

# **Theralase Technologies Inc.**

## **Unaudited Condensed Interim Consolidated Financial Statements**

As at March 31, 2024 and for three-month period ended March 31, 2024 and 2023

### **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, 2024 and December 31, 2023

Stated in Canadian Dollars

|   | Note   | 2024                | 2023                |
|---|--------|---------------------|---------------------|
| <b>Assets</b>                                     |        |                     |                     |
| Current assets                                    |        |                     |                     |
| Cash and cash equivalents                         |        | \$ 114,411          | \$ 43,911           |
| Trade and other receivables                       | 3      | 262,146             | 324,929             |
| Net investment in lease                           | 4      | 295,551             | 273,638             |
| Inventories                                       | 5      | 622,739             | 658,185             |
| Prepaid expenses and other assets                 |        | 245,271             | 198,261             |
| <b>Total current assets</b>                       |        | <b>1,540,118</b>    | <b>1,498,924</b>    |
| Non-current assets                                |        |                     |                     |
| Net investment in lease                           | 4      | 912,490             | 919,967             |
| Property and equipment                            | 6      | 465,467             | 506,333             |
| Right-of-use-assets                               | 7      | 327,984             | 351,582             |
| <b>Total non-current assets</b>                   |        | <b>1,705,941</b>    | <b>1,777,882</b>    |
| <b>Total Assets</b>                               |        | <b>\$ 3,246,059</b> | <b>\$ 3,276,806</b> |
| <b>Liabilities</b>                                |        |                     |                     |
| Current liabilities                               |        |                     |                     |
| Payables and accruals                             | 8      | \$ 911,378          | \$ 984,484          |
| Current portion of lease liabilities              | 7      | 94,650              | 93,013              |
| <b>Total current liabilities</b>                  |        | <b>1,006,028</b>    | <b>1,077,497</b>    |
| Non-current liabilities                           |        |                     |                     |
| Lease liabilities                                 | 7      | 269,582             | 293,867             |
| <b>Total non-current liabilities</b>              |        | <b>269,582</b>      | <b>293,867</b>      |
| <b>Total Liabilities</b>                          |        | <b>1,275,610</b>    | <b>1,371,364</b>    |
| <b>Equity attributable to shareholders</b>        |        |                     |                     |
| Share capital                                     | 9, 11  | 47,177,434          | 46,467,351          |
| Contributed surplus                               | 10, 11 | 13,221,252          | 12,490,567          |
| Common share purchase warrants                    | 9, 11  | 6,078,479           | 6,187,529           |
| Accumulated deficit                               |        | (64,506,716)        | (63,240,005)        |
| <b>Total Equity</b>                               |        | <b>1,970,449</b>    | <b>1,905,442</b>    |
| <b>Total Shareholders' Equity and Liabilities</b> |        | <b>\$ 3,246,059</b> | <b>\$ 3,276,806</b> |

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 | 2024           | 2023           |
|--|------|----------------|----------------|
| Sales  |      | \$ 175,554     | \$ 207,161     |
| Cost of sales                                  |      | 113,440        | 114,638        |
| Gross margin                                   |      | 62,114         | 92,523         |
| <b>Operating expenses</b>                      |      |                |                |
| Selling expenses                               | 14   | 67,552         | 74,671         |
| Administrative expenses                        | 15   | 511,495        | 522,695        |
| Research and development expenses              | 16   | 756,380        | 910,280        |
| (Gain) loss on foreign exchange                |      | 3,100          | (1,638)        |
| Interest accretion on lease liabilities        | 7    | 6,639          | 8,166          |
| Interest income                                |      | (16,341)       | (12,698)       |
|  |      | 1,328,825      | 1,501,476      |
| Net loss and comprehensive loss for the period |      | \$ (1,266,711) | \$ (1,408,953) |
| Basic and diluted loss per common share        | 13   | (0.006)        | (0.007)        |
| Weighted average number of common shares       |      | 229,465,425    | 216,502,675    |

# THERALASE® TECHNOLOGIES INC.

Consolidated Statements of Cash Flows

For the three month period ended March 31

Stated in Canadian Dollars

|   | 2024               | 2023               |
|---|--------------------|--------------------|
| <b>Cash flows from operating activities</b>                 |                    |                    |
| Net loss and comprehensive loss for the period              | \$ (1,266,711)     | \$ (1,408,953)     |
| Items not involving cash:                                   |                    |                    |
| Amortization of property and equipment                      | 44,442             | 47,317             |
| Amortization of right-of-use assets                         | 23,598             | 23,597             |
| Stock-based compensation expense                            | 143,140            | 167,345            |
| Loss on foreign exchange                                    | 3,100              | (1,638)            |
| Interest accretion from lease liabilities                   | 6,639              | 8,166              |
|   | <b>(1,045,792)</b> | <b>(1,164,166)</b> |
| Change in operating assets and liabilities other than cash: |                    |                    |
| Current trade and other receivables                         | 59,683             | (8,299)            |
| Net investment in leases                                    | (14,436)           | (101,993)          |
| Inventories   | 35,446             | (87,022)           |
| Prepaid expenses and other assets                           | (47,010)           | (42,897)           |
| Payables and accruals                                       | (79,745)           | 295,377            |
|   | <b>(1,091,854)</b> | <b>(1,109,000)</b> |
| <b>Cash flows from investing activity</b>                   |                    |                    |
| Purchase of property and equipment                          | (3,576)            | (11,870)           |
|   | <b>(3,576)</b>     | <b>(11,870)</b>    |
| <b>Cash flows from financing activities</b>                 |                    |                    |
| Payment of lease liabilities                                | (22,648)           | (21,122)           |
| Warrant extension costs                                     | -                  | (750)              |
| Proceeds from private placement (net of issuance costs)     | 1,188,578          |                    |
| Proceeds from the exercise of share warrants                | -                  |                    |
|   | <b>1,165,930</b>   | <b>(21,872)</b>    |
| Decrease in cash and cash equivalents during the period     | 70,500             | (1,142,740)        |
| Cash and cash equivalents, beginning of period              | 43,911             | 1,508,617          |
| Cash and cash equivalents, end of period                    | \$ 114,411         | \$ 365,877         |
| <b>Supplementary Information</b>                            |                    |                    |
| Interest received   | \$ 16,341          | \$ 12,698          |

