Theralase Technologies Inc.

Condensed Interim Consolidated Financial Statements - Unaudited

As at September 30, 2020 and for the nine-month period ended September 30, 2020 and 2019

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

THERALASE® TECHNOLOGIES INC.

Consolidated Statements of Financial Position
As at September 30, 2020 and December 31, 2019
Stated in Canadian Dollars

	Note	2020	2019
Assets			
Current assets			
Cash and cash equivalents		$ 8,790,901	$ 12,548,550
Trade and other receivables	3	330,826	824,133
Inventories	4	481,947	722,558
Prepaid expenses and other assets		92,295	95,101
Total current assets		9,695,969	14,190,342
Non-current assets			
Trade receivables	3	62,202	101,626
Property and equipment	5	922,935	1,013,381
Right-of-use-assets	7	102,807	141,247
Intangible assets	6	2,563	6,512
Rent deposit		16,982	16,982
Total non-current assets		1,107,488	1,279,748
Total Assets		**$ 10,803,457**	**$ 15,470,090**
Liabilities			
Current liabilities			
Payables and accruals	8	$ 838,613	$ 1,470,025
Current portion of lease liabilities	7	54,406	50,147
Total current liabilities		893,019	1,520,172
Non-current liabilities			
Lease liabilities	7	51,400	94,475
Total non-current liabilities		51,400	94,475
Total Liabilities		944,419	1,614,647
Equity attributable to shareholders			
Share capital	9,12	42,120,421	42,120,213
Contributed surplus	9,10	10,066,069	6,990,821
Common share purchase warrants	9,11	5,296,245	7,396,563
Accumulated deficit		(47,623,698)	(42,652,154)
Total Equity		9,859,037	13,855,443
Total Shareholders' Equity and Liabilities		**$ 10,803,457**	**$ 15,470,090**

Commitments (Note 20)

Approved on Behalf of the Board

[Randy Bruder] Director

[Guy Anderson] Director

THERALASE® TECHNOLOGIES INC.

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

	Note	Three Months Ended June 30 2020	Three Months Ended June 30 2019	Nine Months Ended September 30 2020	Nine Months Ended September 30 2019
Sales		$ 234,021	$ 144,455	$ 527,474	$ 514,891
Cost of sales		153,895	106,396	383,990	374,040
Gross margin		80,126	38,059	143,484	140,851
Operating expenses					
Selling expenses	14	103,865	161,413	333,863	505,914
Administrative expenses	15	556,355	736,595	1,522,179	1,798,682
Research and development expenses	16	870,867	927,679	3,089,924	2,231,054
(Gain) loss on foreign exchange		2,674	559	(587)	8,976
Interest accretion on lease liabilities		2,295	3,297	7,656	9,298
Interest income		(7,783)	(4,707)	(93,780)	(14,028)
		1,528,272	1,824,836	4,859,255	4,539,896
Net loss and comprehensive loss for the period		$ (1,448,147)	$ (1,786,777)	$ (4,715,771)	$ (4,399,045)
Basic and diluted loss per common share	13	(0.01)	(0.01)	(0.02)	(0.03)
Weighted average number of common shares		204,275,875	144,818,890	204,276,375	144,040,525

THERALASE® TECHNOLOGIES INC.

Consolidated Statements of Cash Flows
For the nine month periods ended September 30
Stated in Canadian Dollars

	2020	2019
Cash flows from operating activities		
Net loss for the year	$ (4,715,771)	$ (4,399,045)
Items not involving cash:		
Amortization of property and equipment	148,327	140,251
Amortization of right-of-use assets	38,440	38,440
Amortization of intangibles	3,949	10,298
Stock-based compensation expense	723,661	134,285
(Gain) loss on foreign exchange	(587)	8,976
Interest accretion from lease liabilities	7,656	9,298
	(3,794,323)	(4,057,497)
Change in operating assets and liabilities other than cash:		
Current trade and other receivables	493,894	223,157
Non-current trade receivables	39,424	19,596
Inventories	240,611	(48,991)
Prepaid expenses and other assets	2,806	(208,869)
Payables and accruals	(639,067)	(583,214)
	(3,656,655)	(4,655,818)
Cash flows from investing activity		
Purchase of property and equipment	(57,881)	(41,556)
	(57,881)	(41,556)
Cash flows from financing activities		
Payment of lease liabilities	(38,816)	(35,447)
Proceeds from public offering	-	15,885,216
Proceeds from the exercise of share warrants	175	2,789,540
Warrant extension costs	(4,471)	-
	(43,112)	18,639,309
Increase (decrease) in cash during the period	(3,757,648)	13,941,935
Cash and cash equivalents, beginning of period	12,548,550	1,033,699
Cash and cash equivalents, end of period	$ 8,790,902	$ 14,975,634
Supplementary Information		
Interest Paid	$ -	$ -
Interest Received	$ 93,780	$ 4,747

The accompanying notes are an integral part of these condensed interim consolidated financial statements.

