Management's Discussion and Analysis of Financial Condition and Operations

The following Management Discussion and Analysis ("**MD&A**"), of **Theralase Technologies Inc**. ("**Theralase**" or the "**Company**") should be read in conjunction with the Company's annual consolidated financial statements for the six month period ended June 30, 2015. This MD&A has been filed in accordance with the provisions of National Instrument 51-102 (*Continuous Disclosure Regulation*). Copies of further relevant financial documents and earlier corporate filings to date may also be referenced on the regulatory website - SEDAR at www.sedar.com. This MD&A is prepared as of August 28, 2015.

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

Forward Looking Statements

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

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

Company Profile

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

Theralase is focused on a two part strategy:

1. Production, marketing and distribution of the TLC-1000 and patented TLC-2000 Theralase Superpulsed Laser Technologies to healthcare practitioners internationally, who are interested in the safe and effective treatment of nerve, muscle, tendon, ligament, joint and wound conditions through the elimination of pain, reduction of inflammation and acceleration of tissue healing. The strategy is to systematically rollout the technology through a focused sales and marketing team commencing with Canada followed by the US and then Internationally.

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

Advancing the Theralase Technology Platform

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

TLC-2000: Biofeedback Laser Technology

Theralase is preparing to launch its next generation therapeutic laser – the patented TLC-2000 – in Canada, pending Health Canada approval expected in 4Q2015. The TLC-2000 Biofeedback Therapeutic Laser Technology possesses patented "Cell Sensing™" technology that "senses" and targets injured tissue at depth with exact precision, unattainable by any of its competitors, enabling exact doses of energy to be delivered for enhanced efficacy and accelerated healing. The TLC-2000 is also a learning device that remembers the most optimized protocols based on an individual patient's optical tissue profile.

The TLC-2000 Biofeedback Therapeutic Laser System is approved by the Canadian Standards Association ("**CSA**") and is pending Health Canada approval, after which it will be commercially distributed in Canada in 4Q2015.

Approval of the TLC-2000 Biofeedback Therapeutic Laser System by the Food and Drug Administration ("**FDA**") is expected in 1Q2016 for commercial distribution in the United States and by Conformité Européene ("**CE**") in 2Q2016 for commercial distribution in Europe.

TLC-3000: Cancer Therapy

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

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

- 100% cancer cell kill at very low concentrations (< 0.8μM) leading to high efficacy across numerous cell lines, including: brain, prostate, bladder, breast and colorectal cancers
- 0% toxicity at high concentrations (> 100μM) with no side effects leading to very high safety profile
- More effective at killing cancer cells than FDA approved drugs (668,000 x ALA, 198 x PHOTOFRIN®)
- Excellent specificity and selectivity with a rapid evacuation from healthy cells and a high light fluence required for activation
- Ultra low toxicity as the PDC has less than 0.02% systemic infiltration into the blood stream in the destruction of Non-Muscle Invasive Bladder Cancer ("**NMIBC**")
- Water soluble, small molecule that readily penetrates cellular membrane and localizes to the organelles
- Able to treat solid core hypoxic tumours, using a Type 1 and Type 2 activation, such as: breast, prostate, lung and bladder
- Activated at a variety of wavelengths allowing shallow and deep tumour destruction

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

Mandatory support for the CTA consists of:

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

4) Completion of the Investigational Testing Authorization ("**ITA**") supporting the medical laser used to activate the PDCs

These 4 main support documents will be compiled into a formal CTA application to be submitted to Health Canada in 3Q2015 and to the Review Ethics Board ("**REB**") of Princess Margaret Cancer Center, University Health Network ("**UHN**") and pending their respective approvals expected in 4Q2015 to commence enrolling patients who meet the inclusion / exclusion criteria into the Phase Ib NMIBC clinical trial commencing 4Q2015.

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

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

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

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

TLC-3000: Cancer Vaccine Research

In Q2 2014 preclinical animal testing, performed at UHN, demonstrated that Theralase's lead PDC, intended for the destruction of cancer, demonstrated an ability to render animals immune to repeated exposures of the same cancer. This initial data was presented at the 37th Annual American Society for Photobiology that took place in San Diego, California in June 2014.