# THERALASE® TECHNOLOGIES INC.

Consolidated Statements of Changes in Equity

For the three month period ended March 31

Stated in Canadian Dollars

|  |      | Number of<br>Shares | Share Capital     | Contributed<br>Surplus | Common<br>Share<br>Purchase<br>Warrants | Deficit             | Total<br>Shareholders'<br>Equity |
|--|------|---------------------|-------------------|------------------------|---|---------------------|----------------------------------|
|  | Note | #                   | \$                | \$                     | \$                                      | \$                  | \$                               |
| Balance, December 31, 2022                     |      | 216,502,675         | 44,527,135        | 11,374,205             | 5,642,914                               | (58,451,686)        | 3,092,568                        |
| Stock-based compensation expense               | 10   | -                   | -                 | 167,345                | -                                       | -                   | 167,345                          |
| Extension of warrants                          | 11   | -                   | -                 | -                      | 217,441                                 | (217,441)           | -                                |
| Warrants extension costs                       | 11   | -                   | -                 | -                      | (750)                                   | -                   | (750)                            |
| Net loss and comprehensive loss for the period |      | -                   | -                 | -                      | -                                       | (1,408,953)         | (1,408,953)                      |
| Balance, March 31, 2023                        |      | 216,502,675         | 44,527,135        | 11,541,550             | 5,859,605                               | (60,078,080)        | 1,850,210                        |
| <b>Balance, December 31, 2023</b>              |      | <b>228,460,858</b>  | <b>46,435,685</b> | <b>12,490,567</b>      | <b>6,219,195</b>                        | <b>(63,240,005)</b> | <b>1,905,442</b>                 |
| Stock-based compensation expense               | 10   | -                   | -                 | 143,140                | -                                       | -                   | 143,140                          |
| Expired warrants                               | 11   | -                   | -                 | 587,545                | (587,545)                               | -                   | -                                |
| Issued pursuant to private placement           | 9    | -                   | 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                        |      | 228,460,858         | 47,177,434        | 13,221,252             | 6,078,479                               | (64,506,716)        | 1,970,449                        |

# THERALASE® TECHNOLOGIES INC.

## Notes to Consolidated Financial Statements

Three-Month periods ended March 31, 2024 and 2023

Stated in Canadian Dollars

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### 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”), effective for the reporting period ended March 31, 2024, 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, 2023, 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 2023 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, 2023.

The unaudited interim condensed consolidated financial statements have been prepared by management in accordance with IFRS as issued by the IASB and including interpretations of the IFRS Interpretations Committee (“IFRIC”) 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, 2024, the Company had a net loss of \$1,266,711 (2023 - \$1,408,953), an accumulated deficit of \$64,506,716 (December 31, 2023 -\$63,240,005) 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 is 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 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. The Company is currently seeking new

# THERALASE® TECHNOLOGIES INC.

## Notes to Consolidated Financial Statements

Three-Month periods ended March 31, 2024 and 2023

Stated in Canadian Dollars

financing opportunities and intends to complete a financing round in Q2 and Q3 2024. The Company has successfully raised capital through equity offerings in 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 continue in operation for the foreseeable future and will be able to secure additional financing to satisfy its liabilities and commitments in the normal course of business, and 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, 2023 (including comparatives) were approved and authorized for issue by the board of directors on May 28, 2024.

## 2. Summary of Significant 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, 2023.

### 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.

## 3. Trade and Other Receivables

|                                   | As at March 31 2024 | As at December 31, 2023 |
|-----------------------------------|---------------------|-------------------------|
| Trade receivable (net amount)     | \$ 44,606           | \$ 114,212              |
| Government tax credits receivable | 217,540             | 210,717                 |
| <b>Total</b>                      | <b>\$ 262,146</b>   | <b>\$ 324,929</b>       |

Write offs of trade receivables for the three-month period ended amounted to \$nil which was previously provided for (2022 - \$nil). Refer to note 18 (i) for the continuity schedule of allowance for trade receivables.

Government tax credits receivable comprise of research and development investment tax credits from the federal government which relate to qualifiable research and development expenditures under the applicable tax laws. Research and development tax credits receivable total \$188,200 for the three-month period ended March 31, 2023 (December 31, 2023 - \$152,700) and has been allocated against research and development expenses.

# THERALASE® TECHNOLOGIES INC.

## Notes to Consolidated Financial Statements

Three-Month periods ended March 31, 2024 and 2023

Stated in Canadian Dollars

The Company's exposure to credit and currency risks related to trade and other receivables is presented in note 16.

#### 4. Net Investment in Leases

Net investment in leases represent amounts owing from customers to whom the Company sold products under a finance lease with payment term of 60 months. Investment in lease receivables is recorded at 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.

|   | <u>As at March 31 2024</u> | <u>As at December 31, 2023</u> |
|---|----------------------------|--------------------------------|
| Lease beginning balance                     | \$ 1,193,604               | \$ 694,204                     |
| New leases for the period                   | 77,311                     | 694,149                        |
| Interest charge for the period <sup>1</sup> | 17,143                     | 44,230                         |
| Lease payments for the period <sup>2</sup>  | (80,017)                   | (238,979)                      |
| <b>Total</b>                                | <b>\$ 1,208,041</b>        | <b>\$ 1,193,604</b>            |

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.

