# Theralase Technologies Inc.

## Condensed Interim Consolidated Financial Statements - Unaudited

As at September 30, 2016 and for the nine-month period ended September 30, 2016, 2015 and 2014

# THERALASE® TECHNOLOGIES INC.

Consolidated Balance Sheets
As at Sep 30, 2016 and December 31, 2015
Stated in Canadian Dollars

| | Note | | 2016 | | 2015 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | | $ | 796,716 | $ | 4,340,856 |
| Trade and other receivables | 4 | | 722,586 | | 1,179,844 |
| Inventories | 5 | | 1,220,643 | | 913,516 |
| Prepaid expenses and other assets | | | 147,731 | | 159,064 |
| Total current assets | | | 2,887,676 | | 6,593,280 |
| Non-Current assets | | | | | |
| Finance receivable | | | 10,954 | | 30,321 |
| Property and equipment | 6 | | 460,611 | | 405,223 |
| Intangible assets | 7 | | 58,490 | | 73,299 |
| Total non-current assets | | | 530,055 | | 508,843 |
| **Total Assets** | | **$** | **3,417,731** | **$** | **7,102,123** |
| **Liabilities** | | | | | |
| Current liabilities | | | | | |
| Payables and accruals | 8 | $ | 563,229 | $ | 785,664 |
| Total liabilities | | | 563,229 | | 785,664 |
| **Equity attributable to shareholders** | | | | | |
| Share capital | 9.10,12 | | 19,967,937 | | 19,967,937 |
| Common share purchase warrants | 9.10,12 | | 2,392,342 | | 2,392,342 |
| Contributed surplus | 11 | | 5,279,065 | | 4,822,699 |
| Deficit | | | (24,784,842) | | (20,866,522) |
| Total Equity | | | 2,854,502 | | 6,316,459 |
| **Total Shareholders' Equity and Liabilities** | | **$** | **3,417,731** | **$** | **7,102,123** |

Commitments (Note 22)

Approved on Behalf of the Board

*[Roger Dumoulin-White]* Director

*[Randy Bruder]* Director

## THERALASE® TECHNOLOGIES INC.

Consolidated Statements of Operations and Comprehensive Loss
For the three and nine-month periods ended September 30
Stated in Canadian Dollars

| | | Three Months Ended September 30 | | | Nine Months Ended September 30 | | |
|---|---|---|---|---|---|---|---|
| | **Note** | **2016** | **2015** | **2014** | **2016** | **2015** | **2014** |
| Sales | | $ 313,588 | $ 383,791 | $ 134,036 | $ 1,206,726 | $ 1,061,608 | $ 994,473 |
| Cost of Sales | | 111,915 | 114,356 | 65,627 | 414,794 | 357,750 | 311,455 |
| Gross Margin | | 201,673 | 269,435 | 68,409 | 791,932 | 703,858 | 683,018 |
| **Operating Expenses** | | | | | | | |
| Selling expenses | 14 | $ 448,453 | $ 347,500 | $ 119,685 | $ 1,114,180 | $ 750,098 | $ 421,401 |
| Administrative expenses | 15 | 541,166 | 636,369 | 425,582 | $ 1,993,897 | 1,619,210 | 976,568 |
| Research and development expenses | 16 | 672,671 | 1,272,499 | 580,070 | $ 1,598,175 | 2,629,163 | 1,021,717 |
| (Gain) Loss on foreign exchange | | (1,517) | 1,075 | (7,346) | $ 12,681 | (11,895) | (7,297) |
| Interest expense | | 372 | | 251 | $ 570 | 279 | 13,342 |
| Interest income | | 2,431 | (14,046) | (1,800) | $ (9,253) | (29,918) | (4,953) |
| | | $ 1,663,576 | $ 2,243,396 | $ 1,116,442 | $ 4,710,251 | $ 4,956,937 | $ 2,420,777 |
| Loss and comprehensive loss for the year | | $ (1,461,903) | $ (1,973,961) | $ (1,048,033) | $ (3,918,320) | $ (4,253,079) | $ (1,737,759) |
| Basic and diluted loss and comprehensive loss per common share | 13 | $ (0.014) | $ (0.021) | $ (0.010) | $ (0.037) | $ (0.044) | $ (0.010) |
| Weighted average number of common shares outstanding (basic and diluted) | 13 | 106,929,532 | 95,957,158 | 68,448,691 | 106,929,532 | 95,957,158 | 68,488,691 |

