

# **Theralase Technologies Inc.**

**Condensed Interim Consolidated Financial Statements - Unaudited**

As at September 30, 2021 and for the nine-month period ended September 30, 2021 and 2020

# THERALASE® TECHNOLOGIES INC.

Consolidated Statements of Financial Position  
As at September 30, 2021 and December 31, 2020  
Stated in Canadian Dollars

	Note	2021	2020
<b>Assets</b>			
Current assets			
Cash and cash equivalents		\$ 4,977,201	\$ 7,880,243
Trade and other receivables	3	237,403	485,238
Inventories	4	659,796	452,238
Prepaid expenses and other assets		275,157	97,900
<b>Total current assets</b>		<b>6,149,557</b>	<b>8,915,619</b>
Non-current assets			
Trade receivables	3	15,851	55,325
Property and equipment	5	901,654	951,258
Right-of-use-assets	6	51,553	89,993
Rent deposit		8,587	8,587
<b>Total non-current assets</b>		<b>977,645</b>	<b>1,105,163</b>
<b>Total Assets</b>		<b>\$ 7,127,202</b>	<b>\$ 10,020,782</b>
<b>Liabilities</b>			
Current liabilities			
Payables and accruals	7	\$ 771,767	\$ 764,790
Current portion of lease liabilities	6	50,304	56,619
<b>Total current liabilities</b>		<b>822,071</b>	<b>821,409</b>
Non-current liabilities			
Lease liabilities	6	-	35,724
<b>Total non-current liabilities</b>		<b>-</b>	<b>35,724</b>
<b>Total Liabilities</b>		<b>822,071</b>	<b>857,133</b>
<b>Equity attributable to shareholders</b>			
Share capital	10	42,120,421	42,120,421
Contributed surplus	8,9	10,526,403	10,254,440
Common share purchase warrants	9	5,469,275	5,295,255
Accumulated deficit		(51,810,968)	(48,506,467)
<b>Total Equity</b>		<b>6,305,131</b>	<b>9,163,649</b>
<b>Total Shareholders' Equity and Liabilities</b>		<b>\$ 7,127,202</b>	<b>\$ 10,020,782</b>

Commitments (Note 18)

Approved on Behalf of the Board

[Randy Bruder]

Director

[Matthew Perraton]

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 September 30		Nine Months Ended September 30	
		2021	2020	2021	2020
Sales		\$ 136,813	\$ 234,021	\$ 566,812	\$ 527,474
Cost of sales		87,027	153,895	317,397	383,990
Gross margin		49,786	80,126	249,415	143,484
<b>Operating expenses</b>					
Selling expenses	12	74,308	103,865	271,708	333,863
Administrative expenses	13	409,563	556,355	1,211,834	1,522,179
Research and development expenses	14	642,837	870,867	2,036,415	3,089,924
(Gain) from legal settlement		-	-	(131,903)	-
(Gain) loss on foreign exchange		(5,187)	2,674	5,768	(587)
Interest accretion on lease liabilities	6	1,197	2,295	4,432	7,656
Interest income		(5,479)	(7,783)	(19,108)	(93,780)
		1,117,239	1,528,273	3,379,146	4,859,255
Net loss and comprehensive loss for the period		\$ (1,067,453)	(1,448,147)	\$ (3,129,731)	\$ (4,715,771)
Basic and diluted loss per common share	11	(0.005)	(0.010)	(0.015)	0.020
Weighted average number of common shares		204,275,875	204,275,875	204,275,875	204,276,375

