

Unaudited condensed consolidated interim financial statements

Ondine Biomedical Inc.

For the six months ended June 30, 2025 and 2024

Online Biomedical Inc.

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

| | Note | June 30, 2025 | December 31, 2024 |
|---|-------|---------------|-------------------|
| Assets | | | |
| Current assets | | | |
| Cash | | 5,568 | 9,767 |
| Restricted cash | | - | 159 |
| Accounts and other receivables | 4, 16 | 337 | 513 |
| Inventory | 5 | 1,325 | 1,272 |
| Prepaid expenses and deposits | 6 | 282 | 477 |
| | | 7,512 | 12,188 |
| Non-current assets | | | |
| Property and equipment | 7 | 1,211 | 597 |
| Other assets | 6 | 36 | 37 |
| | | 1,247 | 634 |
| Total Assets | | 8,759 | 12,822 |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable and other liabilities | 8, 16 | 7,430 | 5,777 |
| Warrant liability | 10 | 48 | - |
| Current portion of lease liability | 9 | 306 | 168 |
| | | 7,784 | 5,945 |
| Non-current liabilities | | | |
| Lease liability | 9 | 249 | - |
| | | 249 | - |
| Total Liabilities | | 8,033 | 5,945 |
| Equity | | | |
| Share capital | 11 | 268,951 | 262,599 |
| Contributed surplus | | 10,528 | 10,528 |
| Reserves | | 19,238 | 19,182 |
| Deficit | | (297,991) | (285,432) |
| Total Shareholders' Equity | | 726 | 6,877 |
| Total Liabilities and Shareholders' Equity | | 8,759 | 12,822 |

Going concern – Note 1; Commitments and contingencies - Note 14; Subsequent events – Note 21

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, | |
|--|-------|-----------------------------------|-------------|
| | | 2025 | 2024 |
| Revenue | 13,15 | 1,013 | 859 |
| Cost of goods sold | 17 | (356) | (330) |
| Gross margin | | 657 | 529 |
| Expenses | 20 | | |
| General and administration | | 4,352 | 4,272 |
| Research and development | | 7,962 | 3,301 |
| Marketing and sales | | 581 | 514 |
| Depreciation and amortization | 7 | 282 | 272 |
| | | 13,177 | 8,359 |
| Loss from operations | | (12,520) | (7,830) |
| Other income (expense) | | | |
| Accretion and interest expense | | (5) | (22) |
| Interest income | | 186 | - |
| Change in fair value of warrant liability | 10 | 16 | 112 |
| Other expense | | (3) | (2) |
| Foreign exchange loss | | (233) | (20) |
| | | (39) | 68 |
| Net loss for the year | | (12,559) | (7,762) |
| Other comprehensive loss | | | |
| Exchange differences on translation of foreign operations ⁽¹⁾ | | (52) | 28 |
| Total comprehensive loss | | (12,611) | (7,734) |
| Net loss per share | | | |
| Basic and diluted | | (0.03) | (0.03) |
| Weighted average number of shares outstanding | | | |
| Basic and diluted | | 437,242,255 | 241,469,143 |

(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 11) | Share capital | Contributed surplus | Share- based payment reserve | Currency translation reserve | Accumulated Deficit | Equity |
|--|--|------------------|------------------------|---------------------------------------|------------------------------------|------------------------|----------|
| Balance, January 1, 2024 | 226,753,789 | 239,647 | 10,528 | 18,726 | (482) | (266,334) | 2,085 |
| Issuance of share capital upon financing – Note 11 | 50,531,970 | 5,732 | - | - | - | - | 5,732 |
| Share issuance costs – Note 11 | - | (550) | - | - | - | - | (550) |
| Share-based payments – Note 12 | - | - | - | 486 | - | - | 486 |
| Total comprehensive loss for the year | - | - | - | - | 28 | (7,762) | (7,734) |
| Balance, June 30, 2024 | 277,285,759 | 244,829 | 10,528 | 19,212 | (454) | (274,096) | 19 |
| 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 11 | 38,033,412 | 5,767 | - | - | - | - | 5,767 |
| Issuance of share capital for services received – Note 11 | 1,178,365 | 213 | - | - | - | - | 213 |
| Issuance of share capital on exercise of stock options | 216,666 | 394 | - | (389) | - | - | 5 |
| Share issuance costs – Note 11 | - | (22) | - | - | - | - | (22) |
| Share-based payments – Note 12 | - | - | - | 497 | - | - | 497 |
| Total comprehensive loss for the year. | - | - | - | - | (52) | (12,559) | (12,611) |
| Balance, June 30, 2025 | 443,433,174 | 268,951 | 10,528 | 19,729 | (491) | (297,991) | 726 |

