Management's Discussion and Analysis of Financial Condition and Operations

The following Management's 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 year ended December 31, 2017. This MD&A has been filed in accordance with the provisions of National Instrument 51-102 (*Continuous Disclosure Obligations*). Additional information relating to the Company may also be referenced on the regulatory website at www.sedar.com. This MD&A is prepared as of April 27th, 2018.

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

Forward Looking Statements

The information provided herein is intended to provide a general outline of the operations of the Company*. This document contains certain forward-looking statements and information (collectively, "**forward-looking statements**") within the meaning of applicable securities laws. Forward-looking statements are statements and information that are not historical facts but instead include financial projections and estimates; statements regarding plans, goals, objectives, intentions and expectations with respect to Theralase's future business, operations, research and development; including: anticipated timelines for the commencement or completion of certain activities, enrolment of patients in clinical trials and indications or other information in future periods. Forward-looking statements, which may be identified by words including, without limitation, "**believe**", "**anticipate**", "**should**", "**could**", "**would**", "**estimate**", "**expect**", "**plan**", "**will**", "**intend**", "**may**", "**pending**", "**objective**", "**exploring**", "**potential**", "**project**", "**possible**" and other similar expressions, and the negative of such expressions, are intended to provide information about management's current plans and expectations regarding future operations.*

Although Theralase believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties that may cause actual results or events to differ materially from those anticipated and no assurance can be given that these expectations will be realized and undue reliance should not be placed on such statements. Risk factors that could cause actual results or events to differ materially from the forward-looking statements include, without limitation: (i) the inherent uncertainty involved in scientific research, device and drug development, including with respect to costs and difficulties in predicting accurate timelines for the commencement or completion of certain activities; (ii) the risks associated with delay or inability to complete preclinical or clinical trials successfully and the long lead-times and high costs associated with obtaining regulatory approval to market any product, which may result from successful completion of such trials; (iii) need to secure additional financing on terms satisfactory to Theralase or at all; (iv) clinical trials that yield negative results or results that do not justify future clinical development, (v) Theralase's clinical development plan for its clinical trials does not proceed in the manner or on the timelines anticipated by Theralase or at all; and (vi) those risks and uncertainties affecting Theralase as more fully described in this MD&A under the heading "Risk and Uncertainties". Certain material factors and assumptions are applied in making the forward-looking statements; including, without limitation, that the risk factors will not cause Theralase's actual results or events to differ materially from the forward-looking statements.

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, unless required by law. The forward-looking statements contained in this MD&A are expressly qualified by this cautionary statement.

Company Profile

Theralase® is a clinical stage pharmaceutical company dedicated to the research and development of light activated Photo Dynamic Compounds and their associated drug formulations and technology platforms to safely and effectively treat various cancers. The Company in its Cool Laser Division designs, manufactures and

distributes patented and proprietary super-pulsed cool laser technology for the treatment of knee pain, and in off-label use, the treatment of numerous nerve, muscle and joint conditions.

Advancing the Theralase Technology Platform

Anti- Cancer Therapy

Theralase is focused on completing a Phase Ib clinical study ("***Study***") for high-risk, Bacillus Calmette-Guerin ("***BCG***") unresponsive patients diagnosed with Non Muscle Invasive Bladder Cancer ("***NMIBC***"), using Photo Dynamic Therapy (***"PDT"***) which involves a light-activated, anti-cancer drug, TLD-1433.

The Study entitled, "*A Phase Ib Trial of Intravesical Photo Dynamic Therapy in Patients with NMIBC at High Risk of Progression, Who are Refractory to Therapy with Bacillus Calmette-Guerin and Who are Medically Unfit for or Refuse a Cystectomy*" commenced treating patients in March 2017 and to date has treated three patients at the Maximum Recommended Starting Dose ("**MRSD**") (0.35 mg/cm^2) and three patients at the Therapeutic Dose (0.70 mg/cm^2) of TLD-1433 PDC, activated by laser light (525 nm, 90 J/cm^2) delivered through a combination of the TLC-3200 PDT Medical Laser and TLC-3400 Laser Probe Dosimetry Fibre Optic Cage ("**DFOC**") technology.

Enrollment for the remaining three patients to be treated at the Therapeutic Dose is currently ongoing with Theralase's clinical partner at University Healthcare Network ("***UHN***"), Toronto, Ontario, Canada.

Study Outcome Endpoints:

1) **Primary:** Evaluate safety and tolerability. (Measured by patients who experience Adverse Events ("**AEs**") Grade 4 or greater that do not resolve within thirty (30) days; whereby: Grade 1 = Mild AE, Grade 2 = Moderate AE, Grade 3 = Severe AE, Grade 4 = Life-threatening or disabling AE, Grade 5 = Death)

2) **Secondary:** Evaluate the PharmacoKinetics ("**PK**"). (movement and exit of drug within tissue) of TLD-1433 (Measured by TLD-1433 concentration levels in plasma and urine over 72 hours

3) **Exploratory:** Evaluate efficacy. (Measured by Recurrence Free Survival ("**RFS**"), defined as the interval from Day 0 (Day of PDT treatment) to documented recurrence or death from any cause, whichever occurs first. Recurrence is defined as any new tumour growth (i.e.: any biopsy-confirmed new or recurrent tumour), evaluated at 90 days for the first three patients treated at the MRSD and primarily at 90 days for the last six patients treated at the Therapeutic Dose and secondarily at 180 days post treatment)

Interim Data Results:

In the first part of the study, three patients were enrolled and treated with PDT (TLC-3200 / TLC-3400 **DFOC** System) at the MSRD of TLD-1433. Treatment at the MSRD did not raise significant safety concerns, as determined by the independent Data Safety Monitoring Board("**DSMB**") therefore approval was given to treat up to an additional six patients at the Therapeutic Dose. Under the approval an additional three patients were enrolled and treated with PDT at the Therapeutic Dose of TLD-1433 and three additional patients remain to be enrolled and treated at the Therapeutic Dose.

