



SPECTRAL MEDICAL INC.

Condensed Interim Consolidated Financial Statements

September 30, 2025

Spectral Medical Inc.

Condensed Interim Consolidated Statements of Financial Position

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

(Unaudited)

	Notes	September 30, 2025 \$	December 31, 2024 \$
Assets			
Current assets			
Cash		5,892	2,988
Trade and other receivables		433	451
Inventories		218	229
Prepayments and other assets		711	790
		7,254	4,458
Non-current assets			
Right-of-use-asset		352	444
Property and equipment		172	243
Intangible asset		347	175
Total assets		8,125	5,320
Liabilities			
Current liabilities			
Trade and other payables		2,978	2,769
Current portion of contract liabilities	6	759	380
Current portion of lease liability		134	129
Notes payable	7	16,087	14,425
Derivative Liability	7	47,411	9,742
		67,369	27,445
Non-current liability			
Lease liability		270	371
Non-current portion of contract liabilities	6	4,685	5,049
Promissory Note	8	4,221	-
Non-current interest accrual promissory note	8	244	-
Total liabilities		76,789	32,865
Shareholders' (deficiency) equity			
Share capital	10	93,774	90,566
Contributed surplus		10,149	10,149
Share-based compensation		12,061	11,196
Warrants		1,046	1,383
Deficit		(185,694)	(140,839)
Total shareholders' (deficiency) equity		(68,664)	(27,545)
Total liabilities and shareholders' (deficiency) equity		8,125	5,320

Going concern (Note 1)
Contingencies and commitments (Note 9)
Subsequent Events (Note 18)

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

Spectral Medical Inc.

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

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

(Unaudited)

			Reclassified (Refer Note17)		Reclassified (Refer Note17)
	Notes	Three months ended September 30, 2025	Three months ended September 30, 2024	Nine months ended September 30, 2025	Nine months ended September 30, 2024
		\$	\$		\$
Revenue	6	675	502	2,060	1,641
Expenses					
Cost of goods sold		191	88	548	364
Gross Profit		484	414	1,512	1,277
Raw materials and consumables used		163	293	364	852
Salaries and benefits	14	1,046	1,065	3,127	3,046
Consulting and professional fees		1,375	1,282	3,956	3,652
Regulatory and investor relations		393	284	659	585
Travel and entertainment		63	136	238	407
Facilities and communication		91	62	178	239
Insurance		98	105	281	315
Depreciation and amortization		53	51	121	138
Interest expense	7	1,364	970	3,622	2,178
Finance income promissory note	8	(2,252)	-	(5,389)	-
Foreign exchange (gain) loss		551	(399)	(1,032)	129
Share-based compensation	10	336	241	1,903	1,497
Other expense		46	163	161	704
Fair value adjustment derivative liabilities	7	27,473	6,156	38,175	6,088
		30,800	10,409	46,364	19,830
Loss and comprehensive loss for the period from continuing operations		(30,316)	(9,995)	(44,852)	(18,553)
Loss from discontinued operations	4	-	-	(3)	(3)
Loss and comprehensive loss for the period		(30,316)	(9,995)	(44,855)	(18,556)
Basic and diluted loss from continuing operations per common share	11	(0.11)	(0.04)	(0.16)	(0.07)
Basic and diluted loss from discontinued operations per common share	11	(0.00)	(0.00)	(0.00)	(0.00)
Basic and diluted loss per common share	11	(0.11)	(0.04)	(0.16)	(0.07)
Weighted average number of common shares outstanding - basic and diluted	11	286,966,412	281,705,359	285,687,827	280,269,516

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

Spectral Medical Inc.

Condensed Interim Consolidated Statements of Changes in Shareholders' Deficiency

In CAD (000s)

		Number of Shares	Share Capital \$	Contributed surplus \$	Share-based compensation \$	Warrants \$	Deficit \$	Total Shareholders' (deficiency) equity \$
Balance January 1, 2024		278,576,261	87,061	8,916	10,385	2,526	(125,437)	(16,549)
Warrants exercised	10	982,500	618	-	-	(121)	-	497
Warrants issued	10	-	-	-	-	211	-	211
Warrants expired		-	-	1,233	-	(1,233)	-	-
Share Options Exercised	10	1,867,627	1,163	-	(524)	-	-	639
RSU released	10	114,210	50	-	(50)	-	-	-
Notes Conversion		1,274,625	979	-	-	-	-	979
Loss and comprehensive Loss for the period		-	-	-	-	-	(18,556)	(18,556)
Share-based compensation	10	-	-	-	1,497	-	-	1,497
Balance September 30, 2024		282,815,223	89,871	10,149	11,308	1,383	(143,993)	(31,282)
Share Options Exercised	10	39,984	27	-	(11)	-	-	16
Notes Conversion	7	605,022	389	-	-	-	-	389
DSU exercise	10	855,978	279	-	(279)	-	-	-
Income and comprehensive Income for the period		-	-	-	-	-	3,154	3,154
Share-based compensation	10	-	-	-	178	-	-	178
Balance December 31, 2024		284,316,207	90,566	10,149	11,196	1,383	(140,839)	(27,545)
Balance January 1, 2025		284,316,207	90,566	10,149	11,196	1,383	(140,839)	(27,545)
Share Options Exercised	10	1,773,216	1,537	-	(670)	-	-	867
RSU released	10	1,037,681	368	-	(368)	-	-	-
Warrants exercised	10	2,011,716	1,303	-	-	(337)	-	966
Loss and comprehensive loss for the period		-	-	-	-	-	(44,855)	(44,855)
Share-based compensation	9	-	-	-	1,903	-	-	1,903
Balance September 30, 2025		289,138,820	93,774	10,149	12,061	1,046	(185,694)	(68,664)

