THERALASE TECHNOLOGIES INC.

ANNUAL INFORMATION FORM

September 24, 2014

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Unless otherwise specified, this AIF presents information as of December 31, 2014.

FORWARD LOOKING STATEMENTS

This Annual Information Form (**"AIF"**) and documents incorporated by reference herein contain forward-looking statements. Certain statements contained or incorporated in this AIF, which deal with the Company's financial condition and operating results, include information, analyses and projections as to future corporate developments, which are currently in the planning stage or project operating financial performance of the Company, which constitute forward-looking statements.

Such forward-looking statements, made with special reference to the Company's ongoing technologically complex healthcare and medical device research and development efforts, which may include in-house and independent preclinical and scientific research, clinical trials, testing new medical technologies and their applications, involve known and unknown risks and uncertainties. These risks and uncertainties could cause actual events and results to differ materially from those estimated or anticipated and which may have been implied or expressed in such forward-looking statements. No conclusions as to the successful outcome of the ongoing and planned research and development projects in which the Company is involved are intended or implied nor can they be foreseen or predicted prior to definitive corporate announcements as to their outcome. Certain forward looking statements are identified by words such as "believe", "anticipate", "estimate", "expect", "intend", "plan", "project", "may", and "will" and the negative of such expressions, although not all forward looking statements contain these identifying words, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward looking statements. Although Theralase believes that the expectations reflected in any forward looking statements made in this AIF are reasonable, such statements are based on a number of assumptions, which may prove to be incorrect, including, but not limited to assumptions relating to the risks and factors set out below. Accordingly, no assurances can be given that any of the events or circumstances contemplated by any such forward looking statements will transpire or occur or, if any of them do transpire or occur, what impact they will have on Theralase's results of operations or financial condition.

The risks and uncertainties which may impact the forward-looking statements contained herein include, among others, the lack of operating profit, availability of funds and resources to pursue R & D projects, the successful and timely completion of preclinical research, clinical studies, the successful development and marketing of Theralase's products, reliance on third party manufacturers, the competitiveness of Theralase's products, the ability of Theralase to take advantage of business opportunities, uncertainties related to the regulatory process and to general changes in economic conditions. While the Company often seeks to obtain patents for its products and technology, the protection offered by the Company's patents and patent applications may be challenged and invalidated or circumvented by the Company's competitors and there can be no guarantee of the Company's ability to obtain or maintain patent protection for its products.

A more complete list of risks and uncertainties inherent to the Company's industry can be found further in this document or in the Management Discussion and Analysis ("**MD&A**") report dated June 30, 2014, listed on www.sedar.com.

Furthermore, the forward-looking statements contained in this AIF are made as of the date hereof and the Company does not undertake any obligations to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events, or otherwise. The forward-looking statements contained in this AIF are expressly qualified by this cautionary statement.

CORPORATE STRUCTURE

General Overview

Theralase Technologies Inc., founded in 1995, designs, develops, manufactures and markets proprietary and patented, superpulsed laser technology utilized in various biostimulation and biodestruction applications. The technology has been proven safe and effective in the treatment of: pain, neural muscular skeletal conditions and wound healing. When combined with patented, light-sensitive Photo Dynamic Compounds ("**PDCs**"), Theralase laser technology has been proven to specifically target and effectively destroy cancer and bacteria preclinically.

Theralase is focused on a two part strategy:

1. Production, marketing and distribution of the TLC-1000 and launch of the patented TLC-2000 Theralase superpulsed laser technologies to provide healthcare practitioners internationally, a safe and effective technology for the elimination of pain, reduction in inflammation and acceleration of tissue healing for various neuromuscular skeletal conditions.

2. Research, development and commercialization of the patented and patent pending TLC-3000 Photo Dynamic Compound ("**PDC**") Cancer Technology through pre-clinical scientific research, clinical trials and technology development to destroy cancers for oncological applications and to destroy bacteria for human, animal and sterilization applications.

The Company develops products both internally and using the assistance of specialist external resources.

Name, Address and Incorporation:

Theralase Technologies Inc. (**"Theralase"** or the **"Company"**) was originally incorporated under the *Canada Business Corporation Act* by Articles of Incorporation dated August 22, 1989, under the name Interstar Mining Group Inc. By Articles of Amendment dated October 28, 2003, the Company changed its name to Interstar Group Inc.

On November 11th, 2003, Interstar Group Inc. completed a reverse takeover of Theralase Inc., a privately held federally registered company and by way of share exchange acquired 100% of the issued and outstanding shares of Theralase Inc.

The Company then changed its name to Theralase Technologies Inc. by Articles of Amendment dated September 22, 2004.

