

Theralase Technologies Inc.

Unaudited Condensed Interim Consolidated Financial Statements

As at March 31, 2026 and for the three-month periods ended March 31, 2026 and 2025

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONDENSED 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

Stated in Canadian Dollars

	Note	2026	2025
Assets			
Current assets			
Cash and cash equivalents		\$ 1,003,943	\$ 182,914
Receivables	3	853,530	1,198,327
Inventories	4	485,515	505,235
Prepaid expenses and other assets		189,588	140,420
Total current assets		2,532,576	2,026,896
Non-current assets			
Receivables	3	969,421	1,019,070
Property and equipment	5	240,542	277,338
Right-of-use-assets	6	147,753	171,324
Total non-current assets		1,357,716	1,467,732
Total Assets		\$ 3,890,292	\$ 3,494,628
Liabilities			
Current liabilities			
Payables and accruals	7	\$ 1,508,888	\$ 1,258,760
Short term loans	8	255,935	255,935
Current portion of lease liabilities	6	82,227	108,695
Total current liabilities		1,847,051	1,623,390
Non-current liabilities			
Lease liabilities	6	93,423	93,422
Total non-current liabilities		93,423	93,422
Total Liabilities		1,940,474	1,716,812
Equity attributable to shareholders			
Share capital	9	51,546,235	50,888,656
Contributed surplus	10, 11	18,269,134	18,156,281
Common share purchase warrants	10, 11	4,783,170	4,349,815
Accumulated deficit		(72,648,721)	(71,616,936)
Total Equity		1,949,818	1,777,816
Total Shareholders' Equity and Liabilities		\$ 3,890,292	\$ 3,494,628

Going concern (Note 1)

Commitments (Note 19)

Subsequent event (Note 21)

Approved on Behalf of the Board

[Randy Bruder]

Director

[Guy Anderson]

Director

THERALASE® TECHNOLOGIES INC.

Consolidated Statements of Operations and Comprehensive Loss

For the 3 month period ended March 31

Stated in Canadian Dollars

	Note	2026	2025
Sales		132,634	\$ 91,190
Cost of sales	4	68,250	77,896
Gross margin		64,384	13,294
Operating expenses			
Selling expenses	13	66,534	68,143
Administrative expenses	14	463,553	555,074
Research and development expenses	15	564,724	877,670
(Gain) loss on foreign exchange		6,414	(3,325)
Interest accretion on lease liabilities	6	3,383	5,002
Interest income		(19,334)	(19,237)
Interest expense	3	10,896	1,217
		1,096,169	1,484,544
Net loss and comprehensive loss for the period		(1,031,785)	\$ (1,471,250)
Basic and diluted loss per common share	12	(0.004)	(0.006)
Weighted average number of common shares		265,236,260	247,811,531

THERALASE® TECHNOLOGIES INC.

Consolidated Statements of Cash Flows

For the 3 month period ended March 31

Stated in Canadian Dollars

	2025	2024
Cash flows from operating activities		
Net loss and comprehensive loss for the period	\$ (1,031,785)	\$ (1,471,250)
Items not involving cash:		
Amortization of property and equipment	35,694	41,562
Amortization of right-of-use assets	23,571	23,597
Stock-based compensation expense	112,853	189,364
	(859,668)	(1,216,727)
Change in operating assets and liabilities other than cash:		
Receivables	394,446	147,712
Inventories	19,721	30,079
Prepaid expenses and other assets	(49,168)	(27,446)
Payables and accruals	250,128	713,617
	(244,541)	(352,765)
Cash flows from investing activity		
Purchase of property and equipment	(898)	(64,577)
Proceeds on disposal of property and equipment	2,000	-
	1,102	(64,577)
Cash flows from financing activities		
Payment of lease liabilities	(26,466)	(24,285)
Proceeds from private placement (net of issuance costs)	1,090,934	304,633
	1,064,468	280,348
Increase (decrease) in cash and cash equivalents during the period	821,029	(136,994)
Cash and cash equivalents, beginning of period	182,914	268,757
Cash and cash equivalents, end of period	\$ 1,003,943	\$ 131,764
Supplementary Information		
Interest received	\$ 19,334	\$ 19,237
Interest paid	\$ 10,896	\$ 1,217
Shares issued to directors and management for non-cash consideration	\$ -	\$ 75,500

THERALASE® TECHNOLOGIES INC.