THERALASE® TECHNOLOGIES INC.

Consolidated Statements of Changes in Equity

For the nine month periods ended September 30

Stated in Canadian Dollars

	Note	Number of Shares	Share Capital	Contributed Surplus	Common Share Purchase Warrants	Deficit	Total Shareholders' Equity
		#	$	$	$	$	$
Balance, December 31, 2018		134,877,585	26,434,938	5,989,332	3,812,609	(35,238,240)	998,639
Stock-based compensation expense	10	-	-	134,286	-	-	134,286
Exercised share purchase warrants	11	7,802,633	3,382,853	-	(593,313)	-	2,789,540
Issued pursuant to private placement	9	4,095,157	1,017,289	-	416,017	-	1,433,306
Transaction cost on private placement	9	-	(6,096)	-	(2,493)	-	(8,589)
Issued pursuant to public offering	9	57,500,000	11,045,879	-	6,204,121	-	17,250,000
Transaction cost on public offering	9	-	(1,016,929)	-	(571,176)	-	(1,588,105)
Loss for the period		-	-	-	-	(4,399,045)	(4,399,045)
Balance, September 30, 2019		204,275,375	40,857,934	6,123,618	9,265,765	(39,637,285)	16,610,031
Balance, December 31, 2019		204,275,375	42,120,213	6,990,821	7,396,563	(42,652,154)	13,855,443
Stock-based compensation expense	10	-	-	723,661	-	-	723,661
Expired warrants	11	-	-	2,351,587	(2,351,587)	-	-
Exercised share purchase warrants	11	500	208	-	(33)	-	175
Extension of warrants	11	-	-	-	255,773	(255,773)	-
Warrants extension costs	11	-	-	-	(4,471)	-	(4,471)
Loss for the period		-	-	-	-	(4,715,771)	(4,715,771)
Balance, September 30, 2020		204,275,875	42,120,421	10,066,069	5,296,245	(47,623,698)	9,859,037

1. Nature of Operations

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

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

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

Theralase was incorporated by articles of incorporation in the province of Ontario in September 2004. The Company's common shares trade on the Toronto Stock Venture Exchange under the symbol TLT. The registered office is 41 Hollinger Road, Toronto, Ontario, Canada M4B 3G4.

Going Concern, Capital Disclosures and Statement of Compliance

These interim condensed consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"), as issued by the International Accounting Standards Board ("**IASB**"), effective for the reporting period ended September 30, 2020, and have been prepared in accordance with International Accounting Standard ("**IAS**") 34 "Interim Financial Reporting". The interim condensed consolidated financial statements follow the same accounting policies and methods of application as those disclosed in the annual audited consolidated financial statements for the year ended December 31, 2019, but do not include all the information and disclosures required in the Company's annual financial statements. The preparation of interim condensed consolidated financial statements in accordance with IAS 34 requires the use of certain accounting estimates and also requires management to use judgement in applying the Company's accounting policies. The areas that involve judgement and estimates have been disclosed in Note 2 of the Company's 2019 annual audited consolidated financial statements. These interim condensed consolidated financial statements should be read in conjunction with the Company's annual audited consolidated financial statements for the year ended December 31, 2019.

The interim condensed consolidated financial statements have been prepared by management in accordance with IFRS as issued by the IASB and include interpretations of the IFRS Interpretations Committee ("**IFRIC**") on a going concern basis, which contemplates the realization of assets and the discharge of liabilities in the normal course of business for the foreseeable future.

For the nine-month period ended September 30, 2020, the Company had a net loss of $4,715,771 (2019 - $4,399,045), an accumulated deficit of $47,623,698 (December 31, 2019 - $42,652,154) and has historically used net cash in operations. 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 market its products and continues to develop sales opportunities that could result in additional sales of its products in the future. These interim condensed consolidated financial statements do not give effect to any adjustments which may be necessary should the Company be unable to continue as a going concern and be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying interim condensed consolidated financial statements. These adjustments could be material.

