Management's Discussion and Analysis of Financial Condition and Operations

The following Management Discussion and Analysis ("**MD&A**"), of **Theralase Technologies Inc**. ("**Theralase**" or the "**Company**") should be read in conjunction with the Company's annual consolidated financial statements for the twelve month period ended December 31, 2014. This MD&A has been filed in accordance with the provisions of National Instrument 51-102 (*Continuous Disclosure Regulation*). Copies of further relevant financial documents and earlier corporate filings to date may also be referenced on the regulatory website - SEDAR at www.sedar.com. This MD&A is prepared as of April 30, 2015.

The Company's common shares are listed for trading on the TSX Venture Exchange (**Symbol: TLT**).

Forward Looking Statements

Certain statements contained or incorporated in this MD&A, which deal with the Company's financial condition and operating results, include information, analyses and projections as to future corporate developments which are currently in the planning stage, and on the projected operating financial performance of the Company, which constitute forward-looking statements. Such forward-looking statements made with special reference to the Company's ongoing technologically complex healthcare and medical device research and development efforts, which may include in-house and independent clinical trials, testing new medical technologies and their applications, involve known and unknown risks and uncertainties that could cause actual events and results to differ materially from those estimated or anticipated and which may have been implied or expressed in such forward-looking statements. No conclusions as to the successful outcome of the ongoing and planned research and development projects in which the Company is involved are intended or implied nor can they be foreseen or predicted prior to definitive corporate announcements as to their outcome.

Furthermore, the forward-looking statements contained in this MD&A are made as of the date hereof and the Company does not undertake any obligations to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

Company Profile

Theralase Technologies Inc., founded in 1995, designs, develops, manufactures and markets patented, superpulsed laser technology utilized in various biostimulation and biodestruction applications. The technology has been proven safe and effective in the treatment of: pain, nerve, muscle and joint conditions and wound healing. When combined with patented, light-sensitive Photo Dynamic Compounds ("**PDCs**"), Theralase laser technology is able to specifically target and effectively destroy cancers and bacteria.

Theralase is focused on a two part strategy:

1. Production, marketing and distribution of the TLC-1000 and patented TLC-2000 Theralase Superpulsed Laser Technologies to healthcare practitioners internationally, who are interested in the safe and effective treatment of nerve, muscle, tendon, ligament, joint and wound conditions through the elimination of pain, reduction of inflammation and acceleration of tissue healing.

2. Commercialization of the patented TLC-3000 Photo Dynamic Compound ("**PDC**") Anti-Cancer Technology through preclinical research, clinical trials and technology development to destroy cancers for oncological applications and to destroy bacteria in human, animal and sterilization applications.

Advancing the Theralase Technology Platform

The following summarizes several scientific, clinical and business developments that management considers will fuel and accelerate near, mid and long term Company growth:

TLC-2000: Biofeedback Laser Technology

Theralase is preparing to launch its next generation therapeutic laser – the patented TLC-2000 in Canada, pending Health Canada approval expected in early 2Q2015. The TLC-2000 Biofeedback Therapeutic Laser Technology possesses patented "Cell Sensing™" technology that "senses" and targets injured tissue at depth with exact precision, unattainable by any of its competitors, enabling exact doses of energy to be delivered for enhanced efficacy and accelerated healing. The TLC-2000 is also a learning device that remembers the most optimized protocols based on an individual patient's optical tissue profiles.

The TLC-2000 Biofeedback Therapeutic Laser System is currently being reviewed by the Canadian Standards Association ("**CSA**") and Health Canada and is expected to be approved for commercial distribution in Canada in early Q2 2015.

Approval of the TLC-2000 Biofeedback Therapeutic Laser System by the Food and Drug Administration ("**FDA**") is expected in 4Q2015 for commercial distribution in the United States and by Conformité Européene ("**CE**") in 4Q2015 for commercial distribution in Europe.

TLC-3000: Cancer Therapy

The patent pending multi-wavelength TLC-3000 medical laser system is currently being researched, designed and developed by Theralase for the precise activation of Theralase's patented and patent pending PDCs for the treatment of numerous types of cancer.

Theralase's platform of patented and patent pending PDCs have repeatedly demonstrated through the preclinical phase:

- 100% cancer cell kill at very low concentrations (< 0.8μM) leading to high efficacy across numerous cell lines, including: brain, prostate, bladder, breast and colorectal cancers
- 0% toxicity at high concentrations (> 100μM) with no side effects leading to very high safety profile
- More effective at killing cancer cells than FDA approved drugs (668,000 x ALA, 198 x PHOTOFRIN®)
- Excellent specificity and selectivity with a quick evacuation from healthy cells and a high light fluence required for activation
- Ultra low toxicity as the PDC never enters blood stream in the destruction of Non-Muscle Invasive Bladder Cancer ("**NMIBC**")
- Water soluble, small molecule that readily penetrates cellular membrane and localizes to the organelles
- Able to treat solid core hypoxic tumours, using a Type 1 and Type 2 activation, such as: breast, prostate, lung and bladder
- Activated at a variety of wavelengths allowing shallow and deep tumour destruction

Theralase is currently completing the preclinical research required to support approval of a Clinical Trial Application ("**CTA**") by Health Canada to allow enrollment of patients into a Phase Ib human clinical study for NMIBC in 4Q2015. The primary outcome of the Phase Ib clinical study will be for safety and tolerability of the treatment by patients with a secondary outcome of efficacy.