The registered head office of the Company is located at:

1945 Queen Street East,
Toronto, Ontario, M4L 1H7, CANADA
Telephone: (416) 699-LASE (5273)
Toll free: 1 (866) THE-LASE (843-5273)
Fax: (416) 699-5250
www.theralase.com

The Company leases approximately 4,800 square feet of medical, office and light manufacturing space, located on two floors, in the Beaches area of Toronto. The premises provide medical space for the Theralase rehabilitation center, a multidisciplinary therapeutic laser rehabilitation and training center open to the general public, the Theralase ISO-13485 laser design and manufacturing center and corporate office space.

Subsidiaries:

The Company has two 100% owned subsidiaries, specifically: Theralase Inc. and Theralase Biotech Inc.

Theralase Inc. is the operating company acquired pursuant to the reverse takeover noted above and was incorporated pursuant to the *Canadian Business Corporations Act* by way of Articles of Incorporation on July 13th, 1995.

Theralase Biotech Inc. was incorporated under the *General Corporation Law* of Delaware, U.S.A. (Title 8, Chapter 1), by way of Certificate of Incorporation dated May 7th, 2004.

GENERAL DEVELOPMENT OF THE BUSINESS

Developments Over the Last Three Fiscal Years and Six Month Period Ended June 30, 2014:

The following events and conditions have affected the general development of the business of the Company over the last three fiscal years ended December 31, 2011, 2012 and 2013 and the six month period ended June 30, 2014 (all funds reported in Canadian Dollars):

Summary of Selected Audited Annual Information (FY 2011 to FY 2013)

	2013	2012	2011
Total revenues	1,203,620	1,824,313	2,027,058
Net profit / (loss)	(1,152,209)	(1,509,569)	(1,453,974)
Basic and diluted loss per share	$ (0.02)	$ (0.03)	$ (0.04)
Total assets	2,684,877	1,132,654	1,410,870
Total liabilities	920,989	1,197,384	955,713
Deficit	(13,070,831)	(11,918,622)	(10,409,053)
Shareholders' Equity	1,763,888	(64,730)	455,157

Summary of Selected Quarterly Information (1Q2011 to 2Q2014)

	2014	
	June 30	**March 31**
Total revenues	499,258	361,179
Net profit / (loss)	(345,653)	(344,074)
Basic and diluted loss per share	$ (0.01)	$ (0.01)
Total assets	4,116,005	2,201,083
Total liabilities	322,582	611,336
Deficit	(13,760,558)	(13,414,905)
Shareholders' Equity	3,793,423	1,589,747

	2013			
	December 31	**September 30**	**June 30**	**March 31**
Total revenues	38,404	313,020	509,296	342,900
Net profit / (loss)	(555,336)	(185,794)	(78,644)	(332,435)
Basic and diluted loss per share	$ (0.01)	$ -	$ -	$ (0.01)
Total assets	2,684,877	1,145,036	1,248,157	1,109,266
Total liabilities	920,989	1,711,767	1,645,473	1,464,441
Deficit	(13,070,831)	(12,515,495)	(12,329,702)	(12,251,057)
Shareholders' Equity	1,763,888	(566,731)	(397,316)	(355,175)

	2012			
	December 31	**September 30**	**June 30**	**March 31**
Total revenues	268,357	437,060	670,537	448,359
Net profit / (loss)	(508,522)	(348,478)	(199,284)	(453,285)
Basic and diluted loss per share	$ -	$ (0.01)	$ -	$ (0.02)
Total assets	1,132,654	1,198,920	1,373,467	1,131,200
Total liabilities	1,197,384	848,971	721,155	1,058,425
Deficit	(11,918,622)	(11,410,099)	(11,061,621)	(10,862,338)
Shareholders' Equity	(64,730)	349,949	652,311	72,775

	2011			
	December 31	September 30	June 30	March 31
Total revenues	463,929	453,212	688,606	421,313
Net profit / (loss)	(225,520)	(423,929)	(357,262)	(447,263)
Basic and diluted loss per share	$ (0.04)	$ (0.03)	$ (0.02)	$ (0.01)
Total assets	1,410,870	1,258,880	1,368,472	1,658,252
Total liabilities	955,713	1,111,583	789,670	734,037
Deficit	(10,409,053)	(10,197,384)	(9,773,455)	(9,416,193)
Shareholders' Equity	455,157	144,004	2,439,880	2,785,293

Financings

On January 7, 2011, Theralase completed an oversubscribed non-brokered private placement, which raised gross proceeds of $737,500 by issuing 1,180,000 units to investors at a price of $0.625 per unit. Each unit consisted of one common share in the capital of the Company and one-half of one non-transferable common share purchase warrant. Each whole warrant entitled the purchaser to purchase one additional common share in the capital of the Company until January 7, 2013 at a price of $0.75 per warrant share. The securities issued under the private placement, including any shares issued upon exercise of the warrants, were subject to a mandatory four month hold period, which expired May 7, 2011.