The accompanying notes are an integral part of these condensed interim consolidated financial statements 4

Spectral Medical Inc.

Condensed Interim Consolidated Statements of Cash Flow

In CAD (000s)

(Unaudited)

	Nine months ended September 30, 2025	Nine months ended September 30, 2024
Cash flow provided by (used in)		
Operating activities		
Loss for the period	(44,855)	(18,556)
Adjustments for:		
Finance income on Promissory Note	(5,389)	-
Depreciation on right-of-use asset	92	92
Depreciation on property and equipment	71	85
Amortization of intangible asset	23	13
Amortization and Derivative related financing fee	191	788
Unrealized foreign exchange (gain) and loss	(1,012)	76
Interest expense on lease liability	20	25
Accreted interest on Notes Payable	3,242	2,154
Accreted interest on Promissory Note	115	-
Interest expense on Promissory Note	244	-
Share-based compensation expense	1,903	1,497
Fair value adjustment derivative liabilities	38,175	6,088
Changes in items of working capital:		
Trade and other receivables	18	(151)
Inventories	11	48
Prepayments and other assets	79	(261)
Trade and other payables	240	(24)
Contract liabilities	15	1,603
Net cash used in operating activities	(6,817)	(6,523)
Investing activities		
Purchase of property and equipment	-	(28)
Purchase of Technology	(195)	-
Net cash used in investing activities	(195)	(28)
Financing activities		
Financing charges paid	(207)	(766)
Interest expense paid	(1,263)	(794)
Lease liability payments	(116)	(115)
Share options exercised	867	639
Share warrants exercised	966	497
9% convertible notes issued	-	9,897
Promissory Note issued	9,669	-
Net cash provided by financing activities	9,916	9,358
Increase in cash	2,904	2,807
Cash, beginning of period	2,988	2,952
Cash, end of period	5,892	5,759

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

Spectral Medical Inc.

Notes to the Condensed Interim Consolidated Financial Statements

In CAD (000s)

(Unaudited)

1. Nature of operations and going concern

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

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

Going concern

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

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

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

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

2. Basis of preparation

These condensed interim consolidated financial statements for the three months and nine months ended September 30, 2025 have been prepared in accordance with IFRS® Accounting

The accompanying notes are an integral part of these condensed interim consolidated financial statements 6

Spectral Medical Inc.

Notes to the Condensed Interim Consolidated Financial Statements

In CAD (000s)

(Unaudited)

Standards, issued by the International Accounting Standards Board ("IASB") and IFRIC® Interpretations of the IFRS Interpretations Committee applicable to the preparation of condensed interim consolidated financial statements, including IAS 34 "Interim Financial Reporting". The condensed interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2024 and 2023. The Board of Directors approved these condensed interim consolidated financial statements for issue on November 7, 2025.

3. Summary of material accounting policies

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

Risk management

a. Financial risk management

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

These condensed interim consolidated financial statements do not include all financial risk management information and disclosure required in the annual financial statements. They should be read in conjunction with the annual consolidated financial statements as at December 31, 2024 and 2023. There have been no changes in the risk management or in any risk management policies since year end.

b. Liquidity risk

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

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

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

There can be no assurance that the Company will be able to obtain sufficient capital to meet any or all of the Company's needs. The availability of equity or debt financing will be affected

Spectral Medical Inc.

Notes to the Condensed Interim Consolidated Financial Statements

In CAD (000s)

(Unaudited)

by, among other things, the ability to obtain regulatory approvals, the market acceptance of its products, the state of the capital market generally, strategic alliance agreements and other relevant commercial considerations. In addition, if the Company raised additional funds by issuing equity securities, its existing security holders will likely experience dilution, and any incurrence of additional debt would result in debt service obligations and could require the Company to agree to operating and financial covenants that would restrict its operations. Any failure on the Company's part to raise additional funds on terms favourable to it, or at all, may require it to significantly change or curtail its current or planned operations in order to conserve cash until such time, if ever, that sufficient proceeds from operations are generated, and could result in the Company not taking advantage of business opportunities, the curtailment of its product development programs, the sale or assignment of rights to its technologies and/or products and the inability to file market approval applications at all or in time to competitively market its products.

