

Unaudited condensed consolidated interim financial statements

Ondine Biomedical Inc.

For the six months ended June 30, 2024 and 2023

Ondine Biomedical Inc.

Unaudited condensed interim statements of financial position

(In thousands of Canadian dollars)

	Note	June 30, 2024	December 31, 2023
Assets			
Current assets			
Cash		\$ 1,218	\$ 2,981
Restricted cash		152	157
Accounts and other receivables	4, 16	238	326
Inventory	5	1,288	1,066
Prepaid expenses and deposits	6	326	220
		3,222	4,750
Non-current assets			
Property and equipment	7	767	949
Other assets	6	36	35
		803	984
Total Assets		\$ 4,025	\$ 5,734
Liabilities			
Current liabilities			
Accounts payable and other liabilities	8, 16	\$ 3,440	\$ 3,108
Current portion of lease liability	9	351	382
Current portion of warrant liability	10	215	-
		4,006	3,490
Non-current liabilities			
Lease liability	9	-	159
		-	159
Total Liabilities		4,006	3,649
Equity			
Share capital	11	244,829	239,647
Contributed surplus		10,528	10,528
Reserves		18,758	18,244
Deficit		(274,096)	(266,334)
Total Shareholders' Equity		19	2,085
Total Liabilities and Shareholders' Equity		\$ 4,025	\$ 5,734

Going concern – Note 1; Commitments and contingencies - Note 14; Subsequent events – Note 22

Approved on behalf of the Board:

“Carolyn Cross”

“Jean Charest”

Ondine Biomedical Inc.

Unaudited condensed interim statements of loss and comprehensive loss
(In thousands of Canadian dollars, except share and per share amounts)

	Note	For the six months ended June 30,	
		2024	2023
Revenue	13,15	\$ 859	\$ 428
Cost of goods sold	17	(330)	(177)
Gross margin		529	251
Expenses	18		
General and administration		4,272	4,747
Research and development		3,301	2,185
Marketing and sales		514	1,055
Depreciation and amortization	7	272	294
		8,359	8,281
Loss from operations		(7,830)	(8,030)
Other income (expense)			
Government loan forgiveness		-	151
Accretion and interest expense		(22)	(20)
Interest income		-	204
Loss on disposal of property and equipment		-	(95)
Change in fair value of warrant liability		112	-
Other expense		(2)	(5)
Foreign exchange gain (loss)		(20)	(105)
		68	130
Net loss for the period		(7,762)	(7,900)
Other comprehensive loss			
Exchange differences on translation of foreign operations ⁽¹⁾		28	(16)
Total comprehensive loss		\$ (7,734)	\$ (7,916)
Net loss per share			
Basic and diluted		\$ (0.03)	\$ (0.04)
Weighted average number of shares outstanding			
Basic and diluted		241,469,143	194,715,848

(1) May be reclassified to profit or loss in subsequent periods.

Ondine Biomedical Inc.

Unaudited condensed consolidated interim statements of changes in equity

(In thousands of Canadian dollars, except share amounts)

	Number of common shares (Note 11)	Share capital	Contributed surplus	Share- based payment reserve	Currency translation reserve	Accumulated Deficit	Equity
Balance, January 1, 2023	194,592,857	\$ 235,042	\$ 10,528	\$ 18,479	\$ (483)	(251,922)	\$ 11,644
Issuance of share capital – Note 11	390,550	370	-	(370)	-	-	-
Share-based payments – Note 12	-	-	-	417	-	-	417
Total comprehensive loss for the period	-	-	-	-	(16)	(7,900)	(7,916)
Balance, June 30, 2023	194,983,407	235,412	10,528	18,526	(499)	(259,822)	4,145
Balance, January 1, 2024	226,753,789	239,647	10,528	18,726	(482)	(266,334)	2,085
Issuance of share capital upon financing – Note 10	50,531,970	5,732	-	-	-	-	5,732
Share issuance costs – Note 11	-	(550)	-	-	-	-	(550)
Share-based payments – Note 12	-	-	-	486	-	-	486
Total comprehensive loss for the period	-	-	-	-	28	(7,762)	(7,734)
Balance, June 30, 2024	277,285,759	\$ 244,829	\$ 10,528	\$ 19,212	\$ (454)	\$ (274,096)	\$ 19

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

Ondine Biomedical Inc.