On October 25, 2011, Theralase completed a non-brokered private placement, which raised gross proceeds of $420,000 by issuing 1,050,000 units to investors at a price of $0.40 per unit. Each unit consisted of one common share in the capital of the Company and one-half of one non-transferable common share purchase warrant. Each whole warrant entitled the purchaser to purchase one additional common share in the capital of the Company until October 25, 2013 at a price of $0.60 per warrant share. The securities issued under the Private Placement including any shares issued upon exercise of the warrants were subject to a mandatory four month hold period, which expired February 25, 2012.

On April 13, 2012, the Company completed a private placement which raised gross proceeds of $750,000 by issuing 3,000,000 units to investors at a price of $0.25 per unit. Each unit consisted of one common share and one-half of a non-transferable common share purchase warrant. Each whole warrant entitled the holder to purchase one additional common share in the capital of the Company until April 13th, 2013, at a price of $0.38 per warrant share. The securities issued under the Private Placement including any shares issued upon exercise of the warrants were subject to a mandatory four month hold period, which expired August 13th, 2012.

On April 12, 2013, approval was received from the TSXV to extend the expiry of the warrants issued on April 13, 2012, to April 13, 2017. The exercise price of the warrants remained unchanged at $0.38 per warrant, with the exception that the warrants will be cancelled if they are not exercised within thirty days from written notice that the closing price of Theralase's common shares had been $0.75 or greater for ten consecutive trading days.

On November 7, 2013, the company closed a non-brokered private placement, which raised gross proceeds of $3,150,000 by issuing 21,000,000 units to investors at a price of $0.15 per unit. Each unit consisted of one common share in the capital of the Company and one non-transferable common share purchase warrant. Each whole Warrant entitled the purchaser to purchase one additional common share in the capital of the Company until November 7, 2015 at a price of $0.20 per warrant Share. The securities issued under the Private Placement including any shares issued upon exercise of the warrants were subject to a mandatory four month hold period, which expired March 7, 2014.

Research & Development

TLC-2000 Biofeedback Laser Technology:

The Theralase TLC-2000 is a next generation patented biofeedback therapeutic laser system that the Company has been researching and systematically developing over the last 12 years, commencing with the issue of its US patent 6,413,267 on July 2, 2002.

The TLC-2000 biofeedback therapeutic laser system has the ability to deliver exact doses of light energy to precise depths of target tissue, unattainable by any of its competition, thus enabling enhanced efficacy and accelerated healing for patients. The TLC-2000 is a learning device that analyzes the most optimized clinical protocols based on an individual patient's optical tissue characteristics and relays this information wirelessly to each healthcare practitioner who uses the technology internationally; thus, optimizing their patient treatments on a daily basis.

Scientific research of the laser biofeedback technology was completed from 2003 to 2009 by analyzing light propagation and attenuation through tissue via: computer modeling, phantom technology (materials that optically behave the same as tissue) and finally verification and validation through established animal models.

From 2010 to 2013, Theralase completed the development of both the alpha and beta level prototypes.

TLC-3000 PDC Technology – Anti-Cancer Therapy:

PDCs are light sensitive molecules that have the ability to penetrate the cell wall of specific cell types, such as: cancer cells, bacteria and viruses and then when light activated destroy the host cell.

In 1Q2011, small animal in-vivo subcutaneous experiments conducted by the Ontario Cancer Institute, Princess Margaret Cancer Centre (one of five research institutes located within the University Health Network ("**UHN**")), Canada's largest research hospital network located in Toronto, Ontario demonstrated that Theralase's patented PDCs were as safe as any PDC presently approved on the market; however, much more effective, by a factor of ten.

In 2Q2011, the Company announced that it had partnered with The George Brown College Centre for Hospitality and Culinary Arts (Toronto, Ontario) to conduct applied research in the use of patented PDCs activated by its proprietary laser technology to destroy microbial pathogens (bacteria) associated with food contamination. Applications of the PDC technology in bacteria destruction may be used to increase food safety through food processing equipment sterilization. Other applications include: hospital treatment room sterilization, medical equipment sterilization and bacterial load elimination in wounds.

In 4Q2011, Theralase announced that its anti-cancer PDC technology was found in a small animal in-vivo mouse model to completely destroy subcutaneous (under the skin) colon cancer tumours.