**THERALASE® TECHNOLOGIES INC.**

Consolidated Statements of Cash Flows

For the three and nine-month periods ended September 30

Stated in Canadian Dollars

| | Note | Three Months Ended September 30 | | | Nine Months Ended September 30 | | |
|---|---|---|---|---|---|---|---|
| | | 2016 | 2015 | 2014 | 2016 | 2015 | 2014 |
| **Cash flows from operating activities** | | | | | | | |
| Net loss for the period | | $(1,461,903) | $ (1,973,962) | $ (1,048,034) | $ (3,918,320) | $ (4,253,079) | $ (1,737,761) |
| Items not involving cash | | | | | | | |
| Amortization of property and equipment | 6 | 46,862 | 32,948 | 15,928 | 116,497 | 86,279 | 48,473 |
| Amortization of intangibles | 7 | 5,791 | 4,510 | 4,704 | 14,810 | 13,529 | 13,529 |
| Stock-based compensation expense | 10 | 96,696 | 205,705 | 66,167 | 456,366 | 328,936 | 90,549 |
| Gain(loss) on foreign exchange | | 1,517 | (1,075) | 14,224 | (12,681) | 11,895 | 7,297 |
| Lease inducements | | - | (700) | (699) | (1,400) | (2,100) | (2,100) |
| | | (1,311,037) | (1,732,574) | (947,710) | (3,344,727) | (3,814,540) | (1,580,013) |
| Change in operating assets and liabilities other than cash | | | | | | | |
| Trade and other receivables | | (85,101) | (36,192) | (150,071) | 469,939 | 91,838 | (35,296) |
| Finance receivables | | - | 3,792 | 4,976 | 19,367 | 11,137 | 3,218 |
| Inventories | | (111,896) | (269,287) | (25,282) | (307,127) | (432,833) | (63,744) |
| Prepaid expenses and other assets | | 120,073 | 138,141 | 68,866 | 12,733 | 389,608 | (546,837) |
| Payables and accruals | | 206,535 | 479,268 | (283,796) | (222,438) | 311,740 | (515,986) |
| | | (1,181,426) | (1,416,852) | (1,333,017) | (3,372,253) | (3,443,050) | (2,738,658) |
| **Cash flows from investing activities** | | | | | | | |
| Purchase of property and equipment | 6 | (99,323) | (90,230) | (699) | (173,666) | (188,567) | (19,517) |
| Proceeds on disposal of property and equipment | 6 | - | - | 2,100 | 1,780 | | 2,100 |
| | | (99,323) | (90,230) | 1,401 | (171,886) | (188,567) | (17,417) |
| **Cash flows from financing activities** | | | | | | | |
| Repayment of capital lease obligation | | - | - | (142) | - | | (442) |
| (Repayment) Proceeds from officer loan | | - | - | (4,117) | - | | (25,539) |
| Proceeds from public offering (net of issue costs) | 9 | - | - | | - | 7,002,149 | |
| Proceeds from the exercising of stock options | 10 | - | - | | - | | 15,000 |
| Proceeds from the exercising of share warrants | 11 | - | 26,000 | 2,535,413 | - | 236,000 | 3,140,213 |
| | | - | 26,000 | 2,531,154 | - | 7,238,149 | 3,129,232 |
| Increase in cash during the year | | $ (1,280,749) | $ (1,481,083) | $ 1,199,538 | $ (3,544,139) | $ 3,606,532 | $ 373,158 |
| Cash, beginning of period | | $ 2,077,465 | $ 7,010,069 | $ 958,043 | $ 4,340,856 | $ 1,922,454 | $ 1,768,329 |
| Cash, end of period | | $ 796,716 | $ 5,528,986 | $ 2,157,581 | $ 796,716 | $ 5,528,986 | $ 2,141,487 |
| **Supplementary Information** | | | | | | | |
| Interest Paid | | $ 372 | $ 212 | $ 2,244 | $ 570 | $ 279 | $ 13,342 |
| Interest Received | | $ (2,431) | $ 25,615 | $ 1,300 | $ 9,253 | $ 29,918 | $ 4,953 |

# THERALASE® TECHNOLOGIES INC.

Consolidated Statements of Changes in Equity
As at Sep 30, 2016, 2015 and 2014
Stated in Canadian Dollars

| | Note | Number of Shares | Share Capital | Contributed Surplus | Common Share Purchase Warrants | Deficit | Total Shareholders' Equity |
|---|---|---|---|---|---|---|---|
| | | # | $ | $ | $ | $ | $ |
| **Balance, December 31, 2013** | | 65,726,309 | 9,492,432 | 4,119,138 | 1,223,149 | (13,070,831) | 1,763,888 |
| Stock-based compensation expense | 10 | | | 90,549 | | | 90,549 |
| Exercised share purchase warrants | 11 | 15,683,067 | 3,945,483 | | (805,269) | | 3,140,213 |
| Exercised stock options | 10 | 100,000 | 28,303 | (13,303) | | | 15,000 |
| Loss for the year | | | | | | (1,737,761) | (1,737,761) |
| **Balance, September 30, 2014** | | 81,509,376 | 13,466,218 | 4,196,385 | 417,879 | (14,808,592) | 3,271,890 |
| **Balance, December 31, 2014** | | 85,321,293 | 14,436,356 | 4,312,729 | 214,624 | (15,658,375) | 3,305,334 |
| Stock-based compensation expense | 10 | | | 328,937 | | | 328,937 |
| Exercised share purchase warrants | 11 | 1,180,000 | 292,413 | | (56,413) | | 236,000 |
| Issued pursuant to public offering | 9 | 18,181,817 | 4,660,526 | | 2,341,622 | | 7,002,148 |
| Loss for the year | | | | | | (4,253,079) | (4,253,079) |
| **Balance, September 30, 2015** | | 104,683,110 | 19,389,295 | 4,641,666 | 2,499,833 | (19,911,454) | 6,619,340 |
| **Balance, December 31, 2015** | | 107,047,360 | 19,967,937 | 4,822,699 | 2,392,342 | (20,866,522) | 6,316,459 |
| Stock-based compensation expense | 10 | - | - | 456,367 | - | - | 456,367 |
| Loss for the year | | - | - | - | - | (3,918,320) | (3,918,320) |
| **Balance, September 30, 2016** | | 107,047,360 | 19,967,937 | 5,279,065 | 2,392,342 | (24,784,842) | 2,854,502 |

The company had a nil balance of accumulated other comprehensive income at each of the dates presented above.

## 1. Nature of Operations

Theralase Technologies Inc. (the "**Company**" or "**Theralase**") has two main divisions.

The Therapeutic Laser Technology ("**TLT**") division designs, develops, manufactures and markets patented and proprietary super-pulsed laser technology indicated and cleared by Health Canada and the Food and Drug Administration ("**FDA**") for the healing of chronic knee pain. The technology has been used off-label for healing numerous nerve, muscle and joint conditions, including arthritis, osteoarthritis and wounds. The Photo Dynamic Therapy ("**PDT**") division develops patented and patent pending drugs, called Photo Dynamic Compounds ("**PDCs**") and activates them with proprietary and patent pending laser technology to destroy specifically targeted cancers and bacteria.