# THERALASE® TECHNOLOGIES INC.

Consolidated Statements of Cash Flows

For the three and nine-month periods ended September 30

Stated in Canadian Dollars

	2021	2020
<b>Cash flows from operating activities</b>		
Net loss for the period	\$ (3,129,731)	\$ (4,715,771)
Items not involving cash:		
Amortization of property and equipment	165,407	148,329
Amortization of right-of-use assets	38,440	38,440
Amortization of intangibles	-	3,949
Stock-based compensation expense	271,963	723,661
(Gain) loss on foreign exchange	5,768	(587)
Interest accretion from lease liabilities	4,432	7,656
	<b>(2,643,721)</b>	<b>(3,794,323)</b>
Change in operating assets and liabilities other than cash:		
Current trade and other receivables	242,067	493,894
Non-current trade receivables	39,474	39,424
Inventories	(207,558)	240,611
Prepaid expenses and other assets	(177,257)	2,806
Payables and accruals	2,545	(639,067)
	<b>(2,744,450)</b>	<b>(3,656,655)</b>
<b>Cash flows from investing activity</b>		
Purchase of property and equipment	(115,803)	(57,881)
	<b>(115,803)</b>	<b>(57,881)</b>
<b>Cash flows from financing activities</b>		
Payment of lease liabilities	(42,039)	(38,816)
Warrant extension costs	(750)	(4,471)
Proceeds from the exercise of share warrants	-	175
	<b>(42,789)</b>	<b>(43,112)</b>
Increase (decrease) in cash and cash equivalents during the period	<b>(2,903,042)</b>	<b>(3,757,648)</b>
Cash and cash equivalents, beginning of period	<b>7,880,243</b>	<b>12,548,550</b>
Cash and cash equivalents, end of period	<b>\$ 4,977,201</b>	<b>\$ 8,790,902</b>
<b>Supplementary Information</b>		
Interest Paid	\$ -	\$ -
Interest Received	\$ 19,108	\$ 93,780

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

# THERALASE® TECHNOLOGIES INC.

Consolidated Statements of Changes in Equity  
For the nine-month periods ended September 30  
Stated in Canadian Dollars

		Number of Shares	Share Capital	Contributed Surplus	Common Share Purchase Warrants	Deficit	Total Shareholders' Equity
	Note	#	\$	\$	\$	\$	\$
<b>Balance, December 31, 2019</b>		204,275,375	42,120,213	6,990,821	7,396,563	(42,652,154)	13,855,443
Stock-based compensation expense	8	-	-	723,661	-	-	723,661
Expired Warrants	9	-	-	2,351,587	(2,351,587)	-	-
Exercised share purchase warrants	9	500	208	-	(33)	-	175
Extension of warrants	9	-	-	-	255,773	(255,773)	-
Warrants extension costs	9	-	-	-	(4,471)	-	(4,471)
Loss for the period		-	-	-	-	(4,715,771)	(4,715,771)
<b>Balance, September 30, 2020</b>		204,275,875	42,120,421	10,066,069	5,296,245	(47,623,698)	9,859,037
<b>Balance, December 31, 2020</b>		204,275,875	42,120,421	10,254,440	5,295,255	(48,506,467)	9,163,649
Stock-based compensation expense	8	-	-	271,963	-	-	271,963
Extension of warrants	9	-	-	-	174,770	(174,770)	-
Warrants extension costs	9	-	-	-	(750)	-	(750)
Loss for the period		-	-	-	-	(3,129,731)	(3,129,731)
<b>Balance, September 30, 2021</b>		204,275,875	42,120,421	10,526,403	5,469,275	(51,810,968)	6,305,131

# THERALASE® TECHNOLOGIES INC.

## Notes to Consolidated Financial Statements

Six-Month periods ended September 30, 2021 and 2020

Stated in Canadian Dollars

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### 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, 2021, 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 consolidated financial statements for the year ended December 31, 2020, 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 2020 annual consolidated financial statements. These interim condensed consolidated financial statements should be read in conjunction with the Company’s annual consolidated financial statements for the year ended December 31, 2020.

The interim condensed consolidated financial statements have been prepared by management in accordance with IFRS as issued by the IASB and including 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, 2021, the Company had a net loss of \$3,129,731 (2020 - \$4,715,771), an accumulated deficit of \$51,810,968 (December 31, 2020 - \$48,506,467) and has historically used net cash in operations. These conditions indicate the existence of material uncertainties that casts 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 condensed interim consolidated financial statements do not give effect to any

# **THERALASE® TECHNOLOGIES INC.**

## **Notes to Consolidated Financial Statements**

**Six-Month periods ended September 30, 2021 and 2020**

**Stated in Canadian Dollars**

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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 condensed interim 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-2000, the Company's existing product line 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 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 condensed interim consolidated financial statements for the nine-month period ended September 30, 2021 (including comparatives) were approved and authorized for issue by the board of directors on November 29, 2021.

