Theralase Technologies Inc.

Unaudited Condensed Interim Consolidated Financial Statements

As at March 31, 2023 and for the three-month period ended March 31, 2023 and 2022

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

THERALASE® TECHNOLOGIES INC.

Consolidated Statements of Financial Position
As at March 31
Stated in Canadian Dollars

	Note	2023	2022
Assets			
Current assets			
Cash and cash equivalents		**$ 365,877**	$ 1,508,617
Trade and other receivables	3	**305,605**	295,668
Net investment in lease	4	**167,597**	140,943
Inventories	5	**572,557**	485,535
Prepaid expenses and other assets		**113,003**	70,106
Total current assets		**1,524,639**	2,500,869
Non-current assets			
Net investment in lease	4	**628,600**	553,261
Property and equipment	6	**625,356**	660,803
Right-of-use-assets	7	**422,374**	445,971
Total non-current assets		**1,676,330**	1,660,035
Total Assets		**$ 3,200,969**	$ 4,160,904
Liabilities			
Current liabilities			
Payables and accruals	8	**$ 898,256**	$ 594,713
Current portion of lease liabilities	7	**88,271**	86,744
Total current liabilities		**986,527**	681,457
Non-current liabilities			
Lease liabilities	7	**364,232**	386,879
Total non-current liabilities		**364,232**	386,879
Total Liabilities		**1,350,759**	1,068,336
Equity attributable to shareholders			
Share capital	9, 11	**44,527,135**	44,527,135
Contributed surplus	10,11	**11,541,550**	11,374,205
Common share purchase warrants	11	**5,859,605**	5,642,914
Accumulated deficit		**(60,078,080)**	(58,451,686)
Total Equity		**1,850,210**	3,092,568
Total Shareholders' Equity and Liabilities		**$ 3,200,969**	$ 4,160,904

Commitments (Note 20)

Approved on Behalf of the Board

[Randy Bruder] Director

[Matthew Perraton] Director

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

THERALASE® TECHNOLOGIES INC.

Consolidated Statements of Operations
For the three months ended March 31
Stated in Canadian Dollars

	Note	2023	2022
Sales		**$ 207,161**	$ 211,662
Cost of sales		**114,638**	120,430
Gross margin		**92,523**	91,232
Operating expenses			
Selling expenses	14	**74,671**	87,640
Administrative expenses	15	**522,695**	418,087
Research and development expenses	16	**910,280**	1,298,035
Loss on foreign exchange		**(1,638)**	(7,229)
Interest accretion on lease liabilities	7	**8,166**	616
Interest income		**(12,698)**	(4,428)
		1,501,476	1,792,721
Net loss and comprehensive loss for the period		**$ (1,408,953)**	$ (1,701,489)
Basic and diluted loss per common share	13	**(0.007)**	(0.008)
Weighted average number of common shares		**216,502,675**	204,350,875

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

THERALASE® TECHNOLOGIES INC.

Consolidated Statements of Cash Flows
For the three months ended March 31
Stated in Canadian Dollars

	2022	2021
Cash flows from operating activities		
Net loss and comprehensive loss for the period	**$ (1,408,953)**	$ (1,701,489)
Items not involving cash:		
Amortization of property and equipment	**47,317**	50,111
Amortization of right-of-use assets	**23,597**	12,814
Stock-based compensation expense	**167,345**	43,288
Loss on foreign exchange	**(1,638)**	(7,229)
Interest accretion from lease liabilities	**8,166**	616
	(1,164,166)	(1,601,889)
Change in operating assets and liabilities other than cash:		
Current trade and other receivables	**(8,299)**	(47,934)
Non-current trade receivables	**-**	2,459
Net investment in leases	**(101,993)**	(119,021)
Inventories	**(87,022)**	29,588
Prepaid expenses and other assets	**(42,897)**	124,653
Payables and accruals	**295,377**	474,224
	(1,109,000)	(1,137,920)
Cash flows from investing activity		
Purchase of property and equipment	**(11,870)**	(75)
	(11,870)	(75)
Cash flows from financing activities		
Payment of lease liabilities	**(21,122)**	(14,874)
Warrant extension costs	**(750)**	-
Proceeds from private placement (net of issuance costs)		
Proceeds from the exercise of share warrants		45,000
	(21,872)	30,126
Decrease in cash and cash equivalents during the period	**(1,142,740)**	(1,107,869)
Cash and cash equivalents, beginning of period	**1,508,617**	3,691,659
Cash and cash equivalents, end of period	**$ 365,877**	$ 2,583,790
Supplementary Information		
Interest received	**$ 12,698**	$ 4,428