The required support for the CTA consists of:

1) Completion of Good Manufacturing Practice ("**GMP**") manufacture of the lead PDC TLD-1433 by Sigma Aldridge Fine Chemicals ("**SAFC**") and completion of the Drug Master File ("**DMF**") in 3Q2015
2) Completion of a toxicology analysis of the lead PDC by CiToxLAB expected in 3Q2015
3) Completion of the clinical protocol and Investigator's Brochure expected in 3Q2015

These 3 main support documents will be compiled into a formal CTA application to be submitted to Health Canada in 3Q2015 and pending their approval to commence enrolling patients who meet the inclusion / exclusion criteria into the Phase Ib NMIBC clinical trial.

Theralase has a growing portfolio of intellectual property patents to comprehensively protect the Theralase PDC anti-cancer technology for many decades allowing the company to enjoy the benefits of intellectual patent protection in the development and commercialization of its technology.

Issued USA Patents: 6,962,910, 7,612,057, 8,148,360, 8,445,475

Pending USA Patent Applications: 61/801,674, 13/863,089, PCT/US13/36595

Theralase's anti-cancer technology pipeline includes numerous highly effective drug candidates, in various advanced stages of preclinical development. Theralase will continue to validate its extensive data with additional cancer animal models and toxicology analyses to bring these PDC drug candidates online for various cancer and bacterial applications.

TLC-3000: Cancer Vaccine Research

In Q2 2014 preclinical animal testing, performed at Princess Margaret Cancer Centre, University Health Network ("**UHN**"), demonstrated that Theralase's lead PDC, intended for the destruction of cancer, demonstrated an ability to render animals immune to repeated exposures of the same cancer. This initial data was accepted for presentation at the 37th Annual American Society for Photobiology that took place in San Diego, California in June 2014.

In previous research conducted at UHN by Theralase, mice were injected with 350,000 colon cancer cells (murine cell line CT26.CL25) to produce tumours that were allowed to grow to approximately five millimeters in size. They were treated with an intra-tumoural injection of Theralase's lead PDC (3 mg/kg TLDOsH2IP) and then illuminated by Near Infrared ("**NIR**") light (808 nm, 600 J cm-2) to activate the PDC. The vast majority of tumours were completely destroyed, with the PDC treatment demonstrating prolonged tumour regression.

In this latest research, the same mice who received the initial, successful Photo Dynamic Therapy ("**PDT**") were re-injected with the same number of colon cancer cells, 13 to 23 days later. With no further treatment intervention, mice in these experiments, demonstrated either a small tumour regrowth, which quickly regressed (40%), or in the majority of animals, no tumour regrowth at all (60%), suggesting a short-term immune-mediated (immune "**memory response**") tumour rejection.

To further prove the resilience of the PDT treatment, these same animals were then injected a third time with an additional 350,000 colon cancer cells at ten months post PDT treatment. None of these animals showed any sign of tumour regrowth (100%), even at 3 months post follow up, suggesting the presence of a long-term anti-tumour immunity, responsible for complete tumour rejection.

To strengthen the data, control experiments were conducted where age matched mice without prior tumour exposure or PDT treatment were injected with the same number of colon cancer cells; whereby, the majority of these mice proceeded to develop tumours and did not survive more than one month following the injection.

This potential short and long term anti-cancer memory response suggests a major breakthrough in cancer research and may provide substantial treatment benefit and survival advantage to cancer patients. Technology that is able to rapidly and effectively destroy "patient-specific" cancer cells, prevent their recurrence and provide long lasting protection against local and distant metastasis, offers immense clinical benefit to cancer patients and the facilities that treat their disease.

This is one of the first preclinical trials to show that it's possible to generate a long-term anticancer memory response. For the first time in Theralase's research program, Theralase has demonstrated that NIR PDT leads not only to long standing clearance of colon cancer cells, but also provides long lasting protection against further tumour cell challenge in young (eight to ten weeks old) and older (ten to eleven month old) mice. It is the Company's first step toward the long-term goal

of developing an affordable and practical vaccine to prevent cancer recurrence. This research will prove invaluable as the Company commences validation of its anti-cancer technology via human clinical trials in 4Q2015.

TLC-3000: Destruction of Bacteria

In 2012, Theralase presented new scientific data supporting the application of Theralase's advanced sterilization platform technology enabling 8 log kill (99.999999%) of life threatening infectious microorganisms, such as Staphylococcus Aureus ("**S. aureus**"), Escherichia Coli ("**E. coli**") and Listeria Monocytogenes ("**Listeria**") bacteria. Theralase's PDCs were effective in oxygenated ("**normoxic**") and in non-oxygenated ("**hypoxic**") conditions. These results demonstrate that the unique PDT effect of Theralase's patented compounds does not depend on oxygen availability and they are therefore able to act both as Type 1 ("**oxygen independent**") and as Type 2 ("**oxygen dependent**") photosensitizers.

