Interim Consolidated Financial Statements
(In thousands of United States dollars)

THERATECHNOLOGIES INC.

Three- and six-month periods ended
May 31, 2024 and 2023
(Unaudited)

THERATECHNOLOGIES INC.

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(In thousands of United States dollars)
(Unaudited)

THERATECHNOLOGIES INC.

Interim Consolidated Statements of Financial Position
(In thousands of United States dollars)

As at May 31, 2024 and November 30, 2023
(Unaudited)

	Note	May 31, 2024	November 30, 2023
Assets			
Current assets			
Cash		$ 31,166	$ 34,097
Bonds and money market funds		4,862	6,290
Trade and other receivables		12,854	13,023
Tax credits and grants receivable		531	524
Income taxes receivable		178	4
Deferred tax assets		-	29
Inventories	5	5,534	6,066
Prepaid expenses and deposits		2,114	3,154
Derivative financial assets		88	110
Total current assets		57,327	63,297
Non-current assets			
Property and equipment		314	1,206
Right-of-use assets		603	770
Intangible assets		11,776	12,496
Deferred tax assets		29	-
Deferred financing costs		165	-
Total non-current assets		12,887	14,472
Total assets		$ 70,214	$ 77,769
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		$ 26,280	$ 28,471
Provisions	6	6,719	9,603
Current portion of Loan Facility	7	17,455	7,286
Current portion of lease liabilities	8	441	421
Marathon Warrants	9(b)	1,050	1,475
Deferred revenue		38	38
Total current liabilities		51,983	47,294
Non-current liabilities			
Loan Facility	7	41,080	50,688
Lease liabilities	8	344	573
Other liabilities		15	84
Total non-current liabilities		41,439	51,345
Total liabilities		93,422	98,639
Equity			
Share capital and warrants	9	363,927	363,927
Contributed surplus		24,214	23,178
Deficit		(412,153)	(408,659)
Accumulated other comprehensive income		804	684
Total equity		(23,208)	(20,870)
Total liabilities and equity		$ 70,214	$ 77,769

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

THERATECHNOLOGIES INC.

Interim Consolidated Statements of Comprehensive Income (Loss)
(In thousands of United States dollars, except per share amounts)

For the three- and six-month periods ended May 31, 2024 and 2023
(Unaudited)

		For the three-month periods ended May 31,		For the six-month periods ended May 31,	
	Note	2024	2023	2024	2023
Revenue	3	$ 22,017	$ 17,549	$ 38,264	$ 37,457
Operating expenses					
Cost of sales		4,547	4,909	9,831	9,602
Research and development expenses, net of tax credits of $33 and $65 (2023 – $48 and $120)		4,725	10,389	8,477	19,745
Selling expenses		6,367	6,479	12,068	13,293
General and administrative expenses		3,090	3,716	6,846	8,168
Total operating expenses		18,729	25,493	37,222	50,808
Profit (loss) from operating activities		3,288	(7,944)	1,042	(13,351)
Finance income	4	545	546	1,174	672
Finance costs	4	(2,728)	(2,489)	(5,482)	(7,555)
		(2,183)	(1,943)	(4,308)	(6,883)
Profit (loss) before income taxes		1,105	(9,887)	(3,266)	(20,234)
Income tax expense		(118)	(126)	(228)	(222)
Net profit (loss) for the period		987	(10,013)	(3,494)	(20,456)
Other comprehensive income, net of tax					
Items that may be reclassified to net profit (loss) in the future					
Net change in fair value of financial assets at fair value through other comprehensive income (“FVOCI”) financial assets		60	81	120	158
		60	81	120	158
Total comprehensive income (loss) for the period		$ 1,047	$ (9,932)	$ (3,374)	$ (20,298)
Basic and diluted income (loss) per share	9(d)	$ 0.02	$ (0.41)	$ (0.07)	$ (0.85)

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

THERATECHNOLOGIES INC.

Interim Consolidated Statements of Changes in Equity
(In thousands of United States dollars, except for share amounts)

For the three- and six-month periods ended May 31, 2024 and 2023
(Unaudited)

For the six-month period ended May 31, 2023

	Note	Share capital and Public Offering Warrants		Equity component of convertible notes	Contributed surplus	Deficit	Accumulated other comprehensive income	Total
		Number of shares[1]	Amount					
Balance as at November 30, 2022		24,201,582	338,751	2,132	18,810	(382,649)	385	(22,571)
Total comprehensive loss for the period								
Net loss for the period		-	-	-	-	(20,456)	-	(20,456)
Other comprehensive income (loss):								
Net change in fair value of FVOCI financial assets, net of tax		-	-	-	-	-	158	158
Total comprehensive loss for the period		-	-	-		(20,456)	158	(20,298)
Transactions with owners, recorded directly in equity								
Share-based compensation for stock option plan		-	-	-	1,338	-	-	1,338
Total contributions by owners		-	-	-	1,338	-	-	1,338
Balance as at May 31, 2023		24,201,582	$ 338,751	$ 2,132	$ 20,148	$ (403,105)	$ 543	$ (41,531)