In 4Q2011, Theralase announced that it had successfully identified three potential leading PDC drug candidates, which could be used for safety and efficacy clinical testing in human cancer patients.

In 1Q2012 and 2Q2012, Theralase scientists presented their research findings at two International conferences: The first conference, BiOS SPIE Photonics West Conference (the largest photonics conference in the world) was held in California in January 2012 and Theralase presented a new cost effective methodology to quickly identify and quantify bacteria in food such as the E. coli and Listeria strains. At the

- water solubility as the small molecule readily penetrates the cellular membrane of a cancer cell and localizes to the centromere of the DNA
- an ability to treat solid core hypoxic tumours, using both a Type 1 and Type 2 activation (i.e.: breast, prostate, lung and bladder)
- an ability to be activated at a variety of wavelengths allowing shallow and deep tumour destruction
- a robust destruction of subcutaneous cancerous tumours in animals
- a high stability, allowing for a long shelf life

In 2Q2014, in preclinical animal testing performed at UHN, Theralase demonstrated that its lead PDC intended for the destruction of cancer demonstrated an ability to render animals immune to repeated exposures of the same cancer. The initial data was presented at the 37th Annual American Society for Photobiology in San Diego, California on June 2014.

In previous research conducted at UHN by Theralase in 4Q2011, mice were injected with 350,000 colon cancer cells to produce tumours that were allowed to grow to approximately five millimeters in size. They were then treated with an intra-tumoural injection of Theralase's lead PDC and then illuminated by Near Infrared ("**NIR**") light to activate the PDC. The vast majority of tumours were completely destroyed, with the PDC treatment demonstrating prolonged tumour regression.

In the latest research, the same mice who received the initial, successful PDT were re-injected with the same number of colon cancer cells, 13 to 23 days later. With no further treatment intervention, mice in these experiments, demonstrated either a small tumour regrowth, which quickly regressed, or in the majority of animals, no tumour regrowth at all, suggesting a short-term immune-mediated (immune "memory response") tumour rejection.

To further prove the resilience of the PDT treatment, these same animals were then injected a third time with an additional 350,000 colon cancer cells at ten months post PDT treatment. None of these animals showed any sign of tumour regrowth, even at three months post follow up, suggesting the presence of a long-term anti-tumour immunity, responsible for complete tumour rejection.

To strengthen the data, control experiments were conducted where age matched mice without prior tumour exposure or PDT treatment were injected with the same number of colon cancer cells. The majority of these mice proceeded to develop tumours and did not survive more than one month following the injection.

These initial results are being further researched by Theralase and UHN scientists to confirm the immune-mediated (immune "memory response") tumour rejection in additional subject animals. This potential short term and long term anti-cancer memory response suggests a major breakthrough in cancer research and may provide substantial treatment benefit and survival advantage to cancer patients. Technology that is able to rapidly and effectively destroy "patient-specific" cancer cells, prevent their recurrence and provide long lasting protection against local and distant metastasis, offers immense clinical benefit to cancer patients and the facilities that treat their disease.

This was one of the first preclinical trials to show that it is possible to generate a long-term anticancer memory response. For the first time in the Company's research program, the Company demonstrated that NIR PDT leads not only to long standing clearance of colon cancer cells, but also provides long lasting protection against further tumour cell challenge in young (eight to ten weeks old) and older (ten to eleven

month old) mice. It is the Company's first step toward the long-term goal of developing an affordable and practical vaccine to prevent cancer recurrence. The next steps to further validate this research include treatment of additional animals and then analyzing the best way of translating this research into a human clinical trial. To complete the Company's preclinical and clinical development in this ground breaking work, the Company is collaborating with experts in medical biophysics, immunology and clinical oncology at UHN and with other internationally acclaimed clinical research institutes to further advance this remarkable platform technology.

2H2014 and 2015 Outlook:

Firstly, the Company will focus on increasing product sales and market acceptance of the TLC-1000 laser technology in the Canadian medical markets in 2H2014 and in the US medical market in 2015. The Company will expand sales and marketing into Western and Eastern Canada in 2H2014 and will expand sales and marketing into the five largest US States, representing 30% of US GDP commencing in 2H2015.

The Theralase technology is supported by the latest independent scientific and clinical research, which confirms that the Company's proprietary and patented technology has a higher safety and effectiveness as compared to other competitive technologies. The Company will continue to invest in the scientific and clinical research aimed at unlocking the mechanisms of action as to how Theralase laser light can so dramatically heal tissue.

