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**THERMA BRIGHT INC.**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**THREE MONTHS ENDED OCTOBER 31, 2019**  
**(EXPRESSED IN CANADIAN DOLLARS)**  
**(UNAUDITED)**

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**Notice To Reader**

The accompanying unaudited condensed interim financial statements of Therma Bright Inc. (the "Company") have been prepared by and are the responsibility of management. The unaudited condensed interim financial statements have not been reviewed by the Company's auditors.

# Therma Bright Inc.

## Condensed Interim Statements of Financial Position

(Expressed in Canadian Dollars)

Unaudited

	As at October 31, 2019	As at July 31, 2019
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 7,898	\$ 30,397
Prepaid expenses	362	2,937
<b>Total current assets</b>	<b>8,260</b>	<b>33,334</b>
<b>Non-current assets</b>		
Equipment (note 4)	2,390	2,516
Intangible asset (note 5)	46,647	47,266
<b>Total assets</b>	<b>\$ 57,297</b>	<b>\$ 83,116</b>
<b>LIABILITIES AND EQUITY (DEFICIENCY)</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 6)	\$ 296,688	\$ 264,400
Loans from directors (note 7)	6,999	6,999
Sales taxes payable	18,640	18,149
<b>Total current liabilities</b>	<b>322,327</b>	<b>289,548</b>
<b>Non-current liabilities</b>		
Long term debt (note 8)	84,233	79,968
<b>Total liabilities</b>	<b>406,560</b>	<b>369,516</b>
<b>Equity (Deficiency)</b>		
Share capital (note 9)	10,967,538	10,967,538
Warrant reserve (note 10)	3,361,218	3,361,218
Share-based payments reserve (note 11)	1,985,451	1,985,451
Equity portion of convertible debentures	291,192	291,192
Deficit	(16,954,662)	(16,891,799)
<b>Total equity (deficiency)</b>	<b>(349,263)</b>	<b>(286,400)</b>
<b>Total equity and liabilities</b>	<b>\$ 57,297</b>	<b>\$ 83,116</b>

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

Nature of operations and going concern (note 1)

### Approved on behalf of the Board:

(Signed) "Rob Fia" \_\_\_\_\_ Director

(Signed) "Joe Heng" \_\_\_\_\_ Director

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**Therma Bright Inc.****Condensed Interim Statements of Loss and Comprehensive Loss****(Expressed in Canadian Dollars)****Unaudited**

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	Three Months Ended October 31, 2019	Three Months Ended October 31, 2018
<b>Revenue</b>	<b>\$ 1,089</b>	<b>\$ 795</b>
<b>Operating expenses</b>		
General and administrative	\$ 58,943	\$ 74,877
Research and development	-	49,582
Stock-based compensation expense	-	92,699
<b>Total Operating expenses</b>	<b>58,943</b>	<b>217,158</b>
<b>Loss from operations</b>	<b>(57,854)</b>	<b>(216,363)</b>
<b>Other expenses</b>		
(Loss) on foreign exchange	-	(320)
Accretion expense	(4,265)	(7,352)
Amortization	(744)	(744)
<b>Total comprehensive loss for the period</b>	<b>\$ (62,863)</b>	<b>\$ (224,779)</b>
<b>Basic and diluted net loss per share (note 12)</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>
<b>Weighted average number of common shares outstanding</b>	<b>163,755,622</b>	<b>161,831,709</b>

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

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**Therma Bright Inc.****Condensed Interim Statements of Cash Flows****(Expressed in Canadian Dollars)****Unaudited**

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	Three Months Ended October 31, 2019	Three Months Ended October 31, 2018
<b>Operating activities</b>		
Net loss for the period	\$ (62,863)	\$ (224,779)
Adjustments for:		
Stock-based compensation expense	-	92,699
Accretion expense	4,265	7,352
Amortization	744	744
Changes in non-cash working capital items:		
Prepaid expenses	2,575	6,652
Sales tax recoverable	-	19,253
Amounts payable and other liabilities	32,289	(15,596)
Sales tax payable	491	-
<b>Net cash used in operating activities</b>	<b>(22,499)</b>	<b>(113,675)</b>
<b>Investing activities</b>		
Purchase of equipment	-	(3,081)
<b>Net cash used in investing activities</b>	<b>-</b>	<b>(3,081)</b>
<b>Financing activities</b>		
Loans from directors received (repaid)	-	(1,500)
<b>Net cash used in financing activities</b>	<b>-</b>	<b>(1,500)</b>
<b>Net change in cash and cash equivalents</b>	<b>(22,499)</b>	<b>(118,256)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>30,397</b>	<b>224,701</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 7,898</b>	<b>\$ 106,445</b>
<b>Other information</b>		
Non-cash on conversion of debt	\$ -	\$ 140,170