## **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 consolidated financial statements for the year ended December 31, 2020.

### **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 condensed interim consolidated financial statements.

### **Reclassification**

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

# THERALASE<sup>®</sup> TECHNOLOGIES INC.

## Notes to Consolidated Financial Statements

Six-Month periods ended September 30, 2021 and 2020

Stated in Canadian Dollars

### 3. Trade and Other Receivables

	As at September 30, 2021	As at December 31, 2020
Trade receivable (net amount)	\$ 90,861	\$ 230,283
Government tax credits receivable	162,393	310,280
Total	253,254	540,563
Less: Non-current trade receivables	(15,851)	(55,325)
<b>Total</b>	<b>\$ 237,403</b>	<b>\$ 485,238</b>

Write offs of trade receivables for the nine-month period ended September 30, 2021 amounted to \$41,685 which was previously provided for (2020 - \$nil). Refer to note 15 (i) for the continuity schedule of allowance for credit losses.

Government tax credits receivable comprise of research and development investment tax credits and the Canada Emergency Wage Subsidy from the federal government which relate to qualifiable research and development expenditures under the applicable tax laws. Research and development tax credits receivable total \$126,920 for the nine-month period ended September 30 (December 31, 2020 - \$240,000) and has been allocated against research and development expenses in 2021. The Canada Emergency Wage Subsidy receivable totals \$8,964 (2020- \$50,890) and is accounted for as a reduction of operating expenses and has been recognized as follows, \$1,064 (2020 - \$8,032) against selling expenses, \$2,531 (2020- \$10,248) against administrative expenses, \$2,206 (2020 - \$9,188) against cost of goods sold and \$3,163 (2020 - \$23,422) against research and development expenses in 2021.

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 recorded 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 15.

### 4. Inventories

	As at September 30, 2021	As at December 31, 2020
Raw materials	\$ 342,836	\$ 229,063
Work-in-process	-	1,135
Finished goods	316,960	222,040
<b>Total</b>	<b>\$ 659,796</b>	<b>\$ 452,238</b>

During the nine-month period, inventories amounting to \$108,457 (2020 - \$121,234) were incurred as expense in cost of sales in the Statements of Operations.

# THERALASE® TECHNOLOGIES INC.

## Notes to Consolidated Financial Statements

Six-Month periods ended September 30, 2021 and 2020

Stated in Canadian Dollars

### 5. Property and Equipment

#### Cost

	Tools and Dies	Computer Equipment	Furniture and Fixtures	Rental units <sup>1</sup>	Equipment	Leasehold Improvements	Total
Balance at January 1, 2020	\$ 208,649	\$ 407,458	\$ 149,031	\$ 133,929	\$ 862,353	\$ 242,206	\$ 2,003,626
Additions	5,144	-	12,745	-	138,285	8,402	164,576
Reclassification	-	-	-	3,313	(3,313)	-	-
Disposals	(39,653)	(129,313)	(90,552)	(2,900)	(54,258)	-	(316,676)
Balance at December 31, 2020	\$ 174,140	\$ 278,145	\$ 71,224	\$ 134,342	\$ 943,067	\$ 250,608	\$ 1,851,526
<b>Balance at January 1, 2021</b>	<b>\$ 174,140</b>	<b>\$ 278,145</b>	<b>\$ 71,224</b>	<b>\$ 134,342</b>	<b>\$ 943,067</b>	<b>\$ 250,608</b>	<b>\$ 1,851,526</b>
<b>Additions</b>	<b>22,264</b>	<b>-</b>	<b>514</b>	<b>1,500</b>	<b>80,426</b>	<b>11,099</b>	<b>115,803</b>
<b>Balance at September 30, 2021</b>	<b>\$ 196,404</b>	<b>\$ 278,145</b>	<b>\$ 71,738</b>	<b>\$ 135,842</b>	<b>\$ 1,023,493</b>	<b>\$ 261,707</b>	<b>\$ 1,967,329</b>