The photodynamic antibacterial effects of this new class of photosensitizers were evaluated against a strain of S. aureus (ATCC 25923) and a methicillin-resistant strain of S. aureus (MRSA, ATCC 33592). Bacterial samples were dosed with a range of photosensitizer concentrations (0.3-12 μM) and exposed to 530 nm light (90 J/cm^2) in normoxic conditions (ambient atmosphere) and in hypoxic conditions (0.5% O_2). The Theralase PDCs exerted Photo Dynamic Inactivation ("**PDI**") of the Staphylococcus aureus and Methicillin-resistant Staphylococcus aureus in normoxia with an 8 log kill (99.999999%) providing a complete sterilization effect in microgram concentrations. The Theralase PDCs maintained this PDI potency under hypoxic conditions (low oxygen), with one of the PDCs becoming even more active in low-oxygen environments.

The observation of activity in hypoxia maintains that there exists an oxygen-independent, Type 1 photo process for this new class of compounds in addition to the typical Type 2 pathway mediated by singlet oxygen.

From a commercial viewpoint, the higher the "**kill rate**" in normoxic and hypoxic conditions combined with the shortest time to accomplish this task, the more favorably physicians, scientists and hospital administrators will view the disinfection approach.

Theralase plans to commercialize its anti-bacterial PDT technology in one or all of the following applications: animal indications, human indications, food processing equipment sterilization, hospital treatment room sterilization, medical equipment sterilization, bacterial load elimination in wounds and other bacteria destruction applications.

Warrants

On April 12, 2013, approval was received from the Toronto Venture Exchange ("**TSXV**") to extend the expiry of the warrants to April 12, 2017. The exercise price of the warrants remains unchanged at $0.38 per warrant, with the exception that the warrants will be cancelled if they are not exercised within thirty (30) days from written notice that the closing price of Theralase's common shares had been $0.75 or greater for 10 consecutive trading days.

On November 7, 2013, the Company issued one non-transferable common share purchase warrant, as part of a Unit offering. Each whole Warrant entitles the purchaser to purchase one additional common share in the capital of the Company until November 7, 2015 at a price of $0.20 per Warrant Share.

On March 3, 2015, the Company issued one non-transferable common share purchase warrant, as part of a Unit offering. Each whole Warrant entitles the purchaser to purchase one additional common share in the capital of the Company until March 1, 2020 at a price of $0.54 per Warrant Share.

Public Offering

On November 7, 2013, the company closed a non-brokered private placement, which raised gross proceeds of $3,150,000 by issuing 21,000,000 units to investors at a price of $0.15 per Unit. Each Unit consists of one common share in the capital of the Company and one non-transferable common share purchase warrant. Each whole Warrant entitles the purchaser to purchase one additional common share in the capital of the Company until November 7, 2015 at a price of $0.20 per Warrant Share.

The company used the proceeds of the Private Placement to provide working capital to develop the Company's strategic initiatives in a number of areas, specifically:

- Canadian and USA sales and marketing expansion
- Launch of patented next generation Theralase TLC-2000 therapeutic laser in 2Q2015
- Completion of patented bladder cancer technology preclinical investigation and commencement of Phase Ib clinical study in 4Q2015

As a condition of closing, the Chairman of the Board of the Corporation was required to sell 8,000,000 common shares to third parties following which he ceased to be a "**Control Person**", as defined under Canadian securities laws.

On March 3, 2015, the Company closed a public offering of Units, under a Base Shelf Prospectus. On closing, the Corporation issued an aggregate of 18,181,817 Units at a price of $0.44 per Unit for aggregate gross proceeds of approximately $8,000,000. Each Unit consists of one common share of the Corporation and one common share purchase warrant. Each Warrant entitles the holder to acquire an additional Common Share at a price of $0.54 for a period of 60 months following the date of issuance. In connection with the offering, the Company paid agent's fees totaling $626,646 and issued an aggregate of 890,123 finder warrants, each finder warrant is exercisable into one common share at an exercise price of $0.54 per share for a period of 60 months after the closing of the offering.

The company will use the proceeds of the Private Placement to:

- Fund research and development activities by the Photo Dynamic Therapy ("**PDT**") division; specifically the commencement of a Phase Ib clinical study for NMIBC in 4Q2015
- Commercial activities by the Therapeutic Laser Therapy ("**TLT**") division; specifically the launch of the patented next generation TLC-2000 Biofeedback Therapeutic Laser System in Canada in 2Q2015 and in the United States and Europe in 4Q2015
- Working capital and general corporate purposes

Overview of Financial Performance

During the year ended under review, the Company's financial performance and its operating results reflect the continued and significant investment by the Company into its future prosperity through research and development initiatives aimed at commencing clinical trials of the TLC-3000 patented anti-cancer technology in 4Q2015, preparing for commercial launch of the patented next generation TLC-2000 Biofeedback Therapeutic Laser System in Canada in 2Q2015 and maintaining moderate sales of the Theralase TLC-1000 therapeutic laser system primarily in Canada, with some exposure in the United States and international markets.