Trade and other payables were \$ 2,978 as at September 30, 2025 (December 31, 2024 - \$2,769) which have expected settlement dates within one year. Notes payable current were \$16,087 as at September 30, 2025 (December 31, 2024 - \$14,425). Derivative liabilities on the conversion option of the Notes Liability were \$47,411 as at September 30, 2025 (December 31, 2024 - \$9,742). Lease liabilities were \$404 as at September 30, 2025 (December 31, 2024 - \$500). Promissory Note were \$4,221 as at September 30, 2025 (Dec 31, 2024 \$Nil) which is a non-current financial liability due in May 2029.

c. Market risk

1. Currency risk

The majority of the Company's revenue is denominated in U.S. dollars and Euros. As at September 30, 2025, cash included US\$3,430 (December 31, 2024 - US\$ 1,569). Trade and other receivables included a total of US\$80 and €93 (December 31, 2024 - US\$ 151 and €36). Trade and other payables included a total of US\$421 €Nil, ¥Nil (December 31, 2024 - US\$498, €0). There is no active hedging program currently in place due to the relatively short time frame for settlement of these balances.

2. Interest rate risk

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

4. Discontinued Operations

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

Spectral Medical Inc.

Notes to the Condensed Interim Consolidated Financial Statements

In CAD (000s)

(Unaudited)

5. Investment in iDialco

On December 12, 2022, Spectral entered into an investment in an associate in which it obtained a 30% interest in a newly formed dialysis entity named i-Dialco Inc. ("iDialco"), in exchange for contributing certain regulatory approvals and intellectual rights to iDialco. iDialco will continue the development of acute and chronic dialysis devices, and exclusively focus commercialization efforts of the SAMI and DIMI dialysis devices in the North American markets. The principal place of business is in Ontario, Canada.

On December 12, 2022, the Company recorded its investment of \$1,015 in iDialco under the equity method. This represented the estimated fair value of its contributions into iDialco. These contributions included certain DIMI and SAMI device registrations and certifications with an estimated valuation of \$295 in addition to certain developed intellectual rights for the SAMI device with an estimated valuation of \$720. The estimated valuation included estimated internal and external direct and indirect costs in order to acquire and or develop the registrations, certifications and intellectual rights.

At year end December 31, 2023, the Company impaired its investment in iDialco and no further losses were recorded. As at September 30, 2025, the investment was at \$Nil (December 31, 2024 - \$Nil). The Company will continue to track of the future losses and gains booked by iDialco.

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

6. Contract liabilities

	September 30 2025 \$	December 31, 2024 \$
Current portion of contract liability related to exclusive distribution rights	485	485
Contract liabilities related to Vantive HealthCare Corporation Substudy	274	(105)
Total Current Contract liabilities	759	380
Contract liability related to exclusive distribution rights	4,685	5,049
Contract liabilities	5,444	5,429

On August 22, 2023, Spectral executed a collaborative research agreement with Vantive Healthcare Corporation ("Vantive") whereby it will provide certain clinical research services for the completion of PrisMax Substudy in relation to the PMX product. These services include but are not limited to developing a study protocol, clinical trial and data management, monitoring

Spectral Medical Inc.

Notes to the Condensed Interim Consolidated Financial Statements

In CAD (000s)

(Unaudited)

and regulatory services. Revenue is recognized as performance obligations are satisfied over-time. The performance period is expected to be up to 18 months.

On February 10, 2025 the Vantive PrisMax Substudy, an observational study of the safety and efficacy of the PrisMax System Version 3 to perform hemoperfusion, a sub-study to the Tigris clinical trial, met its enrollment target.

For the three months ended September 30, 2025, revenue recognized for the Vantive Substudy was \$108 (\$107 - September 30, 2024) and nine months ended September 30, 2025, revenue recognized for Vantive Substudy was \$529 (\$286 – September 30, 2024) and is included within revenue on the consolidated statements of loss and comprehensive loss. As at September 30, 2025, \$Nil is included in trade and other receivables pertaining to contract billings.

7. Notes Payable

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

On November 2, 2022, the Company closed its prospectus offering of units (the "Unit Offering") of the Company and concurrent private placement and together with the Unit Offering, of US\$5,000 of convertible senior unsecured notes (the "Notes"), bearing interest at 7% and are due on November 2, 2026(the" maturity date"). Aggregate gross proceeds raised pursuant to the Unit Offering and private placement were approximately CAD\$10,800. The Unit Offering consisted of the sale of 10,061,250 Units at a price of CAD\$0.40 per Unit and 5,000 Notes at a price of US\$1,000 per Note. Each Unit consisted of one common share of the Company and one-half (½) of one Common Share purchase warrant of the Company, with each Warrant entitling the holder thereof to acquire one Common Share at a price of CAD\$0.48 for a period of 36 months, expiring November 2, 2025.

Each Note is convertible into approximately 2,828 Common Shares representing a conversion price of approximately CAD\$0.48 per share, subject to certain anti-dilution and make-whole fundamental change adjustments.