|   | <u>As at March 31 2024</u> | <u>As at December 31, 2023</u> |
|---|----------------------------|--------------------------------|
| Current portion of net investment in leases | \$ 295,551                 | \$ 273,638                     |
| Non-current net investment in leases        | 912,490                    | 919,967                        |
| <b>Total</b>                                | <b>\$ 1,208,041</b>        | <b>\$ 1,193,605</b>            |

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

|              |                     |
|--------------|---------------------|
| 2024         | \$ 219,862          |
| 2025         | 307,627             |
| 2026         | 319,413             |
| 2027         | 247,555             |
| 2028         | 110,772             |
| 2029         | 2,812               |
| <b>Total</b> | <b>\$ 1,208,041</b> |

#### 5. Inventories

|                | <u>As at March 31 2024</u> | <u>As at December 31, 2023</u> |
|----------------|----------------------------|--------------------------------|
| Raw materials  | \$ 504,345                 | \$ 502,365                     |
| Finished goods | 118,394                    | 155,820                        |
| <b>Total</b>   | <b>\$ 622,739</b>          | <b>\$ 658,185</b>              |

During the three-month period, inventories amounting to \$43,511 (2023 - \$36,077) were incurred as expense in cost of sales in the Consolidated Statements of Operations.

# ThERALASE® TECHNOLOGIES INC.

## Notes to Consolidated Financial Statements

Three-Month periods ended March 31, 2024 and 2023

Stated in Canadian Dollars

### 6. Property and Equipment

#### Cost

|                                   | Tools and Dies    | Computer Equipment | Furniture and Fixtures | Rental Units <sup>1</sup> | Equipment         | Clinical Equipment | Leasehold Improvements | Total               |
|-----------------------------------|-------------------|--------------------|------------------------|---------------------------|-------------------|--------------------|------------------------|---------------------|
| Balance at January 1, 2023        | \$ 196,595        | \$ 278,145         | \$ 85,443              | \$ 193,190                | \$ 442,651        | \$ 564,614         | \$ 262,124             | \$ 2,022,762        |
| Disposals                         | -                 | -                  | -                      | (134,343)                 | -                 | -                  | (232,033)              | \$ (366,376)        |
| Additions                         | -                 | 3,107              | 3,406                  | 19,986                    | 10,353            | -                  | 413                    | 37,265              |
| Balance at December 31, 2023      | \$ 196,595        | \$ 281,252         | \$ 88,849              | \$ 78,833                 | \$ 453,004        | \$ 564,614         | \$ 30,504              | \$ 1,693,651        |
| <b>Balance at January 1, 2024</b> | <b>\$ 196,595</b> | <b>\$ 281,252</b>  | <b>\$ 88,849</b>       | <b>\$ 78,833</b>          | <b>\$ 453,004</b> | <b>\$ 564,614</b>  | <b>\$ 30,504</b>       | <b>\$ 1,693,651</b> |
| Additions                         | -                 | -                  | 1,276                  | 2,300                     | -                 | -                  | -                      | 3,576               |
| <b>Balance at March 31, 2024</b>  | <b>\$ 196,595</b> | <b>\$ 281,252</b>  | <b>\$ 90,125</b>       | <b>\$ 81,133</b>          | <b>\$ 453,004</b> | <b>\$ 564,614</b>  | <b>\$ 30,504</b>       | <b>\$ 1,697,227</b> |

#### Depreciation

|                                   |                   |                   |                  |                  |                   |                   |                  |                     |
|-----------------------------------|-------------------|-------------------|------------------|------------------|-------------------|-------------------|------------------|---------------------|
| Balance at January 1, 2023        | \$ 160,018        | \$ 233,662        | \$ 50,866        | \$ 135,164       | \$ 347,751        | \$ 188,242        | \$ 246,256       | \$ 1,361,959        |
| Disposals                         | -                 | -                 | -                | (134,343)        | -                 | -                 | (232,033)        | \$ (366,376)        |
| Depreciation for the period       | 9,144             | 13,824            | 7,355            | 13,256           | 26,080            | 112,923           | 9,153            | 191,735             |
| Balance at December 31, 2023      | \$ 169,162        | \$ 247,486        | \$ 58,221        | \$ 14,077        | \$ 373,831        | \$ 301,165        | \$ 23,376        | \$ 1,187,318        |
| <b>Balance at January 1, 2024</b> | <b>\$ 169,162</b> | <b>\$ 247,486</b> | <b>\$ 58,221</b> | <b>\$ 14,077</b> | <b>\$ 373,831</b> | <b>\$ 301,165</b> | <b>\$ 23,376</b> | <b>\$ 1,187,318</b> |
| Depreciation for the period       | 1,710             | 2,526             | 1,584            | 4,013            | 4,935             | 28,153            | 1,522            | 44,442              |
| <b>Balance at March 31, 2024</b>  | <b>\$ 170,872</b> | <b>\$ 250,012</b> | <b>\$ 59,805</b> | <b>\$ 18,090</b> | <b>\$ 378,766</b> | <b>\$ 329,318</b> | <b>\$ 24,898</b> | <b>\$ 1,231,760</b> |

#### Carrying Amounts

|                          |                  |                  |                  |                  |                  |                   |                 |                   |
|--------------------------|------------------|------------------|------------------|------------------|------------------|-------------------|-----------------|-------------------|
| At December 31, 2023     | \$ 27,433        | \$ 33,766        | \$ 30,628        | \$ 64,756        | \$ 79,173        | \$ 263,449        | \$ 7,128        | \$ 506,333        |
| <b>At March 31, 2024</b> | <b>\$ 25,723</b> | <b>\$ 31,240</b> | <b>\$ 30,320</b> | <b>\$ 63,043</b> | <b>\$ 74,238</b> | <b>\$ 235,296</b> | <b>\$ 5,606</b> | <b>\$ 465,467</b> |

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

For the three-month period ended March 31, 2024, there was depreciation included in cost of sales amounting to \$6,270 (2023 - \$7,430).

