Management's Discussion and Analysis of Financial Condition and Operations

The following Management's Discussion and Analysis ("**MD&A**"), of **Theralase Technologies Inc**. ("**Theralase**" or the "**Company**") should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2018. 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 April 16, 2019.

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

Forward Looking Statements

The information provided herein is intended to provide a general outline of the operations of the Company. *This document contains certain forward-looking statements and information (collectively, "**forward-looking statements**" or "**FLS**") within the meaning of applicable securities laws. Forward-looking statements 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. Forward-looking statements, which may be identified by words including, without limitation, "**believe**", "**anticipate**", "**should**", "**could**", "**would**", "**estimate**", "**expect**", "**plan**", "**will**", "**intend**", "**may**", "**pending**", "**objective**", "**exploring**", "**potential**", "**project**", "**possible**" and other similar expressions, and the negative of such expressions, are intended to provide information about management's current plans and expectations regarding future operations.*

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

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

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

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

Company Profile

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

Advancing the Theralase Technology Platform

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

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

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

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

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

Non-Brokered Private Placement

On May 14, 2018, the Company closed a non-brokered private placement of units, issuing an aggregate of 5,104,000 units at a price of $0.20 per unit for aggregate gross proceeds of approximately $1,020,800. Each unit consisted of one common share of the Company and one non-transferable common share purchase warrant. Each warrant entitles the holder to acquire an additional Common Share at a price of $0.30 for a period of 24 months following the date of issuance. An aggregate of 750,000 units representing gross proceeds of $150,000 were issued to certain insiders of the Company.

On October 3, 2018, the Company closed a non-brokered private placement of units, issuing an aggregate of 3,157,059 units at a price of $0.35 per unit for aggregate gross proceeds of approximately $1,104,970. Each unit consist of one common share of the Company and one non-transferable common share purchase warrant. Each warrant entitles the holder to acquire an additional Common Share at a price of $0.50 for a period of 24 months following the date of issuance. An aggregate of 920,000 units representing gross proceeds of $322,000 were issued to certain insiders of the Company.

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

Anti- Cancer Technology

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

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

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

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

Under the Study I, entitled "*A Phase Ib Trial of Intravesical Photo Dynamic Therapy in Patients with NMIBC at High Risk of Progression, Who are Refractory to Therapy with Bacillus Calmette-Guerin and Who are Medically Unfit for or Refuse a Cystectomy*", treatment of patients commenced in March 2017 and to date three patients have been treated at the Maximum Recommended Starting Dose ("**MRSD**") (0.35 mg/cm^2) and three patients at the Therapeutic Dose (0.70 mg/cm^2) of TLD-1433 PDC activated by laser light (525 nm, 90 J/cm^2) delivered through a combination of the TLC-3200 Medical Laser System, Laser Emitter ("**TLC-3203**") and Laser Detector ("**TLC-3204**").

Study Outcome Endpoints:

1) **Primary:** Evaluate safety and tolerability. (Measured by patients who experience Adverse Events ("**AEs**") Grade 4 or greater that do not resolve within thirty (30) days; whereby: Grade 1 = Mild, Grade 2 = Moderate, Grade 3 = Severe, Grade 4 = Life-threatening or disabling, Grade 5 = Death).

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

3) **Exploratory:** Evaluate efficacy. (Measured by Recurrence Free Survival, defined as the interval from Day 0 (Day of PDT treatment) to documented recurrence or death from any cause, whichever occurs first. Recurrence is defined as any new tumour growth (i.e. any biopsy-confirmed new or recurrent tumour), evaluated at 90 days for the first three patients treated at the MRSD and primarily at 90 days for the last three patients treated at the Therapeutic Dose and secondarily at 180 days post treatment).

Final Data Results:

In the first part of the Study I, three patients were enrolled and treated with ACT (TLC-3200 / TLC-3203 / TLC-3204) at the MRSD of TLD-1433. Treatment at the MRSD did not raise any significant safety concerns, as determined by the independent Data Safety Monitoring Board; therefore, approval was received to enroll and treat up to an additional six patients at the Therapeutic Dose. Under the approval, an additional three patients were enrolled and treated with PDT at the Therapeutic Dose of TLD-1433.

- The first three patients treated at the MRSD successfully achieved the primary, secondary and exploratory outcome measures at 90 days post treatment.

- Patient four treated at the Therapeutic Dose successfully achieved the primary and secondary outcome measures at 90 days post treatment. During the 90 day cystoscopy analysis, patient number four's bladder surface wall was observed to be red and inflamed but no factual cancer lesions were detected. At 138 days, the patient underwent a Trans-Urethral Resection of the Bladder Tumour ("**TURBT**") procedure and although there was no progressive disease in the bladder, was found to have developed metastatic urothelial carcinoma. The patient was subsequently released from the study.