The Company develops products both internally and using the assistance of specialist external resources. Successful financing enables the commercialization of the Company's current and future product offerings, which is further supported through the Company's established network of direct sales and indirect distribution networks.

Theralase was incorporated by articles of incorporation in the province of Ontario in September, 2004. The Company's common shares trade on the Toronto Stock Exchange Venture Exchange under the symbol TLT. The registered office is 1945 Queen Street East, Toronto, Ontario, M4L 1H7, Canada.

### Statement of Compliance

The condensed interim consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (**"IFRS"**) as issued by the International Accounting Standards Board (**"IASB"**) and interpretations of the IFRS Interpretations Committee.

These condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard (**"IAS"**) 34 "Interim Financial Reporting". The interim consolidated financial statements do not include all the information and disclosures required in the Company's annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2015.

The condensed interim consolidated financial statements for the nine-month period ended September 30, 2016 (including comparatives) were approved and authorized for issue by the board of directors on November 29, 2016.

## 2. Summary of Significant Accounting Policies

### Basis of presentation

These condensed interim financial statements have been prepared on a historical basis. In addition, these financial statements have been prepared using the accrual basis of accounting.

### Basis of consolidation

The condensed interim consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries; Theralase Inc. and Theralase Biotech Inc., over which the Company exercises control. Inter-company balances and transactions are eliminated in preparing the consolidated financial statements.

## 3. Accounting Standards Issued But Not Yet Applied

The IASB has issued the following standards which have not yet been adopted by the Company. The Company has not yet begun the process of assessing the impact that the new standards will have on its financial statements.

The following is a description of the new standards:

***IFRS 9, Financial Instruments ("IFRS 9")*** 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.

The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to receive in exchange for those goods and services. IFRS 15 will require enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (particularly, service revenue and contract modifications) and improve guidance for multiple –element arrangements.

IFRS 15 is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. The company has not yet assessed the impacts of adopting this standard on its consolidated financial statements.

***IFRS 16, Leases ("IFRS 16")*** was issued in January 2016 and specifies how to recognize, measure, present and disclose leases. The standard provides a single lease accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting however remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained

IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

**Stated in Canadian Dollars**

## 4. Trade and Other Receivables

| | As at September 30, 2016 | | As at December 31, 2015 | |
|---|---|---|---|---|
| Trade Accounts Receivable (net of allowance for doubtful accounts) | $ | 379,729 | $ | 493,003 |
| Government Tax Credits Receivable | | 342,857 | | 686,841 |
| **Total** | **$** | **722,586** | **$** | **1,179,844** |

Write offs of trade receivables for the nine-month period ending September 30, 2016 amounted to $nil (2015 - $nil). Refer to note 18 (i) for the continuity schedule of allowance for trade receivables.

Government tax credits receivable comprise research and development investment tax credits receivable from the federal government which relate to qualifiable research and development expenditures under the applicable tax laws.

The Company's exposure to credit and currency risks related to trade and other receivables is presented in note 18.

## 5. Inventories

| | As at September 30, 2016 | | As at December 31, 2015 | |
|---|---|---|---|---|
| Raw materials | $ | 921,977 | $ | 656,892 |
| Work-in-process | | 48,525 | | 52,427 |
| Finished goods | | 250,141 | | 204,197 |
| **Total** | **$** | **1,220,643** | **$** | **913,516** |

## 6. Property and Equipment

**Cost**

| | Tools and Dies | Finance Lease Equipment | Computer Equipment | Furniture and Fixtures | Rental units (1) | Equipment | Leasehold Improvements | Total |
|---|---|---|---|---|---|---|---|---|
| Balance at January 1, 2014 | $ 39,653 | 2,595 | $ 91,741 | $ 95,536 | $ 18,513 | $ 62,717 | $ 212,335 | $ 523,089 |
| Additions | - | - | 27,004 | 1,372 | - | 80,306 | 5,432 | 114,115 |
| Balance at December 31, 2014 | $ 39,653 | 2,595 | $ 118,745 | $ 96,908 | $ 18,513 | $ 143,023 | $ 217,767 | $ 637,204 |
| | | | | | | | | |
| Balance at January 1, 2015 | $ 39,653 | 2,595 | $ 118,745 | $ 96,908 | $ 18,513 | $ 143,023 | $ 217,767 | $ 637,204 |
| Additions | 148,168 | - | 32,629 | 15,959 | 2,900 | 48,840 | - | 248,496 |
| Balance at December 31, 2015 | $ 187,821 | 2,595 | $ 151,374 | $ 112,867 | $ 21,413 | $ 191,863 | $ 217,767 | $ 885,700 |
| | | | | | | | | |
| Balance at January 1, 2016 | $ 187,821 | 2,595 | $ 151,374 | $ 112,867 | $ 21,413 | $ 191,863 | $ 215,167 | $ 885,700 |
| Additions | 9,604 | - | 137,890 | 15,218 | 13,528 | 5,141 | 12,770 | 194,151 |
| Dispospals | - | - | - | (6,356) | - | - | - | (6,356) |
| Balance at September 30, 2016 | $ 197,425 | 2,595 | $ 289,264 | $ 121,729 | $ 34,941 | $ 197,004 | $ 227,937 | $ 1,070,895 |