#### Depreciation

Balance at January 1, 2020	\$ 158,065	\$ 267,174	\$ 115,289	\$ 78,472	\$ 281,268	\$ 89,977	\$ 990,245
Depreciation for the year	13,731	42,190	9,167	27,357	64,409	57,659	214,513
Reclassification	-	-	-	(826)	826	-	-
Disposals	(39,606)	(122,002)	(86,457)	(2,901)	(53,524)	-	(304,490)
Balance at December 31, 2020	\$ 132,190	\$ 187,362	\$ 37,999	\$ 102,102	\$ 292,979	\$ 147,636	\$ 900,268
<b>Balance at January 1, 2021</b>	<b>\$ 132,190</b>	<b>\$ 187,362</b>	<b>\$ 37,999</b>	<b>\$ 102,102</b>	<b>\$ 292,979</b>	<b>\$ 147,636</b>	<b>\$ 900,268</b>
<b>Depreciation for the period</b>	<b>11,626</b>	<b>20,371</b>	<b>4,983</b>	<b>18,521</b>	<b>71,416</b>	<b>38,490</b>	<b>165,407</b>
<b>Balance at September 30, 2021</b>	<b>\$ 143,816</b>	<b>\$ 207,733</b>	<b>\$ 42,982</b>	<b>\$ 120,623</b>	<b>\$ 364,395</b>	<b>\$ 186,126</b>	<b>\$ 1,065,675</b>

#### Carrying Amounts

At December 31, 2020	\$ 41,950	\$ 90,783	\$ 33,225	\$ 32,240	\$ 650,088	\$ 102,972	\$ 951,258
<b>At September 30, 2021</b>	<b>\$ 52,588</b>	<b>\$ 70,412</b>	<b>\$ 28,756</b>	<b>\$ 15,219</b>	<b>\$ 659,098</b>	<b>\$ 75,581</b>	<b>\$ 901,654</b>

1) Rental units consist of TLC-1000 systems used in customer rentals, demonstrations and service loaner

For the nine-month period ended September 30, 2021, there was amortization included in cost of sales amounting to \$25,005 (2020 - \$23,377). As at September 30, 2021, research and development equipment included assets not available for use with a cost of \$198,686 (December 31, 2020 - \$375,436).

### 6. Lease Liabilities and Right-of-use-Assets

	Property	Office Equipment	Total
<b>Right-of-use Assets</b>			
Balance at January 1, 2020	\$ 136,018	\$ 5,229	\$ 141,247
Depreciation charge for the period	37,095	1,345	38,440
Balance at September 30, 2020	\$ 98,923	\$ 3,884	\$ 102,807
<b>Balance at January 1, 2021</b>	<b>\$ 86,557</b>	<b>\$ 3,436</b>	<b>\$ 89,993</b>
<b>Depreciation charge for the period</b>	<b>37,095</b>	<b>1,345</b>	<b>38,440</b>
<b>Balance at September 30, 2021</b>	<b>\$ 49,462</b>	<b>\$ 2,091</b>	<b>\$ 51,553</b>

# THERALASE® TECHNOLOGIES INC.

## Notes to Consolidated Financial Statements

Six-Month periods ended September 30, 2021 and 2020

Stated in Canadian Dollars

	Property	Office Equipment	Total
<b>Lease Liabilities</b>			
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 <sup>(1)</sup>	(44,850)	(1,620)	(46,470)
Balance at September 30, 2020	\$ 101,829	\$ 3,977	\$ 105,806
<b>Balance at January 1, 2021</b>	<b>\$ 88,830</b>	<b>\$ 3,513</b>	<b>\$ 92,343</b>
<b>Interest charge for the period</b>	<b>4,259</b>	<b>173</b>	<b>4,432</b>
<b>Lease payments for the period<sup>(1)</sup></b>	<b>(44,850)</b>	<b>(1,621)</b>	<b>(46,471)</b>
<b>Balance at September 30, 2021</b>	<b>\$ 48,239</b>	<b>\$ 2,065</b>	<b>\$ 50,304</b>

(1) Lease payments does not include variable property lease payments of \$29,662 (2020 - \$28,204).