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

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

Conclusions:

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

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

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

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

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

5) Patient five treated at the Therapeutic Dose has no clinical evidence of bladder tumour recurrence or presence at the 180, 270 and 360 day cystoscopy assessment, completed in July 2018, November 2018 and January 2019.

6) Patient six treated at the Therapeutic Dose has no clinical evidence of bladder tumour recurrence or presence at the 180, 270 and 360 day cystoscopy assessment, completed in August 2018, November 2018 and April 2019.

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

The primary endpoint of efficacy will be determined by Complete Response ("**CR**") and duration of CR in approximately 100 patients who present with Carcinoma In-Situ ("**CIS**"), with or without resected papillary disease (Ta), are considered BCG-Unresponsive and meet the inclusion / exclusion criteria of Study II.

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

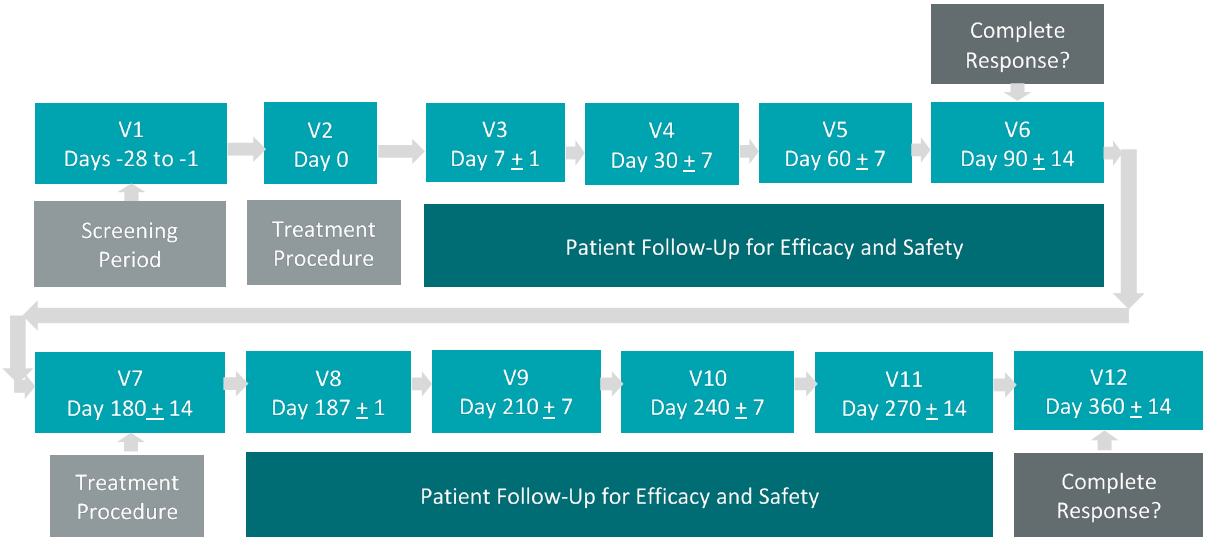
The ACT is currently under clinical development and as a result there are no commercial benefits associated with this Division at the present time, resulting in no revenue, sales or distribution of this technology.

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

The estimated timing of completion of Study II is approximately 3 years from regulatory approval(s), but may vary significantly depending on numerous factors including: number of oncology sites, oncology site patient

enrollment rates, patient compliance, treatment success and/or successful achievement of clinical Study II endpoints.

Proposed Clinical Treatment Plan:



Corporate Governance

On February 16, 2018, the Company and Roger Dumoulin-White, former Chairman, President and Chief Executive Officer, entered into a settlement agreement ("**Agreement**") with Staff of the Ontario Securities Commission ("**OSC**"). Peterson McVicar LLP, were appointed under the Agreement as a consultant with the mandate to review and report on:

a) the Company's corporate governance framework, including the composition of its Board and Corporate Disclosure Committee;
b) the Company's disclosure policies; and
c) the policies, processes, reports and systems related to Company's disclosure controls and procedures.

The initial report dated June 26, 2018 ("**Initial Report**") contained the following recommendations by the Consultant and the status of implementation by the Company:

1) Review and revise the Company's disclosure policy with the assistance of the Company's legal counsel and having regard for the recommendations noted. The final draft should be submitted to the Consultant for review prior to review and approval by the Governance and Compensation Committee and subsequent approval by the Board. This has been completed by Company.

2) Review and revise the mandates of the Board and various committees with the assistance of the Company's legal counsel and having regard for the recommendations noted. The final drafts should be submitted to the Consultant for review prior to review and approval by the Board. This has been completed by Company.