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

|                                    | Property          | Office Equipment | Total             |
|------------------------------------|-------------------|------------------|-------------------|
| <b>Right-of-use Assets</b>         |                   |                  |                   |
| Balance at January 1, 2023         | \$ 439,593        | \$ 6,378         | \$ 445,971        |
| Depreciation charge for the period | 92,546            | 1,843            | 94,389            |
| Balance at December 31, 2023       | \$ 347,047        | \$ 4,535         | \$ 351,582        |
| <b>Balance at January 1, 2024</b>  | <b>\$ 347,047</b> | <b>\$ 4,535</b>  | <b>\$ 351,582</b> |
| Depreciation charge for the period | 23,136            | 461              | 23,598            |
| <b>Balance at March 31, 2024</b>   | <b>\$ 323,911</b> | <b>\$ 4,074</b>  | <b>\$ 327,984</b> |

#### Lease Liabilities

|  |                   |                 |                   |
|--|-------------------|-----------------|-------------------|
| Balance at January 1, 2023                 | \$ 467,113        | \$ 6,510        | \$ 473,623        |
| Interest charge for the period             | 30,005            | 400             | 30,405            |
| Lease payments for the period <sup>1</sup> | (115,000)         | (2,148)         | (117,148)         |
| Balance at December 31, 2023               | \$ 382,118        | \$ 4,762        | \$ 386,880        |
| <b>Balance at January 1, 2024</b>          | <b>\$ 382,118</b> | <b>\$ 4,762</b> | <b>\$ 386,880</b> |
| Interest charge for the period             | 6,558             | 81              | 6,639             |
| Lease payments for the period <sup>1</sup> | (28,750)          | (537)           | (29,287)          |
| <b>Balance at March 31, 2024</b>           | <b>\$ 359,926</b> | <b>\$ 4,306</b> | <b>\$ 364,232</b> |

1) Lease payments are discounted using an incremental borrowing rate of 7% and does not include variable property lease payments of \$10,304 (2023 - \$10,304)

# THERALASE® TECHNOLOGIES INC.

## Notes to Consolidated Financial Statements

Three-Month periods ended March 31, 2024 and 2023

Stated in Canadian Dollars

|  | As at March 31, 2024 |                  |                   | As at December 31, 2023 |                  |                   |
|--|----------------------|------------------|-------------------|-------------------------|------------------|-------------------|
|  | Property             | Office Equipment | Total             | Property                | Office Equipment | Total             |
| Current portion of lease liabilities     | \$ 92,744            | \$ 1,906         | \$ 94,650         | \$ 91,140               | \$ 1,873         | \$ 93,013         |
| Non-current portion of lease liabilities | 267,182              | 2,400            | 269,582           | 290,978                 | 2,889            | 293,867           |
|  | <b>\$ 359,926</b>    | <b>\$ 4,306</b>  | <b>\$ 364,232</b> | <b>\$ 382,118</b>       | <b>\$ 4,762</b>  | <b>\$ 386,880</b> |

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

|      | Property          | Office Equipment |
|------|-------------------|------------------|
| 2024 | 68,947            | 1,417            |
| 2025 | 98,306            | 2,009            |
| 2026 | 107,209           | 880              |
| 2027 | 85,463            | -                |
|      | <b>\$ 359,926</b> | <b>\$ 4,306</b>  |

### 8. Payables and Accruals

|  | As at March 31 2024 | As at December 31, 2023 |
|--|---------------------|-------------------------|
| Trade payables                           | \$ 666,571          | \$ 682,004              |
| Salaries, employment taxes, and benefits | 39,434              | 149,912                 |
| Director fees                            | -                   | 22,058                  |
| Accrued liabilities                      | 205,373             | 130,510                 |
| <b>Total</b>                             | <b>\$ 911,378</b>   | <b>\$ 984,484</b>       |

### 9. Private Placement

On June 30, 2023, the Company completed a financing by way of a non-brokered private placement, where 4,800,000 units were issued at a price of \$0.25 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 \$0.35, expiring on June 30, 2025. An aggregate of 1,110,000 Units, representing gross proceeds of \$277,500, were issued to certain insiders of the Company.

In connection with the offering, the Company incurred financing costs of \$11,725 of which \$11,552 was paid in cash, and \$173 was paid through issuance of 5,400 broker warrants. Each broker warrant is exercisable into one common share at an exercise price of \$0.35 per share for a period of 24 months after the closing of the offering.

The purchase price of \$0.25 per unit was allocated between the common shares (\$0.18 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 \$1,188,448 was \$831,945 for the common shares issued and \$356,503 for the common share purchase warrants issued.

On September 7, 2023, the Company completed a financing by way of a non-brokered private placement, where 1,840,000 units were issued at a price of \$0.25 per unit for gross proceeds of \$460,000. 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 \$0.35, expiring on September 7, 2025. An aggregate of 424,000 Units, representing gross proceeds of \$106,000, were issued to certain insiders of the Company. In connection with the offering, the Company incurred financing costs of \$5,381.

# THERALASE® TECHNOLOGIES INC.

## Notes to Consolidated Financial Statements

Three-Month periods ended March 31, 2024 and 2023

Stated in Canadian Dollars

The purchase price of \$0.25 per unit was allocated between the common shares (\$0.19 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 \$454,620 was \$342,368 for the common shares issued and \$112,252 for the common share purchase warrants issued.

On November 29, 2023, the Company completed a financing by way of a non-brokered private placement, where 5,318,183 units were issued at a price of \$0.22 per unit for gross proceeds of \$1,170,000. 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 \$0.28, expiring on November 29, 2028. An aggregate of 461,282 Units, representing gross proceeds of \$101,482, were issued to certain insiders of the Company.

In connection with the offering, the Company incurred financing costs of \$49,807 paid in cash and the issuance of 18,864 finders unit. Each finders unit entitles the holder thereof to acquire one common share and one common share purchase warrant on the same terms as the unit common shares and common share purchase warrants issued pursuant to the financing for a period of 60 months after the closing of the offering.