As previously reported:

- the first three patients treated at the MRSD successfully achieved the primary, secondary and exploratory outcome measures at 90 days post treatment.

- Patient four treated at the Therapeutic Dose successfully achieved the primary, secondary and exploratory outcome measures at 90 days post treatment. During the 90 day cystoscopy analysis, patient number four's bladder surface wall was observed to be red and inflamed. At 138 days, the patient underwent a Trans-Urethral Resection of the Bladder Tumour ("**TURBT**") procedure and although there was no progressive disease in the bladder, was found to have developed metastatic urothelial carcinoma.

- Patient five treated at the Therapeutic Dose successfully achieved the primary, secondary and exploratory outcome measures at 90 days post treatment. At the 90 day cystoscopic assessment, completed in April 2018, no tumour recurrence or presence of disease was detected.

- Patient six was treated at the Therapeutic Dose and the patient's 90-day cystoscopy analysis will be completed in May 2018. The patient has demonstrated no clinical evidence or presence of disease.

Conclusions:

Light activated TLD-1433 PDC, based on the first six (6) patients treated, has preliminarily shown:

1) A high level of safety and tolerability based on clinical and histomorphology evaluations and PK analysis, in patients with high risk, unresponsive, NMIBC, for 180 days post PDT treatment, when treated at the MRSD;
2) A high level of safety and tolerability based on clinical and histomorphology evaluations and PK analysis, in patients with high risk, unresponsive, NMIBC, for 90 days post PDT treatment, when treated at the Therapeutic Dose;
3) An ability to delay progression of NMIBC for 180 days post treatment when treated at the MSRD;
4) A delay in recurrence and progression of NMIBC for 90 days post treatment at the Therapeutic Dose.
5) The last two patients, who received the Therapeutic Dose with a modified treatment procedure, are considered clinically cancer free, as of last clinical assessment.

If safety and tolerability of the PDT procedure is demonstrated, the Phase Ib NMIBC study results will be used to seek Health Canada approval for a Phase II multi-center efficacy study for NMIBC in Canada, the United States and internationally.

Overview of Financial Performance

During the year ending December 31, 2017 under review, the Company's financial performance and its operating results reflect the continued investment by the Company into its future prosperity through research and development initiatives aimed at the successful completion of Phase 1b NMIBC clinical study.

Summary of Selected Annual Information

For the years ended December 31:

	2017	2016	2015
Total revenues	$ 2,342,508	$ 1,918,893	$ 1,945,246
Net loss	(6,093,596)	(4,921,248)	(5,208,145)
Basic and diluted loss per share	$ (0.05)	$ (0.05)	$ (0.05)
Total assets	$ 3,322,707	$ 6,240,783	$ 7,102,123
Total liabilities	1,277,142	549,742	785,664
Deficit	(31,881,363)	(25,787,767)	(20,866,519)
Shareholders' Equity	$ 2,045,565	$ 5,691,041	$ 6,316,459

Summary of Quarterly Results

	2017			
For the period ending:	**December 31**	**September 30**	**June 30**	**March 31**
Total revenues	$ 988,254	$ 337,520	$ 509,306	$ 507,428
Net loss	(1,199,823)	(1,655,749)	(1,765,840)	(1,472,184)
Basic and diluted loss per share	$ (0.007)	$ (0.014)	$ (0.014)	$ (0.014)
As at:	**December 31**	**September 30**	**June 30**	**March 31**
Total assets	$ 3,322,707	$ 3,626,255	$ 4,382,203	$ 4,821,300
Total liabilities	1,277,142	520,388	592,622	518,032
Deficit	(31,881,363)	(30,681,538)	(29,025,790)	(27,259,951)
Shareholders' Equity	$ 2,045,565	$ 3,105,867	$ 3,789,581	$ 4,303,268

	2016			
For the period ending:	**December 31**	**September 30**	**June 30**	**March 31**
Total revenues	$ 712,167	$ 313,588	$ 481,690	$ 411,448
Net loss	(1,002,930)	(1,461,903)	(1,310,676)	(1,145,739)
Basic and diluted loss per share	$ (0.00)	$ (0.01)	$ (0.01)	$ (0.02)
As at:	**December 31**	**September 30**	**June 30**	**March 31**
Total assets	$ 6,240,783	$ 3,417,731	$ 4,576,402	$ 6,026,599
Total liabilities	549,742	563,229	356,694	704,445
Deficit	(25,787,767)	(24,784,842)	(23,322,939)	(22,012,258)
Shareholders' Equity	$ 5,691,041	$ 2,854,502	$ 4,219,708	$ 5,322,154

	2015			
For the period ending:	**December 31**	**September 30**	**June 30**	**March 31**
Total revenues	$ 883,638	$ 383,791	$ 309,513	$ 368,304
Net loss	(955,067)	(1,973,960)	(1,345,474)	(933,643)
Basic and diluted loss per share	$ (0.02)	$ (0.02)	$ (0.00)	$ (0.01)

As at:	**December 31**	**September 30**	**June 30**	**March 31**
Total assets	$ 7,102,123	$ 7,442,831	$ 8,705,818	$ 10,167,305
Total liabilities	785,664	823,491	339,753	474,165
Deficit	(20,866,519)	(19,911,454)	(17,937,492)	(16,592,018)
Shareholders' Equity	$ 6,316,459	$ 6,619,340	$ 8,366,065	$ 9,693,140

For the three-month period ended December 31, 2017 total revenue increased to $988,254 from $712,167 for the same period in 2016, a 39% increase. The increase in revenues is attributed to an increase in promotional incentives during the fourth quarter.

