

Unaudited condensed consolidated interim financial statements

Ondine Biomedical Inc.

For the six months ended June 30, 2026 and 2025

Oncline Biomedical Inc.

Unaudited condensed consolidated interim statements of financial position
(In thousands of Canadian dollars)

	Note	June 30, 2026	December 31, 2025
Assets			
Current assets			
Cash		5,323	10,566
Accounts and other receivables	4, 15	296	460
Inventory	5	1,961	1,821
Prepaid expenses and deposits	6	254	411
Other current assets		-	5
		7,834	13,263
Non-current assets			
Property and equipment	7	997	1,065
Other assets	6	57	53
		1,054	1,118
Total Assets		8,888	14,381
Liabilities			
Current liabilities			
Accounts payable and other liabilities	8, 15	11,813	10,483
Current portion of lease liability	9	277	312
		12,090	10,795
Non-current liabilities			
Lease liability	9	-	101
		-	101
Total Liabilities		12,090	10,896
Equity			
Share capital	10	296,932	288,194
Contributed surplus		10,528	10,528
Reserves		20,446	19,712
Deficit		(331,108)	(314,949)
Total Shareholders' Equity (Deficit)		(3,202)	3,485
Total Liabilities and Shareholders' Equity		8,888	14,381

Going concern – Note 1; Commitments and contingencies - Note 13

Approved on behalf of the Board:

“Carolyn Cross”

“Jean Charest”

Oncline Biomedical Inc.

Unaudited condensed consolidated interim statements of loss and comprehensive loss

(In thousands of Canadian dollars, except share and per share amounts)

		For the six months ended June 30,	
		2026	2025
Revenue	12,14	1,245	1,013
Cost of goods sold	16	(434)	(356)
Gross margin		811	657
Expenses	17		
General and administration		4,398	4,352
Research and development		11,483	7,962
Marketing and sales		595	581
Depreciation and amortization	7	252	282
		16,728	13,177
Loss from operations		(15,917)	(12,520)
Other income (expense)			
Accretion and interest expense		(12)	(5)
Interest income		56	186
Change in fair value of warrant liability		-	16
Other expense		-	(3)
Foreign exchange loss		(286)	(233)
		(242)	(39)
Net loss for the period		(16,159)	(12,559)
Other comprehensive loss			
Exchange differences on translation of foreign operations ⁽¹⁾		141	(52)
Total comprehensive loss		(16,018)	(12,611)
Net loss per share			
Basic and diluted		(0.03)	(0.03)
Weighted average number of shares outstanding			
Basic and diluted		532,299,994	437,242,255

(1) May be reclassified to profit or loss in subsequent periods.

Ondine Biomedical Inc.

Unaudited condensed consolidated interim statements of changes in equity

(In thousands of Canadian dollars, except share amounts)

	Number of common shares (Note 10)	Share capital	Contributed surplus	Share- based payment reserve	Currency translation reserve	Accumulated Deficit	Equity (Deficit)
Balance, January 1, 2025	404,004,731	262,599	10,528	19,621	(439)	(285,432)	6,877
Issuance of share capital upon financing – Note 10	38,033,412	5,767	-	-	-	-	5,767
Issuance of share capital for services received – Note 10	1,178,365	213	-	-	-	-	213
Issuance of share capital on exercise of stock options	216,666	394	-	(389)	-	-	5
Share issuance costs – Note 10	-	(22)	-	-	-	-	(22)
Share-based payments – Note 11	-	-	-	497	-	-	497
Total comprehensive loss for the period	-	-	-	-	(52)	(12,559)	(12,611)
Balance, June 30, 2025	443,433,174	268,951	10,528	19,729	(491)	(297,991)	726
Balance, January 1, 2026	518,366,964	288,194	10,528	20,213	(501)	(314,949)	3,485
Issuance of share capital upon financing – Note 10	41,215,119	9,128	-	-	-	-	9,128
Issuance of share capital for services received – Note 10	1,184,504	214	-	-	-	-	214
Issuance of share capital for directors' fees – Note 10, 13	451,548	100	-	-	-	-	100
Share issuance costs – Note 10	-	(704)	-	-	-	-	(704)
Share-based payments – Note 11	-	-	-	593	-	-	593
Total comprehensive loss for the period	-	-	-	-	141	(16,159)	(16,018)
Balance, June 30, 2026	561,218,135	296,932	10,528	20,806	(360)	(331,108)	(3,202)

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

Ondine Biomedical Inc.