3) Together with the foregoing, the Governance and Compensation Committee or the Board, with the assistance of the Company's legal counsel and management, should prepare a corporate governance framework setting forth, among other things, the various committees, composition requirements,

general responsibilities, policies administered, etc. This has been completed by Company. A framework was prepared and forms part of the Company's new Corporate Governance Manual.

4) The Chairman, with the assistance of management, should prepare a Board and committee meeting schedule and setting forth reoccurring business. This has been completed by Company.

5) The Governance and Compensation Committee should work with management and the Company's legal counsel to review and revise the various policies of the Company having regard for the recommendations in Initial Report. The final drafts of the revised policies should be reviewed by the Consultant prior to approval for recommendation by the Governance and Compensation Committee and subsequently the Board. This has been completed by Company.

6) The Governance and Compensation Committee and/or the Board as a whole should undertake an assessment of the composition of the Board and each committee having regard for the qualifications and experience of the current directors and the recommendations contained in Initial Report. This has been completed by Company.

7) The Governance and Compensation Committee should develop, with the assistance of the Company's legal counsel, a process for the annual evaluation of the performance of the Board and each committee and for each individual director. This has been completed by Company.

8) The Governance and Compensation Committee should consider recommending the implementation of a Majority Voting Policy. This was considered by Company and the Company determined that it was not required given the current stage of Company.

9) The Chairman of the Board and each committee should work with the Company's legal counsel to improve the documentation of meetings, including the form and content of notices, waivers and minutes. This has been completed by Company.

Following the delivery of the Initial Report, the Consultant prepared, and on July 4, 2018 conducted, a corporate governance course for the directors of the Company on disclosure issues as required by the terms of the Agreement. The course curriculum was submitted to Staff of the OSC and Staff indicated that it had no objections to the curriculum or the course being conducted by the Consultant.

The final report on the implementation by the Company of the corporate governance recommendations contained in the Initial Report was completed by the Consultant and delivered to the OSC on April 16, 2019. The Consultant concluded that:

Overall, based on the information provided to the Consultant, the Company and its Board appear to have implemented all of the recommendations of the Consultant contained in the Initial Report and the policies and procedures that have been adopted and are being followed by the Company and its Board represent a substantial improvement over the prior corporate governance practices of the Company and its Board. The Company and its Board will need to ensure that the new policies and procedures continue to be followed and reviewed at least annually to ensure they reflect the current regulatory environment and remain appropriate as the Company grows and matures.

Overview of Financial Performance

During the year ended December 31, 2018 under review, the Company's financial performance and its operating results reflected the continued investment by the Company into its future prosperity through

research, development and clinical initiatives culminating in the successful completion of the Phase Ib NMIBC clinical study.

Summary of Selected Annual Information (expressed in Canadian Dollars)

For the years ended December 31:

	2018	2017	2016
Total revenues	$ 1,734,072	$ 2,342,508	$ 1,918,893
Net loss	(3,356,877)	(6,093,596)	(4,921,288)
Basic and diluted loss per share	$ (0.03)	$ (0.05)	$ (0.05)
Total assets	$ 3,564,419	$ 3,322,707	$ 6,240,783
Total liabilities	2,565,780	1,277,142	549,742
Deficit	(35,238,240)	(31,881,363)	(25,787,767)
Shareholders' Equity	$ 998,639	$ 2,045,565	$ 5,691,041

Summary of Quarterly Results (expressed in Canadian Dollars)

	2018			
For the period ending:	**December 31**	**September 30**	**June 30**	**March 31**
Total revenues	$ 457,442	$ 365,940	$ 469,497	$ 441,193
Net loss	(744,709)	(722,817)	(885,283)	(1,004,068)
Basic and diluted loss per share	$ (0.005)	$ (0.006)	$ (0.007)	$ (0.008)
As at:	**December 31**	**September 30**	**June 30**	**March 31**
Total assets	$ 3,564,419	$ 2,865,364	$ 2,675,199	$ 3,147,237
Total liabilities	2,565,780	1,843,450	1,460,411	2,590,263
Deficit	(35,238,240)	(32,885,431)	(33,770,714)	(34,493,531)
Shareholders' Equity	$ 998,639	$ 1,021,914	$ 1,214,788	$ 556,974