Cost of sales for the three-month period ended December 31, 2017 was $386,789 (39% of revenue) resulting in a gross margin of $601,465 or 61% of revenue, compared to a cost of sales of $381,775 (54% of revenue) in 2016, resulting in a gross margin of $330,392 or 46% of revenue. The cost of sales decrease, year over year, is attributed to increasing revenues, while fixed costs remain constant and variable costs increased as a direct proportion to products sold.

Selling and marketing expenses for the three-month period ended December 31, 2017 increased to $509,719 or 52% of sales, from $500,500 or 70% of sales in 2016, a 2% increase. Selling and marketing expenses increased slightly year over year, due to increased investment in sales and marketing personnel.

Administrative expenses for the three-month period ended December 31, 2017 were $689,469 representing a 25% increase from $552,809 in 2016. Increases in administrative expenses are attributed to the following:

- Insurance expenses increased 23% due to increased product liability coverage
- Professional fees increased 24%, as a result of increased securities and patent legal costs
- Rent increased by 7%, as a result of relocation from a 4,900 square foot facility to a 9,200 square foot facility.

Net research and development expenses totaled $608,131 for the three-month period ended December 31, 2017 compared to $269,446 in 2016, a 126% increase. Research and development expenses increased due to expenses for conducting the Phase Ib NMIBC clinical study. Research and development expenses represented 34% of the Company's operating expenses for the three-month period ended December 31, 2017 and represent investment into the research and development of the anti-cancer technology.

Liquidity, Capital Resources and Going Concern

As of December 31, 2017, current assets aggregated to $2,542,617 compared with current liabilities of $1,277,142 netting working capital of $1,265,475 and a current ratio (current assets vs. current liabilities) of approximately 2:1.

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 maintain investor, creditor and

market confidence. The capital structure of the Company consists of cash, cash equivalents and shareholder's equity.

As of December 31, 2017, the Company had cash and cash equivalents of $253,902. Sales of the TLC-1000 and TLC-2000, the Company's existing product lines, have not been sufficient in and of themselves to enable the Company to fund its continuing research, development and commercialization efforts. These conditions indicate the existence of material uncertainties that cast substantial doubt about the Company's ability to continue as a going concern. The Company has successfully raised capital through equity offerings in 2015 and 2016, but no capital raising activities were completed in 2017. There is no guarantee that the Company will be able to raise additional capital on terms and conditions agreeable to the Company or at all.

Results of Operations

	2017	2016	2015
Sales Revenue	$ 2,151,702	$ 1,754,569	$ 1,727,798
Service Revenue	101,661	90,660	96,543
Clinic Revenue	58,966	46,988	38,655
Other Revenue	30,179	26,676	82,250
	2,342,508	**1,918,893**	**1,945,246**

For the year ended December 31, 2017, total revenue increased to $2,342,508 from $1,918,893 for the same period in 2016, a 22% increase. In Canada, revenue increased 36% to $1,942,010 from $1,423,181 In the US, revenue decreased 37% to $261,833 from $416,812 and international revenue increased 76% to $138,665 from $78,900. The increase in Canadian and international revenue in 2017 and the corresponding decrease in US revenue is directly attributable to the Company focusing it's sales and marketing teams on the Canadian and international markets.

Cost of sales

Cost of sales for the year ended December 31, 2017 was $945,010 (40% of revenue) resulting in a gross margin of $1,397,498 or 60% of revenue, compared to a cost of sales of $796,569 (42% of revenue) in 2016, resulting in a gross margin of $1,122,324 or 58% 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.

The cost of sales slight decrease, year over year, is attributed to increasing revenues, while fixed costs remain constant and variable costs increased as a direct proportion to products sold.

Operating Expenses

For the year ended December 31, 2017, selling and marketing expenses increased to $1,917,106 or 82% of sales, from $1,614,680 or 84% of sales in 2016, a 19% increase and consisted of the following items:

	2017	2016	2015
Sales salaries	$ 1,279,507	$ 946,319	$ 622,633
Advertising	237,866	300,931	140,411
Commission	121,117	94,159	133,111
Travel	163,427	193,718	135,397
Stock based compensation	13,413	21,756	16,875
Amortization and depreciation allocation	101,776	57,797	37,927
Total selling expenses	**$1,917,106**	**$ 1,614,680**	**$1,086,354**

Selling and marketing expenses increased year over year, due to increased investment in sales and marketing personnel. Selling expenses are expected to increase in future quarters as the Company expands in Canada, the US and international markets. Despite the increase in selling and marketing expense, due to increased revenues, selling and marketing expense reduced 2% year over year as a percentage of sales.

