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 unaudited condensed interim consolidated financial statements for the three-month period ended March 31, 2020. 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 28, 2020.

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, "**Forward-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 in this MD&A include, but are not limited to: statements with respect to: the outlook of the revenues, business and timing of initiatives; competitive environment; business strategy and objectives; research, development and/or commercialization plans, acquisition and disposition plans; preclinical and/or clinical studies; status, timing and/or strategies; the supply and demand of products or services; future revenue projections; ability to meet its current and future obligations; ability to execute its business and/or growth strategy; management's assessment of future plans and/or operations; the intention and/or ability 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: the ability to continue as a going concern, the business operations continuing on a basis consistent with prior years; the ability 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; the ability to achieve development and/or commercial milestones; market competition; the ability to secure all necessary regulatory and/or certification approvals; geographic protection over the intellectual property in the markets in which Theralase does business; market acceptance and/or revenue generation of products under development; the stability of current economic and business 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 study 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.

COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus ("**COVID-19**") as a global pandemic, which continues to spread throughout Canada and around the world. In response, Theralase elected to place the Company's head office on a temporary layoff from March 24th to April 6th, 2020. Theralase commenced a return to work for employees on April 6th, 2020 with all employees expected to return to work by May 2020. Theralase will continue to monitor the COVID-19 pandemic, provincial and federal guidelines in order to manage its business in compliance with all health and safety best practices.

Due to the global spread of COVID-19 and the uncertainty associated with the virus, the Company was notified by all of its Canadian clinical study sites that the Company's Phase II Non-Muscle Invasive Bladder Cancer ("**NMIBC**") clinical study ("**Study II**") was temporarily placed on hold. The Company is in close contact with the clinical study sites and will continue to work in conjunction with them and the provincial and federal governments to monitor the situation to determine the best time to recommence enrollment and treatment of patients in Study II.

As of May 28, 2020, the Company is aware of significant changes in its business as a result of COVID-19, notably unavailability of personnel, personnel working remotely or virtually and significant delays / cancellations in customer purchase decisions. Management is uncertain of the full extent of theses impacts on its financial statements and believes that the business disruption caused by COVID-19 could be temporary; however, there is uncertainty around its duration and hence the potential impact on the business cannot be fully estimated as of the date of this report.

Advancing the Theralase Technology Platform

The Company's primary focus is the Photo Dynamic Therapy ("**PDT**") Division, with the primary objective of preclinical research, clinical studies and development of PDCs and the laser light systems that activate them, intended primarily for the destruction of specific cancers.

Theralase's patented study drug, TLD-1433, is used in a soluble form for the treatment of NMIBC. In addition, it is able to bind with endogenous transferrin, a human glycoprotein allowing localization to cancer cells, which generally have more transferrin receptors versus healthy cells. When laser light activated, TLD-1433 has been shown to destroy bladder cancer cells through the production of singlet oxygen and/or Reactive Oxygen Species ("**ROS**").

Theralase's lead cancer indication is NMIBC.

Phase Ib NMIBC Clinical Study

Theralase has successfully completed a Phase Ib clinical study ("**Study**") for 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. Three patients were treated at the Maximum Recommended Starting Dose ("**MRSD**") (0.35 mg/cm^2) and three patients were treated 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.

Theralase's NMIBC Study successfully achieved the primary endpoint of safety and tolerability, secondary endpoint of pharmacokinetics, and exploratory endpoint of efficacy. The Study results demonstrated a strong efficacy signal with a 67% Complete Response ("**CR**") in the Therapeutic Dose Group (0.70 mg/cm^2) after only a single Photo Dynamic Therapy ("**PDT**") treatment, with patients five and six demonstrating cancer-free status with no presence, recurrence or progression of the disease, 18 months post treatment.

Phase II NMIBC Clinical Study

The Phase II NMIBC Clinical Study ("**Study II**") has been designed to utilize the Therapeutic Dose (0.70 mg/cm^2) of TLD-1433 and focus on the treatment of approximately 100 BCG-Unresponsive NMIBC patients presenting with Carcinoma In-Situ ("**CIS**") in approximately 20 clinical study sites located in Canada and the US. The study has a primary endpoint of efficacy (measured by Complete Response ("**CR**")) at any point in time, a secondary endpoint of duration of CR at approximately 360 days post-initial CR and a tertiary endpoint of safety measured by incidence and severity of adverse events.

Health Canada granted the Company Investigational Testing Authorization ("**ITA**") approval (December 2018) to utilize its TLC-3200 Medical Laser System, in conjunction with its Clinical Trial Application ("**CTA**") approved lead PDC, TLD-1433 (November 2018 amended June 2019), 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.