For the six-month period ended May 31, 2024

	Note	Share capital and Public Offering Warrants		Equity component of convertible notes	Contributed surplus	Deficit	Accumulated other comprehensive income	Total
		Number of shares[1]	Amount					
Balance as at November 30, 2023		45,980,019	363,927	-	23,178	(408,659)	684	(20,870)
Total comprehensive loss for the period								
Net loss for the period		-	-	-		(3,494)	-	(3,494)
Other comprehensive income (loss):								
Net change in fair value of FVOCI financial assets, net of tax		-	-	-	-	-	120	120
Total comprehensive loss for the period		-	-	-		(3,494)	120	(3,374)
Transactions with owners, recorded directly in equity								
Share-based compensation for stock option plan	9(c)	-	-	-	1,036	-	-	1,036
Total contributions by owners		-	-	-	1,036	-	-	1,036
Balance as at May 31, 2024		45,980,019	$ 363,927	$ -	$ 24,214	$ (412,153)	$ 804	$ (23,208)

[1] See Note 1 for share consolidation.

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

THERATECHNOLOGIES INC.

Interim Consolidated Statements of Cash Flows
(In thousands of United States dollars)

For the three- and six-month periods ended May 31, 2024 and 2023
(Unaudited)

	Note	For the three-month periods ended May 31, 2024	For the three-month periods ended May 31, 2023	For the six-month periods ended May 31, 2024	For the six-month periods ended May 31, 2023
Cash flows from (used in)					
Operating					
Net profit (loss) for the period		$ 987	$ (10,013)	$ (3,494)	$ (20,456)
Adjustments for					
Depreciation of property and equipment		819	109	892	207
Amortization of intangible assets and other assets		360	739	720	1,478
Amortization of right-of-use assets		83	84	167	186
Share-based compensation for stock option plan and stock appreciation rights		340	702	967	1,278
Gain on lease termination			-		(121)
Change in fair value of derivative financial assets		15	18	22	349
Change in fair value of liability related to deferred stock unit plan		6	(9)	3	(164)
Interest on convertible unsecured senior notes and term loan	4	2,313	1,874	4,587	3,658
Interest paid on convertible unsecured notes and term loan		(2,256)	(1,429)	(4,581)	(3,617)
Interest income		(342)	(209)	(762)	(436)
Interest received		359	244	789	484
Income tax expense		118	126	228	222
Income taxes paid		(402)	(675)	(402)	(675)
Foreign exchange		46	(75)	20	210
Loss on debt modification – issuance of Marathon Warrants		-	-	-	2,650
Change in fair value of Marathon Warrants		(212)	(300)	(425)	(300)
Accretion expense and amortization of deferred financing costs	4	382	609	756	1,142
		2,616	(8,205)	(513)	(13,905)
Change in operating assets and liabilities					
Trade and other receivables		(2,858)	(3,093)	169	(1,008)
Tax credit and grants receivable		(33)	(49)	(9)	(121)
Inventories		769	2,653	532	7,231
Prepaid expenses and deposits		473	3,275	1,040	4,919
Accounts payable and accrued liabilities		(1,781)	2,592	(359)	(3,953)
Provisions		524	(735)	(2,858)	(64)
		(2,906)	4,643	(1,485)	7,004
Cash flows used in operating activities		(290)	(3,562)	(1,998)	(6,901)
Financing activities					
Share issue costs		(352)	-	(505)	(37)
Payments of lease liabilities		(122)	(96)	(244)	(221)
Deferred financing costs		(165)	(146)	(165)	(146)
Cash flows used in financing activities		(639)	(242)	(914)	(404)
Investing activities					
Proceeds from sale of bonds and money market funds		1,363	815	1,497	815
Acquisition of intangible assets		(1,500)	-	(1,500)	-
Acquisition of derivative financial assets		-	-	-	(104)
Acquisition of property and equipment		-	(81)	-	(303)
Cash flows (used) from investing activities		(137)	734	(3)	408
Net change in cash during the period		(1,066)	(3,070)	(2,915)	(6,897)
Cash, beginning of period		32,240	20,023	34,097	23,856
Effect of foreign exchange on cash		(8)	4	(16)	(2)
Cash, end of period		$ 31,166	$ 16,957	$ 31,166	$ 16,957

Refer to Note 11 for supplemental cash flow disclosures.

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

Theratechnologies Inc. is a biopharmaceutical company focused on the development and commercialization of innovative therapies addressing unmet medical needs.

The unaudited interim consolidated financial statements ("Interim Consolidated Financial Statements") include the accounts of Theratechnologies Inc. and its wholly- owned subsidiaries (together referred to as the "Company" and individually as the "subsidiaries of the Company").

The Company has one material wholly-owned subsidiary:

- Theratechnologies U.S., Inc., a company governed by the *Delaware General Corporation Law* (Delaware). Theratechnologies U.S., Inc. provides the services of personnel to Theratechnologies Inc. for its activities in the United States.