Unaudited condensed consolidated interim statements of cash flows
(In thousands of Canadian dollars)

		For the six months ended June 30,	
		2026	2025
Cash flows from (used in) operating activities			
Net loss for the period		(16,159)	(12,559)
Adjustments for non-cash items:			
Depreciation of right-of-use assets	7	151	184
Depreciation and amortization of other property and equipment and intangible assets	7	136	126
Accretion and interest expense		11	8
Share-based payments	11	593	497
Non-cash directors' fees	10	100	-
Share payments for services received	10	214	358
Change in fair value warrant liability		-	(16)
Unrealized foreign exchange (gain) loss		221	(411)
Other		64	(27)
Changes in non-cash working capital	18	1,350	1,665
Net cash used in operating activities		(13,319)	(10,175)
Cash flows from (used in) financing activities			
Repayment of lease obligations	9	(156)	(218)
Proceeds from public offerings	10	9,128	5,767
Share issuance costs	10	(704)	(22)
Proceeds from exercise of stock options		-	4
Net cash from financing activities		8,268	5,531
Cash flows used in investing activities			
Purchase of property and equipment	7	(113)	(24)
Net cash used in investing activities		(113)	(24)
Net decrease in cash		(5,164)	(4,668)
Effect of foreign exchange rate change on cash		(79)	310
Cash, beginning of period		10,566	9,926
Cash, end of period		5,323	5,568

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

Ondine Biomedical Inc.

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2026 and 2025

(In thousands of Canadian dollars, except as otherwise indicated)

1. Nature of operations and going concern

Ondine Biomedical Inc. (the "Company") was incorporated under the British Columbia Business Corporations Act on September 9, 1996. The Company is a biotechnology company engaged in the development and commercialization of innovative anti-infective therapies covering a broad spectrum of bacterial, fungal and viral infections primarily using antimicrobial photodynamic therapy ("aPDT") as a platform technology for its products, which are used as an alternative to the use of antibiotics. The Company's aPDT products employ laser-based activation of proprietary compounds to treat a wide range of medical infections. The address of the Company's corporate office is 888-1100 Melville Street, Vancouver, BC, Canada. The common shares of the Company are listed on the AIM Market of the London Stock Exchange under the symbol "OBI.L".

These consolidated financial statements have been prepared on a going concern basis, which assumes the Company will be able to meet its obligations and continue its operations in the normal course of business for at least twelve months from June 30, 2026.

The Company has a history of incurring significant losses and as at June 30, 2026, had an accumulated deficit of \$331,108 (December 31, 2025 - \$314,949). As at June 30, 2026, the Company had a cash balance of \$5,323 (December 31, 2025 - \$10,566) and a negative working capital (current assets less current liabilities) balance of \$4,256 (December 31, 2025 – surplus \$2,468). In the six months ended June 30, 2026, cash used in operating activities totaled \$13,319 (June 30, 2025 - \$10,175).

The Company's ability to continue as a going concern is dependent on its ability to develop profitable operations and/or to continue to obtain the necessary financing to meet its corporate expenditures and discharge its liabilities in the normal course of business. The Company will need to raise funds through public or private equity and/or debt financings. Although the Company has been successful in completing financings in the past there can be no assurance that it will be successful in the future. These factors give rise to material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. The condensed consolidated financial statements do not give effect to adjustments to carrying values and to the classification of assets and liabilities that would be required if the Company were unable to continue as a going concern and such adjustments could be material

2. Basis of preparation

(a) Statement of compliance

These unaudited condensed consolidated interim financial statements have been presented in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") as applicable to the preparation of consolidated financial statements, as set out in International Accounting Standard ("IAS") 34, Interim Financial Reporting. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual consolidated financial statements as at and for the year ended December 31, 2025.

