



**THERMA BRIGHT INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED JULY 31, 2025 AND 2024**  
**(EXPRESSED IN CANADIAN DOLLARS)**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Shareholders of  
**Therma Bright Inc.**

### **Report on the Audit of the Consolidated Financial Statements**

#### **Opinion**

We have audited the consolidated financial statements of Therma Bright Inc. and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as at July 31, 2025, and the consolidated statements of loss and comprehensive loss, changes in shareholders' equity, and cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as at July 31, 2025, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board (IASB).

#### **Basis of Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Material Uncertainty Related to Going Concern**

We draw attention to note 1 in the consolidated financial statements, which indicates that the Company incurred a net loss during the year ended July 31, 2025 and, as of that date, the Company's current liabilities exceeded its total assets. As stated in note 1, these events or conditions, along with other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### **Key Audit Matter**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. The matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Except for the matter of the Material Uncertainty Related to Going Concern described above, we have determined that there are no other key audit matters to communicate in our report.

### **Other Matter**

The consolidated financial statements of the Company for the year ended July 31, 2024, were audited by another auditor who expressed an unmodified opinion on those statements on November 28, 2024.

### **Other Information**

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis for the year ended July 31, 2024, which we obtained prior to the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the

Company as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Julia Zhou.

**November 30, 2025**  
**Markham, Ontario**

***Horizon Assurance LLP***

**Chartered Professional Accountant**  
**Licensed Public Accountant**

**Therma Bright Inc.**  
**Consolidated Statements of Financial Position**  
**(Expressed in Canadian Dollars)**

As at	July 31, 2025	July 31, 2024
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 1,467	\$ 1,096
Marketable securities (note 5)	36,606	-
Inventory (note 6)	131,588	172,110
Prepaid expenses	11,282	97,444
Sales taxes recoverable	16,874	121,025
<b>Total current assets</b>	<b>197,817</b>	<b>391,675</b>
<b>Non-current assets</b>		
Promissory note receivable (note 7)	-	115,057
Investments (note 8)	-	2,118,992
Equipment (note 9)	17,428	21,786
Intangible assets (note 10)	33,450	519,649
Right-of-use asset (note 11)	-	22,845
<b>Total non-current assets</b>	<b>50,878</b>	<b>2,798,329</b>
<b>Total assets</b>	<b>\$ 248,695</b>	<b>\$ 3,190,004</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (note 12)	\$ 1,774,304	\$ 1,800,281
Loan payable (note 13)	40,000	40,000
Lease liability (note 14)	-	25,392
<b>Total liabilities</b>	<b>1,814,304</b>	<b>1,865,673</b>
<b>Shareholders' equity</b>		
Share capital (note 15)	26,548,510	25,266,483
Warrants reserve (note 16)	7,121,863	7,121,863
Share-based payments reserve (note 17)	7,064,026	6,893,086
Other reserve	271,545	271,545
Non-controlling interest (note 4)	308	308
Deficit	(42,571,861)	(38,228,954)
<b>Total shareholders' equity</b>	<b>(1,565,609)</b>	<b>1,324,331</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 248,695</b>	<b>\$ 3,190,004</b>

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

Nature of operations and going concern (note 1)  
Subsequent events (note 23)

**Approved on behalf of the Board:**

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

(Signed) "Tim Peterson" \_\_\_\_\_ Director

## Therma Bright Inc.

### Consolidated Statements of Loss and Comprehensive Loss (Expressed in Canadian Dollars)

	Year Ended July 31, 2025	Year Ended July 31, 2024
<b>Revenue</b>		
Sales	\$ 75,228	\$ 6,015
Interest income	5,041	20,055
<b>Total revenue</b>	<b>80,269</b>	<b>26,070</b>
<b>Cost of sales</b>	<b>25,418</b>	<b>614</b>
<b>Gross profit</b>	<b>54,851</b>	<b>25,456</b>
<b>Operating expenses</b>		
General and administrative	1,560,116	852,114
Research and development	-	9,690
Stock-based compensation (note 17)	170,940	299,010
<b>Total operating expenses</b>	<b>1,731,056</b>	<b>1,160,814</b>
<b>Loss from operations</b>	<b>(1,676,205)</b>	<b>(1,135,358)</b>
<b>Other income (expenses)</b>		
Loss on settlement (note 15)	(549)	(192,500)
Loss on foreign currency translation	(1,200)	(5,924)
Interest expense (note 14)	(2,608)	(8,604)
Unrealized loss on marketable securities (note 5)	(29,951)	-
Depreciation and amortization (notes 9, 10 and 11)	(91,782)	(99,514)
Change in fair value of investments (note 8)	(2,118,992)	178,198
Impairment of promissory note receivable (note 7)	-	(129,930)
Impairment of intangible assets (note 10)	(421,620)	(1,057,675)
<b>Net loss and comprehensive loss for the year</b>	<b>\$ (4,342,907)</b>	<b>\$ (2,451,307)</b>
<b>Basic and diluted net loss per share (note 19)</b>	<b>\$ (0.08)</b>	<b>\$ (0.06)</b>
<b>Weighted average number of common shares     outstanding</b>	<b>56,100,295</b>	<b>39,780,238</b>

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

On July 8, 2025, the Company completed a 8 for 1 share consolidation. The share consolidation has been applied retrospectively and as a result, all shares and per share amounts are stated on an adjusted basis.

**Therma Bright Inc.**  
**Consolidated Statements of Cash Flows**  
**(Expressed in Canadian Dollars)**

	Year Ended July 31, 2025	Year Ended July 31, 2024
<b>Operating activities</b>		
Net loss for the year	\$ (4,342,907)	\$ (2,451,307)
Adjustments for:		
Stock-based compensation	170,940	299,010
Shares and warrants issued for services	-	60,764
Interest expense	2,608	8,604
Promissory note receivable reduced for services	53,541	-
Interest income	(5,041)	(20,055)
Change in fair value of investments	2,118,992	(178,198)
Unrealized loss on marketable securities	29,951	-
Depreciation and amortization	91,782	99,514
Impairment of promissory note receivable	-	129,930
Loss on debt settlement	549	192,500
Impairment of intangible assets	421,620	1,057,675
Changes in non-cash working capital items:		
Prepaid expenses	86,162	(42,694)
Inventory	40,522	614
Sales taxes recoverable	104,151	(84,060)
Accounts payable and accrued liabilities	1,080,601	(81,576)
<b>Net cash used in operating activities</b>	<b>(146,529)</b>	<b>(1,009,279)</b>
<b>Investing activities</b>		
Investment	-	(138,260)
<b>Net cash used in investing activities</b>	<b>-</b>	<b>(138,260)</b>
<b>Financing activities</b>		
Issuance of shares	174,900	1,000,000
Lease payments	(28,000)	(33,600)
<b>Net cash provided by financing activities</b>	<b>146,900</b>	<b>966,400</b>
<b>Net decrease in cash</b>	<b>371</b>	<b>(181,139)</b>
<b>Cash, beginning of year</b>	<b>1,096</b>	<b>182,235</b>
<b>Cash, end of year</b>	<b>\$ 1,467</b>	<b>\$ 1,096</b>
<b>Supplemental cash flow information</b>		
Shares issued for debt settlement	\$ 1,107,127	\$ 685,000
Shares issued for investments	\$ -	\$ 962,500
Shares issued for asset acquisition	\$ -	\$ 1,023,264
Promissory note receivable reduced for marketable securities	\$ 66,557	\$ -
Short-term lease payment	\$ 2,800	\$ -