	As at September 30, 2021			As at December 30, 2020		
	Property	Office Equipment	Total	Property	Office Equipment	Total
Current portion of lease liabilities	\$ 48,239	\$ 2,065	\$ 50,304	\$ 54,669	\$ 1,950	\$ 56,619
Non-current portion of lease liabilities	-	-	-	34,161	1,563	35,724
	<b>\$ 48,239</b>	<b>\$ 2,065</b>	<b>\$ 50,304</b>	<b>\$ 88,830</b>	<b>\$ 3,513</b>	<b>\$ 92,343</b>

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

	Property	Office Equipment	Total
2021	14,078	502	14,580
2022	34,161	1,563	35,724
	<b>\$ 48,239</b>	<b>\$ 2,065</b>	<b>\$ 50,304</b>

## 7. Payables and Accruals

	As at September 30, 2021	As at December 31, 2020
Trade payables	\$ 421,199	\$ 408,211
Salaries, employment taxes, and benefits	218,389	162,191
Accrued liabilities	132,179	194,388
<b>Total</b>	<b>\$ 771,767</b>	<b>\$ 764,790</b>

## 8. Stock Options

The Company has a rolling stock option plan reserving for issue under this plan up to 10% (20,427,588 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.

# THERALASE® TECHNOLOGIES INC.

## Notes to Consolidated Financial Statements

Six-Month periods ended September 30, 2021 and 2020

Stated in Canadian Dollars

A summary of stock options issued under the stock option plan for the nine-month period ended September 30, 2021 is provided below.

	Common shares under option	Weighted average exercised price \$
Outstanding, December 31, 2020	14,415,000	0.33
<b>Forfeited during period<sup>1</sup></b>	<b>(1,035,000)</b>	<b>0.50</b>
<b>Expired during period</b>	<b>(10,000)</b>	<b>0.50</b>
<b>Outstanding, September 30, 2021</b>	<b>13,370,000</b>	<b>0.32</b>

1) During 2021, certain employees were terminated and/or resigned from the employment of the Company and forfeited all non-vested options and non-exercised totaling 1,035,000.

The following table summarizes information on the stock options outstanding as at September 30, 2021 :

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 \$
3,020,000	0.5	0.50	3,020,000	0.50
10,350,000	2.9	0.28	6,900,000	0.28
<b>13,370,000</b>			<b>9,920,000</b>	

Under the stock option plan, the stock options vest over a three year period, commencing one year after the grant. As at September 30, 2021 9,920,000 of the stock options were vested. All outstanding stock options as at September 30, 2021 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 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, 2021, the Company recognized stock-based compensation expense of \$271,963 (2020 - \$723,661) for stock options issued to directors, officers, employees and consultants, of which \$179,621 (2020 - \$437,656) is included in administrative expenses, \$237 (2020 - \$1,153) in selling expenses and \$92,105 (2020 - \$284,853) is included in research and development expenses. The remaining stock based compensation amount to be expensed on non-vested options, net of forfeiture, is \$158,045.

