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 unaudited condensed interim consolidated financial statements for the three-month period ended March 31, 2019 . 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 can be found on sedar at www.sedar.com. This MD&A is prepared as of May 30, 2019.

The Company's common shares are listed for trading on the TSX Venture Exchange (**Symbol: TLT**) and also trade on the OTCQB marketplace (**Symbol: TLTFF).**

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, "F**orward-Looking Statements**" or "**FLS"**) within the meaning of applicable securities laws. FLS 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 studies or other information in future periods. FLS, 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.*

FLS included in this MD&A include, but are not limited to, statements with respect to: the outlook of the revenues, business and timing of initiatives of Theralase; the competitive environment in which Theralase operates; the business strategy and objectives of Theralase; research, development and/or commercialization plans, as well as acquisition and disposition plans of Theralase; preclinical and/or clinical studies, status, timing and/or strategies; the supply and demand of products or services; Theralase's future revenue projections; Theralase's ability to meet its current and future obligations; Theralase's ability to execute its business and/or growth strategy; management's assessment of future plans and/or operations; the intention and/or ability of Theralase to pay dividends on the common shares of the Company.

Readers are cautioned not to place undue reliance on FLS as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By their nature, FLS involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other things contemplated by the FLS will not occur. Such FLS or information are based on a number of assumptions which may prove to be incorrect, including those assumptions listed below and those discussed elsewhere in this MD&A. Some of the assumptions made by Theralase, upon which such FLS are based, include, but are not limited to, assumptions about: Theralase's ability to continue as a going concern, the business operations of Theralase continuing on a basis consistent with prior years; the ability of Theralase to access financing from time to time on favourable terms or at all; the continuation of executive management, operating management, key personnel or key consultants or the non-disruptive replacement of them on reasonable terms; the ability of Theralase to maintain reasonably stable operating and general administrative expenses; future success of current research, development, and/or commercialization activities of Theralase; the ability of Theralase to achieve development and/or commercial milestones; market competition; the ability of Theralase to secure all necessary regulatory and/or certification approvals; geographic protection over the intellectual property of Theralase in the markets in which Theralase does business; market acceptance and/or revenue generation of Theralase's products under development; the stability of current economic conditions, the strength of the economy in Canada, the United States and elsewhere; currency, exchange and/or interest rates and commodity prices being reasonably stable at current rates.

*FLS reflect current expectations of management regarding future events and operating performance as of the date of this MD&A. Such information: involves significant risks and uncertainties; should not be read as guarantees of future performance and/or results; and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the FLS, including, but not limited to, the risks related to: limited operating history; working capital and capital resources; ability to retain key personnel; protection of intellectual property; competition; implementation delays; strategic alliances; trade secret protection; product deficiencies; dependence on third party suppliers; volatility of share price; regulatory risks; early stage of product development; reliance on third parties; clinical study and study risk; clinical study timing delays; patient enrolment; failure to achieve milestones; currency risk; material weakness in internal control over financial reporting; credit risk; product liability, clinical trial liability and patent-related rights of the United States government in Photo Dynamic Therapy ("**PDT**") technology. See "Risk and Uncertainties".*

ALTHOUGH THE FLS CONTAINED IN THIS MD&A ARE BASED UPON WHAT THERALASE'S MANAGEMENT BELIEVES TO BE REASONABLE ASSUMPTIONS, THERALASE CANNOT ASSURE READERS THAT ACTUAL RESULTS WILL BE CONSISTENT WITH SUCH INFORMATION. FLS REFLECT MANAGEMENT'S CURRENT BELIEFS AND ARE BASED ON INFORMATION CURRENTLY AVAILABLE TO THERALASE. READERS OF THIS MD&A ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THERALASE'S FLS BECAUSE A NUMBER OF FACTORS, SUCH AS THOSE REFERRED TO IN THE PARAGRAPHS ABOVE, COULD CAUSE ACTUAL FUTURE RESULTS, CONDITIONS, ACTIONS OR EVENTS TO DIFFER MATERIALLY FROM THE TARGETS, EXPECTATIONS, ESTIMATES AND/OR INTENTIONS EXPRESSED IN THE FLS CONTAINED IN THIS MD&A. THE FLS ARE MADE AS OF THE DATE OF THIS MD&A AND THERALASE ASSUMES NO OBLIGATION TO UPDATE OR REVISE SUCH INFORMATION TO REFLECT NEW EVENTS OR CIRCUMSTANCES, EXCEPT AS MAY BE REQUIRED BY APPLICABLE LAW.

Company Profile

Theralase® is a clinical stage pharmaceutical company dedicated to the research and development of light activated Photo Dynamic Compounds (“**PDCs**”), their associated drug formulations and technology platforms intended to safely and effectively treat cancer. The Company in its Medical Laser Technology (“**MLT**”) division designs, develops, manufactures and commercializes medical laser systems and other technologies for the activation of PDCs as well as designs, develops, manufactures and markets patented and proprietary super-pulsed laser technology indicated and cleared by Health Canada and the Food and Drug Administration (“**FDA**”) for the healing of chronic knee pain and when used off-label for healing numerous nerve, muscle and joint conditions.

Advancing the Theralase Technology Platform

On February 25, 2019, the Company appointed Shawn Shirazi, Ph.D., to the role of Chief Executive Officer (“**CEO**”) of Theralase’s Drug Division and Kipton Lade, B.Sc., M.Sc., MBA., to the role of CEO of Theralase’s Device Division.

Dr. Shirazi, obtained his B.Sc. in Chemistry from York University (Toronto, Ontario, Canada) and a M.Sc. and Ph.D. in Pharmacology from the University of Ottawa (Ottawa, Ontario, Canada).