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, | |
|---|-------|-----------------------------------|----------------|
| | | 2025 | 2024 |
| Cash flows from (used in) operating activities | | | |
| Net loss for the year | | (12,559) | (7,762) |
| Adjustments for non-cash items: | | | |
| Depreciation of right-of-use assets | 7 | 184 | 189 |
| Depreciation and amortization of other property and equipment and intangible assets | 7 | 126 | 95 |
| Accretion and interest expense | | 8 | 22 |
| Share-based payments | 12 | 497 | 486 |
| Share payments for services received | 11 | 358 | - |
| Change in fair value warrant liability | 10 | (16) | (112) |
| Unrealized foreign exchange (gain) loss | | (411) | (21) |
| Other | | (27) | - |
| Changes in non-cash working capital | 19 | 1,665 | 19 |
| Net cash used in operating activities | | (10,175) | (7,084) |
| Cash flows from (used in) financing activities | | | |
| Repayment of lease obligations | 9 | (218) | (224) |
| Proceeds from public offerings | 10,11 | 5,767 | 6,059 |
| Share issuance costs | 11 | (22) | (550) |
| Proceeds from exercise of stock options | 12 | 4 | - |
| Net cash from financing activities | | 5,531 | 5,285 |
| Cash flows used in investing activities | | | |
| Purchase of property and equipment | 7 | (24) | (10) |
| Net cash used in investing activities | | (24) | (10) |
| Net decrease in cash and restricted cash | | (4,668) | (1,809) |
| Effect of foreign exchange rate change on cash and restricted cash | | 310 | 41 |
| Cash and restricted cash, beginning of year | | 9,926 | 3,138 |
| Cash and restricted cash, end of year | | 5,568 | 1,370 |

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)

Cash and restricted cash are comprised of:

| | Year ended June 30, | |
|---|---------------------|-------|
| | 2025 | 2024 |
| Cash | 5,568 | 1,218 |
| Restricted cash | - | 152 |
| Cash, cash equivalents and restricted cash, end of year | 5,568 | 1,370 |

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, 2025 and 2024

(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, 2025.

The Company has a history of incurring significant losses and as at June 30, 2025, had an accumulated deficit of \$297,991 (December 31, 2024 - \$285,432). As at June 30, 2025, the Company had a cash balance of \$5,568 (December 31, 2024 - \$9,767) and a working capital deficit balance of \$272 (December 31, 2024 – surplus \$6,243). In the six months ended June 30, 2025, cash used in operating activities totaled \$10,175 (June 30, 2024 - \$7,084).

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. If the Company is unable to generate positive cash flows or obtain adequate financing, the Company may need to curtail operations. These factors give rise to material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. The 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, 2024.

The unaudited condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on September 25, 2025.

(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 18 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

Ondine Biomedical Inc.

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2025 and 2024

(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, 2024.

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, 2024.

4. Accounts and other receivables

| | June 30, 2025 | December 31, 2024 |
|-------------------|---------------|-------------------|
| Trade receivables | 317 | 458 |
| Other receivables | 20 | 55 |
| | 337 | 513 |

5. Inventory

| | June 30, 2025 | December 31, 2024 |
|------------------|---------------|-------------------|
| Raw materials | 546 | 502 |
| Work-in-progress | 54 | 160 |
| Finished goods | 725 | 610 |
| | 1,325 | 1,272 |

During the six months ended June 30, 2025, raw materials, work-in-progress and finished goods included in cost of goods sold amounted to \$301 (June 30, 2024 – \$318). During the six months ended June 30, 2025 and 2024, inventory valued at \$27 and \$nil, respectively, was written off and reflected within cost of goods sold.

6. Prepaids and deposits, and non-current assets

| | June 30, 2025 | December 31, 2024 |
|--|---------------|-------------------|
| Prepaid insurances | 98 | 87 |
| Lease deposits | 36 | 37 |
| Other prepaid costs | 184 | 390 |
| | 318 | 514 |
| Less: Current portion of prepaid expenses and deposits | 282 | 477 |
| Other non-current assets | 36 | 37 |

Ondine Biomedical Inc.