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

Spectral Medical Inc.

Notes to the Condensed Interim Consolidated Financial Statements

In CAD (000s)

(Unaudited)

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

	September 30, 2025	December 31, 2024	Initial Recognition
Volatility (%)	51.48	64.45	56.14
Risk free rate (%)	2.47	2.95	3.65
Strike Price (CAD\$)	0.49	0.51	0.48
Market Price (CAD\$)	1.46	0.50	0.385
Expected Life (years)	1.08	1.83	4
Fair Value of derivative liability (\$)	13,942	2,474	2,996

On September 7, 2023, Spectral completed its private placement of USD\$4,553 in convertible senior unsecured notes. The private placement consisted of the sale of 4,553 notes at a price of USD\$1,000 per note, bearing interest of 9% and are due November 1, 2026 (the "maturity date"). Holders of the notes may convert all or any portion of the notes into common shares of the Company in integral multiples of USD \$1,000 principal amount at any time prior to the maturity date. The notes are convertible into approximately 15,475,647 common shares representing a conversion price of approximately CAD\$0.40 per share subject to certain anti-dilution and make-whole fundamental change adjustments.

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

On August 19, 2024, 150 notes having a face value of USD \$1,000 were converted into 509,850 common shares at a conversion rate of 3,399 common shares per USD \$1,000 principal amount of the notes.

On September 25, 2024, 225 notes having a face value of USD \$1,000 were converted into 764,775 common shares at a conversion rate of 3,399 common shares per USD \$1,000 principal amount of the notes.

On November 22, 2024, 178 notes having a face value of USD \$1,000 were converted into 605,022 common shares at a conversion rate of 3,399 common shares per USD \$1,000 principal amount of the notes.

Spectral Medical Inc.

Notes to the Condensed Interim Consolidated Financial Statements

In CAD (000s)

(Unaudited)

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

	September 30, 2025	December 31, 2024	Initial Recognition
Volatility %	51.48	64.45	52.35
Risk free rate %	2.47	2.95	4.32
Strike Price (CAD\$)	0.40	0.42	0.40
Market Price (CAD\$)	1.46	0.50	0.31
Expected Life year (years)	1.08	1.83	3.00
Fair Value of derivative liability (\$)	14,561	2,801	2,160

On May 30, 2024, Spectral completed its private placement of USD \$6,232 in convertible senior unsecured notes. The private placement consisted of the sale of 6,232 notes at a price of USD\$1,000 per note, bearing interest of 9% and are due May 1, 2028 (the "maturity date"). Holders of the notes may convert all or any portion of the notes into common shares of the Company in integral multiples of USD \$1,000 principal amount at any time prior to the maturity date. The notes are convertible into approximately 16,359,000 common shares representing a conversion price of approximately CAD\$0.52 per share subject to certain anti-dilution and make whole fundamental change adjustments.

The host foreign currency debt is measured subsequently at amortised cost, using the effective interest rate method. The effective interest rate that discounts the interest and principal payments to its present value of is 38%.

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

	September 30, 2025	December 31, 2024	Initial Recognition
Volatility (%)	51.48	68.74	51.14
Risk free rate (%)	2.47	2.88	3.65
Strike Price (CAD\$)	0.53	0.55	0.52
Market Price (CAD\$)	1.46	0.50	0.385
Expected Life (year)	2.67	3.33	4
Fair Value of derivative liability (\$)	16,293	3,849	4,833

On July 19, 2024, Spectral completed its private placement of USD \$1,000 in convertible senior unsecured notes of an additional non-brokered offering sold to Birch Hill pursuant to the exercise of its anti-dilution pre-emptive rights relating to the closing of the offering of notes that was

Spectral Medical Inc.

Notes to the Condensed Interim Consolidated Financial Statements

In CAD (000s)

(Unaudited)

completed on May 30, 2024. The private placement consisted of the sale of 1,000 notes at a price of USD\$1,000 per note, bearing interest of 9% and are due May 1, 2028 (the "maturity date"). Holders of the notes may convert all or any portion of the notes into common shares of the Company in integral multiples of USD \$1,000 principal amount at any time prior to the maturity date. The notes are convertible into approximately 2,625,000 common shares representing a conversion price of approximately CAD\$0.52 per share subject to certain anti-dilution and make whole fundamental change adjustments.

The host foreign currency debt is measured subsequently at amortized cost, using the effective interest rate method. The effective interest rate that discounts the interest and principal payments to its present value of is 32%.