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. Sales of the TLC-1000 and TLC-2000, the Company's existing product lines have not met expectations and have not been sufficient in and of themselves to enable the Company to fund all its continuing development and commercialization efforts and, accordingly, management is pursuing alternate financing sources to fund the Company's development and commercialization efforts. The Company has successfully raised capital through equity offerings in 2019 (note 7); however, there is no guarantee that the Company will be able to raise additional capital on terms and conditions agreeable to the Company.

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

Approval of Financial Statements

The interim condensed consolidated financial statements for the nine-month period ended September 30, 2020 (including comparatives) were approved and authorized for issue by the board of directors on November 27, 2020.

2. Summary of Significant Accounting Policies

Basis of presentation

These condensed interim consolidated financial statements, which are presented in Canadian Dollars (unless otherwise stated), have been prepared under the historical cost convention, as modified by the measurement at fair value of certain financial assets and financial liabilities. These condensed interim consolidated financial statements have been prepared using the same accounting policies and methods of computation followed in the Company's annual audited consolidated financial statements for the year ended December 31, 2019.

Basis of consolidation

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

Reclassification

Certain reclassifications have been made to the prior-period financial statements to conform to the current-period presentation.

Stated in Canadian Dollars

3. Trade and Other Receivables

	As at September 30, 2020	As at December 31, 2019
Trade receivable (net amount)	$ 231,130	$ 380,229
Government tax credits receivable	161,898	545,530
Total	393,028	925,759
Less: Non-current trade receivables	(62,202)	(101,626)
Total	**$ 330,826**	**$ 824,133**

Write offs of trade receivables for the nine-month period ended September 30, 2020 amounted to $Nil which was previously provided for (2019 - $Nil). Refer to note 17 (i) for the continuity schedule of allowance for trade receivables.

Government tax credits receivable comprise of the Canada Emergency Wage Subsidy totalling $115,033 and is accounted for as a reduction of operating expenses and have been allocated as follows, $27,104 against selling expenses, $19,436 against administrative expenses, $16,680 against cost of goods sold and $51,813 against research and development expenses.

Non-current trade receivables represent receivables from customers to whom the Company sold products under payment plans with payment terms ranging from 24 to 72 months. Receivables under payment plans are recognized at time of origination or purchase at fair value of products sold and are subsequently reported at amortized cost, net of any allowance for credit losses.

The Company's exposure to credit and currency risks related to trade and other receivables is presented in note 17.

4. Inventories

	As at September 30, 2020	As at December 31, 2019
Raw materials	$ 215,067	$ 337,536
Work-in-process	10,137	10,120
Finished goods	256,743	374,902
Total	**$ 481,947**	**$ 722,558**

During the nine-month period ended September 30, 2020 there was an inventory provision of $161,658 (2019 -$277,896).

Stated in Canadian Dollars

5. Property and Equipment

Cost

	Tools and Dies	Computer Equipment	Furniture and Fixtures	Rental units	Equipment	Leasehold Improvements	Total
Balance at January 1, 2019	$207,499	$347,953	$147,941	$139,820	$420,542	$ 212,554	$1,476,309
Additions	1,150	59,505	1,090	-	441,811	29,652	533,208
Disposals	-	-	-	(5,891)	-	-	(5,891)
Balance at December 31, 2019	$208,649	$407,458	$149,031	$133,929	$862,353	$ 242,206	$2,003,626
Balance at January 1, 2020	$208,649	$407,458	$149,031	$133,929	$862,353	$ 242,206	$2,003,626
Additions	5,144	-	12,747	-	34,388	5,602	57,881
Disposals	-	-	-	-	-	-	-
Balance at September 30, 2020	$213,793	$407,458	$161,778	$133,929	$896,741	$ 247,808	$2,061,507

Depreciation

	Tools and Dies	Computer Equipment	Furniture and Fixtures	Rental units	Equipment	Leasehold Improvements	Total
Balance at January 1, 2019	$141,565	$229,125	$106,608	$ 57,577	$228,767	$ 39,977	$ 803,619
Depreciation for the year	16,500	38,049	8,681	26,786	52,501	50,000	192,517
Disposals	-	-	-	(5,891)	-	-	(5,891)
Balance at December 31, 2019	$158,065	$267,174	$115,289	$ 78,472	$281,268	$ 89,977	$ 990,245
Balance at January 1, 2020	$158,065	$267,174	$115,289	$ 78,472	$281,268	$ 89,977	$ 990,245
Depreciation for the year	10,219	31,593	6,823	20,108	37,371	42,213	148,327
Disposals	-	-	-	-	-	-	-
Balance at September 30, 2020	$168,284	$298,767	$122,112	$ 98,580	$318,639	$ 132,190	$1,138,572

Carrying Amounts

	Tools and Dies	Computer Equipment	Furniture and Fixtures	Rental units	Equipment	Leasehold Improvements	Total
At December 31, 2019	$ 50,584	$140,284	$ 33,742	$ 55,457	$581,085	$ 152,229	$1,013,381
At September 30, 2020	$ 45,509	$108,691	$ 39,666	$ 35,349	$578,102	$ 115,618	$ 922,935

For the nine-month period ended September 30, 2020, there was amortization included in cost of sales amounting to $23,377 (2019 - $13,372). As at September 30, 2020, research and development equipment included assets not available for use with a cost of $414,026 (2019 - $397,339).