THERALASE® TECHNOLOGIES INC.

Consolidated Statements of Changes in Equity
For the three months ended March 31
Stated in Canadian Dollars

	Note	Number of Shares	Share Capital	Contributed Surplus	Common Share Purchase Warrants	Deficit	Total Shareholders' Equity
		#	$	$	$	$	$
Balance, December 31, 2021		204,275,875	42,120,421	10,944,099	5,097,970	(53,092,298)	5,070,192
Stock-based compensation expense	10	-	-	43,288	-	-	43,288
Exercised warrants	11	150,000	53,685	-	(8,684)	-	45,000
Net loss and comprehensive loss for the period		-	-	-	-	(1,701,489)	(1,701,489)
Balance, March 31, 2022		204,275,875	42,174,106	10,987,387	5,089,286	(54,793,787)	3,456,992
Balance, December 31, 2022		**216,502,675**	**44,527,135**	**11,374,205**	**5,642,914**	**(58,451,686)**	**3,092,568**
Stock-based compensation expense	**10**	**-**	**-**	**167,345**	**-**	**-**	**167,345**
Extension of warrants	**11**	**-**	**-**	**-**	**217,441**	**(217,441)**	**-**
Warrants extension costs	**11**	**-**	**-**	**-**	**(750)**	**-**	**(750)**
Net loss and comprehensive loss for the period		**-**	**-**	**-**	**-**	**(1,408,953)**	**(1,408,953)**
Balance, March 31, 2023		**216,502,675**	**44,527,135**	**11,541,550**	**5,859,605**	**(60,078,080)**	**1,850,210**

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 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 unaudited 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 March 31, 2023, and have been prepared in accordance with International Accounting Standard ("**IAS**") 34 "Interim Financial Reporting". The unaudited 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, 2022, but do not include all the information and disclosures required in the Company's audited annual financial statements. The preparation of unaudited 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 2022 audited annual consolidated financial statements. These unaudited interim condensed consolidated financial statements should be read in conjunction with the Company's audited annual consolidated financial statements for the year ended December 31, 2022.

The unaudited 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 three-month period ended March 31, 2023, the Company had a net loss of $1,449,953 (2022 - $1,701,489), an accumulated deficit of $60,119,079 (December 31, 2022 -$58,451,686) 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'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,

1. Nature of Operations (Continued)

accordingly the Company will require additional capital to continue to research and develop its ACT technology and market its CLT products as it continues to develop sales opportunities. The Company is currently seeking new financing opportunities and intends to complete a financing round in Q2 2023. The Company has successfully raised capital through equity offerings in 2022 and 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 continues to monitor closely its expenses and is postponing or cancelling any non-essential expenses in order to preserve cash resources until new financing is obtained. These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

Management believes the Company will continue in operation for the foreseeable future and will be able to secure additional financing to satisfy its liabilities and commitments in the normal course of business, and accordingly, it is appropriate to prepare these consolidated financial statements on a going concern basis.

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 unaudited condensed interim consolidated financial statements for the three-month period ended March 31, 2023 (including comparatives) were approved and authorized for issue by the board of directors on May 30, 2023.

2. Summary of Significant Accounting Policies

Basis of presentation

These unaudited 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 unaudited 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, 2022.

Basis of consolidation

The unaudited 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 unaudited condensed interim consolidated financial statements.