**Stated in Canadian Dollars**

## 6. Property and Equipment (continued)

### Depreciation

| | Tools and Dies | Finance Lease Equipment | Computer Equipment | Furniture and Fixtures | Rental units (1) | Equipment | Leasehold Improvements | Total |
|---|---|---|---|---|---|---|---|---|
| Balance at January 1, 2014 | $ 39,297 | 1,872 | $ 78,243 | $ 75,889 | $ 11,200 | $ 52,920 | $ 42,176 | $ 308,528 |
| Depreciation for the year | 88 | 532 | 5,678 | 4,002 | 3,089 | 4,943 | 46,523 | 64,852 |
| Balance at December 31, 2014 | $ 39,385 | 2,404 | $ 83,921 | $ 79,891 | $ 14,289 | $ 57,862 | $ 88,699 | $ 366,451 |
| Balance at January 1, 2015 | $ 39,385 | 2,404 | $ 83,921 | $ 79,891 | $ 14,289 | $ 57,862 | $ 88,699 | $ 366,451 |
| Depreciation for the year | 18,905 | 125 | 13,898 | 3,979 | 1,282 | 28,264 | 47,576 | 114,026 |
| Balance at December 31, 2015 | $ 58,290 | 2,529 | $ 97,819 | $ 83,870 | $ 15,571 | $ 86,126 | $ 136,275 | $ 480,480 |
| Balance at January 1, 2016 | $ 58,290 | 2,529 | $ 97,819 | $ 83,870 | $ 15,571 | $ 86,126 | $ 136,275 | $ 480,480 |
| Depreciation for the period | 32,964 | - | 27,133 | 1,873 | 3,053 | 25,278 | 39,503 | 129,804 |
| Balance at September 30, 2016 | $ 91,254 | 2,529 | $ 124,952 | $ 85,743 | $ 18,624 | $ 111,404 | $ 175,778 | $ 610,284 |

### Carrying Amounts

| | Tools and Dies | Finance Lease Equipment | Computer Equipment | Furniture and Fixtures | Rental units (1) | Equipment | Leasehold Improvements | Total |
|---|---|---|---|---|---|---|---|---|
| At December 31, 2014 | $268 | 191 | $34,825 | $17,018 | $4,224 | $ 85,161 | $ 129,068 | $ 270,758 |
| At December 31, 2015 | $ 129,531 | 66 | $ 53,555 | $ 28,997 | $ 5,842 | $ 105,736 | $ 81,492 | $ 405,223 |
| At September 30, 2016 | $ 106,171 | 66 | $ 164,312 | $ 35,986 | $ 16,317 | $ 85,599 | $ 52,159 | $ 460,611 |

(1) Rental units consist of TLC-1000 systems used in customer rentals, demonstrations and service loaners

## 7. Intangible Assets

### Cost

| | Patents | Trademarks | Development Costs | FDA Clinical Study Costs (1) | Total |
|---|---|---|---|---|---|
| Balance at January 1, 2014 | $ 199,622 | 58,346 | $ 344,093 | $ 509,649 | $ 1,111,710 |
| Balance at December 31, 2014 | $ 199,622 | 58,346 | $ 344,093 | $ 509,649 | $ 1,111,710 |
| Balance at December 31, 2015 | $ 199,622 | 58,346 | $ 344,093 | $ 509,649 | $ 1,111,710 |
| Balance at September 30, 2016 | $ 199,622 | 58,346 | $ 344,093 | $ 509,649 | $ 1,111,710 |

### Amortization

| | Patents | Trademarks | Development Costs | FDA Clinical Study Costs (1) | Total |
|---|---|---|---|---|---|
| Balance at January 1, 2014 | $ 104,721 | 40,944 | $ 344,093 | $ 509,649 | $ 999,407 |
| Amortization for the year | 14,606 | 3,432 | - | - | 18,038 |
| Balance at December 31, 2014 | $ 119,327 | 44,376 | $ 344,093 | $ 509,649 | $ 1,017,445 |
| Balance at January 1, 2015 | $ 119,327 | 44,376 | $ 344,093 | $ 509,649 | $ 1,017,445 |
| Amortization for the year | 17,533 | 3,432 | - | - | 20,965 |
| Balance at December 31, 2015 | $ 136,860 | 47,808 | $ 344,093 | $ 509,649 | $ 1,038,410 |
| Balance at January 1, 2016 | $ 136,860 | 47,808 | $ 344,093 | $ 509,649 | $ 1,038,410 |
| Amortization for the period | 12,236 | 2,574 | - | - | 14,810 |
| Balance at September 30, 2016 | $ 149,096 | 50,382 | $ 344,093 | $ 509,649 | $ 1,053,220 |

**Stated in Canadian Dollars**

## 7. Intangible Assets (continued)

| **Carrying Amounts** | | | | | | |
|---|---|---|---|---|---|---|
| At December 31, 2014 | $ | 80,295 | 13,970 | $ - | $ - | $ 94,265 |
| At December 31, 2015 | $ | 62,762 | 10,537 | $ - | $ - | $ 73,299 |
| At September 30, 2016 | $ | 50,526 | 7,964 | $ - | $ - | $ 58,490 |

(1) FDA clinical study costs consist of expenses incurred in conducting the clinical trial Laser Therapy Applications for Chronic Joint Pain used to obtain the FDA clearance in July 2005, which allows for the marketing and sale of the TLC-1000 product line into the US market.

## 8. Payables and Accruals

| | As at September 30, 2016 | As at December 31, 2015 |
|---|---|---|
| Trade payables | $ 369,312 | $ 390,407 |
| Salaries, employment taxes, and benefits | 47,120 | 43,776 |
| Current portion of warranty liability | 1,100 | 1,100 |
| Audit fees, contract payments and other | 145,697 | 350,380 |
| **Total** | **$ 563,229** | **$ 785,664** |

## 9. Public Offering

On March 3, 2015, the Company completed a financing by way of a public offering, where 18,181,817 units were issued at a price of $0.44 per unit for gross proceeds of approximately $8,000,000. Each unit consisted of 1 common share and 1 non-transferable common share purchase warrant. Each whole warrant entitles the holder thereof to acquire 1 common share at a price of $0.54, expiring on March 3, 2020. In connection with the offering, the Company incurred financing costs of $1,053,871, of which $997,851 was paid in cash and $56,019 was paid through issuance 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 purchase price of $0.44 per unit was allocated between the common shares ($0.30 per share) and common share purchase warrants ($0.14 per warrant), based on their relative fair values. Management determined that the allocation of the net proceeds of $6,946,129 was $4,650,562 for the common shares issued and $2,295,567 for the common share purchase warrants issued.