Unaudited condensed interim statements of cash flows
(In thousands of Canadian dollars)

		For the six months ended June 30,	
	Note	2024	2023
Cash flows from (used in) operating activities			
Net loss for the period		\$ (7,762)	\$ (7,900)
Adjustments for non-cash items:			
Depreciation of right-of-use assets	7	189	187
Depreciation and amortization of other property and equipment	7	95	118
Accretion and interest expense		22	20
Share-based payments	12	486	417
Change in fair value of warrant liability	10	(112)	-
Unrealized foreign exchange (gain) loss		(21)	111
Government loan forgiveness		-	(151)
Loss on disposal of property and equipment		-	95
Other		-	24
Changes in non-cash working capital	19	19	(1,095)
Net cash used in operating activities		(7,084)	(8,174)
Cash flows from (used in) financing activities			
Repayment of lease obligations		(224)	(171)
Repayment of government loan		-	(40)
Proceeds from public offering		6,059	-
Share issuance costs	11	(550)	-
Net cash from financing activities		5,285	(211)
Cash flows used in investing activities			
Purchase of property and equipment	7	(10)	(174)
Net cash used in investing activities		(10)	(174)
Net decrease in cash and restricted cash		\$ (1,809)	\$ (8,559)
Effect of foreign exchange rate change on cash and restricted cash		41	(127)
Cash and restricted cash, beginning of period		3,138	13,272
Cash and restricted cash, end of period		\$ 1,370	\$ 4,586
Supplemental cash flow information	19		

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

Ondine Biomedical Inc.

Unaudited condensed interim statements of cash flows
(In thousands of Canadian dollars)

Cash and restricted cash are comprised of:

	For the six months ended June 30,	
	2024	2023
Cash	\$ 1,218	\$ 4,439
Restricted cash	152	147
Cash, cash equivalents and restricted cash, end of period	\$ 1,370	\$ 4,586

Ondine Biomedical Inc.

Notes to the unaudited condensed consolidated interim financial statements
For the six months ended June 30, 2024 and 2023
(In thousands of Canadian dollars, except as otherwise indicated)

1. Nature of operations and going concern

Ondine Biomedical Inc. (the "Company") was incorporated under the British Columbia Business Corporations Act on September 9, 1996. The Company is a biotechnology company engaged in the development and commercialization of innovative anti-infective therapies covering a broad spectrum of bacterial, fungal and viral infections primarily using antimicrobial photodynamic therapy ("aPDT") as a platform technology for its products, which are used as an alternative to the use of antibiotics. The Company's aPDT products employ laser-based activation of proprietary compounds to treat a wide range of medical infections. The address of the Company's corporate office is 888-1100 Melville Street, Vancouver, BC, Canada. The common shares of the Company are listed on the AIM Market of the London Stock Exchange under the symbol "OBI.L".

These unaudited condensed consolidated interim financial statements have been prepared on a going concern basis, which assumes the Company will be able to meet its obligations and continue its operations in the normal course of business for at least twelve months from June 30, 2024.

The Company has a history of incurring significant losses and as at June 30, 2024, had an accumulated deficit of \$274,096 (December 31, 2023 - \$266,334). As at June 30, 2024, the Company had a cash and cash equivalents balance of \$1,218 (December 31, 2023 - \$2,981) and a negative working capital balance of \$784 (December 31, 2023 – positive \$1,260). In the six months ended June 30, 2024, cash used in operating activities totaled \$7,084 (June 30, 2023 - \$ 8,174).

The Company's ability to continue as a going concern is dependent on its ability to develop profitable operations and/or to continue to obtain the necessary financing to meet its corporate expenditures and discharge its liabilities in the normal course of business. The Company will need to raise funds through public or private equity and/or debt financings. Although the Company has been successful in raising finance in the past there can be no assurance that it will be successful in the future. If the Company is unable to generate positive cash flows or obtain adequate financing, the Company may need to curtail operations. These factors give rise to material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. The consolidated financial statements do not give effect to adjustments to carrying values and to the classification of assets and liabilities that would be required if the Company were unable to continue as a going concern and such adjustments could be material.