Dr. Shirazi brings over 20 years of hands-on experience in: pharmaceutical drug formulation and development, clinical trial management, Good Manufacturing Practices (“**GMP**”) international drug manufacture, international regulatory guidelines and quality assurance in GMP drug manufacture. He has held senior roles with both start-ups and large pharmaceutical organizations, including: Executive Director and Vice President of Research and Development for Torpharm Inc (Division of Apotex), Senior Director Global Research and Development of Perrigo Company (NYSE: PRGO) and Chief Operating Officer – North America for *Daxinganling Lingonberry* Boreal *Biotech Co*. *Ltd*. (leading manufacturer of high quality plant extracts, based in China), During his career, Dr. Shirazi has led the generic drug development programs for numerous pharmaceutical organizations, resulting in multiple “First To File” drug applications, allowing product exclusivity, as well as global leadership of research and development and merger and acquisition portfolios.

Mr. Lade earned his B.Sc. in Biomedical Engineering and M.Sc. in Electrical Engineering from Marquette University (Milwaukee, Wisconsin, USA) and his MBA from the University of St. Thomas (St. Paul, Minnesota, USA).

Mr. Lade has over 25 years of global experience developing and launching new medical technologies and therapies, through the execution of objective corporate strategies. In his last appointment, Mr. Lade served as the President and CEO at Thornhill Medical (Toronto, Ontario, Canada). At Thornhill Medical, he successfully completed a business turn around, which included: launch of global distribution, new product introductions, multi-million dollar US Department of Defense tender award and the completion of a Series A financing. Prior to Thornhill Medical, Mr. Lade served in various senior management positions, such as Director of Sales and Marketing at Boston Scientific (Toronto, Ontario, Canada), General Manager of Alvimedica - Canada (Toronto, Ontario, Canada), Managing Director at Biotronik (Berlin, Germany), General Manager of St. Jude Medical - Canada (Toronto, Ontario, Canada) and Director of Global Product Marketing for St. Jude Medical (Saint Paul, Minnesota, USA). As a senior executive in sales and marketing, he has led his direct report teams to significantly increase their share of global revenue, through the global launch of highly innovative medical systems and new technology platforms.

Non-Brokered Private Placement

On January 9, 2019, the Company closed a non-brokered private placement of Units, issuing an aggregate of 4,095,157 Units at a price of $0.35 per unit for aggregate gross proceeds of approximately $1,433,305. Each Unit consisted of one common share of the Company and one non-transferable common share purchase warrant. Each warrant entitles the holder to acquire an additional Common Share at a price of $0.50 for a period of 24 months following the date of issuance. An aggregate of 542,857 units, representing gross proceeds of $190,000, were issued to certain insiders of the Company.

Anti- Cancer Technology

The Company's primary focus is Anti-Cancer Technology ("**ACT**"), which is the preclinical and clinical research and development of PDCs and the laser light systems that activate them, primarily intended for the destruction of specific cancers.

Theralase's study drug, TLD-1433, is a PDC that is soluble and stable in water for 72 hours. It is able to bind with endogenous transferrin, a human glycoprotein. This combined molecule is able to localize to cancer cells, which generally have more transferrin receptors versus healthy cells. When the combined molecule is laser light activated, it is able to destroy bladder cancer cells through the production of singlet oxygen and/or Reactive Oxygen Species ("**ROS**").

Theralase's lead cancer indication is Non-Muscle Invasive Bladder Cancer ("**NMIBC**").

Theralase has successfully completed a Phase Ib clinical study ("**Study**") for high-risk, Bacillus Calmette-Guerin ("**BCG**") -Unresponsive patients diagnosed with NMIBC.

Under 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*", treatment of patients commenced in March 2017 and to date three patients have been treated 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 by the TLC-3200 Medical Laser System.

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 one hundred and eighty (180) days; whereby: Grade 1 = Mild, Grade 2 = Moderate, Grade 3 = Severe, Grade 4 = Life-threatening or disabling, Grade 5 = Death).

2) **Secondary:** Evaluate the pharmacokinetics. (Movement and exit of drug within tissue) of TLD-1433 (Measured by TLD-1433 concentration at levels at various intervals in plasma and urine over 72 hours).

3) **Exploratory:** Evaluate efficacy. (Measured by Recurrence Free Survival, 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 three patients treated at the Therapeutic Dose and secondarily at 180 days post treatment).

Final Data Results:

In the first part of the Study, three patients were enrolled and treated with ACT TLD-1433 and TLC-3200 at the MRSD. Treatment at the MRSD did not raise any significant safety concerns, as determined by the independent Data Safety Monitoring Board ("**DSMB**"); therefore, approval was received from the DSMB to enroll and 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.

- The first three patients treated at the MRSD successfully achieved the primary, secondary and exploratory outcome measures at 90 days post treatment; however, all three patients went on to re-present with NMIBC at 180 days post treatment.

- Patient four treated at the Therapeutic Dose successfully achieved the primary and secondary 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, but no factual cancer lesions were detected. 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. The patient was subsequently released from the Study.

- Patient five treated at the Therapeutic Dose successfully achieved the primary, secondary and exploratory outcome measures at 90, 180, 270 and 360 days post treatment during their medical and cystoscopy assessment. At each assessment, no clinical evidence of bladder tumour recurrence or presence was detected.

- Patient six treated at the Therapeutic Dose successfully achieved the primary, secondary and exploratory outcome measures at 90, 180, 270 and 360 days post treatment during their medical and cystoscopy assessment. At each assessment, no clinical evidence of bladder tumour recurrence or presence was detected.