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

	September 30, 2025	December 31, 2024	Initial Recognition
Volatility (%)	51.48	68.74	51.21
Risk free rate (%)	2.47	2.88	3.47
Strike Price (CAD\$)	0.53	0.55	0.52
Market Price (CAD\$)	1.46	0.50	0.49
Expected Life (year)	2.67	3.33	3.88
Fair Value of derivative liability (\$)	2,616	618	710

See the table below:

	September 30, 2025 \$	December 31, 2024 \$
Notes Payable	16,343	14,872
Deferred financing charges	(925)	(925)
Accumulated amortization of financing charges	669	478
Notes Payable, net	16,087	14,425

For the three months and nine months ended September 30, 2025, the Convertible Notes Payable incurred interest expense of \$1,106 and \$3,242, respectively (\$963 and \$2,154 for the three months and nine months ended September 30, 2024), and was included within interest expense in the condensed interim consolidated statements of loss and comprehensive loss

8. Promissory Note

On May 6, 2025, Spectral entered into a senior secured promissory note for up to US\$10 million with Vantive US Healthcare LLC ("Promissory Note Agreement"), pursuant to which Vantive will advance funds to Spectral in four separate tranches as certain milestones and conditions are met

Spectral Medical Inc.

Notes to the Condensed Interim Consolidated Financial Statements

In CAD (000s)

(Unaudited)

over the course of the period reaching PMX commercialization. The promissory note matures in four years, and bears interest at an annual rate of 9.00% on drawn amounts. The interest is paid in kind ("PIK") interest. Both principal and accrued PIK interest to be paid in one lump sum at maturity of the promissory note.

On May 6, 2025, the Company received the first tranche of US\$4 million. The fair value discount rate of the promissory note was 35% and the finance income recognized was \$3,137 on initial recognition of the promissory note.

On August 22, 2025, the Company received the second tranche of US\$3 million. The fair value discount rate of the promissory note was 35% and the finance income recognized was \$2,252 on initial recognition of the promissory note.

Interest expense on the promissory note for the three and nine months ended September 30, 2025, was \$169 and \$224, respectively (\$nil and \$nil for the three months and nine months ended September 30, 2024). Accretion expense on the promissory note for the three and nine months ended September 30, 2025, was \$83 and \$115, respectively (\$nil and \$nil for the three months and nine months ended September 30, 2024).

	September 30, 2025	December 31, 2024
	\$	\$
Promissory Note	9,669	-
Deferred financing charges	(207)	-
Finance income on promissory note	(5,389)	-
Unrealized Foreign exchange gain/loss	33	-
Accretion expense on Promissory Note	115	-
Promissory Note, net	4,221	-

9. Contingencies and commitments

- a. The Company has made commitments to certain organizations for approximately \$389 in anticipation of its completion of the regulatory path forward.
- b. Directors and officers are indemnified by the Company for various items including, but not limited to, costs to settle lawsuits or actions due to their association with the Company, subject to certain restrictions. The Company has purchased directors' and officers' liability insurance to mitigate the costs of any potential future lawsuits or actions. The term of the indemnification covers the period during which the indemnified party served as a director or officer of the Company.

Spectral Medical Inc.

Notes to the Condensed Interim Consolidated Financial Statements

In CAD (000s)

(Unaudited)

In the normal course of business, the Company has entered into agreements that include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, leasing contracts and licence agreements. These indemnification arrangements may sometimes require such third parties to compensate counterparties for losses as a result of breaches in representations, covenants and warranties provided by the Company or as a result of litigation or other third-party claims or statutory sanctions that may be suffered by the counterparties as a consequence of the relevant transaction. In some instances, the terms of these indemnities are not explicitly defined. No accruals have been required to be made as at September 30, 2025 with respect to these agreements.

10. Share capital and other equity reserves

- a. The Company is authorized to issue an unlimited number of Shares.
- b. Details of Awards are as follows:

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

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

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

In the month of January 2025, 431,882 common shares were issued for 431,882 options were exercised at \$0.335 per share.

On February 3, 2025, the Board of Directors approved the following annual grants pursuant to the Company's LTIP. Total of 1,695,592 options were issued.

In the month of April, 2025, 5,500 options were issued.

In the month of May 2025, 100,000 common shares were issued for 100,000 options exercised at \$0.63 per share.

In the month of June 2025, 300,000 common shares were issued for 150,000 options exercised at \$0.32 per share and 150,000 options were exercised at \$0.255 per share.

In the month of August 2025, 894,324 common shares were issued for 894,324 options exercised at \$0.61 per share.

In the month of September 2025, 47,010 common shares were issued for 42,510 options exercised at \$0.58 per share and 4,500 options were exercised at \$0.44 per share.

Spectral Medical Inc.