The unaudited condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on September 29, 2026.

(b) Basis of measurement

The unaudited condensed consolidated interim financial statements have been prepared on a historical cost basis as stated in the accounting policies. The expenses within the consolidated statements of loss and comprehensive loss are presented by function. Refer to Note 17 for details of expenses by nature.

(c) Use of estimates, assumptions and judgments

The preparation of unaudited condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in the consolidated financial statements and accompanying disclosures. Although these estimates are based on management's knowledge of current events and actions

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Notes to the Consolidated Financial Statements

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(In thousands of Canadian dollars, except as otherwise indicated)

the Company may undertake in the future, actual results may differ from the estimates and the differences may be material.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates, if any, are recognized in the year in which the estimates are revised and in any future years affected.

Information about the judgments, estimates and assumptions made by management in preparing these condensed consolidated interim financial statements are as described under "Basis of presentation - Judgments and estimates" in the Company's consolidated financial statements for the year ended December 31, 2025.

3. Material accounting policies

The accounting policies in these unaudited condensed consolidated interim financial statements are as described under "Material accounting policies" in the Company's consolidated financial statements for the year ended December 31, 2025.

On January 1, 2026, the Company adopted the amendments to the classification and measurement requirements for financial instrument in IFRS 9 Financial Instrument ("IFRS 9") and IFRS 7 Financial Instruments: Disclosures ("IFRS 7"), which was published in May 2024 by IASB. The amendments clarify that a financial assets is derecognized on the date on which the contractual rights to the cash flows expire or the asset is transferred. A financial liability is derecognized on the settlement date, which is the date on which the liability is extinguished. The amendments to IFRS 9 introduced an election that permits the Company, when settling a financial liability or part of a financial liability in cash using an electronic payment system, to deem the financial liability, or part of it, to be discharged before the settlement date if the Company has initiated a payment instruction that resulted in: (a) the Company having no practical ability to withdraw, stop or cancel the payment instruction; (b) the Company having no practical ability to access the cash to be used for settlement as a result of the payment instruction; and (c) the settlement risk associated with the electronic payment system being insignificant. The amendments clarify that unless the above election applies, a financial liability is derecognized on the settlement date, which is the date on which the liability is extinguished because the obligation specified in the contract is discharged or cancelled or expires. The amendment had minimal effect on the timing of recognition and derecognition of the Company's financial assets and liabilities. The Company applied the exception for all electronic payment systems to deem these financial liabilities to be discharged before the settlement date.

4. Accounts and other receivables

	June 30, 2026	December 31, 2025
Trade receivables	278	411
Other receivables	18	49
	296	460

Ondine Biomedical Inc.

Notes to the Consolidated Financial Statements

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(In thousands of Canadian dollars, except as otherwise indicated)

5. Inventory

	June 30, 2026	December 31, 2025
Raw materials	817	809
Work-in-progress	114	224
Finished goods	1,030	788
	1,961	1,821

During the six months ended June 30, 2026, raw materials, work-in-progress and finished goods included in cost of goods sold amounted to \$336 (June 30, 2025 – \$301). During the six months ended June 30, 2026 and 2025, inventory valued at \$63 and \$27, respectively, was written off and reflected within cost of goods sold.

6. Prepaids and deposits, and non-current assets

	June 30, 2026	December 31, 2025
Prepaid insurances	69	73
Prepaid inventory	82	102
Prepaid services	-	120
Prepaid subscriptions	43	76
Lease deposits	57	53
Other prepaid costs	60	40
	311	464
Less: Current portion of prepaid expenses and deposits	254	411
Other non-current assets	57	53

Ondine Biomedical Inc.