Summary of Selected Annual Information

Total revenues	1,380,604	1,203,620	1,824,313
Net profit / (loss)	(2,587,542)	(1,152,209)	(1,509,569)
Basic and diluted loss per share	$ (0.03)	$ (0.02)	$ (0.03)
Total assets	3,817,084	2,684,877	1,132,654
Total liabilities	511,750	920,989	1,197,384
Deficit	(15,658,375)	(13,070,831)	(11,918,622)
Shareholders' Equity	3,305,334	1,763,888	(64,730)

Summary of Quarterly Results

	2014			
	December 31	**September 30**	**June 30**	**March 31**
Total revenues	386,131	134,036	499,258	361,179
Net profit / (loss)	(849,781)	(1,048,034)	(345,653)	(344,074)
Basic and diluted loss per share	$ 0.003	$ (0.015)	$ (0.006)	$ (0.007)
Total assets	3,817,084	3,648,813	4,116,005	2,201,083
Total liabilities	511,750	376,923	322,582	611,336
Deficit	(15,658,375)	(14,808,592)	(13,760,558)	(13,414,905)
Shareholders' Equity	3,305,334	3,271,890	3,793,423	1,589,747

	2013			
	December 31	**September 30**	**June 30**	**March 31**
Total revenues	38,404	313,020	509,296	342,900
Net profit / (loss)	(555,336)	(185,794)	(78,644)	(332,435)
Basic and diluted loss per share	$ (0.01)	$ -	$ -	$ (0.01)
Total assets	2,684,877	1,145,036	1,248,157	1,109,266
Total liabilities	920,989	1,711,767	1,645,473	1,464,441
Deficit	(13,070,831)	(12,515,495)	(12,329,702)	(12,251,057)
Shareholders' Equity	1,763,888	(566,731)	(397,316)	(355,175)

	2012			
	December 31	**September 30**	**June 30**	**March 31**
Total revenues	268,357	437,060	670,537	448,359
Net profit / (loss)	(508,522)	(348,478)	(199,284)	(453,285)
Basic and diluted loss per share	$ -	$ (0.01)	$ -	$ (0.02)
Total assets	1,132,654	1,198,920	1,373,467	1,131,200
Total liabilities	1,197,384	848,971	721,155	1,058,425
Deficit	(11,918,622)	(11,410,099)	(11,061,621)	(10,862,338)
Shareholders' Equity	(64,730)	349,949	652,311	72,775

Liquidity and Capital Resources

As of December 31, 2014, current assets aggregated to $3,423,041 compared with current liabilities of $511,750 netting working capital of $2,911,291 and a current ratio (current assets vs. current liabilities) of approximately 7:1.

The Company's objective is to maintain a sufficient capital base to support future research, development and strategic business initiatives allowing the Company to invest in its future and hence maintain investor, creditor and market confidence. The capital structure of the Company consists of cash, cash equivalents and shareholders' equity. The Company makes every attempt to manage its liquidity to minimize shareholder dilution where possible.

Results of Operations

For the twelve-month period ended December 31, 2014, total revenue increased from $1,203,620 to $1,380,604 for the same period in 2013.

	2014	2013	2012
Sales Revenue	$ 1,187,769	$ 1,040,167	$ 1,670,928
Service Revenue	76,375	90,667	63,661
Clinic Revenue	38,827	10,462	2,450
Other Revenue	77,633	62,323	87,273
	1,380,604	**1,203,620**	**1,824,313**

Revenue for the twelve-month period ended December 31, 2014 increased by 14% from the same period in 2013. In Canada, revenue increased 7% to $857,723 from $805,152, in the US, revenue increased 2% to $283,784 from $279,608 and internationally revenue increased 101% to $239,098 from $118,860. The moderate increase in revenue is mainly attributable to increased marketing efforts in Canada, U.S. and Internationally. In 2Q2015, the Company will continue expansion of its sales and marketing initiatives with the commercial launch of the patented, next generation TLC-2000 Biofeedback Therapeutic Laser System in Canada and in the US and Europe in 4Q2015, to expand sales in these strategic markets, while maintaining its dominant position in Canada. The Company has established and is further augmenting its direct Canadian and US sales forces with additional manufacturer's representatives and distributors, while growing its sales internationally through strategic partnering with international medical product distributors.

Cost of sales

Cost of sales for the twelve-month period ended December 31, 2014 was $459,323 resulting in a gross margin of $921,281 or 67% of revenue, compared to a cost of sales of $404,540 in 2013, resulting in a gross margin of $799,080 or 66% of revenue. Cost of sales is represented by the following costs: raw materials, subcontracting, direct and indirect labour and the applicable share of manufacturing overhead.

Operating Expenses

Selling and marketing expenses for the twelve month period ended December 31, 2014 were $598,178 representing 43% of sales, compared with $433,622 or 36% in 2013, and consisted of the following items:

	2014	2013	2012
Sales salaries	$ 298,252	$ 291,734	$ 382,279
Advertising	99,532	15,775	58,556
Commission	51,325	55,459	75,445
Travel	120,993	45,072	93,421
Amortization and depreciation	28,076	25,582	16,679
Total selling expenses	**$598,178**	**$433,622**	**$626,380**

The increase is due to increased spending in advertising and travel, which will augment sales in future financial quarters. Selling expenses are expected to continue to increase in the future as the Company expands into Canada, the US and international markets. On-going investment in sales personnel, marketing events and advertising are required expenses to generate and increase revenues in subsequent financial quarters.

Administrative expenses for the twelve month period ended December 31, 2014 were $1,448,781 representing a 54% increase from $942,069 in 2013, and consisted of the following items:

	2014	2013	2012
Insurance	53,461	51,519	52,091
Professional fees	137,109	90,866	68,275
Rent	87,541	85,601	136,336
General and administrative expenses	491,950	105,767	122,460
Administrative salaries	478,570	486,024	540,876
Director and advisory fees	50,401	(46,400)	30,212
Stock based compensation	129,645	150,972	279,183
Amortization and depreciation allocation	20,104	17,720	9,467
Total administrative expenses	**1,448,781**	**942,069**	**1,238,900**

Increases in administrative expenses for the twelve month period ended December 31, 2014 are attributed to the following:

- General and administrative expenses increased 365% due to increased spending on investor relations activities.
- Director and advisory fees increased by 209% due to increase in fees to Medical and Scientific Advisory Board members.