The purchase price of \$0.22 per unit was allocated between the common shares (\$0.14 per share) and common share purchase warrants (\$0.08 per warrant), based on their relative fair values. Management determined that the allocation of the net proceeds of \$1,120,194 was \$734,236 for the common shares issued and \$385,957 for the common share purchase warrants issued.

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 \$1,188,578. 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.

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:

|                                  | <b>February 5, 2024</b> | <b>November 29, 2023</b> | <b>September 7, 2023</b> | <b>June 30, 2023</b> |
|----------------------------------|-------------------------|--------------------------|--------------------------|----------------------|
| Expected volatility <sup>1</sup> | 87.54%                  | 86.33%                   | 83.75%                   | 83.14%               |
| Risk-free interest rate          | 3.60%                   | 3.60%                    | 4.59%                    | 4.58%                |
| Expected life                    | 5 Years                 | 5 Years                  | 2 Years                  | 2 Years              |
| Expected dividends               | Nil                     | Nil                      | Nil                      | Nil                  |
| Strike Price                     | \$0.25                  | \$0.28                   | \$0.35                   | \$0.35               |
| Share Price                      | \$0.17                  | \$0.19                   | \$0.23                   | \$0.27               |

1) Based on historical share price.

# THERALASE® TECHNOLOGIES INC.

## Notes to Consolidated Financial Statements

Three-Month periods ended March 31, 2024 and 2023

Stated in Canadian Dollars

### 10. Stock Options

The Company has a rolling stock option plan reserving for issue under this plan up to 10% (23,512,753 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 the three-month period ended March 31, 2024 is provided below.

|   | Common shares under<br>option | Weighted average<br>exercised price \$ |
|---|-------------------------------|--|
| Outstanding, December 31, 2022              | 18,150,000                    | 0.31                                   |
| Option grant during year <sup>1</sup>       | 360,000                       | 0.25                                   |
| Outstanding, December 31, 2023              | 18,510,000                    | 0.31                                   |
| <b>Forefeited during period<sup>2</sup></b> | <b>(10,000)</b>               | <b>0.25</b>                            |
| <b>Outstanding, March 31, 2024</b>          | <b>18,500,000</b>             | <b>0.25</b>                            |

1) During 2023, options were granted to certain employees of the Company totaling 360,000.

2) 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.

The following table summarizes information on the stock options outstanding as at March 31, 2024:

| Stock Options Outstanding    |  |                                       | Stock Options Exercisable    |                                       |
|------------------------------|--|---------------------------------------|------------------------------|---------------------------------------|
| Stock Options<br>Outstanding | Weighted Average<br>Remaining Life (years) | Weighted Average<br>Exercise Price \$ | Stock Options<br>Exercisable | Weighted Average<br>Exercise Price \$ |
| 10,280,000                   | 0.44                                       | 0.26                                  | 10,280,000                   | 0.26                                  |
| 7,860,000                    | 3.63                                       | 0.25                                  | 2,620,000                    | 0.25                                  |
| 360,000                      | 4.47                                       | 0.25                                  | -                            | 0.25                                  |
| <b>18,500,000</b>            |  |                                       | <b>12,900,000</b>            |                                       |

Under the stock option plan, the stock options vest over a three year period, commencing one year after the grant. As at March 31, 2024, 12,900,000 of the stock options were vested. All outstanding stock options as at March 31, 2024 will be fully vested by September 21, 2026.

Options to employees are measured at the fair value of the equity instruments granted on the grant date and were measured using the Black-Scholes option pricing model with the following weighted average assumptions:

|  | 2023    | 2022    |
|--|---------|---------|
| Risk-free interest rate                | 4.25%   | 2.46%   |
| Expected volatility*                   | 65.70%  | 69.30%  |
| Expected life                          | 5 years | 5 years |
| Expected dividends                     | Nil     | Nil     |
| Weighted average grant date fair value | \$0.13  | \$0.14  |
| Weighted average exercise price        | \$0.25  | \$0.25  |
| Forfeiture rate                        | 33%     | 33%     |

\* Based on historical volatility

# THERALASE® TECHNOLOGIES INC.

## Notes to Consolidated Financial Statements

Three-Month periods ended March 31, 2024 and 2023

Stated in Canadian Dollars

For the three-month period ended March 31, 2024, the Company recognized stock-based compensation expense of \$143,140 (2023 -\$167,345) for stock options issued to directors, officers, employees and consultants, of which \$91,255 (2023 - \$101,187) is included in administrative expenses, \$1,024 (2023 – Nil) is included in selling expenses, and \$50,861 (2023 - \$66,158) is included in research and development expenses. The remaining stock-based compensation amount to be expensed on non-vested options, net of forfeiture, is \$314,651.

### 11. Common Share Purchase Warrants

Common share purchase warrants consisted of the following:

|                                   | Number<br>outstanding | Weighted average<br>exercised price \$ | Fair value at date of<br>grant \$ |
|-----------------------------------|-----------------------|--|-----------------------------------|
| Outstanding December 31, 2022     | 75,812,650            |  | 5,642,914                         |
| Extended <sup>1</sup>             | -                     | -                                      | 217,440                           |
| Extension Costs                   | -                     | -                                      | (750)                             |
| Expired <sup>2</sup>              | (3,157,059)           | -                                      | (495,121)                         |
| Granted <sup>3</sup>              | 11,963,583            | 0.32                                   | 854,712                           |
| Outstanding December 31, 2023     | 84,619,174            |  | 6,219,195                         |
| Expired <sup>4</sup>              | (4,095,157)           | -                                      | (587,545)                         |
| Granted <sup>5</sup>              | 6,670,836             | 0.25                                   | 446,829                           |
| <b>Outstanding March 31, 2024</b> | <b>87,194,853</b>     |  | <b>6,078,479</b>                  |