On May 19, 2020, the Company received FDA Investigational New Drug ("**IND**") authorization to commence enrolling and treating patients in Study II in the United States. In June 2019, a conference call between the FDA and the Company, that Theralase would potentially be eligible for Fast Track Approval ("**FTA**") post receipt of the FDA IND authorization, based on the clinical study data collected to date. It was further discussed and agreed that Theralase would potentially be eligible for Breakthrough Therapy Designation ("B**TD**") and / or Accelerated Approval ("**AA**"), if Theralase could demonstrate clinically significant results (high safety profile and high efficacy response), similar to the safety and efficacy results observed in the Phase Ib NMIBC clinical study (high safety profile and 67% CR) at an interim analysis of approximately 20 to 25 patients enrolled and successfully treated. As of May 28, 2020, 12 patients have been treated representing approximately 50% of the interim milestone to submit an analysis to the FDA in support of a BTD.

Theralase has successfully launched 4 Canadian study sites (with 1 additional clinical study site in advanced negotiation) and has successfully treated a total of 12 patients (8 patients at University Health Network ("**UHN**"), Toronto, Canada and 4 patients at McGill University Health Centre ("**MUHC**") in Montreal, Canada).

Study II Clinical Site Update

Due to the current COVID-19 pandemic, the Canadian clinical study sites are currently on hold for patient enrolment and treatment. No new patients have been enrolled or treated at any Canadian clinical study site, since early March 2020, and no existing patient currently enrolled in the clinical study will be treated a second time or evaluated clinically, until the federal government, respective provincial governments and executive committees of the respective hospitals deem the clinical study sites able to re-commence Study II. Theralase is in constant communication with all clinical sites for any update on re-starting the enrollment and treatment activities of Study II. UHN is slowly transitioning to patient treatment and follow-up and will proceed with second treatment of one patient on May 29, 2020.

Additional Clinical Targets:

When Study II is well underway with the majority of the approximately 20 study sites open and recruiting patients, the Company expects to expand the breadth of oncological indications as Theralase has now developed significant expertise and intellectual property of its patented PDCs, in the area of photopharmacology and anti-cancer therapy, with data acquired from preclinical models of human disease. Extensive preclinical research has been conducted with Rutherrin®, a patented formulation of the Company's lead PDC (TLD-1433) combined with transferrin. The Company has demonstrated significant anti-cancer efficacy of Rutherrin®, across numerous preclinical models; including: GlioBlastoma Multiforme ("**GBM**") and Non-Small Cell Lung Cancer ("**NSCLC**").

The PDT division is currently in the pre-clinical research and clinical study evaluation phase 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 PDT 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; including regulatory assessments; however, may vary significantly depending on numerous factors including: number of onboarded oncology clinical study sites, oncology clinical study site patient enrollment rates, patient compliance, treatment success and/or successful achievement of clinical Study II endpoints.

Overview of Financial Performance

During the three-month period ended March 31, 2020 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 and the launch of the Phase II NMIBC Study.

Summary of Selected Annual Information
(expressed in Canadian Dollars)

For the twelve-month periods ended December 31:

	2019	2018
Total revenues	$ 964,051	$ 1,734,072
Net loss	(7,413,914)	(3,356,877)
Basic and diluted loss per share	$ (0.051)	$ (0.026)
Total assets	$ 15,470,090	$ 3,564,419
Total liabilities	1,614,647	2,565,780
Deficit	(42,652,154)	(35,238,240)
Shareholders' Equity	$ 13,855,443	$ 998,639

Summary of Quarterly Results
(expressed in Canadian Dollars)

	2020
For the period ending:	**March 31**
Total revenues	$ 111,543
Net loss	(1,643,856)
Basic and diluted loss per share	$ (0.008)

As at:	**March 31**
Total assets	$ 13,755,006
Total liabilities	1,279,104
Deficit	(44,296,010)
Shareholders' Equity	$ 12,475,902

	2019			
For the period ending:	**March 31**	**June 30**	**September 30**	**December 31**
Total revenues	$ 121,179	$ 249,257	$ 144,455	$ 449,160
Net loss	(1,125,471)	(1,486,797)	(1,786,777)	(3,014,869)
Basic and diluted loss per share	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.02)

As at:	**March 31**	**June 30**	**September 30**	**December 31**
Total assets	$ 4,282,441	$ 3,832,825	$ 17,557,553	$ 15,470,090
Total liabilities	1,149,643	1,278,548	947,522	1,614,647
Deficit	(36,363,711)	(37,850,508)	(39,637,285)	(42,652,154)
Shareholders' Equity	$ 3,132,798	$ 2,554,277	$ 16,610,031	$ 13,855,443

Liquidity and Capital Resources

As of March 31, 2020, current assets aggregated to $12,515,432 compared with current liabilities of $1,203,782 netting working capital of $11,311,650 and a current ratio (current assets vs. current liabilities) of approximately 10:1.