Theratechnologies Inc. is governed by the *Business Corporations Act* (Québec) and is domiciled in Québec, Canada. The Company is located at 2015 Peel Street, Suite 1100, Montréal, Québec, H3A 1T8, Canada.

1. Basis of preparation

(a) Share consolidation

On July 19, 2023, the Board of Directors approved a consolidation of the issued and outstanding common shares (the "Common Shares") on the basis of one for four (1-for-4) common shares (the "Consolidation") effective July 31, 2023. All references in these Financial Statements to the number of common shares, Public Offering Warrants (as defined in Note 8(a)), Marathon Warrants (as defined in Note 8(b)), Options (as defined in Note 8(c)), weighted average number of common shares, basic and diluted loss per share and the exercise prices of the Public Offering Warrants, Marathon Warrants and Options have been retrospectively adjusted and restated to reflect the effect of the Consolidation for all periods presented.

(b) Accounting framework

These Interim Consolidated Financial Statements, including comparative information, have been prepared in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB"), in accordance with IFRS Accounting Standards ("IFRS").

Certain information, in particular the accompanying notes normally included in the annual consolidated financial statements prepared in accordance with IFRS, has been omitted or condensed. These interim financial statements do not include all disclosures required under IFRS and, accordingly, should be read in conjunction with the annual consolidated financial statements for the year ended November 30, 2023 and the notes thereto.

These Interim Consolidated Financial Statements have been authorized for issue by the Company's Audit Committee on July 9, 2024.

(c) Going concern

As part of the preparation of these Interim Consolidated Financial Statements, management is responsible for identifying any event or situation that may cast doubt on the Company's ability to continue as a going concern.

1. Basis of preparation (continued)

(c) Going concern (continued)

As of the issuance date of these consolidated financial statements, the Company expects that its existing cash and cash equivalents as of May 31, 2024, together with cash generated from its existing operations will be sufficient to fund its operating expenses and debt obligations requirements for at least the next 12 months from the issuance date of these Interim Consolidated Financial Statements. Considering recent Company's actions, material uncertainty that raised substantial doubt about the Company's ability to continue as a going concern was alleviated effective from these second quarter interim consolidated financial statements.

In an effort to reach sustainable profitability, the Company has undertaken a number of measures to rationalize its operations, including a decrease of research and development expenses and has established a new operating structure focused on its commercial business (including for example as described in Note 6(a)). For the three-month period ended May 31, 2024, the Company generated a net profit of $987 (2023-net loss of $10,013) and had negative cash flows from operating activities of $290 (2023- negative $3,562). As at May 31, 2024, cash, bonds and money market funds amounted to $36,028.

The Company's Marathon Credit Agreement contains various covenants, including minimum liquidity covenants whereby the Company needs to maintain significant cash, cash equivalent and eligible short-term investments balances in specified accounts, which restricts the management of the Company's liquidity (refer to Note 6). As at May 31, 2024, the material covenants of the Marathon Credit Agreement, as amended, included: (i) minimum liquidity requirements to be between $15,000 and $20,000, based on the Marathon Adjusted EBITDA (as defined in the Marathon Credit Agreement, the "Marathon Adjusted EBITDA") targets over the most recently ended four fiscal quarters; and (ii) minimum Marathon Adjusted EBITDA targets over the most recently ended four fiscal quarters. A breach of a covenant provides the lender with the ability to demand immediate repayment of the Loan Facility and makes available to the lender the collateralized assets, which include substantially all cash, bonds and money market funds which are subject to control agreements. The Company does not currently have other committed sources of financing available to it.

The Company's ability to continue as a going concern for a period of at least, but not limited to, 12 months from May 31, 2024, involves significant judgement and is dependent on the adherence to the conditions of the Marathon Credit Agreement or to obtain the support of the lender (including possible waivers and amendments, if necessary), on increasing its *EGRIFTA SV*® revenues and the continuing management of its expenses in order to meet or exceed the Marathon Adjusted EBITDA targets and generate sufficient positive operating cash flows.

The Interim Consolidated Financial Statements have been prepared assuming the Company will continue as a going concern, which assumes the Company will continue its operations in the foreseeable future and will be able to realize its assets and discharge its liabilities and commitments in the normal course of business.

1. Basis of preparation (continued)

(d) Basis of measurement

The Company's Interim Consolidated Financial Statements have been prepared on going concern and historical cost bases, except for bonds and money market funds, derivative financial assets, liabilities related to cash-settled share-based arrangements and warrant liabilities, which are measured at fair value. Equity-classified shared-based payment arrangements are measured at fair value at grant date pursuant to IFRS 2, Share-based Payment.

The methods used to measure fair value are discussed further in Note 12.

(e) Use of estimates and judgments

The preparation of the Company's Interim Consolidated Financial Statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim financial statements, and the reported amounts of revenues and expenses during the reporting periods.