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2025 and 2024

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

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, 2024 | 134 | 52 | 248 | 311 | 323 | 233 | 1,065 | 2,366 |
| Additions | 3 | - | 7 | - | - | - | - | 10 |
| Transfers and other | - | - | - | - | - | 163 | - | 163 |
| Disposals and derecognition | - | - | (10) | - | - | - | (178) | (188) |
| Exchange adjustment | 11 | 2 | 21 | 22 | 28 | (1) | 78 | 161 |
| Balance, December 31, 2024 | 148 | 54 | 266 | 333 | 351 | 395 | 965 | 2,512 |
| Additions | 14 | - | 10 | - | - | 312 | 600 | 936 |
| Transfers and other | - | - | - | - | - | - | - | - |
| Disposals and derecognition | - | - | - | - | - | - | (923) | (923) |
| Exchange adjustment | (7) | (1) | (15) | (14) | (19) | (1) | (42) | (99) |
| Balance, June 30, 2025 | 155 | 54 | 261 | 319 | 332 | 706 | 600 | 2,426 |
| Accumulated depreciation | | | | | | | | |
| Balance, January 1, 2024 | 77 | 41 | 190 | 295 | 157 | 71 | 586 | 1,417 |
| Depreciation expense | 38 | 4 | 30 | 12 | 57 | 64 | 360 | 565 |
| Transfers and other | - | - | - | - | - | - | - | - |
| Disposals and derecognition | - | - | (10) | - | - | - | (178) | (188) |
| Exchange adjustment | 8 | 1 | 18 | 21 | 17 | - | 56 | 121 |
| Balance, December 31, 2024 | 123 | 46 | 228 | 328 | 231 | 135 | 824 | 1,915 |
| Depreciation expense | 15 | 2 | 17 | 5 | 29 | 57 | 185 | 310 |
| Transfers and other | - | - | - | - | - | - | - | - |
| Disposals and derecognition | - | - | - | - | - | - | (923) | (923) |
| Exchange adjustment | (5) | (3) | (11) | (14) | (13) | (1) | (40) | (87) |
| Balance, June 30, 2025 | 133 | 45 | 234 | 319 | 247 | 191 | 46 | 1,215 |
| Net book value | | | | | | | | |
| December 31, 2024 | 25 | 8 | 38 | 5 | 120 | 260 | 141 | 597 |
| June 30, 2025 | 22 | 8 | 27 | - | 85 | 515 | 554 | 1,211 |

During the six months ended June 30, 2025, depreciation of \$28 (June 30, 2024 – \$12) was allocated to cost of goods sold, and \$282 to operating expenses (June 30, 2024 – \$272).

Ondine Biomedical Inc.

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2025 and 2024

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

8. Accounts payable and other liabilities

| | June 30, 2025 | December 31, 2024 |
|---------------------------|---------------|-------------------|
| Accounts payable | 1,391 | 1,586 |
| Accrued liabilities | 3,776 | 1,739 |
| Employee related payables | 2,190 | 2,375 |
| Accrued interest | 73 | 77 |
| | 7,430 | 5,777 |

9. Lease liability

| | Office spaces and facilities |
|-------------------------|------------------------------|
| As at January 1, 2024 | 541 |
| Additions | - |
| Interest accretion | 29 |
| Lease payments | (429) |
| Exchange adjustment | 27 |
| As at December 31, 2024 | 168 |
| Additions | 600 |
| Interest accretion | 8 |
| Lease payments | (218) |
| Exchange adjustment | (3) |
| As at June 30, 2025 | 555 |

| | June 30, 2025 | December 31, 2024 |
|-----------------------|---------------|-------------------|
| Current portion | 306 | 168 |
| Non-current | 249 | - |
| Total lease liability | 555 | 168 |

During the six months ended June 30, 2025, the Company entered into a property lease with a maturity date of January 31, 2027 and an effective interest rate of 5.00%.

During the six months ended June 30, 2025, Ondine Research Laboratories, Inc., a subsidiary of the Company, entered into a property lease with a maturity date of May 31, 2027 and an effective interest rate of 6.14%.

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 \$124 (June 30, 2024 - \$115). This consists of variable lease payments for operating costs and property taxes. Total cash outflow for leases was \$342 (June 30, 2024 - \$339), including \$210 (June 30, 2024 - \$206) of principal payments on lease obligations.