Notes to the Consolidated Financial Statements

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7. Property and equipment

The Company's property and equipment gross carrying amounts and accumulated depreciation were as follows:

	Computer equipment	Furniture and fixtures	Lab and office equipment	Leasehold improvements	Manufacturing equipment and tools	Demo equipment	Right-of-use	Total
Cost								
Balance, January 1, 2025	148	54	266	333	351	392	965	2,512
Additions	17	-	24	-	76	-	600	717
Transfers and other	-	-	-	-	-	364	-	364
Disposals and derecognition	(5)	-	-	(25)	-	(24)	(923)	(977)
Exchange adjustment	(7)	(1)	(13)	(13)	(18)	(1)	(40)	(96)
Balance, December 31, 2025	153	53	277	295	409	731	602	2,520
Additions	4	-	-	109	-	-	-	113
Transfers and other	-	-	-	-	-	76	-	76
Disposals and derecognition	-	-	-	-	-	(12)	-	(12)
Exchange adjustment	5	1	10	12	15	19	17	79
Balance, June 30, 2026	162	54	287	416	424	814	619	2,776
Accumulated depreciation								
Balance, January 1, 2025	123	46	228	328	231	135	824	1,915
Additions	25	4	31	5	59	130	336	590
Disposals and derecognition	(5)	-	-	(25)	-	(9)	(923)	(962)
Exchange adjustment	(6)	(3)	(9)	(13)	(14)	(2)	(41)	(88)
Balance, December 31, 2025	137	47	250	295	276	254	196	1,455
Depreciation expense	6	2	10	10	28	80	151	287
Transfers and other	-	-	-	-	-	-	-	-
Disposals and derecognition	-	-	-	-	-	(8)	-	(8)
Exchange adjustment	4	1	8	9	12	1	10	45
Balance, June 30, 2026	147	50	268	314	316	327	357	1,779
Net book value								
December 31, 2025	16	6	27	-	133	477	406	1,065
June 30, 2026	15	4	19	102	108	487	262	997

During the six months ended June 30, 2026, depreciation of \$35 (June 30, 2025 – \$28) was allocated to cost of goods sold, and \$252 to operating expenses (June 30, 2025 – \$282).

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(In thousands of Canadian dollars, except as otherwise indicated)

8. Accounts payable and other liabilities

	June 30, 2026	December 31, 2025
Accounts payable	1,399	1,036
Accrued liabilities	8,778	7,264
Employee related payables	1,420	1,972
Accrued interest	76	73
Current other liabilities	140	138
	11,813	10,483

9. Lease liability

	Office spaces and facilities
As at January 1, 2025	168
Additions	600
Interest accretion	23
Lease payments	(380)
Exchange adjustment	2
As at December 31, 2025	413
Interest accretion	11
Lease payments	(156)
Exchange adjustment	9
As at June 30, 2026	277

	June 30, 2026	December 31, 2025
Current portion	277	312
Non-current	-	101
Total lease liability	277	413

The Company's leases are for office spaces and a laboratory facility. The expense relating to variable lease payments not included in the measurement of lease obligations was \$82 (June 30, 2025 - \$124). This consists of variable lease payments for operating costs and property taxes. Total cash outflow for leases was \$238 (June 30, 2025 - \$342), including \$145 (June 30, 2025 - \$210) of principal payments on lease obligations.

As at June 30, 2026, the minimum annual payments under these leases, including an estimate of operational costs for its office and laboratory premises based on current costs, is provided below.

2026	208
2027	132
	340

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(In thousands of Canadian dollars, except as otherwise indicated)

10. Share capital

(a) Common Stock

Authorized

An unlimited number of common shares without par value.

Issued

As at June 30, 2026, the Company's issued share capital consisted of 561,218,135 common shares (December 31, 2025 – 518,366,964).

On February 27, 2026, the Company issued 1,184,504 common shares at a share price of \$0.18 to the Royal Columbian Hospital Foundation as part of the collaborative research project for an intensive care unit pilot study upon achievement of the fourth and final milestone in which the study results were submitted for publication in a leading peer-reviewed journal in critical care medicine. The share price was based on the closing market price of the Company's common shares on the London Stock Exchange two business days preceding the milestone.

On May 5, 2026, the Company issued 41,666,667 common shares at £0.12 (\$0.22) per share of which 451,548 common shares were issued for payment of directors' fees. The Company incurred legal, advisory and disbursement costs of \$704 directly related to the completion of the finance raise. The costs incurred were recorded to equity in the consolidated statement of financial position.