2. Basis of preparation

(a) Statement of compliance

These unaudited condensed consolidated interim financial statements have been presented in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") as applicable to the preparation of consolidated financial statements, as set out in International Accounting Standard ("IAS") 34, Interim Financial Reporting. They do not include all the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Company's financial position and performance since the last annual consolidated financial statements as at and for the year ended December 31, 2023.

The unaudited condensed consolidated interim financial statements were approved and authorized for issue by the Board of Directors on September 27, 2024.

(b) Basis of measurement

The unaudited condensed consolidated interim financial statements have been prepared on a historical cost basis as stated in the accounting policies. The expenses within the consolidated statements of loss and comprehensive loss are presented by function. Refer to Note 18 for details of expenses by nature.

Ondine Biomedical Inc.

Notes to the unaudited condensed consolidated interim financial statements
For the six months ended June 30, 2024 and 2023
(In thousands of Canadian dollars, except as otherwise indicated)

(c) Use of estimates, assumptions and judgments

The preparation of unaudited condensed consolidated interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported in the consolidated financial statements and accompanying disclosures. Although these estimates are based on management's knowledge of current events and actions the Company may undertake in the future, actual results may differ from the estimates and the differences may be material.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates, if any, are recognized in the year in which the estimates are revised and in any future years affected.

Information about the judgments, estimates and assumptions made by management in preparing these condensed consolidated interim financial statements are as described under "Basis of presentation - Judgments and estimates" in the Company's consolidated financial statements for the year ended December 31, 2023.

3. Material accounting policies

The accounting policies in these unaudited condensed consolidated interim financial statements are as described under "Material accounting policies" in the Company's consolidated financial statements for the year ended December 31, 2023.

4. Accounts and other receivables

	June 30, 2024	December 31, 2023
Trade receivables	\$ 232	\$ 324
Other receivables	6	2
	\$ 238	\$ 326

5. Inventory

	June 30, 2024	December 31, 2023
Raw materials	\$ 376	\$ 555
Work-in-progress	-	118
Finished goods	912	393
	\$ 1,288	\$ 1,066

During the six months ended June 30, 2024, raw materials, work-in-progress and finished goods included in cost of goods sold amounted to \$318 (June 30, 2023 – \$157). During the six months ended June 30, 2024 and 2023, inventory valued at \$nil and \$9, respectively, was written off and reflected within cost of goods sold.

6. Prepays and deposits, and non-current assets

	June 30, 2024	December 31, 2023
Prepaid insurances	\$ 139	\$ 154
Lease deposits	36	35
Other prepaid costs	187	66
	\$ 362	\$ 255
Less: Current portion of prepaid expenses and deposits	\$ 326	\$ 220
Other non-current assets	\$ 36	\$ 35

Ondine Biomedical Inc.

Notes to the unaudited condensed consolidated interim financial statements
 For the six months ended June 30, 2024 and 2023
 (In thousands of Canadian dollars, except as otherwise indicated)

7. Property and equipment

The Company's property and equipment gross carrying amounts and accumulated depreciation were as follows:

