions and other receivables (net)	647	449	647	449
Current net investments in leases	29,885	20,788	28,937	20,110
Non-current net investments in leases	75,439	52,475	83,902	58,310
Payables and accruals	(377,240)	(262,410)	(171,323)	(119,646)
Total	\$ (270,702)	\$ (188,304)	\$ (57,270)	\$ (34,300)

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17. Financial Instruments – Fair Value and Risks (continued)

The following table details the Company's sensitivity analysis to a 10% strengthening in the US dollar on foreign currency denominated monetary items. For a 10% weakening of the US dollar against the Canadian dollar, there would be an equal and opposite impact on loss and comprehensive loss for the year.

	March 31, 2025	December 31, 2024
Cash	\$ 57	\$ 932
Subscriptions and other receivables (net)	65	65
Current net investments in leases	2,989	2,894
Non-current net investments in leases	7,544	8,390
Payables and accruals	(37,724)	(17,132)
Total	\$ (27,071)	\$ (4,853)

18. Related Party Disclosure

The compensation of the directors and other key management of the Company is included in the summary table below. Key management include those persons having authority and responsibility for planning, directing and controlling the activities, directly or indirectly, of the Company.

	2025	2024
Short-term compensation	\$ 237,500	\$ 237,500
Director fees	17,500	12,500
Stock-based compensation	184,088	164,115
Total	\$ 439,088	\$ 414,115

Key management personnel were not paid post-employment benefits, termination benefits or other long term benefits during the three-month periods ended March 31, 2025, and 2024.

Accrued vacation pay of \$74,567 (December 31, 2024 - \$55,961) for key management personnel is included in accounts payable and accruals.

Stock-based compensation paid to key management personnel and directors is the fair value of options that vested to key management personnel and directors during the year.

On February 5, 2024 an aggregate of 1,310,502 units, representing gross proceeds of \$235,890, were subscribed for by certain key management personnel and directors of the Corporation (refer to note 9).

On March 20, 2025 an aggregate of 251,668 units, representing gross proceeds of \$75,500, were subscribed for by certain key management personnel and directors of the Corporation (refer to note 9).

19. Segmented Information

For management purposes, the Company is organized into two separate reportable operating divisions; the Drug Division and the Device Division. The Drug Division is responsible for the research and development of PDCs primarily for the treatment of cancer with assistance from the device division to develop medical lasers to activate them. The Device Division is responsible for the Company's medical laser business, which research, develops, manufactures and distributes Cool Laser Therapy systems to healthcare practitioners predominantly

THERALASE® TECHNOLOGIES INC.

Notes to Consolidated Financial Statements

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19. Segmented Information (continued)

for the healing of pain.

The following table displays revenue and direct expenses from the Device & Drug Divisions for the three-month periods ended March 31:

	2025			2024		
	Device	Drug	Total	Device	Drug	Total
Sales	\$ 91,190	\$ -	\$ 91,190	\$ 175,554	\$ -	\$ 175,554
Cost of sales	77,896	-	77,896	113,440	-	113,440
Gross margin	13,294	-	13,294	62,114	-	62,114
Operating Expenses						
Selling expenses	68,143	-	68,143	67,552	-	67,552
Administrative expenses	234,533	320,540	555,074	229,620	281,875	511,495
Research and development expenses	44,669	833,001	877,670	31,363	725,017	756,380
Loss on foreign exchange	(1,663)	(1,663)	(3,325)	1,550	1,550	3,100
Interest accretion on lease liabilities	2,501	2,501	5,002	3,320	3,320	6,640
Interest income	(18,020)	-	(18,020)	(16,341)	-	(16,341)
	330,164	1,154,380	1,484,544	317,064	1,011,762	1,328,825
Loss for the period	\$ (316,870)	\$ (1,154,380)	\$ (1,471,250)	\$ (254,950)	\$ (1,011,762)	\$ (1,266,711)
Total Assets	\$ 2,282,815	\$ 676,214	\$ 2,959,029	\$ 2,361,142	\$ 884,917	\$ 3,246,059
Total Liabilities	448,682	1,420,151	1,868,833	415,261	860,349	1,275,610

The following table displays revenue and direct expenses from Device Division product sales by product line and geographic area for the three-month periods ended March 31, 2025:

	2025			2024		
	Canada	USA	International	Canada	USA	International
Sales by Product Line						
TLC-1000	\$ 11,853	\$ 5,110	\$ -	\$ 7,913	\$ 388	\$ -
TLC-2000	64,385	9,842	-	114,185	31,459	21,609
	76,238	14,952	-	122,099	31,847	21,609
Expenses						
Cost of Sales	65,123	12,773	-	78,897	20,580	13,963
Selling Expenses	53,130	12,294	2,719	52,630	8,920	6,001
	118,253	25,067	2,719	131,527	29,500	19,964
	\$ (42,015)	\$ (10,115)	\$ (2,719)	\$ (9,428)	\$ 2,347	\$ 1,645

As at March 31, 2025 and December 31, 2024, the Company's long-lived assets used in operations are all located in Canada. Timing of revenue is recognized at a point in time.

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20. Commitments

The Company's commitments consist of the following:

	Total	2025	2026	2027	2028	2029	2030	2031
Research Agreement (a)	\$ 29,327	\$ -	\$ 29,327	\$ -	\$ -	\$ -	\$ -	\$ -
Research Agreement (b)	107,120	55,020	8,800	8,800	8,800	8,800	8,800	8,100
Total	\$ 136,447	\$ 55,020	\$ 38,127	\$ 8,800	\$ 8,800	\$ 8,800	\$ 8,800	\$ 8,100

- a) Research Commitments under a research agreement with a Clinical Research Organization for the TLC-3200 cancer therapy project. Under the terms of this agreement, the Company is required to pay \$126,324 (USD\$96,800) for the period from July 23, 2019 through to the end of the Phase II Clinical Study. The Company has paid \$101,355 (USD\$76,400) relating to this commitment, of which \$29,327 (USD\$20,400) is the remaining commitment.
- b) Research Commitments under a research agreement with a Contract Manufacturer for the TLC-3200 cancer therapy project. Under the terms of this agreement, the Company is required to pay \$478,700 for the period from April 29, 2021 through to November 15, 2031. The Company has paid \$371,530 relating to this commitment, of which \$107,170 is the remaining commitment.

21. Subsequent Events

On March 4, 2025, the United States of America imposed tariffs of 25% on most imports from Canada into the United States. The Government of Canada is considering reciprocal tariffs on imports from the United States into Canada. At this stage it is not clear whether the products the Company sells to the United States will be included in the list of items subject to tariffs and nor is it clear whether any of the component parts purchased from the United States will be subject to Canadian tariffs. The Company will actively monitor the situation and at present it is not possible to assess whether there will be a material impact on sales and profitability.

On April 22, 2025, the Company closed a non-brokered private placement of units. On closing, the Company issued an aggregate of 1,995,829 units at a price of \$0.21 per Unit for aggregate gross proceeds of approximately \$419,124. Each Unit consists of one common share of the Company and one non-transferable common share purchase warrant. Each Warrant entitles the holder to acquire an additional Common Share at a price of \$0.32 for a period of 5 years following the date of issuance.