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

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**Therma Bright Inc.****Condensed Interim Statements of Changes in Equity (Deficiency)****(Expressed in Canadian Dollars)****Unaudited**

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	Share capital	Warrant reserve	Share based payments reserve	Equity portion of convertible debenture	Deficit	Total
<b>Balance, July 31, 2018</b>	<b>\$ 10,848,368</b>	<b>\$ 3,340,218</b>	<b>\$ 1,889,118</b>	<b>\$ 320,572</b>	<b>\$ (16,469,868)</b>	<b>\$ (71,592)</b>
Fair value of warrants issued	(21,000)	21,000	-	-	-	-
Convertible debenture	140,170	-	-	(29,380)	-	110,790
Stock-based compensation expense	-	-	92,699	-	-	92,699
Net loss for the period	-	-	-	-	(224,779)	(224,779)
<b>Balance, October 31, 2018</b>	<b>\$ 10,967,538</b>	<b>\$ 3,361,218</b>	<b>\$ 1,981,817</b>	<b>\$ 291,192</b>	<b>\$ (16,694,647)</b>	<b>\$ (92,882)</b>
<b>Balance, July 31, 2019</b>	<b>\$ 10,967,538</b>	<b>\$ 3,361,218</b>	<b>\$ 1,985,451</b>	<b>\$ 291,192</b>	<b>\$ (16,891,799)</b>	<b>\$ (286,400)</b>
Net loss for the period	-	-	-	-	(62,863)	(62,863)
<b>Balance, October 31, 2019</b>	<b>\$ 10,967,538</b>	<b>\$ 3,361,218</b>	<b>\$ 1,985,451</b>	<b>\$ 291,192</b>	<b>\$ (16,954,662)</b>	<b>\$ (349,263)</b>

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

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# Therma Bright Inc.

## Notes to Condensed Interim Financial Statements

Three Months Ended October 31, 2019

(Expressed in Canadian Dollars)

Unaudited

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### 1. Nature of operations and going concern

Therma Bright Inc. (the "Company") was incorporated under the Business Corporations Act (Alberta) on March 5, 2001. The Company has a proprietary thermal therapy technology that provides topical relief to certain skin irritations resulting from insect bites, stings and prevention of cold sores. Since inception, the efforts of the Company have been devoted to developing and marketing this technology.

#### Going concern

During the three months ended October 31, 2019, the Company incurred a loss of \$62,863 (October 31, 2018 - loss of \$224,779) and as of October 31, 2019, the Company had an accumulated deficit of \$16,954,662 (July 31, 2019 - \$16,891,799) and a net working capital deficiency of \$314,067 (July 31, 2019 - \$256,214).

To this point, all operational activities and the overhead costs have been funded from the available cash and by equity and debt issuances, as well as loans from directors. The Company has been working, through third party service providers in marketing, sales, engineering and distribution, to sell its products online. In the future the Company intends to sell InterceptCS™ to Canadian retailers. The Company has been focused on making sales online for its existing inventory of InterceptCS™. Those sales, if completed, would reestablish revenue for the Company and would be expected to lead to additional recurring revenue from the sale of activators on an ongoing basis.

The revenue from the sale of the existing inventory of InterceptCS™ will have a positive impact on the income statement and balance sheet due to the low cost base for that inventory. This revenue will create a source of capital for the Company to allow the Company to run its business, expand sales and meet reporting and disclosure requirements.

The Company has re-launched its corporate website and a new sale and marketing website with e-commerce capabilities. The e-commerce website has created another channel for the Company to sell its inventory utilizing a third-party marketing specialist, which incorporates social media. The Company expects to generate meaningful sales from this direct to consumer approach and will use the cash flow generated to expand sales within this sales channel.