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

## Therma Bright Inc.

### Consolidated Statements of Changes in Shareholders' Equity

Years Ended July 31, 2025 and 2024

(Expressed in Canadian Dollars)

	Share capital	Warrants reserve	Share based payments reserve	Other reserve	Deficit	Non-controlling interest	Total
<b>Balance, July 31, 2023</b>	<b>\$ 21,834,955</b>	<b>\$ 7,121,863</b>	<b>\$ 6,594,076</b>	<b>\$ 271,545</b>	<b>\$ (35,777,647)</b>	<b>\$ -</b>	<b>\$ 44,792</b>
Private placements	1,000,000	-	-	-	-	-	1,000,000
Shares issued for debt settlement	385,000	-	-	-	-	-	385,000
Shares issued for investments	962,500	-	-	-	-	-	962,500
Shares issued for asset acquisition	1,023,264	-	-	-	-	308	1,023,572
Shares issued for services	60,764	-	-	-	-	-	60,764
Stock-based compensation	-	-	299,010	-	-	-	299,010
Net loss for the year	-	-	-	-	(2,451,307)	-	(2,451,307)
<b>Balance, July 31, 2024</b>	<b>\$ 25,266,483</b>	<b>\$ 7,121,863</b>	<b>\$ 6,893,086</b>	<b>\$ 271,545</b>	<b>\$ (38,228,954)</b>	<b>\$ 308</b>	<b>\$ 1,324,331</b>
Private placements	174,900	-	-	-	-	-	174,900
Shares issued for debt settlement	1,107,127	-	-	-	-	-	1,107,127
Stock-based compensation	-	-	170,940	-	-	-	170,940
Net loss for the year	-	-	-	-	(4,342,907)	-	(4,342,907)
<b>Balance, July 31, 2025</b>	<b>\$ 26,548,510</b>	<b>\$ 7,121,863</b>	<b>\$ 7,064,026</b>	<b>\$ 271,545</b>	<b>\$ (42,571,861)</b>	<b>\$ 308</b>	<b>\$ (1,565,609)</b>

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

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**Therma Bright Inc.**  
**Notes to Consolidated Financial Statements**  
**Years Ended July 31, 2025 and 2024**  
**(Expressed in Canadian Dollars)**

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**1. Nature of operations and going concern**

Therma Bright Inc. (with its subsidiary, the "Company") was incorporated under the Business Corporations Act (Alberta) on March 5, 2001. The Company is a developer and partner in a range of proprietary diagnostic and medical device technologies focused on providing consumers and medical professionals with solutions to address important medical and healthcare challenges. The Company is developing, acquiring, manufacturing and marketing proprietary healthcare and medical devices for the consumer and institutional marketplace focused on 3 key strategic areas: respiratory disease, vascular health, and consumer medical devices. The common shares of the Company are traded under the symbol "THRM" on the TSX Venture Exchange ("TSXV") and on the OTCQB under the symbol "TBRF".

On July 8, 2025, the Company completed a 8 for 1 share consolidation. The share consolidation has been applied retrospectively and as a result, all shares and per share amounts are stated on an adjusted basis.

These consolidated financial statements were authorized by the Board of Directors of the Company on November 30, 2025.

**Going concern**

For the year ended July 31, 2025, the Company incurred a loss of \$4,342,907 (2024 - \$2,451,307) and as of July 31, 2025, the Company had an accumulated deficit of \$42,571,861 (July 31, 2024 - \$38,228,954) and a net working capital deficit of \$1,616,487 (July 31, 2024 - \$1,473,998).

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.

The Company is to require additional financing in order to meet its ongoing levels of corporate overhead and discharge its liabilities as they come due. While the Company has been successful in securing debt and equity financings in the past, there is no assurance that it will be able to do so in the future and on terms acceptable to management. Uncertainty in global capital markets could have a negative impact on the Company's ability to access capital in the future. These events and conditions indicate a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern.

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. These consolidated 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.

**2. Basis of presentation**

**Statement of compliance**

These consolidated financial statements have been prepared in accordance with IFRS® Accounting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee. The policies in these consolidated financial statements are based on IFRS issued and outstanding as of November 30, 2025, the date these consolidated financial statements were authorized and issued by the board of directors. The board of directors has the power to amend the consolidated financial statements after issue.

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**Therma Bright Inc.**  
**Notes to Consolidated Financial Statements**  
**Years Ended July 31, 2025 and 2024**  
**(Expressed in Canadian Dollars)**

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**2. Basis of presentation (continued)**

**Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company, and its 61% owned subsidiary InVixa, Inc. (note 4). All intercompany transactions and balances between and among the Company and its subsidiary have been eliminated on consolidation. Where necessary, adjustments are made to assets, liabilities and results of subsidiary to bring their accounting policies in line with those used by the Company. Subsidiaries are entities controlled by the Company. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases. The Company controls an entity if it has power to direct the activities of the entity that significantly affects its returns ("the relevant activities"), has exposure or rights to variable returns from its involvement with the entity and has the ability to use its power to affect those returns.

Changes in Company's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Company's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Company's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between BLS and its subsidiaries are eliminated in full on consolidation. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

**Basis of measurement**

These consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value.

**Functional and presentation currency**

These consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company. All financial information presented in Canadian dollars has been rounded to the nearest dollar with the exception of net income (loss) per share values.

**Use of significant estimates and judgements**

The preparation of these consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

These consolidated financial statements have been prepared on a going concern basis in accordance with IFRS. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. Management carefully manages its cash flows and, as necessary, will undertake efforts to raise additional capital. These consolidated financial statements do not reflect the adjustments or reclassifications of assets and liabilities which would be necessary if the Company were unable to continue as a going concern and therefore be required to realize its assets and liquidate its liabilities and commitments in the normal course of business operations and at amounts different from those in the accompanying consolidated financial statements.

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**Therma Bright Inc.**  
**Notes to Consolidated Financial Statements**  
**Years Ended July 31, 2025 and 2024**  
**(Expressed in Canadian Dollars)**

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**2. Basis of presentation (continued)**

**Use of significant estimates and judgements (continued)**

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Judgment is required to determine if an acquisition represents either a business combination or asset purchase. A key determining factor of the acquisition of a business is evidence of an integrated set of activities with inputs, processes and outputs. Additionally, management estimates and judgments are also required if applying the optional concentration test when assessing if the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

Information about key assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year are included in the following notes to the consolidated financial statements:

- The measurement and period of use of intangible assets
- The measurement and period of use of equity
- The assumptions used to value the right-of-use asset and associated lease obligation
- The assumptions used to value options and warrants issued.
- The assessment of a cash-generating unit to which goodwill is allocated.

Where the fair values of financial assets recorded on the consolidated statements of financial position, including shares and options, cannot be derived from active markets, they are determined using a variety of valuation techniques. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, management's judgement is required to establish fair values.