	2017			
For the period ending:	**December 31**	**September 30**	**June 30**	**March 31**
Total revenues	$ 988,254	$ 337,520	$ 509,306	$ 507,428
Net loss	(1,199,823)	(1,655,749)	(1,765,840)	(1,472,184)
Basic and diluted loss per share	$ (0.007)	$ (0.014)	$ (0.014)	$ (0.014)
As at:	**December 31**	**September 30**	**June 30**	**March 31**
Total assets	$ 3,322,707	$ 3,626,255	$ 4,382,203	$ 4,821,300
Total liabilities	1,277,142	520,388	592,622	518,032
Deficit	(31,881,363)	(30,681,538)	(29,025,790)	(27,259,951)
Shareholders' Equity	$ 2,045,565	$ 3,105,867	$ 3,789,581	$ 4,303,268

	2016			
For the period ending:	**December 31**	**September 30**	**June 30**	**March 31**
Total revenues	$ 712,167	$ 313,588	$ 481,690	$ 411,448
Net loss	(1,002,930)	(1,461,903)	(1,310,676)	(1,145,739)
Basic and diluted loss per share	$ (0.00)	$ (0.01)	$ (0.01)	$ (0.02)
As at:	**December 31**	**September 30**	**June 30**	**March 31**
Total assets	$ 6,240,783	$ 3,417,731	$ 4,576,402	$ 6,026,599
Total liabilities	549,742	563,229	356,694	704,445
Deficit	(25,787,767)	(24,784,842)	(23,322,939)	(22,012,258)
Shareholders' Equity	$ 5,691,041	$ 2,854,502	$ 4,219,708	$ 5,322,154

For the three-month period ended December 31, 2018 total revenue decreased to $457,442 from $988,254 for the same period in 2017, a 54% decrease. The decrease in revenues is attributed to the termination of certain sales and marketing personnel and decreased spending in advertising.

Cost of sales for the three-month period ended December 31, 2018 was $227,137 (50% of revenue) resulting in a gross margin of $230,305 or 50% of revenue, compared to a cost of sales of $386,789 (39% of revenue) in 2017, resulting in a gross margin of $601,465 or 61% of revenue. The cost of sales increase, year over year, is attributed to decreased revenues, while fixed costs remained constant.

Selling and marketing expenses for the three-month period ended December 31, 2018 decreased to $197,591 or 43% of sales, from $509,719 or 52% of sales in 2017, a 61% decrease. Selling and marketing expenses decreased year over year, due to the restructuring of the Canadian and US sales and marketing departments resulting in the termination of certain sales and marketing personnel and decreased spending in advertising. Administrative expenses for the three-month period ended December 31, 2018 were $339,458 representing a 51% decrease from $689,469 in 2017.

Decreases in administrative expenses are attributed to the following:

- Professional fees decreased by 76% as a result of decreased securities and patent legal costs.
- Insurance expenses decreased 38% as a result of decreased employee health insurance costs.
- Stock based compensation decreased by 51% due to certain current employees forfeiting non-vested and non-exercised stock options totaling 4,300,000 and certain terminated or resigned employees forfeiting non-vested and non-exercised options totaling 240,000.

Net research and development expenses totaled $436,964 for the three-month period ended December 31, 2018 compared to $608,131 in 2017, a 28% decrease. Research and development expenses decreased primarily due to decreased expenses for conducting the Study I. Research and development expenses represented 45% of the Company's operating expenses for the three-month period ended December 31, 2018 and represent investment into the research and development of the Company's ACT technology.

Liquidity and Capital Resources

As of December 31, 2018, current assets aggregated to $2,744,788 compared with current liabilities of $2,565,780 netting working capital of $178,880 and a current ratio (current assets vs. current liabilities) of approximately 1.1:1.

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

The Company's objective is to maintain a sufficient capital base to support future research, development and strategic business initiatives allowing the Company to invest in its future and maintain investor, creditor and market confidence. The capital structure of the Company consists of cash, cash equivalents and shareholder's equity.

As of December 31, 2018, the Company had cash and cash equivalents of $1,033,699. 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 2016 and 2018. 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

	2018	2017	2016
Sales Revenue	$ 1,621,157	$ 2,151,702	$ 1,754,569
Service Revenue	68,933	101,661	90,660
Clinic Revenue	9,351	58,966	46,988
Other Revenue	34,632	30,179	26,676
	1,734,072	**2,342,508**	**1,918,893**

For the year ended December 31, 2018, total revenue decreased to $1,734,072 from $2,342,508 for the same period in 2017, a 26% decrease. In Canada, revenue decreased 38% to $1,205,312 from $1,942,010. In the US, revenue increased 16% to $304,785 from $261,833 and international revenue increased 62% to $223,975 from $138,665. The decrease in total revenue in 2018 is due to the restructuring of the sales and marketing departments resulting in the termination of certain sales and marketing personnel and decreased spending in advertising.