The Company will continue to secure new cash resources to meet its obligations. Management is currently evaluating and pursuing funding alternatives, including new equity and debt issuances. While management has so far been successful in raising the required equity and debt financing, there is no assurance that these initiatives will continue to be successful. Uncertainty in global capital markets could have a negative impact on the Company's ability to access capital in the future.

The Company's ability to continue as a going concern is dependent upon its ability to reach a profitable level of operations and obtain adequate financing. The accompanying condensed interim financial statements do not include any adjustments relating to the recoverability of assets and to the re-classification of assets and liabilities amounts that might be necessary should the Company be unable to continue its operations. These adjustments could be material.

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**Therma Bright Inc.**  
**Notes to Condensed Interim Financial Statements**  
**Three Months Ended October 31, 2019**  
**(Expressed in Canadian Dollars)**  
**Unaudited**

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**2. Significant accounting policies**

*Statement of compliance*

The Company applies International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"). These unaudited condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by IASB and interpretations issued by IFRIC.

The policies applied in these unaudited condensed interim financial statements are based on IFRS's issued and outstanding as of December XX, 2019, the date the Board of Directors approved the statements. The same accounting policies and methods of computation are followed in these unaudited condensed interim financial statements as compared with the most recent annual financial statements as at and for the year ended July 31, 2019. Any subsequent changes to IFRS that are given effect in the Company's annual financial statements for the year ending July 31, 2020 could result in restatement of these unaudited condensed interim financial statements.

**New accounting standards adopted**

IFRS 16 Leases

IFRS 16 was issued in January 2016 and replaces IAS 17 – Leases as well as some lease related interpretations. With certain exceptions for leases under twelve months in length or for assets of low value, IFRS 16 states that upon lease commencement a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at the amount of the liability plus any initial direct costs. After lease commencement, the lessee shall measure the right-of-use asset at cost less accumulated depreciation and accumulated impairment. A lessee shall either apply IFRS 16 with full retrospective effect or alternatively not restate comparative information but recognise the cumulative effect of initially applying IFRS 16 as an adjustment to opening equity at the date of initial application. IFRS 16 requires that lessors classify each lease as an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise it is an operating lease. The application of the new standard had no impact on the unaudited condensed interim financial statements as at July 31, 2019.

**New accounting standards and interpretations not adopted yet**

IFRIC 23 Uncertainty over Income Tax Treatments

IFRIC 23 clarifies the accounting for uncertainties in income taxes. The interpretation requires the entity to use the most likely amount or the expected value of the tax treatment if it concludes that it is not probable that a particular tax treatment will be accepted. It requires an entity is to assume that a taxation authority with the right to examine any amounts reported to it will examine those amounts and will have full knowledge of all relevant information when doing so.

IFRIC 23 is effective for annual reporting periods beginning on or after 1 January 2019. Earlier application is permitted. The requirements are applied by recognizing the cumulative effect of initially applying them in retained earnings, or in other appropriate components of equity, at the start of the reporting period in which an entity first applies them, without adjusting comparative information. Full retrospective application is permitted, if an entity can do so without using hindsight. We have yet to determine the impact this standard will have on our financial statements.

## Therma Bright Inc.

### Notes to Condensed Interim Financial Statements

Three Months Ended October 31, 2019

(Expressed in Canadian Dollars)

Unaudited

#### 3. Inventory

Inventory consists solely of finished goods. Since 2009, the Company has taken a cumulative inventory write-down of \$5,220.

#### 4. Equipment

<b>Cost</b>	<b>Office equipment</b>	<b>Total</b>
<b>Balance, July 31, 2018</b>	\$ -	\$ -
Additions	3,081	3,081
<b>Balance, July 31, 2019 and October 31, 2019</b>	<b>\$ 3,081</b>	<b>\$ 3,081</b>

<b>Accumulated Depreciation</b>	<b>Office equipment</b>	<b>Total</b>
<b>Balance, July 31, 2018</b>	\$ -	\$ -
Depreciation for the year	565	565
Balance, July 31, 2019	\$ 565	\$ 565
Depreciation for the period	126	126
<b>Balance, October 31, 2019</b>	<b>\$ 691</b>	<b>\$ 691</b>