Conclusions:

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

1) A high level of safety and tolerability based on clinical evaluation and pharmacokinetic analysis, in patients with high risk, BCG-Unresponsive NMIBC, at the 180 day post PDT treatment cystoscopy assessment, when treated at the MRSD;

2) A high level of safety and tolerability based on clinical evaluation and pharmacokinetic analysis, in patients with high risk, BCG-Unresponsive NMIBC, at the 90 day post PDT treatment cystoscopy assessment, when treated at the Therapeutic Dose;

3) An ability to delay progression of NMIBC at the 180 day post treatment cystoscopy analysis, when treated at the MRSD;

4) An ability to delay progression and prevent recurrence of NMIBC at the 90, 180, 270 and 360 day post treatment cystoscopy analysis, when treated at the Therapeutic Dose in 2 out of 3 patients.

5) Patient five treated at the Therapeutic Dose had no clinical evidence of bladder tumour recurrence or presence at the 90, 180, 270 and 360 day cystoscopy assessment.

6) Patient six treated at the Therapeutic Dose has no clinical evidence of bladder tumour recurrence or presence at the 90, 180, 270 and 360 day cystoscopy assessment.

Safety and tolerability of the ACT technology was demonstrated and unanimously confirmed by the Medical and Scientific Advisory Board ("**MSAB**") on May 19, 2018. As a result, the MSAB voted to terminate the Study early and commence the design of a multi-center Phase II NMIBC clinical study ("**Study II**") with a primary endpoint of efficacy to be conducted in Canada, the United States and potentially internationally, subject to Health Canada, FDA and international regulatory approval.

Phase II NMIBC Clinical Study Objectives

Study II will use laser light activated TLD-1433 in a BCG-Unresponsive Patient Population. The final design of Study II will be subject to approval by the respective regulatory agencies responsible for each country where Study II is planned to be conducted and is expected to include Health Canada, the U.S. FDA and other international regulatory agencies.

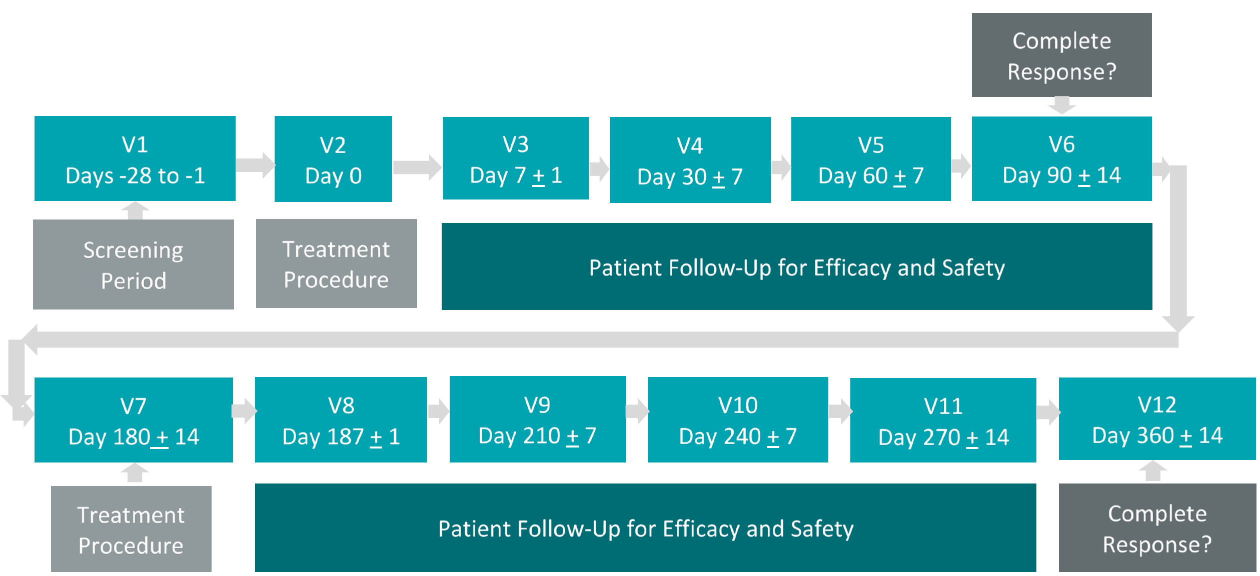
The primary endpoint of efficacy will be determined by Complete Response ("**CR**") in approximately 100 patients, evaluated at a Therapeutic Dose, who present with Carcinoma In-Situ ("**CIS**"), with or without resected papillary disease, at 90 days post-treatment with duration of CR is evaluated at 360 days post-treatment.

Patient CR is defined as at least one of the following:

- Negative cystoscopy and negative (including atypical) urine cytology; or
- Positive cystoscopy with biopsy-proven benign or low-grade NMIBC and negative cytology; or
- Negative cystoscopy with malignant urine cytology, if cancer is found in the upper tract or prostatic urethra and random bladder biopsies are negative.

The safety of the Study II is evaluated by the incidence and severity of AEs, that are Grade 4 or higher, that do not resolve within 360 days post initial treatment.

Proposed Clinical Treatment Plan:



Health Canada has granted the Company Investigational Testing Authorization ("**ITA**") approval (December 2018) to utilize its patent pending TLC-3200 Medical Laser System, in conjunction with its Clinical Trial Application ("**CTA**") approved lead PDC, TLD-1433 (November, 2018), to commence enrolling and treating patients in Study II, subject to submitting a Clinical Trial Site Information Form and receipt of individual Research Ethics Board ("**REB**") approvals for each Canadian oncology location that will conduct Study II.

On April 25, 2019 the University Health Network Research Ethics Board ("**UHN-REB**") approved the commencement of Study II.

