SPECTRAL MEDICAL INC.

Condensed Interim Consolidated Financial Statements

June 30, 2024

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

Spectral Medical Inc.

Condensed Interim Consolidated Statements of Financial Position

In CAD (000s), except for share and per share data

(Unaudited)

	Notes	June 30, 2024 $	December 31, 2023 $
Assets			
Current assets			
Cash		7,536	2,952
Trade and other receivables		352	186
Inventories		272	366
Prepayments and other assets		932	621
		9,092	**4,125**
Non-current assets			
Right-of-use-asset		505	567
Property and equipment		294	326
Intangible asset		184	193
Total assets		**10,075**	**5,211**
Liabilities			
Current liabilities			
Trade and other payables		2,784	2,820
Current portion of contract liabilities	6	525	727
Current portion of lease liability		125	121
Notes payable	7	334	264
Derivative Liability	7	11,266	6,310
		15,034	10,242
Non-current liability			
Lease liability		436	500
Non-current portion of contract liabilities	6	5,291	3,342
Notes payable	7	12,157	7,676
Total liabilities		**32,918**	**21,760**
Shareholders' (deficiency) equity	9		
Share capital		88,501	87,061
Contributed surplus		8,916	8,916
Share-based compensation		11,091	10,385
Warrants		2,648	2,526
Deficit		(133,999)	(125,437)
Total shareholders' (deficiency) equity		**(22,843)**	**(16,549)**
Total liabilities and shareholders' (deficiency) equity		**10,075**	**5,211**

Going concern (Note 1)
Contingencies and commitments (Note 8)
Subsequent Events (Note 16)

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

Spectral Medical Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

In CAD (000s), except for share and per share data

(Unaudited)

	Notes	Three months ended June 30, 2024	Revised (Refer Note 15) Three months ended June 30, 2023	Six-months ended June 30, 2024	Revised (Refer Note 15) Six-months ended June 30, 2023
		$	$		$
Revenue	6	**471**	**306**	**1,139**	**836**
Expenses					
Raw materials and consumables used		388	281	667	418
Salaries and benefits	13	1,023	976	2,023	1,932
Consulting and professional fees		1,445	1,472	2,370	2,100
Regulatory and investor relations		126	196	301	304
Travel and entertainment		195	99	271	183
Facilities and communication		143	81	263	164
Insurance		105	100	210	187
Depreciation and amortization		549	103	680	164
Interest expense	7	668	250	1,208	497
Foreign exchange loss		65	(201)	529	(252)
Share-based compensation	9	1,079	987	1,256	961
Other expense		-	(51)	(12)	(79)
Net loss on joint arrangement	5	-	78	-	163
Fair value adjustment derivative liabilities	7	(913)	223	(68)	(523)
		4,873	4,594	9,698	6,219
Loss and comprehensive loss for the period from continuing operations		(4,402)	(4,288)	(8,559)	(5,383)
Loss (gain) from discontinued operations	5	-	49	(3)	6
Loss and comprehensive loss for the period		(4,402)	(4,239)	(8,562)	(5,377)
Basic and diluted loss from continuing operations per common share	10	(0.02)	(0.02)	(0.03)	(0.02)
Basic and diluted loss from discontinued operations per common share	10	0.00	0.00	(0.00)	0.00
Basic and diluted loss per common share	10	(0.02)	(0.02)	(0.03)	(0.02)
Weighted average number of common shares outstanding - basic and diluted	10	**280,049,434**	**278,556,560**	**279,539,697**	**278,552,206**

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Spectral Medical Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' (Deficiency) Equity

In CAD (000s), except for share and per share data

(Unaudited)