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

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

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

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

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

This is one of the first preclinical trials to show that it's possible to generate a long-term anticancer memory response. For the first time in Theralase's research program, Theralase demonstrated that NIR PDT leads not only to long standing clearance of colon cancer cells, but also provides long lasting protection against further tumour cell challenge in young (eight to ten weeks old) and older (ten to eleven month old) mice. It is the Company's first step toward the long-term goal of developing an affordable and practical vaccine to prevent cancer recurrence. This research will prove invaluable as the Company commences validation of its anti-cancer technology via human clinical trials in 4Q2015.

TLC-3000: Destruction of Bacteria

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

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

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

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

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

Public Offering

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

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

- Fund research and development activities by the Photo Dynamic Therapy ("**PDT**") division; specifically the commencement of a Phase Ib clinical study for NMIBC in 4Q2015.
- Commercial activities by the Therapeutic Laser Therapy ("**TLT**") division; specifically the launch of the patented next generation TLC-2000 Biofeedback Therapeutic Laser System in Canada in 4Q2015, the United States in 1Q2016 and in Europe in 2Q2016.
- Working capital and general corporate purposes.

Overview of Financial Performance

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

Summary of Selected Annual Information

	2014	2013	2012
Total revenues	1,380,604	1,203,620	1,824,313
Net profit / (loss)	(2,587,542)	(1,152,209)	(1,509,569)
Basic and diluted loss per share	$ (0.03)	$ (0.02)	$ (0.03)
Total assets	3,817,084	2,684,877	1,132,654
Total liabilities	511,750	920,989	1,197,384
Deficit	(15,658,375)	(13,070,831)	(11,918,622)
Shareholders' Equity	3,305,334	1,763,888	(64,730)

Summary of Quarterly Results

	2015		2014	
	June 30	March 31	December 31	September 30
Total revenues	309,513	368,304	386,131	134,036
Net profit / (loss)	(1,345,474)	(933,643)	(849,781)	(1,048,034)
Basic and diluted loss per share	$ (0.003)	$ (0.011)	$ (0.011)	$ (0.015)
Total assets	8,705,818	10,167,305	3,817,084	3,648,813
Total liabilities	339,753	459,637	511,750	376,923
Deficit	(17,937,492)	(16,592,018)	(15,658,375)	(14,808,592)
Shareholders' Equity	8,366,065	9,707,668	3,305,334	3,271,890

	2014		2013	
	June 30	March 31	December 31	September 30
Total revenues	499,258	361,179	38,404	313,020
Net profit / (loss)	(345,653)	(344,074)	(555,336)	(185,794)
Basic and diluted loss per share	$ (0.006)	$ (0.007)	$ (0.01)	$ (0.004)
Total assets	4,116,005	2,201,083	2,684,877	1,145,036
Total liabilities	322,582	611,336	920,989	1,711,767
Deficit	(13,760,558)	(13,414,905)	(13,070,831)	(12,515,495)
Shareholders' Equity	3,793,423	1,589,747	1,763,888	(566,731)

	2013	
	June 30	March 31
Total revenues	509,296	342,900
Net profit / (loss)	(78,644)	(332,435)
Basic and diluted loss per share	$ (0.002)	$ (0.010)
Total assets	1,248,157	1,109,266
Total liabilities	1,645,473	1,464,441
Deficit	(12,329,702)	(12,251,057)
Shareholders' Equity	(397,316)	(355,175)

Liquidity and Capital Resources

As of June 30, 2015, current assets aggregated to $8,283,135 compared with current liabilities of $339,753 netting working capital of $7,943,382 and a current ratio (current assets vs. current liabilities) of approximately 24:1.

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

As of June 30, 2015 the Company had cash and cash equivalents of $7,010,069. Sales of the TLC-1000, 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 will pursue alternate financing sources to fund the Company's development and commercialization efforts, in the future, that are similar to the financing secured through the public offering that took place on March 3, 2015 (note 11). Nevertheless, there is no assurance that these initiatives will be successful.

Results of Operations

For the six-month period ended June 30, 2015, total revenue decreased from $860,437 to $677,817 for the same period in 2014.