**3. Material accounting policies**

**Acquisitions**

When the Company enters an acquisition, the acquisition is assessed in accordance with IFRS 3 Business Combinations as to whether an acquisition is an asset acquisition or business combination. The Company can utilize an optional concentration test for the assessment of an acquisition being treated as an asset acquisition or business combination. Under the concentration test, if the purchase meets the definition of a single identifiable asset and the fair value of the gross assets acquired is concentrated in a single identifiable asset, it will not meet the definition of a business combination and accordingly, the transaction will be accounted for using the acquisition method of accounting.

When an acquisition is determined to be accounted for as an asset acquisition, the consideration paid is allocated to the identifiable assets and liabilities on the basis of their relative fair values at the acquisition date. Directly attributable transactions costs are capitalized as costs of the assets.

For an acquisition that is determined to be accounted for a business combination, any excess of the fair value of the identifiable assets acquired or liabilities assumed over the consideration paid is recognized as goodwill. Transaction related costs are expensed as incurred.

**Revenue recognition**

The Company's accounting policy for revenue recognition under IFRS 15 is to follow a five-step model to determine the amount and timing of revenue to be recognized:

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**Therma Bright Inc.**  
**Notes to Consolidated Financial Statements**  
**Years Ended July 31, 2025 and 2024**  
**(Expressed in Canadian Dollars)**

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**3. Material accounting policies (continued)**

**Revenue recognition (continued)**

1. Identifying the contract with a customer;
2. Identifying the performance obligations within the contract;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations; and
5. Recognizing revenue when/as performance obligation(s) are satisfied.

Revenue is recognized when the amount of revenue can be measured reliably, the economic benefits associated with the revenue will flow to the Company, the stage of completion can be measured reliably, and the costs incurred for the transaction can be measured reliably.

Revenue is derived from the sale of the Company's goods. Performance obligations are satisfied upon delivery of the goods to the customers, and the customers receive and accept the goods. Customers are billed and revenue is recognized upon delivery to the customers.

**Inventory**

Inventories are measured at the lower of cost (determined on a first-in, first-out basis) and net realizable value, with cost being determined using the weighted average cost method. Net realizable value is the estimated selling price in the ordinary course of business, less the costs necessary to make the sale. When the reversal of previously written down inventories is recognized, this reversal is recognized in net income. The cost of purchased inventory comprise the purchase price and other costs directly attributable to the acquisition of inventory. Trade discounts and rebates are deducted in the costs of the purchase of finished goods. A write-down is recorded to profit or loss for any slow moving or obsolete inventory.

**Equipment**

Equipment is measured at cost less accumulated depreciation. Depreciation methods, rates and residual values are reviewed annually and revised if the current method, estimated useful life or residual value is different from that estimated previously. Depreciation is charged over their useful lives and is based on the declining balance method and rates:

Asset	Rates
Furniture and fixtures	20%
Moulds	40%

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. Contracts that convey the right to control the use of an identified asset for a period of time in exchange for consideration are accounted for as leases giving rise to right-of-use assets.

At the commencement date, a right-of-use asset is measured at cost, where cost comprises: (a) the amount of the initial measurement of the lease liability; (b) any lease payments made at or before the commencement date, less any lease incentives received; (c) any initial direct costs incurred by the Company; and (d) an estimate of costs to be incurred by the Company in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Company subsequently measures a right-of-use asset at cost less any accumulated depreciation and any accumulated impairment losses; and adjusted for any re-measurement of the lease liability. Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term.

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**Therma Bright Inc.**  
**Notes to Consolidated Financial Statements**  
**Years Ended July 31, 2025 and 2024**  
**(Expressed in Canadian Dollars)**

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**3. Material accounting policies (continued)**

**Leases and right-of-use assets (continued)**

A lease liability is initially measured at the present value of the unpaid lease payments. Subsequently, the Company measures a lease liability by: (a) increasing the carrying amount to reflect interest on the lease liability; (b) reducing the carrying amount to reflect the lease payments made; and (c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments. Each lease payment is allocated between repayment of the lease principal and interest. Interest on the lease liability in each period during the lease term is allocated to produce a constant periodic rate of interest on the remaining balance of the lease liability. Except where the costs are included in the carrying amount of another asset, the Company recognizes in profit or loss (a) the interest on a lease liability and (b) variable lease payments not included in the measurement of a lease liability in the period in which the event or condition that triggers those payments occurs.

**Intangible assets**

Intangible assets are recorded at cost, less accumulated amortization and accumulated impairment losses. Following initial recognition, such intangible assets are carried at cost less any accumulated amortization on a straight-line basis over their useful life and declining balance method. The estimated useful life and amortization method are reviewed at the end of each reporting period and the effects of any changes are recorded on a prospective basis.

Asset	Rates
Domain name	20 years straight-line
Patents	20% declining balance
Licensing rights	10 years straight-line

At the end of each reporting period, the Company reviews the carrying amount of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduce to its recoverable amount. An impairment loss, or any reversal of a previously recognized impairment loss, is recognized immediately in profit or loss.

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**Therma Bright Inc.**  
**Notes to Consolidated Financial Statements**  
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**3. Material accounting policies (continued)**

**Financial instruments**

*Financial assets*

Initial recognition and measurement

Non-derivative financial assets within the scope of IFRS 9 are classified and measured as "financial assets at fair value", as either FVPL or FVOCI, and "financial assets at amortized costs", as appropriate. The Company determines the classification of financial assets at the time of initial recognition based on the Company's business model and the contractual terms of the cash flows. All financial assets are recognized initially at fair value plus, in the case of financial assets not at FVPL, directly attributable transaction costs on the trade date at which the Company becomes a party to the contractual provisions of the instrument. Amounts receivable held for collection of contractual cash flows are measured at amortized cost.

Subsequent measurement – financial assets at amortized cost

After initial recognition, financial assets measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the Effective Interest Rate ("EIR") method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR.

Subsequent measurement – financial assets at FVPL

Financial assets measured at FVPL include financial assets management intends to sell in the short term and any derivative financial instrument that is not designated as a hedging instrument in a hedge relationship. Financial assets measured at FVPL are carried at fair value in the statements of financial position with changes in fair value recognized in other income or expense in the statements of loss. The Company measures investments at FVPL.

Subsequent measurement – financial assets at FVOCI

Financial assets measured at FVOCI are non-derivative financial assets that are not held for trading and the Company has made an irrevocable election at the time of initial recognition to measure the assets at FVOCI. The Company does not measure any financial assets at FVOCI.

After initial measurement, investments measured at FVOCI are subsequently measured at fair value with unrealized gains or losses recognized in other comprehensive income or loss in the statements of comprehensive loss. When the investment is sold, the cumulative gain or loss remains in accumulated other comprehensive income or loss and is not reclassified to profit or loss

Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the asset expire, or the Company no longer retains substantially all the risks and rewards of ownership.

Impairment of financial assets

The Company's financial asset subject to impairment is promissory notes receivable, which are measured at amortized cost. The Company has elected to apply the simplified approach to impairment as permitted by IFRS 9, which requires the expected lifetime loss to be recognized at the time of initial recognition of the receivable. To measure estimated credit losses, accounts receivable have been grouped based on shared credit risk characteristics, including the number of days past due. An impairment loss is reversed in subsequent periods if the amount of the expected loss decreases and the decrease can be objectively related to an event occurring after the initial impairment was recognized.