<b>Carrying Value</b>	<b>Office equipment</b>	<b>Total</b>
Balance, July 31, 2019	\$ 2,516	\$ 2,516
<b>Balance, October 31, 2019</b>	<b>\$ 2,390</b>	<b>\$ 2,390</b>

#### 5. Intangible assets

<b>Cost</b>	<b>Domain name</b>	<b>Total</b>
<b>Balance, July 31, 2018, July 31, 2019 and October 31, 2019</b>	<b>\$ 49,490</b>	<b>\$ 49,490</b>

<b>Accumulated Amortization</b>	<b>Domain name</b>	<b>Total</b>
<b>Balance, July 31, 2018</b>	\$ -	\$ -
Amortization for the year	2,224	2,224
Balance, July 31, 2019	\$ 2,224	\$ 2,224
Depreciation for the period	619	619
<b>Balance, October 31, 2019</b>	<b>\$ 2,843</b>	<b>\$ 2,843</b>

<b>Carrying Value</b>	<b>Domain name</b>	<b>Total</b>
Balance, July 31, 2019	\$ 47,266	\$ 47,266
<b>Balance, October 31, 2019</b>	<b>\$ 46,647</b>	<b>\$ 46,647</b>

Intangible asset represents the domain name "coldsore.com".

## Therma Bright Inc.

### Notes to Condensed Interim Financial Statements

Three Months Ended October 31, 2019

(Expressed in Canadian Dollars)

Unaudited

#### 6. Accounts payable and accrued liabilities

	As at October 31, 2019	As at July 31, 2019
Accounts payable and accrued liabilities	\$ 239,177	\$ 205,518
Amounts due to related parties	57,511	58,882
Total accounts payable and accrued liabilities	\$ 296,688	\$ 264,400

#### 7. Loans from directors

	As at October 31, 2019	As at July 31, 2019
Notes payable	\$ 6,999	\$ 6,999

The loans from directors are unsecured, non-interest bearing, and repayable on demand. During the three months ended October 31, 2019, the Company settled \$nil (period ended July 31, 2019 - \$nil) of loans by the issuance of common shares.

#### 8. Long term debt

	As at October 31, 2019	As at July 31, 2019
8% convertible debenture payable <sup>(i)</sup>	\$ 84,233	\$ 79,968

##### i) 8% convertible debentures

On April 27, 2018, the Company completed a first tranche closing of its convertible debenture ("Debenture") financing for gross proceeds of \$250,000. The Company offered three-year debentures in principal amounts of \$1,000 per Debenture, with 8% interest payable thereon. A minimum of 12 months' interest on the full principal amount would be payable, regardless of whether the Debenture was converted prior to such time. Subject to TSX Venture Exchange ("TSXV") approval, interest might be paid in shares at the market price of the Company's common shares at the time of conversion. A finder's fee of \$17,500 cash, and 150,000 finder's warrants ("Broker Warrant") was paid in relation to this issuance of convertible debenture and these financing fees was allocated pro-rata between against deferred financing charges and the equity portion of the convertible debenture and against the purchase warrants respectively. Each Broker Warrant will entitle the holder thereof to purchase one Unit at an exercise price of \$0.05 for a period of 12 months following the closing date of the Offering. Each whole Unit entitles the holder to purchase one common share until April 26, 2021 at a exercise price of \$0.05 per share in the first year and thereafter at \$0.10 per share. The Broker warrants are subject to acceleration in the event that the common shares trade at or above \$0.13 per common share for a full 10 consecutive trading days. The Broker warrants were assigned a value of \$5,100 using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%; share price of \$0.045; expected volatility of 150% using the historical price history of the Company; risk-free interest rate of 2.01%; and an expected average life of 36 months.

# Therma Bright Inc.

## Notes to Condensed Interim Financial Statements

Three Months Ended October 31, 2019

(Expressed in Canadian Dollars)

Unaudited

### 8 Long term debt (continued)

#### i) 8% convertible debentures (continued)

The Debentures would be convertible into Units of the Company at a conversion price of \$0.05 per unit if converted in the first year and thereafter at \$0.10 per unit. Each Unit would be comprised of one common share and one-fifth (1/5) of one common share purchase warrant. Each whole warrant would be exercisable for one common share for a period of two years from the date of issue of the warrant at an exercise price of \$0.05 if exercised on or before the date that was one year from the date of issuance of the Debenture or thereafter at an exercise price of \$0.10.