Consolidated Statements of Changes in Equity

For the 3 month period ended March 31

Stated in Canadian Dollars

	Note	Number of Shares	Share Capital	Contributed Surplus	Common Share Purchase Warrants	Deficit	Total Shareholders' Equity
		#	\$	\$	\$	\$	\$
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
Balance, December 31, 2025		265,004,437	50,888,656	18,156,281	4,349,815	(71,616,936)	1,777,816
Stock-based compensation expense	11	-	-	112,853	-	-	112,853
Issued pursuant to private placement	10	4,230,770	663,044	-	436,956	-	1,100,000
Transaction cost on private placement	10	-	(5,465)	-	(3,601)	-	(9,066)
Net loss and comprehensive loss for the period		-	-	-	-	(1,031,785)	(1,031,785)
Balance, March 31, 2026		269,235,207	51,546,235	18,269,134	4,783,170	(72,648,721)	1,949,818

ThERALASE® TECHNOLOGIES INC.

Notes to Consolidated Financial Statements

Three-month period ended March 31, 2026 & 2025

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 energy-activated small molecules and their associated drug formulations and activates them with proprietary and patent pending laser technology. The Device Division designs, develops, manufactures and markets proprietary super-pulsed laser technology for the treatment of chronic knee pain.

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 records corporate office is 41 Hollinger Road, Toronto, Ontario, Canada M4B 3G4.

Going Concern 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 (“**IFRIC**”), effective for the reporting period ended March 31, 2026, 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 2025 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, 2025.

The unaudited interim condensed consolidated financial statements have been prepared by management in accordance with IFRS Accounting Standards (“**IFRS**”) 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, 2026, the Company had a net loss of \$1,031,785 an accumulated deficit of \$72,648,721 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.

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 unaudited interim consolidated financial statements on a going concern basis. Should the Company be unable to continue as a going concern, the net realizable value of its

THERALASE® TECHNOLOGIES INC.

Notes to Consolidated Financial Statements

Three-month period ended March 31, 2026 & 2025

Stated in Canadian Dollars

assets may be materially less than the amounts on its statement of financial position. These financial statements do not include any adjustments relating to the recoverability and classification of recorded assets amounts and classification of liabilities that might be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

Approval of Financial Statements

The unaudited condensed interim consolidated financial statements for the three-month period ended March 31, 2026 were approved and authorized for issue by the board of directors on May 29, 2026.

2. Summary of Material Accounting Policies

Basis of presentation

The 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, 2025.

Basis of consolidation

Each subsidiary is fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continues to be consolidated until the date when such control ceases.

The unaudited interim consolidated financial statements include the accounts and results of operations of the Company and its wholly owned subsidiaries listed in the following table:

Name of Subsidiary	Place of Incorporation	Ownership Interest
Theralase® Inc.	Canada	100%
Theralase® Biotech Inc.	US	100%

All Inter-company balances and transactions are eliminated in preparing the unaudited interim consolidated financial statements.

3. Receivables

	March 31, 2026	December 31, 2025
Trade receivables (net)	\$ 2,428	\$ 1,205
Long term receivables	1,462,473	1,489,140
Government tax credits receivable	188,049	346,557
Share subscription receivables	170,000	380,495
	\$ 1,822,951	\$ 2,217,397
Current portion	\$ 853,530	\$ 1,198,327
Long term portion	969,421	1,019,070
	\$ 1,822,951	\$ 2,217,397

THERALASE® TECHNOLOGIES INC.

Notes to Consolidated Financial Statements

Three-month period ended March 31, 2026 & 2025

Stated in Canadian Dollars

Trade receivables comprise of the sales of goods with an average trade credit allowed between 0 and 30 days for the date of shipment.

Long term receivables comprise of amounts owing from customers for sales of goods with payment terms of 60 months and is recorded at date of shipment and subsequently reported at amortized cost, net of any allowance for credit losses.

Long term receivables are as follows:

	March 31, 2026	December 31, 2025
Beginning balance	\$ 1,489,140	\$ 1,431,427
New receivables for the year	90,021	551,799
Interest charge for the year	19,334	79,296
Payments for the year	(136,023)	(541,771)
Amounts written off during the year	-	(31,611)
Total	\$ 1,462,473	\$ 1,489,140
Current portion	\$ 493,052	\$ 470,070
Long term portion	\$ 969,421	1,019,070
Total	\$ 1,462,473	\$ 1,489,140

Principal long term receivables until maturity are as follows:

	Undiscounted Long Term Receivables	Discounted Long Term Receivables	Unearned Finance Income
2026	\$ 430,489	\$ 376,304	\$ 54,185
2027	488,281	433,493	54,788
2028	351,371	319,781	31,590
2029	234,043	222,083	11,960
2030	112,168	105,628	6,540
2031	5,815	5,185	630
Total	\$ 1,622,166	\$ 1,462,473	\$ 159,693

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 \$169,490 for the three-month period ended March 31, 2026 (December 31, 2025 - \$295,310) and have been allocated against research and development expenses.