The fair value of each common share purchase warrant granted was estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

| | March 3, 2015 |
|---|---|
| Expected volatility (based on historical share prices) | 68.27% |
| Risk-free interest rate | 0.81% |
| Expected life | 5 Years |
| Expected dividends | $nil |
| Strike price | $0.54 |
| Share price | $0.395 |

**Stated in Canadian Dollars**

## 10. Stock Options

The Company has a rolling stock option plan reserving for issue under this plan 10% (10,704,736 common shares) of the outstanding common shares at a purchase price not less than the fair market value of the Company`s stock at the grant date. Under the Company's stock option plan, the board of directors may grant, at its discretion, stock options to purchase common shares to certain employees, officers, directors and consultants of the Company. Terms and conditions of the stock option and vesting provisions are at the discretion of the board of directors.

A summary of stock options issued under the stock option plan for nine-months ended September 30, 2016 and the years ended December 31, 2015 and 2014 is provided below.

| | **Common shares under** | **Weighted average exercised** |
|---|---|---|
| Outstanding, January 1, 2014 | 2,220,000 | 0.46 |
| Granted (1) | 3,320,000 | 0.50 |
| Forfeited (2) | (45,000) | 0.50 |
| Exercised (3) | (100,000) | 0.15 |
| Expired (4) | (300,000) | 0.35 |
| Outstanding, December 31, 2014 | 5,095,000 | 0.50 |
| Granted (5) | 5,340,000 | 0.50 |
| Forfeited (6) | (330,000) | 0.50 |
| Outstanding, December 31, 2015 | 10,105,000 | 0.50 |
| Granted (7) | 150,000 | 0.50 |
| Forfeited (8) | (170,000) | 0.50 |
| Outstanding, September 30, 2016 | 10,085,000 | 0.50 |

1) On July 1, 2014 and November 11, 2014 options were granted to certain employees, board members, medical scientific and advisory board members and consultants of the Company totaling 2,650,000 and 670,000, respectively, for $0.50 vesting in three tranches with tranches vesting in one year, two years and three years and expiring five years from date of issue.

2) During 2014 certain employees were terminated or resigned from the employment of the Company and forfeited all non-vested options totaling 45,000 in which $1,982 of stock based compensation recognized in prior years was reversed.

3) On January 5, 2014 a board member exercised their options. The share price at exercise date was $0.45

4) On August 11, 2014 certain stock options expired.

5) On May 28, July 27, October 13 and November 2, 2015 options were granted to certain employees, board members, medical scientific and advisory board members and consultants of the Company totaling 5,340,000 for $0.50 vesting in three tranches with tranches vesting in one year, two years and three years respectively and expiring five years from date of issue.

6) During 2015 a board member resigned from the employment of the Company and forfeited all non-vested options totaling 330,000.

7) On January 1, April 4, April 18 and May 16, 2016 options were granted to certain employees, board members, medical scientific and advisory board members and consultants of the Company totaling 150,000 for $0.50 vesting in three tranches with tranches vesting in one year, two years and three years respectively and expiring five years from date of issue.

8) During 2016 certain employees were terminated or resigned from the employment of the Company and non-vested options were cancelled totaling 170,000.

**Stated in Canadian Dollars**

## 10. Stock Options (continued)

The following table summarizes information on the stock options outstanding as at September 30, 2016:

| **Stock Options Outstanding** | | | | **Stock Options Exercisable** | | |
|---|---|---|---|---|---|---|
| **Stock Options Outstanding** | **Weighted Average Remaining Life (years)** | **Weighted Average Exercise Price $** | | **Stock Options Exercisable** | **Weighted Average Exercise Price $** | |
| 1,765,000 | 0.1 | $ | 0.50 | 1,765,000 | $ | 0.50 |
| 2,430,000 | 2.8 | $ | 0.50 | 1,620,000 | | 0.50 |
| 580,000 | 3.1 | $ | 0.50 | 193,333 | | 0.50 |
| 4,970,000 | 3.7 | $ | 0.50 | 1,656,667 | | 0.50 |
| 110,000 | 3.8 | $ | 0.50 | 36,667 | | 0.50 |
| 60,000 | 4.0 | $ | 0.50 | - | | |
| 10,000 | 4.1 | $ | 0.50 | - | | - |
| 10,000 | 4.2 | $ | 0.50 | - | | - |
| 100,000 | 4.3 | $ | 0.50 | - | | - |
| 20,000 | 4.5 | $ | 0.50 | - | | - |
| 10,000 | 4.5 | $ | 0.50 | - | | - |
| 20,000 | 4.6 | $ | 0.50 | - | | - |
| 10,085,000 | | $ | 0.50 | 5,271,667 | $ | 0.50 |

Under the stock option plan, the stock options vest over a three year period, commencing one year after the grant. As at September 30, 2016, 5,271,667 of the stock options were vested. All outstanding stock options as at September 30, 2016 will be fully vested by May 16, 2019.