	Notes	Number of Shares	Share Capital $	Contributed surplus $	Share-based compensation $	Warrants $	Deficit $	Total Shareholders' (deficiency) equity $
Balance January 1, 2023		**278,547,804**	**87,050**	**8,773**	**8,908**	**2,490**	**(109,775)**	**(2,554)**
RSU released	9	28,457	11	-	(11)	-	-	-
Loss and comprehensive loss for the period		-	-	-	-	-	(5,377)	(5,377)
Share-based compensation		-	-	-	961	-	-	961
Revised(Refer note 15) Balance, June 30, 2023		**278,576,261**	**87,061**	**8,773**	**9,858**	**2,490**	**(115,152)**	**(6,970)**
Warrants issued		-	-	-	-	179	-	179
Warrants expired		-	-	143	-	(143)	-	-
Loss and comprehensive loss for the period		-	-	-	-	-	(10,285)	(10,285)
Share-based compensation		-	-	-	527	-	-	527
Balance December 31, 2023		**278,576,261**	**87,061**	**8,916**	**10,385**	**2,526**	**(125,437)**	**(16,549)**
Balance January 1, 2024		278,576,261	87,061	8,916	10,385	2,526	(125,437)	(16,549)
Warrants exercised		750,000	463	-	-	(90)	-	373
Warrants issued		-	(212)		-	212	-	-
Share Options Exercised		1,867,627	1,163	-	(524)	-	-	639
RSU released		51,651	26	-	(26)	-	-	-
Loss and comprehensive loss for the period		-	-	-	-	-	(8,562)	(8,562)
Share-based compensation		-	-	-	1,256	-	-	1,256
Balance June 30, 2024		**281,245,539**	**88,501**	**8,916**	**11,091**	**2,648**	**(133,999)**	**(22,843)**

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

Spectral Medical Inc.

Condensed Interim Consolidated Statements of Cash Flows

In CAD (000s), except for share and per share data

(Unaudited)

	Notes	six months ended June 30, 2024	Revised (Refer note 15) six months ended June 30, 2023
Cash flow provided by (used in)			
Operating activities			
Loss for the period		(8,562)	(5,377)
Adjustments for:			
Depreciation on right-of-use asset		62	47
Depreciation on property and equipment		56	53
Amortization of intangible asset		9	15
Amortization of deferred financing fee		554	49
Unrealized foreign exchange gain/loss		537	(194)
Interest expense on lease liability		17	19
Accreted interest on notes payable		1,191	478
Share-based compensation expense		1,256	961
Net loss on joint venture arrangement		-	163
Fair value adjustment derivative liabilities		(68)	(523)
Changes in items of working capital:			
Trade and other receivables		(166)	314
Inventories		94	52
Prepayments and other assets		(311)	(866)
Trade and other payables		(36)	(446)
Contract liabilities		1,747	(333)
Net cash used in operating activities		(3,620)	(5,588)
Investing activities			
Purchase of property and equipment		(24)	(7)
Net cash used in investing activities		(24)	(7)
Financing activities			
Financing charges paid		(722)	-
Interest expense paid		(518)	(235)
Lease liability payments		(76)	(63)
Proceeds from share options exercised		639	-
Proceeds from share warrants exercised		373	-
Proceed from 9% convertible notes issued		8,532	-
Net cash provided by financing activities		8,228	(298)
Change in cash		4,584	(5,893)
Cash, beginning of period		2,952	8,414
Cash, end of period		7,536	2,521

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

1. Nature of operations and going concern

Spectral Medical Inc. ("Spectral" or the "Company") was incorporated on July 29, 1991 in Ontario, Canada as Spectral Diagnostics Inc. The address of the registered office is 135 The West Mall, Unit 2, Toronto, Ontario.

The Company's primary strategic focus is to develop and commercialize a treatment for septic shock utilizing its Endotoxin Activity Assay ("EAA™") diagnostic and the Toraymyxin™ therapeutic ("PMX"). If approved, this will be the first targeted therapy guided by a specific diagnostic in the area of sepsis. The Company also is continuing its legacy business of manufacturing and selling certain proprietary reagents.

Going concern

The condensed interim consolidated financial statements of Spectral have been prepared using International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) applicable to a going concern, which contemplates the realization of assets and the settlement of liabilities during the normal course of operations for the foreseeable future.

The ability of the Company, to realize its assets and meet its obligations as they come due is dependent on obtaining regulatory approval from the FDA of PMX, and the successful commercialization of PMX, and achieving future profitable operations, the outcome of which cannot be predicted at this time. Furthermore, the Company will require additional funding from commercial transactions or investors to continue the development and commercialization of products. These circumstances cast substantial doubt as to the ability of the Company to meet its obligations as they come due and, accordingly, the ultimate appropriateness of the use of accounting principles applicable to a going concern.