The subscriber might convert the Debenture at any time until the maturity date. The Company might convert the Debenture on the earlier of, and at any time thereafter: (a) at any time after the date that was 12 months after the date of issue of the Debentures until the maturity date; and (b) the 16th day after the closing price of the Company's common shares on the TSXV exceeds \$0.075 for fifteen (15) consecutive trading days, provided such conversion date was at least six (6) months after the date of issue of the Debentures. The Company may, at its option, subject to providing not more than 60 and not less than 30 days prior notice, redeem the Debentures in whole or in part.

The Company used the residual value method to allocate the principal amount of the convertible debentures between the liability and equity components. The Company valued the debt component of the convertible debentures by calculating the present value of the principal and interest payments, discounted at a rate of 15.25%, being management's best estimate of the rate that a non-convertible debenture with similar terms would bear. The equity conversion feature of the convertible debentures comprise the value of the conversion option, being the difference between the face value of the convertible debentures and the liability element calculated above. Based on this calculation, the liability component was \$196,00 (\$178,282 net of transaction costs) and the residual equity component was \$49,118. Net accretion charges attributable to the convertible debentures for the three months ended October 31, 2019 was \$4,265 (three months ended October 31, 2018 - \$7,352). This amount is added to the liability component on the statements of financial position and is included in accretion expense on the statements of loss and comprehensive loss.

<b>Balance, July 31, 2018</b>	<b>\$ 187,019</b>
Less: Conversion	(110,802)
Less: Coupon interest payable classified under accounts payable	(15,156)
Add: Accretion for the year	18,907
<b>Balance, July 31, 2019</b>	<b>\$ 79,968</b>
Add: Accretion for the period	4,265
<b>Balance, October 31, 2019</b>	<b>\$ 84,233</b>

### 9. Share capital

#### a) Authorized share capital

The authorized share capital consisted of unlimited number of common shares. The common shares do not have a par value. All issued shares are fully paid.

#### b) Common shares issued

	Number of common shares	Amount
<b>Balance, July 31, 2018</b>	<b>160,755,622</b>	<b>\$ 10,848,368</b>
Shares issued on conversion of debenture <sup>(i)</sup>	3,000,000	150,000
Costs of issuance	-	(9,830)
Fair value of warrants issued <sup>(i)</sup>	-	(21,000)
<b>Balance, October 31, 2018, July 31, 2019 and October 31, 2019</b>	<b>163,755,622</b>	<b>\$ 10,967,538</b>

# Therma Bright Inc.

## Notes to Condensed Interim Financial Statements

Three Months Ended October 31, 2019

(Expressed in Canadian Dollars)

Unaudited

### 9. Share capital (continued)

b) Common shares issued (continued)

i) On September 28, 2018, the 8% convertible debenture holder converted \$150,000 in to shares. The Company issued 3,000,000 Units at a conversion price of \$0.05 per unit (see note 8). Each Unit comprised of one common share and one-fifth (1/5) of one common share purchase warrant. Each whole warrant would be exercisable for one common share for a period of two years at an exercise price of \$0.05 if exercised on or before April 26, 2019, or at an exercise price of \$0.10 thereafter. These warrants were assigned a value of \$21,000 using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%; share price of \$0.045; expected volatility of 189% using the historical price history of the Company; risk-free interest rate of 2.21%; and an expected average life of 24 months.