4. Inventories

	March 31, 2026	December 31, 2025
Raw materials	\$ 297,063	\$ 301,851
Finished goods	188,451	203,384
Total	\$ 485,515	\$ 505,235

THERALASE® TECHNOLOGIES INC.

Notes to Consolidated Financial Statements

Three-month period ended March 31, 2026 & 2025

Stated in Canadian Dollars

During the three-month period ended March 31, 2026, \$21,502 (2025- \$14,416) of inventory was recognized in cost of sales.

Cost of sales consist of the following:

	2026	2025
Inventory	\$ 21,502	\$ 14,416
Production salaries	37,592	45,062
Purchases and other costs	9,155	18,418
Total	\$ 68,250	\$ 77,897

5. 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, 2025	\$ 196,710	\$ 286,194	\$ 91,717	\$ 86,135	\$ 457,745	\$ 564,614	\$ 30,504	\$ 1,713,618
Additions	100	-	939	36,410	6,457	56,073	-	99,979
Disposals	-	(132,353)	-	-	-	-	(18,575)	(150,927)
Balance at December 31, 2025	\$ 196,810	\$ 153,841	\$ 92,655	\$ 122,545	\$ 464,202	\$ 620,687	\$ 11,929	\$ 1,662,670
Balance at January 1, 2026	\$ 196,810	\$ 153,841	\$ 92,655	\$ 122,545	\$ 464,202	\$ 620,687	\$ 11,929	\$ 1,662,670
Additions	-	-	633	-	266	-	-	899
Disposals	-	-	-	(2,000)	-	(138,397)	-	(140,397)
Balance at March 31, 2026	\$ 196,810	\$ 153,841	\$ 93,288	\$ 120,545	\$ 464,468	\$ 482,290	\$ 11,929	\$ 1,523,172

Depreciation

Balance at January 1, 2025	\$ 176,044	\$ 258,203	\$ 64,683	\$ 30,645	\$ 393,991	\$ 414,357	\$ 27,095	\$ 1,365,017
Depreciation for the year	5,172	13,452	5,539	20,849	2,272	121,514	2,447	171,244
Disposals	-	(132,353)	-	-	-	-	(18,575)	(150,927)
Balance at December 31, 2025	\$ 181,215	\$ 139,302	\$ 70,222	\$ 51,493	\$ 396,263	\$ 535,871	\$ 10,967	\$ 1,385,333
Balance at January 1, 2026	\$ 181,215	\$ 139,302	\$ 70,222	\$ 51,493	\$ 396,263	\$ 535,871	\$ 10,967	\$ 1,385,333
Depreciation for the period	961	1,076	1,127	5,950	596	25,488	495	35,694
Disposals	-	-	-	-	-	(138,397)	-	(138,397)
Balance at March 31, 2026	\$ 182,177	\$ 140,377	\$ 71,350	\$ 57,443	\$ 396,859	\$ 422,962	\$ 11,461	\$ 1,282,630

Carrying Amounts

At December 31, 2025	\$ 15,594	\$ 14,539	\$ 22,433	\$ 71,051	\$ 67,939	\$ 84,817	\$ 963	\$ 277,338
At March 31, 2026	\$ 14,633	\$ 13,464	\$ 21,938	\$ 63,101	\$ 67,609	\$ 59,328	\$ 468	\$ 240,542

¹⁾ Rental units consist of Cool Laser Therapy systems used in customer rentals, demonstrations and service loaner

In 2025, there were finished goods assets of \$51,045 transferred to equipment.

THERALASE® TECHNOLOGIES INC.