Management has assessed the Company's ability to continue as a going concern and concluded that it is dependent on the successful execution of management's operating and strategic plan, which includes among other things, securing additional financing, the commercialization of its products, the continued financial support of its shareholders and, ultimately, the attainment of future profitable operations. There are no assurances that any of these initiatives will be successful which indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern. Factors within and outside the Company's control could have a significant bearing on its ability to obtain additional financing.

These condensed interim consolidated financial statements do not reflect the adjustments to the carrying amounts of assets and liabilities and the reported expenses and Statement of financial position classifications that would be necessary if the Company were unable to realize its assets and settle its liabilities as a going concern in the normal course of operations. Such adjustments could be material.

2. Basis of preparation

These condensed interim consolidated financial statements for the three months and six months ended June 30, 2024 have been prepared in accordance with IFRS Accounting Standards, applicable to the preparation of condensed interim consolidated financial statements, including IAS 34. "Interim Financial Reporting". The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2023 and 2022, which have been prepared in accordance with IFRS Accounting Standards. The Board of Directors approved these condensed interim consolidated financial statements for issue on August 9, 2024.

3. Summary of material accounting policies

The summary of material accounting policies used in the preparation of these condensed interim consolidated financial statements are consistent with those of the previous financial year and corresponding interim reporting period.

In February 2024, the Company notified Baxter Healthcare Corporation("Baxter") that it had enrolled patient number 90. Subsequently, the Company and Baxter announced to modify the initial term of the distribution agreement to 10 years post PMA approval and Baxter exercised its right to maintain its exclusive distribution rights for PMX. Prior to its amendment the Company was amortizing the contract liabilities based on the agreement end date of Dec 31, 2029. Post the amendment signed in February 2024, the Company has estimated the end date of the agreement to be June 30, 2036 for amortization of the contract liabilities based on the current patient enrolments.

Risk management

a. Financial risk management

In the normal course of business, the Company is exposed to a number of financial risks that can affect its operating performance. These risks are credit risk, liquidity risk and market risk. The Company's overall risk management program and prudent business practices seek to minimize any potential adverse effects on the Company's financial performance.

These condensed interim consolidated financial statements do not include all financial risk management information and disclosure required in the annual financial statements. They should be read in conjunction with the annual consolidated financial statements as at December 31, 2023 and 2022. There have been no changes in the risk management or in any risk management policies since year end.

b. Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities as they become due. The Company is exposed to liquidity risk, as it continues to have net cash outflows to support its operations. The Company's objective for liquidity risk management is to maintain sufficient liquid financial resources to meet commitments and obligations in the most cost effective manner possible.

The Company achieves this by maintaining sufficient cash and managing working capital. The Company monitors its financial resources on a weekly basis and updates its expected use of cash resources on the latest available data.

The Company will need additional capital to fund its clinical and regulatory programs and commercialization of the Toraymyxin™ therapeutic. Potential sources of capital could include equity and/or debt financings, the collection of revenue resulting from commercialization activities and/or new strategic partnerships.

There can be no assurance that the Company will be able to obtain sufficient capital to meet any or all of the Company's needs. The availability of equity or debt financing will be affected by, among other things, the ability to obtain regulatory approvals, the market acceptance of its products, the state of the capital market generally, strategic alliance agreements and other relevant commercial considerations. In addition, if the Company raised additional funds by issuing equity securities, its existing security holders will likely experience dilution, and any incurrence of additional debt would result in debt service obligations and could require the Company to agree to operating and financial covenants that would restrict its operations. Any failure on the Company's part to raise additional funds on terms favourable to it, or at all, may require it to significantly change or curtail its current or planned operations in order to conserve cash until such time, if ever, that sufficient proceeds from operations are generated, and could result in the Company not taking advantage of business opportunities, the curtailment of its product development programs, the sale or assignment of rights to its technologies and/or products and the inability to file market approval applications at all or in time to competitively market its products.