Administrative expenses for the year ended December 31, 2017 increase to $2,912,170 $2,546,706 in 2016, representing a 14% increase from, and consisted of the following items:

	2017	2016	2015
Insurance	$ 105,590	$ 83,147	$ 64,384
Professional fees	668,211	304,249	284,715
Rent	108,781	93,513	93,707
General and administrative expenses	548,566	674,578	846,986
Administrative salaries	936,808	865,465	698,001
Director and advisory fees	62,140	82,896	75,104
Stock based compensation	429,120	413,585	361,446
Amortization and depreciation allocation	52,954	29,273	27,985
Total administrative expenses	**$ 2,912,170**	**$ 2,546,706**	**$2,452,328**

Increases in administrative expenses are attributed to the following:

- Insurance expenses increased 27% due to increased product liability coverage
- Professional fees increased 120%, as a result of increased securities and patent legal costs
- Rent increased by 16%, as a result of relocation from a 4,900 square foot facility to a 9,200 square foot facility.

Research and Development Expense

Net research and development expenses for the year ended December 31, 2017 increased to $2,652,969 from $1,867,621 in 2016, a 42% increase, and consisted of the following items:

	2017	2016	2015
Research and development	$ 2,684,559	$ 1,949,253	$ 3,130,332
Stock based compensation	51,657	56,142	129,952
Amortization and depreciation allocation	99,205	62,226	69,085
Gross research and development expenses	**2,835,421**	**2,067,621**	**3,329,369**
Less: Investment tax credits	(182,452)	(200,000)	(300,000)
Net research and development expenses	**$ 2,652,969**	**$ 1,867,621**	**$ 3,029,369**

Research and development expenses increased primarily due to expenses for conducting the Phase Ib NMIBC clinical study. Research and development expenses represented 35% of the Company's operating expenses for the year ended December 31, 2017 and represent investment into the research and development of the Company's anti-cancer technology.

Net Profit (Loss)

The net loss for the year ended December 31, 2017 was $6,093,596 which included $762,101 of net non-cash expenses (i.e.: amortization, stock-based compensation expense, foreign exchange gain/loss and lease

inducements). This compared to a net loss for the same period in 2016 of $4,921,248, which included $613,520 of net non-cash expenses. The PDT division represented $2,994,590 of this loss (49%) for the year ended December 31, 2017.

The increase in net loss is primarily due to three reasons:

1) Increased investment in research and development in the Phase Ib NMIBC clinical study.
2) Increased investment in external engineering resources to redesign the software, firmware and hardware of the TLC-2000 therapeutic laser.
3) Increased sales, marketing and administrative costs, related to increasing sales of the TLC-2000 therapeutic laser system.

Cash Flows

Funds used in operating activities, prior to net changes in other operating items, amounted to $5,331,495 for the year ended December 31, 2017, compared to funds used in operating activities of $4,307,728 in 2016. Funds used in operating activities after taking into account net changes in other non-cash operating items were $4,259,858 for the year ended December 31, 2017, compared to funds used of $4,880,393 for the same period in 2016.

Funds used in investing for the year ended December 31, 2017 amounted to $410,366 compared to $294,612 for 2016. The increase is primarily a result of investment into leasehold improvements for the new office location.

For the year ended December 31, 2017, funds obtained from financing activities amounted to $1,953,928, compared to $3,804,348 obtained in financing activities for 2016. The public offering, which closed November 10, 2016 was responsible for the funding activities in 2016, while the exercising of warrants in 2017 was responsible for the funding activities in 2017.

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 $35,941.

Commitments

As of December 31, 2017, the Company's commitments consisted of the following:

		Total	2018	2019	2020	2021	2022
Lease obligations	(a)	$ 284,816	57,504	57,887	59,797	59,797	49,831
Lease obligations	(b)	$ 720	720	-	-	-	-
Research Agreement	(c)	$ 19,040	19,040	-	-	-	-
Research Agreement	(d)	$ 23,333	23,333	-	-	-	-
Research Agreement	(e)	$ 262,080	86,520	58,520	58,520	58,520	-
Total		**$ 589,989**	**187,117**	**116,407**	**118,317**	**118,317**	**49,831**

a) Lease obligations under a lease agreement related to the Company's premises, commenced on October 1, 2017 and expires on September 30, 2022. 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 new lease agreement related to the Company's office equipment, commenced on May 1, 2017 and expires on May 1, 2018. Under the terms of this lease, the Company is required to minimum rental payments of $180 per month. This new lease agreement supersedes the old agreement in which the minimum monthly rental payment was $167. 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 anti-cancer therapy project. Under the terms of this agreement, the Company is required to pay $156,240 for the period from March 1, 2017 through to February 28, 2018. The Company has paid $137,200 relating to this commitment, in which $19,040 is the remaining commitment.

d) Research Commitments under a research collaboration agreement with a clinical research organization for the anti-cancer therapy project. Under the terms of this agreement, the Company is required to pay $70,000 for the period from April 25, 2017 through to April 25, 2018. The Company has paid $46,667 relating to this commitment, in which $23,333 is the remaining commitment.

e) Research Commitments under a research collaboration agreement with University Health Network for the anti-cancer therapy project. Under the terms of this agreement, the Company is required to pay $348,600 for the period from June 1, 2017 through to June 1, 2021. The Company has paid $86,520 in June 2017 relating to this commitment, in which $262,080 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 of April 27, 2018, the share capital of the Company consisted of 126,481,526 common shares. Each common share entitles the holder to one vote per share.

As of April 27, 2018, there were 10,175,000 options outstanding, of which 5,503,333 were vested and exercisable into an equivalent number of the Company's common shares.