Cost of sales

Cost of sales for the year ended December 31, 2018 was $786,433 (45% of revenue) resulting in a gross margin of $947,639 or 55% of revenue, compared to a cost of sales of $945,010 (40% of revenue) in 2017, resulting in a gross margin of $1,397,498 or 60% of revenue. Cost of sales is represented by the following costs: raw materials, subcontracting, direct and indirect labour and the applicable share of manufacturing overhead.

The gross margin as a percentage of sales decrease, year over year, is attributed to discounted sales pricing for the TLC-1000 and TLC-2000 product lines

Operating Expenses

For the year ended December 31, 2018, selling and marketing expenses decreased to $871,405 or 50% of sales, from $1,917,106 or 82% of sales in 2017, a 55% decrease and consisted of the following items:

	2018	2017	2016
Sales salaries	$ 542,033	$ 1,279,507	$ 946,319
Advertising	100,754	237,866	300,931
Commission	89,186	121,117	94,159
Travel	55,922	163,427	193,718
Stock based compensation	1,888	13,413	21,756
Amortization and depreciation allocation	81,622	101,776	57,797
Total selling expenses	**$ 871,405**	**$ 1,917,106**	**$ 1,614,680**

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

Administrative expenses for the year ended December 31, 2018 decreased to $1,739,665 from $2,912,170 in 2017, representing a 40% decrease, and consisted of the following items:

	2018	2017	2016
Insurance	$ 50,625	$ 105,590	$ 83,147
Professional fees	412,633	668,211	304,249
Rent	99,061	108,781	93,513
General and administrative expenses	247,096	548,566	674,578
Administrative salaries	692,428	936,808	865,465
Director and advisory fees	42,629	62,140	82,896
Stock based compensation	153,091	429,120	413,585
Amortization and depreciation allocation	42,102	52,954	29,273
Total administrative expenses	**$ 1,739,665**	**$ 2,912,170**	**$ 2,546,706**

Decreases in administrative expenses are attributed to the following:

- Administrative salaries decreased by 26% due to the termination and/or resignation of certain administrative staff.
- Stock based compensation decreased 64% due to certain current employees forfeiting non-vested and non-exercised stock options totaling 4,300,000 and certain terminated or resigned employees forfeiting all non-vested and non-exercised options totaling 240,000.
- General and administrative expenses decreased 55% due to decreased investment in investor relations and recruiting expenses.

Research and Development Expense

Net research and development expenses for the year ended December 31, 2018 decreased to $1,703,803 from $2,652,969 in 2017, a 36% decrease, and consisted of the following items:

	2018	2017	2016
Research and development	$ 1,718,619	$ 2,684,559	$ 1,949,253
Stock based compensation	25,980	51,657	56,142
Amortization and depreciation allocation	99,204	99,205	62,226
Gross research and development expenses	**1,843,803**	**2,835,421**	**2,067,621**
Less: Investment tax credits	(140,000)	(182,452)	(200,000)
Net research and development expenses	**$ 1,703,803**	**$ 2,652,969**	**$ 1,867,621**

Research and development expenses for the year ended December 31, 2018 decreased primarily due to decreased expenses for conducting the Study I and placing the software, firmware and hardware modifications of the TLC-2000 laser system on temporary hold. As of March 25, 2019 the Company has recommenced development of the TLC-2000 laser system. Research and development expenses represented 40% of the Company's operating expenses for the year ended December 31, 2018 and represent investment into the research and development of the Company's ACT.

Net Profit (Loss)

The net loss for the year ended December 31, 2018 was $3,356,877 which included $409,816 of net non-cash expenses (i.e.: amortization, stock-based compensation expense, foreign exchange gain/loss and lease inducements). This compared to a net loss for the same period in 2017 of $6,093,596, which included $762,101 of net non-cash expenses. The ACT division represented $2,035,491 of this loss (61%) for the year ended December 31, 2018.

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

1) Decreased investment in research and development in the Phase Ib NMIBC clinical study.
2) Decreased investment in external engineering resources to redesign the software, firmware and hardware of the TLC-2000 therapeutic laser.
3) Decreased sales, marketing and administrative costs.

Cash Flows

Funds used in operating activities, prior to net changes in other operating items, amounted to $2,947,061 for the year ended December 31, 2018, compared to funds used in operating activities of $5,331,495 in 2017. Funds used in operating activities after taking into account net changes in other non-cash operating items were $1,215,663 for the year ended December 31, 2018, compared to funds used of $4,259,858 for the same period in 2017.

Funds used in investing for the year ended December 31, 2018 amounted to $133,532 compared to $410,366 for 2017. The decrease is primarily a result of decreased spending on tools, dies and equipment related to the TLC-3200 Medical Laser System technology.