Notes to the Condensed Interim Consolidated Financial Statements

In CAD (000s)

(Unaudited)

	2025		2024	
	Share Options	Weighted average exercise price per share \$	Share Options	Weighted average exercise price per share \$
Opening, January	10,951,287	0.39	12,151,881	0.39
Granted	1,701,092	0.53	1,721,565	0.41
Exercised/Released	(1,773,216)	0.49	(1,867,627)	0.34
Cancelled/Forfeited	(7,999)	0.53	(38,638)	0.37
Expired	(106,726)	0.51	(315,519)	0.37
Balance, September 30	10,764,438	0.40	11,651,662	0.40
Exercisable September 30	8,407,262		8,014,015	

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

	2025		2024	
	RSUs	DSUs	RSUs	DSUs
Opening, January 1	5,598,927	3,284,955	4,137,196	2,896,368
Granted	1,884,680	883,372	1,619,043	1,177,916
Released	(1,037,681)	-	(114,210)	-
Forfeited/cancelled	(6,916)	-	(38,380)	-
Expired	(2,333)	-	-	-
Balance, September 30	6,436,677	4,168,327	5,603,649	4,074,284

a. RSUs

- For certain RSU's, 25% of the grant amount of RSUs vest on the grant date, and the balance vests equally as to one-twelfth (1/12) on each successive quarter, and will be fully vested by the end of the 3rd year following the grant date.
- Certain RSUs vest one-third (1/3) on the anniversary of the grant date, and will be fully vested by the end of the 3rd year following the grant date.
- Certain RSU's vest 100% on the grant date

RSUs are settled into equity.

Spectral Medical Inc.

Notes to the Condensed Interim Consolidated Financial Statements

In CAD (000s)

(Unaudited)

On February 3, 2025, the Board of Directors approved the following annual grants pursuant to the Company's LTIP. Total of 1,762,680 RSUs were issued.

In the month of April, 2025, 5,500 RSU's were issued.

On August 25, 2025, the Board of Directors approved the following grants pursuant to the Company's LTIP. Total of 116,500 RSUs were issued.

b. DSUs

DSUs are awarded to the Board of Directors and are settled as per the discretion of the board.

On January 6, 2025, the Board of Directors were issued a total of 93,886 DSUs as part of annual retainer fee.

On February 3, 2025, the Board of Directors approved the following grants pursuant to the company's LTIP. Total of 660,377 DSUs were issued.

On April 1, 2025, the Board of Directors approved the following grants pursuant to the company's LTIP. Total of 67,195 DSU's were issued.

On July 2, 2025, the Board of Directors approved the following grants pursuant to the company's LTIP. Total of 61,914 DSUs were issued.

c. Share compensation expense is as follows for the period then ended:

	September 30, 2025	September 30, 2024
	\$	\$
Share Compensation expense	1,903	1,497

d. Details of Warrants are as follows

	2025		2024	
	Weighted average exercise price per warrant \$	Warrants	Weighted average exercise price per warrant \$	Warrants
Opening	0.49	7,730,554	0.49	18,714,014
Broker warrants granted	-	-	0.45	981,450
Exercised	0.49	(2,011,716)	0.49	(982,500)
Expired			0.50	(10,982,500)
Balance, September 30	0.49	5,718,838	0.49	7,730,464

Spectral Medical Inc.

Notes to the Condensed Interim Consolidated Financial Statements

In CAD (000s)

(Unaudited)

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

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

11. Weighted average Shares outstanding and Loss per Share

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

	Three Months ended 30-Sep-25	Three Months ended 30-Sep-24	Nine Months ended 30-Sep-25	Nine Months ended 30-Sep-24
Loss and comprehensive loss for the period from continuing operations	\$(30,316)	\$(9,995)	\$(44,852)	\$(18,553)
Loss (gain) from discontinued operations	-	-	\$(3)	\$(3)
Loss and comprehensive loss for the period	\$(30,316)	\$(9,995)	\$(44,855)	\$(18,556)
Weighted average number of common shares outstanding - basic and diluted	286,966,412	281,705,359	285,687,827	280,269,516
Basic and diluted loss from continuing operations per common share	(0.11)	(0.04)	(0.16)	(0.07)
Basic and diluted loss from discontinued operations per share	(0.00)	(0.00)	(0.00)	(0.00)
Basic and diluted loss per Share	(0.11)	(0.04)	(0.16)	(0.07)

12. Segment reporting

The Company's key management team are the chief operating decision-makers (CODM). Effective December 31, 2022, management determined that it had one reportable segment and has aggregated what was previously reported as two operating segments (Spectral Medical Inc. and Dialco Medical Inc.). The Company determined this due to the fact Dialco Medical Inc. operations were considered discontinued as at December 31, 2022.

Spectral Medical Inc.

Notes to the Condensed Interim Consolidated Financial Statements

In CAD (000s)

(Unaudited)

	Three months ended	Three months ended	Nine months ended	Nine months ended
	September 30, 2025	September 30, 2024	September 30, 2025	September 30, 2024
	\$	\$	\$	\$
Royalties	-	-	142	135
Exclusive distribution rights	121	121	364	379
Service Revenue	108	107	529	286
Product revenue				
Proprietary biochemicals	94	127	446	385
EAA™ diagnostic	104	68	304	255
Instrumentation	128	-	128	101
PMX	109	79	136	100
Lab supplies	11	-	11	-
Total Product revenue	446	274	1,025	841
Revenue	675	502	2,060	1,641

13. Clinical development and regulatory program

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

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

	Three months ended	Three months ended	Nine months ended	Nine months ended
	September 30, 2025	September 30, 2024	September 30, 2025	September 30, 2024
	\$	\$	\$	\$
Program management	805	374	1,854	1,033
Program oversight	23	23	39	106
Clinical site costs	53	5	2,013	1,269
Diagnostic supply and training	-	20	11	97
SAMI sub-study	3	17	48	22
Employee benefits	171	199	517	488
	1,055	638	4,482	3,015

The accompanying notes are an integral part of these condensed interim consolidated financial statements 19

Spectral Medical Inc.