Trade and other payables were $2,784 as at June 30, 2024 (December 31, 2023 - $2,820) which have expected settlement dates within one year. Notes payable current were $334 as at June 30, 2024 (December 31, 2023 - $264) and non-current $12,157 as at June 30, 2024 (December 31, 2023 - $7,676) which is a non-current financial liability due in 2026 and 2028. Derivative liabilities on the conversion option of the Notes Liability was $11,266 as at June 30, 2024 (December 31, 2023 -$6,310) and would be settled in the issuance of shares. Lease liabilities were $561 as at June 30, 2024 (December 31, 2023 - $621)

c. Market risk

1. Currency risk

   The majority of the Company's revenue is denominated in U.S. dollars and Euros. As at June 30, 2024, cash included US$4,796 (December 31, 2023 - US$2,190). Trade and other receivables included a total of US$ 40 and €Nil (December 31, 2023 - US$18 and €0). Trade and other payables included a total of US$250 €Nil, ¥4,125 (December 31, 2023 - US$921, €16 and ¥4). There is no active hedging program currently in place due to the relatively short time frame for settlement of these balances.

2. Interest rate risk

   The Company has no significant exposure to fluctuations in interest rates.

4. Discontinued Operations

On December 12, 2022, Spectral entered into a joint arrangement in which it obtained a 30% interest in a newly formed dialysis entity named i-Dialco Inc. ("iDialco"), in exchange for contributing certain regulatory approvals and intellectual rights to iDialco. iDialco will continue the development of acute and chronic dialysis devices, and exclusively focus commercialization efforts of the SAMI and DIMI dialysis devices in the North American markets. Due to the establishment of iDialco, the Company has designated the existing Dialco operations as discontinued operations. The Company have classified the results of Dialco as discontinued operations in the consolidated statements of Loss and Comprehensive Loss.

5. Investment in iDialco

On December 12, 2022, Spectral entered into a joint arrangement in which it obtained a 30% interest in a newly formed dialysis entity named i-Dialco Inc. ("iDialco"), in exchange for contributing certain regulatory approvals and intellectual rights to iDialco. iDialco will continue the development of acute and chronic dialysis devices, and exclusively focus commercialization efforts of the SAMI and DIMI dialysis devices in the North American markets. The principal place of business is in Ontario, Canada.
On December 12, 2022, the Company recorded its investment of $1,015 in iDialco under the equity method. This represented the estimated fair value of its contributions into iDialco. These contributions included certain DIMI and SAMI device registrations and certifications with an estimated valuation of $295 in addition to certain developed intellectual rights for the SAMI device with an estimated valuation of $720. The estimated valuation included estimated internal and external direct and indirect costs in order to acquire and or develop the registrations, certifications and intellectual rights.

At year end December 31, 2023 the Company impaired its investment in iDialco and no further losses are recorded. As at June 30, 2024, the investment was at $Nil (December 31, 2023 - $Nil). The Company will continue to track of the future losses and gains booked by iDialco.

While the Company maintains a 30% ownership and voting rights within iDialco, there are no specific financial liabilities or cash obligations of Spectral. The iDialco operations are fully funded by Infomed S A From time to time, certain services may be rendered by Spectral in support of the joint arrangement or charges incurred directly by Spectral which are then charged back to iDialco.

In CAD (000s)

6. Contract liabilities

	June 30, 2024 $	December 31, 2023 $
Current portion of contract liability related to exclusive distribution rights	485	668
Contract liabilities related to Baxter Substudy	40	59
Total Current Contract liabilities	**525**	**727**
Contract liability related to exclusive distribution rights	5,291	3,342
Contract liabilities	**5,816**	**4,069**

On August 22, 2023, Spectral executed a collaborative research agreement with Baxter Healthcare Corporation ("Baxter") whereby it will provide certain clinical research services for the completion of a sub study in relation to the PMX product. These services include but are not limited to developing a study protocol, clinical trial and data management, monitoring and regulatory services. Revenue is recognized as performance obligations are satisfied over-time. The performance period is expected to be up to 18 months. The aggregate transaction price of the contract which has not been performed as at June 30, 2024 is $ 362.