Funds obtained from financing activities amounted to $2,128,992 for the year ended December 31, 2018, compared to $1,953,925 obtained in financing activities for 2017. The non-brokered private placements, which closed May 14, 2018 and October 3, 2018 are responsible for the funding activities in 2018, while the exercise of warrants in 2017 is responsible for the funding activities in 2017.

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 $18,002.

Commitments

As of December 31, 2018, the Company's commitments consisted of the following:

	Total	2019	2020	2021	2022	2023
Lease obligations (a)	$ 227,312	57,887	59,797	59,797	49,831	-
Research Commitments (b)	$ 175,560	58,520	58,520	58,520	-	-
Research Agreement (c)	$ 84,000	84,000	-	-	-	-
Total	**$ 486,872**	**$ 200,407**	**$ 118,317**	**$ 118,317**	**$ 49,831**	**-**

a) Lease obligations under a lease agreement related to the Company's premises, commenced on October 1, 2017 and expires on September 30, 2022. Under the terms of this lease, the Company is required to pay a proportionate share of operating costs, realty taxes and utilities, in addition to the minimum rental payments. The future minimum lease payments are shown in the table above.

b) Research Commitments under a research collaboration agreement with University Health Network for the Ontario Research Fund project. Under the terms of this agreement, the Company is required to pay $348,600 for the period from June 1, 2017 through to June 1, 2021. The Company has paid $173,040 relating to this commitment, in which $175,560 is the remaining commitment.

c) Research Commitments under a sponsored research agreement with University Health Network for the TLC-3000 cancer therapy project. Under the terms of this agreement, the Company is required to pay $128,800 for the period from November 1, 2018 through to October 31, 2019. The Company has paid $44,800 relating to this commitment, in which $84,000 is the remaining commitment.

The Company indemnifies its directors and officers against any and all costs, charges and expenses, including settlements of claims in respect of any civil, criminal or administrative action incurred in the performance of their service to the Company to the extent permitted by law. The Company maintains liability insurance for its officers and directors.

Share Capital Analysis

As of April 17, 2019, the share capital of the Company consisted of 145,182,042 common shares. Each common share entitles the holder to one vote per share.

As of April 17, 2019, there were 5,770,000 options outstanding, of which 3,703,332 were vested and exercisable into an equivalent number of the Company's common shares.

As of April 17, 2019, there were 35,639,705 warrants outstanding. Each whole warrant entitles the holder thereof to purchase one additional common share. The warrants are exercisable as follows: 19,071,940 at a price of $0.54 until March 3, 2020, 6,148,599 at a price $0.375 until November 10, 2021, 3,159,000 at a price of $0.30 until May 14, 2020, 3,165,009 at a price of $0.50 until October 3, 2020 and 4,095,157 at a price of $0.50 until January 9, 2021.

Segmented Information

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

The following table displays revenue and direct expenses from the ACT and MLT division for the years ended December 31, 2018 and 2017:

	2018			2017			2016		
	MLT	ACT	Total	MLT	ACT	Total	MLT	ACT	Total
Sales	$ 1,734,072	$ -	$ 1,734,072	$ 2,342,508	$ -	$ 2,342,508	$ 1,918,893	$ -	$ 1,918,893
Cost of Sales	786,433	-	786,433	945,010	-	945,010	796,569	-	796,569
Gross Margin	947,639	-	947,639	1,397,498	-	1,397,498	1,122,324	-	1,122,324
Operating Expenses									
Selling expenses	871,405	-	871,405	1,917,106	-	1,917,106	1,614,680	-	1,614,680
Administrative expenses	1,157,101	582,564	1,739,665	1,760,660	1,151,510	2,912,170	1,278,647	1,268,059	2,546,706
Research and development expenses	255,011	1,448,792	1,703,803	817,621	1,835,348	2,652,969	337,296	1,530,325	1,867,621
(Gain) loss on foreign exchange	3,803	3,803	7,606	7,688	7,688	15,376	14,898	14,898	29,796
Interest expense	331	332	663	43	44	87	99	99	198
Interest income	(18,626)	-	(18,626)	(6,614)	-	(6,614)	(15,429)	-	(15,429)
	2,269,025	2,035,491	4,304,516	4,496,504	2,994,590	7,491,094	3,230,191	2,813,381	6,043,572
Loss for the period	$ (1,321,386)	$ (2,035,491)	$ (3,356,877)	$ (3,099,006)	$ (2,994,590)	$ (6,093,596)	$ (2,107,867)	$ (2,813,381)	$ (4,921,248)
Total Assets	$ 3,356,309	$ 208,110	$ 3,564,419	$ 3,041,611	$ 281,096	$ 3,322,707	$ 5,951,273	$ 289,510	$ 6,240,783
Total Liabilities	2,181,850	383,930	2,565,780	1,022,023	255,119	1,277,142	495,497	54,245	549,742