Notes to the Condensed Interim Consolidated Financial Statements

In CAD (000s)

(Unaudited)

The clinical trial and regulatory program costs have been included within the statements of loss and comprehensive loss as required. Total costs since inception in 2010 are \$59,312.

14. Salaries and benefits

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

	Three months ended September 30, 2025		Three months ended September 30, 2024	
	All employees \$	Key management \$	All employees \$	Key management \$
Salaries	900	253	890	253
Short term employee benefits	146	7	188	7
	1,046	260	1,078	260

	Nine months ended September 30, 2025		Nine months ended September 30, 2024	
	All employees \$	Key management \$	All employees \$	Key management \$
Salaries	2,645	765	2,590	782
Short term employee benefits	482	50	512	40
	3,127	815	3,102	822

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

15. Financings

a. Prospectus offering and private placement

On November 2, 2022, the Company closed its prospectus offering of units (the "Unit Offering") of the Company and concurrent private placement and together with the Unit Offering, of USD\$5,000 of unsecured convertible senior notes. Aggregate gross proceeds raised pursuant to the Unit Offering and private placement were approximately CAD\$10,800. The Unit Offering

Spectral Medical Inc.

Notes to the Condensed Interim Consolidated Financial Statements

In CAD (000s)

(Unaudited)

consisted of the sale of 10,061,250 Units at a price of CAD\$0.40 per Unit and 5,000 Notes at a price of USD\$1,000 per Note. Each Unit consisted of one common share of the Company and one-half (1/2) of one common share purchase warrant of the Company, with each Warrant entitling the holder thereof to acquire one common Share at a price of CAD\$0.48 for a period of 36 months, expiring November 2, 2025.

The Company also issued 989,850 of compensation warrants ("compensation warrants") to the underwriter supporting both the Prospectus offering and private placement, with each Warrant entitling the holder thereof to acquire one common share at a price of CAD\$0.40 for a period of 36 months, expiring November 2, 2025.

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

The Company also issued a number of compensation warrants ("compensation warrants") to the underwriter for the issue on September 7, 2023 representing 6% of the total number of units issued under the Unit Offering, with each Warrant entitling the holder thereof to acquire one common Share at a price of CAD\$0.40 for a period of 36 months, expiring September 6, 2026.

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

The Company also issued a number of compensation warrants ("compensation warrants") to the underwriter for the issue on May 30, 2024 representing 6% of the total number of units issued under the Unit Offering, with each Warrant entitling the holder thereof to acquire one Common Share at a price of C\$0.45 for a period of 48 months, expiring May 30, 2028.

- d. On July 19, 2024, Spectral completed its private placement of USD \$1,000 in convertible senior unsecured notes of an additional non-brokered offering sold to Birch Hill pursuant to the exercise of its anti-dilution pre-emptive rights relating to the closing of the offering of notes that was completed on May 30, 2024. The private placement consisted of the sale of 1,000 notes at a price of USD\$1,000 per note, bearing interest of 9% and are due May 1, 2028 (the "maturity date"). Holders of the notes may convert all or any portion of the notes into common shares of the Company in integral multiples of USD \$1,000 principal amount at any time prior to the maturity date. The notes are convertible into approximately 2,625,000 common shares representing a

Spectral Medical Inc.

Notes to the Condensed Interim Consolidated Financial Statements

In CAD (000s)

(Unaudited)

conversion price of approximately CAD\$0.52 per share subject to certain anti-dilution and make whole fundamental change adjustments.

- e. On May 6, 2025, Spectral entered into a senior secured promissory note for up to US\$10 million with Vantive US Healthcare LLC ("Promissory Note Agreement"), pursuant to which Vantive will advance funds to Spectral in four separate tranches as certain milestones and conditions are met over the course of the period reaching PMX commercialization. The promissory note matures in four years, and bears interest at an annual rate of 9.00% on drawn amounts. The interest is paid in kind ("PIK") interest. Both principal and accrued PIK interest to be paid in one lump sum at maturity of the promissory note.

On May 6, 2025, the Company received the first tranche of US\$4 million. The fair value discount rate of the promissory note was 35% and the finance income recognized was \$3,137 on initial recognition of the promissory note.

- f. On August 22, 2025, Vantive advanced the second tranche of US\$3 million to Spectral. The promissory note matures four years from May 06, 2025 and bears interest at an annual rate of 9.00%. The interest is paid in kind interest, with principal and paid in kind interest to be paid in one lump sum at maturity of the promissory note. The fair value discount rate of the promissory note was 35% and the finance income recognized was \$2,252 on initial recognition of the promissory note.