3. Trade and Other Receivables

	As at March 31 2023	As at December 31, 2022
Trade receivable (net amount)	**$ 24,866**	$ 54,948
Government tax credits receivable	**280,739**	240,720
Total	**$ 305,605**	**$ 295,668**

Write off of trade receivables for the three-month period ended amounted to $nil which was previously provided for (2022 - $nil). Refer to note 18 (i) for the continuity schedule of allowance for trade receivables.

Stated in Canadian Dollars

3. Trade and Other Receivables (Continued)

Government tax credits receivable comprise of research and development investment tax from the federal government which relate to qualifiable research and development expenditures under the applicable tax laws. Research and development tax credits receivable total $41,000 for the three-month period ended March 31, 2022 (December 31, 2022 - $188,000) and has been allocated against research and development expenses.

The Company's exposure to credit and currency risks related to trade and other receivables is presented in note 16.

4. Net Investment in Leases

Net investment in leases represent amounts owing from customers to whom the Company sold products under a finance lease with payment term of 60 months. Investment in lease receivables is 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.

	As at March 31, 2023	As at December 31, 2022
Lease beginning balance	**694,204**	88,373
New leases for the period	**139,330**	676,288
Interest charge for the period[1]	**7,039**	10,759
Lease payments for the period[2]	**(44,376)**	(81,216)
Total	**796,197**	694,204

1) Lease investments are discounted using prime rate at time of inception
2) Lease investments does not include any variable payments of $0.50 per minute of use.

	As at March 31, 2023	As at December 31, 2022
Lease Investment (net amount)	**796,197**	694,204
Less: Non-current lease investment	**(628,600)**	(553,261)
Total	**167,597**	140,943

Principal receivables of the Company's investment in leases until maturity are as follows:

2023	124,514
2024	177,258
2025	186,728
2026	190,113
2027	112,367
2028	5,217
Total	**796,197**

Stated in Canadian Dollars

5. Inventories

	As at March 31 2023	As at December 31, 2022
Raw materials	**$ 318,652**	$ 199,557
Finished goods	**253,905**	285,978
Total	**$ 572,557**	$ 485,535

During the three-month period, inventories amounting to $36,077 (2022 - $47,602) were incurred as expense in cost of sales in the Consolidated Statements of Operations.

6. Property and Equipment

Cost

	Tools and Dies	Computer Equipment	Furniture and Fixtures	Rental units[1]	Equipment	Leasehold Improvements	Total
Balance at January 1, 2022	$ 196,413	$ 278,145	$ 73,517	$ 135,842	$ 1,006,651	$ 261,782	$ 1,952,350
Additions	182	-	11,926	57,348	614	342	70,412
Balance at December 31, 2022	196,595	278,145	85,443	193,190	1,007,265	262,124	2,022,762
Balance at January 1, 2022	**$ 196,595**	**$ 278,145**	**$ 85,443**	**$ 193,190**	**$ 1,007,265**	**$ 262,124**	**$ 2,022,762**
Additions	**-**	**-**	**-**	**-**	**10,335**	**1,535**	**11,870**
Balance at March 31, 2023	**$ 196,595**	**$ 278,145**	**$ 85,443**	**$ 193,190**	**$ 1,017,600**	**$ 263,659**	**$ 2,034,632**
Depreciation							
Balance at January 1, 2022	$ 147,862	$ 214,597	$ 44,714	$ 127,191	$ 391,479	$ 199,321	$ 1,125,164
Depreciation for the year	12,156	19,065	6,152	7,973	144,514	46,935	236,795
Balance at December 31, 2022	160,018	233,662	50,866	135,164	535,993	246,256	1,361,959
Balance at January 1, 2022	**$ 160,018**	**$ 233,662**	**$ 50,866**	**$ 135,164**	**$ 535,993**	**$ 246,256**	**$ 1,361,959**
Depreciation for the period	**2,255**	**3,291**	**1,719**	**3,065**	**33,699**	**3,288**	**47,317**
Balance at March 31, 2023	**$ 162,273**	**$ 236,953**	**$ 52,585**	**$ 138,229**	**$ 569,692**	**$ 249,544**	**$ 1,409,276**
Carrying Amounts							
At December 31, 2022	$ 36,577	$ 44,483	$ 34,577	$ 58,026	$ 471,272	$ 15,868	$ 660,803
At March 31, 2023	**$ 34,322**	**$ 41,192**	**$ 32,858**	**$ 54,961**	**$ 447,908**	**$ 14,115**	**$ 625,356**