11. Share-based payments

(a) Stock Option Plan

On November 1, 2021, the Board of Directors approved and adopted an amended stock option plan for the Company which provides for the grant of stock options to directors, officers, employees and consultants from time to time at the discretion of the directors. Under the terms of the amended stock option plan, the maximum number of options and restricted share units authorized for issuance is 10% of the issued and outstanding common shares in any 10-year period for any employee share scheme and the maximum number of options and restricted share units authorized for issuance is 5% of the issued and outstanding common shares in any 10-year period for any executive share scheme. As at June 30, 2026, the maximum number of total options and restricted share units that can be outstanding are 56,121,814 (December 31, 2025 – 51,836,696).

A summary of the status of the stock options outstanding is as follows:

	June 30, 2026		June 30, 2025	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	18,628,334	0.28	12,605,000	0.34
Options granted	8,265,000	0.25	9,815,285	0.20
Options exercised	-	-	(216,666)	0.02
Options forfeited	(13,334)	0.15	(3,471,119)	0.21
Options cancelled	(26,666)	0.57	(169,166)	0.86
Outstanding, end of period	26,853,334	0.27	18,563,334	\$ 0.29
Exercisable, end of period	10,601,649	0.35	5,273,318	\$ 0.49

Share-based payments expense for the six months ended June 30, 2026, in the amount of \$403 (June 30, 2025 – \$497) was recorded.

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The outstanding options for the six months ended June 30, 2026 is as follows:

Exercise price	Number of options	Remaining life (years)
0.14	210,000	3.03
0.15	8,793,334	2.57
0.20	6,000,000	6.65
0.21	500,000	3.58
0.25	8,265,000	8.31
0.29	310,000	7.03
0.36	310,000	1.21
0.49	350,000	1.24
0.90	790,000	0.03
0.93	1,225,000	0.60
3.00	100,000	0.05
0.27	26,853,334	5.11

The fair value of stock options granted during the six months ended June 30, 2026 and 2025 were estimated with the Black-Scholes model using the following assumptions at the time of grant:

	For the six months ended June 30,	
	2026	2025
Dividend yield	0%	0%
Annualized volatility	99%	85% - 90%
Risk-free interest rate	3%	2.89% - 2.95%
Expected life of options (years)	8	5
Forfeiture rate	11%	12%

Volatility was estimated by using the historical volatility of other companies that the Company considers comparable that have trading history and volatility history. The expected life in years represents the period of time that options granted are expected to be outstanding. The risk-free interest rate is based on Canadian government benchmark bonds with a term equal to or a remaining term that approximates the expected life of the options.

The weighted average fair value of stock options granted during the six months ended June 30, 2026, was \$0.21 per option (June 30, 2025 - \$0.16). As at June 30, 2026, stock options outstanding had a remaining contractual life of 5.11 years (June 30, 2025 – 4.58 years).

(b) Restricted Share Unit Plan

On November 1, 2021, the Board of Directors approved and adopted an amended restricted share unit plan for the Company which provides for the grant of restricted share units to directors, officers, employees and consultants from time to time at the discretion of the directors. Under the terms of the amended restricted share unit, the maximum number of stock options and restricted share units authorized for issuance is 10% of the issued and outstanding common shares in any 10-year period for any employee share scheme and the maximum number of stock options and restricted share units authorized for issuance is 5% of the issued and outstanding common shares in any 10-year period for any executive share scheme. As at June 30, 2026, the maximum number of total options and restricted share units that can be outstanding are 56,121,814 (December 31, 2025 – 51,836,696).

Ondine Biomedical Inc.

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A summary of the status of the restricted share units outstanding is as follows:

	For the six months ended June 30,	
	2026	2025
	Number of restricted share units	Number of restricted share units
Outstanding, beginning of period	-	-
Restricted share units granted	3,121,471	-
Outstanding, end of period	3,121,471	-
Exercisable, end of period	-	-

Share-based payments expense for the six months ended June 30, 2026, in the amount of \$43 (June 30, 2025 – \$nil) was recorded.