Information about critical judgments in applying accounting policies and assumptions and estimation uncertainties that have the most significant effect on the amounts recognized in the interim financial statements are disclosed in Note 1 of the annual consolidated financial statements as at November 30, 2023. For the three-month period ended May 31, 2024, critical judgements were made in concluding that there are no material uncertainties related to events or conditions that cast substantial doubt on the entity's ability to continue as a going concern.

(f) Functional and presentation currency

The Company's functional currency is the United States dollar ("USD").

All financial information presented in USD has been rounded to the nearest thousand.

2. Significant accounting policies

The significant accounting policies as disclosed in the Company's annual consolidated financial statements for the year ended November 30, 2023 have been applied consistently in the preparation of these Interim Consolidated Financial Statements.

Changes in accounting policies

Standards issued but not yet effective.

A number of new standards are effective for annual periods beginning after December 1, 2023 and earlier application is permitted; however, the Company has not early adopted the new or amended standards in preparing these Interim Consolidated Financial Statements. Refer to Note 1 of the annual consolidated financial statements as at November 30, 2023 for a description of those standards.

(In thousands of United States dollars except for share and per share amounts)

3. Revenue

Net sales by product were as follows:

	For the three-month periods ended May 31,	
	2024	2023
EGRIFTA SV®	$ 16,200	$ 10,853
Trogarzo®	5,817	6,696
	$ 22,017	$ 17,549

	For the six-month periods ended May 31,	
	2024	2023
EGRIFTA SV®	$ 25,786	$ 23,564
Trogarzo®	12,478	13,893
	$ 38,264	$ 37,457

Net sales by geography were as follows:

	For the three-month periods ended May 31,	
	2024	2023
United States	$ 22,017	$ 17,468
Europe	-	81
	$ 22,017	$ 17,549

	For the six-month periods ended May 31,	
	2024	2023
United States	38,186	37,113
Europe	78	344
	$ 38,264	$ 37,457

(In thousands of United States dollars except for share and per share amounts)

4. Finance income and finance costs

	Note	For the three-month periods ended May 31, 2024	2023
Net gain on financial instruments carried at fair value		$ 203	$ 291
Interest income		342	209
Net foreign currency gain		-	46
Finance income		545	546
Accretion expense and amortization of deferred financing costs	7 and 8	(382)	(609)
Interest on convertible unsecured senior notes and term loan		(2,313)	(1,874)
Bank charges		6	(6)
Other		(2)	-
Net foreign currency loss		(37)	-
Finance costs		(2,728)	(2,489)
Net finance costs recognized in net profit or loss		$ (2,183)	$ (1,943)

	Note	For the six-month periods ended May 31, 2024	2023
Net gain on financial instruments carried at fair value		$ 412	$ 115
Gain on lease termination		-	121
Interest income		762	436
Finance income		1,174	672
Accretion expense and amortization of deferred financing costs	7 and 8	(756)	(1,142)
Interest on convertible unsecured senior notes and term loan		(4,587)	(3,658)
Bank charges		-	(26)
Net foreign currency loss		(39)	(79)
Other		(100)	-
Loss on Loan facility modifications		-	(2,650)
Finance costs		(5,482)	(7,555)
Net finance costs recognized in net profit or loss		$ (4,308)	$ (6,883)

(In thousands of United States dollars except for share and per share amounts)

5. Inventories

In the fiscal 2024, an inventory provision of $1,088 (2023 – $170) was recognized pending marketing approval of the F8 formulation of tesamorelin and recorded in cost of goods sold.

6. Provisions

	Chargebacks and rebates	Returns	Restructuring [a]	Total
Balance as at November 30, 2022	$ 6,032	$ 1,485	$ -	$ 7,517
Provisions made	15,407	1,086	1,963	18,456
Provisions used	(14,506)	(309)	(1,721)	(16,536)
Effect of change in exchange rate	168	-	(2)	166
Balance as at November 30, 2023	$ 7,101	$ 2,262	$ 240	$ 9,603
Provisions made	9,421	671	336	10,428
Provisions used	(12,407)	(549)	(330)	(13,286)
Effect of change in exchange rate	(26)	-	-	(26)
Balance as at May 31, 2024	$ 4,089	2,384	246	6,719

[a] On March 22, 2024, the Company announced that it would phase down its preclinical oncology research activities. The Company will continue to prioritize its ongoing Phase 1 clinical trial of sudocetaxel zendusortide (TH1902), a novel peptide-drug conjugate (PDC), in patients with advanced ovarian cancer. The phasing down of research activities is aligned with the Company's focus on its commercial business and will further optimize its organizational cost structure. As such, for the six-month period ended May 31, 2024, $336 was recorded in charges related to severance and other expenses. A charge of approximately $200 is expected to be recorded in the second half of 2024. In addition, the Company recorded in the three and six month periods ended May 31, 2024, $766 in accelerated depreciation on equipment in research and development expenses

7. Loan Facility

On July 20, 2022, the Company entered into a credit agreement with certain funds and accounts for which Marathon Asset Management, L.P. acts as investment manager (collectively, "Marathon") providing for up to $100,000 (the "Loan Facility" or " Marathon Credit Agreement") in loan. The disbursement of the loan was to be made available to the Company over time in four various tranches with each bearing specific conditions to be met by the Company.