In February 2024, the Company notified Baxter that it had enrolled patient number 90. Subsequently, the Company and Baxter announced an amendment to the initial term of the distribution agreement to 10 years post PMA approval and Baxter exercised its right to maintain its exclusive distribution rights for PMX. Baxter paid a non-dilutive US$1,500 payment to Spectral. Accordingly, the amortization of contract liabilities have been re-estimated to fully amortize by June 30, 2036. Reducing the total monthly amortization of contract liabilities from $55 (2023) to $40 (2024).

For the six months ended June 30, 2024, revenue recognized for Baxter Substudy was $178(Nil – June 30, 2023) and is included within revenue on the consolidated statements of loss and comprehensive loss. As at June 30, 2024, $Nil is included in trade and other receivables pertaining to contract billings.

7. Notes Payable

The notes payable are a compound instrument with separate components, being the debt and equity conversion feature. The debt component has been classified as a financial liability and the conversion feature has also been classified as a liability, as the debt is denominated in USD and therefore violates the fixed for fixed requirement to be classified as equity. On initial recognition, proceeds were allocated between debt and derivative liability by determining the fair value of each component.

In CAD (000s)

On November 2, 2022, Spectral received USD$5,000 in convertible notes payable (the "Notes") upon the completion of its private placement. 5,000 Notes were issued and have a face value of USD$1,000 per Note, bearing interest of 7% and are due on November 1, 2026 (the "Maturity Date"). Holders of the Notes may convert all or any portion of the Notes in integral multiples of US$1,000 principal amount at any time prior to the Maturity Date. Each Note is convertible into approximately 2,828 Common Shares representing a conversion price of approximately CAD$0.48 per share, subject to certain anti-dilution and make-whole fundamental change adjustments.

The host foreign currency debt is measured subsequently at amortized cost, using the effective interest rate method. The effective interest rate that discounts the interest and principal payments to its present value is 24%.

The inputs, which require some judgement, used in determining the fair value of the derivative liability were as follows:

	30-Jun-24	**31-Dec-23**
Volatility %	50.3	52.53
Risk free rate %	3.9	3.7
Strike Price $	0.48	0.48
Market Price $	0.47	0.425
Expected Life year	2.33	2.83
Fair Value of derivative liability $	2,946	2,797

On September 7, 2023, Spectral received USD $4,553 in convertible notes payable (the "Notes") upon the completion of its private placement. 4,553 Notes were issued and have a face value of USD $1,000 per Note, bearing interest of 9% and are due November 1, 2026 (the "maturity date"). Holders of the Notes may convert all or any portion of the Notes into common shares of the Company in integral multiples of USD $1,000 principal amount at any time prior to the Maturity Date The notes are convertible into approximately 15,475,647 Common Shares representing a conversion price of approximately CAD$0.40 per share subject to certain anti-dilution and make-whole fundamental change adjustments.

The host foreign currency debt is measured subsequently at amortised cost, using the effective interest rate method. The effective interest rate that discounts the interest and principal payments to its present value is 24%.

The inputs, which require some judgement, used in determining the fair value of the derivative liability were as follows:

In CAD (000s)

	30-Jun-24	31-Dec-23
Volatility %	50.30	52.53
Risk free rate%	3.9	3.7
Strike Price $	0.4	0.4
Market Price $	0.47	0.425
Expected Life year	2.33	2.58
Fair Value of derivative liability $	3,903	3,513

On May 30, 2024, Spectral received USD $6,232 in convertible notes payable (the "Notes") upon the completion of its private placement. 6,232 Notes were issued and have a face value of USD$1,000 per Note, bearing interest of 9% and are due May 1, 2028 (the "maturity date"). Holders of the notes may convert all or any portion of the Notes into common shares of the Company in integral multiples of USD $1,000 principal amount at any time prior to the maturity date. The notes are convertible into approximately 16,359,000 Common Shares representing a conversion price of approximately CAD$0.52 per share subject to certain anti-dilution and make whole fundamental change adjustments.

The host foreign currency debt is measured subsequently at amortised cost, using the effective interest rate method. The effective interest rate that discounts the interest and principal payments to its present value is 35%.