# THERALASE® TECHNOLOGIES INC.

## Notes to Consolidated Financial Statements

Six-Month periods ended September 30, 2021 and 2020

Stated in Canadian Dollars

### 9. 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, 2020	72,473,431		5,295,255
<b>Extended</b>	-		<b>174,770</b>
<b>Extension Costs</b>	-		<b>(750)</b>
<b>Outstanding September 30, 2021</b>	<b>72,473,431</b>		<b>5,469,275</b>

The following table summarizes information on the common share purchase warrants outstanding for the year ended and as of September 30, 2021 :

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)
\$0.375	4,555,266	-	-	-	4,555,266	0.11
\$0.300	3,159,000	-	-	-	3,159,000	0.62
\$0.500	3,165,008	-	-	-	3,165,008	1.01
\$0.500	4,095,157	-	-	-	4,095,157	1.27
\$0.350	57,499,000	-	-	-	57,499,000	2.89
	<b>72,473,431</b>	-	-	-	<b>72,473,431</b>	<b>2.44</b>

On January 8, 2021, the Board of Directors of the Company extended the expiry date of 4,095,157 share purchase warrants issued on January 8, 2019 by two years to January 8, 2023. The estimated fair value of the warrant extension is \$174,770 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, 90.96% and 96.04% expected volatility, 0.19% and 0.19% 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.

### 10. Share Capital

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

### 11. 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 nine-month periods presented in the condensed interim consolidated financial statements.

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Stock options to purchase 13,370,000 (2020 – 14,465,000) common shares and common share purchase warrants totaling 72,473,431 (2020 – 72,473,931) were not included in the computation of diluted loss and comprehensive loss per common share due to their anti-dilutive nature.

### 12. Selling Expenses

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

	2021	2020
Sales salaries	\$ 180,873	\$ 199,591
Advertising	36,692	66,984
Commission	25,200	23,649
Travel	5,301	8,950
Stock based compensation	237	1,153
Amortization and depreciation allocation	23,405	33,536
<b>Total selling expenses</b>	<b>\$ 271,708</b>	<b>\$ 333,863</b>

### 13. Administrative Expenses

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

	2021	2020
Insurance	\$ 42,806	\$ 30,548
Professional fees	382,778	460,465
Rent	29,662	28,204
General and administrative expenses	148,170	225,917
Administrative salaries	356,175	252,618
Director and advisory fees	31,663	53,340
Stock based compensation	179,621	437,656
Amortization and depreciation allocation	40,959	33,431
<b>Total administrative expenses</b>	<b>\$ 1,211,834</b>	<b>\$ 1,522,179</b>

### 14. Research and Development Expenses

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

	2021	2020
Research and development (net of investment tax credit)	\$ 1,829,830	\$ 2,704,698
Stock based compensation	92,105	284,853
Amortization and depreciation allocation	114,480	100,373
<b>Total research and development expenses</b>	<b>\$ 2,036,415</b>	<b>\$ 3,089,924</b>

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### 15. 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, 2021 and December 31, 2020, 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 expected credit losses, 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 expected credit losses 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, 2021 and December 31, 2020:

	<b>As at September 30, 2021</b>	<b>As at December 31, 2020</b>
Trade receivables (net amount)	\$ 90,861	\$ 230,283
Percentage outstanding more than 30 days	-	1%
Percentage outstanding more than 120 days	-	1%

The following table reflects the changes in the allowance for credit losses during the nine-month period ended September 30, 2021 and the year ended December 31, 2020:

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	As at September 30, 2021	As at December 31, 2020
Allowance for trade receivables - beginning of period	\$ 41,685	\$ 70,436
Adjustment based on collection experience	14,405	1,274
Amounts written off	(41,685)	(30,025)
<b>Allowance for trade receivables - end of period</b>	<b>\$ 14,405</b>	<b>\$ 41,685</b>

### 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:

Contractual Obligations	Total	Payments Due by Period											
		2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Lease liabilities	\$ 50,304	\$ 14,580	\$ 35,724	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Payables and accruals	771,767	771,767	-	-	-	-	-	-	-	-	-	-	-
Commitments (note 20)	768,474	229,950	451,224	8,800	8,800	8,800	8,800	8,800	8,800	8,800	8,800	8,800	8,100
<b>Total contractual obligations</b>	<b>\$ 1,590,545</b>	<b>\$ 1,016,297</b>	<b>\$ 486,948</b>	<b>\$ 8,800</b>	<b>\$ 8,800</b>	<b>\$ 8,800</b>	<b>\$ 8,800</b>	<b>\$ 8,800</b>	<b>\$ 8,800</b>	<b>\$ 8,800</b>	<b>\$ 8,800</b>	<b>\$ 8,800</b>	<b>\$ 8,100</b>