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

For the three-month period ended March 31, 2023, there was depreciation included in cost of sales amounting to $7,430 (2022 - $7,612).

Stated in Canadian Dollars

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

		Property		Office Equipment		Total
Right-of-use Assets						
Balance at January 1, 2022	$	37,096	$	1,643	$	38,739
Addition	$	477,091	$	6,577	$	483,668
Depreciation charge for the period		74,594		1,842		76,436
Balance at December 31, 2022	$	439,593	$	6,378	$	445,971
Balance at January 1, 2023	**$**	**439,593**	**$**	**6,378**	**$**	**445,971**
Depreciation charge for the period		**23,136**		**461**		**23,597**
Balance at March 31, 2023	**$**	**416,457**	**$**	**5,917**	**$**	**422,374**
Lease Liabilities						
Balance at January 1, 2022	$	34,161	$	1,563	$	35,724
Addition	$	485,822	$	6,576	$	492,398
Interest charge for the period		20,730		519		21,248
Lease payments for the period[1]		(73,600)		(2,148)		(75,748)
Balance at December 31, 2022	$	467,113	$	6,510	$	473,623
Balance at January 1, 2023	**$**	**467,113**	**$**	**6,510**	**$**	**473,623**
Interest charge for the period		**8,054**		**112**		**8,166**
Lease payments for the period [1]		**(28,750)**		**(537)**		**(29,287)**
Balance at March 31, 2023	**$**	**446,417**	**$**	**6,085**	**$**	**452,502**

1) Lease payments are discounted using an incremental borrowing rate of 7% and does not include variable property lease payments of $10,304 (2022 - $9,887).

	As at March 31, 2023			**As at December 31, 2022**		
	Property	**Office Equipment**	**Total**	Property	Office Equipment	Total
Current portion of lease liabilities	**$ 86,492**	**$ 1,779**	**$ 88,271**	$ 107,188	$ 6,510	$ 113,698
Non-current portion of lease liabilities	**359,925**	**4,307**	**364,232**	359,925	-	359,925
	$ 446,417	**$ 6,085**	**$ 452,502**	$ 467,113	$ 6,510	$ 473,623

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

		Property		Office Equipment
2023	$	64,300	$	1,323
2024		91,139		1,874
2025		98,306		2,009
2026		107,209		878
2027		85,462		-
	$	**446,417**	**$**	**6,085**

Stated in Canadian Dollars

8. Payables and Accruals

		As at March 31 2023		As at December 31, 2022
Trade payables	**$**	**505,546**	$	327,887
Salaries, employment taxes, and benefits		**134,874**		102,280
Director fees		**7,500**		12,500
Accrued liabilities		**250,336**		152,046
Total	**$**	**898,256**	$	594,713

9. Private Placement

On September 22, 2022, the Company completed a financing by way of a non-brokered private placement, where 10,000,000 units were issued at a price of $0.25 per unit for gross proceeds of $2,500,000. Each unit consisted of 1 common share and 1 non-transferable common share purchase warrant. Each whole warrant entitles the holder thereof to acquire 1 common share at a price of $0.35, expiring on September 22, 2024. An aggregate of 2,400,000 Units, representing gross proceeds of $600,000, were issued to certain insiders of the Corporation.