	Computer equipment	Furniture and fixtures	Lab and office equipment	Leasehold improvements	Manufacturing equipment and tools	Demo equipment	Right-of-use	Total
Cost								
Balance, January 1, 2023	\$ 291	\$ 246	\$ 472	\$ 292	\$ 781	\$ 164	\$ 1,086	\$ 3,332
Additions	25	-	62	25	65	-	-	177
Transfers and other	-	-	-	-	-	69	-	69
Disposals and derecognition	(176)	(193)	(275)	-	(512)	-	-	(1,156)
Exchange adjustment	(6)	(1)	(11)	(6)	(11)	-	(21)	(56)
Balance, December 31, 2023	\$ 134	\$ 52	\$ 248	\$ 311	\$ 323	\$ 233	\$ 1,065	\$ 2,366
Additions	3	-	7	-	-	67	-	77
Transfers and other	-	-	-	-	-	-	-	-
Disposals and derecognition	-	-	(10)	-	-	-	-	(10)
Exchange adjustment	4	1	8	9	11	2	31	66
Balance, June 30, 2024	\$ 141	\$ 53	\$ 253	\$ 320	\$ 334	\$ 302	\$ 1,096	\$ 2,499
Accumulated depreciation								
Balance, January 1, 2023	\$ 193	\$ 230	\$ 433	\$ 292	\$ 527	\$ 32	\$ 221	\$ 1,928
Additions	46	3	36	8	72	47	375	587
Transfers and other	-	-	-	-	-	(7)	-	(7)
Disposals and derecognition	(158)	(193)	(271)	-	(435)	(1)	-	(1,058)
Exchange adjustment	(4)	1	(8)	(5)	(7)	-	(10)	(33)
Balance, December 31, 2023	\$ 77	\$ 41	\$ 190	\$ 295	\$ 157	\$ 71	\$ 586	\$ 1,417
Additions	19	2	15	6	28	25	189	284
Transfers and other	-	-	-	-	-	-	-	-
Disposals and derecognition	-	-	(10)	-	-	-	-	(10)
Exchange adjustment	2	(1)	8	8	6	1	17	41
Balance, June 30, 2024	98	42	203	309	191	97	792	\$ 1,732
Net book value								
December 31, 2023	\$ 57	\$ 11	\$ 58	\$ 16	\$ 166	\$ 162	\$ 479	\$ 949
June 30, 2024	\$ 43	\$ 11	\$ 50	\$ 11	\$ 143	\$ 205	\$ 304	\$ 767

During the six months ended June 30, 2024, depreciation of \$12 (June 30, 2023 – \$11) was allocated to cost of goods sold, and \$272 to operating expenses (June 30, 2023 – \$294).

Ondine Biomedical Inc.

Notes to the unaudited condensed consolidated interim financial statements
 For the six months ended June 30, 2024 and 2023
 (In thousands of Canadian dollars, except as otherwise indicated)

8. Accounts payable and other liabilities

	June 30, 2024	December 31, 2023
Accounts payable	\$ 1,884	\$ 1,363
Accrued liabilities	1,375	1,605
Employee related payables	108	69
Accrued interest	73	71
	\$ 3,440	\$ 3,108

9. Lease liability

	Office spaces and facilities
As at January 1, 2023	\$ 896
Interest accretion	46
Lease payments	(388)
Exchange adjustment	(13)
As at December 31, 2023	\$ 541
As at January 1, 2024	\$ 541
Interest accretion	18
Lease payments	(224)
Exchange adjustment	16
As at June 30, 2024	\$ 351

	June 30, 2024	December 31, 2023
Current portion	\$ 351	\$ 382
Non-current	-	159
Total lease liability	\$ 351	\$ 541

The Company's leases are for office spaces and a laboratory facility. The expense relating to variable lease payments not included in the measurement of lease obligations was \$115 (June 30, 2023 - \$86). This consists of variable lease payments for operating costs and property taxes. Total cash outflow for leases was \$339 (June 30, 2023- \$257), including \$206 (June 30, 2023 - \$150) of principal payments on lease obligations.

As at June 30, 2024, the minimum annual payments under these leases, including an estimate of operational costs for its office and laboratory premises based on current costs, is provided below.

2024	\$ 293
2025	232
	\$ 525

Ondine Biomedical Inc.

Notes to the unaudited condensed consolidated interim financial statements
For the six months ended June 30, 2024 and 2023
(In thousands of Canadian dollars, except as otherwise indicated)

10. Warrant liability

	Units	Amount
Balance, December 31, 2023	-	\$ -
Issued	25,265,977	327
Fair value adjustment	-	(112)
Balance, June 30, 2024	25,265,977	\$ 215

On May 9, 2024, as part of the Company's finance raise, 25,265,977 warrants were granted with an exercise price of GBP0.15 (\$0.26) and an expiration date of February 9, 2025.

The fair value of warrants granted were estimated with the Black-Scholes model using the following assumptions at the time of grant on May 9, 2024:

Dividend yield	0%
Expected volatility	92%
Risk-free interest rate	4.28%
Expected life of options (years)	0.8
Forfeiture rate	0%

Volatility was estimated by using the historical volatility of the Company's trading history and volatility history. The expected life in years represents the period of time that options granted are expected to be outstanding. The risk-free interest rate is based on Canadian government benchmark bonds with a term equal to or a remaining term that approximates the expected life of the warrants.