	2015	2014	2013
Sales Revenue	$ 564,008	$ 751,618	$ 762,986
Service Revenue	43,015	52,003	49,962
Clinic Revenue	18,820	17,161	1,665
Other Revenue	51,974	39,655	37,582
	677,817	**860,437**	**852,196**

Revenue for the six-month period ended June 30, 2015 decreased by 21% from the same period in 2014. In Canada, revenue increased 11% to $562,890 from $508,523, in the US, revenue decreased 54% to $99,343 from $215,107 and international revenue decreased 89% to $15,584 from $136,807. The moderate increase in Canadian revenue is attributable to the Company's focus of rebuilding sales and marketing commencing with Canada. In 4Q2015, the Company will continue expansion of its sales and marketing initiatives with the commercial launch of the patented, next generation TLC-2000 Biofeedback Therapeutic Laser System in Canada, in the US and Europe in 2Q2016, to expand sales in these strategic markets, while maintaining its dominant position in Canada. The Company will focus on growing its Canadian sales base, moving its focus to the US in 2016 and then finally growing its sales internationally through strategic partnering with international medical product distributors.

Cost of sales

Cost of sales for the six-month period ended June 30, 2015 was $243,394 resulting in a gross margin of $434,423 or 64% of revenue, compared to a cost of sales of $245,828 in 2014, resulting in a gross margin of $614,609 or 71% of revenue. Cost of sales is represented by the following costs: raw materials, subcontracting, direct and indirect labour and the applicable share of manufacturing overhead.

Operating Expenses

Selling and marketing expenses for the six-month period ended June 30, 2015 were $402,598 representing 59% of sales, compared with $301,716 or 35% in 2014, and consisted of the following items:

	2015	2014	2013
Sales salaries	$ 250,847	$ 124,194	$ 160,359
Advertising	29,979	76,908	5,484
Commission	40,813	30,540	31,926
Travel	62,802	56,117	24,250
Amortization and depreciation allocation	18,157	13,957	15,202
Total selling expenses	**$402,598**	**$301,716**	**$237,221**

The increase is primarily due to increased spending in marketing and sales salaries, which will augment sales in future financial quarters with the launch of the TLC-2000. Selling expenses are expected to continue to increase in the future as the Company expands into Canada, the US and international markets. On-going investment in sales personnel, marketing events and advertising are required expenses to generate and increase revenues in subsequent financial quarters.

Administrative expenses for the six month period ended June 30, 2015 were $982,841 representing a 78% increase from $550,986 in 2014, and consisted of the following items:

	2015	2014	2013
Insurance	$ 31,191	$ 26,594	$ 25,685
Professional fees	140,509	52,737	59,019
Rent	40,600	40,600	40,600
General and administrative expenses	295,450	161,885	32,111
Administrative salaries	290,236	230,395	264,463
Director and advisory fees	46,389	4,600	200
Stock based compensation	124,924	24,382	78,493
Amortization and depreciation allocation	13,542	9,793	10,374
Total administrative expenses	**$982,841**	**$550,986**	**$ 510,944**

Increases in administrative expenses for the six month period ended June 30, 2015 are attributed to the following:

- General and administrative expenses increased 83% due to increased spending on investor relations activities
- Professional fees increased by 166% due to increased spending on legal fees for greater trademark and patent intellectual property protection of our latest technologies
- Stock based compensation increased by 412% as a result of granting and vesting of stock options to certain employees directors and officers of the Company in Q22015

Research and Development Costs

Gross research and development costs expensed totaled $1,356,664 for the six month period ended June 30, 2015 compared to $441,647 in 2014 representing 52% of the total operating expenses of the Company. This represents a 207% increase in expenditures and investment into the commercialization of the TLC-2000 therapeutic laser technology and research and development of the TLC-3000 anti-cancer technology.

Net Profit (Loss)

The net loss for the six month period ended June 30, 2015 was $2,279,117 which included $197,151 of net non-cash expenses (amortization, stock-based compensation expense, foreign exchange gain/loss and lease inducements). This compared to a net loss for the same period in 2014 of $689,727, which included $64,304 of net non-cash expenses. The increase in net loss is primarily due to increases in research and development costs, increased spending for sales and marketing initiatives and administrative personnel.