In connection with the offering, the Company incurred financing costs of $45,946 of which $24,920 was paid in cash, $19,200 was paid through the issuance of 76,800 common shares and $1,826 was paid through issuance of 58,734 broker warrants. Each broker warrant is exercisable into one common share at an exercise price of $0.35 per share for a period of 60 months after the closing of the offering.

The purchase price of $0.25 per unit was allocated between the common shares ($0.18 per share) and common share purchase warrants ($0.07 per warrant), based on their relative fair values. Management determined that the allocation of the net proceeds of $2,475,080 was $1,747,106 for the common shares issued and $727,974 for the common share purchase warrants issued.

On November 17, 2022, the Company completed a financing by way of a non-brokered private placement, where 1,000,000 units were issued at a price of $0.25 per unit for gross proceeds of $250,000. Each unit consisted of 1 common share and 1 non-transferable common share purchase warrant. Each whole warrant entitles the holder thereof to acquire 1 common share at a price of $0.35, expiring on November 17, 2024. An aggregate of 511,000 units, representing gross proceeds of $127,750, were issued to certain insiders of the Corporation.

In connection with the offering, the Company incurred financing costs of $3,390 of which $3,318 was paid in cash, $72 was paid through issuance of 2,700 broker warrants. Each broker warrant is exercisable into one common share at an exercise price of $0.35 per share for a period of 60 months after the closing of the offering.

The purchase price of $0.25 per unit was allocated between the common shares ($0.18 per share) and common share purchase warrants ($0.07 per warrant), based on their relative fair values. Management determined that the allocation of the net proceeds of 246,683 was $178,119 for the common shares issued and $68,564 for the common share purchase warrants issued.

The fair value of each common share purchase warrants granted was estimated on the dates of the grant using the Black-Scholes option pricing model with the following assumptions:

Stated in Canadian Dollars

	November 17, 2022	September 22, 2022
Expected volatility (based on historical share prices)	85.82%	92.58%
Risk-free interest rate	3.93%	3.78%
Expected life	2 Years	2 Years
Expected dividends	Nil	Nil
Strike Price	$0.35	$0.35
Share Price	$0.25	$0.25

10. Stock Options

The Company has a rolling stock option plan reserving for issue under this plan up to 10% (21,650,267 common shares) of the outstanding common shares at a purchase price not less than the fair market value of the Company's stock at the grant date. Under the Company's stock option plan, the board of directors may grant, at its discretion, stock options to purchase common shares to certain employees, officers, directors and consultants of the Company. Terms and conditions of the stock option and vesting provisions are at the discretion of the Board of Directors.

A summary of stock options issued under the stock option plan for the three-month period ended March 31, 2023 is provided below.

	Common shares under option	Weighted average exercised price $
Outstanding, December 31, 2021	13,370,000	0.31
Option grant during year[1]	7,970,000	0.25
Forfeited during year[2]	(170,000)	0.50
Expired during year[3]	(3,020,000)	0.50
Outstanding, December 31, 2022	18,150,000	0.31
Outstanding, March 31, 2023	**18,150,000**	**0.25**

1) During 2022, options were granted to certain employees of the Company totaling 7,970,000.
2) During 2022, certain employees and consultants were terminated and/or resigned from the employment of the Company and forfeited all non-vested options totaling 170,000.
3) During 2022, options to certain employees and consultants expired unexercised totaling 3,020,000.

The following table summarizes information on the stock options outstanding as at March 31, 2023:

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 $
10,280,000	1.45	0.26	10,280,000	0.26
10,000	3.92	0.50	3,333	0.50
7,860,000	4.63	0.25	-	0.25
18,150,000			**10,283,333**	

Under the stock option plan, the stock options vest over a three year period, commencing one year after the grant. As at March 31, 2023, 10,283,333 of the stock options were vested. All outstanding stock options as at September 30, 2022 will be fully vested by November 17, 2025.