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**Therma Bright Inc.**  
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**3. Material accounting policies (continued)**

**Financial instruments (continued)**

For all other financial assets measured at amortized cost or FVOCI, the Company recognizes lifetime allowance for expected credit losses ("ECL") only when there has been a significant increase in credit risk since initial recognition. If the credit risk on such financial instruments has not increased significantly since initial recognition, the Company measures the loss allowance on those financial instruments at an amount equal to 12-months ECL.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of a financial asset. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial asset that are possible within 12 months after the reporting date. In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Company compares the risk of default occurring on the financial asset at the reporting date with the risk of default occurring at the initial recognition. The Company considers both quantitative and qualitative factors that are supportable, including historical experience and forward-looking information that is available without undue cost or effort.

Irrespective of the above assessment, the Company presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company has reasonable and supportable information that demonstrates otherwise. Despite the foregoing, the Company presumes that the credit risk on a financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date.

The Company regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

For internal credit risk management purposes, the company considers a financial asset not recoverable if the customer balance owing is 90 days past due and information obtained from the customer and other external factors indicate that the customer is unlikely to pay its creditors in full.

Write off policy

Loans and debt securities are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Company determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

*Financial liabilities*

Initial recognition and measurement

Financial liabilities are measured at amortized cost, unless they are required to be measured at FVPL as is the case for held for trading or derivative instruments, or the Company has opted to measure the financial liability at FVPL. The Company's financial liabilities include accounts payable and accrued liabilities, loan payable, and lease liability, which are each measured at amortized cost. All financial liabilities are recognized initially at fair value and in the case of long-term debt, net of directly attributable transaction costs.

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**Therma Bright Inc.**  
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**3. Material accounting policies (continued)**

**Financial instruments (continued)**

Subsequent measurement – financial liabilities at amortized cost

After initial recognition, financial liabilities measured at amortized cost are subsequently measured at the end of each reporting period at amortized cost using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and any fees or costs that are an integral part of the EIR.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires with any associated gain or loss recognized in other income or expense in the statements of loss.

*Fair value measurement*

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence for the fair value of a financial instrument on initial recognition is normally the transaction price (i.e. the fair value of the consideration given or received). If the company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted market price in an active market for an identical asset or liability nor based on a valuation technique for which any observable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed.

If an asset or a liability at fair value has a bid price and ask price, then the Company measures assets and long positions at bid price and liabilities and short positions at an ask price.

Portfolio of financial assets and financial liabilities that are exposed to market risk and credit that are managed by the Company on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio-level adjustments e.g. bid-ask adjustment or credit risk adjustment that reflect the measurement on the basis on the net exposure are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instrument in the portfolio.

The fair value of a financial liability with a demand feature is not less than the amount payable or demand, discounted from the first date on which the amount could be required to be paid. The Company recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the changes as occurred.

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**Therma Bright Inc.**  
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**3. Material accounting policies (continued)**

**Impairment of long-lived assets**

The carrying amounts of long-lived assets, including property and equipment and intangible assets, are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount. If any such indication exists, then the asset's recoverable amount is estimated. Where the carrying value of an asset exceeds its recoverable amount, which is higher of the value in use and fair value less costs to sell, the asset is written down accordingly. Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the asset's cash-generating unit, which is the lowest group of assets in which the asset belongs for which there are separate cash inflows that are largely independent of the cash inflows from other assets. Intangible assets that have indefinite lives and intangible assets not yet put into use are evaluated for impairment at least annually. Write-downs as a result of impairment are recognized in the consolidated statements of income (loss) and comprehensive income (loss).

An impairment exists when the carrying amount of an asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell or its value in use. The fair value less costs to sell calculation is based on available data from observable market prices, less incremental costs. The value in use calculation is based on a discounted cash flow model. These calculations require the use of estimates and forecasts of future cash flows. Qualitative factors, including market size and market growth trends, strength of customer demand and degree of variability in cash flows, as well as other factors, are considered when making assumptions about future cash flows and the appropriate discount rate. A change in any of the significant assumptions or estimates used to evaluate the underlying assets could result in a material change to the carrying amount of the asset and/or its recoverable amount.

The Company's impairment tests for goodwill and intangible assets are based on the greater of value in use calculations that use a discounted cash flow model and estimated fair value less cost to sell. The value-in-use calculations employ the following key assumptions: future cash flows, growth projections including economic risk assumptions and estimates of achieving key operating metrics. The cash flows are derived from the Company's budget for the future and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the asset base of the cash-generating unit ("CGU") being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The estimated fair value less cost to sell is based on the amount obtainable from the sale of the asset in an arm's length transaction between knowledgeable and willing parties, less cost of disposal.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU to which the goodwill relates. The Company defines its CGUs based on the way it internally monitors and derives economic benefits from the acquired goodwill. Impairment losses for a CGU is first allocated to reduce goodwill. An impairment loss in respect of goodwill is not reversed in future periods.

**Warrants**

When the Company issues units under a private placement comprising common shares and warrants, the Company follows the residual value method of accounting for warrants attached to and issued with common shares of the Company. Under this method, the fair value of warrants issued is estimated using a Black-Scholes option pricing model. The equity component is assigned the residual amount after deducting from the proceeds from the issuance of the instrument the fair value amount separately determined for the warrant component.

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**Therma Bright Inc.**  
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**3. Material accounting policies (continued)**

**Stock-based compensation**

The Company uses the fair value based method of accounting for all stock options granted to its directors, officers and employees, whereby a compensation expense is recognized over the vesting period of the options, with a corresponding increase to the share option reserve in equity. When stock options are exercised, capital stock is credited by the sum of the consideration paid together with the related portion previously recorded to the stock option reserve.

**Income taxes**

The Company follows the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized based on temporary differences between the tax and accounting bases of assets and liabilities, as well as losses available to be carried forward to future years for income tax purposes.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Changes to these balances are recognized in income in the period in which they occur. Deferred tax assets are reduced by a valuation allowance to the extent that it is no longer probable that the related tax benefit will be realized.

**Earnings (loss) per share**

Basic earnings (loss) per common share is determined by dividing net income (loss) attributed to common shareholders by the weighted average number of common shares outstanding during the year. The effects of potential issues of shares pursuant to outstanding share purchase option agreements are disclosed as appropriate. If the Company has outstanding dilutive stock options and warrants in any period, the diluted earnings (loss) per share will be calculated using the treasury stock method. Anti-dilutive effects will not be disclosed.

**Currency translation**

All figures presented in the consolidated financial statements are reflected in Canadian dollars unless otherwise noted.

Foreign currency transactions are translated into Canadian dollars at exchange rates in effect on the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated to Canadian dollars at the foreign exchange rate applicable as that date. Realized and unrealized exchange gains and losses are recognized through profit or loss.

**Therma Bright Inc.**  
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**3. Material accounting policies (continued)**

**New accounting standards adopted**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods commencing on or after January 1, 2024.