On July 27, 2022, a principal amount of $40,000 ("Tranche 1 Loan") was funded while on June 21, 2023, a second $20,000 ("Tranche 2 Loan") was funded as a result of the lender removing during the first quarter of 2023 the condition related to the submission to the FDA of the results from the human factor study the Company was then conducting. The Company does not meet the conditions precedents to draw down the additional tranches of capital of $15,000 and $25,000, respectively.

7. Loan Facility (continued)

On July 3, 2023, the Company breached its liquidity covenant resulting in the lender having the ability to demand immediate repayment of the debt and in making available to the lender the collateralized assets, which include substantially all cash, bonds and money market funds which are subject to control agreements. On July 10, 2023, the Company and the lender amended the terms of the Marathon Credit Agreement to reduce the minimum liquidity covenant for the period of July 10 to July 28, 2023 as follows:

- From $20,000 to $14,000 between July 10, 2023 up to and including July 21, 2023; and
- From $14,000 to $16,000 between July 22, 2023 up to and including July 28, 2023.

On July 28, 2023, the Company and the lender entered into an additional amendment to the terms of the Marathon Credit Agreement to provide, amongst other things, for the minimum liquidity covenant to be $15,000 from July 29, 2023, up to and including October 31, 2023. After such date, the minimum liquidity covenant was set at $20,000; provided, however, that if the F8 formulation of tesamorelin was not approved by the United States Food and Drug Administration by March 31, 2024, the minimum liquidity covenant was set at $30,000. On September 21, 2023, the Company obtained a waiver from the lender relating to the breach of its liquidity covenant for the period between July 3, 2023 up to end and including July 9, 2023. On October 13, 2023, the Company and the lender entered into an additional amendment to the Marathon Credit Agreement (the "Fifth Amendment") providing for, amongst other things, the following amendments:

- revising the minimum liquidity requirements for all times following October 31, 2023 to be between $15,000 and $20,000, based on thresholds for Marathon Adjusted EBITDA over the most recently ended four fiscal quarters;
- revising the minimum revenue requirements to be based on Marathon Adjusted EBITDA-based targets instead of quarterly revenue-based targets, beginning with the quarter ending November 30, 2023;
- deleting the prohibition against the Company having a going concern explanatory paragraph in the opinion of the independent registered public accounting firm that accompanies the Company's annual report.

In consideration of the Fifth Amendment, the Company agreed to (i) pay an amount equal to $540 amortized value ($600), or 100 basis points calculated on the outstanding principal amount of the funded debt as of October 13, 2023 ($60,000), which amount was added to the outstanding principal amount of the funded debt as payment in kind; and (ii) reset the exercise price of the Marathon Warrants, which are now exercisable into 1,250,000 common shares at $2.30 per common share, down from the previous $5.80 per common share.

The salient conditions of the amounts drawn under the Loan Facility are as follows:

- The Loan Facility has an initial term of five years, provides for an interest-only period of 24 months, and bears interest at the Secured Overnight Financing Rate ("SOFR") plus 9.5%. The Tranche 1 Loan and Tranche 2 Loan are repayable in equal monthly installments on an amortization schedule of 36 months starting in July 2024. The Company is entitled to prepay the outstanding Loan Facility at any time subject to certain prepayment premium amounts: for Tranche 1 Loan until July 27, 2024, an amount equal to the make whole amount, and after this date, a maximum amount of 3% of the principal amount being prepaid. For Tranche 2 Loan, until June 21, 2025, an amount equal to the make whole amount, and after this date, a maximum amount of 3% of the principal amount being prepaid;

(In thousands of United States dollars except for share and per share amounts)

7. Loan Facility (continued)

- The Loan Facility provides Marathon Adjusted EBITDA-based targets and minimum liquidity requirements (both as defined in the Marathon Credit Agreement) for all times to be between $15,000 and $20,000 based on thresholds for Marathon Adjusted EBITDA over the most recently ended four financial quarters;
- The Loan Facility requires the lender's consent to incur additional debt and to make acquisitions, dispositions, in-licensing and out-licensing of products or assets. A breach of the terms and conditions of the Marathon Credit Agreement will create an event of default resulting in an increase of 300 basis points on the outstanding loan and provide the lender with the ability to demand immediate repayment of the debt;
- The lender has a first ranking security interest on all of the Company's assets, subject to certain credit card arrangements restrictions.