As of April 27, 2018, there were 29,610,539 warrants outstanding. Each whole warrant entitles the holder thereof to purchase one additional common share. The warrants are exercisable as follows: 19,071,940 at a price of $0.54 until March 3, 2020 and 10,538,599 at a price $0.375 until November 10, 2021.

Segmented Information

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

The PDT division is responsible for the research, development and commercialization of Photo Dynamic Compounds ("**PDCs**") intended for the treatment of cancer. 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 following table displays revenue and direct expenses from the PDT and TLT division for the years ended December 31, 2017, December 31, 2016 and December 31, 2015:

	2017			2016			2015		
	TLT	PDT	Total	TLT	PDT	Total	TLT	PDT	Total
Sales	$ 2,342,508	$ -	$ 2,342,508	$ 1,918,893	$ -	$ 1,918,893	$ 1,945,246	$ -	$ 1,945,246
Cost of Sales	945,010	-	945,010	796,569	-	796,569	629,607	-	629,607
Gross Margin	1,397,498	-	1,397,498	1,122,324	-	1,122,324	1,315,639	-	1,315,639
Operating Expenses									
Selling expenses	1,917,106	-	1,917,106	1,614,680	-	1,614,680	1,086,354	-	1,086,354
Administrative expenses	1,760,660	1,151,511	2,912,170	1,278,647	1,268,059	2,546,706	1,380,010	1,072,318	2,452,328
Research and development expenses	817,622	1,835,348	2,652,969	337,296	1,530,325	1,867,621	431,933	2,597,436	3,029,369
(Gain) loss on foreign exchange	7,688	7,688	15,376	14,898	14,898	29,796	(7,891)	-	(7,891)
Interest expense	43	43	86	99	99	198	397	398	795
Interest income	(6,614)	-	(6,614)	(15,429)	-	(15,429)	(37,171)	-	(37,171)
	4,496,504	2,994,590	7,491,094	3,230,191	2,813,381	6,043,572	2,853,632	3,670,152	6,523,784
Loss for the period	$ (3,099,006)	$ (2,994,590)	$ (6,093,596)	$ (2,107,867)	$ (2,813,381)	$ (4,921,248)	$ (1,537,993)	$ (3,670,152)	$ (5,208,145)
Total Assets	$ 3,041,611	$ 281,096	$ 3,322,707	$ 5,951,273	$ 289,510	$ 6,240,783	$ 6,935,393	$ 166,730	$ 7,102,123
Total Liabilities	1,022,023	255,119	1,277,142	495,497	54,245	549,742	545,485	240,179	785,664

The following table displays revenue and direct expenses from TLT division product sales by geographic area for the year ended December 31, 2017, December 31, 2016 and December 31, 2015:

	2017			2016			2015		
	Canada	USA	International	Canada	USA	International	Canada	USA	International
Sales	$ 1,942,010	$ 261,833	$ 138,665	$ 1,423,181	$ 416,812	$ 78,900	$ 1,691,087	$ 214,744	$ 39,415
Cost of Sales	798,322	98,697	47,991	590,789	173,027	32,753	543,245	69,019	17,343
Selling Expenses	1,432,315	390,989	93,802	1,305,151	309,529	-	948,570	117,113	20,671
	$ (288,627)	**$ (227,853)**	**$ (3,128)**	**$ (472,759)**	**$ (65,744)**	**$ 46,147**	**$ 199,272**	**$ 28,612**	**$ 1,401**

As of December 31, 2017, and December 31, 2016, the Company's long-lived assets used in operations are all located in Canada.

Selected Financial Information and Accounting Policies

The Consolidated Financial Statements for the year ended December 31, 2017, and all other Financial Statements referred to herein, have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board, 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 year ended December 31, 2017. Please refer to the Company's 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); and

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, 2017, 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, 2017, no cash equivalents were held (2017-$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 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 three 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, the Company's consolidated financial statements as of December 31, 2017 and December 31, 2016 and for the years ending December 31, 2017, 2016 and 2015 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, 2017 and December 31, 2016 and for the years ending December 31, 2017, 2016 and 2015 are based on IFRS issued and outstanding as of April 27, 2018 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 audited consolidated financial statements of December 31, 2017 and December 31, 2016 and for the years ending December 31, 2017, 2016 and 2015.

Accounting standards issued

The International Accounting Standards Board ("**IASB**") has issued the following standards, which have not yet been adopted by the Corporation. 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.

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. The Company is currently evaluating the potential impact on its consolidated financial statements and plans to complete the assessment prior to issuing its first interim financial statements for the year ending December 31, 2018.

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.

Disclosure of Internal Controls

Management has established process which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the financial statements, and (ii) the financial statements fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date of and for the periods presented by the financial statements.

In contrast to the certificate required under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* (NI 52-109), the Company utilizes the Venture Issuer Basic Certificate, which does not include representations relating to the establishment and maintenance of Disclosure Controls and procedures ("***DC&P***") and Internal Control over Financial Reporting ("***ICFR***"), as defined in NI 52-109. In particular, the certifying officers filing the Certificate are not making any representations relating to the establishment and maintenance of: (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and (ii) a process to provide reasonable assurance regarding

the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP. The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

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.