The ACT division is currently under clinical development and as a result there are no commercial benefits associated with this division at the present time, resulting in no revenue, sales or distribution of this technology.

Theralase conducts its own research and development into this technology, as well as enlisting the support of external scientific, research, regulatory and clinical organizations.

The estimated timing of completion of Study II is approximately 3 years from regulatory approval(s), but may vary significantly depending on numerous factors including: number of oncology sites, oncology site patient enrollment rates, patient compliance, treatment success and/or successful achievement of clinical Study II endpoints.

Corporate Governance Report

Further to the Company's material change report dated March 2, 2018, regarding the terms of the settlement agreement ("**Settlement Agreement**") between the Company, Roger Dumoulin-White and the Staff of the Ontario Securities Commission ("**OSC**"), Peterson McVicar LLP, the governance consultant appointed by the Company under the terms of the Settlement Agreement ("**Consultant**") delivered to the OSC on April 16, 2019 its final report on the implementation by the Company of the corporate governance recommendations set out in its initial report dated as of June 26, 2018 ("**Initial Report**"). All recommendations of the Consultant were considered and adopted, as applicable, by the Company.

The following summarizes the implementation by the Company of the specific recommendations set forth in the Initial Report. The recommendations will be addressed in the order that they were presented in the Initial Report. Capitalized terms used in the following summary not otherwise defined in this Prospectus have the meaning ascribed thereto in the Initial Report.

A. ***<u>Board Matters - Board Composition</u>***

Recommendations:

- Review composition of current Board to ensure it includes members with appropriate skill sets. Consideration should be given to adding (i) an independent Board member with an accounting designation and relevant experience; (ii) an independent Board member with appropriate scientific background to assist in providing independent oversight of operations; and (iii) an independent Board member with legal training and experience in corporate governance of public companies
- Consider whether to require share ownership by board members to align interests with those of shareholders

The Consultant was advised by the Chairman of the Board that the Corporate Governance and Compensation Committee undertook a review of the current board composition. The Company completed a board skills matrix identifying the overall set of skills, experience and other qualifications of the Board. The Company then assessed the current Board against the skills matrix. It was determined that the current board composition was satisfactory for the current size and stage of the

Company. In particular, although the addition of directors could potentially be beneficial for the Company, the skills matrix of the existing board was considered sufficient for the time being. The Company also noted that (i) attracting qualified directors to the Company at the size and stage of the Company was not easy; (ii) the board as currently comprised acts independently and effectively; and (iii) the Company is open to considering adding directors, if and when, appropriate candidates are identified. In accordance with the mandate of the Corporate Governance and Compensation Committee, the committee will review the composition on an annual basis or more frequently as required.

B. Board Matters - Board Committees

Recommendations:

- Consider the addition of an independent director with an accounting designation and relevant experience to the Audit Committee
- Improve disclosure in the management information circular regarding qualifications of members of the Audit Committee

The response to A above addresses the committee composition question. As part of the review noted above, the Company considered that the Audit Committee currently possesses a composite skill set sufficient for a company of the size and sophistication of the Company.

The Company did include additional disclosure in its annual information form dated July 30, 2018 as well as its management information circular dated May 22, 2019, regarding the qualifications of the members of the Audit Committee.

C. Board Matters - Board and Committee Attendance Record

Below are the records of attendance for Board and committee meetings for the fiscal years 2017 and 2018 and as of May 30, 2019.

	Board of Directors			Audit Committee			Governance and Compensation Committee		
Name	**2017**	**2018**	**2019**	**2017**	**2018**	**2019**	**2017**	**2018**	**2019**
Guy Anderson	5/5	5/5	2/2	4/4	4/4	2/2	0/0	2/2	1/1
Randy Bruder	5/5	5/5	2/2	4/4	4/4	2/2	0/0	2/2	1/1
Matthew Perraton	5/5	1/1	2/2	4/4	4/4	2/2	0/0	2/2	1/1
Roger J. Dumoulin- White	5/5	N/A	N/A	4/4	N/A	N/A	0/0	N/A	N/A
Arkady Mandel	N/A	5/5	2/2	N/A	N/A	2/2	N/A	N/A	N/A

As noted above, the Corporate Governance and Compensation Committee met two times in 2018. The Company has also produced a board and committee meeting schedule that indicates the matters to be considered at each meeting. This schedule should help to ensure that appropriate meetings are conducted and that the board and committees are addressing all routine matters that should be addressed.

D. Board Matters - Board and Committee Mandates

Board of Directors Mandate

Recommendations:

Review and revise the Board of Directors Mandate to ensure it is up to industry standards and includes best practices for TSXV listed issuers and addressing the issues noted above.

As part of the overall review of the corporate governance framework of the Company, the mandate of the Board was revised to bring it up to general industry standards. The Consultant reviewed and provided comments on the revised mandate and is satisfied with its current form and content. The mandate was reviewed by the Corporate Governance and Compensation Committee and approved by the Board.

Audit Committee Mandate

Recommendations:

Review and revise the Audit Committee Mandate to ensure it is up to industry standards and addresses best practice forT TSXV listed issuers and addressing the issues noted above and in particular:

- Require proper committee composition
- Consider whether one or more members should be required to be "financially literate" as defined in NI 52-110
- Increase notice of meeting to at least 48 hours
- Review By-Laws and update to make consistent with current corporate legislation and amend the mandate accordingly

As with the mandate of the Board, the Audit Committee Mandate was substantially revised to bring it up to general industry standards. The Consultant reviewed and provided comments on the revised mandate and is satisfied with its current form and content. The mandate was reviewed by the Audit Committee and approved by the Board.