The company closed a public offering of Units for gross proceeds of $17,250,000 on August 22, 2019, and as a result the Company believes that it will be able to continue as a going concern for at least 12 months from the date of issuance of these interim condensed interim consolidated financial statements. 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. Historically, the Company has been able to raise capital to continue to market its products and continues to develop sales 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, 2020, the Company had cash and cash equivalents of $10,916,159. 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	$ 96,822	$ 92,716
Service Revenue	10,987	19,075
Clinic Revenue	65	2,173
Other Revenue	3,668	7,215
	$ 111,542	**$ 121,179**

For the three-month period ended March 31, 2020, total revenue decreased to $111,542 from $121,179 for the same period in 2019, an 8% decrease. The TLC-2000 represented 37% of sales for the three-month period ended March 31, 2020 and 39% of sales for the same period in 2019. In Canada, revenue remained relatively constant at 70,506 in 2020 and $70,617 in 2019. In the US, revenue decreased 100% to $Nil from $5,075 and international revenue remained constant at $Nil for 2020 and 2019. The decrease in total revenue in 2020 is primarily attributed to the COVID-19 pandemic as most health care practitioners elected to put their practices on quarantine and any purchasing decisions on hold in March 2020.

Cost of sales

Cost of sales for the three-month period ended March 31, 2020 was $99,447 (89% of sales) resulting in a gross margin of $12,096 or 11% of revenue, compared to a cost of sales of $84,251 or 70% of revenue in 2019, resulting in a gross margin of $36,928 or 70% 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 decrease, as a percentage of sales, 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, 2020, selling expenses decreased to $136,894, from $178,807 in 2019, a 23% decrease and consisted of the following items:

	2020	2019
Sales salaries	$ 80,072	$ 95,633
Advertising	38,380	48,733
Commission	2,665	5,095
Travel	6,434	9,744
Stock based compensation	579	367
Amortization and depreciation allocation	8,764	19,235
Total selling expenses	**$ 136,894**	**$ 178,807**

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

Administrative expenses for the three-month period ended March 31, 2020 increased slightly to $533,329 from $531,557 in 2019, and consisted of the following items:

	2020	2019
Insurance	$ 10,146	$ 12,236
Professional fees	105,680	128,302
Rent	9,401	10,942
General and administrative expenses	43,386	116,294
Administrative salaries	186,117	193,667
Director and advisory fees	20,340	14,734
Stock based compensation	140,942	32,673
Amortization and depreciation allocation	17,317	22,709
Total administrative expenses	**$ 533,329**	**$ 531,557**

The increase in administrative expenses is primarily attributed to increased spending on director and advisory fees (38%) and stock based compensation (331%)

Research and Development Expense

Net research and development expenses for the three-month period ended March 31, 2020 increased to $1,047,282 from $447,751 in 2018, a 134% increase, and consisted of the following items:

	2020	2019
Research and development (net of investment tax credit)	$ 896,041	$ 422,302
Stock based compensation	122,619	4,666
Amortization and depreciation allocation	28,622	20,783
Total research and development expenses	**$ 1,047,282**	**$ 447,751**

Research and development expenses for the three-month period ended March 31, 2020 increased primarily due to increased expenses for commencing Study II. Research and development expenses represented 63% of the Company's operating expenses for the three-month period ended March 31, 2020 and represent investment into the research and development of the Company's PDT technology.

Net Profit (Loss)

The net loss for the three-month period ended March 31, 2020 was $1,643,856 which included $327,921 of net non-cash expenses (i.e.: amortization, stock-based compensation expense and foreign exchange gain/loss). This compared to a net loss for the same period in 2019 of $1,125,471, which included $109,464 of net non-cash expenses. The PDT division represented $1,099,045 of this loss (67%) for the three-month period ended March 31, 2020.

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

1) Increased investment in research, development and clinical expense of Study II.
2) Decreased sales of the TLC-1000 and TLC-2000 due to market uncertainty directly attributable to the COVID-19 pandemic.

Cash Flows

Funds used in operating activities, prior to net changes in other operating items, amounted to $1,315,935 for the three-month period ended March 31, 2020, compared to funds used in operating activities of $1,016,007 in 2019. Funds used in operating activities, after taking into account net changes in other non-cash operating items were $1,585,103 for the three-month period ended March 31, 2020, compared to funds used of $1,357,542 for the same period in 2019. The increase is a result of additional expenses due to Study II.