Secondly, the Company will commercialize its patented next generation TLC-2000 biofeedback laser technology for launch in the fourth quarter of 2014. Theralase has completed the pre-commercial prototype of the TLC-2000 Biofeedback Therapeutic Laser System, which will lead to the commercial version launching in Canada in 4Q2014. Theralase will launch 5 beta prototypes for beta testing by Key Opinion Leaders (KOLs) at the end of 3Q2014 and then supply pre-commercial prototypes to its Canadian Territory Sales Managers ("**TSMs**") at the beginning of 4Q2014. Theralase will initially introduce the next generation TLC-2000 therapeutic laser system and focus to "trade-up" its existing 800 Theralase customers in Canada in 4Q2014 and 1Q2015 and then "trade-up" its existing 400 Theralase customers in the US and internationally in 2H2015. Theralase will then focus on "trading-up" existing competitive products to the next generation TLC-2000 therapeutic laser system in 4Q2015. Theralase intends to utilize a recurring revenue sales model; whereby, Theralase will partner with practitioners and participate in the revenue stream generated through the use of the therapeutic laser technology for patient treatments.

Thirdly, the Company will commercialize its patented TLC-3000 PDC technology. In 2H2014, Theralase plans to complete validation of the four lead PDCs in an orthotopic rat model at both University of Toledo and UHN, select a Clinical Research Organization ("**CRO**") and Good Manufacturing Practice ("**GMP**") organization to manufacture the lead PDC. In 1Q2015, Theralase plans to complete a dose toxicity study and achieve Health Canada and Food and Drug Administration ("**FDA**") approval of an Investigational New Drug ("**IND**") application.

In 1Q2015 / 2Q2015, Theralase plans to commence a FDA Phase I/IIa human clinical trials in bladder cancer with completion slated for 4Q2015 / 1Q2016.

In 2016, Theralase plans to enter into negotiations with big pharma for the execution of a codevelopment agreement for the destruction of bladder cancer utilizing Theralase's patented PDC technology.

DESCRIPTION OF THE BUSINESS

Business Overview

On August 16, 2012, Theralase reorganized its operations into two separate reportable operating divisions to better service and focus the company's resources for both independent markets; specifically the Therapeutic Laser Technology ("**TLT**") Division and the Photo Dynamic Therapy ("**PDT**") Division. The TLT Division is responsible for all aspects of the Company's ongoing therapeutic laser business, which manufactures products used by healthcare practitioners predominantly for the healing of pain, while the PDT Division is responsible for all aspects of the Company's developing oncology business, which researches and develops PDCs primarily for the destruction of cancer.

TLT Division:

Theralase therapeutic laser therapy is a universal way of treating and healing tissue structures, such as: muscles, tendons, ligaments, joints, connective tissues, bones and skin. There are thousands of tissue conditions that therapeutic lasers can be applied to, such as: pain relief, neural muscular skeletal conditions and wound healing.

A brief history of therapeutic laser technology follows:

- In the 1960's, the first lasers were developed and produced and research began into their application in various medical and non-medical related industries

- In the 1970's, the first laser devices appeared in the eastern European countries. These systems were bulky, underpowered and expensive, but laid the initial groundwork for the first therapeutic laser devices.

- In the 1980's, therapeutic laser devices became more prevalent in western European countries, but were still vastly underpowered and provided only a single laser source.

- In the 1990's, therapeutic laser systems were introduced to Canada, with chiropractors and physical therapists starting to develop some basic knowledge of therapeutic laser products and a small percentage having access to some form of therapeutic laser device. Medical doctors had virtually no knowledge or access to therapeutic laser devices.

- In the 2000's, the FDA approved the first therapeutic laser device, but only a very small percentage of medical doctors, chiropractors or physical therapists had any knowledge of therapeutic lasers or had access to any form of therapeutic laser device.

- In the 2010's, the Canadian and US market have grown with a small percentage of medical doctors, chiropractors and physical therapists having access to therapeutic laser devices.

PDT Division:

In the late 1990's and early 2000's, PDCs emerged on the market and demonstrated an affinity for certain tissue cell types. These PDCs when absorbed by cells and then activated by specially designed medical laser

systems possess the ability to destroy the targeted tissue cells. These PDC's were restricted in application as they only operate via a Type 2 or oxygen dependent reaction, thus limiting their use in hypoxic diseased tissue cells.

In 2004, the Company secured a worldwide exclusive license on intellectual property for a new platform of PDCs from the Virginia Polytechnic Institute and State University of Blacksburg, Virginia ("**Virginia Tech**") that are unique from all other known PDCs, in that they are able to be activated via a Type 1 photochemical reaction, remaining independent of oxygen, a very important characteristic in disease prevention and bacterial sterilization. These PDCs are currently being developed for oncological applications and in the destruction of bacteria for sterilization applications in hospitals and food manufacturing operations.