Issuance costs for the warrants of \$31 were recorded in the Comprehensive Statements of Loss and Comprehensive Loss.

The fair value of the warrants were determined estimated with the Black-Scholes model using the following assumptions as at June 30, 2024:

Dividend yield	0%
Expected volatility	78%
Risk-free interest rate	4.02%
Expected life of options (years)	0.6
Forfeiture rate	0%

As at June 30, 2024, warrants outstanding had a remaining contractual life of 0.6 years (June 30, 2023 – nil).

11. Share capital

Common Stock

Authorized

An unlimited number of common shares without par value.

Issued

As at June 30, 2024, the Company's issued share capital consisted of 277,285,759 common shares (December 31, 2023 – 226,753,789).

On May 9, 2024, the Company issued 50,531,970 common shares at a price of GBP0.07 (\$0.12). The Company incurred accounting, legal, advisory and disbursement costs of \$550 directly related to the completion of the finance raise. The costs incurred were recorded to equity in the consolidated statement of financial position.

Ondine Biomedical Inc.

Notes to the unaudited condensed consolidated interim financial statements
For the six months ended June 30, 2024 and 2023
(In thousands of Canadian dollars, except as otherwise indicated)

12. Share-based payments

(a) Stock Option Plan

On November 1, 2021, the Board of Directors approved and adopted an amended stock option plan for the Company which provides for the grant of stock options to directors, officers, employees and consultants from time to time at the discretion of the directors. Under the terms of the amended stock option plan, the maximum number of options authorized for issuance is 10% of the issued and outstanding common shares in any 10-year period for any employee' share scheme and the maximum number of options authorized for issuance is 5% of the issued and outstanding common shares in any 10-year period for any executive share scheme. As at June 30, 2024, the maximum number of total options that can be outstanding are 27,728,576 (December 31, 2023 – 22,675,379).

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

	June 30, 2024		June 30, 2023	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	3,690,000	\$ 0.81	8,070,000	\$ 1.07
Options granted	8,940,000	0.15	50,000	0.29
Options expired	-	-	-	-
Options forfeited	(86,250)	0.46	-	-
Options cancelled	(28,750)	0.46	(75,000)	0.90
Outstanding, end of period	12,515,000	\$ 0.35	8,045,000	\$ 1.07
Exercisable, end of period	1,795,000	\$ 0.82	4,785,000	\$ 1.11

Share-based payments expense for the six months ended June 30, 2024, in the amount of \$486 (June 30, 2023 – \$417) was recorded.

The outstanding options for the six months ended June 30, 2024 is as follows:

Exercise price	Number of options	Remaining life (years)
\$ 0.01	200,000	2.25
\$ 0.15	8,940,000	4.58
\$ 0.29	30,000	3.74
\$ 0.36	310,000	3.44
\$ 0.49	390,000	3.24
\$ 0.90	1,070,000	1.88
\$ 0.93	1,475,000	2.60
\$ 3.00	100,000	2.05
\$ 0.35	12,515,000	3.98

Ondine Biomedical Inc.

Notes to the unaudited condensed consolidated interim financial statements
 For the six months ended June 30, 2024 and 2023
 (In thousands of Canadian dollars, except as otherwise indicated)

The fair value of stock options granted during the six months ended June 30, 2024 and 2023 were estimated with the Black-Scholes model using the following assumptions at the time of grant:

	For the six months ended June 30,	
	2024	2023
Dividend yield	0%	0%
Expected volatility	81%	76%
Risk-free interest rate	3.52%	2.96%
Expected life of options (years)	5	5
Forfeiture rate	11%	14%

Volatility was estimated by using the historical volatility of other companies that the Company considers comparable that have trading history and volatility history. The expected life in years represents the period of time that options granted are expected to be outstanding. The risk-free interest rate is based on Canadian government benchmark bonds with a term equal to or a remaining term that approximates the expected life of the options.

The weighted average fair value of stock options granted during the twelve months ended June 30, 2024, was \$0.12 per option (June 30, 2023 - \$0.18). As at June 30, 2024, stock options outstanding had a remaining contractual life of 3.98 years (June 30, 2023 – 2.11 years).