Cash Flows

Funds used in operating activities prior to net changes in other operating items amounted to $2,081,966 for the six-month period ended June 30, 2015, compared to funds used in operating activities of $625,423 in 2014. Funds used in operating activities after taking into account net changes in other non-cash operating items were $2,029,473 for the six month period ended June 30, 2015, compared to funds used of $1,621,570 for the same period in 2014.

Funds used in investing for the six month period ended June 30, 2015 amounted to $98,337 compared to $8,220 for 2014. The increase is a result of increased spending on equipment related to the TLC-2000 Biofeedback and TLC-3000 research and development.

For the six month period ended June 30, 2015, funds obtained from financing activities amounted to $7,215,425 compared to $2,669,508 obtained in financing activities for 2014. The increase is due to proceeds from the private placement on March 3, 2015.

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 $85,246.

Commitments

	Total	2015	2016	2017
Lease obligations (a)	$ 175,000	$ 84,000	$ 84,000	$ 7,000
Lease obligations (b)	5,511	2,004	2,004	1,503
Lease obligations (c)	43,823	15,936	15,936	11,951
Research Agreement (d)	73,409	73,409	-	-
Research Agreement (e)	373,116	298,493	74,623	-
Research Agreement (f)	396,558	396,558	-	-
Research Agreement (g)	231,992	231,992		
Research Agreement (h)	57,028	57,028		
Total	$ 1,356,437	$ 1,159,419	$ 176,563	$ 20,454

As of June 30, 2015, the Company's commitments consisted of the following:

a) Lease obligations under a lease agreement related to the Company's premises, commenced on August 1, 2012 and expiring 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 expiring 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) Lease obligations under a lease agreement related to the Company's production equipment, commenced on April 1, 2014 and expiring on May 18, 2018. Under the terms of this lease, the Company is required to minimum rental payments of $1,328 per month. The future minimum lease payments are shown in the table above.

d) Research commitments under a research collaboration agreement with University Health Network for the TLC-3000 cancer therapy project. Under the terms of this agreement, the Company is required to pay $168,000 for the period from May 1, 2014 through May 1, 2015. The Company has paid $94,591 relating to this commitment, in which $73,409 is the remaining commitment for 2015.

e) Research Commitments under a research collaboration agreement with JSS Medical Research Inc. for the TLC-3000 cancer therapy project. Under the terms of this agreement, the Company is required to pay $497,488 for the period from September 9, 2014 through to April 9, 2016. The Company has paid $124,372 relating to this commitment, in which $373,116 is the remaining commitment.

f) Research Commitments under a research collaboration agreement with SAFC for the TLC-3000 cancer therapy project. Under the terms of this agreement, the Company is required to pay USD$895,000 for the period from September 9, 2014 through to May 9, 2015. The Company has paid USD$577,500 relating to this commitment, in which USD$317,500 is the remaining commitment.

g) Research Commitments under a research collaboration agreement with ITR Canada for the TLC-3000 cancer therapy project. Under the terms of this agreement, the Company is required to pay $341,315 for the period from May 27, 2015 through to September 17, 2015. The Company has paid $109,323 relating to this commitment, in which $231,992 is the remaining commitment.

h) Research Commitments under a research collaboration agreement with Algorithme Pharma for the TLC-3000 cancer therapy project. Under the terms of this agreement, the Company is required to pay $57,028 for the period from June 22, 2015 through to July 30, 2015. The Company has paid $Nil relating to this commitment, in which $57,028 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 June 30, 2015, the share capital of the Company consisted of 104,553,110 common shares. Each common share entitles the holder to one vote per share.