The inputs, which require some judgement, used in determining the fair value of the derivative liability were as follows;

	30-Jun-24	30-May-24
Volatility %	50.3	51.14
Risk free rate %	3.65	3.65
Strike Price $	0.52	0.52
Market Price $	0.47	0.47
Expected Life year	3.92	4
Fair Value of derivative liability $	4,417	4,826

In CAD (000s)

See the table below:

	June 30, 2024 $	December 31, 2023 $
Notes Payable - current	334	264
Notes Payable – non-current	13,071	8,423
Deferred financing charges	(1,646)	(925)
Accumulated amortization of financing charges	732	178
Notes Payable, net	**12,491**	**7,940**

For the year ended June 30, 2024 the Convertible Notes Payable incurred interest expense of $1,191 (June 30, 2023 - $478) and was included within interest expense in the condensed interim consolidated statements of loss and comprehensive loss.

8. Contingencies and commitments

a. The Company has made commitments to certain organizations for approximately $656 in anticipation of its completion of the regulatory path forward.

b. Directors and officers are indemnified by the Company for various items including, but not limited to, costs to settle lawsuits or actions due to their association with the Company, subject to certain restrictions. The Company has purchased directors' and officers' liability insurance to mitigate the costs of any potential future lawsuits or actions. The term of the indemnification covers the period during which the indemnified party served as a director or officer of the Company.

   In the normal course of business, the Company has entered into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, leasing contracts and licence agreements. These indemnification arrangements may sometimes require such third parties to compensate counterparties for losses as a result of breaches in representations, covenants and warranties provided by the Company or as a result of litigation or other third party claims or statutory sanctions that may be suffered by the counterparties as a consequence of the relevant transaction. In some instances, the terms of these indemnities are not explicitly defined. No accruals have been required to be made as at June 30, 2024 with respect to these agreements.

In CAD (000s)

c. The Company had guaranteed minimum annual purchase commitments related to its Canadian exclusive distribution agreement for PMX with Toray. Effective April 1, 2019, the agreement was amended to remove the obligation to purchase minimum quantities.

9. Share capital and other equity reserves

The Company is authorized to issue an unlimited number of Shares.

Details of Share Option Awards are as follows:

Options granted under the Company's 2008 Amended Stock Option Plan ("Legacy Stock Option Plan"), will continue in accordance with their terms. Options shall no longer be granted pursuant to the Legacy Stock Option Plan.

The maximum number of Shares reserved for issuance, in the aggregate, under the LTIP and the Legacy Stock Option Plan, collectively, will be 10% of the aggregate number of Shares issued and outstanding from time to time.

The exercise prices of the share options are not less than the closing market price of the Company's Shares on the TSX on the immediately preceding day of the grant of the share options.

Share options granted were valued using the Black-Scholes option pricing model, with the following assumptions:

2024

Grant Date	Risk-free interest rate	Expected life	Annualized volatility	Forfeiture Rate	Dividend rate	Grant date share price	Share option fair value
03-Jan-24	3.21%	5 years	67.99%	36.54%	0%	$0.48	$0.215
05-Apr-24	3.59%	5 years	64.56%	36.63%	0%	$0.45	$0.234

	2024 Weighted average exercise price per share $	2024 Share Options	2023 Weighted average exercise price per share $	2023 Share Options
Opening, January	0.39	12,151,881	0.43	11,331,020
Granted	0.41	1,699,565	0.26	3,057,828

In CAD (000s)

Exercised/Released	0.34	(1,867,627)	-	-
Cancelled/Forfeited	0.37	(21,720)	0.35	(180,725)
Expired	0.36	(300,000)	0.40	(1,667,500)
Balance, June 30	**0.40**	**11,662,099**	**0.43**	**12,540,623**
Exercisable June 30		**8,632,644**		**8,675,665**

Details of the units of RSUs, PSUs and DSUs are as follows:

	2024		2023		
	RSUs	**DSUs**	**RSUs**	**DSUs**	**PSUs**
Opening, January 1	4,137,196	2,896,368	2,124,172	716,951	4,500,000
Granted	1,597,043	967,106	2,107,423	1,570,922	-
Released	(51,651)	-	(28,457)	-	-
Forfeited/cancelled	(21,462)	-	(80,564)	-	(750,000)
Balance, June 30	**5,661,126**	**3,863,474**	**4,122,574**	**2,287,873**	**3,750,000**

a. RSUs

a. 25% of the grant amount of RSUs vest on the grant date, and the balance vests equally as to one-twelfth (1/12) on each successive quarter, and will be fully vested by the end of the 3rd year following the grant date.

b. Certain RSUs vest one-third (1/3) on the anniversary of the grant date, and will be fully vested by the end of the 3rd year following the grant date.

c. Certain RSU's vests 100% on the grant date

RSUs are settled into equity.

b. DSUs

100% of the grant amount of DSUs vest on the grant date. DSUs are awarded to the Board of Directors and are settled as per the discretion of the board.

c. Share compensation expense is as follows for the six month period

In CAD (000s)

	June 30, 2024 $	June 30, 2023 $
Share Compensation expense	1,256	961

d. Details of Warrants are as follows

	2024		2023	
	Weighted average exercise price per warrant $	**Warrants**	**Weighted average exercise price per warrant $**	**Warrants**
Opening	0.49	18,714,014	0.49	19,314,925
Broker warrants granted	0.45	981,450	-	-
Exercised	-	(750,000)	-	-
Balance, June 30	**0.49**	**18,945,464**	**0.49**	**19,314,925**

981,450 broker warrants were issued on May 30, 2024 with respect to the private placement of convertible notes (Note 7) and were valued at $212 respectively using the Black-Scholes option pricing model, with the following assumptions

Risk-free interest rate	Expected life	Annualized volatility	Dividend rate	Grant date share price	Warrants fair value
3.91%	4 years	51.14%	0%	$0.47	$0.216

10. Weighted average Shares outstanding and Loss per Share

The following table sets forth the computing of basic and diluted loss per Share:

	Three Months ended	Revised (Refer note 15) Three Months ended	Six Months ended	Revised (Refer note 15) Six Months ended
	30-Jun-24	**30-Jun-23**	**30-Jun-24**	**30-Jun-23**
Loss and comprehensive loss for the period from continuing operations	(4,402)	(4,288)	(8,559)	(5,383)
Loss (gain) from discontinued operations	-	49	(3)	6

In CAD (000s)

Loss and comprehensive loss for the period	(4,402)	(4,239)	(8,562)	(5,377)
Weighted average number of common shares outstanding - basic and diluted	280,049,434	278,556,560	279,539,697	278,552,206
Basic and diluted loss from continuing operations per common share	**(0.02)**	**(0.02)**	**(0.03)**	**(0.02)**
Basic and diluted" loss (income)" from discontinued operations per share	**0.00**	**0.00**	**(0.00)**	**0.00**
Basic and diluted loss per Share	**(0.02)**	**(0.02)**	**(0.03)**	**(0.02)**

11. Revenue

Revenue for the 3 months ended June 30, 2024 from different revenue streams was $471(June 30, 2023 $ 306). Revenue for the 6 months ended June 30, 2024 was $ 1,139(June 30, 2023 $ 836)

	Three months ended June 30, 2024 $	**Three months ended June 30, 2023**	**Six months ended June 30, 2024 $**	**Six months ended June 30, 2023 $**
Royalties	**-**	-	**135**	**126**
Exclusive distribution rights	**122**	**167**	**258**	**334**
Service Revenue	**132**	**-**	**179**	**-**
Product revenue				
Proprietary biochemicals	54	75	258	233
EAA™ diagnostic	91	1	187	80
Instrumentation	72	63	122	63
Total Product revenue	**217**	**139**	**567**	**376**
Revenue	**471**	**306**	**1,139**	**836**

12. Clinical development and regulatory program

The Company's current clinical development program is focused on obtaining FDA approval for Toraymyxin™, a therapeutic device for the treatment of septic shock that removes endotoxin from the bloodstream.