The fair value of restricted share units granted during the six months ended June 30, 2026, was determined based on the Company's quoted closing price of £0.13 (\$0.25) (June 30, 2025 - \$nil) per share. As at June 30, 2026, the restricted share units outstanding had an estimated remaining vesting period of 1.04 years, based on management's current estimate of the timing of the applicable performance conditions.

The restricted share units outstanding do not have an expiry date.

(c) Warrants

	For the six months ended June 30,			
	2026		2025	
	Units	Amount	Units	Amount
Outstanding, beginning of period	-	-	-	-
Warrants granted	1,145,000	147	-	-
Outstanding, end of period	1,145,000	147	-	-

The fair value of warrants granted were estimated with the Black-Scholes model using the following assumptions at the time of grant during the six months ended June 30, 2026:

Dividend yield	0%
Expected volatility	58% - 97%
Risk-free interest rate	3% - 4%
Expected life of warrants (years)	1.61 - 20
Forfeiture rate	0%

Volatility was estimated by using the historical volatility of other companies that the Company considers comparable that have trading history and volatility history. The expected life in years represents the period of time that options granted are expected to be outstanding. The risk-free interest rate is based on Canadian government benchmark bonds with a term equal to or a remaining term that approximates the expected life of the warrants.

The warrants expire six months following receipt of U.S. Food and Drug Administration ("FDA") marketing approval for Ondine's nasal photodisinfection therapy for the reduction of surgical site infections. The fair value of these warrants was determined using a probability-weighted valuation model incorporating scenarios to the timing of the regulatory milestone. The warrants issued under the second grant have a fixed contractual expiry date and had a remaining contractual life of 2.0 years as at June 30, 2026.

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The weighted average exercise price of the warrants granted during the six months ended June 30, 2026, was \$0.25 per warrant (June 30, 2025 - \$nil). The weighted average fair value of stock options granted during the six months ended June 30, 2026, was \$0.13 per warrant (June 30, 2025 - \$nil).

12. Related party transactions

(a) Revenues and product shipments

During the six months ended June 30, 2026, \$nil (June 30, 2025 - \$2) of products were shipped to a related party. For the six months ended June 30, 2025, revenue was not recognized as the conditions for revenue recognition were not met. The cost of this shipment was included in the consolidated statements of loss and comprehensive loss against general and administrative expenses. Revenue related to these shipments will be recognized in future periods once the revenue recognition criteria have been met.

(b) Compensation of key management personnel

The Company's key management personnel have the authority and responsibility for planning, directing and controlling activities of the Company and consists of the Company's executive officers and directors.

	For the six months ended June 30,	
	2026	2025
Compensation and other short-term benefits	690	1,051
Directors' fees (i)	246	251
Share-based payments (ii)	410	318
Consulting expenses (iii)	72	320
	1,418	1,940

- (i) On May 5, 2026, as part of the Company's finance raise, directors' fees of \$100 were paid in the form of Common Shares.
- (ii) On June 5, 2026, the Company granted 5,150,000 stock options, 1,000,000 warrants, and 1,484,560 restricted share units to key management personnel.
- (iii) Expenses incurred for consulting services incurred in respect of services performed by an officer and a related party of the Company.
- (iv) On May 5, 2026, as part of the Company's finance raise, a key management personnel subscribed for 903,097 Common Shares for total proceeds of \$200.

(c) Related party balances

As at June 30, 2026, there was \$1,123 (December 31, 2025 - \$1,235) of related party balances included in accounts payable and other liabilities. Loans payable to related parties are due to the personal holding company of a key management personnel. The loans payable to related parties are unsecured and bear no interest. The related party balances included in accounts payable and other liabilities consist of the bonus payable, directors' fees, and the current portion of loans payable to related parties.

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13. Commitments and contingencies

Open purchase order commitments as at June 30, 2026 were \$1,427 (December 31, 2025 – \$7,091) for the FDA Phase 3 clinical trial, clinical services, the purchase of inventory and contracted development.