Stated in Canadian Dollars

10. Stock Options (Continued)

Options to employees are measured at the fair value of the equity instruments granted on the grant date and were measured using the Black-Scholes option pricing model with the following weighted average assumptions:

	2022
Risk-free interest rate	2.46%
Expected volatility*	69.30%
Expected life	5 years
Expected dividends	Nil
Weighted average grant date fair value	$0.14
Weighted average exercise price	$0.50
Forfeiture rate	33%

* Based on historical volatility

For the three-month period ended March 31, 2023, the Company recognized stock-based compensation expense of $167,345 (2022 -$43,288) for stock options issued to directors, officers, employees and consultants, of which $101,186 (2022 - $25,708) is included in administrative expenses, and $51,751 (2022 - $41,605) is included in research and development expenses. The remaining stock based compensation amount to be expensed on non-vested options, net of forfeiture, is $762,101.

11. Common Share Purchase Warrants

Common share purchase warrants consisted of the following:

	Number outstanding	Weighted average exercised price $	Fair value at date of grant $
Outstanding December 31, 2021	67,918,165		5,097,970
Exercised[1]	(1,150,000)	0.30	(136,489)
Expired[2]	(2,016,949)	0.30	(238,440)
Extended	-	-	124,086
Extension Costs	-	-	(750)
Granted[3]	11,061,434	0.35	796,537
Outstanding December 31, 2022	75,812,650		5,642,914
Extended	**-**	**-**	**217,441**
Extension Costs	**-**	**-**	**(750)**
Outstanding March 31, 2023	**75,812,650**		**5,859,605**

1) During 2022, 1,150,000 warrants were exercised. The share price at the exercise date was $0.45
2) During 2022, 2,016,949 warrants expired
3) During 2022 11,061,434 warrants were granted at an exercise price of $0.35 (note 10)

Stated in Canadian Dollars

11. Common Share Purchase Warrants (Continued)

The following table summarizes information on the common share purchase warrants outstanding for the three-month period ended March 31, 2023:

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)
$0.500	3,157,059	-	-	-	3,157,059	0.51
$0.500	4,095,157	-	-	-	4,095,157	0.78
$0.350	57,499,000	-	-	-	57,499,000	1.39
$0.350	10,058,734	-	-	-	10,058,734	1.48
$0.350	1,002,700	-	-	-	1,002,700	1.63
	75,812,650	**-**	**-**	**-**	**75,812,650**	1.34

On September 29, 2022, the Board of Directors of the Company extended the expiry date of 3,157,059 share purchase warrants issued on October 3, 2018 by a year to October 3, 2023. The estimated fair value of the warrant extension is $124,086 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, 83.65% and 82.71% expected volatility, 3.76% and 0.24% risk-free interest rate and 1 and 0.005 years warrant expected life. Warrant extension expenses totaling $750 were allocated to these common share purchase warrants.

On January 5, 2023 the Board of Directors of the Company extended the expiry date of 4,095,157 share purchase warrants issued on January 9, 2019 by a year to January 9, 2024. The estimated fair value of the warrant extension is $217,441 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, 71.46% and 90.96% expected volatility, 3.99% and 0.19% risk-free interest rate and 1 and 0.005 years warrant expected life. Warrant extension expenses totaling $750 were allocated to these common share purchase warrants.

12. Share Capital

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

13. Loss Per Common Share

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

Stock options to purchase 18,150,000 (2022 – 13,350,000) common shares and common share purchase warrants totaling 75,812,650 (2022 – 72,473,931) were not included in the computation of diluted loss and comprehensive loss per common share due to their anti-dilutive nature.