In 2011, the Company secured a worldwide exclusive license on intellectual property for another new platform of PDCs from Dr. Sherri McFarland a chemistry professor based at Acadia Universityof Wolfville, Nova Scotia ("**Acadia**") that are unique from all other known PDCs, in that they are able to be activated via a Type 1 photochemical reaction, remaining independent of oxygen, but also a Type 2 reaction, characteristics that are very important to disease prevention and bacterial sterilization and extremely effective in the destruction of cancer cells, while remaining virtually non-toxic to healthy tissue. These PDCs are currently being developed for oncological applications and in the destruction of bacteria for sterilization applications in hospitals and food manufacturing operations.

In collaboration with the Laboratory for Applied Biophotonics at UHN, OCE, Virginia Tech, Acadia and other academic institutions, the Company has commenced a project focused on researching and developing PDCs and the biomedical laser technology required to activate them for thousands of potential applications in the destruction of cancer, bacteria and viruses.

Theralase's derives 100% of its current revenue from the TLC-1000 therapeutic medical laser system, in the TLT Division, through sales to healthcare practitioners, providing training to these healthcare practitioners, treatment of patients at an in-house rehabilitation facility and service calibration of the installed product base.

Principal markets are the healthcare community, which include: medical doctors, chiropractors, physical therapists, athletic therapists, hospitals, professional sport teams, sports injury clinics, podiatrists, chiropodists, naturopathic doctors, registered massage therapists, veterinarians and dentists.

Geographic primary markets include: the United States of America and Canada, but Theralase has made inroads internationally into Latin America, Europe, the Middle East and Asia Pacific markets.

There are currently 28 full and part time employees of the Company.

All manufacturing, distribution, service, sales, marketing, accounting, administration activities and clinical services are directed from the Canadian head office.

Sales in Canada and the United States are completed directly through TSMs selling directly to end item customers.

The Company executes its sales internationally through distributors, who operate exclusively on purchasing products at wholesale pricing and distributing the product at a profit at retail pricing, in exchange for achieving predefined minimum sales performance criteria.

Theralase subcontracts the manufacture of therapeutic laser components through ISO-9000 series registered manufacturing facilities. Theralase completes the final assembly of therapeutic lasers in an ISO-13485:2003 registered laser design and manufacturing center located at the corporate head office.

All Theralase products are designed and manufactured in compliance with international medical manufacturing guidelines, including: CSA-601, ISO-13485, ISO-9000, Health Canada, FDA, GMP, UL, CE and other international medical manufacturing standards.

On September 14, 2004, Health Canada approved Theralase's therapeutic lasers for Canadian distribution through issue of a medical device licence, Class 3, Licence # 65316, which has been successfully renewed annually.

On July 11, 2005, the US FDA approved the Theralase TLC-1000 therapeutic laser system under 510k #: K050342, which has been successfully renewed annually.

On January 31, 2011, Theralase was granted notified body approval to place the CE mark on its TLC- 1000 series of products, clearing the way for sale of its laser products throughout all 30 member states of the European Union, which has been successfully renewed annually.

As a barrier to entry, therapeutic lasers are classified as risk class 3 medical devices by Health Canada and require Canadian Standards Association (CSA-601) approval for sale in Canada as of January 1st, 2005 in addition to ISO-13485:2003 as of January 1st, 2007. The U.S. has adopted similar standards in the form of BS EN ISO-13485: 2003, which came into effect on July 24th, 2003.

In the completion of its research and development, the Company uses a combination of internal and external specialists, including: design engineers, research scientistshealthcare and medical practitioners.

Biofeedback biomedical laser research and development was completed in conjunction with the Laboratory for Applied Biophotonics located at UHN, the Ontario Centres of Excellence ("**OCE**") and the National Research Council of Canada ("**NRC**").

In collaboration with the American Sports Medicine Institute ("**ASMI**") and the Alabama Sports Medicine & Orthopaedic Center ("**ASMOC**") located in Birmingham, Alabama, the Company successfully introduced the Theralase technology to professional sports teams located throughout Canada and the U.S. The Toronto Blue Jays have successfully utilized the Theralase laser technology in the rehabilitation of their professional athletes. Dr. James Andrews, Chairman of Theralase's Scientific and Medical Advisory Board ("**SMAB**") is internationally recognized in the sports medicine world with over 50 years of scientific and clinical research in orthopaedic surgical practice, specializing in: knee, shoulder and elbow sports injuries. ASMOC, founded by Dr. Andrews, is a specialized North American facility, widely recognized throughout the world for the treatment of a full range of orthopaedic sports injuries. ASMI is a world-renowned sports medicine research and education foundation.