Research and Development Costs

Gross research and development costs expensed totaled $1,455,301 for the twelve month period ended December 31, 2014 compared to $527,233 in 2013. This represents a 176% increase attributable to increased expenditures and investment into the commercialization of the TLC-2000 therapeutic laser technology and research and development of the TLC-3000 anti-cancer technology.

Net Profit (Loss)

The net loss for the twelve month period ended December 31, 2014 was $2,587,542 which included $291,534 of net non-cash expenses (amortization, stock-based compensation expense, foreign exchange gain/loss and lease inducements). This compared to a net loss for the same period in 2013 of $1,152,209, which included $211,543 of net non-cash expenses. The increase in net loss is primarily due to increases in TLC-2000 Biofeedback research and development expenditures, TLC-3000 research and development expenditures, increased spending for advertising initiatives, sales and administrative personnel.

Cash Flows

Funds used in operating activities prior to net changes in other operating items amounted to $2,296,008 for the twelve month period ended December 31, 2014 compared to funds used in operating activities of $940,666 in 2013. Funds used in operating activities after taking into account net changes in other non-cash operating items were $3,625,231 for the twelve month period ended December 31, 2014 compared to funds used of $916,675 for the same period in 2013.

Funds used in investing for the twelve month period ended December 31, 2014 amounted to $114,115 compared to $92,454 for 2013, the increase is a result of increased spending on equipment related to the TLC-3000 research and development.

For the twelve month period ended December 31, 2014, funds obtained from financing activities amounted to $3,893,472 compared to $2,755,484 obtained in financing activities for 2013. The increase is due to certain shareholders of record exercising their warrants for ownership of the Company's common shares.

Assets (other than Cash)

The Company holds essential and valuable intellectual property rights and assets, including: patents, trademarks, development and other related costs. The depreciated book value of these assets is $94,265.

Commitments

	Total	2015	2016	2017	2018
Lease obligations (a)	$ 217,000	$ 84,000	$ 84,000	$ 49,000	
Lease obligations (b)	6,513	2,004	2,004	2,004	501
Research Agreement (c)	105,000	105,000	-	-	-
Research Agreement (d)	373,116	298,493	74,623	-	-
Research Agreement (e)	608,472	608,472	-	-	-
Total	$ 1,310,101	$ 1,097,969	$ 160,627	$ 51,004	$ -

As of December 31, 2014, the Company's commitments consisted of the following:

a) Lease obligations under a lease agreement related to the Company's premises, commenced on August 1, 2012 and expires on July 31, 2017. Under the terms of this lease, the Company is required to pay a proportionate share of operating costs, realty taxes and utilities, in addition to the minimum rental payments. The future minimum lease payments are shown in the table above.

b) Lease obligations under a lease agreement related to the Company's office equipment, commenced on April 1, 2014 and expires on May 1, 2018. Under the terms of this lease, the Company is required to minimum rental payments of $167 per month. The future minimum lease payments are shown in the table above.

c) Research commitments under a research collaboration agreement with University Health Network for the TLC-3000 cancer therapy project. Under the terms of this agreement, the Company is required to pay $168,000 for the period from May 1, 2014 through December 31, 2014. The Company has paid $63,000 relating to this commitment, in which $105,000 is the remaining commitment for 2015.

d) Research Commitments under a research collaboration agreement with JSS Medical Research Inc. for the TLC-3000 cancer therapy project. Under the terms of this agreement, the Company is required to pay $497,488 for the period from September 9, 2014 through to September 9, 2015. The Company has paid $124,372 relating to this commitment, in which $373,116 is the remaining commitment.

e) Research Commitments under a research collaboration agreement with SAFC for the TLC-3000 cancer therapy project. Under the terms of this agreement, the Company is required to pay USD$895,000 for the period from September 9, 2014 through to April 9, 2015. The Company has paid USD$370,500 relating to this commitment, in which USD$524,500 is the remaining commitment.

The Company indemnifies its directors and officers against any and all costs, charges and expenses, including settlements of claims in respect of any civil, criminal or administrative action incurred in the performance of their service to the Company to the extent permitted by law. The Company maintains liability insurance for its officers and directors.

Share Capital Analysis

As at December 31, 2014, the share capital of the Company consisted of 85,321,293 common shares. Each common share entitles the holder to one vote per share.

As at December 31, 2014, there were 5,095,000 options outstanding, of which 1,775,000 were vested and exercisable into an equivalent number of the Company's common shares as follows:

	Common shares under option	Weighted average exercised price $
Outstanding, January 1, 2013	2,556,666	0.44
Forfeited (1)	(170,000)	0.50
Expired (2)	(166,666)	0.45
Outstanding, December 31, 2013	2,220,000	0.46
Granted (3)	3,320,000	0.50
Forfeited (4)	(45,000)	0.50
Exercised (5)	(100,000)	0.15
Expired (6)	(300,000)	0.35
Outstanding, December 31, 2014	5,095,000	0.50

As at December 31, 2014, there were 4,990,916 warrants outstanding. Each whole warrant entitles the holder thereof to purchase one additional common share. The warrants are exercisable as follows: 1,455,000 at a price of $0.38 until April 13, 2017, 3,535,916 at a price of $0.20 exercisable until November 7, 2015.