*IAS 1, Presentation of Financial Statements ("IAS 1") - Classification of Liabilities as Current or Non-Current*

In January 2020, the IASB issued amendments to IAS 1. The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the consolidated statements of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. Adoption of these amendments had no significant effect on the Company's consolidated financial statements.

All other IFRSs and amendments issued but not yet effective have been assessed by the Company and are not expected to have a material impact on the Company's consolidated financial statements.

**4. Asset acquisition**

In September 2023, the Company entered into an agreement with Ketiko Bio Corp. ("Ketiko"), wherein the Company issued 27,500,000 shares to Ketiko in exchange for 4,159,904 shares in the capital of InVixa, Inc. ("InVixa") from Ketiko, representing approximately 61% of the issued and outstanding shares therein. In connection with the acquisition, the Company issued a finder's fee through the issuance of 1,736,111 shares in the Company's capital stock to an arm's length finder for its assistance in sourcing the transaction.

The transaction resulted in the Company obtaining control of InVixa by obtaining control of the voting rights, governance, management decision making processes, and the resulting power to govern the financial and operating policies of InVixa.

The Company elected to apply the optional test to identify concentration of fair value to determine whether the transaction constitutes a business combination or an asset acquisition. It was determined that the acquisition met the concentration test and the transaction has been accounted for as an asset acquisition with the guidance provided in IFRS 2, Share-Based Payments.

The Company recognized the fair value of the acquisition using the fair value of the shares issued on the date of acquisition and the fair value of other direct acquisition costs. The Company allocated the acquisition costs of \$1,022,782 of the acquisition to the individual assets acquired and liabilities assumed on the basis of their relative fair values as follows:

Prepaid expenses	\$	790
Intangible assets - Intellectual property		1,022,782
Non-controlling interest		(308)
Purchase price	\$	1,023,264
Purchase price consists of:		
27,500,000 common shares of the Company	\$	962,500
Transaction cost (1,736,111 common shares of the Company)		60,764
	\$	1,023,264

During the year ended July 31, 2024, the Company recognized an impairment loss of intangible assets of \$1,022,782 due to the uncertainty of timing and amount of future economic benefits.

**Therma Bright Inc.**  
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**5. Marketable securities**

	July 31, 2025	July 31, 2024
Balance, beginning of year	\$ -	\$ -
Additions	66,557	-
Unrealized loss on marketable securities	(29,951)	-
Balance, end of year	\$ 36,606	\$ -

(i) On November 6, 2024, the Company settled the promissory note balance of \$66,557 by common shares of City View Green Holdings Inc. ("CVGR") (see note 7).

As at July 31, 2025, the fair value of CVGR had declined and the Company recognized an unrealized loss on marketable securities at amount of \$29,951 (2024 - \$nil).

**6. Inventory**

Inventory consists solely of finished goods. Inventory recognized as an expense for the year ended July 31, 2025 amounts to \$25,418 (2024 - \$614).

**7. Promissory note receivable**

During the year ended July 31, 2022, the Company entered into a consulting agreement for services with CVGR, a company with common officers and directors, to develop a pain formulation containing CBD for use with the Company's product portfolio. As part of the agreement, the Company advanced \$200,000 to CVGR pursuant to a 2-year promissory note with a 10% interest rate. The promissory note is reviewed annually to calculate the value of services performed by CVGR. The promissory note is due and receivable on demand by the Company in the event this agreement is terminated.

During the year ended July 31, 2024, the Company determined that a portion of the promissory note is not recoverable and recorded an impairment loss on the promissory note receivable of \$129,930.

For the year ended July 31, 2025, the Company recorded interest income on this note of \$5,041 (2024 - \$20,055). During the year ended July 31, 2025, the Company recorded consulting fees payable to CVGR at amount of \$53,541 (2024 - \$nil), which were offset against the promissory note in same amount.

On November 6, 2024, the Company settled the remaining promissory note balance of \$66,557 by 665,570 common shares of CVGR (note 5).

**8. Investments**

	Inretio (a)	InStatin (b)	Total
Balance, July 31, 2023	\$ 840,034	\$ -	\$ 840,034
Addition (b)	-	1,100,760	1,100,760
Change in fair value of investment	(67,420)	245,618	178,198
Balance, July 31, 2024	772,614	1,346,378	2,118,992
Change in fair value of investment	(772,614)	(1,346,378)	(2,118,992)
Balance, July 31, 2025	\$ -	\$ -	\$ -

**Therma Bright Inc.**  
**Notes to Consolidated Financial Statements**  
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**8. Investments (continued)**

(a) The Company entered into a share purchase agreement with Inretio Ltd. ("Inretio") for its protective blood clot retriever technology. The Company had the right to invest up to US\$2,000,000 in cash and USD \$500,000 in the Company's shares for a 25% interest in Inretio, subject to TSXV approval. The cash and shares were payable, at the Company's option, upon certain milestones being achieved by Inretio over time by the end of May 31, 2024. During the year ended July 31, 2023, the Company made the payments to Inretio totaling \$373,520 (US\$275,000) and issued 6,766,500 common shares valued at \$473,655 at the Company's share price at the date of issue.

As at July 31, 2025, the Company's ownership interest in Inretio is 7.5% (July 31, 2024 - 7.5%).

(b) In September 2023, the Company entered into an agreement with 2740162 Ontario Inc., operating as August Therapeutics ("August"), wherein the Company issued 27,500,000 shares to August (issued in October 2023) in exchange for 520,000 shares in the capital of InStatin, Inc. ("InStatin") Additionally, an option provided the Company with the right to purchase up to an additional 577,386 shares in the capital of InStatin in consideration of cash payments of up to US\$499,997 until December 31, 2023. The Company did not exercise this option. In connection with the acquisition, the Company issued a finder's fee through the issuance of 1,736,111 shares in the Company's capital stock to an arm's length finder for its assistance in sourcing the transaction. During the year ended July 31, 2024, the Company further advanced \$138,260 (US\$100,000) to InStatin for as a simple agreement for future equity (SAFE) investment.

As at July 31, 2025, the Company's ownership interest in InStatin is 17.3%.

(c) During the year ended July 31, 2025, the Company assessed the fair value of its investments in Inretio and InStatin and concluded that the fair value is \$nil. As a result, the Company recorded a loss of \$2,118,992 resulting from the change in fair value.