The movement in the carrying value of the Loan Facility is as follows:

Proceeds from Loan Facility on July 27, 2022	$	40,000
Transaction costs		(2,285)
Accretion expense		179
Term loan as at November 30, 2022	$	37,894
Proceeds from Tranche 2 Loan on June 21, 2023		20,000
Costs related to issuance of Tranche 2 Loan		(1,182)
Costs related to Marathon Warrants		(78)
Consideration for the Fifth Amendment		540
Accretion expense		800
Term loan as at November 30, 2023	$	57,974
Accretion expense		561
Term loan as at May 31, 2024	$	58,535
Current portion		17,455
Non-current portion		41,080

(In thousands of United States dollars except for share and per share amounts)

8. Lease liabilities

		Carrying value
Balance as at November 30, 2022	$	1,922
Accretion expense		101
Lease payments		(452)
Effect of change in exchange rates		17
Termination		(920)
New lease		326
Balance as at November 30, 2023	$	994
Accretion expense		37
Lease payments		(244)
Effect of change in exchange rates		(2)
Balance as at May 31, 2024		785
Current portion		441
Non-current portion	$	344

9. Share capital and warrants

(a) Public Offering Warrants

On January 19, 2021, the Company completed a public offering for the sale and issuance of units. Each unit was comprised of one common share of the Company and one half of one common share purchase warrant of the Company (each whole warrant, a "Public Offering Warrant") and is classified in Share Capital and Public Offering Warrants within equity. During the first quarter ended February 29, 2024, no Public Offering Warrants were exercised (November 30, 2023 nil).

The 8,130,550 Public Offering Warrants expired on January 19, 2024.

On October 31, 2023, the Company completed a public offering for the sale and issuance of 12,500,000 common shares at a price of $1.00 per common share for gross proceeds of $12,500. On November 14, 2023, the Company issued 160,000 common shares at a price of $1.00 per common share for gross proceeds of $160 in relation to the partial exercise of the over-allotment option. The Company has also completed a concurrent private placement (the "Concurrent Private Placement") with Investissement Québec of 9,118,184 common shares and 3,381,816 fully-funded, non-voting subscription receipts, exchangeable at all times into common shares on a one-for-one basis, in each case, at $1.00 for gross proceeds of $12,500. The subscription receipts were issued to limit the share ownership of the investor to not more than 19.9% of the issued and outstanding common shares and the subscription receipts are exchangeable at any time, provided ownership limitations are respected. The Company has also entered into an investor rights agreement pursuant to which Investissement Québec is entitled to propose one individual to act as a director on the Company's board of directors for as long as it holds 50% of the common shares purchased pursuant to the Concurrent Private Placement. The cost of the offering amounted to $2,053.

(In thousands of United States dollars except for share and per share amounts)

9. Share capital and warrants (continued)

(b) Marathon Warrants

On February 27, 2023, the Company issued to Marathon an aggregate of 5,000,000 common share purchase warrants (the "Marathon Warrants") exercisable into 1,250,000 common shares, at an exercise price of $5.80, post Consolidation. The Marathon Warrants are exercisable for a period of seven years. The Marathon Warrants are not traded on any stock exchange, are transferable only to affiliates of Marathon or to other potential lenders under the terms of the Loan Facility and their affiliates and may be exercised on a cashless basis. Accordingly, the Marathon Warrants are derivative financial liabilities measured at fair value through profit or loss.

The Marathon Warrants were issued as consideration for various amendments made to the Marathon Credit Agreement, including:

- An amendment to remove a condition precedent to the disbursement of the Tranche 2 Loan requiring the Company to have filed with the FDA the results of a human factor study before June 30, 2023; and
- An amendment to remove the prohibition of a going concern explanatory paragraph in the annual report of the independent registered public accounting firm for the fiscal year ended November 30, 2022.

In consideration of the Fifth Amendment, the Company has agreed to reset the exercise price of the 5,000,000 Marathon Warrants, which are now exercisable into 1,250,000 common shares at $2.30 per common share. (Refer to Note 7).

The fair value of the Marathon Warrants was treated as a cash outflow in testing whether the debt modification was a substantial modification and it was concluded that the modification was not substantial. At the issuance, $2,650 were recorded as loss on debt modification using the Black-Sholes model and the assumptions set forth in the table below. An amount of $350 was recorded reflecting the increase of fair value of Marathon Warrants for the repricing upon entering into the Fifth Amendment. The derivative financial liability relating to the Marathon Warrants is recorded as a liability on the consolidated statement of financial position and resulted in a gain on fair value remeasurement of $425 for the six-month period ended May 31, 2024.

		Measurement date as at May 31, 2024	Issuance date measurement
Risk-free interest rate		4.50%	3.92%
Expected volatility		91.37%	61.985%
Average option life in years		5.75 years	7 years
Share price	$	1.25	3.80
Warrant exercise price	$	2.30	5.80

9. Share capital and warrants (continued)

(b) Marathon Warrants (continued)

The risk-free interest rate is based on the implied yield on a Canadian government zero-coupon issue, with a remaining term equal to the term of the Marathon Warrant life. The volatility is based on weighted average historical volatility adjusted for changes expected due to publicly available information. The life of the Marathon Warrants is based upon the contractual term. The dividend yield was excluded from the calculation, since it is the present policy of the Company to retain all earnings to finance operations and future growth.