Limited Operating History

The Company is still in the development and commercialization stage of its businesses and therefore will be subject to the risks associated with early stage companies, including uncertainty of the success and acceptance of its products, uncertainty of revenues, markets and profitability and the continuing need to raise additional capital. The Company's business prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in this stage of development. Such risks include the evolving and unpredictable nature of the Company's business, the Company's ability to anticipate and adapt to a developing market, acceptance by consumers of the Company's products, the ability to identify, attract and retain qualified personnel and the ability to generate sufficient revenue or raise sufficient capital to carry out its business plans. There can be no assurance that the Company will be successful in adequately mitigating these risks.

Working Capital and Capital Resources

The Company has not been able to consistently generate sufficient profits from its revenue to provide the financial resources necessary to continue to have sufficient working capital for the development of its products and marketing activities. There is no assurance that future revenues will be sufficient to generate the required funds to continue product development, business development and marketing activities or that additional funds required for such working capital will be available from financings.

In order to achieve its long term development and commercialization strategy for the Company's range of therapeutic laser systems and PDC anti-cancer technology, the Company may need to raise additional capital through the issuance of shares, collaboration agreements or strategic partnerships that would allow the Company to finance its activities. There is no assurance that additional funds will be available as required or that they may be available on acceptable terms and conditions. Additional financing may also result in dilution of shareholder value.

Key Personnel

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 and executive managers, scientific personnel and academic partners. The loss of one or more of its key employees or the inability to attract and retain highly skilled

personnel could have a material adverse affect on the Company's development of its products, operations or business prospects.

Protection of Intellectual Property

The Company's success will depend in part on its ability to obtain patents, protect its trade secrets and operate without infringing the exclusive rights of other parties. There is no guarantee that any patent that will be granted to the Company will bring any competitive advantage to the Company, that its patent protection will not be contested by third parties, or that the 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 patents granted to the Company.

Although the Company does not believe that its products infringe the proprietary rights of any third parties, there can be no assurance that infringement or invalidity claims (or claims for indemnification resulting from infringement claims) will not be asserted or prosecuted against the Company or that any such assertions or prosecutions, valid or otherwise, will not materially adversely affect the Company's business, financial condition or results of operations. Irrespective of the validity of the successful assertion of such claims, the Company could incur significant costs and diversion of resources with respect to the defense thereof, which could have a material adverse affect on the Company. The Company's performance and ability to develop markets and compete effectively are dependent to a significant degree on its proprietary and patented technology. The Company relies on its patents and trade secrets, as well as confidentiality agreements and technical measures, to establish and protect its proprietary right. While the Company will endeavor to protect its intellectual property, there can be no assurance that the steps taken will prevent misappropriation or that agreements entered into for that purpose will be enforceable. The laws of certain other countries may afford the Company little or no effective protection of its intellectual property.

Competition

Many of the Company's current and potential competitors have longer operating histories, larger customer bases, greater name and brand recognition and significantly greater financial, sales, marketing, technical and other resources than the Company. These competitors have research and development capabilities that may allow them to develop new or improved products that may compete with the Company's products. New technologies and the expansion of existing technologies may also increase competitive pressures on the Company. Increased competition may result in reduced operating margins as well as loss of market share and could result in decreased usage in the Company's products and may have a material adverse affect on the Company.

Implementation Delays

Many of the Company's products will be in a testing or preliminary stage and there may be delays or other problems in the introduction of the Company's products. The Company cannot predict when customers that are in a testing or preliminary use phase of the Company's products will adopt a broader use of the products. The market for the Company's products is relatively new and continues to evolve. The Company's products will involve changes in the manner in which businesses have traditionally used such products. In some cases, the Company's customers will have little experience with products offered by the Company. The Company will have to spend considerable resources educating potential customers about the value of the Company's products. It is difficult to assess, or predict with any assurance, the present and future size of the potential market for the Company's products or its growth rate, if any. The Company cannot predict whether or not its products will achieve market acceptance.

Strategic Alliances

The Company's ability to successfully complete the research and development of its products and its growth and marketing strategies are based, in significant part, in the strategic alliances it has in place and the licenses and agreements securing those strategic alliances. The Company's success will depend upon the ability to seek out and establish new strategic alliances and working relationships. There can be no assurance that existing strategic alliances and working relationships will not be terminated or adversely modified in the future, nor can there be any assurance that new relationships, if any, will afford the Company the same benefits as those currently in place.

Trade Secret Protection

Because the Company relies on third parties to develop its products, the Company must share trade secrets with them. The Company seeks to protect its proprietary technology in part by entering into confidentiality agreements and, if applicable, material transfer agreements, collaborative research agreements, consulting agreements or other similar agreements with its collaborators, advisors, employees and consultants prior to beginning research or disclosing proprietary information. These agreements typically restrict the ability of its collaborators, advisors, employees and consultants to publish data potentially relating to its trade secrets. The Company's academic collaborators typically have rights to publish data, provided that the Company is notified in advance and may delay publication for a specified time in order to secure its intellectual property rights arising from the collaboration. In other cases, publication rights are controlled exclusively by the Company, although in some cases the Company may share these rights with other parties. The Company also conducts joint research and development programs which may require the Company to share trade secrets under the terms of research and development collaboration or similar agreements. Despite the Company's efforts to protect its trade secrets, the Company's competitors may discover the Company's trade secrets, either through breach of these agreements, independent development or publication of information including the Company's trade secrets in cases where the Company does not have proprietary or otherwise protected rights at the time of publication. A competitor's discovery of the Company's trade secrets may impair the Company's competitive position and could have a material adverse effect on the Company's business and financial condition.