### 10. Warrant reserve

The following table reflects the continuity of warrants for the periods presented:

	Number of warrants	Weighted average exercise price
<b>Balance, July 31, 2018</b>	<b>12,830,000</b>	<b>\$ 0.09</b>
Issued	600,000	0.10
Expired	(250,000)	0.08
<b>Balance, October 31, 2018, July 31, 2019 and October 31, 2019</b>	<b>13,180,000</b>	<b>\$ 0.09</b>

The following table reflects the actual warrants issued as of October 31, 2019:

Issue date	Expiry date	Exercise price	Number of warrants
June 22, 2017 <sup>(1)</sup>	June 22, 2022	\$0.08	6,000,000
April 27, 2018 <sup>(2)</sup>	April 27, 2021	\$0.10	6,000,000
July 11, 2018 <sup>(2)</sup>	July 11, 2021	\$0.10	580,000
September 28, 2018	September 28, 2020	\$0.10	600,000
<b>Weighted average exercise price</b>		<b>\$0.09</b>	<b>13,180,000</b>

- 1) Warrants subject to acceleration in the event that the common shares trade at or above \$0.15 per common share for a full 10 consecutive trading days.
- 2) Warrants are subject to acceleration in the event that the common shares trade at or above \$0.13 per common share for a full 10 consecutive trading days.

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## Therma Bright Inc.

### Notes to Condensed Interim Financial Statements

Three Months Ended October 31, 2019

(Expressed in Canadian Dollars)

Unaudited

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#### 11. Stock options

Under the Company's stock option plan, the Company may grant options to employees, consultants, officers and directors totaling up to 10% of its issued and outstanding common shares. The aggregate number of shares so reserved for issuance to any one person shall not exceed 5% of the issued and outstanding common shares.

The following table reflects the continuity of stock options for the periods presented:

	Number of stock options	Weighted average exercise price
Balance, July 31, 2018	15,685,000	\$ 0.09
Issued <sup>(i)</sup>	250,000	0.05
Balance, October 31, 2018	15,935,000	\$ 0.09
<b>Balance, July 31, 2019 and October 31, 2019</b>	<b>13,015,000</b>	<b>\$ 0.09</b>

- i) On September 17, 2018, the Company granted of stock options to a consultant to purchase up to an aggregate of 250,000 common shares of the Company. The options are exercisable for a period of five years at a price of \$0.05 per share. The options vest after 6 months from the date of grant. The estimated fair value of these options at the grant date was \$5,000 using the Black-Scholes valuation model. During the three months ended October 31, 2019, (three months ended October 31, 2018 - \$972) was expensed. The underlying weighted average assumptions used in the estimation of fair value in the Black-Scholes valuation model are as follows: risk free rate: 2.25%; expected life: 5.0 years; expected volatility: 189% based on historical trends; forfeiture rate: nil; expected dividend yield: 0%; and weighted average share price: \$0.02.

## Therma Bright Inc.

### Notes to Condensed Interim Financial Statements

Three Months Ended October 31, 2019

(Expressed in Canadian Dollars)

Unaudited

#### 11. Stock options (continued)

The following table reflects the actual stock options issued and outstanding as of October 31, 2019:

Expiry date	Exercise price (\$)	Weighted average remaining contractual life (years)	Number of options outstanding	Number of options vested (exercisable)
March 6, 2022	0.10	2.35	3,465,000	3,465,000
October 10, 2022	0.10	2.95	1,000,000	1,000,000
January 17, 2023	0.10	3.22	3,100,000	3,100,000
January 23, 2023	0.10	3.23	750,000	750,000
March 2, 2023	0.10	3.34	500,000	500,000
May 8, 2023	0.05	3.52	3,200,000	3,200,000
June 18, 2023	0.05	3.63	600,000	600,000
July 5, 2023	0.05	3.68	150,000	150,000
September 17, 2023	0.05	3.88	250,000	250,000
	\$0.09	3.08	13,015,000	13,015,000

#### 12. Loss per share

For the three months ended October 31, 2019, basic and diluted loss per share has been calculated based on the loss attributable to common shareholders of \$62,863 (three months ended October 31, 2018 - \$224,779) and the weighted average number of common shares outstanding of 163,755,622 (three months ended October 31, 2018 - 161,831,709). Diluted loss per share did not include the effect of \$13,015,000 stock options (three months ended October 31, 2018 - \$15,935,000) or \$13,180,000 warrants (three months ended October 31, 2018 - \$13,180,000) as they are anti-dilutive.

#### 13. Related party transactions

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. Related party transactions conducted in the normal course of operations are measured at the amount established and agreed to by the related parties.