Interest expense on the promissory note for the three and nine months ended September 30, 2025, was \$169 and \$224, respectively (\$nil and \$nil for the three months and nine months ended September 30, 2024). Accretion expense on the promissory note for the three and nine months ended September 30, 2025, was \$83 and \$115, respectively (\$nil and \$nil for the three months and nine months ended September 30, 2024).

16. Related party transactions

Toray Industries, Inc. ("Toray")

Toray holds 45,630,105 shares of the Company as at September 30, 2025 representing approximately 16% (September 30, 2024 – 16.40%) ownership interest, calculated on a non-diluted basis.

Toray is entitled to certain pre-emptive rights, including pre-emptive rights upon issuance of additional Shares.

Toray is also entitled to nominate one director to the Board of Directors as long as it owns in the aggregate not less than 10% of the Shares issued and outstanding calculated on a non-diluted basis.

Spectral Medical Inc.

Notes to the Condensed Interim Consolidated Financial Statements

In CAD (000s)

(Unaudited)

	September 30, 2025	December 31, 2024
	\$	\$
Revenue		
Toray Medical Co., Ltd.	73	19
Purchases		
Toray International America Inc.	119	297
Toray Industries	-	5

(ii) Birch Hill Equity Partners Management Inc. ("Birch Hill")

Birch Hill, through a number of its funds and an investee company, holds 36,210,017 Shares of the Company as at September 30, 2025 representing approximately a 13% (September 30, 2024 - 13%) ownership interest, calculated on a non-diluted basis.

Birch Hill is entitled to certain pre-emptive rights, including pre-emptive rights upon issuance of additional Shares.

Birch Hill is also entitled to nominate one director to the Company's Board of Directors so long as it owns in aggregate not less than 5% of the issued and outstanding Shares of the Company calculated on a non-diluted basis.

On July 19, 2024, Spectral received USD \$1,000 in convertible notes payable (the "Notes") upon the completion of an additional non-brokered offering sold to Birch Hill pursuant to the exercise of their anti-dilution pre-emptive rights relating to the closing of the offering of Notes that was completed on May 30, 2024. 1,000 Notes were issued and have a face value of USD\$1,000 per Note, bearing interest of 9% and are due May 1, 2028 (the "maturity date"). Further details are disclosed in Note 7.

(iii) iDialco Inc. ("iDialco")

On December 12, 2022, Spectral invested with Infomed SA, obtaining 30% interest in iDialco as an investment in an associate. iDialco develops and manufactures blood purification devices, exclusively focused on commercializing the SAMI and DIMI dialysis devices in the North American markets.

(iv) Key management consists of the Company's two executive officers and its Board of Directors. Compensation of key management for the nine-month periods ended September 30, 2025 and 2024 is disclosed in Note 14.

There are no other related party transactions.

Spectral Medical Inc.

Notes to the Condensed Interim Consolidated Financial Statements

In CAD (000s)

(Unaudited)

17. Comparative Financials

The comparative period amounts were regrouped to classify the expenses to cost of goods sold. The regrouping resulted in no change to the September 30, 2025 financial statements.

Changes in Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

	Nine months ended September 30, 2024 as previously reported	Change \$	Nine months ended September 30, 2024 reclassified \$
Expenses	\$		\$
Cost of goods sold	-	364	364
Raw materials and consumables used	994	(142)	852
Salaries and benefits	3,101	(55)	3,046
Facilities and communication	353	(114)	239
Depreciation and amortization	191	(53)	138
Totals	4,639	-	4,639

Spectral Medical Inc.

Notes to the Condensed Interim Consolidated Financial Statements

In CAD (000s)

(Unaudited)

Changes in Condensed Interim Consolidated Statements of Loss and Comprehensive Loss

	Three months ended September 30, 2024 as previously reported	Change	Three months ended September 30, 2024 reclassified
Expenses	\$		\$
Cost of goods sold	-	88	88
Raw materials and consumables used	327	(34)	293
Salaries and benefits	1,078	(13)	1,065
Facilities and communication	90	(28)	62
Depreciation and amortization	64	(13)	51
Totals	1,559	-	1,559

18. Subsequent Events

- 1) 2,396,409 units of share warrants were issued to the investors on November 2, 2022. 1 unit of warrants is equal 1 unit of share exercisable at a price of \$0.48. In the month of October and November 2025, 2,396,409 common shares were issued for 2,396,409 share warrants exercised at \$0.48 per share.
989,850 units of broker warrants were issued to the investor on November 2, 2022. 1 unit of broker warrant is equal 1 unit of share exercisable at a price of \$0.40. In the month of October 2025, 989,850 common shares were issued for 989,850 broker warrants exercised at \$0.40 per share.
422,500 units of share warrants expired Nov 02, 2025
- 2) In October 2025, the Company received \$82 for the 2024 Ontario Innovation Tax Credit program from Revenue Canada.