Theralase has key management positions filled with experienced personnel and has an active human resources program in place to hire the required sales, marketing and support personnel for the Company's planned Canadian and US market expansion.

Description of Market

TLT Division:

The market for therapeutic laser systems will increase rapidly as the understanding and acceptance of this technology is positively supported by the mandatory scientific and clinical evidence supporting its efficacy. The mainstream acceptance of this technology in international healthcare markets will allow for revenue growth both from new applications of this technology and from healing neural muscular skeletal conditions of the aging international population.

In 2008, the cost to US federal and state governments of medical expenditures for pain was $99 Billion[1].

The US pain market currently exceeds $100 Billion annually and is growing rapidly with an aging population and rising healthcare costs. The total annual incremental cost of health care due to pain ranges from $560 billion to $635 billion (in 2010 dollars) in the United States, which combines the medical costs of pain care and the economic costs related to disability days and lost wages and productivity[1].

Currently, over 100 million Americans suffer from chronic pain[1]. Recent Center for Disease Control and Prevention ("**CDC**") and National Center for Health Statistics ("**NCHS**") data suggest substantial rates of pain from the various causes and that most people in chronic pain have multiple sites of pain. For U.S. adults reporting pain, causes include: severe headache or migraine (16.1%), low back pain (28.1%), neck pain (15.1%), knee pain (19.5%), shoulder pain (9.0%), finger pain (7.6%), and hip pain (7.1%)[1].

The U.S. market for pain management devices is estimated to reach a value of nearly $2.7 billion by 2022, according to a recent report by Decision Resources Group. The growth will primarily be driven by an increased focus on pain management as a result of Centers for Medicare and Medicaid Services ("**CMS**") incentives for facilities with high patient satisfaction ratings as well as pain research initiatives from the Patient Protection and Affordable Care Act. Healthcare facilities will also place a greater emphasis on pain management to help reduce hospital stays: thereby, reducing costs, according to the report.

In the United States, chronic wounds affect around 6.5 million patients. It is claimed that an excess of US$25 billion is spent annually on treatment of chronic wounds and the burden is growing rapidly due to increasing health care costs, an aging population and a sharp rise in the incidence of diabetes and obesity worldwide. The annual wound care products market is projected to reach $15.3 billion by 2010[7].

As a look at the healthcare practitioner and clinic demographics that could use a therapeutic laser in their practice, the market is growing at a CAGR of 18.5% on average with the total population reaching 1,368,395 potential purchasers in the US by 2017.

Healthcare Practitioners[2]	**2008**	**2017**	**% increase**
Veterinarians	59,700	79,400	33.0%
Physical Therapists	185,500	241,700	30.3%
Medical Doctors	661,000	805,500	21.9%
Chiropractors	49,100	58,700	19.6%
Dentists	141,900	164,000	15.6%

Podiatrists	12,200	13,300	9.0%
Hospitals	5,795	5,795	0.0%
Total	**1,115,195**	**1,368,395**	**18.5%**

PDT Division:

Cancer is the second-leading cause of death among Americans. One of every four deaths in the United States is due to cancer.[3] [4] The American Cancer Society estimates that in 2014, about 1,665,540 Americans were diagnosed with invasive cancer, and 585,720 Americans died of this disease.[3] These estimates do not include *in situ* cancers or the more than 1 million cases of basal and squamous cell skin cancers expected to be diagnosed this year. The National Cancer Institute recently estimated that on January 1, 2011, 13.4 million Americans were alive with a history of invasive cancer.[5]

The National Institutes of Health estimated that for 2009, the overall annual cost of cancer was about $216.6 billion, broken down as follows:

- Direct medical costs,* including health expenditures: $86.6 billion.
- Indirect costs associated with lost productivity due to premature death: $130.0 billion.

These costs likely increased because of the growth and aging of the U.S. population. [6]

Technology Platform

TLC-1000 Therapeutic Laser Platform:

The Theralase® TLC-1000 therapeutic laser technology is a non-invasive, superpulsed, dual wavelength, multiple diode laser system that has three specifically designed probes; a multiple probe used for neural muscular skeletal conditions, a dermatological probe used for facial and small area treatments and an acupuncture probe used for stimulation of acupuncture and trigger points.

The TLC-1000 is Health Canada, FDA and CE approved and is the lead product in the Company's current sales and marketing initiatives.

The Company launched the TLC-900 therapeutic laser series from this platform, which uses the identical three laser probes, but eliminates the controller by placing a microprocessor and display into each of the laser probes.