Segmented Information

For management purposes, the company is organized into two separate reportable operating divisions: Therapeutic Laser Therapy ("**TLT**") division and Photo Dynamic Therapy ("**PDT**") division.

The TLT division is responsible for all aspects of the Company's therapeutic laser business, which researches, designs and manufactures products used by healthcare practitioners predominantly for the healing of pain. The PDT division is responsible for the research, development and commercialization of Photo Dynamic Compounds ("**PDCs**") primarily for the destruction of cancer.

The following table displays revenue and direct expenses from the TLT and PDT division for the twelve month period ended December 31:

	2014			2013			2012		
	TLT	PDT	Total	TLT	PDT	Total	TLT	PDT	Total
Sales	$ 1,380,604	$ -	$ 1,380,604	$ 1,203,620	$ -	$ 1,203,620	$ 1,824,313	$ -	$ 1,824,313
Cost of Sales	459,323	-	459,323	404,540	-	404,540	575,163	-	575,163
Gross Margin	921,281	-	921,281	799,080	-	799,080	1,249,150	-	1,249,150
Operating Expenses									
Selling expenses	598,178	-	598,178	433,622	-	433,622	626,380	-	626,380
Administrative expenses	908,597	540,184	1,448,781	798,710	143,360	942,070	1,080,482	158,418	1,238,900
Research and development expenses	472,451	982,850	1,455,301	47,196	480,037	527,233	130,902	742,433	873,335
(Gain) loss on foreign exchange	(4,550)	-	(4,550)	14,081	-	14,081	10,225	-	10,225
Interest expense	9,769	9,769	19,538	21,383	21,382	42,765	11,499	11,499	22,998
Interest income	(8,424)	-	(8,424)	(8,481)	-	(8,481)	(13,119)	-	(13,119)
	1,976,020	1,532,804	3,508,824	1,306,511	644,779	1,951,290	1,846,369	912,350	2,758,719
Loss and comprehensive loss for the year	$ (1,054,739)	$ (1,532,804)	$ (2,587,542)	$ (507,431)	$ (644,779)	$ (1,152,210)	$ (597,219)	$ (912,350)	$ (1,509,569)
Total Assets	$ 3,208,401	$ 608,683	$ 3,817,084	$ 2,601,278	$ 83,599	$ 2,684,877	$ 1,036,264	$ 96,390	$ 1,132,654
Total Liabilities	341,225	170,525	511,750	920,989	-	920,989	1,197,384	-	1,197,384

The following table displays revenue and direct expenses from TLT division product sales by geographic area for the twelve month period ended December 31:

	2014			2013			2012		
	Canada	USA	International	Canada	USA	International	Canada	USA	International
Sales	857,723	283,784	239,097	805,152	279,608	118,860	1,240,222	434,360	149,731
Cost of Sales	266,148	87,973	105,203	261,447	90,794	52,299	377,182	132,100	65,881
Selling Expenses	466,236	127,771	4,171	268,076	157,161	8,386	358,544	249,634	18,202
	125,338	68,040	129,723	275,628	31,653	58,176	504,496	52,626	65,647

As at December 31, 2014, December 31, 2013 and December 31, 2012, the Company's long-lived assets used in operations are all located in Canada.

Selected Financial Information and Accounting Policies

The Consolidated Interim Financial Statements for the twelve month period ended December 31, 2014, and all other Financial Statements referred to herein, have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"), consistently applied, and all amounts and currencies reported therein, and in this MD&A, are in Canadian dollars, unless otherwise noted. The ongoing accounting policies are more particularly described in the Notes to the Audited Consolidated Financial Statements for the year ended December 31, 2014. Please refer to the Company's historic annual and quarterly financial statement filings, including material interim press releases, on the regulatory website -- www.SEDAR.com.

Use of Financial Instruments

The Company's financial instruments consists of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities. The fair values of cash, accounts receivable, accounts payable and accrued liabilities approximate carrying value because of the short-term nature of these instruments.

IFRS 7 Financial Instruments Disclosures establishes a fair value hierarchy that reflects the significance of inputs used in making fair value measurements as follows:

Level 1 quoted prices in active markets for identical assets or liabilities;

Level 2 inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. from derived prices)

Level 3 inputs for the asset or liability that are not based upon observable market data

Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. As of December 31, 2014, the Company's Cash and Cash Equivalents are categorized as Level 1 measurement. Fair value of other financial assets is determined based on transaction value and is categorized as Level 1 measurement.

(i) Credit risk:

Credit risk is the risk of financial loss to the Company if a customer or counter-party to a financial instrument fails to meet its contractual obligations and arises principally from the Company's accounts receivable. The amounts reported in the balance sheet are net of allowances for bad debts, estimated by the Company's management based on prior experience and their assessment of the current economic environment. The Company reviews its trade receivable accounts regularly and reduces amounts to their expected realizable values by adjusting the allowance for doubtful accounts as soon as the account is determined not to be fully collectible. The Company has adopted credit policies in an effort to minimize those risks.