1) During 2023, 4,095,157 warrants were extended

2) During 2023, 3,157,059 warrants expired

3) During 2023, 6,645,400 warrants were granted at an exercise price of \$0.35 and 5,318,183 at an exercise price of \$0.28 (note 9)

4) During 2024, 4,095,157 warrants expired

5) During 2024, 6,670,836 warrants were granted at an exercise price of \$0.25

The following table summarizes information on the common share purchase warrants outstanding for the three-month period ended March 31, 2024:

| 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) |
|----------------|-----------------------------------|---------------------------|-----------------------------|---------------------------|---------------------------|---|
| \$0.500        | 4,095,157                         | 4,095,157                 | -                           | -                         | -                         | -   |
| \$0.350        | 57,499,000                        | -                         | -                           | -                         | 57,499,000                | 0.39  |
| \$0.350        | 10,058,734                        | -                         | -                           | -                         | 10,058,734                | 0.48  |
| \$0.350        | 1,002,700                         | -                         | -                           | -                         | 1,002,700                 | 0.63  |
| \$0.350        | 4,805,400                         | -                         | -                           | -                         | 4,805,400                 | 1.25  |
| \$0.350        | 1,840,000                         | -                         | -                           | -                         | 1,840,000                 | 1.44  |
| \$0.280        | 5,318,183                         | -                         | -                           | -                         | 5,318,183                 | 4.66  |
| \$0.250        | -                                 | -                         | -                           | 6,670,836                 | 6,670,836                 | 4.85  |
|                | <b>84,619,174</b>                 | <b>4,095,157</b>          | -                           | <b>6,670,836</b>          | <b>87,194,853</b>         | <b>1.07</b>   |

On January 5, 2023 the Board of Directors of the Company extended the expiry date of 4,095,157 share purchase warrants issued on January 9, 2019 by a year to January 9, 2024. The estimated fair value of the warrant extension is \$217,441 which has been recognized under common share purchase warrants and the deficit. The fair value was estimated using the Black-Scholes model calculated for the difference between the extended period and the remaining

# THERALASE® TECHNOLOGIES INC.

## Notes to Consolidated Financial Statements

Three-Month periods ended March 31, 2024 and 2023

Stated in Canadian Dollars

period when the decision was taken to extend the warrants. The assumptions used were as follows for the two periods respectively: no expected dividend yield, 71.46% and 90.96% expected volatility, 3.99% and 0.19% risk-free interest rate and 1 and 0.005 years warrant expected life. Warrant extension expenses totaling \$750 were allocated to these common share purchase warrants.

### 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 interim consolidated financial statements.

Stock options to purchase 18,500,000 (2023 – 18,150,000) common shares and common share purchase warrants totaling 87,194,853 (2023 – 72,473,931) 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 for the three-month period ended March 31:

|  |           | <b>2024</b>   |           | 2023          |
|--|-----------|---------------|-----------|---------------|
| Sales salaries                           | \$        | <b>49,074</b> | \$        | 51,190        |
| Advertising                              |           | <b>5,849</b>  |           | 3,464         |
| Commission                               |           | <b>5,996</b>  |           | 8,108         |
| Travel                                   |           | <b>2,182</b>  |           | 8,556         |
| Stock based compensation                 |           | <b>1,024</b>  |           | -             |
| Amortization and depreciation allocation |           | <b>3,428</b>  |           | 3,353         |
| <b>Total selling expenses</b>            | <b>\$</b> | <b>67,552</b> | <b>\$</b> | <b>74,671</b> |

### 15. Administrative Expenses

The following are expenses classified as administrative expenses for the three-month period ended March 31:

|  |           | <b>2024</b>    |           | 2023           |
|--|-----------|----------------|-----------|----------------|
| Insurance                                | \$        | <b>13,625</b>  | \$        | 14,802         |
| Professional fees                        |           | <b>117,939</b> |           | 104,871        |
| Rent                                     |           | <b>10,304</b>  |           | 10,306         |
| General and administrative expenses      |           | <b>51,647</b>  |           | 144,813        |
| Investor Relations                       |           | <b>69,422</b>  |           | 0              |
| Administrative salaries                  |           | <b>128,592</b> |           | 121,388        |
| Director and advisory fees               |           | <b>21,856</b>  |           | 16,946         |
| Stock based compensation                 |           | <b>91,255</b>  |           | 101,187        |
| Amortization and depreciation allocation |           | <b>6,856</b>   |           | 8,382          |
| <b>Total administrative expenses</b>     | <b>\$</b> | <b>511,495</b> | <b>\$</b> | <b>522,695</b> |

# THERALASE® TECHNOLOGIES INC.

## Notes to Consolidated Financial Statements

Three-Month periods ended March 31, 2024 and 2023

Stated in Canadian Dollars

### 16. Research and Development Expenses

The following are expenses classified as research and development expenses for the three-month period ended March 31:

|  | 2024              |           | 2023           |
|--|-------------------|-----------|----------------|
| Research and development (net of investment tax cr | \$ 654,033        | \$        | 792,372        |
| Stock based compensation                           | 50,861            |           | 66,158         |
| Amortization and depreciation allocation           | 51,486            |           | 51,751         |
| <b>Total research and development expenses</b>     | <b>\$ 756,380</b> | <b>\$</b> | <b>910,280</b> |

### 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

The carrying amounts of cash and cash equivalents, trade and other receivable and payables and accrued liabilities approximate fair value due to the short-term maturities of these instruments.

The carrying amount of the investment in leases approximates fair value because lease contracts are based on bank prime rates of interest which approximate current rates.