(a) The Company entered into the following transactions with related parties:

	Three Months Ended October 31,	
	2019	2018
Marrelli Support Services Inc. ("Marrelli Support") (i)	\$ 442	\$ 8,523

(i) For the three months ended October 31, 2019, the Company expensed \$442 (three months ended October 31, 2018 - \$8,523) to Marrelli Support for the services of Vic Hugo to act as Chief Financial Officer of the Company. In addition, Marrelli Support also provides bookkeeping services to the Company. Vic Hugo is an employee of Marrelli Support. As at October 31, 2019, Marrelli Support was owed \$28,963 (July 31, 2019 - \$28,161) and this amount was included in accounts payable and accrued liabilities.

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## Therma Bright Inc.

### Notes to Condensed Interim Financial Statements

Three Months Ended October 31, 2019

(Expressed in Canadian Dollars)

Unaudited

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#### 13. Related party transactions (continued)

(b) Remuneration of directors and key management personnel of the Company was as follows:

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	Three Months Ended October 31,	
	2020	2019
Salaries and benefits	\$ 2,500	\$ 7,500
Share-based payments	-	54,623
Total remuneration	\$ 2,500	\$ 62,123

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Payments to directors and key management personnel of the Company include certain transactions with related parties in (a) above, and (b) remuneration to directors and key management personnel of the Company. As at October 31, 2019, directors and key management personnel of the Company were owed \$28,548 (July 31, 2019 - \$30,721) for remuneration and reimbursable expenses, excluding amounts disclosed in (a) above.

#### (c) Insider shareholdings

As of October 31, 2018, David Woods, directly and indirectly, controls 28,500,000 common shares of the Company or approximately 17% of the total common shares outstanding.

None of the Company's major shareholders have different voting rights than other holders of the Company's common shares.

As of October 31, 2018, directors and officers of the Company, with individual control of less than 10% of the total common shares outstanding, collectively control 8,987,344 common shares of the company or approximately 5% of the total common shares outstanding. To the knowledge of the directors and officers of the Company, the remaining common shares of the Company were widely held.

#### 14. Contingencies and commitments

- The Company has offered a "Risk Free Guarantee" on sales of InterceptCS™ product allowing consumers if they are not satisfied with the product, within 90 days of the date of purchase, to return product directly to the Company for a full refund. While returns have been insignificant to date, there can be no assurance that the Company will not receive an increased level of returns in the future.
- The Company disputes the consultancy and investor relation services provided by a supplier who invoiced the Company \$135,600 during the year. The Company believes no amount is payable and will defend its position if legal proceeding or claims are made against it. The final outcome is uncertain at present.
- On November 2, 2016, the Company entered into an exclusive license agreement (the "License") with Luminar Media Group Inc. ("Luminar") of Aventura, Florida, United States to market the Company's next generation thermal therapy insect device (the "Device") in US, Europe and Asia. The Company would receive an aggregate of US\$250,000 from November 2016 to February 2017. In addition, the Company would receive a royalty payment equal to 10% of gross sales of the Device up to the first 100,000 units sold and 5% of gross sales of the Device thereafter. The royalty was payable quarterly. Luminar was required to meet the various sales targets over the next 5 years after signing the agreement. In return, the Company committed to obtaining all regulatory approvals with the FDA of United States and other regulatory requirements in jurisdictions outside of the U.S. deemed necessary to market the product. On October 2, 2017, the Company announced that it had formally terminated its exclusive agreement with Luminar to distribute TherOZap™ globally outside of Canada for reasons of non-performance of fees payable as outlined in the agreement.

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# **Therma Bright Inc.**

## **Notes to Condensed Interim Financial Statements**

**Three Months Ended October 31, 2019**

**(Expressed in Canadian Dollars)**

**Unaudited**

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### **14. Contingencies and commitments (continued)**

- d) On March 30, 2017, the Company announced that it signed a service agreement with University Health Network (UHN), whereby UHN would develop testing methodology protocols for the TherOZap™ technology to determine the effectiveness of TherOZap at inactivating the Zika and West Nile viruses. On August 17, 2017, the Company made an amendment to the above service agreement to expand the testing.
- e) On May 30, 2017, the Company signed a design services agreement, the objective of which is to produce prototypes of Activators with a pre-configured number of activations in relation to InterceptCS™.