The following table displays revenue and direct expenses from MLT division product sales by geographic area for the years ended December 31, 2018 and 2017:

	2018			2017			2016		
	Canada	USA	International	Canada	USA	International	Canada	USA	International
Sales	$ 1,205,312	$ 304,785	$ 223,975	$ 1,942,010	$ 261,833	$ 138,665	$ 1,423,181	$ 416,812	$ 78,900
Cost of Sales	559,701	128,229	98,503	798,322	98,697	47,991	590,789	173,027	32,753
Selling Expenses	603,430	139,924	128,051	1,432,315	390,989	93,802	1,305,151	309,529	-
	$ 42,181	**$ 36,632**	**$ (2,579)**	**$ (288,627)**	**$ (227,853)**	**$ (3,128)**	**$ (472,759)**	**$ (65,744)**	**$ 46,147**

As of December 31, 2018, and December 31, 2017, the Company's long-lived assets used in operations are all located in Canada.

Selected Financial Information and Accounting Policies

The audited consolidated financial statements for the year ended December 31, 2018, 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, 2017. Please refer to the Company's annual and quarterly financial statement filings, including material interim press releases, on sedar at www.sedar.com.

Use of Financial Instruments

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

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

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

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

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

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

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

(i) Credit risk:

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

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

Cash equivalents are held in high-grade, bankers' acceptance and other low risk investments with no exposure to liquidity or other risk associated with Asset-Backed Securities. These financial instruments are classified as held for trading as they may periodically be traded before their maturity date; however, the majority of these financial instruments are classified as held to maturity and would not result in a significant risk of fair value changes if held to maturity. As of December 31, 2018, no cash equivalents were held (2017-$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 audited consolidated financial statements as of December 31, 2018 and 2017 and for the year ended December 31, 2018 and 2017 have been prepared in accordance with IFRS.

The policies applied in the audited condensed consolidated financial statements as of December 31, 2018 and 2017 and for the years ended December 31, 2018 and 2017 are based on IFRS issued and outstanding as of April 16, 2019 which is the date at which the Company's Board of Directors approved the audited condensed consolidated financial statements.

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

policies, assumptions, estimates and judgments in order to ensure that the consolidated financial statements are presented fairly and in accordance with IFRS.

Critical accounting estimates and judgments are those that have a significant risk of causing material adjustment and are often applied to matters or outcomes that are inherently uncertain and subject to change. As such, management cautions that future events often vary from forecasts and expectations and that estimates routinely require adjustment. A summary of those areas where the Company's management believe critical accounting policies affect the significant judgments and estimates used in the preparation of the financial statements can be found in note 2 to the audited consolidated financial statements of December 31, 2018 and 2017 and for the years ended December 31, 2018 and 2017.

Adoption of New Accounting Standards

On January 1, 2018, the Company implemented IFRS 15, "Revenue From Contracts with Customers" ("**IFRS 15**") and IFRS 9, "Financial Instruments" ("**IFRS 9**"), in accordance with IAS 8, "Accounting Policies, Changes in Accounting Estimates and Errors". The impacts on implementation of IFRS 15 and IFRS 9 are described below.

IFRS 15
The Company adopted all the requirements of IFRS 15 Revenue from Contracts with Customers ("**IFRS 15**") as of January 1, 2018 using the modified prospective approach. IFRS 15 utilizes a methodical framework for entities to follow in order to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. The change did not impact the cumulated revenue recognized or the related assets and liabilities on the transition date. The adoption also resulted in no impact to the opening accumulated deficit nor to the opening balance of accumulated comprehensive income on January 1, 2018.

IFRS 9
The Company adopted all of the requirements of IFRS 9 Financial Instruments ("**IFRS 9**") as of January 1, 2018. IFRS 9 replaces IAS 39 Financial Instruments: Recognition and Measurement ("**IAS 39**"). IFRS 9 utilizes a revised model for recognition and measurement of financial instruments and a single, forward-looking"expected loss" impairment model. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward in IFRS 9, so the Company's accounting policy with respect to financial liabilities is unchanged.