Governance and Compensation Committee Mandate

Recommendations:

- Review and revise the Governance and Compensation Committee Mandate to ensure it is up to industry standards and addresses best practice for TSXV listed issuers
- Consider whether to create a separate Corporate Governance Committee with its own mandate to ensure that there is proper oversight of corporate governance framework

As with the other mandates of the Board, the Governance and Compensation Committee Mandate was substantially revised to bring it up to general industry standards. The Consultant reviewed and provided comments on the revised mandate and is satisfied with its current form and content. The mandate was reviewed by the Governance and Compensation Committee and approved by the Board.

The Company determined that it was not necessary to create a separate Corporate Governance Committee at this time given the size of the Board and the Company, particularly given that all three current independent directors are members of each committee of the Board.

Corporate Disclosure Committee Mandate

See below under Corporate Governance Policies and Procedures.

Position Descriptions

Recommendations:

- Review and revise the position descriptions to ensure they are consistent with industry standards and addresses best practice for TSXV listed issuers
- Consider augmenting the committee mandates to include the specific responsibilities of the chair of each committee

As part of the overall review of the corporate governance framework of the Company, the position descriptions for both the Chair of the Board and the Chief Executive Officer were substantially revised to bring them up to general industry standards. The Consultant reviewed and provided comments on the revised descriptions and is satisfied with their current form and content.

Each of the mandates for the Board Committees contain specific responsibilities for the chair of the committee. The Consultant has reviewed these responsibilities and confirms that they are substantially in accordance with industry standards. These should help to ensure proper functioning of each committee.

E. ***Board Matters - Board and Committee Process and Records***

Recommendations:

The following should be put in place to address some of the deficiencies noted above:

- Prepare and approve an annual Board and committee meeting schedule setting forth the principal re-occurring business to be addressed at each meeting
- Include as a standing item in the agenda for each board meeting an in camera session of independent directors
- The Audit Committee should review and make recommendations to the Board regarding the approval of financial statements and MD&A
- The Audit Committee should be involved in matters for which is it responsible, as set out in the Audit Committee Mandate
- The Governance and Compensation Committee should meet at least annually, and proper records of such meetings should be kept
- The Board and all committees should properly document each meeting and the business conducted at such meetings

The status of the each of the above noted recommendations is as follows:

- The Board has prepared an annual meeting Board and committee meeting schedule.
- The Board has prepared a template notice and agenda for meetings that includes in camera sessions of independent directors as a standing item.
- The records of the Audit Committee since the date of the Initial Report indicate that the Audit Committee is now reviewing and recommending approval of the financial statements and MD&A to the Board.
- The Governance and Compensation Committee met twice in 2018 and has met once in 2019.
- The records of the Board since the date of the Initial Report have improved and are now generally at a standard consistent with other TSXV-listed issuers.

F. ***Corporate Governance Policies and Procedures***

The Company reviewed and substantially revised and rationalized all of its corporate governance related policies and procedures. The policies and procedures that have been adopted by the Board and are in place are:

- Corporate Disclosure Policy
- Code of Business Conduct and Ethics
- Securities Trading Policy
- Whistleblower Policy

The following identifies the Consultant's specific recommendations regarding the policies and procedures and how these have been addressed by the Company.

Corporate Disclosure Committee Mandate

Recommendations:

Review and revise the mandate (policy) to bring it in line with industry standards and make it more coherent. In doing so, address the points noted above and the following:

- Require annual certification of compliance with policy
- Improve process surrounding review and approval of disclosure containing forward-looking information and future-oriented financial information and process of for subsequent updating
- Consider setting out more detailed procedures for preparation and review of disclosure documents, including press releases

A new Corporate Disclosure Policy was drafted to replace the prior iteration, which, as noted, was not consistent with industry standards. The new Corporate Disclosure Policy has been revised by the Consultant and is considered satisfactory. The policy includes provisions regarding the creation and responsibilities of the Disclosure Committee. The Consultant recommended that the provisions related to the Disclosure Committee be augmented from what is normally included in such policies in order to more specifically address the responsibilities and operation of the committee.

The Consultation has been provided with and reviewed the records of the committee. The Consultant also obtained a written summary of the functioning and process of the committee. The Consultant confirms that the committee processes have substantially improved and are now consistent with the policy and the Settlement Agreement.

Code of Business Conduct and Ethics

Recommendations:

Review and revise the Code to ensure that it is consistent with industry standards, incorporates best practices for TSXV listed issuers and addresses, as appropriate, the points noted above

The Code of Business Conduct and Ethics was revised significantly to bring it in line with industry standards and to address the various areas for improvement noted in the Initial Report. The Consultant has reviewed the policy and is satisfied with its current form and content.

Trading, Confidentiality of Insider Information and Use of Social Media Policy

Recommendations:

The policy needs to be revised and brought up to industry standards. The social media aspects of the policy should be dealt with in the Company's disclosure policy.

Portions of this policy was subsumed into the Corporate Disclosure Policy and the remainder is captured in the new Securities Trading Policy. The subject matter is now addressed in the noted policies. The Consultant had reviewed the policies and is satisfied with their current form and content.

Accounting and Auditing Complaint Policy

Recommendations:

The policy should be reviewed to ensure it is consistent with the other policies of the Company as they are revised and updated.

The Company adopted a new Whistleblower Policy. The Consultant has reviewed the policy and is satisfied with its current form and content.

Other Policies

Recommendations:
The Company should consider developing and adopting an Anti-Corruption and Anti-Bribery Policy as its operations expanding into international markets to try to ensure compliance with applicable laws.

The Company has indicated that it will consider adopting such a policy as the potential risks addressed by such a policy become relevant for the Company.