Notes to Consolidated Financial Statements

Three-month period ended March 31, 2026 & 2025

Stated in Canadian Dollars

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

	Property		Office Equipment		Total
Right-of-use Assets					
Balance at January 1, 2025	\$	254,501	\$	2,693	\$ 257,193
Addition	\$	-	\$	8,511	\$ 8,511
Depreciation charge for the period		92,546		1,834	94,380
Balance at December 31, 2025	\$	161,955	\$	9,370	\$ 171,324
Balance at January 1, 2026	\$	161,955	\$	9,370	\$ 171,324
Addition		-		-	-
Depreciation charge for the period		23,136		435	23,571
Balance at March 31, 2026	\$	138,819	\$	8,935	\$ 147,753
Lease Liabilities					
Balance at January 1, 2025	\$	290,979	\$	2,888	\$ 293,867
Addition	\$	-	\$	8,511	\$ 8,511
Interest charge for the period		17,269		188	17,457
Lease payments for the period ¹		(115,575)		(2,144)	(117,719)
Balance at December 31, 2025	\$	192,673	\$	9,444	\$ 202,117
Balance at January 1, 2026	\$	192,673	\$	9,444	\$ 202,117
Addition		-		-	-
Interest charge for the period		3,220		163	3,383
Lease payments for the period¹		(29,325)		(525)	(29,850)
Balance at March 31, 2026	\$	166,568	\$	9,082	\$ 175,650

¹⁾ Lease payments are discounted using an incremental borrowing rate of 7%.
Lease payments do not include variable property lease payments of \$11,578 (2025 - \$10,304).

	As at March 31, 2026			As at December 31, 2025		
	Property	Office Equipment	Total	Property	Office Equipment	Total
Current portion of lease liabilities	\$ 81,104	\$ 1,123	\$ 82,227	\$ 107,209	\$ 1,486	\$ 108,695
Non-current portion of lease liabilities	85,464	7,959	93,423	85,464	7,958	93,422
	\$ 166,568	\$ 9,083	\$ 175,651	\$ 192,673	\$ 9,444	\$ 202,117

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

	Undiscounted Lease Payments		Discounted Lease Payments		Finance Interest Expense
2026	\$	90,075	\$	82,227	\$ 7,848
2027		90,075		87,057	3,018
2028		2,100		1,709	391
2029		2,100		1,832	268
2030		2,100		1,965	135
2031		875		860	15
	\$	187,325	\$	175,650	\$ 11,675

THERALASE[®] TECHNOLOGIES INC.

Notes to Consolidated Financial Statements

Three-month period ended March 31, 2026 & 2025

Stated in Canadian Dollars

7. Payables and Accruals

	March 31, 2026	December 31, 2025
Trade payables	\$ 1,026,151	\$ 786,934
Salaries, employment taxes, and benefits	198,524	168,045
Accrued liabilities	284,213	303,782
Total	\$ 1,508,888	\$ 1,258,760

8. Short Term Loans

	March 31, 2026	December 31, 2025
Opening balance	\$ 195,000	\$ -
Proceeds received	-	375,000
Interest accrued	9,466	16,937
Interest payable	8,102	-
Principal and interest settled with shares	-	(127,900)
	17,568	264,037
Accrued interest included in accounts payable and accrued liabilities	(17,568)	(8,102)
Total short term loans	-	255,935
Short term loans	60,935	60,935
short term loans (related parties)	195,000	195,000
Total short term loans	\$ 255,935	\$ 255,935

As of March 31, 2026, the Company had \$255,935 (December 31, 2025 - \$255,935) in short-term loans payable. These loans bear interest of 15% per annum and are due within one year. During the year ended December 31, 2025, the Company settled \$127,900 of principal and accrued interest through the issuance of 752,353 shares.

As at March 31, 2026, \$17,568 (December 31, 2025 - \$8,102) was included in accounts payable and accrued liabilities. During the three-month period ended March 31, 2026, the Company recognized \$9,466 (2025 - \$Nil) as interest expense.

9. Share Capital

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

During the year ended December 31, 2025:

On March 10, 2025, the Company completed a financing by way of a non-brokered private placement, where 1,034,002 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. 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 allocation of the net proceeds of \$304,633 was \$185,290 for the common shares issued and \$119,343 for the common share purchase warrants issued based

HERALASE[®] TECHNOLOGIES INC.

Notes to Consolidated Financial Statements

Three-month period ended March 31, 2026 & 2025

Stated in Canadian Dollars

on the relative fair value method.

On April 14, 2025, the Company completed a financing by way of a non-brokered private placement, where 1,995,829 units were issued at a price of \$0.21 per unit for gross proceeds of \$419,124. 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 \$0.32, expiring on April 14, 2030. In connection with the offering, the Company incurred financing costs of \$4,833 paid in cash. The allocation of the net proceeds of \$414,291 was \$249,038 for the common shares issued and \$165,253 for the common share purchase warrants issued based on the relative fair value method.