Stated in Canadian Dollars

6. Intangible Assets

Cost	Patents	Trademarks	Development Costs	FDA Clinical Study Costs(1)	Total
Balance at December 31, 2019	$ 199,622	$ 58,346	$ 344,093	$ 509,649	$ 1,111,710
Balance at September 30, 2020	$ 199,622	$ 58,346	$ 344,093	$ 509,649	$ 1,111,710
Amortization					
Balance at January 1, 2019	$ 181,863	$ 58,103	$ 344,093	$ 509,649	$ 1,093,708
Amortization for the year	11,353	137	-	-	11,490
Balance at December 31, 2019	$ 193,216	$ 58,240	$ 344,093	$ 509,649	$ 1,105,198
Balance at January 1, 2020	$ 193,216	$ 58,240	$ 344,093	$ 509,649	$ 1,105,198
Amortization for the year	3,843	106	-	-	3,949
Balance at September 30, 2020	$ 197,059	$ 58,346	$ 344,093	$ 509,649	$ 1,109,147
Carrying Amounts					
At December 31, 2019	$ 6,406	$ 106	$ -	$ -	$ 6,512
At September 30, 2020	$ 2,563	$ -	$ -	$ -	$ 2,563

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

7. Lease Liabilities and Right-of-use-Assets

	Property	Office Equipment	Total
Right-of-use Assets			
Balance at January 1, 2019	$ 185,479	$ 7,022	$ 192,501
Depreciation charge for the period	37,096	1,345	38,440
Balance at September 30, 2019	**$ 148,382**	**$ 5,678**	**$ 154,061**
Balance at January 1, 2020	$ 136,018	$ 5,229	$ 141,247
Depreciation charge for the period	37,096	1,345	38,440
Balance at September 30, 2020	**$ 98,921**	**$ 3,884**	**$ 102,807**
Lease Liabilities			
Balance at January 1, 2019	$ 185,479	$ 7,022	$ 192,501
Interest charge for the period	8,958	339	9,298
Lease payments for the period(1)	(28,750)	(1,080)	(29,830)
Balance at September 30, 2019	**$ 165,687**	**$ 6,281**	**$ 171,969**
Balance at January 1, 2020	$ 139,309	$ 5,313	$ 144,622
Interest charge for the period	7,370	284	7,654
Lease payments for the period(1)	(44,850)	(1,620)	(46,470)
Balance at September 30, 2020	**$ 101,829**	**$ 3,977**	**$ 105,806**

(1) Lease payments does not include variable property lease payments of $28,204 (2019 - $32,877).

Stated in Canadian Dollars

	As at September 30, 2020			As at December 31, 2019		
	Property	**Office Equipment**	**Total**	**Property**	**Office Equipment**	**Total**
Current portion of lease liabilities	$ 52,533	$ 1,873	$ 54,406	$ 48,421	$ 1,726	$ 50,147
Non-current portion of lease liabilities	49,296	2,104	51,400	90,888	3,587	94,475
	$101,829	**$ 3,977**	**$105,806**	**$139,309**	**$ 5,313**	**$144,622**

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

	Property	Office Equipment	Total
2020	$ 10,941	$ 390	$ 11,331
2021	52,294	1,864	54,158
2022	38,594	1,723	40,317
	$ 101,829	**$ 3,977**	**$ 105,806**

8. Payables and Accruals

	As at June 30, 2020	**As at December 31, 2019**
Trade payables	$ 487,694	$ 525,195
Salaries, employment taxes, and benefits	141,698	613,170
Accrued liabilities	209,219	331,660
Total	**$ 838,613**	**$ 1,470,025**

9. Public Offering and Private Placement

On January 9, 2019, the Company completed a financing by way of a private placement, where 4,095,157 Units were issued at a price of $0.35 per unit for gross proceeds of $1,433,306 ($1,201,396 received in 2018, see note 6), of which 542,857 Units were purchased by certain insiders of the Company. Each Unit consisted of one common share and one non-transferable common share purchase warrant. Each whole warrant entitles the holder thereof to acquire one common share at a price of $0.50, expiring on January 9, 2021. In connection with the offering, the Company incurred financing costs of $8,589.