Funds used in investing for the three-month period ended March 31, 2020 amounted to $34,782 compared to $14,164 for 2019. The increase is primarily a result of increased spending on equipment related to Study II.

Funds obtained from financing activities amounted to $12,506 the three-month period ended March 31, 2020, compared to $2,008,088 obtained in financing activities for 2019. The non-brokered private placement, which closed January 9, 2019, and the exercise of warrants are responsible for the funding activities in the three-month period ended March 31, 2019.

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 $5,125.

Commitments

As of March 31, 2020, the Company's commitments consisted of the following:

	Total	2020	2021	2022	2023
Research Commitments (a)	$ 117,040	$ 58,520	$ 58,520	$ -	-
Research Agreement (b)	91,695	30,565	30,565	30,565	-
Research Agreement (c)	758,160	758,160	-	-	-
Research Agreement (d)	145,589	123,189	22,400	-	-
Total	**$ 1,112,484**	**$ 970,434**	**$ 111,485**	**$ 30,565**	**-**

a) 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 $231,560 relating to this commitment, of which $117,040 is the remaining commitment.

b) Research Commitments under a research agreement with a Trial Management Organization for the TLC-3000 cancer therapy project. Under the terms of this agreement, the Company is required to pay $126,324 (USD$96,800) for the period from July 23, 2019 through to December 31, 2022. The Company has paid $34,629 (USD$26,200) relating to this commitment, of which $91,695 (USD$70,600) is the remaining commitment.

c) Research Commitments under a research agreement with Alphora Research Inc. for the TLC-3000 cancer therapy project. Under the terms of this agreement, the Company is required to pay $1,000,000 for the period from September 27, 2019 through to April 30, 2020. The Company has paid $241,840 relating to this commitment, of which $758,160 is the remaining commitment.

d) Research Commitments under a research collaboration agreement with University Health Network for the Sponsored Research Agreement. Under the terms of this agreement, the Company is required to pay $184,789 for the period from March 1, 2020 through to February 28, 2021. The Company has paid $39,200 relating to this commitment, of which $145,589 is the remaining commitment.

The Company indemnifies its directors and officers against any and all costs, charges and expenses, including settlement 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.

Lease Liabilities and Right-of-use-Assets

The Company leases premises consisting of its office and manufacturing facilities. On adoption of IFRS 16, as of January 1, 2019, a liability of $185,479 was established, representing the lease payments of $58,075 in 2019, $59,800 in 2020, $59,800 in 2021 and $44,850 in 2022, discounted using an incremental borrowing rate of 8.0%.

The Company leases office equipment. On adoption of IFRS 16, as of January 1, 2019, a liability of $7,022 was established, representing the lease payments of $2,160 in 2019, $2,160 in 2020, $2,160 in 2021 and $1,980 in 2022, discounted using an incremental borrowing rate of 8.0%

	Property	Office Equipment	Total
Right-of-use Assets			
Balance at January 1, 2019	$ 185,479	$ 7,022	$ 192,501
Depreciation charge for the period	12,365	448	12,813
Balance at March 31, 2019	**$ 173,114**	**$ 6,574**	**$ 179,688**
Balance at January 1, 2020	$ 136,018	$ 5,229	$ 141,247
Depreciation charge for the period	12,365	448	12,813
Balance at March 31, 2020	**$ 123,653**	**$ 4,781**	**$ 128,434**
Lease Liabilities			
Balance at January 1, 2019	$ 185,479	$ 7,022	$ 192,501
Interest charge for the period	2,385	90	2,475
Lease payments for the period[(1)]	(14,375)	(540)	(14,915)
Balance at March 31, 2019	**$ 173,489**	**$ 6,572**	**$ 180,061**
Balance at January 1, 2020	$ 139,309	$ 5,313	$ 144,622
Interest charge for the period	2,705	103	2,808
Lease payments for the period[(1)]	(14,950)	(540)	(15,490)
Balance at March 31, 2020	**$ 127,064**	**$ 4,877**	**$ 131,941**

(1) Lease payments does not include variable property lease payments of $9,401 (2019-$10,942).

Principal repayments of the Company's leased premises and office equipment until maturity are as follows:

	Property	Office Equipment	Total
2020	$ 36,176	$ 1,291	$ 37,466
2021	52,294	1,864	54,158
2022	38,594	1,723	40,317
	$ 127,064	**$ 4,878**	**$ 131,941**

Share Capital Analysis

As of May 28, 2020, the share capital of the Company consisted of 204,275,875 common shares. Each common share entitles the holder to one vote per share.