(b) Warrants

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

	June 30, 2024		June 30, 2023	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding, beginning of period	2,295,845	\$ 1.08	2,295,845	\$ 1.08
Outstanding, end of period	2,295,845	\$ 1.08	2,295,845	\$ 1.08
Exercisable, end of period	2,295,845	\$ 1.08	2,295,845	\$ 1.08

The expense for the six months ended June 30, 2024 was \$nil (June 30, 2023 – \$nil). As at June 30, 2024, warrants outstanding had a remaining contractual life of 0.5 years (June 30, 2023– 1.5 years).

13. Related party transactions

(a) Revenues, product shipments and expenses

	For the six months ended June 30,	
	2024	2023
Product sales (i)	\$ 20	\$ -

(i) Product sales for the six months ended June 30, 2024 were to a related company. The revenue associated with product shipments was not recognized due to revenue recognition conditions not being met, and the cost of the product shipped to a related company was included in cost of goods sold. The revenue associated with product shipments will be recognized in a subsequent year(s) upon invoice payment. For the six months ended June 30, 2024, there was \$11 (June 30, 2023 - \$5) of products shipped to a related party company for which revenue was not recognized.

Ondine Biomedical Inc.

Notes to the unaudited condensed consolidated interim financial statements
For the six months ended June 30, 2024 and 2023
(In thousands of Canadian dollars, except as otherwise indicated)

(b) Compensation of key management personnel

The Company's key management personnel have the authority and responsibility for planning, directing and controlling activities of the Company and consists of the Company's executive officers and directors.

	For the six months ended June 30,	
	2024	2023
Compensation and other short-term benefits (i)	\$ 721	\$ 98
Directors' fees (ii)	271	327
Share-based payments (iii)	195	52
Consulting expenses (iv)	221	74
	\$ 1,408	\$ 551

- (i) During the six months ended June 30, 2023, the Company reassessed the initial estimates of the key management's performance against the established criteria, leading to a change in estimate of the bonus accrual and reduced compensation and other short-term benefits by \$625.
- (ii) On May 9, 2024, as part of the Company's finance raise, directors' fees of \$271 were paid in the form of Common Shares.
- (iii) On January 25, 2024, the Company granted 5,815,000 stock options to key management personnel.
- (iv) Expenses incurred for consulting services provided by companies under the control of an officer and a related party of the Company.

(c) Related party balances

	June 30, 2024	December 31, 2023
Included in warrant liability (i)	\$ 17	\$ -
Included in accounts payable and other liabilities (ii)	100	45
	\$ 117	\$ 45

- (i) On May 9, 2024, as part of the Company's finance raise, key management personnel received 2,039,989 warrants.
- (ii) Loans payable to related parties are due to the personal holding company of the Company's controlling shareholder. The loans payable to related parties are unsecured. The related party balances included in accounts payable and other liabilities consist of payables for services incurred to related parties.

14. Commitments and contingencies

Open purchase order commitments as at June 30, 2024 were \$1,521 (December 31, 2023 – \$469) for the purchase of inventory and contracted development and clinical services.

The Company and its subsidiaries may, from time to time, be a party to certain legal disputes and claims arising from employment, environmental or commercial issues in the normal course of business. The Company has the following contingency at June 30, 2024:

- (i) The Company's Barbadian subsidiary held intellectual property in Barbados until December 22, 2022. As a result of the Barbados Companies (Economic Substance) Act passed in 2019, the Barbadian subsidiary must comply with economic substance requirements set out in the legislation. If the Barbadian subsidiary cannot establish economic substance in Barbados, the Barbadian subsidiary could be subject to additional financial penalties and/or could be struck from the register of companies.

On December 22, 2022, the Company transferred the intellectual property from the Barbadian subsidiary to a new Swiss subsidiary via an intercompany sale at a fair value which was determined by an independent third party. Challenges from Barbadian, Swiss, Canadian or United States authorities regarding any of the foregoing, which results in an unfavorable outcome, could have a material impact on the financial position and operating results of the Company.

Ondine Biomedical Inc.

Notes to the unaudited condensed consolidated interim financial statements
For the six months ended June 30, 2024 and 2023
(In thousands of Canadian dollars, except as otherwise indicated)

15. Segmented information

Management has determined that the Company has one reportable operating segment, aPDT products. This segment accounts for all of the Company's revenue, cost of goods sold and operating expenses. Determination of the operating segment was based on the level of financial reporting to the Company's chief operating decision makers. Revenues are attributed to the geographic area where the customer is located.