The purchase price of $0.35 per unit was allocated between the common shares ($0.25 per share) and common share purchase warrants ($0.10 per warrant), based on their relative fair values. Management determined that the allocation of the gross proceeds of $1,433,306 was $1,017,289 for the common shares issued and $416,017 for the common share purchase warrants issued.

On August 22, 2019, the Company completed a financing by way of a public offering of units. On closing, the Company issued an aggregate of 57,500,000 Units, of which 502,000 units were purchased by certain insiders of the Company, at a price of $0.30 per Unit for aggregate gross proceeds of $17,250,000. Each Unit consisted of one common share of the Company and one common share purchase warrant. Each Warrant entitles the holder to acquire an additional Common Share at a price of $0.35, expiring on August 22, 2024. In connection with this financing the Company incurred financing costs of $2,195,028 of which $1,588,105 was paid in cash and $606,923 was paid through the issuance of 2,023,077 broker compensation units. Each broker compensation unit entitles the holder thereof to acquire one common share and one common share purchase warrant on the same terms as the unit common shares and common share purchase warrants issued pursuant to the financing. The broker compensation units were valued based on the fair value of services rendered.

Stated in Canadian Dollars

The purchase price of $0.30 per unit was allocated between the common shares ($0.23 per share) and common share purchase warrants ($0.07 per warrant), based on their relative fair values. Management determined that the allocation of the gross proceeds of $17,250,000 was $12,937,500 for the common shares issued and $4,312,500 for the common share purchase warrants issued.

The fair value of each common share purchase warrant granted in the January 9, 2019 private placement was estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions:

	January 9, 2019
Expected volatility (based on historical share prices)	96.04%
Risk-free interest rate	1.91%
Expected life	2 Years
Expected dividends	Nil
Strike Price	$0.50
Share Price	$0.33

The August 22, 2019 public offering common share purchase warrants were valued based on the market value at time of grant which was $0.07. As at September 30, 2020, 2,023,077 broker compensation units were outstanding.

10. Stock Options

The Company has a rolling stock option plan reserving for issue under this plan up to 10% (20,427,537 common shares) of the outstanding common shares at a purchase price not less than the fair market value of the Company`s stock at the grant date. Under the Company’s stock option plan, the board of directors may grant, at its discretion, stock options to purchase common shares to certain employees, officers, directors and consultants of the Company. Terms and conditions of the stock option and vesting provisions are at the discretion of the board of directors.

A summary of stock options issued under the stock option plan for the nine-month period ended September 30, 2020 is provided below.

	Common shares under option	**Weighted average exercised price $**
Outstanding, December 31, 2019	**16,010,000**	**0.35**
Expired during period	(1,250,000)	0.50
Forfeited during period[1]	(295,000)	0.50
Outstanding, September 30, 2020	**14,465,000**	**0.33**

1) During 2020, certain employees were terminated and/or resigned from the employment of the Company and forfeited all non-vested options and non-exercised totaling 295,000.

Stated in Canadian Dollars

The following table summarizes information on the stock options outstanding as at September 30, 2020:

Stock Options Outstanding			**Stock Options Exercisable**	
Stock Options Outstanding	**Weighted Average Remaining Life (years)**	**Weighted Average Exercise Price $**	**Stock Options Exercisable**	**Weighted Average Exercise Price $**
50,000	0.1	0.50	50,000	0.50
10,000	0.5	0.50	10,000	0.50
3,020,000	1.5	0.50	3,020,000	0.50
11,385,000	3.9	0.28	3,795,000	0.28
14,465,000			**6,875,000**	

Under the stock option plan, the stock options vest over a three year period, commencing one year after the grant. As at September 30, 2020, 6,875,000 of the stock options were vested. All outstanding stock options, as at September 30, 2020, will be fully vested by September 11, 2022.

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

	2019
Risk-free interest rate	1.43%
Expected volatility*	86.28%
Expected life	5 years
Expected dividends	Nil
Weighted average grant date fair value	$0.14
Weighted average exercise price	$0.30
Weighted average forfeiture rate	15%

* Based on historical volatility

For the nine-month period ended September 30, 2020, the Company recognized stock-based compensation expense of $723,661 (2019 - $134,285) for stock options issued to directors, officers, employees and consultants, of which $437,656 (2019 - $120,566) is included in administrative expenses, $1,153 (2019 - $988) in selling expenses and $284,8535 (2019 - $12,731) is included in research and development expenses. The remaining stock based compensation amount to be expensed on non-vested options, net of forfeiture, is $734,566.