**9. Equipment**

<b>Cost</b>	<b>Furniture and fixtures      Moulds      Total</b>		
Balance, July 31, 2023 and 2024 and July 31, 2025	\$ 3,081	\$ 100,000	\$ 103,081
<b>Accumulated depreciation</b>			
Balance, July 31, 2023	2,050	73,798	75,848
Depreciation for the year	207	5,240	5,447
Balance, July 31, 2024	2,257	79,038	81,295
Depreciation for the year	166	4,192	4,358
Balance, July 31, 2025	2,423	83,230	85,653
<b>Carrying value</b>			
Balance, July 31, 2024	\$ 824	\$ 20,962	\$ 21,786
Balance, July 31, 2025	\$ 658	\$ 16,770	\$ 17,428

## Therma Bright Inc.

### Notes to Consolidated Financial Statements Years Ended July 31, 2025 and 2024 (Expressed in Canadian Dollars)

#### 10. Intangible assets

Cost	Patents and trade marks	Domain name	Licensing rights	Intellectual property	Total
Balance, July 31, 2023	\$ 200,000	\$ 49,490	\$ 562,160	-	\$ 811,650
Additions (note 4)	-	-	-	1,022,782	1,022,782
Impairment (a)	-	(49,490)	-	(1,022,782)	(1,072,272)
Balance, July 31, 2024	200,000	-	562,160	-	762,160
Impairment (b)	-	-	(562,160)	-	(562,160)
Balance, July 31, 2025	\$ 200,000	\$ -	\$ -	\$ -	\$ 200,000

#### Accumulated amortization

Balance, July 31, 2023	147,733	12,123	28,108	-	187,964
Amortization for the year	10,453	2,474	56,217	-	69,144
Impairment (a)	-	(14,597)	-	-	(14,597)
Balance, July 31, 2024	158,186	-	84,325	-	242,511
Amortization for the year	8,364	-	56,215	-	64,579
Impairment (b)	-	-	(140,540)	-	(140,540)
Balance, July 31, 2025	166,550	-	-	-	166,550

#### Carrying value

Balance, July 31, 2024	\$ 41,814	\$ -	\$ 477,835	\$ -	\$ 519,649
Balance, July 31, 2025	\$ 33,450	\$ -	\$ -	\$ -	\$ 33,450

- (a) During the year ended July 31, 2024, the Company determined it will not be able to recover any amount from its domain name and intellectual property. As a result, the Company recorded an impairment loss of \$1,057,675.
- (b) During the year ended July 31, 2025, the Company determined it will not be able to recover any amount from its licensing rights. As a result, the Company recorded an impairment loss of \$421,620.

#### 11. Right-of-use assets

Balance, July 31, 2023	\$ 47,768
Depreciation	(24,923)
Balance, July 31, 2024	22,845
Depreciation	(22,845)
Balance, July 31, 2025	\$ -

The office lease terminated on June 30, 2025.

#### 12. Accounts payable and accrued liabilities

	As at July 31, 2025	As at July 31, 2024
Accounts payable and accrued liabilities	\$ 991,268	\$ 1,069,561
Amounts due to related parties (note 20)	783,036	730,720
Total accounts payable and accrued liabilities	\$ 1,774,304	\$ 1,800,281

**Therma Bright Inc.**  
**Notes to Consolidated Financial Statements**  
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**13. Loan payable**

**Canada Emergency Business Account (CEBA) loan**

In April 2020, the Company received \$40,000 in a CEBA loan, funded by the Government of Canada. For qualifying entities, the loan was non-interest bearing until December 31, 2023, and bears interest after that date of 5% up to December 31, 2025 at which point the balance is due in full. The Company did not qualify for the CEBA loan and the loan is due in full on December 31, 2023. As at July 31, 2025, the loan is in default due to non-payment.

**14. Lease liabilities**

The lease payments are discounted using a weighted average incremental borrowing rate of 10%.

Balance, July 31, 2023	\$ 50,388
Interest expense	8,604
Lease payments	(33,600)
Balance, July 31, 2024	\$ 25,392
Interest expense	2,608
Lease payments	(28,000)
Balance, July 31, 2025	\$ -

In July 2025, the Company entered into an office lease with an expiry date of June 30, 2026. Because the lease term is 12 months, management classified it as a short-term lease in accordance with IFRS 16 and recognized the lease payment of \$2,800 for July 2025 as rent expense. As at July 31, 2025, the remaining commitment under this short-term lease is \$30,800.

**15. Share capital**

**a) Authorized**

Unlimited number of common and preferred shares without par value.

On July 8, 2025, the Company completed a 8 for 1 share consolidation. The share consolidation has been applied retrospectively and as a result, all shares and per share amounts are stated on an adjusted basis.

**b) Issued**

	Number of common shares	Amount
Balance, July 31, 2023	32,180,441	\$ 21,834,955
Private placement (i)(iii)	12,500,000	1,000,000
Shares issued for debt settlement (ii)	2,406,250	385,000
Shares issued for asset acquisition (note 4)	3,654,513	1,023,264
Shares issued for investments (note 8(b))	3,437,500	962,500
Shares issued for services (note 8(b))	217,013	60,764
Balance, July 31, 2024	54,395,717	\$ 25,266,483
Private placements (iv)	364,375	174,900
Shares issued for debt settlement (v)(vi)(vii)(viii)(ix)	3,242,786	1,107,127
Balance, July 31, 2025	58,002,878	\$ 26,548,510

**Therma Bright Inc.**  
**Notes to Consolidated Financial Statements**  
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**15. Share capital (continued)**

**b) Issued (continued)**

- (i) On June 10, 2024, the Company completed the first tranche of a non-brokered private placement, wherein the Company issued 10,681,250 units (the "Units") at \$0.08 per Unit for gross proceeds of \$854,500. Each Unit consisted of one common share and one half warrant. Each of these whole warrants entitles the holder to purchase one common share for \$0.40 during the first year and \$0.80 during the second and third years and expires on June 10, 2027.
- (ii) On June 19, 2024, the Company settled aggregate debt of \$192,500, in consideration for which it issued an aggregate of 2,406,250 common shares valued at \$0.16 per share. As a result, the Company recorded a loss on debt settlement of \$192,500.
- (iii) On June 20, 2024, the Company completed the second and final tranche of a non-brokered private placement, wherein the Company issued 1,818,750 Units at \$0.08 per Unit for gross proceeds of \$145,500. Each of these whole warrants entitles the holder to purchase one common share for \$0.40 and expires in 3 years on June 20, 2027.
- (iv) On October 10, 2024, the Company completed the first tranche of a non-brokered private placement, wherein the Company issued 364,375 shares at \$0.48 per share for gross proceeds of \$174,900.
- (v) On October 18, 2024, the Company settled aggregate debt of \$404,500, in consideration for which it issued an aggregate of 632,031 common shares valued at \$0.64 per share.
- (vi) On December 16, 2024, the Company settled aggregate debt of \$297,326, in consideration for which it issued an aggregate of 1,061,880 common shares valued at \$0.28 per share.
- (vii) On February 3, 2025, the Company settled aggregate debt of \$113,000, in consideration for which it issued an aggregate of 353,125 common shares valued at \$0.32 per share.
- (viii) On July 3, 2025, the Company settled aggregate debt of \$168,300, in consideration for which it issued an aggregate of 420,750 common shares valued at \$0.40 per share. As a result, the Company recorded a loss on debt settlement of \$549.
- (ix) On July 7, 2025, the Company settled aggregate debt of \$124,000, in consideration for which it issued an aggregate of 775,000 common shares valued at \$0.16 per share.