Product Deficiencies

Given that the Company's products are either fairly new, or are in stages of development, there may be difficulties in product design, performance and reliability which could result in lost revenue, delays in customer acceptance of the Company's products and legal claims against the Company, which would be detrimental, perhaps materially to the Company's market reputation and ability to generate further sales. Serious defects are frequently found during the period immediately following the introduction of new products or enhancements to existing products and undetected errors or performance problems may be discovered in the future. Product defects may expose the Company to liability claims, for which the Company may not have sufficient liability insurance.

Dependence on Third Party Suppliers

The Company has established relationships with certain third party suppliers upon whom, it relies to provide key materials and components for completion of its products. In the event of the inability of these third parties to supply such materials and components in a timely manner or to supply materials and components that continue to meet the Company's quality, quantity or cost requirements, the Company would be required to purchase these materials and components from other suppliers. There is no assurance that other suppliers can

be found in such circumstances who can supply the materials and components in a timely manner or that meet the Company's quality, quantity or cost requirements.

Volatility of Share Price

The market price of the Company's Common 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 Common Shares.

Regulatory Approvals

The Company is directly and indirectly engaged in the design, manufacture, sale and international marketing of therapeutic and medical laser equipment, as well as the research and development of light activated PDCs, all of which are subject to regulatory oversights, audits and controls by various national regulatory agencies (i.e.: FDA, Health Canada, CE) and authoritative quality standards bodies (i.e.: UL, CSA, ISO and TUV), which all possess 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 and the PDCs it researches and develops. No assurance can be given that current regulations relating to regulatory approval will not change or become more stringent and product approvals may be withdrawn if compliance with regulatory standards is not maintained.

Early Stage of Product Development

Given the early stage of the Company's product development, the Company can make no assurance that its research and development programs will result in regulatory approval or commercially viable products. To achieve profitable operations, the Company alone or with others, must successfully develop, gain regulatory approval and market its future products. To obtain regulatory approvals for its product candidates being developed and to achieve commercial success, clinical trials must demonstrate that the product candidates are safe and tolerable for human use and that they demonstrate efficacy equal to or greater than standard of care.

Many product candidates never reach the stage of clinical testing and even than those that do have only a small chance of successfully completing clinical development and gaining regulatory approval. Product candidates may fail for a number of reasons, including, but not limited to: being unsafe for human use or due to the failure to provide therapeutic benefits equal to or better than the standard of treatment at the time of testing. Unsatisfactory results obtained from a particular study relating to a research and development program may cause the Company or its collaborators to abandon commitments to that program. Positive results of early preclinical research may not be indicative of the results that may be obtained in later stages of preclinical or clinical research. Similarly, positive results from early-stage clinical trials may not be indicative of favorable outcomes in later-stage clinical trials. The Company can make no assurance that any future studies, if undertaken, will yield favorable results.

Reliance on Third Parties

The Company relies and will continue to rely on third parties to conduct a significant portion of its preclinical and clinical development activities. Preclinical activities include: in-vivo studies providing access to specific disease models, pharmacology and toxicology studies and assay development. Clinical development activities include: trial design, regulatory submissions, clinical patient recruitment, clinical trial monitoring, clinical data management and analysis, safety monitoring and project management. If there is any dispute or disruption in the Company's relationship with third parties, or if they are unable to provide quality services in a timely

manner and at a feasible cost, the Company's active development programs may face delays. Further, if any of these third parties fails to perform as the Company expects or if their work fails to meet regulatory requirements, the Company's testing could be delayed, cancelled or rendered ineffective.

Clinical Study Risk

Before obtaining marketing approval from regulatory authorities for the sale of the Company's product candidates, the Company must conduct preclinical studies in animals and extensive clinical trials in humans to demonstrate the safety, tolerability and efficacy of the product candidates. Clinical testing is expensive and difficult to design and implement, can take many years to complete and has uncertain outcomes. The outcome of preclinical studies and early clinical trials may not predict the success of later clinical trials, and interim results of a clinical trial do not necessarily predict final results. A number of companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in advanced clinical trials due to lack of efficacy or unacceptable safety profiles, notwithstanding promising results in earlier trials. The Company does not know whether the clinical trials it may conduct will demonstrate adequate efficacy and safety to result in regulatory approval to market any of the Company's product candidates in any jurisdiction. A product candidate may fail for safety, tolerability or efficacy reasons at any stage of the testing process. A major risk the Company faces is the possibility that none of the Company's product candidates under development will successfully gain market approval from Health Canada, the FDA or other regulatory authorities, resulting in the Company being unable to derive any commercial revenue from them after investing significant amounts of capital in multiple stages of preclinical and clinical testing.

From time to time, studies or clinical trials on various aspects of biopharmaceutical products are conducted by academic researchers, competitors or others. The results of these studies or trials, when published, may have a significant effect on the market for the biopharmaceutical product that is the subject of the study. The publication of negative results of studies or clinical trials or adverse safety events related to the Company's product candidates, or the therapeutic areas in which the Company's product candidates compete, could adversely affect the Company's share price and the Company's ability to finance future development of its product candidates; hence, the Company's business and financial results could be materially and adversely affected.