As at June 30, 2025, 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.

| | |
|------|------------|
| 2025 | 204 |
| 2026 | 406 |
| 2027 | 131 |
| | 741 |

Ondine Biomedical Inc.

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2025 and 2024

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

10. Warrant liability

| | Units | Amount |
|----------------------------|--------------|--------|
| Balance, December 31, 2024 | 25,265,977 | - |
| Issued | 1,450,000 | 64 |
| Expired | (25,265,977) | - |
| Fair value adjustment | - | (16) |
| Balance at June 30, 2025 | 1,450,000 | 48 |

On January 28, 2025, as part of the Company's finance raise, 1,450,000 warrants were granted with an exercise price of £0.17 (\$0.32) and an expiration date of December 31, 2025.

The fair value of warrants granted were estimated with the Black-Scholes model using the following assumptions at the time of grant on January 28, 2025:

| | |
|----------------------------------|-------|
| Dividend yield | 0% |
| Expected volatility | 82% |
| Risk-free interest rate | 2.83% |
| Expected life of options (years) | 0.9 |
| Forfeiture rate | 0% |

Volatility was estimated by using the historical volatility of the Company's 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.

Issuance costs for the warrants of \$nil were recorded in the Comprehensive Statements of Loss and Comprehensive Loss.

The fair value of the warrants were estimated with the Black-Scholes model using the following assumptions as at June 30, 2025:

| | |
|----------------------------------|-------|
| Dividend yield | 0% |
| Expected volatility | 65% |
| Risk-free interest rate | 2.60% |
| Expected life of options (years) | 0.5 |
| Forfeiture rate | 0% |

As at June 30, 2025, warrants outstanding had a remaining contractual life of 0.5 years (June 30, 2024 – 0.6).

11. Share capital

(a) Common Stock

Authorized

An unlimited number of common shares without par value.

Issued

As at June 30, 2025, the Company's issued share capital consisted of 443,433,174 common shares (December 31, 2024 – 404,004,731).

On January 29, 2025, the Company issued 38,033,412 common shares at US\$0.11 (\$0.15) per share. The Company incurred legal costs of \$22 directly related to the completion of the finance raise. The costs incurred were recorded to equity in the consolidated statement of financial position.

On March 25, 2025, the Company issued 1,178,365 common shares at \$0.18 for services rendered.

Ondine Biomedical Inc.

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2025 and 2024

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

12. 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 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 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, 2025, the maximum number of total options that can be outstanding are 44,343,317 (December 31, 2024 – 40,400,473).

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

| | June 30, 2025 | | June 30, 2024 | |
|--------------------------------|-------------------|---------------------------------|-------------------|---------------------------------|
| | Number of options | Weighted average exercise price | Number of options | Weighted average exercise price |
| Outstanding, beginning of year | 12,605,000 | 0.34 | 3,690,000 | 0.81 |
| Options granted | 9,815,285 | 0.20 | 8,940,000 | 0.15 |
| Options exercised | (216,666) | 0.02 | - | - |
| Options forfeited | (3,471,119) | 0.21 | (86,250) | 0.46 |
| Options cancelled | (169,166) | 0.86 | (28,750) | 0.46 |
| Outstanding, end of year | 18,563,334 | 0.29 | 12,515,000 | \$ 0.35 |
| Exercisable, end of year | 5,273,318 | 0.49 | 1,795,000 | \$ 0.82 |

Share-based payments expense for the six months ended June 30, 2025, in the amount of \$497 (June 30, 2024 – \$486) was recorded.

The outstanding options for the six months ended June 30, 2025 is as follows:

| Exercise price | Number of options | Remaining life (years) |
|----------------|-------------------|------------------------|
| 0.14 | 210,000 | 4.03 |
| 0.15 | 8,818,334 | 3.57 |
| 0.20 | 6,000,000 | 7.65 |
| 0.21 | 500,000 | 4.58 |
| 0.29 | 10,000 | 2.74 |
| 0.36 | 310,000 | 2.25 |
| 0.49 | 350,000 | 2.24 |
| 0.90 | 1,040,000 | 0.89 |
| 0.93 | 1,225,000 | 1.60 |
| 3.00 | 100,000 | 1.05 |
| 0.29 | 18,563,334 | 4.58 |

Ondine Biomedical Inc.