G. Company By-Laws

Recommendations:
The current general by-law of the Company, By-Law No. 1, was adopted in 1989 and does not appear to have been updated since adoption. There are a number of provisions in the by-laws that are inconsistent with the current Canada Business Company Act due to amendments to the act after 1989. The by-laws of the Company should be reviewed and any appropriate amendments made and approved.

The Company has indicated that it will review and make any amendments considered appropriate.

Overview of Financial Performance

During the three-month period ended March 31, 2019 under review, the Company's financial performance and its operating results reflected the continued investment by the Company into its future prosperity through research, development and clinical initiatives culminating in the successful completion of the Phase Ib NMIBC clinical study.

Summary of Selected Annual Information

(expressed in Canadian Dollars)

For the years ended December 31:

		2018		**2017**
Total revenues	$	1,734,072	$	2,342,508
Net loss		(3,356,877)		(6,093,596)
Basic and diluted loss per share	$	(0.026)	$	(0.049)
Total assets	$	3,564,419	$	3,322,707
Total liabilities		2,565,780		1,277,142
Deficit		(35,238,240)		(31,881,363)
Shareholders' Equity	$	998,639	$	2,045,565

Summary of Quarterly Results

(expressed in Canadian Dollars)

For the period ending:	2019 March 31
Total revenues	$ 121,179
Net loss	(1,125,098)
Basic and diluted loss per share	$ (0.008)

As at:	December 31
Total assets	$ 4,102,753
Total liabilities	969,582
Deficit	(36,363,338)
Shareholders' Equity	$ 998,639

	2018			
For the period ending:	December 31	September 30	June 30	March 31
Total revenues	$ 457,442	$ 365,940	$ 469,497	$ 441,193
Net loss	(744,709)	(722,817)	(885,283)	(1,004,068)
Basic and diluted loss per share	$ (0.005)	$ (0.006)	$ (0.007)	$ (0.008)

As at:	December 31	September 30	June 30	March 31
Total assets	$ 3,564,419	$ 2,865,364	$ 2,675,199	$ 3,147,237
Total liabilities	2,565,780	1,843,450	1,460,411	2,590,263
Deficit	(35,238,240)	(32,885,431)	(33,770,714)	(34,493,531)
Shareholders' Equity	$ 998,639	$ 1,021,914	$ 1,214,788	$ 556,974

Liquidity and Capital Resources

As of March 31, 2019, current assets aggregated to $3,350,053 compared with current liabilities of $969,582 netting working capital of $2,380,471 and a current ratio (current assets vs. current liabilities) of approximately 3.5:1.

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's ability to continue as a going concern is dependent upon achieving a profitable level of operations and obtaining additional financing, neither of which is assured. The Company has been able to raise capital to continue to develop and commercialize its products and continues to develop opportunities that could result in additional sales of its products in the future.

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 March 31, 2019, the Company had cash and cash equivalents of $1,670,081. 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. The Company has successfully raised capital through equity offerings in 2018 and 2019. 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

		2019		2018
Sales Revenue	$	92,717	$	411,217
Service Revenue		19,075		18,914
Clinic Revenue		2,173		1,951
Other Revenue		7,215		9,112
		121,178		**441,193**

For the three-month period ended March 31, 2019, total revenue decreased to $121,178 from $441,193 for the same period in 2018, a 73% decrease. In Canada, revenue decreased 61% to $116,104 from $297,061. In the US, revenue decreased 94% to $5,075 from $90,354 and international revenue decreased 100% to $Nil from $53,778. The decrease in total revenue in 2019 is due to the restructuring of the sales and marketing departments resulting in the termination of certain sales and marketing personnel.

Cost of sales

Cost of sales for the three-month period ended March 31, 2019 was $84,251 (70% of revenue) resulting in a gross margin of $36,928 or 30% of revenue, compared to a cost of sales of $242,587 (55% of revenue) in 2018, resulting in a gross margin of $198,336 or 45% 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 gross margin as a percentage of sales decrease, year over year, is attributed to decreased sales and fixed production salaries for the TLC-1000 and TLC-2000 product lines.

Operating Expenses

For the three-month period ended March 31, 2019, selling and marketing expenses decreased to $178,807 or 148% of sales, from $280,874 or 64% of sales in 2018, a 36% decrease and consisted of the following items:

		2019		2018
Sales salaries	$	95,632	$	210,500
Advertising		48,733		16,455
Commission		5,095		18,954
Travel		9,744		17,640
Stock based compensation		368		356
Amortization and depreciation allocation		19,235		16,969
Total selling expenses	**$**	**178,807**	**$**	**280,874**

The decrease in selling and marketing expenses is primarily due to the restructuring of the Canadian and US sales and marketing departments, resulting in the termination of certain sales and marketing personnel.

Administrative expenses for the three-month period ended March 31, 2019 decreased to $533,659 from $555,086 in 2018, representing a 4% decrease, and consisted of the following items:

		2019		2018
Insurance	$	12,236	$	16,728
Professional fees		128,302		231,568
Rent		25,317		24,765
General and administrative expenses		116,834		76,680
Administrative salaries		193,667		214,236
Director and advisory fees		14,734		9,741
Stock based compensation		32,673		(27,506)
Amortization and depreciation allocation		9,896		8,874
Total administrative expenses	**$**	**533,659**	**$**	**555,086**

Decreases in administrative expenses are attributed to the following:

- Administrative salaries decreased by 10% due to the termination and/or resignation of certain administrative staff.
- Professional fees decreased 45% due to reduced spending on legal fees as a result of the OSC settlement.