As of June 30, 2015, there were 9,945,000 options outstanding, of which 1,775,000 were vested and exercisable into an equivalent number of the Company's common shares as follows:

	Common shares under option	Weighted average exercised price $
Outstanding, January 1, 2013	2,556,666	0.44
Forfeited (1)	(170,000)	0.50
Expired (2)	(166,666)	0.45
Outstanding, December 31, 2013	2,220,000	0.46
Granted (3)	3,320,000	0.50
Forfeited (4)	(45,000)	0.50
Exercised (5)	(100,000)	0.15
Expired (6)	(300,000)	0.35
Outstanding, December 31, 2014	5,095,000	0.50
Granted (7)	5,090,000	0.50
Forfeited (8)	(240,000)	0.50
Outstanding, June 30, 2015	9,945,000	0.50

As of June 30, 2015, there were 23,029,523 warrants outstanding. Each whole warrant entitles the holder thereof to purchase one additional common share. The warrants are exercisable as follows: 1,455,000 at a price of $0.38 until April 13, 2017, 3,535,916 at a price of $0.20 exercisable until November 7, 2015 and 19,071,940 at a price of $0.54 until March 3, 2020.

Segmented Information

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

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

The following table displays revenue and direct expenses from the TLT and PDT division for the six-month period ended June 30, 2015:

	2015			2014			2013		
	TLT	PDT	Total	TLT	PDT	Total	TLT	PDT	Total
Sales	$ 677,817	$ -	$ 677,817	$ 860,437	$ -	$ 860,437	$ 852,196	$ -	$ 852,196
Cost of Sales	243,394	-	243,394	245,828	-	245,828	223,548	-	223,548
Gross Margin	434,423	-	434,423	614,609	-	614,609	628,648	-	628,648
Operating Expenses									
Selling expenses	402,598	-	402,598	301,716	-	301,716	237,221	-	237,221
Administrative expenses	570,512	412,329	982,841	344,857	206,129	550,986	449,631	61,313	510,944
Research and development expenses	288,132	1,068,532	1,356,664	180,740	260,906	441,646	-	272,014	272,014
(Gain) loss on foreign exchange	(12,970)	-	(12,970)	49	-	49	9,727	-	9,727
Interest expense	140	140	279	6,545	6,546	13,091	-	13,656	13,656
Interest income	(15,872)	-	(15,872)	(3,153)	-	(3,153)	(3,835)	-	(3,835)
	1,232,539	1,481,001	2,713,540	830,753	473,582	1,304,335	692,744	346,983	1,039,727
Loss and comprehensive loss for the year	$ (798,116)	$ (1,481,001)	$ (2,279,117)	$ (216,144)	$ (473,582)	$ (689,726)	$ (64,096)	$ (346,983)	$ (411,079)
Total Assets	$ 8,348,906	$ 356,912	$ 8,705,818	$ 4,028,214	$ 87,791	$ 4,116,005	$ 1,127,163	$ 120,994	$ 1,248,157
Total Liabilities	255,500	85,446	340,946	277,002	45,580	322,582	1,464,441	-	1,464,441

The following table displays revenue and direct expenses from TLT division product sales by geographic area for the six month period ended June 30, 2015:

	2015			2014			2013		
	Canada	USA	International	Canada	USA	International	Canada	USA	International
Sales	562,890	99,343	15,584	508,523	215,107	136,807	425,395	200,967	225,834
Cost of Sales	202,134	35,674	5,586	129,705	55,928	60,195	84,338	39,843	99,367
Selling Expenses	385,870	15,793	935	197,742	99,804	4,170	155,257	78,367	3,597
	(25,114)	47,877	9,063	181,076	59,375	72,442	185,800	82,757	122,870

As of June 30, 2015, and December 31, 2014, the Company's long-lived assets used in operations are all located in Canada.

Selected Financial Information and Accounting Policies

The Consolidated Interim Financial Statements for the six month period ended June 30, 2015, and all other Financial Statements referred to herein, have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"), consistently applied, and all amounts and currencies reported therein, and in this MD&A, are in Canadian dollars, unless otherwise noted. The ongoing accounting policies are more particularly described in the Notes to the Audited Consolidated Financial Statements for the year ended December 31, 2014. Please refer to the Company's historic annual and quarterly financial statement filings, including material interim press releases, on the regulatory website -- www.SEDAR.com.

Use of Financial Instruments

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

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

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

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

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

Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. As of June 30, 2015, 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 June 30, 2015, no cash equivalents were held (2014-$Nil) (2013-$Nil).