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2025 and 2024

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

The fair value of stock options granted during the year ended June 30, 2025 and 2024 were estimated with the Black-Scholes model using the following assumptions at the time of grant:

| | For the six months ended June 30, | |
|----------------------------------|-----------------------------------|-------|
| | 2025 | 2024 |
| Dividend yield | 0% | 0% |
| Annualized volatility | 85% - 90% | 81% |
| Risk-free interest rate | 2.89% - 2.95% | 3.52% |
| Expected life of options (years) | 5 | 5 |
| Forfeiture rate | 12% | 11% |

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, 2025, was \$0.16 per option (June 30, 2024 - \$0.12). As at June 30, 2025, stock options outstanding had a remaining contractual life of 4.58 years (June 30, 2024 - 3.98 years).

(b) Warrants

On May 30, 2020 and December 1, 2021, the Company granted warrants entitling the holders to acquire common shares of the Company as consideration for ongoing consulting and advisory services. A summary of the status of the warrants outstanding is as follows:

| | June 30, 2025 | | June 30, 2024 | |
|--------------------------------|--------------------|---------------------------------|--------------------|---------------------------------|
| | Number of warrants | Weighted average exercise price | Number of warrants | Weighted average exercise price |
| Outstanding, beginning of year | 2,295,845 | 1.08 | 2,295,845 | 1.08 |
| Warrants expired | (2,295,845) | 1.08 | - | - |
| Outstanding, end of year | - | - | 2,295,845 | 1.08 |
| Exercisable, end of year | - | - | 2,295,845 | 1.08 |

As at June 30, 2025, warrants outstanding had a remaining contractual life of nil years (June 30, 2024 - 0.5 years).

13. Related party transactions

(a) Revenues and product shipments

Product sales for the six months ended June 30, 2025 of \$nil (June 30, 2024 - \$20) were to a related company for which revenue was recognized. An additional \$2 (June 30, 2024 - \$11) of products were shipped to the related party during the year ended June 30, 2025, but 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 upon receipt of payment.

Ondine Biomedical Inc.

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2025 and 2024

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

(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, | |
|--|-----------------------------------|-------|
| | 2025 | 2024 |
| Compensation and other short-term benefits | 1,051 | 721 |
| Directors' fees | 251 | 271 |
| Share-based payments (i) | 318 | 195 |
| Consulting expenses (ii) | 320 | 221 |
| | 1,940 | 1,408 |

- (i) On January 28, 2025 and February 21, 2025, the Company granted 9,815,286 stock options to key management personnel.
- (ii) Expenses incurred for consulting services provided by companies under the control of an officer and a related party of the Company, as well as fees paid to a company that provided consulting services through an individual who serves as an officer of the Company.

(c) Related party balances

As at June 30, 2025, there was \$1,329 (December 31, 2024 - \$1,322) 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. No amount payable was in respect of services provided. 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.

14. Commitments and contingencies

Open purchase order commitments as at June 30, 2025 were \$7,582 (December 31, 2024 – \$16,877) 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, 2025:

- (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.

Ondine Biomedical Inc.

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2025 and 2024

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

15. 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, | |
|-----------------|-----------------------------------|------|
| | 2025 | 2024 |
| Product revenue | | |
| Canada | 980 | 824 |
| Other | 33 | 35 |
| | 1,013 | 859 |

Revenue from significant customers are as follows:

| | For the six months ended June 30, | |
|----------------|-----------------------------------|------|
| | 2025 | 2024 |
| Customer 1 | 487 | 316 |
| Customer 2 (i) | 136 | - |
| Customer 3 | 96 | 212 |
| Other | 294 | 331 |
| | 1,013 | 859 |

- (i) Customer 2 was not disclosed separately during the six months ended June 30, 2024 as their revenue represented less than 10% of total revenue.

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

| | June 30, 2025 | 31-Dec-24 |
|---------------|---------------|-----------|
| Canada | 460 | 243 |
| United States | 751 | 354 |
| | 1,211 | 597 |

16. 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, 2025, 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.

Financial liabilities measured at fair value through profit or loss on a recurring basis include the warrant liabilities (Note 10) which are categorized as Level 2 fair value inputs.

(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:

Ondine Biomedical Inc.