Options to employees are measured at the fair value of the equity instruments granted on the grant date using the following weighted average assumptions:

| | **2016** | **2015** |
|---|---|---|
| Risk-free interest rate | 0.69% | 0.94% |
| Expected volatility* | 72.64% | 78.88% |
| Expected life | 5 years | 5 years |
| Expected dividends | Nil | Nil |
| Weighted average grant date fair value | 0.20 | 0.19 |
| Weighted average exercise price | 0.50 | 0.50 |
| Forfeiture rate | 28% | 28% |

Options to non-employees are measured at the fair value of the equity instruments granted on the grant date, as the fair market value of the services received cannot be reliably measured. The fair value of non-employee stock options was remeasured on September 30, 2016 using the following assumptions:

**Stated in Canadian Dollars**

## 10. Stock Options (continued)

| | 2016 | 2015 |
|---|---|---|
| Risk-free interest rate | 0.62% | 0.81% |
| Expected volatility* | 72.63% | 78.47% |
| Expected life | 5 years | 5 years |
| Expected dividends | Nil | Nil |
| Weighted average grant date fair value | 0.24 | 0.20 |
| Weighted average exercise price | 0.50 | 0.50 |
| Forfeiture rate | 18% | 18% |

For the nine-month period ended September 30, 2016, the Company recognized stock-based compensation expense of $456,366 (December 31, 2015 - $508,273, December 31, 2014 - $206,894) for stock options issued to directors, employees, medical scientific and advisory board members and consultants, of which $377,805 is included in administrative expenses, $14,195 in selling expenses and $64,366 is included in research and development expenses.

*Based on historical volatility

## 11. Common Share Purchase Warrants

Common share purchase warrants consisted of the following:

| | Number outstanding | Weighted average exercised price $ | Fair value at date of grant $ |
|---|---|---|---|
| Outstanding, January 31, 2015 | 5,034,250 | 0.25 | 214,624 |
| Issued with shares | 19,071,940 | 0.54 | 2,351,587 |
| Exercised | (3,544,250) | 0.20 | (172,171) |
| Expired | (35,000) | 0.20 | (1,697) |
| Outstanding, December 31, 2015 | 20,526,940 | | 2,392,342 |
| **Outstanding, September 30, 2016** | **20,526,940** | | **2,392,342** |

1) During 2015, 3,544,250 warrants were exercised. The share price at exercise date was $0.20

The following table summarizes information on the common share purchase warrants outstanding for the nine-month period ended September 30, 2016:

| Exercise Price | Outstanding Beginning of the period | Expired During the period | Exercised During the period | Granted During the period | Outstanding End of period | Weighted Average Remaining Contractual Life (years) |
|---|---|---|---|---|---|---|
| $0.38 | 1,455,000 | - | - | - | 1,455,000 | 0.79 |
| $0.54 | 19,071,940 | - | - | - | 19,071,940 | 3.91 |
| | 20,526,940 | - | - | - | 20,526,940 | 3.69 |

**Stated in Canadian Dollars**

## 12. Share Capital

### Authorized

Unlimited number of common shares

### Issued

| | As at September 30, 2016 | | | As at December 31, 2015 | | |
|---|---|---|---|---|---|---|
| | Number | | Amount | Number | | Amount |
| Balance, beginning of period | 107,047,360 | $ | 19,967,937 | 85,321,293 | $ | 14,436,356 |
| Issued during period | - | | - | 21,726,067 | | 5,531,581 |
| **Balance, end of period** | **107,047,360** | **$** | **19,967,937** | **107,047,360** | **$** | **19,967,937** |

1) The common shares issued during 2015 upon conversion of warrants were issued for gross proceeds of $0.20 and $0.38 (2014 - $0.20 and $0.38) per common share for cash.

## 13. Loss and Comprehensive Loss Per Common Share

Basic loss and comprehensive loss per common share has been calculated based on the weighted average number of common shares outstanding during each of the years presented in the consolidated financial statements.

Basic and diluted loss and comprehensive loss per common share for the nine-month period ended September 30th are as follows:

| | | 2016 | | 2015 | | 2014 |
|---|---|---|---|---|---|---|
| Loss for the period | $ | (3,918,320) | $ | (4,253,079) | $ | (1,737,759) |
| Weighted average number of common shares | | 106,929,532 | | 95,957,158 | | 68,488,691 |
| **Basic and diluted loss and comprehensive loss per share** | **$** | **(0.04)** | **$** | **(0.04)** | **$** | **(0.03)** |

Stock options to purchase 10,085,000 (December 31, 2015 – 10,105,000, December 31, 2014 – 5,095,000) common shares and common share purchase warrants totaling 20,526,940 (December 31, 2015 – 20,526,940, December 31, 2014 – 4,990,916) were not included in the computation of diluted loss and comprehensive loss per common share due to their anti-dilutive nature.

## 14. Selling Expenses

The following are expenses classified as selling expenses on the consolidated financial statements:

| | | 2016 | | 2015 | | 2014 |
|---|---|---|---|---|---|---|
| Sales salaries | $ | 685,752 | $ | 436,169 | $ | 197,167 |
| Advertising | | 171,398 | | 107,004 | | 82,965 |
| Commission | | 52,693 | | 69,787 | | 38,478 |
| Travel | | 149,091 | | 98,815 | | 81,440 |
| Stock based compensation | | 14,195 | | 9,742 | | 552 |
| Amortization and depreciation allocation | | 41,051 | | 28,581 | | 20,799 |
| **Total selling expenses** | **$** | **1,114,180** | **$** | **750,098** | **$** | **421,401** |

Stated in Canadian Dollars

## 15. Administrative Expenses

The following are expenses classified as administrative expenses on the consolidated financial statements:

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| Insurance | $ 60,564 | $ 46,819 | $ 38,927 |
| Professional fees | 145,732 | 182,990 | 71,883 |
| Rent | 60,900 | 60,900 | 60,900 |
| General and administrative expenses | 594,187 | 514,603 | 332,166 |
| Administrative salaries | 643,843 | 483,820 | 350,210 |
| Director and advisory fees | 79,694 | 65,961 | 17,351 |
| Stock based compensation | 377,806 | 242,923 | 90,551 |
| Amortization and depreciation allocation | 31,170 | 21,194 | 14,580 |
| **Total administrative expenses** | **$ 1,993,897** | **$ 1,619,210** | **$ 976,568** |

## 16. Research and Development Expenses

The following are expenses classified as research and development expenses on the consolidated financial statements:

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| Research and development (net of investment) | $ 1,474,723 | $ 2,502,858 | $ 983,970 |
| Stock based compensation | 64,366 | 76,272 | 11,126 |
| Amortization and depreciation allocation | 59,086 | 50,033 | 26,621 |
| **Total research and development expenses** | **$ 1,598,175** | **$ 2,629,163** | **$ 1,021,717** |

## 17. Government Assistance

The Company is eligible to receive grants and investment tax credits from the federal government related to research and development activities. All such amounts are applied against related research and development expenses when received or collection is reasonably assured. In the nine-month period ending September 30, 2016, an amount of $Nil (December 31, 2015 - $300,000, December 31, 2014 - $173,041) of investment tax credits was recorded against research and development expense. The amount is included in the trade and other receivables accounts in the consolidated balance sheet.