Stated in Canadian Dollars

14. Selling Expenses

The following are expenses classified as selling expenses for the three-month period ended March 31:

		2023		2022
Sales salaries	$	**51,190**	$	61,740
Advertising		**3,464**		6,581
Commission		**8,108**		9,149
Travel		**8,556**		4,078
Amortization and depreciation allocation		**3,353**		6,092
Total selling expenses	$	**74,671**	$	87,640

15. Administrative Expenses

The following are expenses classified as selling expenses for the three-month period ended March 31:

		2023		2022
Insurance	$	**14,802**	$	12,314
Professional fees		**104,871**		155,290
Rent		**10,306**		9,887
General and administrative expenses		**144,813**		78,088
Administrative salaries		**121,389**		116,685
Director and advisory fees		**16,946**		12,500
Stock based compensation		**101,186**		25,708
Amortization and depreciation allocation		**8,382**		7,615
Total administrative expenses	$	**522,695**	$	418,087

16. Research and Development Expenses

The following are expenses classified as selling expenses for the three-month period ended March 31:

		2023		2022
Research and development (net of investment tax credit)	$	**792,372**	$	1,238,849
Stock based compensation		**66,158**		17,581
Amortization and depreciation allocation		**51,751**		41,605
Total research and development expenses	$	**910,280**	$	1,298,035

17. Financial Instruments – Fair Value and Risks

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

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

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

Stated in Canadian Dollars

17. Financial Instruments – Fair Value and Risks (Continued)

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 March 31, 2023 and December 31, 2022, 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 March 31, 2023 and December 31, 2022:

	As at March 31 2023	As at December 31, 2022
Trade receivables (net amount)	**$ 24,866**	$ 54,948
Percentage outstanding more than 30 days	**74%**	41%
Percentage outstanding more than 120 days	**1%**	5%

The following table reflects the changes in the allowance for credit losses during the three-month period ended March 31, 2023 and the year ended December 31, 2022:

	As at March 31 2023	As at December 31, 2022
Allowance for trade receivables - beginning of period	**$ 8,583**	$ 14,405
Adjustment based on collection experience	**-**	(1,596)
Amounts written off	**-**	(4,226)
Allowance for trade receivables - end of period	**8,583**	$ 8,583

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.

Stated in Canadian Dollars

17. Financial Instruments – Fair Value and Risks (Continued)

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

					Payments Due by Period						
Contractual Obligations	**Total**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**	**2031**	**2032**
Lease liabilities	$ 446,417	$ 65,263	$ 93,013	$ 100,315	$ 108,087	$ 85,462	$ -	$ -	$ -	$ -	$ -
Payables and accruals	898,256	898,256	-	-	-	-	-	-	-	-	-
Commitments (note 21)	270,334	166,865	33,769	8,800	8,800	8,800	8,800	8,800	8,800	8,800	8,100
Total contractual obligations	**$ 1,615,007**	**$ 1,130,384**	**$ 126,782**	**$ 109,115**	**$ 116,887**	**$ 94,262**	**$ 8,800**	**$ 8,800**	**$ 8,800**	**$ 8,800**	**$ 8,100**

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

iii Interest rate risk

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

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 March 31, 2023, an assumed 0.5% increase or 0.5% decrease in interest rates during such period would have resulted in an increase/decrease of $1,000 in income, with all other variables held constant.

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.

Stated in Canadian Dollars

17. Financial Instruments – Fair Value and Risks (Continued)

Accounts exposed to foreign currency exchange risk as at September 30, 2022 and December 31, 2021 are as follows:

	As at March 31 2023		As at December 31, 2022	
	Canadian	**U.S.**	Canadian	U.S.
Cash	**$ 10,559**	**$ 7,803**	$ (3,299)	$ (2,346)
Trade and other receivables	**324**	**239**	423	312
Payables and accruals	**(180,501)**	**(122,879)**	(151,851)	(112,117)
Total	**$ (169,618)**	**$ (114,837)**	$ (154,726)	$ (114,151)

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 March 31 2023	As at December 31, 2022
Cash	**$ 780**	$ (244)
Trade and other receivables	**24**	31
Payables and accruals	**(12,288)**	(11,212)
Total	**$ (11,485)**	$ (11,425)

18. Related Party Disclosure

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

	2023	2022
Short-term compensation	$ 237,500	$ 237,500
Director fees	12,500	12,500
Stock-based compensation	164,115	42,767
Total	**$ 414,115**	$ 292,767

Key management personnel were not paid post-employment benefits, termination benefits or other long term benefits during the three-month periods ended March 31, 2023 and 2022.