As a result of the adoption of IFRS 9, management has changed its accounting policy for financial assets retrospectively, for assets that continued to be recognized at the date of initial application. The change did not impact the carrying value of any financial assets or financial liabilities on the transition date. The following is the Company's accounting policy for financial instruments under IFRS 9:

(i) Classification

The Company classifies its financial instruments in the following categories: at Fair Value Through Profit and Loss ("**FVTPL**"), at Fair Value Through Other Comprehensive Income (loss) ("**FVTOCI**") or at amortized cost. The Company determines the classification of financial assets at initial recognition. The classification of debt instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Equity instruments that are held for trading are classified as FVTPL. For other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument-by-instrument basis) to designate them as at FVTOCI. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL (such as instruments held for trading or derivatives) or if the Company has opted to measure them at FVTPL. The Company completed a detailed assessment of its financial

assets and liabilities as at January 1, 2018. The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

Financial assets/liabilities	Original classification (IAS 39)	New classification (IFRS 9)	Original carrying amount (IAS 39)	New carrying amount (IFRS 9)
Accounts receivables	Amortized cost	Amortized cost	1,164,469	1,164,469
Accounts payable and accrued liabilities	Amortized cost	Amortized cost	1,277,142	1,277,142

The Company did not restate prior periods as it recognized the effects of retrospective application to stockholders' equity at the beginning of the 2018 annual reporting period, which also includes the date of initial application. The adoption of IFRS 9 resulted in no impact to the opening accumulated deficit nor to the opening balance on January 1, 2018.

(ii) Measurement

Financial assets and liabilities at amortized cost: Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL: Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the consolidated statements of operations. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the consolidated statements of operations in the period in which they arise.

(iii) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to the twelve month expected credit losses. The Company shall recognize in the consolidated statements of operations, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

(iv) Derecognition

Financial assets - The Company derecognizes financial assets only when the contractual rights to cash flows from the financial assets expire, or when it transfers the financial assets and substantially all of the associated risks and rewards of ownership to another entity. Gains and losses on derecognition are generally recognized in the consolidated statements of operations.

Accounting Standards Issued but Not Yet Applied

The IASB has issued the following standard which has not yet been adopted by the Company.

***IFRS 16, Leases** ("**IFRS 16**")* was issued in January 2016 and specifies how to recognize, measure, present and disclose leases. The standard provides a single lease accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value.

Lessor accounting; however, remains largely unchanged from IAS 17 and the distinction between operating and finance leases is retained. The standard will affect primarily the accounting for the Company's operating leases. This will result in additional right-to-use assets, as well as lease liabilities, for which management is in the process of finalizing the valuation. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

Disclosure of Internal Controls

Management has established process which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the financial statements, and (ii) the financial statements fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date of and for the periods presented by the financial statements.

In contrast to the certificate required under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings* (NI 52-109), the Company utilizes the Venture Issuer Basic Certificate, which does not include representations relating to the establishment and maintenance of Disclosure Controls and procedures ("***DC&P***") and Internal Control over Financial Reporting ("***ICFR***"), as defined in NI 52-109. In particular, the certifying officers filing the Certificate are not making any representations relating to the establishment and maintenance of: (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and (ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP. The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

In connection with the audits of the Company's audited consolidated financial statements for the years ended December 31, 2017 and 2016, the Company's independent registered public accountants identified certain material weaknesses in the Company's internal control over financial reporting. Such material weaknesses continue to exist as of December 31, 2018. A "material weaknesses" is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company's annual or interim financial statements will not be prevented or detected on a timely basis. The material weaknesses relates to not having a full segregation of duties within members of its accounting staff dedicated to financial reporting functions so that all journal entries and account reconciliations are reviewed by someone other than the preparer, heightening the risk of error or fraud, and a proper system for updating inventory values as of the end of each reporting period. If the Company is unable to remediate the material weakness, or other control deficiencies are identified, the Company may not be able to report the it's financial results accurately, prevent fraud or file the it's periodic reports as a public company in a timely manner.

Risks and Uncertainties

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

Limited Operating History

The Company is still in the development and commercialization stages of its businesses and therefore will be subject to the risks associated with early stage companies, including uncertainty of the success and acceptance of its products, uncertainty of revenues, markets and profitability and the continuing need to raise additional capital. The Company's business prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in this stage of development. Such risks include the evolving and unpredictable nature of the Company's business, the Company's ability to anticipate and adapt to a developing market, acceptance by consumers of the Company's products, the ability to identify, attract and retain qualified personnel and the ability to generate sufficient revenue or raise sufficient capital to carry out its business plans. There can be no assurance that the Company will be successful in adequately mitigating these risks.

Working Capital and Capital Resources

The Company has not been able to consistently generate sufficient profits from its revenue to provide the financial resources necessary to continue to have sufficient working capital for the development of its products and marketing activities. There is no assurance that future revenues will be sufficient to generate the required funds to continue product development, business development and marketing activities or that additional funds required for such working capital will be available from financings.

These conditions indicate the existence of material uncertainties that cast substantial doubt about the Corporation's ability to continue as a going concern. The Corporation'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 Corporation 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.

April 17, 2019

Shawn Shirazi
Chief Executive Officer Drug Division