Stated in Canadian Dollars

11. Common Share Purchase Warrants

Common share purchase warrants consisted of the following:

	Number outstanding	Weighted average exercised price $	Fair value at date of grant $
Outstanding December 31, 2019	91,546,371		7,396,563
Expired[1]	(19,071,940)	0.54	(2,351,587)
Exercised[2]	(500)	0.35	(33)
Extended	-		255,773
Extension Costs	-		(4,471)
Outstanding September 30, 2020	**72,473,931**		**5,296,245**

1) During 2020. 19,071,940 warrants expired.
2) During 2020, 500 warrants were exercised. The share price at the exercise date was $0.35

The following table summarizes information on the common share purchase warrants outstanding as of September 30, 2020:

Exercise Price	Outstanding Beginning of the year	Expired During the period	Exercised During the period	Granted During the period	Outstanding End of Period	Weighted Average Remaining Contractual Life (years)
$0.540	19,071,940	19,071,940	-	-	-	-
$0.375	4,555,266	-	-	-	4,555,266	1.11
$0.300	3,159,000	-	-	-	3,159,000	1.62
$0.500	3,165,008	-	-	-	3,165,008	2.01
$0.500	4,095,157	-	-		4,095,157	0.27
$0.350	57,500,000	-	500		57,499,500	3.89
	91,546,371	**19,071,940**	**500**	**-**	**72,473,931**	-

On May 13, 2020, the Board of Directors of the Company extended the expiry date of 3,159,000 share purchase warrants issued on May 14, 2018 by two years to May 14, 2022. The estimated fair value of the warrant extension is $187,697 which has been recognized under common share purchase warrants and the deficit. The fair value was estimated using the Black-Scholes model calculated for the difference between the extended period and the remaining period when the decision was taken to extend the warrants. The assumptions used were as follows for the two periods respectively: no expected dividend yield, 85.91% and 70.82% expected volatility, 0.28% and 0.28 risk-free interest rate and 2 and 0.002 years warrant expected life. Warrant extension expenses totaling $3,721 were allocated to these common share purchase warrants.

On September 30, 2020, the Board of Directors of the Company extended the expiry date of 3,165,008 share purchase warrants issued on October 3, 2018 by two years to October 3, 2022. The estimated fair value of the warrant extension is $68,076 which has been recognized under common share purchase warrants and the deficit. The fair value was estimated using the Black-Scholes model calculated for the difference between the extended period and the remaining period when the decision was taken to extend the warrants. The assumptions used were as follows for the two periods respectively: no expected dividend yield, 82.71% and 84.06% expected volatility, 0.24% and 0.24% risk-free interest rate and 2 and 0.005 years warrant expected life. Warrant extension expenses totaling $750 were allocated to these common share purchase warrants.

Stated in Canadian Dollars

12. Share Capital

The Company is authorized to issue an unlimited number of common shares.

13. Loss Per Common Share

Basic loss per common share has been calculated based on the weighted average number of common shares outstanding during each of the three-month periods presented in the condensed interim consolidated financial statements.

Stock options to purchase 14,465,000 (2019 – 16,840,000) common shares and common share purchase warrants totaling 72,473,931 (2019 – 91,546,372) were not included in the computation of diluted loss and comprehensive loss per common share due to their anti-dilutive nature.

14. Selling Expenses

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

	2020	2019
Sales salaries	$ 199,591	$ 303,150
Advertising	66,984	74,655
Commission	23,649	30,185
Travel	8,949	40,104
Stock based compensation	1,153	988
Amortization and depreciation allocation	33,536	56,832
Total selling expenses	**$ 333,863**	**$ 505,914**

15. Administrative Expenses

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

	2020	2019
Insurance	$ 30,548	$ 36,688
Professional fees	460,465	236,649
Rent	28,204	32,827
General and administrative expenses	225,917	348,151
Administrative salaries	252,618	838,088
Director and advisory fees	53,340	116,742
Stock based compensation	437,656	120,566
Amortization and depreciation allocation	33,431	68,971
Total administrative expenses	**$ 1,522,179**	**$ 1,798,682**

Stated in Canadian Dollars

16. Research and Development Expenses

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

		2020		2019
Research and development (net of investment tax credit)	$	2,704,698	$	2,155,137
Stock based compensation		284,853		12,731
Amortization and depreciation allocation		100,373		63,186
Total research and development expenses	**$**	**3,089,924**	**$**	**2,231,054**

17. Financial Instruments – Fair Value and Risks

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

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

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. from derived prices); 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, trade and other receivable and payables and accrued liabilities approximate fair value due to the short-term maturities of these instruments.

Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. As at September 30, 2020 and December 31, 2019, the Company's financial instruments 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 trade and other receivable. The amounts reported in the consolidated balance sheets are net of allowances for bad debts, estimated by the Company's management based on prior experience and its assessment of the current economic environment. The Company reviews its trade receivable accounts regularly and reduces amounts to their expected realizable values by adjusting the allowance for doubtful accounts when management determines that the account may not be fully collectible. The Company has adopted credit policies in an effort to minimize those risks. The carrying value of trade and other receivables represent the Company's maximum exposure to credit risk.

The following table reflects the balance and age of trade receivables as at September 30, 2020 and December 31, 2019. The percentage outstanding is calculated based on trade receivables net of payment plans and allowances for doubtful accounts.

Stated in Canadian Dollars

	2020	2019
Trade receivables (net amount)	$ 231,130	$ 380,229
Percentage outstanding more than 30 days	1%	21%
Percentage outstanding more than 120 days	1%	21%

The following table reflects the changes in the allowance for trade receivables during the nine-month period ended September 30, 2020 and the year ended December 31, 2019:

	2019	2019
Allowance for trade receivables - beginning of year	$ 70,436	$ 94,012
Allowance recorded against current year sales	-	1,695
Adjustment based on collection experience	15,750	13,601
Amounts written off		(38,872)
Allowance for trade receivables - end of year	**$ 86,186**	**$ 70,436**

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.

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

		Payments Due by Period			
Contractual Obligations	**Total**	**2020**	**2021**	**2022**	**2023**
Lease liabilities	$ 105,806	$ 11,331	$ 54,158	$ 40,317	-
Payables and accruals	838,613	838,613	-	-	-
Commitments (note 20)	563,929	116,670	447,259	24,969	-
Total contractual obligations	**$ 1,508,348**	**$ 966,614**	**$ 501,417**	**$ 65,286**	**$ -**

The Company also has contractual obligations (note 20) in the form of research and development commitments.

iii Interest rate risk

Interest rate risk is the risk that changes in interest rates will affect the Company's income or the value of the financial instruments held.

The Company is subject to interest rate risk on its cash; however, it does not expect a movement in interest rates to have a significant impact on the Company's financial position.

Stated in Canadian Dollars

iv Foreign currency exchange risk

The Company is exposed to foreign currency exchange risk. This risk arises from the Company's holdings of U.S. 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.

Accounts exposed to foreign currency exchange risk as at September 30, 2020 and December 31, 2019 are as follows:

	As at September 30, 2020		As at December 31, 2019	
	Canadian	**U.S.**	**Canadian**	**U.S.**
Cash	$ 53,907	$ 40,413	$ 31,223	$ 24,040
Trade and other receivables	80,778	62,553	108,826	86,677
Payables and accruals	(216,458)	(162,275)	(201,469)	(173,318)
Total	**$ (81,772)**	**$ (59,309)**	**$ (61,420)**	**$ (62,601)**

Foreign currency exchange risk sensitivity analysis

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

	As at September 30, 2020	**As at December 31, 2019**
Cash	$ 5,391	$ 3,122
Trade and other receivables	8,078	10,883
Payables and accruals	(21,646)	(20,147)
Total	**$ (8,177)**	**$ (6,142)**

18. Related Party Disclosure

The compensation of the directors and other key management of the Company is included in the summary table below. Key management includes those persons having authority and responsibility for planning, directing and controlling the activities, directly or indirectly, of the Company.

	2020	**2019**
Short-term compensation	$900,000	$802,564
Stock-based compensation	444,395	62,262
Total	**$1,344,395**	**$864,826**

Key management personnel were not paid post-employment benefits, termination benefits or other long term benefits during the nine-month periods ended September 30, 2020 and 2019. Fees paid to directors have been disclosed in note 15.

Stock-based compensation paid to key management personnel is the fair value of options that vested to key management personnel during the year. Stock based compensation paid to directors have been disclosed in note 15.

Stated in Canadian Dollars

19. Segmented Information

For management purposes, the Company is organized into two separate reportable operating divisions; (1) Anti-Cancer Therapy ("**ACT**") division and (2) Cool Laser Therapy ("**CLT**") division. The ACT division is responsible for the research and development of Photo Dynamic Compounds ("**PDC**") for the treatment of primarily cancer. The ACT division is responsible for all aspects of the Company's therapeutic laser business, which manufactures products used by healthcare practitioners primarily for the healing of pain.