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

19. 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

Stated in Canadian Dollars

19. Segmented Information (Continued)

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 three-month periods ended March 31:

	2023 CLT	2023 ACT	2023 Total	2022 CLT	2022 ACT	2022 Total
Sales	$ 207,161	$ -	$ 207,161	$ 211,662	$ -	$ 211,662
Cost of sales	114,638	-	114,638	120,430	-	120,430
Gross margin	92,523	-	92,523	91,232	-	91,232
Operating Expenses						
Selling expenses	74,671	-	74,671	87,640	-	87,640
Administrative expenses	271,630	251,065	522,695	200,784	217,303	418,087
Research and development expenses	3,181	907,099	910,280	72,832	1,225,203	1,298,035
Loss on foreign exchange	(819)	(819)	(1,638)	(3,615)	(3,615)	(7,229)
Interest accretion on lease liabilities	4,083	4,083	8,166	308	308	616
Interest income	(12,698)	-	(12,698)	(2,214)	(2,214)	(4,428)
	340,048	1,161,428	1,501,476	355,735	1,436,985	1,792,721
Loss for the period	$ (247,525)	$ (1,161,428)	$ (1,408,953)	$ (264,503)	$ (1,436,985)	$ (1,701,489)
Total Assets	$ 2,062,256	$ 1,138,713	$ 3,200,969	$ 1,617,256	$ 3,174,496	$ 4,791,752
Total Liabilities	682,261	668,498	1,350,759	358,303	976,457	1,334,760

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

	2023 Canada	2023 USA	2023 International	2022 Canada	2022 USA	2022 International
Sales by Product Line						
TLC-1000	$ 25,024	$ 22,291	$ -	$ 41,277	$ 32,517	$ -
TLC-2000	127,099	32,746	-	137,868	-	-
	152,124	55,037	-	179,145	32,517	-
Expenses						
Cost of Sales	84,182	30,456	-	101,929	18,501	-
Selling Expenses	63,290	8,654	2,727	74,279	9,970	3,391
	147,472	39,111	2,727	176,208	28,471	3,391
	$ 4,652	$ 15,926	$ (2,727)	$ 2,937	$ 4,046	$ (3,391)

As at March 31, 2023 and December 31, 2022, the Company's long-lived assets used in operations are all located in Canada. Timing of revenue is recognized at a point in time.

Stated in Canadian Dollars

20. Commitments

The Company's commitments consist of the following:

	Total	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Research Agreement (a)	$ 24,969	$ -	$ 24,969	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Research Agreement (b)	145,985	67,485	8,800	8,800	8,800	8,800	8,800	8,800	8,800	8,800	8,100
Research Agreement (c)	99,380	99,380	-	-	-	-	-	-	-	-	-
Total	**$ 270,334**	**$ 166,865**	**$ 33,769**	**$ 8,800**	**$ 8,800**	**$ 8,800**	**$ 8,800**	**$ 8,800**	**$ 8,800**	**$ 8,800**	**$ 8,100**

a) 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, 2024. The Company has paid $101,355 (USD$76,400) relating to this commitment, of which $24,969 (USD$20,400) is the remaining commitment.

b) Research Commitments under a research agreement with a Contract Manufacturer for the TLC-3000 cancer therapy project. Under the terms of this agreement, the Company is required to pay $499,100 for the period from April 29, 2021 through to November 15, 2032. The Company has paid $353,115 relating to this commitment, of which $145,985 is the remaining commitment.

c) Research Commitments under a research agreement with a Contract Manufacturer for the TLC-3000 cancer therapy project. Under the terms of this agreement, the Company is required to pay $1,351,918 (USD$1,079,865) for the period from April 29, 2021 through to April 29, 2023. The Company has paid $1,252,538 (USD$1,006,430) relating to this commitment, of which $99,380 (USD$73,435) is the remaining commitment.