**16. Warrants reserve**

The following table reflects the continuity of warrants for the years ended July 31, 2025 and 2024:

	Number of warrants	Weighted average exercise price
Balance, July 31, 2023	3,182,500	\$ 2.88
Issued (note 10 and (i))	6,250,000	0.40
Expired	(140,625)	3.51
Balance, July 31, 2024	9,291,875	\$ 1.20
Expired	(29,375)	3.20
Balance, July 31, 2025	9,262,500	\$ 1.20

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**16. Warrants reserve (continued)**

The following table summarizes the warrants outstanding and exercisable at July 31, 2025:

<b>Issue date</b>	<b>Expiry date</b>	<b>Exercise price (\$)</b>	<b>Number of warrants</b>
February 18, 2022	February 18, 2027	3.00	2,500,000
February 18, 2022	February 18, 2027	3.00	200,000
June 23, 2023	June 23, 2026	1.36	312,500
June 10, 2024	June 10, 2027	0.40	5,340,625
June 20, 2024	June 20, 2027	0.40	909,375
		1.20	9,262,500

Some of the warrants are subject to acceleration in the event the Company's common shares trade at or above certain share prices.

**17. 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 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:

	<b>Number of stock options</b>	<b>Weighted average exercise price</b>
Balance, July 31, 2023	2,721,875	\$ 2.41
Issued (i)(ii)(iii)	2,848,875	0.40
Expired	(125,000)	3.52
Cancelled	(43,750)	2.35
Balance, July 31, 2024	5,402,000	\$ 1.32
Issued (i)	412,500	0.64
Expired	(659,375)	3.60
Balance, July 31, 2025	5,155,125	\$ 0.98

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**17. Stock options (continued)**

- (i) On May 22, 2024, the Company granted stock options to directors, officers and consultants to purchase up to 1,375,000 common shares of the Company. The options are exercisable for 3 years at a price of \$0.40 per share. The options vested immediately. The estimated fair value of these options at the grant date was \$117,700 using the Black-Scholes valuation model, using the underlying weighted average assumptions: risk-free rate: 4.05%; expected life: 3 years; expected volatility: 157% based on historical trends; forfeiture rate: nil; expected dividend yield: 0%; and share price: \$0.12.
- (ii) On July 3, 2024, the Company granted stock options to directors, officers and consultants to purchase up to 1,328,875 common shares of the Company. The options are exercisable for 3 years at a price of \$0.40 per share. The options vested immediately. The estimated fair value of these options at the grant date was \$167,970 using the Black-Scholes valuation model, using the underlying weighted average assumptions: risk-free rate: 3.87%; expected life: 3 years; expected volatility: 169% based on historical trends; forfeiture rate: nil; expected dividend yield: 0%; and share price: \$0.16.
- (iii) On July 8, 2024, the Company granted stock options to a consultant to purchase up to 145,000 common shares of the Company. The options are exercisable for 3 years at a price of \$0.40 per share. The options vested immediately. The estimated fair value of these options at the grant date was \$13,340 using the Black-Scholes valuation model using the underlying weighted average assumptions: risk-free rate: 3.77%; expected life: 3 years; expected volatility: 170% based on historical trends; forfeiture rate: nil; expected dividend yield: 0%; and share price: \$0.12.
- (iv) On September 12, 2024, the Company granted stock options to directors, officers and consultants to purchase up to 412,500 common shares of the Company. The options are exercisable for 3 years at a price of \$0.64 per share. The options vested immediately. The estimated fair value of these options at the grant date was \$170,940 using the Black-Scholes valuation model using the underlying weighted average assumptions: risk-free rate: 2.92%; expected life: 3 years; expected volatility: 178% based on historical trends; forfeiture rate: nil; expected dividend yield: 0%; and share price: \$0.48.

The following table reflects the stock options issued and outstanding as of July 31, 2025:

<b>Expiry date</b>	<b>Exercise price (\$)</b>	<b>Weighted average remaining contractual life (years)</b>	<b>Number of options outstanding</b>	<b>Number of options vested (exercisable)</b>
August 20, 2025	1.76	0.05	1,368,750	1,368,750
August 26, 2025	1.76	0.07	25,000	25,000
December 7, 2025	1.76	0.35	31,250	31,250
December 24, 2025	1.76	0.40	25,000	25,000
January 5, 2026	2.24	0.43	93,750	93,750
January 25, 2026	3.60	0.49	37,500	37,500
March 4, 2026	2.40	0.59	312,500	312,500
May 22, 2027	0.40	1.81	1,375,000	1,375,000
July 3, 2027	0.40	1.92	1,328,875	1,328,875
July 8, 2027	0.40	1.94	145,000	145,000
September 12, 2027	0.64	2.12	412,500	412,500
	<b>\$0.98</b>	<b>1.27</b>	<b>5,155,125</b>	<b>5,155,125</b>

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**18. Income taxes**

**(a) Deferred income taxes**

Significant components of the Company's deferred tax assets and liabilities are as follows:

	<b>2025</b>	<b>2024</b>
<b>Deferred income tax asset</b>		
Operating losses available to offset future taxes	\$ 5,731,000	\$ 5,384,000
Equipment	62,000	59,000
Share issuance costs	21,000	44,000
Investments	118,000	(32,000)
	<b>5,932,000</b>	<b>5,455,000</b>
Valuation allowance	<b>(5,932,000)</b>	<b>(5,455,000)</b>
<b>Net deferred tax assets</b>	<b>\$ -</b>	<b>\$ -</b>

The Company has determined that realization of a deferred tax asset is not probable and therefore a valuation allowance has been recorded against the deferred income tax asset.

**(b) Current income taxes**

The provision for (recovery of) income taxes recorded in the consolidated financial statements differs from the amount which would be obtained by applying the statutory income tax rate of 23% (2024 - 23%) to the loss for the periods as follows:

	<b>2025</b>	<b>2024</b>
<b>Loss before income taxes for the year</b>	<b>\$ (4,342,907)</b>	<b>\$ (2,451,307)</b>
Anticipated income tax recovery	<b>(999,000)</b>	(564,000)
Tax effect of the following:		
Change in deferred tax asset not recognized	<b>348,000</b>	218,000
Impairment loss	<b>584,000</b>	243,000
Loss on debt settlement	-	44,000
Share-based compensation	<b>39,000</b>	69,000
Other	<b>28,000</b>	(10,000)
<b>Provision for income taxes</b>	<b>\$ -</b>	<b>\$ -</b>

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**18. Income taxes (continued)**

**(c) Income tax losses carried forward**

As at July 31, 2025, the Company has non-capital losses of \$24,919,000 for tax purposes which can be applied against future taxable income that expire as follows:

Year of expiration	
2026	\$ 1,207,000
2027	1,271,000
2028	900,000
2029	1,775,000
2030	419,000
2031	511,000
2032	546,000
2035	144,000
2036	110,000
2037	1,322,000
2038	1,048,000
2039	260,000
2040	540,000
2041	4,236,000
2042	3,918,000
2043	3,952,000
2044	1,251,000
2045	1,509,000
	<u>\$ 24,919,000</u>

**19. Loss per share**

For the year ended July 31, 2025, basic and diluted loss per share has been calculated based on the loss attributable to common shareholders of \$4,342,907 (2024 - \$2,451,307) and the weighted average number of common shares outstanding of 56,100,295 (2024 - 39,780,238). Diluted loss per share did not include the effect of 5,155,125 stock options (2024 - 5,402,000 stock options) or 9,262,500 warrants (2024 - 9,291,875 warrants) as they are anti-dilutive.