In CAD (000s)

The Company has incurred the following costs associated with this clinical trial and regulatory program:

	Three months ended June 30, 2024 $	Three months ended June 30, 2023 $	Six months ended June 30, 2024 $	Six months ended June 30, 2023 $
Program management	369	809	659	917
Program oversight	26	16	83	30
Clinical site costs	868	472	1,264	598
Diagnostic supply and training	26	176	77	254
SAMI sub-study	2	4	5	16
Employee benefits	122	86	289	179
	1,413	**1,563**	**2,377**	**1,994**

The clinical trial and regulatory program costs have been included within the statements of loss and comprehensive loss as required. Total costs since inception in 2010 are $53,233.

13. Salaries and benefits

Key management includes the Company's directors and officers. Compensation awarded to key management included:

	Three months ended June 30, 2024		Three months ended June 30, 2023	
	All employees	Key management	All employees	Key management
Salaries	879	236	805	283
Short term employee benefits	144	36	131	14
Directors' fees	-	-	40	40
	1,023	**272**	**976**	**337**

In CAD (000s)

	Six months ended June 30, 2024		Six months ended June 30, 2023	
	All employees	**Key management**	**All employees**	**Key management**
Salaries	1,734	532	1,576	600
Short term employee benefits	289	80	273	54
Directors' fees	-	-	83	83
	2,023	**612**	**1,932**	**737**

Executive employment agreements allow for additional payments to the executives if they are terminated without cause or in the event of a change in control.

14. Related party transactions

Key management consists of the Company's two executive officers and its Board of Directors. Compensation of key management for the periods ended June 30, 2024 and 2023 is disclosed in Note 13.

There are no other related party transactions.

15. Comparative Financials

The Comparative figures were revised to classify the note payable into debt and the conversion feature. Refer note 15 of Dec 31, 2023 year end financial statement for detailed changes.

The adjustment, and its corresponding impacts, resulted in the following adjustments to the June 30, 2023 financial statements.

Changes in Consolidated statements of Financial Position

		June 2023
Shareholders (deficiency) equity	**Pre adjustment**	**Post adjustment**
Deficit	(115,460)	(115,152)

In CAD (000s)

Changes in Consolidated Statements of Loss and Comprehensive Loss

Expenses	Pre adjustment	Post Adjustment	Change
Interest expense	255	497	(242)
Foreign exchange loss	(237)	(252)	15
Other expense	12	(79)	91
Depreciation and Amortization	116	164	(48)
Fair value adjustment derivative Liabilities	0	(523)	523
Totals	146	(193)	339

16. Subsequent Events

1. On July 19, 2024, the Company completed an additional non-brokered offering of US$1 million of 9% convertible notes of the Company (the "Notes") at a price of US$1,000 per convertible note due on May 1, 2028 (the "Offering"). The Notes were sold to Birch Hill pursuant to the exercise of their anti-dilution pre-emptive rights relating to the closing of the offering of the approximately C$8.5 million offering of Notes that was completed on May 30, 2024. Gross proceeds of approximately C$1,375 was received by the Company. Holders of the notes may convert all or any portion of the Notes into common shares of the Company in integral multiples of USD $1,000 principal amount at any time prior to the maturity date. The Notes are convertible into approximately 2.64 million common shares representing a conversion price of approximately CAD$0.52 per share subject to certain anti-dilution and make-whole fundamental change adjustments.

2. Share Warrants Exercised:

    a. 132,500 units of share warrants were issued to the investors on July 27, 2021. Where 1 unit of warrant is equal 1 unit of share exercisable at a price of $0.50. In the month of July 2024, 132,500 common shares were issued for 132,500 share warrants exercised at $0.50 per share.

    b. 75,000 units of share warrants were issued to the investors on November 2, 2022. Where 1 unit of warrant is equal 1 unit of share exercisable at a price of $0.48. In the month of August 2024, 75,000 common shares were issued for 75,000 share warrants exercised at $0.48 per share.

3. Share Warrants Expired: On July 29, 2024, 10,982,500 share warrants expired. These expired share warrants were issued in conjunction with the Company's approximately $10 million unit offering which closed on July 27, 2021. As at the time of this MD&A, the Company has 7,775,464 share warrants outstanding.