As of May 28, 2020, there were 16,010,000 options outstanding, of which 3,373,333 were vested and exercisable into an equivalent number of the Company's common shares.

As of May 28, 2020, there were 72,473,931 warrants outstanding. Each whole warrant entitles the holder thereof to purchase one additional common share. The warrants are exercisable as follows: 4,555,266 at a price $0.375 until November 10, 2021, 3,159,000 at a price of $0.30 until May 14, 2022, 3,165,009 at a price of $0.50 until October 3, 2020, 4,095,157 at a price of $0.50 until January 9, 2021 and 57,499,500 at a price of $0.30 until August 22, 2024.

As of May 28, 2020, there were 2,023,077 broker compensation units that were issued in connection with the August 22, 2019 public offering. Each broker compensation unit entitles the holder thereof to acquire one common share and one common share purchase warrant at a price of $0.35 per unit until August 22, 2024.

Segmented Information

For management purposes, the Company is organized into two separate reportable operating divisions; (1) PDT division and (2) MLT division. The PDT 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 PDT division to activate PDCs and researches, develops, manufactures and distributes therapeutic lasers to healthcare practitioners predominantly for the healing of pain.

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

	2020			2019		
	MLT	**PDT**	**Total**	**MLT**	**PDT**	**Total**
Sales	$ 111,543	$ -	$ 111,543	$ 121,179	$ -	$ 121,179
Cost of Sales	99,447	-	99,447	84,251	-	84,251
Gross Margin	12,096	-	12,096	36,928	-	36,928
Operating Expenses						
Selling expenses	136,894	-	136,894	178,807	-	178,807
Administrative expenses	343,945	189,384	533,329	408,593	122,964	531,557
Research and development expenses	138,141	909,141	1,047,282	67,017	380,734	447,751
Loss on foreign exchange	(885)	(884)	(1,770)	3,278	3,278	6,556
Interest expense	1,404	1,404	2,808	2,475	-	2,475
Interest income	(62,591)	-	(62,591)	(4,747)	-	(4,747)
	556,909	1,099,045	1,655,952	655,423	506,976	1,162,399
Loss for the period	$ (544,813)	$ (1,099,045)	$ (1,643,856)	$ (618,495)	$ (506,976)	$ (1,125,471)
Total Assets	$ 4,381,847	$ 9,373,159	$ 13,755,006	$ 4,089,585	$ 192,856	$ 4,282,441
Total Liabilities	641,340	637,764	1,279,104	802,558	347,085	1,149,643

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

	2019			2019		
	Canada	**USA**	**International**	**Canada**	**USA**	**International**
Sales by Product Line						
TLC-1000	$ 70,506	$ -	$ -	$ 70,617	$ 5,075	$ -
TLC-2000	41,038	-	-	45,487	-	
	111,543	-	-	116,104	5,075	-
Expenses						
Cost of Sales	99,447	-	-	80,577	3,674	-
Selling Expenses	136,894	-	-	178,807	-	-
	236,341	-	-	259,384	3,674	-
	$ (124,798)	**$ -**	**$ -**	**$ (143,280)**	**$ 1,401**	**$ -**

As at March 31, 2020 and 2019, the Company's long-lived assets used in operations are all located in Canada. Timing of revenue is recognized at a point in time

Selected Financial Information and Accounting Policies

The audited annual consolidated financial statements for the three-month period ended March 31, 2020, 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, 2019. 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 March 31, 2020 and 2019, 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, 2020, 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 condensed interim consolidated financial statements as of March 31, 2020 and 2019 and for the three-month periods ended March 31, 2020 and 2019 have been prepared in accordance with IFRS. The policies applied are based on IFRS issued and outstanding as of May 28, 2020 which is the date at which the Company's Board of Directors approved the audited condensed consolidated financial statements.

Additionally, the preparation of interim 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, 2019 and 2018 and for the years ended December 31, 2019 and 2018.

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, 2019 and 2018, 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, 2020. 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 its financial results accurately, prevent fraud or file its 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.

COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus ("**COVID-19**") as a global pandemic, which continues to spread throughout Canada and around the world. As of May 28, 2020, the Company is aware of significant changes in its business as a result of COVID-19, notably unavailability of personnel, personnel working remotely or virtually and significant delays / cancellations in customer purchase decisions. Management is uncertain of the full extent of theses impacts on its financial statements and believes that the business disruption caused by COVID-19 could be temporary; however, there is uncertainty around its duration and hence the potential impact on the business cannot be fully estimated as of the date of this report.

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 28, 2020

Kristina Hachey
Chief Financial Officer