**20. Related party transactions (see also notes 5, 7, 12 and 17)**

Related parties include management, 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:

	Year Ended July 31,	
	2025	2024
Marrelli Support Services Inc. ("Marrelli Support") (i)	\$ 34,458	\$ 34,930
Intelvest Inc. ("Intelvest") (ii)	187,500	187,500
Alex Saringer (iii)	16,000	-
<b>Total</b>	<b>\$ 237,958</b>	<b>\$ 222,430</b>

# Therma Bright Inc.

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### 20. Related party transactions (see also notes 5, 7, 12 and 17) (continued)

- (i) For the year ended July 31, 2025, the Company expensed \$34,458 (2024 - \$34,930) to Marrelli Support for the services of an employee of Marrelli Support to act as the Chief Financial Officer of the Company. In addition, Marrelli Support also provides bookkeeping services to the Company. As at July 31, 2025, Marrelli Support was owed \$10,478 (July 31, 2024 - \$8,791) and this amount is included in accounts payable and accrued liabilities.
- (ii) For the year ended July 31, 2025, the Company expensed \$187,500 (2024 - \$187,500) to Intelvest, a company controlled by a director and officer of the Company, for the management services of Rob Fia to act as Chief Executive Officer ("CEO") of the Company. As at July 31, 2025, \$751,260 (July 31, 2024 - \$711,929) is included in accounts payable and accrued liabilities.
- (iii) For the year ended July 31, 2025, the Company expensed \$16,000 (2024 - \$nil) to Alex Saringer, a former director of the Company, for the Consulting services. As at July 31, 2025, \$21,298 (July 31, 2024 - \$nil) is included in accounts payable and accrued liabilities.

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

	Year Ended July 31,	
	2025	2024
Share-based payments	\$ 51,800	\$ 80,950

As at July 31, 2025, directors and key management personnel of the Company were owed \$nil (July 31, 2024 - \$10,000) for remuneration and reimbursable expenses.

As at July 31, 2025, the Company had advanced \$nil (July 31, 2024 - \$41,610) to the CEO for reimbursable expenses.

### 21. Financial instruments and risk management

#### (a) Fair value of financial instruments

The Company has classified its financial instruments as follows:

	July 31, 2025	July 31, 2024
<b>Financial assets</b>		
<i>FVPL</i>		
Cash	\$ 1,467	\$ 1,096
Investments	-	2,118,992
<i>Amortized cost</i>		
Promissory note receivable	-	115,057
<b>Financial liabilities</b>		
<i>Amortized cost</i>		
Accounts payable and accrued liabilities	\$ 1,774,304	\$ 1,800,281
Loan payable	40,000	40,000
Lease liability	-	25,392

The carrying value of the Company's financial instruments approximate their fair value.

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**21. Financial instruments and risk management (continued)**

**(b) Fair value hierarchy of financial instruments**

The company has categorized its financial instruments that are carried at fair value, based on the priority of the inputs to the valuation techniques used to measure fair value, into a three-level fair value hierarchy as follows:

Level 1: Fair value is based on unadjusted quoted prices for identical assets or liabilities in an active market. The types of assets and liabilities classified as Level 1 generally include cash.

Level 2: Fair value is based on quoted prices for similar assets or liabilities in active markets, valuation that is based on significant observable inputs, or inputs that are derived principally from or corroborated with observable market data through correlation or other means. Currently, the company has no financial instruments that would be classified as Level 2.

Level 3: Fair value is based on valuation techniques that required one or more significant input that is not based on observable market inputs. These unobservable inputs reflect the Company's assumptions about the assumptions market participants would use in pricing the asset or liability. The investment is classified as Level 3.

There were no transfers between levels of the fair value hierarchy for the year end July 31, 2025.

**Fair value measurements using significant unobservable inputs**

The key assumptions the Company used in the valuation of level 3 investments included and are not limited to entity-specific information and publicly available information for comparable entities.

The following table provides a reconciliation of Level 3 investments held during the year:

Balance, July 31, 2023	\$	840,034
Addition		1,100,760
Change in fair value of investment measured at FVPL		178,198
Balance, July 31, 2024	\$	2,118,992
Change in fair value of investment measured at FVPL		(2,118,992)
Balance, July 31, 2025	\$	-

**(c) Financial risk management**

The Company is exposed through its operations to the following financial risks:

- ◆ Credit risk
- ◆ Currency risk
- ◆ Liquidity risk

Credit risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfil its payment obligations. The Company's credit risk is primarily attributable to cash, accounts receivable, and promissory notes receivable. Cash is held with select major Canadian chartered banks, from which management believes the risk of loss to be minimal.

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**21. Financial instruments and risk management (continued)**

**(c) Financial risk management (continued)**

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The operating results and financial position of the Company are reported in Canadian dollars. The Company's operations are in Canada. The Company considers this risk to be minimal.

Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company monitors its liquidity position regularly to assess whether it has the funds necessary to pay for the general and administrative expenses necessary to maintain the Company's books and records as well as its listing on the TSXV. However, as a company without a significant internally generated cash flow, there are inherent liquidity risks, including the possibility that additional financing may not be available to the Company, or that the Company may not be able to achieve successful operations. The current uncertainty in global markets and the fact that the Company has a nominal amount of assets could have an impact on the Company's future ability to obtain capital on terms that are acceptable to the Company, and on the Company's future ability to achieve successful operations. The Company has so far maintained a limited amount of cash for its operational needs by means of past share issuances. As at July 31, 2025, the Company had cash of \$1,467 (July 31, 2024 - \$1,096) to settle current liabilities of \$1,814,304 (July 31, 2024 - \$1,865,673). The Company's financial liabilities, except lease liability, have contractual maturities of less than 30 days and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity and the Company's ability to continue as a going concern (see note 1). The Company's ability to continually meet its obligations and carry out its planned operations is uncertain and dependent upon the continued financial support of its shareholders and securing additional financing.

The following table summarizes the maturities of the Company's financial liabilities as at July 31, 2025 based on undiscounted contractual cash flows:

	<b>&lt; 1 year</b>	<b>1-5 years</b>	<b>5+ years</b>	<b>Total</b>
Accounts payable and accrued liabilities	\$ 1,774,304	\$ -	\$ -	\$ 1,774,304
Loan payable	40,000	-	-	40,000
	<b>\$ 1,814,304</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,814,304</b>

**22. Capital risk management**

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and financial markets in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, or adjusting spending. The capital structure is reviewed by management and the Board of Directors on an ongoing basis.

The Company considers its capital structure to consist of shareholders' equity, which at July 31, 2025 totaled a deficiency of \$1,565,609 (July 31, 2024 - equity of \$1,324,331). The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The Company is not subject to any capital requirements imposed by a lending institution.

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**23. Subsequent events**

On August 28, 2025, the Company announced that, subject to the approval of the TSXV, the Company intends to amend the exercise price of an aggregate of 6,250,000 common share purchase warrants of the Company that were issued as part of the Company's private placements that closed in two tranches on June 10, 2024 and June 20, 2024 from \$0.80 per share to \$0.06 per share. All other terms of the warrants remain the same, including the expiry dates.

Subsequent to July 31, 2025, 1,393,750 stock options expired unexercised.