## 18. Financial Instruments – Fair Value and Risks

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

Stated in Canadian Dollars

## 18. Financial Instruments – Fair Value and Risks (continued)

The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate fair value due to the short-term maturities of these instruments

Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. As at September 30, 2016 and December 31, 2015, the Company's cash is categorized as Level 1. There were no financial instruments categorised as Level 2 or 3.

### i Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's accounts receivable. The amounts reported in the consolidated balance sheets are net of allowances for bad debts, estimated by the Company's management based on prior experience and its 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 when management determines that the account may not be fully collectible. The Company has adopted credit policies in an effort to minimize those risks. The carrying value of trade and other receivables represent the Company's maximum exposure to credit risk.

The following table reflects the balance and age of trade receivables as at September 30, 2016 and December 31, 2015:

| | As at September 30, 2016 | As at December 31, 2015 |
|---|---|---|
| Trade and other receivables | $ 379,729 | $ 493,003 |
| Percentage outstanding more than 30 days | 32% | 21% |
| Percentage outstanding more than 120 days | 1% | 9% |

The following table reflects the changes in the allowance for trade receivables during as the nine-month period ending September 30, 2016 and the year ended December 31, 2015:

| | As at June 30, 2016 | As at December 31, 2015 |
|---|---|---|
| Allowance for trade receivables - beginning of period | $ 139,627 | $ 16,416 |
| Adjustment based on collection experience | 261 | 123,211 |
| Allowance for trade receivables - end of period | **$ 139,888** | **$ 139,627** |

### 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.

## 18. Financial Instruments – Fair Value and Risks (continued)

### ii Liquidity risk (continued)

The table below reflects the contractual obligations of the Company's undiscounted cash flows for its financial liabilities:

| | Total | 2016 | 2017 | 2018 |
|---|---|---|---|---|
| Lease obligations (a) | $ 91,000 | $ 21,000 | $ 70,000 | $ - |
| Lease obligations (b) | 3,507 | 1,002 | 2,004 | 501 |
| Research Agreement (c) | 77,000 | 77,000 | | |
| **Total** | **$ 171,507** | **$ 99,002** | **$ 72,004** | **$ 501** |

The Company has contractual obligations (note 22) in the form of lease obligations related to the company's premises and research and development commitments.

### 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 cash; however, it does not expect a movement in interest rates to have a significant impact on the Company's financial position.

### iv Foreign currency exchange risk

The company is exposed to foreign currency exchange risk. This risk arises from the company's holdings of US dollar denominated cash, trade and other receivables, payables and accrued liabilities. Changes arising from this risk could impact the company's reported foreign currency exchange gains or losses.

Accounts exposed to foreign currency exchange risk as at September 30 are as follows:

| | September 30, 2016 | December 31, 2015 |
|---|---|---|
| Cash | $ 44,265 | $ (13,989) |
| Trade and other receivables | 104,144 | 144,833 |
| Payables and accruals | (12,123) | (103,097) |
| **Total** | **$ 136,286** | **$ 27,747** |

The above US dollar balances are shown in Canadian dollar equivalents.

### v Foreign currency exchange risk sensitivity analysis

The following table details the company's sensitivity analysis to a 10% strengthening in the US dollar on foreign currency denominated monetary items and adjusts its translation at the consolidated balance sheet dates for a 10% change in foreign currency exchange rates. For a 10% weakening of the US dollar against the Canadian dollar, there would be an equal and opposite impact on loss and comprehensive loss for the nine-month period.

**Stated in Canadian Dollars**

## 18. Financial Instruments – Fair Value and Risks (continued)

### v Foreign currency exchange risk sensitivity analysis (continued)

| | September 30, 2016 | December 31, 2015 |
|---|---|---|
| Cash | $ 4,427 | $ (1,399) |
| Trade and other receivables | 10,414 | 14,483 |
| Payables and accruals | (1,212) | (10,310) |
| **Total** | **$ 13,629** | **$ 2,774** |

## 19. Related Party Disclosure

The compensation of the directors and other key management of the Company are included in the summary table below for the nine-month period ending:

| | 2016 | 2015 | 2014 |
|---|---|---|---|
| Short-term compensation | $ 375,000 | $325,000 | $ 212,917 |
| Stock-based compensation | 299,534 | 285,550 | 68,843 |
| Total | $ 674,534 | $610,550 | $281,760 |

Key management includes those persons having authority and responsibility for planning, directing and controlling the activities, directly or indirectly, of the Company.

Key management personnel were not paid post-employment benefits, termination benefits or other long term benefits during the nine-month period ending September 30, 2016 and the years ended December 31, 2015, 2014. Fees paid to directors have been disclosed in note 15.

Stock-based compensation made to directors and officers are the fair value of options that vested to key management personnel during the year.