	For the six months ended June 30,	
	2024	2023
Product revenue		
Canada	\$ 824	\$ 390
Other	35	38
	\$ 859	\$ 428

Revenue from significant customers are as follows:

	For the six months ended June 30,	
	2024	2023
Customer 1	\$ 316	\$ 290
Customer 2	212	11
Other	331	127
	\$ 859	\$ 428

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

	June 30, 2024	December 31, 2023
Canada	\$ 220	\$ 210
United States	547	739
	\$ 767	\$ 949

16. Financial risk management and financial instruments

All assets and liabilities for which fair value is measured or disclosed in the unaudited condensed consolidated interim financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 Unadjusted quoted market prices in active markets for identical assets or liabilities;
- Level 2 Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 Valuation techniques for which the lowest level input that is significant to the fair value measurement is not based on observable market data.

As at June 30, 2024, the carrying values of cash, restricted cash, accounts and other receivables, and accounts payable and other liabilities approximate their fair values because of their nature, relatively short maturity dates.

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

(a) Management of risks arising from financial instruments

The overall responsibility for the establishment and oversight of the Company's risk management policies resides with the Board of Directors. The Company's risk management policies are established to identify, analyze and manage the risks faced by the Company and to implement appropriate procedures to monitor risks and adherence to established controls. Risk management policies and systems are reviewed periodically in response to the Company's activities and to ensure applicability. The Company, through its financial assets and liabilities, is exposed to certain risks as follows:

Ondine Biomedical Inc.

Notes to the unaudited condensed consolidated interim financial statements
For the six months ended June 30, 2024 and 2023
(In thousands of Canadian dollars, except as otherwise indicated)

Credit risk

The Company is exposed to credit risk arising from the possibility that cash held, and accounts receivable are non-recoverable. However, the Company believes that its exposure to credit risk in relation to the cash and receivables is low. All of the cash held by the Company and its subsidiaries was held with reputable financial institutions. Since the majority of the Company's customers are considered to have low default risk and its historical default rate and frequency of losses are low, the lifetime expected credit loss allowance as at June 30, 2024 is shown in the table below. The Company's maximum exposure to credit risk is limited to the carrying amount of financial assets recognized as at June 30, 2024 and June 30, 2023 summarized below:

	June 30, 2024	December 31, 2023
Classes of financial assets – carrying amounts		
Cash and cash equivalents	\$ 1,218	\$ 2,981
Restricted cash	152	157
Accounts receivable, net of credit loss allowance	238	326
	\$ 1,608	\$ 3,464

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

	June 30, 2024	December 31, 2023
Trade accounts receivable, net of credit loss allowance		
Current	\$ 212	\$ 231
Past due 1 to 30 days	-	39
Past due 31 to 60 days	20	54
	232	324
Other receivables	6	2
	\$ 238	\$ 326

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

	June 30, 2024	December 31, 2023
Balance – beginning of period	\$ 903	\$ 864
Credit loss expense – net of reversals	-	39
Balance – end of period	\$ 903	\$ 903

Foreign currency risk

The results of the Company's operations are subject to currency transaction and translation risks. The fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company operates in Canada, the United States, the United Kingdom, Barbados, and Switzerland and is exposed to foreign exchange risk due to fluctuations in the US Dollar ("US\$"), Great British Pound ("GBP"), Barbadian Dollar, and Swiss Franc against the Canadian dollar. Foreign exchange risk arises from financial assets and liabilities denominated in currencies other than the functional currency of the respective entities. The Company's primary risk is associated with fluctuations between the US\$ and Canadian dollar, and the GBP and Canadian dollar.

The Company has determined that the effect of a 10% increase or decrease in the US\$ and GBP against the Canadian dollar on net financial assets and liabilities, as at June 30, 2024, including cash, accounts receivables, accounts payable and other liabilities denominated in US\$, and GBP would result in an increase or decrease of approximately \$151 (June 30, 2023 – \$261) in the unaudited condensed consolidated interim statements of loss and comprehensive loss for the six months ended June 30, 2024.