Research and Development Expense

Net research and development expenses for the three-month period ended March 31, 2019 increased to $447,751 from $364,956 in 2018, a 23% increase, and consisted of the following items:

		2019		2018
Research and development (net of investment tax credit)	$	422,302	$	332,164
Stock based compensation		4,666		7,567
Amortization and depreciation allocation		20,783		25,225
Total research and development expenses	**$**	**447,751**	**$**	**364,956**

Research and development expenses for the three-month period ended March 31, 2019 increased primarily due to increased expenses for commencing the ACT NMIBC Phase II Study. As of March 25, 2019 the Company has recommenced development of the TLC-2000 laser system. Research and development expenses represented 39% of the Company's operating expenses for the three-month period ended March 31, 2019 and represent investment into the research and development of the Company's ACT.

Net Profit (Loss)

The net loss for the three-month period ended March 31, 2019 was $1,125,098 which included $93,756 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 2018 of $1,004,068, which included $36,405 of net non-cash expenses. The ACT division represented $506,976 of this loss (45%) for the three-month period ended March 31, 2019.

The increase in net loss is primarily attributed to the following:

1) Increased investment in research and development in the ACT NMIBC Phase II clinical study.
2) Decreased sales of the TLC-1000 and TLC-2000.

Cash Flows

Funds used in operating activities, prior to net changes in other operating items, amounted to $1,031,342 for the three-month period ended March 31, 2019, compared to funds used in operating activities of $967,663 in 2018. Funds used in operating activities after taking into account net changes in other non-cash operating items were $2,571,378 for the three-month period ended March 31, 2019, compared to funds used of $203,123 for the same period in 2018.

Funds used in investing for the three-month period ended March 31, 2019 amounted to $14,163 compared to $21,689 for 2018. The decrease is primarily a result of decreased spending on tools, dies and equipment related to the TLC-3200 Medical Laser System technology.

Funds obtained from financing activities amounted to $3,221,924 for the three-month period ended March 31, 2019, compared to $Nil obtained in financing activities for 2018. The non-brokered private placement, which closed January 9, 2019 and the exercise of warrants are responsible for the funding activities in 2018.

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 $13,533.

Commitments

As of March 31, 2019, the Company's commitments consisted of the following:

	Total	2019	2020	2021	2022	2023
Lease obligations (a)	$ 212,840	43,415	59,797	59,797	49,831	-
Research Commitments (b)	$ 175,560	58,520	58,520	58,520	-	-
Research Agreement (c)	$ 58,800	58,800	-	-	-	-
Total	**$ 447,200**	**$ 160,735**	**$ 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) Research Commitments under a research collaboration agreement with University Health Network for the Ontario Research Fund 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 $173,040 relating to this commitment, in which $175,560 is the remaining commitment.

c) Research Commitments under a sponsored research agreement with University Health Network for the TLC-3000 cancer therapy project. Under the terms of this agreement, the Company is required to pay $128,800 for the period from November 1, 2018 through to October 31, 2019. The Company has paid $70,000 relating to this commitment, in which $58,800 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 May 30, 2019, the share capital of the Company consisted of 145,682,042 common shares. Each common share entitles the holder to one vote per share.

As of May 30, 2019, there were 5,770,000 options outstanding, of which 3,703,332 were vested and exercisable into an equivalent number of the Company's common shares.

As of May 30, 2019, there were 35,139,705 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, 5,648,599 at a price $0.375 until November 10, 2021, 3,159,000 at a price of $0.30 until May 14, 2020, 3,165,009 at a price of $0.50 until October 3, 2020 and 4,095,157 at a price of $0.50 until January 9, 2021.

Segmented Information

For management purposes, the Company is organized into two separate reportable operating divisions; (1) ACT division and (2) MLT division. The ACT division is responsible for the research and development of PDCs for the treatment of cancer. The MLT division is responsible for the Company's medical laser business, which researches, develops, commercializes and manufactures lasers used by the ACT division to activate PDCs and researches, develops, manufactures and distributes therapeutic laser to healthcare practitioners predominantly for the healing of pain.

The following table displays revenue and direct expenses from the ACT and MLT division for the three-month periods ended March 31, 2019 and 2018:

	2019			2018		
	MLT	**ACT**	**Total**	**MLT**	**ACT**	**Total**
Sales	$ 121,179	$ -	$ 121,179	$ 441,193	$ -	$ 441,193
Cost of Sales	84,251	-	84,251	242,857	-	242,857
Gross Margin	36,928	-	36,928	198,336	-	198,336
Operating Expenses						
Selling expenses	178,807	-	178,807	280,874	-	280,874
Administrative expenses	410,695	122,964	533,659	336,307	218,779	555,086
Research and development expenses	67,017	380,734	447,751	110,244	254,712	364,956
(Gain) loss on foreign exchange	3,278	3,278	6,556	2,665	2,665	5,330
Interest expense	-	-	-	44	44	88
Interest income	(4,747)	-	(4,747)	(3,930)	-	(3,930)
	655,050	506,976	1,162,026	726,204	476,200	1,202,404
Loss for the period	$ (618,122)	$ (506,976)	$ (1,125,098)	$ (527,868)	$ (476,200)	$ (1,004,068)
Total Assets	$ 3,909,897	$ 192,856	$ 4,102,753	$ 2,603,891	$ 261,473	$ 2,865,364
Total Liabilities	622,497	347,085	969,582	1,529,061	282,160	1,811,221

The following table displays revenue and direct expenses from MLT division product sales by geographic area for the three-month periods ended March 31, 2019 and 2018:

	2019			2018		
	Canada	USA	International	Canada	USA	International
Sales	$ 116,104	$ 5,075	$ -	$ 297,061	$ 90,354	$ 53,778
Cost of Sales	80,577	3,674	-	164,038	45,015	33,804
Selling Expenses	178,807	-	-	179,606	58,102	43,166
	$ (143,281)	**$ 1,401**	**$ -**	**$ (46,583)**	**$ (12,763)**	**$ (23,192)**

As of March 31, 2019, and December 31, 2018, the Company's long-lived assets used in operations are all located in Canada.