## 20. Capital Disclosures

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

The Company's capital is composed of total shareholders' equity. For the nine-month period ended September 30, 2016, the Company reported a loss of $3,918,320, and an accumulated deficit of $24,784,842 as at that date. Sales of the TLC-1000 and TLC-2000, the company's existing product line, have not been sufficient in and of themselves to enable the company to fund all its continuing development and commercialization efforts and, accordingly, management is pursuing alternate financing sources to fund the Company's development and commercialization efforts that are similar to the financing secured through the public offering that took place on March 3, 2015 (note 9). Nevertheless, there is no assurance that these initiatives will be successful.

Stated in Canadian Dollars

## 20. Capital Disclosures (continued)

The Company is not subject to any externally imposed capital requirements and the Company does not use financial ratios to manage capital. There were no changes in the Company's approach to capital management during the years presented.

## 21. Segmented Information

For management purposes, the company is organized into two separate reportable operating divisions; (1) Therapeutic Laser Technology (**"TLT"**) division and (2) Photo Dynamic Therapy (**"PDT"**) division. The TLT division is responsible for all aspects of the Company's therapeutic laser business, which manufactures products used by healthcare practitioners predominantly for the healing of pain. The PDT division is responsible for the research and development of Photo Dynamic Compounds (**"PDCs"**) for the destruction of primarily cancer.

The following table displays revenue and direct expenses from the TLT and PDT division for the nine-month period ended September 30:

| | 2016 | | | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|---|---|---|
| | TLT | PDT | Total | TLT | PDT | Total | TLT | PDT | Total |
| Sales | $ 1,206,726 | $ - | $ 1,206,726 | $ 1,061,608 | $ - | $ 1,061,608 | $ 994,473 | $ - | $ 994,473 |
| Cost of Sales | 414,794 | - | 414,794 | 357,750 | - | 357,750 | 311,455 | - | 311,455 |
| Gross Margin | 791,932 | - | 791,932 | 703,858 | - | 703,858 | 683,018 | - | 683,018 |
| **Operating Expenses** | | | | | | | | | |
| Selling expenses | 1,114,180 | - | 1,114,180 | 750,098 | - | 750,098 | 421,401 | - | 421,401 |
| Administrative expenses | 986,665 | 1,007,232 | 1,993,897 | 1,006,214 | 612,996 | 1,619,210 | 640,751 | 335,817 | 976,568 |
| Research and development expenses | 244,142 | 1,354,033 | 1,598,175 | 437,310 | 2,191,854 | 2,629,164 | 323,353 | 698,364 | 1,021,717 |
| (Gain) loss on foreign exchange | 6,341 | 6,341 | 12,681 | (11,895) | - | (11,895) | (7,297) | - | (7,297) |
| Interest expense | 285 | 285 | 570 | 140 | 140 | 280 | 6,671 | 6,671 | 13,342 |
| Interest income | (9,253) | - | (9,253) | (29,919) | - | (29,919) | (4,953) | - | (4,953) |
| | 2,342,358 | 2,367,893 | 4,710,251 | 2,151,947 | 2,804,991 | 4,956,937 | 1,379,927 | 1,040,853 | 2,420,778 |
| Loss and comprehensive loss for the period | $ (1,550,427) | $ (2,367,893) | $ (3,918,320) | $ (1,448,089) | $ (2,804,991) | $ (4,253,079) | $ (696,908) | $ (1,040,854) | $ (1,737,762) |
| Total Assets | $ 3,306,596 | $ 111,135 | $ 3,417,731 | $ 7,202,759 | $ 217,840 | $ 7,420,599 | $ 2,117,138 | $ 83,945 | $ 2,201,083 |
| Total Liabilities | 480,482 | 82,747 | 563,229 | 390,756 | 432,734 | 823,490 | 565,756 | 45,580 | 611,336 |

The following table displays revenue and direct expenses from TLT division product sales by geographic area for the nine-month period ended September 30:

| | 2016 | | | 2015 | | | 2014 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Canada | USA | International | Canada | USA | International | Canada | USA | International |
| Sales | $728,277 | $399,445 | $79,004 | $885,562 | $136,382 | $39,665 | $621,435 | $234,167 | $138,871 |
| Cost of Sales | 244,221 | 135,811 | 34,762 | 294,882 | 45,415 | 17,453 | 171,189 | 65,567 | 61,103 |
| Selling Expenses | 727,021 | 375,198 | 11,960 | 720,459 | 22,159 | 7,410 | 298,510 | 118,721 | 4,170 |
| | $ (242,965) | $ (111,564) | $ 32,282 | $ (129,780) | $ 68,808 | $ 14,802 | $ 151,736 | $ 49,879 | $ 73,598 |

As at September 30, 2016, December 31, 2015 and December 31, 2014, the company's long-lived assets used in operations are all located in Canada.

**Stated in Canadian Dollars**

## 22. Commitments

The Company's commitments consist of the following:

| | | Total | | 2016 | | 2017 | | 2018 |
|---|---|---|---|---|---|---|---|---|
| Lease obligations (a) | $ | 91,000 | $ | 21,000 | $ | 70,000 | $ | - |
| Lease obligations (b) | | 3,507 | | 1,002 | | 2,004 | | 501 |
| Research Agreement (c) | | 77,000 | | 77,000 | | | | |
| **Total** | **$** | **171,507** | **$** | **99,002** | **$** | **72,004** | **$** | **501** |

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 $126,000 for the period from March 1, 2016 through to February 28, 2017. The Company has paid or accrued $49,000 relating to this commitment, in which $77,000 is the remaining commitment.

## 23. Subsequent Events

On November 10, 2016, the Company closed a public offering of units. On closing, the Company issued an aggregate of 14,236,666 Units at a price of $0.30 per Unit for aggregate gross proceeds of approximately $4,271,000. Each Unit consists of one common share of the Company and one common share purchase warrant (each, a "Warrant"). Each Warrant entitles the holder to acquire an additional Common Share at a price of $0.375 for a period of 60 months following the date of issuance.