The Company also has contractual obligations (note 18) 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.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Company's exposure to interest rate risk is as follows:

Cash and cash equivalents	Short-term fixed and variable interest rate
Short-term investments	Short-term fixed interest rate
Financed trade receivables	Short-term and long-term fixed interest rate

Based on the carrying amount of the Company's variable interest-bearing financial instruments as at September 30, 2021, an assumed 0.5% increase or 0.5% decrease in interest rates during such period would have resulted in an increase/decrease of \$15,000 in income, with all other variables held constant.

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Management believes that the risk that the Company will realize a loss as a result of the decline in the fair value of its cash equivalents and short-term investments is limited because these investments have short-term maturities and are generally held to maturity.

The capacity of the Company to reinvest the short-term amounts with equivalent returns will be impacted by variations in short-term fixed interest rates available in the market.

Interest income presented in the consolidated statement of loss represents interest income on financial assets.

### 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.

Accounts exposed to foreign currency exchange risk as at September 30, 2021 and December 31, 2020 are as follows:

	As at September 30, 2021		As at December 31, 2020	
	Canadian	U.S.	Canadian	U.S.
Cash	\$ 12,122	\$ 9,514	\$ 40,822	\$ 32,062
Trade and other receivables	9,583	7,521	56,110	44,070
Payables and accruals	(171,359)	(134,494)	(185,317)	(145,552)
<b>Total</b>	<b>\$ (149,654)</b>	<b>\$ (117,459)</b>	<b>\$ (88,385)</b>	<b>\$ (69,420)</b>

### v Foreign currency exchange risk sensitivity analysis

The following table details the Company's sensitivity analysis to a 10% strengthening in the US 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 US dollar against the Canadian dollar, there would be an equal and opposite impact on loss and comprehensive loss for the year.

	As at September	As at December
	30, 2021	31, 2020
Cash	\$ 951	\$ 4,082
Trade and other receivables	752	5,611
Payables and accruals	(13,449)	(18,532)
<b>Total</b>	<b>\$ (11,746)</b>	<b>\$ (8,839)</b>

## 16. Related Party Disclosure

The compensation of the directors and other key management of the Company is included in the summary

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table below. Key management includes those persons having authority and responsibility for planning, directing and controlling the activities, directly or indirectly, of the Company.

	2021	2020
Short-term compensation	\$894,442	\$900,000
Stock-based compensation	263,704	444,395
<b>Total</b>	<b>\$1,158,146</b>	<b>\$1,344,395</b>

Key management personnel were not paid post-employment benefits, termination benefits or other long term benefits during the nine-month periods ended September 30, 2021 and 2020. Fees paid to directors have been disclosed in note 13.

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 13.

### 17. Segmented Information

For management purposes, the Company is organized into two separate reportable operating divisions; the Anti-Cancer Therapy (“ACT”) division and the Cool Laser Therapy (“CLT”) division. The ACT division is responsible for the research and development of PDCs primarily for the treatment of cancer with assistance from the CLT division to develop medical lasers to activate them. The CLT division is responsible for the Company’s medical laser business, which researches, develops, manufactures and distributes CLT systems to healthcare practitioners predominantly for the healing of pain.