#### 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. 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 \$217,540 (December 31 2023 - \$210,718) as at:

|   | As at March 31 2024 |    | As at December 31, 2023 |
|---|---------------------|----|-------------------------|
| Trade receivables (net amount)            | \$ 44,606           | \$ | 114,212                 |
| Percentage outstanding more than 30 days  | 73%                 |    | 3%                      |
| Percentage outstanding more than 120 days | 11%                 |    | 13%                     |

# THERALASE® TECHNOLOGIES INC.

## Notes to Consolidated Financial Statements

Three-Month periods ended March 31, 2024 and 2023

Stated in Canadian Dollars

The following table reflects the changes in the allowance for credit losses during the three-month period ended September 30, 2023 and the year ended December 31, 2022:

|  | <b>2024</b>     | As at December 31, 2023 |
|--|-----------------|-------------------------|
| Allowance for credit losses- beginning of period   | \$ 5,731        | \$ 8,583                |
| Adjustment based on collection experience          | -               | (3,454)                 |
| Amounts written off                                | -               | 602                     |
| <b>Allowance for credit losses - end of period</b> | <b>\$ 5,731</b> | <b>\$ 5,731</b>         |

The company's investment in leases of \$1,208,041 (Note 4 including maturity dates) represents 66 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, although partial payments are being received and full recovery is expected.

The table below provides an analysis of the balance outstanding at March 31, 2024 for leases by year of inception:

|              |                     |
|--------------|---------------------|
| 2021         | 49,816              |
| 2022         | 469,032             |
| 2023         | 614,958             |
| 2024         | 74,235              |
| <b>Total</b> | <b>\$ 1,208,041</b> |

### 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 undiscounted cash flows for its financial liabilities:

|                       | Total               | Payments Due by Period |                   |                   |                  |                 |                 |                 |                 |                 |
|-----------------------|---------------------|------------------------|-------------------|-------------------|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                       |                     | 2024                   | 2025              | 2026              | 2027             | 2028            | 2029            | 2030            | 2031            | 2032            |
| Payables and accruals | \$ 911,378          | \$ 911,378             | \$ -              | \$ -              | \$ -             | \$ -            | \$ -            | \$ -            | \$ -            | \$ -            |
| Lease liabilities     | 364,232             | 70,364                 | 100,315           | 108,089           | 85,463           | -               | -               | -               | -               | -               |
| Commitments (note 20) | 167,289             | 72,620                 | 33,769            | 8,800             | 8,800            | 8,800           | 8,800           | 8,800           | 8,800           | 8,800           |
| <b>Total</b>          | <b>\$ 1,442,899</b> | <b>\$ 1,054,362</b>    | <b>\$ 134,084</b> | <b>\$ 116,889</b> | <b>\$ 94,263</b> | <b>\$ 8,800</b> | <b>\$ 8,800</b> | <b>\$ 8,800</b> | <b>\$ 8,800</b> | <b>\$ 8,800</b> |

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; however, it does not expect a movement in interest rates to have a significant impact on the Company's financial position.

# THERALASE® TECHNOLOGIES INC.

## Notes to Consolidated Financial Statements

Three-Month periods ended March 31, 2024 and 2023

Stated in Canadian Dollars

### 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, 2024 and December 31, 2023 are as follows:

|                                       | As at March 31 2024 |                     | As at December 31, 2023 |                     |
|---------------------------------------|---------------------|---------------------|-------------------------|---------------------|
|                                       | Canadian            | U.S.                | Canadian                | U.S.                |
| Cash                                  | \$ (1,394)          | \$ (1,029)          | \$ (108,354)            | \$ (81,925)         |
| Trade and other receivables           | 609                 | 449                 | -                       | -                   |
| Current net investments in leases     | 33,182              | 24,489              | 30,886                  | 23,353              |
| Non-current net investments in leases | 105,701             | 78,008              | 111,585                 | 84,368              |
| Payables and accruals                 | (305,528)           | (225,482)           | (185,505)               | (140,258)           |
| <b>Total</b>                          | <b>\$ (167,430)</b> | <b>\$ (123,565)</b> | <b>\$ (151,388)</b>     | <b>\$ (114,462)</b> |

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.

|                                       | As at March 31 2024 |                 | As at December 31, 2023 |                 |
|---------------------------------------|---------------------|-----------------|-------------------------|-----------------|
|                                       |                     |                 |                         |                 |
| Cash                                  | \$                  | (139)           | \$                      | (10,835)        |
| Trade and other receivables           |                     | 61              |                         | -               |
| Current net investments in leases     |                     | 3,318           |                         | 3,089           |
| Non-current net investments in leases |                     | 10,570          |                         | 11,159          |
| Payables and accruals                 |                     | (30,553)        |                         | (18,550)        |
| <b>Total</b>                          | <b>\$</b>           | <b>(16,744)</b> | <b>\$</b>               | <b>(15,138)</b> |

### 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 includes those persons having authority and responsibility for planning, directing and controlling the activities, directly or indirectly, of the Company.

|                          | 2024              | 2023              |
|--------------------------|-------------------|-------------------|
| Short-term compensation  | \$ 237,500        | \$ 237,500        |
| Director fees            | 17,500            | 12,500            |
| Stock-based compensation | 139,781           | 164,115           |
| <b>Total</b>             | <b>\$ 394,781</b> | <b>\$ 414,115</b> |

Key management personnel were not paid post-employment benefits, termination benefits or other long term benefits during the three-month periods ended March 31, 2024 and 2023.

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

# THERALASE® TECHNOLOGIES INC.

## Notes to Consolidated Financial Statements

Three-Month periods ended March 31, 2024 and 2023

Stated in Canadian Dollars

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 June 30, 2023, an aggregate of 1,110,000 units, representing gross proceeds of \$277,500, were issued to certain key management personnel and directors of the Corporation (refer to note 9).

On September 7, 2023, an aggregate of 424,000 units, representing gross proceeds of \$106,000, were issued to certain key management personnel and directors of the Corporation (refer to note 9).