On June 17, 2025, the Company completed a financing by way of a non-brokered private placement, where 2,855,000 units were issued at a price of \$0.20 per unit for gross proceeds of \$571,000. 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 June 17, 2030. In connection with the offering, the Company incurred financing costs of \$6,351 paid in cash and the issuance of 15,000 common shares and 2,880 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 allocation of the net proceeds of \$564,699 was \$340,528 for the common shares issued and \$224,121 for the common share purchase warrants issued based on the relative fair value method.

On July 28, 2025, the Company completed a financing by way of a non-brokered private placement, where 3,363,134 units were issued at a price of \$0.20 per unit for gross proceeds of \$672,627. 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 28, 2030. In connection with the offering, the Company incurred financing costs of \$5,993 paid in cash. The allocation of the net proceeds of \$666,633 was \$400,594 for the common shares issued and \$266,039 for the common share purchase warrants issued based on the relative fair value method.

On December 23, 2025, the Company completed a financing by way of a non-brokered private placement, where 7,850,882 units were issued at a price of \$0.17 per unit for gross proceeds of \$1,334,650. 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 \$0.21, expiring on December 23, 2030. In connection with the offering, the Company incurred financing costs of \$26,859 paid in cash and the issuance of 95,221 common shares and 186,221 broker warrants. Each broker warrant is exercisable into one common share at an exercise price of \$0.21 per share for a period of 60 months after the closing of the offering. The allocation of the net proceeds of \$1,307,791 was \$789,346 for the common shares issued and \$518,445 for the common share purchase warrants issued based on the relative fair value method.

During the three-month period ended March 31, 2026:

On March 10, 2026, the Company completed a financing by way of a non-brokered private placement, where 4,230,770 units were issued at a price of \$0.26 per unit for gross proceeds of \$1,100,000. 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 \$0.36, expiring on March 10, 2031. In connection with the offering, the Company incurred financing costs of \$9,067 paid in cash. The allocation of the net proceeds of \$1,090,933 was \$657,578 for the common shares issued and \$433,354 for the common share purchase warrants issued based on the relative fair value method.

THERALASE® TECHNOLOGIES INC.

Notes to Consolidated Financial Statements

Three-month period ended March 31, 2026 & 2025

Stated in Canadian Dollars

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-26	23-Dec-25	28-Jul-25	17-Jun-25	14-Apr-25	10-Mar-25
Expected volatility ¹	89.29%	89.37%	93.93%	93.76%	94.66%	95.93%
Risk-free interest rate	2.95%	2.94%	3.07%	2.96%	2.74%	2.63%
Expected life	5 years	5 years	5 years	5 years	5 years	5 years
Expected dividends	Nil	Nil	Nil	Nil	Nil	Nil
Strike Price	\$0.36	\$0.21	\$0.30	\$0.30	\$0.32	\$0.45
Share Price	\$0.27	\$0.16	\$0.20	\$0.19	\$0.21	\$0.24

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% (26,923,521 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.

A summary of stock options issued under the stock option plan for three-month period ended March 31, 2026 and the year ended December 31, 2025 is provided below.

	Common shares under option	Weighted average exercised price \$
Outstanding, December 31, 2024	19,620,000	0.25
Forefeited during period	(50,000)	0.25
Outstanding, December 31, 2025	19,570,000	0.25
Outstanding, March 31, 2026	19,570,000	0.25

The following table summarizes information on the stock options outstanding and exercisable as at March 31, 2026

Exercise Price	Outstanding Beginning of the period	Forfeited During the period	Outstanding End of period	Stock Options Exercisable End of period	Weighted Average Remaining Contractual Life (periods)
0.25	7,860,000	-	7,860,000	7,860,000	1.63
0.25	360,000	-	360,000	240,000	2.47
0.25	11,350,000	-	11,350,000	3,783,333	3.47
	19,570,000	-	19,570,000	11,883,333	2.71

Under the stock option plan, the stock options vest over a three year period, commencing one year after the grant. As at March 31, 2026, 11,883,333 of the stock options were vested. All outstanding stock options as at March 31, 2026 will be fully vested by September 18, 2027.