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

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

(iv) Foreign currency exchange risk:
The Company's primary risks are exposure to foreign currency exchange risk. These risks arise from the Company's holdings of US and Canadian dollar denominated cash, accounts receivable and accounts payable. Changes arising from these risks could impact the Company's reported foreign exchange gains or losses. The Company limits its exposure to foreign currency risk by holding US denominated cash in amounts of up to 100% of forecasted 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, our consolidated financial statements as of June 30, 2015, and December 31, 2014 and for the twelve month periods ending December 31, 2014, 2013 and 2012 have been prepared in accordance with IFRS. In addition, and subject to certain transition exceptions and exemptions, the Company's management has consistently applied the same accounting policies in the IFRS consolidated statement of financial position as of January 1, 2010 and throughout comparative periods as if these policies had always been in effect.

The policies applied in the consolidated financial statements as of June 30, 2015 and December 31, 2014 and for the twelve month periods ending December 31, 2014, 2013 and 2012 are based on IFRS issued and outstanding as of August 28, 2015 which is the date at which the Company's Board of Directors approved the audited annual consolidated financial statements.

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

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

Accounting standards issued

The IASB has issued the following standards, which have not yet been adopted by the Corporation. Each of the new standards is effective for annual years beginning on or after January 1, 2015 with the exception of IFRS 9. The Company

has not yet begun the process of assessing the impact that the new and amended standards will have on its financial statements.

The following is a description of the new standards:

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

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

Disclosure Controls and Procedures

The Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of the Company's disclosure controls and procedures as of June 30, 2015 and for the six month period ending June 30, 2015. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of the Company's disclosure controls and procedures were effective as of June 30, 2015 to provide reasonable assurance that material information relating to the Company would be made known to them by others and information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in the securities legislation.

Internal Control over Financial Reporting

As of June 30, 2015, an evaluation of the effectiveness of internal controls over financial reporting, as defined in the rules of the Canadian Securities Administrators, was carried out to provide reasonable assurance regarding the reliability of financial reporting and financial statement compliance with IFRS. Based on that evaluation, the President and Chief Executive Officer and the Chief Financial Officer have concluded that the internal controls over financial reporting of the Company were effective and provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

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

Risks and Uncertainties

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

Capital Resources

In order to achieve its long-term development and commercialization strategy for the Company's range of biomedical laser systems and PDCs, the Company will need to raise additional capital through the issuance of shares, collaboration agreements or partnerships that would allow the Company to finance its activities. Nothing guarantees that additional

funds will be available or that they may be acquired according to acceptable terms and conditions. Additional financing may result in dilution of shareholder value.

Volatility of Share Price

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

Regulatory Approvals

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

Licenses and Patents

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

Currency Risk

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

Credit Risk

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

Human Resources

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

Product Liability

The Company has obtained product liability insurance coverage in the total amount of $1,000,000. These insurance coverages are a limited guarantee and a product liability claim could potentially be greater than these coverages. The Company's profitability would be adversely affected by a successful product liability claim in excess of its insurance coverage.

Outlook

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

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

The Company will focus on increasing product sales and market acceptance of the TLC-1000 laser technology in the United States and international medical markets throughout 2015 and the beginning of 2016. In the first quarter of 2016, pending FDA, the Company will turn its attention to successfully launching and increasing product sales and market acceptance of the next generation TLC-2000 laser technology in the US and pending CE approval expanding sales and marketing efforts internationally.

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

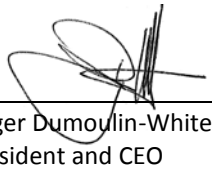
For its Photo Dynamic Therapy ("**PDT**") division, the Company continues to research, develop and commercialize its patented TLC-3000 Photo Dynamic Compound ("**PDC**") technology aimed at the destruction of cancer by executing on its strategic objective of enrolling patients in a Phase Ib human clinical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

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

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

The Company feels that these initiatives will dramatically increase shareholder value as the Company achieves its strategic objectives in 4Q2015 and 2016.

August 28, 2015



Roger Dumoulin-White
President and CEO