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2025 and 2024

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

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, 2025 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, 2025 and December 31, 2024 summarized below:

| | June 30, 2025 | December 31, 2024 |
|---|---------------|-------------------|
| Classes of financial assets – carrying amounts | | |
| Cash and cash equivalents | 5,568 | 9,767 |
| Restricted cash | - | 159 |
| Accounts receivable, net of credit loss allowance | 337 | 513 |
| | 5,905 | 10,439 |

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

| | June 30, 2025 | December 31, 2024 |
|--|---------------|-------------------|
| Trade accounts receivable, net of credit loss allowance | | |
| Current | 282 | 331 |
| Past due 1 to 30 days | 25 | 127 |
| Past due 31 to 60 days | 10 | - |
| Outstanding 60+ days | - | - |
| | 317 | 458 |
| Other receivables | 20 | 55 |
| | 337 | 513 |

The change in the Company's credit loss allowance for provision is as follows:

| | June 30, 2025 | December 31, 2024 |
|--|---------------|-------------------|
| Balance – beginning of year. | 58 | 903 |
| Credit loss expense – net of reversals | (19) | 19 |
| Write-offs | - | (864) |
| Balance – end of year. | 39 | 58 |

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, 2025, including cash, accounts receivables, accounts payable and other liabilities denominated in US\$, and GBP would result in an increase or decrease of approximately \$200 (December 31, 2024 – \$498) in the unaudited condensed consolidated interim statements of loss and comprehensive loss for the six months ended June 30, 2025.

Ondine Biomedical Inc.

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2025 and 2024

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

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 14, the Company has the following contractual financial liabilities as at June 30, 2025:

| | Carrying amount | Contractual cash flows | Less than one year | More than one year |
|--|--------------------|---------------------------|-----------------------|-----------------------|
| Financial liabilities | | | | |
| Accounts payable and other liabilities | \$ 7,430 | \$ 7,430 | \$ 7,430 | \$ - |
| | \$ 7,430 | \$ 7,430 | \$ 7,430 | \$ - |

17. Cost of goods sold

| | For the six months ended June 30, | |
|------------------------------|-----------------------------------|------|
| | 2025 | 2024 |
| Inventory – Note 5 | 301 | 318 |
| Inventory write-off – Note 5 | 27 | - |
| Depreciation – Note 7 | 28 | 12 |
| | 356 | 330 |

18. 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, | |
|--|-----------------------------------|-------|
| | 2025 | 2024 |
| Salaries and benefits | 4,203 | 3,621 |
| Professional fees, contractors and consultants | 2,149 | 2,333 |
| Clinical trial costs | 5,054 | 833 |
| Share based payment | 497 | 486 |
| Office and lab costs | 490 | 371 |
| Depreciation and amortization | 282 | 272 |
| Technology costs | 296 | 258 |
| Travel and entertainment | 133 | 113 |
| Advertising and promotion | 22 | 33 |
| Delivery and logistics | 70 | 39 |
| Bad debt expense | (19) | - |
| | 13,177 | 8,359 |

Ondine Biomedical Inc.

Notes to the Consolidated Financial Statements

For the six months ended June 30, 2025 and 2024

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

19. Supplementary cash flow information

| | For the six months ended June 30, | |
|---|-----------------------------------|-------|
| | 2025 | 2024 |
| Changes in non-cash working capital items | | |
| Accounts and other receivables | 176 | 90 |
| Inventory | (382) | (262) |
| Prepaid expenses and deposits | 45 | (105) |
| Warrant liability | 64 | - |
| Accounts payable and other liabilities | 1,762 | 296 |
| | 1,665 | 19 |

20. 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, 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.

21. Subsequent events

1. On July 28, 2025, the Company issued 800,457 common shares of the Company at a share price of £0.15 (\$0.27) to the Royal Columbia Hospital Foundation as part of the collaborative research project for an intensive care unit pilot study.
2. On August 4, 2025, the Company entered into amended agreements for its Food and Drug Administration Phase 3 clinical trial for an estimated scope of work of \$987.
3. On September 3, 2025, the Company issued 73,333,333 common shares for gross aggregate proceeds of £11.0 million (\$20.4 million) at a share price of £0.15 (\$0.28). In addition, the Company issued 800,000 common shares with an aggregate value of £0.1 million (\$0.2 million) at a share price of £0.15 (\$0.28) to settle costs in connection with the fundraiser.
4. On September 12, 2025, the Company announced the grant of 300,000 stock options to a key consultant at an exercise price of £0.16 (\$0.29) in accordance with the Company's stock option plan. The stock options are exercisable for a period of 8 years and must meet certain vesting criteria.