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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%

For the three-month period ended March 31, 2026, the Company recognized stock-based compensation expense of \$112,853 (2025 - \$189,364) of which \$72,280 (2025 - \$119,814) is included in administrative expenses, \$891 (2025 - \$1,156) in selling expenses and \$39,682 (2025 - \$68,395) is included in research and development expenses. The remaining stock based compensation amounts to be expensed on non-vested options, net of forfeiture, is \$199,015 (2025 - \$644,689).

11. Common Share Purchase Warrants

Common share purchase warrants consisted of the following:

	Number outstanding	Weighted average exercised price \$	Fair value at date of grant \$
Outstanding December 31, 2024	42,276,760		3,058,466
Extension Costs ¹			(2,000)
Expired	(5,400)		(173)
Granted	17,302,948	0.30	1,293,522
Outstanding December 31, 2025	59,574,308	0.30	4,349,815
Granted	4,230,770	0.36	433,355
Outstanding March 31, 2026	63,805,078	0.30	4,783,170

1) During 2025, 4,800,000 warrants were extended

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The following table summarizes information on the common share purchase warrants outstanding for the three-month period ended March 31, 2026:

Exercise Price	Outstanding Beginning of the period	Expired During the period	Exercised During the period	Granted During the period	Outstanding End of period	Weighted Average Remaining Contractual Life (periods)
\$0.350	10,000,000	-	-	-	10,000,000	1.48
\$0.350	1,000,000	-	-	-	1,000,000	1.63
\$0.350	4,800,000	-	-	-	4,800,000	2.25
\$0.350	1,840,000	-	-	-	1,840,000	2.44
\$0.280	5,318,183	-	-	-	5,318,183	2.66
\$0.250	6,670,836	-	-	-	6,670,836	2.85
\$0.250	4,167,778	-	-	-	4,167,778	3.07
\$0.300	3,522,729	-	-	-	3,522,729	3.27
\$0.300	2,730,500	-	-	-	2,730,500	3.49
\$0.450	2,221,334	-	-	-	2,221,334	3.63
\$0.450	1,036,882	-	-	-	1,036,882	3.95
\$0.320	1,995,829	-	-	-	1,995,829	4.07
\$0.300	2,870,000	-	-	-	2,870,000	4.22
\$0.300	3,363,134	-	-	-	3,363,134	4.33
\$0.210	8,037,103	-	-	-	8,037,103	4.73
\$0.360	-	-	-	4,230,770	4,230,770	4.95
	59,574,308	-	-	4,230,770	63,805,078	3.21

On June 26, 2025, the Company extended the expiry date of 4,800,000 warrants, all of which are exercisable at \$0.35 per share. The warrants were issued on June 30, 2023, pursuant to a private placement involving the issuance of 4,800,000 units of the Company. The new expiry date of the warrants is June 30, 2028.

On August 25, 2025, the Company extended the expiry date of 1,840,000 warrants, all of which are exercisable at \$0.35 per share. The warrants were issued on September 7, 2023, pursuant to a private placement involving the issuance of 1,840,000 units of the Company. The new expiry date of the warrants is September 30, 2028.

12. Loss Per Common Share

Basic loss per common share has been calculated based on the weighted average number of common shares outstanding during each year presented in the consolidated financial statements.

Stock options to purchase 19,570,000 (2025 - 19,620,000) common shares and common share purchase warrants totaling 63,805,078 (2025 - 43,313,642) were not included in the computation of diluted loss and comprehensive loss per common share due to their anti-dilutive nature.

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13. Selling Expenses

The following are expenses classified as selling expenses on the unaudited condensed consolidated interim financial statements for the three-month period ended March 31st:

		2026		2025
Sales salaries	\$	49,488	\$	49,848
Advertising		2,568		7,100
Commission		5,714		153
Travel		4,035		6,515
Stock based compensation		891		1,156
Amortization and depreciation allocation		3,838		3,371
Total selling expenses	\$	66,534	\$	68,143

14. Administrative Expenses

The following are expenses classified as administrative expenses on the unaudited condensed consolidated interim financial statements for the three-month period ended March 31st:

		2026		2025
Insurance	\$	13,754	\$	17,295
Professional fees		73,702		133,999
Rent		11,578		10,304
General and administrative expenses		66,482		65,800
Investor Relations		64,430		54,691
Administrative salaries		126,138		124,181
Director and advisory fees		21,945		22,246
Stock based compensation		72,280		119,814
Amortization and depreciation allocation		13,243		6,744
Total administrative expenses	\$	463,553	\$	555,074

15. Research and Development Expenses

The following are expenses classified as research and development expenses on the unaudited condensed consolidated interim financial statements for the three-month period ended March 31st:

		2026		2025
Research and development (net of investment tax credit)	\$	482,858	\$	760,096
Stock based compensation		39,682		68,395
Amortization and depreciation allocation		42,184		49,179
Total research and development expenses	\$	564,724	\$	877,670

For the three-month period ended March 31, 2026, an amount of \$30,180 (2025 - \$35,110) of investment tax credits was recorded against research and development expense.