Clinical Study Timing Delays

The Company cannot predict whether any clinical trials will begin as planned, will need to be restructured, or will be completed on schedule, or at all. The Company's product development costs may increase if the Company experiences delays in clinical testing. Significant clinical trial delays could shorten any periods during which the Company may have the exclusive right to commercialize its product candidates or allow the Company's competitors to bring products to market before the Company, which would impair the Company's ability to successfully commercialize its product candidates and may harm the Company's financial condition, results of operations and / or prospects. The commencement and completion of clinical trials for the Company's products may be delayed for a number of reasons, including delays related, but not limited, to:

- failure by regulatory authorities to grant permission to proceed or placing the clinical trial on hold;
- patients failing to enroll or remain in the Company's trials at the rate the Company expects;
- suspension or termination of clinical trials by regulators for many reasons, including concerns about patient safety or tolerability
- any changes to the Company's manufacturing process that may be necessary or desired;
- delays or failure to obtain clinical supply from contract manufacturers of the Company's products necessary to conduct clinical trials;
- product candidates demonstrating a lack of safety, tolerability or efficacy during clinical trials;

- patients choosing an alternative treatment for the indications for which the Company is developing any of its product candidates or participating in competing clinical trials;
- patients failing to complete clinical trials due to dissatisfaction with the treatment, side effects or other reasons;
- reports of clinical testing on similar technologies and products raising safety, tolerability and/or efficacy concerns;
- competing clinical trials and scheduling conflicts with participating clinicians;
- clinical investigators not performing the Company's clinical trials on their anticipated schedule, dropping out of a trial, or employing methods not consistent with the clinical trial protocol, regulatory requirements or other third parties not performing data collection and analysis in a timely or accurate manner;
- failure of the Company's Contract Research Organizations ("**CROs**"), to satisfy their contractual duties or meet expected deadlines;
- inspections of clinical trial sites by regulatory authorities or Institutional Review Boards ("**IRBs**") or ethics committees finding regulatory violations that require the Company to undertake corrective action, resulting in suspension or termination of one or more sites or the imposition of a clinical hold on the entire study;
- one or more IRBs or ethics committees rejecting, suspending or terminating the study at an investigational site, precluding enrollment of additional subjects, or withdrawing its approval of the trial; or
- failure to reach agreement on acceptable terms with prospective clinical trial sites.

The Company's product development costs may increase if the Company experiences delays in testing or approval or if the Company needs to perform more or larger clinical trials than planned. Additionally, changes in regulatory requirements and policies may occur, and the Company may need to amend study protocols to reflect these changes. Amendments may require the Company to resubmit its study protocols to regulatory authorities or IRBs or ethics committees for re-examination, which may impact the cost, timing or successful completion of that trial. Delays or increased product development costs may have a material adverse effect on the Company's business, financial condition and prospects.

Patient Enrollment

As the Company's product candidates advance from preclinical testing to clinical testing, and then through progressively larger and more complex clinical trials, the Company may need to enroll an increasing number of patients that meet the Company's eligibility criteria. There is significant competition for recruiting cancer patients in clinical trials, and the Company may be unable to enroll the patients it needs to complete clinical trials on a timely basis or at all. The factors that affect the Company's ability to enroll patients are largely uncontrollable and include, but are not limited to, the following:

- size and nature of the patient population;
- eligibility, inclusion and exclusion criteria for the trial;
- design of the clinical study protocol;
- competition with other companies for clinical sites or patients;
- the perceived risks and benefits of the product candidate under study;
- the patient referral practices of physicians; or
- the number, availability, location and accessibility of clinical trial sites

Failure to Achieve Milestones

From time to time, the Company may announce the timing of certain events it expects to occur, such as the anticipated timing of results from the Company's clinical trials or product sales. These statements are forward-looking and are based on the best estimates of management at the time relating to the occurrence of such events; however, the actual timing of such events may differ from what has been publicly disclosed. The timing of events such as initiation or completion of a clinical trial, filing of an application to obtain regulatory approval or announcement of additional clinical trials for a product candidate or adoption / sales of the Company's products may ultimately vary from what is publicly disclosed. These variations in timing may occur as a result of different events, including the nature of the results obtained during a clinical trial or during a research phase or any other event having the effect of delaying the publicly announced timeline. The Company undertakes no obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as otherwise required by law. Any variation in the timing of previously announced milestones could have a material adverse effect on the Company's business plan, financial condition or operating results and the trading price of common shares.

Currency 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.

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 these risks.

Product Liability

The Company has obtained product liability insurance coverage in the total amount of $5,000,000, with up to $2,000,000 per occurrence. This coverage is limited and a product liability claim could potentially be greater than these coverages. The Company's profitability would be adversely affected by any successful product liability claim in excess of its insurance coverage.

Patent-Related Rights of the U.S. Government in PDT Technology

Some of Theralase's licensed patented PDT technology was developed with U.S. federal government funding. When new technologies are developed with U.S. government funding, the government obtains certain rights in any resulting patents, including a nonexclusive license authorizing the government to use the invention for noncommercial purposes. These rights may permit the government to disclose Theralase's confidential information to third parties and to exercise "march-in" rights to use or allow third parties to use Theralase's patented technology. The government can exercise its march-in rights if it determines that action is necessary

because Theralase fails to achieve practical application of the U.S. government-funded technology, because action is necessary to alleviate health or safety needs, to meet requirements of federal regulations or to give preference to U.S. industry. In addition, U.S. government-funded inventions must be reported to the government and U.S. government funding must be disclosed in any resulting patent applications. Furthermore, Theralase's rights in such inventions are subject to government license rights and certain restrictions on manufacturing products outside the United States.

April 27, 2018

Arkady Mandel
Interim Chief Executive Officer and Chief Scientific Officer