Selected Financial Information and Accounting Policies

The unaudited condensed interim consolidated financial statements for the three-month period ended March 31, 2019, 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, 2018. Please refer to the Company's annual and quarterly financial statement filings, including material interim press releases, on sedar at 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 value 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.

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

Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. As at December 31, 2018 and December 31, 2017, the Company's cash and cash equivalents are categorized as Level 1. There were no financial instruments categorized as Level 2 or 3.

(i) Credit risk:
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's accounts receivable. The amounts reported in the condensed interim consolidated balance sheets are net of allowances for bad debts, estimated by the Company's management based on prior experience and its assessment of the current economic environment. The Company reviews its trade receivable accounts regularly and reduces amounts to their expected realizable values by adjusting the allowance for

doubtful accounts when management determines that the account may not be fully collectible. The Company has adopted credit policies in an effort to minimize those risks. The carrying value of trade and other receivables represent the Company's maximum exposure to credit risk.

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 March 31, 2019, no cash equivalents were held (2018-$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 cash; however, it does not expect a movement in interest rates to have a significant impact on the Company's financial position.

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

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 unaudited condensed interim consolidated financial statements as of March 31, 2019 and 2018 and for the three-month period ended March 31, 2019 and 2018 have been prepared in accordance with IFRS.

The policies applied in the unaudited condensed interim consolidated financial statements as of March 31, 2019 and 2018 and for the three-month period ended March 31, 2019 and 2018 are based on IFRS issued and outstanding as of May 30, 2019 which is the date at which the Company's Board of Directors approved the audited condensed consolidated financial statements.

Additionally, the preparation of audited 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, 2018 and 2017 and for the years ended December 31, 2018 and 2017.

Adoption of New Accounting Standards

On January 1, 2019, the Company implemented *IFRS 16, Leases ("IFRS 16")*. The impact of implementation of IFRS 16 is described below.

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. The standard will affect primarily the accounting for the Company's operating leases. This will result in additional right-to-use assets, as well as lease liabilities. The adoption of this standard had no effect on the financial statements as the Company had no leases.

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.

In connection with the audits of the Company's audited consolidated financial statements for the years ended December 31, 2017 and 2016, the Company's independent registered public accountants identified certain material weaknesses in the Company's internal control over financial reporting. Such material weaknesses continue to exist as of March 31, 2019. A "material weaknesses" is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. The material weaknesses relates to not having a full segregation of duties within members of its accounting staff dedicated to financial reporting functions so that all journal entries and account reconciliations are reviewed by someone other than the preparer, heightening the risk of error or fraud, and a proper system for updating inventory values as of the end of each reporting period. If the Company is unable to remediate the material weakness, or other control deficiencies are identified, the Company may not be able to report the it's financial results accurately, prevent fraud or file the it's periodic reports as a public company in a timely manner.

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 stages 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.

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's ability to continue as a going concern is dependent upon achieving a profitable level of operations and obtaining additional financing, neither of which is assured. The Company has been able, to date, to raise capital to continue to market its products and continues to develop sales opportunities which could result in additional sales of its products in the future.

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, engineering, scientific, 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 development, 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 various 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 and 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 studies 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 studies may not be indicative of favorable outcomes in later-stage clinical studies. 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 studies 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 experiments and early clinical studies may not predict the success of later clinical studies, and interim results of a clinical study do not necessarily predict final results. A number of companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in advanced clinical studies due to lack of efficacy or unacceptable safety profiles, notwithstanding promising results in earlier studies. The Company does not know whether the clinical studies 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, scientific studies or clinical studies on various aspects of biopharmaceutical products are conducted by academic researchers, competitors or others. The results of these studies, 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 scientific studies or clinical studies 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 studies 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 significantly if the Company experiences delays in clinical testing. Significant clinical study 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 studies 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 study on hold;
- patients failing to enroll or remain in the Company's studies at the rate the Company expects;
- suspension or termination of clinical studies 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 studies;
- product candidates demonstrating a lack of safety, tolerability or efficacy during clinical studies;
- patients choosing an alternative treatment for the indications for which the Company is developing any of its product candidates or participating in competing clinical studies;
- patients failing to complete clinical studies 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 studies and scheduling conflicts with participating clinicians;
- clinical investigators not performing the Company's clinical studies on their anticipated schedule, dropping out of a study, or employing methods not consistent with the clinical study 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, to satisfy their contractual duties or meet expected deadlines;
- inspections of clinical study 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 study; or
- failure to reach agreement on acceptable terms with prospective clinical study 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 studies 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 study. 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 studies, 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 studies, and the Company may be unable to enroll the patients it needs to complete clinical studies 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 study;
- 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 study 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 studies 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 study, filing of an application to obtain regulatory approval or announcement of additional clinical studies 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 study 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 aggregate of $5,000,000. This coverage is limited and a product liability claim could potentially be greater than this coverage. The Company's profitability would be adversely affected by any successful product liability claim in excess of its insurance coverage.

Clinical Trial Liability

The Company has obtained clinical trial liability insurance coverage in the aggregate of $5,000,000. This coverage is limited and a clinical trial liability claim could potentially be greater than this coverage. 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 US federal government funding. When new technologies are developed with US 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 US government-funded technology, because action is necessary to alleviate health or safety needs, to meet requirements of federal regulations or to give preference to US industry. In addition, US government-funded inventions must be reported to the government and US 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.

May 30, 2019

Kristina Hachey
Chief Financial Officer