Interest rate risk

Interest rate risk is the risk that the fair values and future cash flows of the Company will fluctuate because of changes in market interest rates. The Company did not incur or have any other interest-bearing assets or liabilities.

Ondine Biomedical Inc.

Notes to the unaudited condensed consolidated interim financial statements
 For the six months ended June 30, 2024 and 2023
 (In thousands of Canadian dollars, except as otherwise indicated)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they fall due. The Company's objective is to ensure that there is sufficient liquidity to meet its short-term business requirements, taking into account its anticipated cash flows from operations and its holdings of cash. The Company's principal sources of liquidity are cash provided by operations, related party loans, debt and equity issuances. The Company projects and monitors its cash requirements to accommodate changes in liquidity needs (Note 1).

In addition to the commitments in Note 9, Note 10 and Note 14, the Company has the following contractual financial liabilities as at June 30, 2024:

	Carrying amount	Contractual cash flows	Less than one year	More than one year
Financial liabilities				
Accounts payable and other liabilities	\$ 3,440	\$ 3,440	\$ 3,440	\$ -
	\$ 3,440	\$ 3,440	\$ 3,440	\$ -

17. Cost of goods sold

	For the six months ended June 30,	
	2024	2023
Inventory – Note 5	\$ 318	\$ 157
Inventory write-off – Note 5	-	9
Depreciation – Note 7	12	11
	\$ 330	\$ 177

18. Expenses by nature

General and administration, research and development, marketing and sales, and depreciation and amortization expenses are comprised of the following expenses by nature:

	For the six months ended June 30,	
	2024	2023
Salaries and benefits	\$ 3,621	\$ 2,909
Professional fees, contractors and consultants	2,333	2,985
Clinical trial costs	833	148
Share based payment	486	417
Office and lab costs	371	676
Depreciation and amortization	272	294
Technology costs	258	352
Travel and entertainment	113	325
Delivery and logistics	39	48
Advertising and promotion	33	127
	\$ 8,359	\$ 8,281

19. Supplementary cash flow information

	For the six months ended June 30,	
	2024	2023
Changes in non-cash working capital items		
Accounts and other receivables	\$ 90	\$ 84
Inventory	(262)	153
Prepaid expenses and deposits	(105)	(60)
Accounts payable and other liabilities	296	(1,272)
	\$ 19	\$ (1,095)

Ondine Biomedical Inc.

Notes to the unaudited condensed consolidated interim financial statements
For the six months ended June 30, 2024 and 2023
(In thousands of Canadian dollars, except as otherwise indicated)

20. Ultimate controlling party

The Company's CEO is the ultimate controlling party of the Company, personally owning and/or controlling through her personal holding company a total of 40.1% of the issued common shares of the Company as at June 30, 2024 (June 30, 2023 – 55.6%).

On May 9, 2024, as part of the Company's finance raise, 1,825,650 Common Shares and 912,825 warrants were issued to the controlling shareholder.

21. Capital management

The Company's objectives when managing capital are to ensure sufficient liquidity for operations and adequate funding for growth and capital expenditures while maintaining an efficient balance between debt and equity.

The Company's capital consists of items included in shareholders' equity, debt facilities net of cash and restricted cash.

In order to facilitate the management of capital, the Company prepares annual expenditure budgets that are updated as necessary and dependent on various factors, including successful deployment of capital and industry conditions. The annual budgets are approved by the Board of Directors. The Company is not subject to any externally imposed capital requirements.

Management believes that existing cash resources, together with cash generated through operations and funds raised through public or private equity and/or debt financings, will generate sufficient liquidity to meet operating cash requirements for at least the next twelve months.

22. Subsequent events

Subsequent to June 30, 2024, the following transactions had occurred:

1. On September 11, 2024 the Company's controlling shareholder advanced \$285 as unsecured, non-interest-bearing with no specific terms of repayment related party loan.
2. On September 23, 2024, the Company has agreed to sell 22,222,222 common shares for \$5,000 at a price of \$0.225 (GBP0.125). The closing of the transaction is expected to be on or before November 8, 2024.
3. As of September 27, 2024, the Company's controlling shareholder has agreed to provide the company \$400 as unsecured, non-interest-bearing with no specific terms of repayment related party loan by the end of September.