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

	2021			2020		
	CLT	ACT	Total	CLT	ACT	Total
Sales	\$ 566,812	\$ -	\$ 566,812	\$ 527,474	\$ -	\$ 527,474
Cost of sales	317,397	-	317,397	383,990	-	383,990
<b>Gross margin</b>	<b>249,415</b>	<b>-</b>	<b>249,415</b>	<b>143,484</b>	<b>-</b>	<b>143,484</b>
<b>Operating Expenses</b>						
Selling expenses	271,708	-	271,708	333,863	-	333,863
Administrative expenses	664,227	547,607	1,211,834	713,514	808,665	1,522,179
Research and development expense:	254,228	1,782,187	2,036,415	259,507	2,830,417	3,089,924
(Gain) from legal settlement	(131,903)	-	(131,903)	-	-	-
(Gain) loss on foreign exchange	2,884	2,884	5,768	(294)	(293)	(587)
Interest accretion on lease liabilities	2,216	2,216	4,432	3,828	3,828	7,656
Interest income	(9,554)	(9,554)	(19,108)	(93,780)	-	(93,780)
	<b>1,053,806</b>	<b>2,325,340</b>	<b>3,379,146</b>	<b>1,216,638</b>	<b>3,642,617</b>	<b>4,859,255</b>
<b>Loss for the period</b>	<b>\$ (804,391)</b>	<b>\$ (2,325,340)</b>	<b>\$ (3,129,731)</b>	<b>\$ (1,073,154)</b>	<b>\$ (3,642,617)</b>	<b>\$ (4,715,771)</b>
Total Assets	\$ 2,089,282	\$ 5,037,920	\$ 7,127,202	\$ 3,151,650	\$ 7,651,807	\$10,803,457
Total Liabilities	498,779	323,292	822,071	595,859	348,560	944,419

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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:

Sales by Product Line	2021			2020		
	Canada	USA	International	Canada	USA	International
TLC-1000	\$ 198,508	\$ 14,810	\$ -	\$ 277,305	\$ 12,267	\$ 7,347
TLC-2000	303,015	37,290	13,189	172,054	39,807	18,694
	<b>501,523</b>	<b>52,100</b>	<b>13,189</b>	<b>449,359</b>	<b>52,074</b>	<b>26,041</b>
<b>Expenses</b>						
Cost of Sales	280,837	29,174	7,386	327,123	37,910	18,957
Selling Expenses	240,483	20,605	10,620	286,278	31,688	15,897
	<b>521,320</b>	<b>49,779</b>	<b>18,006</b>	<b>613,401</b>	<b>69,598</b>	<b>34,854</b>
	<b>\$ (19,797)</b>	<b>\$ 2,321</b>	<b>\$ (4,817)</b>	<b>\$ (164,042)</b>	<b>\$ (17,524)</b>	<b>\$ (8,813)</b>

As at September 30, 2021 and 2020, the Company's long-lived assets used in operations are all located in Canada. Timing of revenue is recognized at a point in time.

## 18. Commitments

The Company's commitments consist of the following:

	Total	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Research Commitments (a)	\$ 24,969	\$ 24,969	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Research Agreement (b)	262,023	113,883	60,840	8,800	8,800	8,800	8,800	8,800	8,800	8,800	8,800	8,800	8,100
Research Agreement (c)	481,482	91,098	390,384	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ 768,474</b>	<b>\$ 229,950</b>	<b>\$ 451,224</b>	<b>\$ 8,800</b>	<b>\$ 8,800</b>	<b>\$ 8,800</b>	<b>\$ 8,800</b>	<b>\$ 8,800</b>	<b>\$ 8,800</b>	<b>\$ 8,800</b>	<b>\$ 8,800</b>	<b>\$ 8,800</b>	<b>\$ 8,100</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 \$101,355 (USD\$76,400) relating to this commitment, of which \$24,969 (USD\$20,400) is the remaining commitment.
- 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 \$405,000 for the period from April 29, 2021 through to November 15, 2032. The Company has paid \$142,977 relating to this commitment, of which \$262,023 is the remaining commitment.
- Research Commitments under a research agreement with a Contract Development and Manufacturing Organization for the TLC-3000 cancer therapy project. Under the terms of this agreement, the Company is required to pay \$816,098 (USD\$653,500) for the period from April 29, 2021 through to April 29, 2022. The Company has paid \$334,616 (USD\$275,600) relating to this commitment, of which \$481,482 (USD\$377,900) is the remaining commitment.

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### **19. 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 these 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.

### **20. Subsequent Events**

On November 10, 2021, warrants totaling 4,555,266 expired unexercised.