(c) Stock option plan

The Company has established a stock option plan (the “Option Plan”) under which it can grant its directors, officers, employees, researchers and consultants non-transferable options (the “Option”) for the purchase of common shares. The exercise date of an Option may not be later than 10 years after the grant date. On March 28, 2023, the Company’s Board of Directors amended the Option Plan to provide, among other things, that the maximum number of common shares that may be issued under the Option Plan (together with any other security-based compensation arrangements) shall not exceed 17% of the issued and outstanding common shares, on a non-diluted basis. The Option Plan has a “reloading” or “evergreen” feature, so that when Options are exercised, the number of common shares issuable under the Option Plan will be replenished and such exercised Options will be available to be regranted in the future. Shareholders ratified this amendment on May 9, 2023. Generally, the Options vest on the grant date or over a period of up to three years.

As at May 31, 2024, 5,777,941 Options could still be granted by the Company (2023 – 7,764,232) under the Option Plan.

All Options are to be settled by the physical delivery of common shares.

Changes in the number of Options outstanding during the past two years were as follows:

(In thousands of United States dollars except for share and per share amounts)

9. Share capital and warrants (continued)

(c) Stock option plan (continued)

		Weighted average exercise price per option	
	Number of options	**CAD**	**USD**
Options outstanding in CA$			
Options as at November 30, 2022 – CA$	1,180,052	$ 15.92	$ 11.84
Granted – CA$	792,193	5.16	3.80
Forfeited – CA$	(9,473)	21.40	15.96
Options outstanding as at May 31, 2023 – CA$	1,962,772	$ 11.56	$ 8.52
Options as at November 30, 2023 – CA$	1,774,559	11.51	8.48
Forfeited and expired – CA$	(6,859)	9.48	6.94
Options outstanding as at May 31, 2024 – CA$	1,767,700	11.52	8.45
Options exercisable as at May 31, 2024 – CA$	1,200,468	13.35	9.79
Options exercisable as at May 31, 2023 – CA$	849,268	$ 15.12	$ 11.16

(In thousands of United States dollars except for share and per share amounts)

9. Share capital and warrants (continued)

(c) Stock option plan (continued)

	Number of options	Weighted average exercise price per option
Options outstanding in US$		
Options as at November 30, 2022 – US$	106,643	$ 10.00
Granted – US$	203,935	3.80
Forfeited – US$	(2,500)	6.32
Options outstanding as at May 31, 2023 – US$	308,078	$ 5.92
Options as at November 30, 2023 – US$	279,369	6.02
Forfeited and expired – US$	(8,418)	4.22
Options outstanding as at May 31, 2024 – US$	270,951	$ 6.90
Options exercisable as at May 31, 2024 – US$	131,264	$ 8.30
Options exercisable as at May 31, 2023 – US$	44,862	$ 9.68

During the six-month period ended May 31, 2024, $1,036 (2023 – $1,338) was recorded as share-based compensation expense for the Plan. No options were granted during the six-month period ended May 31, 2024. The fair value of options granted during the 2023 period was estimated at the grant date using the Black-Scholes model and the following weighted average assumptions:

	2023
Options granted in CA$	
Risk-free interest rate	3.33%
Expected volatility	64.3%
Average option life in years	9.5 years
Grant-date share price	$3.80 (CA$5.16)
Option exercise price	$3.80 (CA$5.16)

(In thousands of United States dollars except for share and per share amounts)

9. Share capital and warrants (continued)

(c) Stock option plan (continued)

	2023
Options granted in US$	
Risk-free interest rate	3.92%
Expected volatility	62%
Average option life in years	9.5 years
Grant-date share price	$3.80
Option exercise price	$3.80

The risk-free interest rate is based on the implied yield on a Canadian government or U.S. zero-coupon issue, with a remaining term equal to the expected term of the option. The volatility is based on weighted average historical volatility adjusted for a period equal to the expected life. The life of the options is estimated taking into consideration the vesting period at the grant date, the life of the option and the average length of time similar grants have remained outstanding in the past. The dividend yield was excluded from the calculation, since it is the present policy of the Company to retain all earnings to finance operations and future growth.

The following table summarizes the measurement date weighted average fair value of stock options granted during the three and six-month period ended May 31, 2023. There were no Options granted in the six-month period ended May 31, 2024.

	Number of options		Weighted average grant date fair value
Options granted in CA$			
For the three and six-month periods ended May 31, 2023	792,193	$	2.76 (CA$3.76)

(In thousands of United States dollars except for share and per share amounts)

9. **Share capital and warrants** (continued)

(c) Stock option plan (continued)

	Number of options	Weighted average grant date fair value
Options granted in US$		
For the three and six-month periods ended May 31, 2023	203,935	$ 2.72

The Black-Scholes model used by the Company to calculate option values was developed to estimate the fair value of freely tradable, fully transferable options without vesting restrictions, which significantly differ from the Company's stock option awards. This model also requires certain subjective assumptions, including future stock price volatility and average option life, which greatly affect the calculated values.