On November 29, 2023, an aggregate of 461,282 units, representing gross proceeds of \$101,482, were issued to certain key management personnel and directors of the Corporation (refer to note 9).

On November 29, 2023, an aggregate of 1,310,502 units, representing gross proceeds of \$235,890, were issued to 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 for the healing of pain.

The following table displays revenue and direct expenses from the drug and device division for the three-month periods ended March 31:

|   | 2024                |                       |                       | 2023                |                       |                       |
|---|---------------------|-----------------------|-----------------------|---------------------|-----------------------|-----------------------|
|   | Device              | Drug                  | Total                 | Device              | Drug                  | Total                 |
| Sales                                   | \$ 175,554          | \$ -                  | \$ 175,554            | \$ 207,161          | \$ -                  | \$ 207,161            |
| Cost of sales                           | 113,440             | -                     | 113,440               | 114,638             | -                     | 114,638               |
| <b>Gross margin</b>                     | <b>62,114</b>       | <b>-</b>              | <b>62,114</b>         | <b>92,523</b>       | <b>-</b>              | <b>92,523</b>         |
| <b>Operating Expenses</b>               |                     |                       |                       |                     |                       |                       |
| Selling expenses                        | 67,552              | -                     | 67,552                | 74,671              | -                     | 74,671                |
| Administrative expenses                 | 229,620             | 281,875               | 511,495               | 271,630             | 251,065               | 522,695               |
| Research and development expense:       | 31,363              | 725,017               | 756,380               | 3,181               | 907,099               | 910,280               |
| Loss on foreign exchange                | 1,550               | 1,550                 | 3,100                 | (819)               | (819)                 | (1,638)               |
| Interest accretion on lease liabilities | 3,320               | 3,320                 | 6,639                 | 4,083               | 4,083                 | 8,166                 |
| Interest income                         | (16,341)            | -                     | (16,341)              | (12,698)            | -                     | (12,698)              |
|   | <b>317,063</b>      | <b>1,011,762</b>      | <b>1,328,825</b>      | <b>340,048</b>      | <b>1,161,428</b>      | <b>1,501,476</b>      |
| <b>Loss for the period</b>              | <b>\$ (254,949)</b> | <b>\$ (1,011,762)</b> | <b>\$ (1,266,711)</b> | <b>\$ (247,525)</b> | <b>\$ (1,161,428)</b> | <b>\$ (1,408,953)</b> |
| Total Assets                            | \$ 2,361,142        | \$ 884,917            | \$ 3,246,059          | \$ 2,062,256        | \$ 1,138,713          | \$ 3,200,969          |
| Total Liabilities                       | 415,261             | 860,349               | 1,275,610             | 682,261             | 668,498               | 1,350,759             |

# THERALASE® TECHNOLOGIES INC.

## Notes to Consolidated Financial Statements

Three-Month periods ended March 31, 2024 and 2023

Stated in Canadian Dollars

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

|                              | 2024              |                 |                 | 2023            |                  |                   |
|------------------------------|-------------------|-----------------|-----------------|-----------------|------------------|-------------------|
|                              | Canada            | USA             | International   | Canada          | USA              | International     |
| <b>Sales by Product Line</b> |                   |                 |                 |                 |                  |                   |
| TLC-1000                     | \$ 7,913          | \$ 388          | \$ -            | \$ 25,024       | \$ 22,291        | \$ -              |
| TLC-2000                     | 114,185           | 31,459          | 21,609          | 127,099         | 32,746           | -                 |
|                              | <b>122,098</b>    | <b>31,847</b>   | <b>21,609</b>   | <b>152,124</b>  | <b>55,037</b>    | <b>-</b>          |
| <b>Expenses</b>              |                   |                 |                 |                 |                  |                   |
| Cost of Sales                | 78,897            | 20,580          | 13,963          | 84,182          | 30,456           | -                 |
| Selling Expenses             | 52,630            | 8,921           | 6,001           | 63,290          | 8,654            | 2,727             |
|                              | <b>131,527</b>    | <b>29,500</b>   | <b>19,964</b>   | <b>147,472</b>  | <b>39,110</b>    | <b>2,727</b>      |
|                              | <b>\$ (9,428)</b> | <b>\$ 2,345</b> | <b>\$ 1,645</b> | <b>\$ 4,652</b> | <b>\$ 15,927</b> | <b>\$ (2,727)</b> |

As at March 31, 2024 and December 31, 2023, the Company's long-lived assets used in operations are all located in Canada. Timing of revenue is recognized at a point in time.

## 20. Commitments

The Company's commitments consist of the following:

|                        | Total             | 2024             | 2025             | 2026            | 2027            | 2028            | 2029            | 2030            | 2031            | 2032            |
|------------------------|-------------------|------------------|------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Research Agreement (a) | \$ 24,969         | \$ -             | \$ 24,969        | \$ -            | \$ -            | \$ -            | \$ -            | \$ -            | \$ -            | \$ -            |
| Research Agreement (b) | 142,320           | 72,620           | 8,800            | 8,800           | 8,800           | 8,800           | 8,800           | 8,800           | 8,800           | 8,800           |
| <b>Total</b>           | <b>\$ 167,289</b> | <b>\$ 72,620</b> | <b>\$ 33,769</b> | <b>\$ 8,800</b> | <b>\$ 8,800</b> | <b>\$ 8,800</b> | <b>\$ 8,800</b> | <b>\$ 8,800</b> | <b>\$ 8,800</b> | <b>\$ 8,800</b> |

- 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 \$24,969 (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, 2032. The Company has paid \$336,380 relating to this commitment, of which \$142,320 is the remaining commitment.

## 21. Subsequent Events

On April 24, 2024, the Company closed a non-brokered private placement of units. On closing, the Company issued an aggregate of 4,167,778 units at a price of \$0.18 per Unit for aggregate gross proceeds of approximately \$750,200. 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 \$0.25 for a period of 5 years following the date of issuance.