The following table displays revenue and direct expenses from the CLT and ACT division for the nine-month periods ended September 30:

	2020			2019		
	CLT	**ACT**	**Total**	**CLT**	**ACT**	**Total**
Sales	$ 527,474	$ -	$ 527,474	$ 514,891	$ -	$ 514,891
Cost of sales	383,990	-	383,990	374,040	-	374,040
Gross margin	**143,484**	**-**	**143,484**	**140,851**	**-**	**140,851**
Operating Expenses						
Selling expenses	333,863	-	333,863	505,914	-	505,914
Administrative expenses	713,514	808,665	1,522,179	1,079,360	719,322	1,798,682
Research and development expenses	259,507	2,830,417	3,089,924	401,511	1,829,543	2,231,054
(Gain) loss on foreign exchange	(294)	(293)	(587)	4,488	4,488	8,976
Interest expense	3,829	2,681	7,657	4,649	4,649	9,298
Interest income	(93,780)	-	(93,780)	(14,028)	-	(14,028)
	1,216,640	3,641,470	4,859,256	1,981,894	2,558,002	4,539,896
Loss for the period	**$ (1,073,156)**	**$ (3,641,470)**	**$ (4,715,772)**	**$ (1,841,043)**	**$ (2,558,002)**	**$ (4,399,045)**
Total Assets	$ 3,151,650	$ 7,651,807	$10,803,457	$17,336,488	$ 221,065	$17,557,553
Total Liabilities	595,859	348,560	944,419	769,019	178,503	947,522

Stated in Canadian Dollars

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

	2020			2019		
	Canada	**USA**	**International**	**Canada**	**USA**	**International**
Sales by Product Line						
TLC-1000	$ 277,306	$ 12,267	$ 7,347	$ 228,598	$ 5,075	$ 13,463
TLC-2000	172,054	39,807	$ 18,694	248,904	18,851	-
	449,359	52,074	26,041	477,502	23,926	13,463
Expenses						
Cost of Sales	327,124	37,910	18,957	346,879	17,381	9,780
Selling Expenses	286,278	31,688	15,896	500,259	5,655	-
	613,403	69,596	34,853	847,138	23,036	9,780
	$ (164,044)	**$ (17,522)**	**$ (8,812)**	**$ (369,636)**	**$ 890**	**$ 3,683**

As at September 30, 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.

20. Commitments

The Company's commitments consist of the following:

	Total	**2020**	**2021**	**2022**	**2023**
Research Commitments (a)	$ 58,520	$ -	$ 58,520	$ -	-
Research Agreement (b)	24,969	-	24,969	24,969	-
Research Agreement (c)	341,370	-	341,370	-	-
Research Agreement (d)	56,000	33,600	22,400	-	-
Research Agreement (e)	31,200	31,200	-	-	-
Research Agreement (f)	51,870	51,870	-	-	-
Total	**$ 563,929**	**$ 116,670**	**$ 447,259**	**$ 24,969**	**-**

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 $290,080 relating to this commitment, of which $58,520 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 (U.S. $96,800) for the period from July 23, 2019 through to December 31, 2022. The Company has paid $101,355 (U.S. $76,400) relating to this commitment, of which $24,969 (U.S. $20,400) 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 $939,000 for the period from September 27, 2019 through to October 31, 2020. The Company has paid $597,360 relating to this commitment, of which $341,370 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 $128,789 relating to this commitment, of which $56,000 is the remaining commitment.

e) Research Commitments under a research collaboration agreement with The University of Manitoba for the Sponsored Research Agreement. Under the terms of this agreement, the Company is required to pay $39,000 for the period from August 1, 2020 through to October 31, 2020. The Company has paid $7,800 relating to this commitment, of which $31,200 is the remaining commitment.

f) Research Commitments under a research agreement with Envol Biomedical for the TLC-3000 cancer therapy project. Under the terms of this agreement, the Company is required to pay $51,870 (U.S. $40,900) for the period from September 2, 2020 through to October 31, 2020. The Company has paid $0 relating to this commitment, of which $51,870 (U.S. $40,900) is the remaining commitment.

21. 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 the report date, 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, significant delays / cancellations in customer purchase decisions and delays in the Company's Phase II Non-Muscle Invasive Bladder Cancer clinical study specifically; patient enrollment, patient treatment and the on-boarding of new clinical study sites. 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.