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16. Financial Instruments – Fair Value and Risks

IFRS 13 - 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 is valued at Level 1.

Cash, current portion of receivables, payables and short term loans approximate fair value due to their short-term nature.

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 statement of financial position 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 \$188,049 (December 31, 2025 - \$346,557) as at March 31, 2026 and December 31, 2025:

	March 31, 2026	December 31, 2025
Trade receivables (net)	\$ 2,428	\$ 1,205
Percentage outstanding more than 30 days	7%	2%
Percentage outstanding more than 120 days	0%	2%

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The following table reflects the changes in the allowance for credit losses for trade and other receivables and long term receivables during the three -month period ended March 31, 2026 and the year ended December 31, 2025

	March 31, 2026	December 31, 2025
Allowance for credit losses- beginning of period	\$ 2,862	\$ 10,143
Adjustment based on collection experience	-	2,467
Amounts written off	-	9,748
Allowance for credit losses - end of period	\$ 2,862	\$ 2,862

The Company's long term receivables of \$1,462,473 are from well established healthcare practitioners whose credit is checked upon initiation of the sales agreement and secured by the underlying assets. Monthly payments are being received from all accounts on a timely basis.

ii 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:

	Payments Due by Period						
	Total	2026	2027	2028	2029	2030	Therafter
Payables and accruals	\$1,508,888	\$1,508,888	\$ -	\$ -	\$ -	\$ -	\$ -
Short term loans	255,935	255,935	-	-	-	-	-
Lease liabilities	175,650	82,227	87,057	1,709	1,832	1,965	860
Commitments (note 20)	69,700	8,800	8,800	8,800	8,800	8,800	25,700
Total	\$2,010,173	\$1,855,850	\$95,857	\$10,509	\$10,632	\$10,765	\$ 26,560

The Company also has contractual obligations (note 20) 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.

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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, 2026 and December 31, 2025 are as follows:

	March 31, 2026		December 31, 2025	
	Canadian	U.S.	Canadian	U.S.
Cash	\$ 1,880	\$ 1,349	\$ 11,953	\$ 8,725
Trade receivables (net)	643	461	616	449
Current portion of receivables	27,202	19,515	25,673	17,817
Non-current portion of receivables	38,318	27,490	46,102	33,636
Payables and accruals	(279,965)	(200,850)	(325,681)	(237,619)
Total	\$ (211,922)	\$ (152,035)	\$ (241,337)	\$ (176,992)

A 10% strengthening or weakening in the US dollar on foreign currency denominated monetary items would result in a \$21,192 change on loss and comprehensive loss for the three-month period.

v Management of Capital

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 market confidence. Sales of the 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. Management intends to finance operating costs over the next twelve months with cash on hand and equity offerings of common shares.

The Company has successfully raised capital through equity offerings in the past; 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.

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.

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17. 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.

	2026	2025
Short-term compensation	\$ 260,575	\$ 237,500
Director fees	17,500	17,500
Stock-based compensation	108,041	184,088
Total	\$ 386,116	\$ 439,088

Accrued vacation pay of \$130,378 (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 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 10).

On June 17, 2025 an aggregate of 669,700 Units, representing gross proceeds of \$133,940, were subscribed for by certain key management personnel and directors of the Corporation (refer to note 10).

On July 28, 2025 an aggregate of 130,000 Units, representing gross proceeds of \$26,000, were subscribed for by certain key management personnel and directors of the Corporation (refer to note 10).

On September 25, 2025, \$100,000 was loaned to the Company by certain key management personnel and directors of the Corporation (refer to note 8).

On November 13, 2025, \$95,000 was loaned to the Company by certain key management personnel and directors of the Corporation (refer to note 8).

On March 10, 2026 an aggregate of 100,000 Units, representing gross proceeds of \$26,000, were subscribed for by certain key management personnel and directors of the Corporation (refer to note 10).