(d) Net profit (loss)

The calculation of basic profit (loss) per share was based on the net profit (loss) attributable to common shareholders of the Company of $987 (2023 – $(10,013) for the three-month periods and of $(3,494) (2023 - $(20,456)) for the six-month periods) and a weighted average number of common shares outstanding calculated as follows:

	For the three-month periods ended	
	May 31, 2024	**May 31, 2023**
Issued common shares as at March 1	45,980,019	24,201,582
Effect of subscription receipts issue	3,381,816	-
Weighted average number of common shares, basic	49,361,835	24,201,582

The calculation of diluted earnings per share was based on a weighted average number of diluted common shares calculated as follows:

	For the three-month periods ended	
	May 31, 2024	**May 31, 2023**
Weighted average number of common shares	49,361,835	24,201,582
Effect of potential dilutive Options	6,980	-
Weighted average number of common shares, diluted	49,368,815	24,201,582

(In thousands of United States dollars except for share and per share amounts)

9. Share capital and warrants (continued)

(c) Stock option plan (continued)

	For the six-month periods ended	
	May 31, 2024	**May 31, 2023**
Issued common shares as at December 1	45,980,019	24,201,582
Effect of subscription receipts issue	3,381,816	-
Weighted average number of common shares, basic and diluted	49,361,835	24,201,582

For the six-month period ended May 31, 2024, 2,038,651 (2023 – 2,270,838) Options and 5,000,000 Marathon Warrants were excluded from the weighted average number of diluted common shares calculation as their effect would have been anti-dilutive. The Public Offering Warrants were also excluded from the weighted average number of diluted common share calculation for the periods they were outstanding.

10. Supplemental cash flow disclosures

The Company entered into the following transactions which had no impact on its cash flows:

	May 31, 2024	**May 31, 2023**
Additions to property and equipment included in accounts payable and accrued liabilities	$ -	$ 15
Deferred financing costs included in accounts payable and accrued liabilities	-	30

11. Financial instruments

The nature and extent of the Company's exposure to risks arising from financial instruments are consistent with the disclosure in the annual consolidated financial statements as at November 30, 2023, considering the update below.

Credit risk – Trade receivables

The Company's exposure to credit risk on its trade receivable relates to one major customer. Management uses historical loss experience and adjust historical loss rates, when needed, to reflect information about current conditions and reasonable and supportable forecasts of future economic conditions.

Under the terms of the agreement with its major customer, payment is due within 45 days and management monitors timely cash collection frequently. A significant increase in credit risk is presumed if the customer's receivable is more than 15 days past due in making a contractual payment. Historically, the custumer pays to the 45 day due date and the receivable have not been more than 15 days past due. As such, the Company has not incurred any losses in respect of its trade receivable with its major customer. As a result, no loss allowance has been recognized. As at May 31, 2024, and considering the subsequent event period, no increase in credit risk has occurred related to trade receivables.

12. Determination of fair values

Certain of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Financial assets and financial liabilities measured at fair value

In establishing fair value, the Company uses a fair value hierarchy based on levels as defined below:

Level 1: Defined as observable inputs such as quoted prices in active markets.

Level 2: Defined as inputs other than quoted prices in active markets that are either directly or indirectly observable.

Level 3: Defined as inputs that are based on little or no observable market data, therefore requiring entities to develop their own assumptions.

Other financial assets and financial liabilities

The Company has determined that the carrying values of its short-term financial assets and financial liabilities, including cash, trade and other receivables and accounts payable and accrued liabilities, approximate their fair value because of their relatively short period to maturity.

Bonds and money market funds and derivative financial assets and liabilities are stated at fair value, determined by inputs that are primarily based on broker quotes at the reporting date (Level 2).

The Company has determined that the carrying value of its Loan Facility approximates its fair value because the terms were modified near the end of the 2023 fiscal year-end.

Share-based payment transactions

The fair value of the Options is measured based on the Black-Scholes valuation model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historical volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions, if any, are not taken into account in determining fair value.

The fair value of the DSUs is determined using the quoted price of the common shares of the Company and considered Level 2 in the fair value hierarchy.

Marathon Warrants

The Marathon Warrants are recognized at fair value and considered Level 3 in the fair value hierarchy.

(In thousands of United States dollars except for share and per share amounts)

13. Operating segments

The Company has a single operating segment. Over 99% of the Company's revenues are generated from one customer, RxCrossroads (see note 3 of the annual consolidated financial statements), which is domiciled in the United States.

	For the three-month periods ended May 31,	
	2024	**2023**
RxCrossroads	$ 22,017	$ 17,468
Others	-	81
	$ 22,017	$ 17,549

	For the six-month periods ended May 31,	
	2024	**2023**
RxCrossroads	$ 38,186	$ 37,113
Others	78	344
	$ 38,264	$ 37,457

As at May 31, 2024, the Company's non-current assets of $12,887 are located in Canada ($12,567), the United States ($54) and Ireland ($266).