The Company and its subsidiaries may, from time to time, be a party to certain legal disputes and claims arising from employment, environmental or commercial issues in the normal course of business. The Company has the following contingency at June 30, 2026:

- (i) The Company's Barbadian subsidiary held intellectual property in Barbados until December 22, 2022. As a result of the Barbados Companies (Economic Substance) Act passed in 2019, the Barbadian subsidiary must comply with economic substance requirements set out in the legislation. If the Barbadian subsidiary cannot establish economic substance in Barbados, the Barbadian subsidiary could be subject to additional financial penalties and/or could be struck from the register of companies.

On December 22, 2022, the Company transferred the intellectual property from the Barbadian subsidiary to a new Swiss subsidiary via an intercompany sale at a fair value which was determined by an independent third party. Challenges from Barbadian, Swiss, Canadian or United States authorities regarding any of the foregoing, which results in an unfavorable outcome, could have a material impact on the financial position and operating results of the Company.

14. Segmented information

Management has determined that the Company has one reportable operating segment, aPDT products. This segment accounts for all of the Company's revenue, cost of goods sold and operating expenses. Determination of the operating segment was based on the level of financial reporting to the Company's chief operating decision maker. Revenues are attributed to the geographic area where the customer is located.

	For the six months ended June 30,	
	2026	2025
Product revenue		
Canada	1,185	980
Other	60	33
	1,245	1,013

Revenue from significant customers are as follows:

	For the six months ended June 30,	
	2026	2025
Customer 1	493	487
Customer 2	-	136
Customer 3	-	96
Customer 4	181	-
Other	571	294
	1,245	1,013

Customer 2 and 3 did not represent more than 10% of revenue during the six months ended June 30, 2026.

Customer 4 did not represent more than 10% of revenue in the six months ended June 30, 2025.

A summary of non-current assets (excluding other assets) by geographical area based on the location of the asset is as follows:

	June 30, 2026	31-Dec-25
Canada	395	394
United States	602	671
	997	1,065

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15. Financial risk management and financial instruments

All assets and liabilities for which fair value is measured or disclosed in the unaudited condensed consolidated interim financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is not based on observable market data.

As at June 30, 2026, the carrying values of cash, accounts and other receivables, and accounts payable and other liabilities approximate their fair values because of their nature, relatively short maturity dates.

(a) Management of risks arising from financial instruments

The overall responsibility for the establishment and oversight of the Company's risk management policies resides with the Board of Directors. The Company's risk management policies are established to identify, analyze and manage the risks faced by the Company and to implement appropriate procedures to monitor risks and adherence to established controls. Risk management policies and systems are reviewed periodically in response to the Company's activities and to ensure applicability. The Company, through its financial assets and liabilities, is exposed to certain risks as follows:

Credit risk

The Company is exposed to credit risk arising from the possibility that cash held, and accounts receivable are non-recoverable. However, the Company believes that its exposure to credit risk in relation to the cash and receivables is low. All of the cash held by the Company and its subsidiaries was held with reputable financial institutions. Since the majority of the Company's customers are considered to have low default risk and its historical default rate and frequency of losses are low, the lifetime expected credit loss allowance as at June 30, 2026 is shown in the table below. The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized as at June 30, 2026 and December 31, 2025 summarized below:

	June 30, 2026	December 31, 2025
Classes of financial assets – carrying amounts		
Cash and cash equivalents	5,323	10,566
Accounts receivable, net of credit loss allowance	296	460
	5,619	11,026

The aging of the Company's accounts receivable is as follows:

	June 30, 2026	December 31, 2025
Trade accounts receivable, net of credit loss allowance		
Current	268	407
Past due 1 to 30 days	5	4
Past due 31 to 60 days	5	-
	278	411
Other receivables	18	49
	296	460

As at June 30, 2026, three customers represented 36%, 21% and 13% of total trade receivables (December 31, 2025 – 43%). The Company has not experienced credit losses in respect of these customers and monitors its credit quality on an ongoing basis. The Company did not have a credit loss allowance as at June 30, 2026 and December 31, 2025.