During the three-month period ended, the Company recognized \$7,212 (2025 - \$nil) in interest expense on the loans owing to related parties.

18. Segmented Information

The Company is organized into two separate reportable operating divisions; the Drug Division and the Device Division. These segments are managed Chief Executive Officer (“CEO”) of the Company although they require different technology, resources and marketing strategies. The CEO evaluates segment performance and allocates resources accordingly.

The Drug Division is responsible for the research and development of energy-activated small molecules primarily for the treatment of cancer with assistance from the Device Division to develop medical lasers to

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activate them. The CEO reviews this segment's performance based on research and development expenditures and clinical milestones.

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 for the healing of pain. The CEO assesses this segment based on unit sales and gross margin.

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

	2026			2025		
	Device	Drug	Total	Device	Drug	Total
Sales	\$ 132,634	\$ -	\$ 132,634	\$ 91,190	\$ -	\$ 91,190
Cost of sales	68,250	-	68,250	77,896	-	77,896
Gross margin	64,384	-	64,384	13,294	-	13,294
Operating Expenses						
Selling expenses	66,534	-	66,534	68,143	-	68,143
Administrative expenses	211,047	252,506	463,553	234,533	320,540	555,074
Research and development expenses	29,203	535,521	564,724	44,669	833,001	877,670
Loss on foreign exchange	2,566	3,848	6,414	(1,663)	(1,663)	(3,325)
Interest accretion on lease liabilities	1,353	2,030	3,383	2,501	2,501	5,002
Interest income	(19,334)	-	(19,334)	(19,237)	-	(19,237)
Interest expense	1,450	9,446	10,896	1,217	-	1,217
	292,817	803,352	1,096,169	330,164	1,154,380	1,484,544
Loss for the year	\$ (228,432)	\$ (803,352)	\$ (1,031,785)	\$ (316,870)	\$ (1,154,380)	\$ (1,471,250)
Total Assets	\$ 2,393,467	\$ 1,496,825	\$ 3,890,292	\$ 2,282,815	\$ 676,214	\$ 2,959,029
Total Liabilities	295,484	1,644,990	1,940,474	448,682	1,420,151	1,868,833

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:

	2026			2025		
	Canada	USA	International	Canada	USA	International
Sales	123,559	9,075	-	76,238	14,952	-

As at March 31, 2026 and December 31, 2025, the Company's long-lived assets used in operations are all located in Canada.

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19. Commitments

The Company's commitments consist of the following:

	Total	2026	2027	2028	2029	2030	Thereafter
Research Agreement	69,700	8,800	8,800	8,800	8,800	8,800	25,700
Total	\$ 69,700	\$ 8,800	\$ 8,800	\$ 8,800	\$ 8,800	\$ 8,800	\$ 25,700

Research Commitments under a research agreement with a Contract Manufacturer for the bladder cancer therapy project. Under the terms of this agreement, the Company is required to pay \$375,690 for the period from April 29, 2021 through to November 15, 2033. The Company has paid \$168,013 relating to this commitment, of which \$69,700 is the remaining commitment.

20. Contingent Liability

The Company is involved in litigation and disputes arising in the normal course of operations. Management is of the opinion that the outcome of any potential litigation will not have a material adverse impact on the Company's financial position or results of operations.

21. Subsequent Events

On April 2, 2026, The Company secured a \$1 million revolving line of credit from a co-operative financial group.

On April 10, 2026, the Company closed a non-brokered private placement of units. On closing, the Company issued an aggregate of 6,404,700 units at a price of \$0.26 per Unit for aggregate gross proceeds of approximately \$1,665,222 of which 937,400 Units were purchased by certain related parties of the Company. Each Unit consisted 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 \$0.36 for a period of 5 years following the date of issuance.

On April 29, 2026 the Company issued 120,000 common shares for exercises of warrants and received \$25,200 in consideration.

On May 20, 2026, the Company closed a brokered private placement of units under the listed issuer financing exemption. On closing, the Company issued an aggregate of 19,166,667 units at a price of \$0.24 per Unit for aggregate gross proceeds of approximately \$4,600,000. Each Unit consisted 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.

On May 20, 2026, the Company closed a non-brokered private placement of units. On closing, the Company issued an aggregate of 673,624 units at a price of \$0.24 per Unit for aggregate gross proceeds of approximately \$161,669 of which 155,289 Units were purchased by certain related parties of the Company. Each Unit consisted 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.