Cash equivalents are held in high-grade, bankers' acceptance and other low risk investments with no exposure to liquidity or other risk associated with Asset-Backed Securities. These financial instruments are classified as held for trading as they may periodically be traded before their maturity date; however, the majority of these financial

instruments are classified as held to maturity and would not result in a significant risk of fair value changes if held to maturity. As of December 31, 2014, no cash equivalents were held (2013- $Nil) (2012-$Nil).

(ii) Liquidity risk:
Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages its liquidity risk by continuously monitoring forecasted and actual cash flows, as well as anticipated investing and financing activities. The Company does not have material long-term financial liabilities.

(iii) Interest rate risk:
Interest rate risk is the risk that changes in interest rates will affect the Company's income or the value of the financial instruments held. The Company is subject to interest rate risk on its amount due to officer; however, it does not expect a movement in the interest rate to have a significant impact on the Company's financial position.

(iv) Foreign currency exchange risk:
The Company's primary risks are exposure to foreign currency exchange risk. These risks arise from the Company's holdings of US and Canadian dollar denominated cash, accounts receivable and accounts payable. Changes arising from these risks could impact the Company's reported foreign exchange gains or losses. The Company limits its exposure to foreign currency risk by holding US denominated cash in amounts of up to 100% of forecasted twelve month US dollar expenditures, thereby creating a natural hedge against foreign currency fluctuations and limiting foreign currency risk to translation of US dollar balances at the balance sheet date.

The Company has not entered into any conventional or other financial instruments designed to minimize its investment risk, currency risk or commodity risk. No off-balance sheet arrangements have been established nor are there any pending proposals or indicated business requirements to this effect.

Critical accounting policies, estimates and judgments

As noted above, our consolidated financial statements as of December 31, 2014, December 31, 2013 and December 31, 2012 and for the twelve month periods ending December 31, 2014, 2013 and 2012 have been prepared in accordance with IFRS. In addition, and subject to certain transition exceptions and exemptions, the Company's management has consistently applied the same accounting policies in the IFRS consolidated statement of financial position as of January 1, 2010 and throughout comparative periods as if these policies had always been in effect.

The policies applied in the consolidated financial statements as of December 31, 2014, December 31, 2013 and December 31, 2012 and for the twelve month periods ending December 31, 2014, 2013 and 2012 are based on IFRS issued and outstanding as of April 30, 2015 which is the date at which the Company's Board of Directors approved the audited annual consolidated financial statements.

Additionally, the preparation of consolidated financial statements in accordance with IFRS often requires management to make estimates about and apply assumptions or subjective judgment to future events and other matters that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures. Assumptions, estimates and judgments are based on historical experience, expectations, current trends and other factors that management believes to be relevant at the time at which the consolidated financial statements are prepared. Management reviews, on a regular basis, the Company's accounting policies, assumptions, estimates and judgments in order to ensure that the consolidated financial statements are presented fairly and in accordance with IFRS.

Critical accounting estimates and judgments are those that have a significant risk of causing material adjustment and are often applied to matters or outcomes that are inherently uncertain and subject to change. As such, management cautions that future events often vary from forecasts and expectations and that estimates routinely require adjustment. A summary of those areas where the Company's management believe critical accounting policies affect the significant judgments and estimates used in the preparation of the financial statements can be found in note 2 to the interim consolidated financial statements December 31, 2014, December 31, 2013 and December 31, 2012 and for the twelve month periods ending December 31, 2014, 2013 and 2012.

Accounting standards issued

The IASB has issued the following standards, which have not yet been adopted by the Corporation. Each of the new standards is effective for annual years beginning on or after January 1, 2015 with the exception of IFRS 9. The Company has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements.

The following is a description of the new standards:

IFRS 9, Financial Instruments ("**IFRS 9**") IFRS 9 *Financial Instruments* was issued in final form in July 2014 by the IASB and will replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes requirements relating to a new hedge accounting model, which represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements. The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

IFRS 15, Revenue from contract with customers ("**IFRS 15**") was issued in May 2014 and specifies how and when revenue is recognised as well as provides users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers. IFRS 15 is available for application, however, application of the standard is mandatory for annual periods beginning on or after January 1, 2017.

Disclosure Controls and Procedures

The Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of the Company's disclosure controls and procedures as of December 31, 2014 and for the twelve month period ending December 31, 2014. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of the Company's disclosure controls and procedures were effective as of December 31, 2014 to provide reasonable assurance that material information relating to the Company would be made known to them by others and information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation.

Internal Control over Financial Reporting

As of December 31, 2014, an evaluation of the effectiveness of internal controls over financial reporting, as defined in the rules of the Canadian Securities Administrators, was carried out to provide reasonable assurance regarding the reliability of financial reporting and financial statement compliance with IFRS. Based on that evaluation, the President and Chief Executive Officer and the Chief Financial Officer have concluded that the internal controls over financial reporting of the Company were effective and provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

All control systems, no matter how well designed, have inherent limitations, including the possibility of human error and the circumvention or overriding of the controls or procedures. As a result, there is no certainty that our disclosure controls and procedures or internal control over financial reporting will prevent all errors or all fraud.

Risks and Uncertainties

The Company's operations involve certain risks and uncertainties that are inherent to the Company's industry. The most significant known risks and uncertainties faced by the Company are described below.