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Foreign currency risk

The results of the Company's operations are subject to currency transaction and translation risks. The fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company operates in Canada, the United States, the United Kingdom, Barbados, and Switzerland and is exposed to foreign exchange risk due to fluctuations in the US Dollar ("US\$"), Great British Pound ("GBP" or "£"), and Barbadian Dollar against the Canadian dollar. Foreign exchange risk arises from financial assets and liabilities denominated in currencies other than the functional currency of the respective entities. The Company's primary risk is associated with fluctuations between the US\$ and Canadian dollar, and the GBP and Canadian dollar.

The Company has determined that the effect of a 10% increase or decrease in the US\$ and GBP against the Canadian dollar on net financial assets and liabilities, as at June 30, 2026, including cash, accounts receivables, accounts payable and other liabilities denominated in US\$, and GBP would result in an increase or decrease of approximately \$231 (December 31, 2025 – \$732) in the unaudited condensed consolidated interim statements of loss and comprehensive loss for the six months ended June 30, 2026.

Interest rate risk

Interest rate risk is the risk that the fair values and future cash flows of the Company will fluctuate because of changes in market interest rates. The Company did not incur or have any other significant interest-bearing assets or liabilities.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company's objective is to ensure that there is sufficient liquidity to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash. The Company's principal sources of liquidity are cash from related party loans, debt and equity issuances. The Company projects and monitors its cash requirements to accommodate changes in liquidity needs (Note 1).

In addition to the commitments in Note 9 and Note 13, the Company has the following contractual financial liabilities as at June 30, 2026:

	Carrying amount	Contractual cash flows	Less than one year	More than one year
Financial liabilities				
Accounts payable and other liabilities	\$ 11,813	\$ 11,813	\$ 11,813	\$ -
	\$ 11,813	\$ 11,813	\$ 11,813	\$ -

16. Cost of goods sold

	For the six months ended June 30,	
	2026	2025
Inventory – Note 5	336	301
Inventory write-off – Note 5	63	27
Depreciation – Note 7	35	28
	434	356

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17. Expenses by nature

General and administration, research and development, marketing and sales, and depreciation and amortization expenses are comprised of the following expenses by nature:

	For the six months ended June 30,	
	2026	2025
Salaries and benefits	3,775	4,203
Professional fees, contractors and consultants	1,961	2,149
Clinical trial costs	9,122	5,054
Share based payment	593	497
Office and lab costs	433	490
Depreciation and amortization	252	282
Technology costs	303	296
Travel and entertainment	164	133
Advertising and promotion	44	22
Delivery and logistics	81	70
Bad debt expense	-	(19)
	16,728	13,177

During the six months ended June 30, 2026, the Company reassessed the initial estimates of the employees and managements' performance against the established criteria, leading to a change in estimate of the bonus accrual recorded during the year-ended December 31, 2025. The change primarily reflects the non-performance of the established criteria. The effect of these changes on actual bonus expense, included in 'general and administrative' and 'research and development' in the consolidated statement of comprehensive loss, is a decrease of \$232 and \$299, respectively, for 2026.

18. Supplementary cash flow information

	For the six months ended June 30,	
	2026	2025
Changes in non-cash working capital items		
Accounts and other receivables	165	176
Inventory	(244)	(382)
Prepaid expenses and deposits	161	45
Warrant liability	-	64
Accounts payable and other liabilities	1,263	1,762
Other current assets	5	-
	1,350	1,665

19. Capital management

The Company's objectives when managing capital are to ensure sufficient liquidity for operations and adequate funding for growth and capital expenditures while maintaining an efficient balance between debt and equity.

The Company's capital consists of items included in shareholders' equity (deficit), debt facilities net of cash and restricted cash.

In order to facilitate the management of capital, the Company prepares annual expenditure budgets that are updated as necessary and dependent on various factors, including successful deployment of capital and industry conditions. The annual budgets are approved by the Board of Directors. The Company is not subject to any externally imposed capital requirements.

Management believes that existing cash resources, together with funds raised through public or private equity and/or debt financings, will generate sufficient liquidity to meet operating cash requirements for at least the next twelve months.