Capital Resources

In order to achieve its long term development and commercialization strategy for the Company's range of biomedical laser systems and PDCs, the Company will need to raise additional capital through the issuance of shares, collaboration agreements or partnerships that would allow the Company to finance its activities. Nothing guarantees that additional funds will be available or that they may be acquired according to acceptable terms and conditions. Additional financing may result in dilution of shareholder value.

Volatility of Share Price

The market price of the Company's shares is subject to volatility. General market conditions as well as differences between the Company's financial, scientific and clinical results and the expectations of investors as well as securities analysts can have a significant impact on the trading price of the Company's shares.

Regulatory Approvals

The Company is directly and indirectly engaged in the design, manufacture, sale and marketing of biomedical laser equipment, a category of medical device which is subject to regulatory oversights, audits and controls by various national regulatory agencies (FDA, Health Canada, CE) and authoritative quality standards bodies (UL, CSA, ISO and TUV), all with strict quality certification procedures. The Company is in full compliance with all the governing regulatory and quality standards approval requirements pertaining to the medical laser devices it currently designs, manufactures and markets. No assurance can be given that current regulations relating to regulatory approval will not change or become more stringent and it must be noted that product approvals may be withdrawn if compliance with regulatory standards is not maintained.

Licenses and Patents

The Company's success will depend in part on its ability to obtain licenses and patents, protect its trade secrets and operate without infringing the exclusive rights of other parties. There is no guarantee that any license and patent that will be granted to the Company will bring any competitive advantage to the Company, that its license and patent protection will not be contested by third parties, or that the licenses and patents of competitors will not be detrimental to the Company's commercial activities. It cannot be assured that competitors will not independently develop products similar to the Company's products, that they will not imitate the Company's products or that they will not circumvent or invalidate licenses and patents granted to the Company.

Currency Risk

The Company is exposed to currency risk through export sales, primarily in US dollars. Changes in exchange rates may result in foreign exchange gains or losses. The Company does not use derivative instruments to reduce its exposure to foreign currency risk and does not anticipate using any hedging strategies in a material way in the immediate future. Management will continue to assess the situation and may, as a result, change its approach to hedging foreign exchange currency fluctuations.

Credit Risk

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash, cash equivalents and accounts receivable. Cash and cash equivalents are in place with major financial institutions. The Company, in the normal course of business, is exposed to credit risk from its customers substantially all of whom are in the medical industry. These accounts receivable are subject to normal industry credit risks. The Company manages its credit risk through its credit evaluation, approval and monitoring processes.

Human Resources

The Company's success is dependent upon its ability to attract and retain a highly qualified work force, and to establish and maintain close relationships with research centers. Competition is intense and the Company's success will depend, to a great extent, on its senior executives, scientific staff, and collaborators. The loss of key personnel could compromise the rhythm and success of product development.

Product Liability

The Company has obtained product liability insurance coverage in the total amount of $1,000,000. These insurance coverages are a limited guarantee and a product liability claim could potentially be greater than these coverages. The

Company's profitability would be adversely affected by a successful product liability claim in excess of its insurance coverage.

Outlook

For its Therapeutic Laser Technology ("**TLT**") division, the Company continues to commercialize its patented next generation TLC-2000 biofeedback laser technology for launch in Canada in the second quarter of 2015.

The Company will focus on increasing product sales and market acceptance of the TLC-1000 laser technology in the Canadian market in the first half of 2015. In the last half of 2015, pending Health Canada approval, the Company will turn its attention to successfully launching and increasing product sales and market acceptance of the next generation TLC-2000 laser technology in Canada.

The Company will focus on increasing product sales and market acceptance of the TLC-1000 laser technology in the United States and international medical markets throughout the first three quarters of 2015. In the last quarter of 2015, pending FDA and CE approval, the Company will turn its attention to successfully launching and increasing product sales and market acceptance of the next generation TLC-2000 laser technology in the United States and internationally, respectively.

The latest independent scientific and clinical research continues to confirm that the Company's proprietary and patented therapeutic laser technology has a higher safety and effectiveness as compared to other competitive technologies. The Company will continue to invest in scientific and clinical research aimed at unlocking the cellular mechanisms of action as to how and why the Theralase laser light can so dramatically heal tissue.

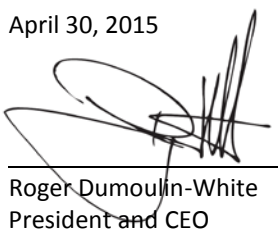
For its Photo Dynamic Therapy ("**PDT**") division, the Company continues to research, develop and commercialize its patented TLC-3000 Photo Dynamic Compound ("**PDC**") technology aimed at the destruction of cancer by executing on its strategic objective of enrolling patients in a Phase Ib human clinical trial for the treatment of NMIBC in 4Q2015.

Due to the on-going requirement of capital to fund the Company's growth in 2015 and 2016 in both divisions, the Company will continue to investigate equity financing options in order to achieve its strategic initiatives and unlock shareholder value.

One of the Company's primary focuses for 2015 has been and will be to increase common share liquidity, thus allowing shareholders the opportunity to participate in the Company's growth on their specific investing terms.

The Company feels that these initiatives will dramatically increase shareholder value as the Company achieves its strategic objectives in 2015 and 2016.

April 30, 2015



Roger Dumoulin-White
President and CEO