TLC-2000 Biofeedback Therapeutic Laser Platform:

The Theralase® TLC-2000 biofeedback therapeutic laser system is a quantum leap forward in therapeutic laser technology. The TLC-2000 is able to measure a patient's optical profile in a matter of seconds and then deliver a precise, clinical dosage of energy to their specific condition in a matter of minutes. Clinically effective dosages specific to optical tissue profiles are stored in a HIPAA compliant cloud databank and are available real time to all practitioners utilizing the TLC-2000 therapeutic laser system via an internet connection to a tablet, which wirelessly connects to the therapeutic laser probe.

The TLC-2000 laser system is also a learning device that remembers the most clinically effective treatments performed by practitioners and transmits this information to the cloud databank for the benefit of all users. Theralase is currently commercializing the technology and plans to introduce the TLC-2000 laser system to the international medical market in the 4th quarter of 2014.

Theralase in keeping with its mandate of world-class customer service will allow every Theralase customer, the ability to trade up to the new state of the art TLC-2000 laser system. In order to allow all laser practitioners a common tool to use in the delivery of precision therapeutic laser treatments, Theralase will allow purchasers of competitive products the ability to trade up to the TLC-2000, under certain terms and conditions. Theralase intends to employ a recurring revenue model; whereby, the Company will share in the revenue generated by the TLC-2000 laser system. Practitioners participating in the program will pay between $150 to $500 per month, dependent on system configuration, for 60 months via binding agreement and then optionally $75 to $250 monthly, dependent on system configuration; thereafter, to maintain lifetime: equipment warranty, marketing support and software upgrades. Theralase's corporate mandate is to capture at least 1% of the therapeutic laser market, thus achieving annual revenues of >$50 million in a recurring revenue model within five years of launch. Theralase intends to achieve this goal through the direct sales, marketing and international distribution of the patented TLC-2000 product.

The Theralase TLC-2000 biofeedback therapeutic laser technology is patented in the: United States, Canada, United Kingdom, France, Spain, Italy, Germany and Belgium. Theralase therapeutic laser systems are manufactured in an ISO-13485 internationally certified medical manufacturing facility, located in Toronto, Ontario.

TLC-3000 PDC Laser Technology Platform:

The PDT Division focuses on the research and development of PDCs and the biomedical lasers used to activate them for the selective destruction of cancers, bacteria and viruses. The clinical applications of this technology, if proven successful, could have a significant impact on one of the more devastating diseases of our time. Theralase has recently made significant advances in the research and development of its novel patented PDCs in terms of cancer destruction that are laying the groundwork for a Health Canada and FDA IND application, anticipated to be submitted in 1Q2015. The potential market for Theralase's advanced PDT Division for the first targeted clinical indication of bladder cancer in the US alone is estimated at over $3.9 billion annually. The corporate mandate is to partner the PDT Division after FDA Human Phase I/IIa clinical approval, expected 4Q2015 / 1Q2016 and to successfully negotiate a co-development agreement in 2016, which would partner the Company with big pharma in the commercialization of this technology and subsequent worldwide distribution of this technology.

Due to the lack of clinical research and advances in the field of bladder cancer treatment over the last 16 years, Theralase is confident that the Company's advanced PDC approach could quickly gain sizable market share with the right pharma partner in this underserved market. The corporate mandate is to capture 10% of this market within three to five years and through royalty revenues generate recurring revenues in excess of $50 million annually for the life of the patents (17 years from date of issue).

Competitive Advantage

The Company's products hold a strong competitive advantage over its international competitors in a number of areas.

TLT Division:

Product Specifications:
In terms of optimal power, wavelength and drive systems, the Company produces one of the highest peak power therapeutic lasers in the world and one of the most efficacious lasers available on the market.

Approvals:
Theralase has full medical approval of its products in Canada, the United States and the European Union possessing: CSA-601 international medical certification, ISO-13485:2003 quality management system certification, U.S. FDA 510k Phase 3 approval (510k #: K050342) and Health Canada Device Licence 3 approval. (Licence #65316)

Disruptive Technology:
In 4Q2014, Theralase is launching the TLC-2000 Biofeedback therapeutic laser system, which will be disruptive in the pain market.

Patents:
U.S. and international patents for its biofeedback laser system have been issued. Theralase currently has twelve issued patents and two patents pending.

PDT Division:

Product Specifications:
In terms of safety, efficacy and patient Quality of Life ("**QOL**"), the Theralase PDC technology offers the promise of destruction and prevention of reoccurrence of cancer in a single treatment. The Company's research has shown the promise of a very effective anti-cancer technology.

Disruptive Technology:
In 1Q2015 / 2Q2015, Theralase plans to commence a Health Canada FDA Phase I/IIa clinical trial for bladder cancer. In 4Q2015 / 1Q2016, successful completion of a FDA Phase I/IIa clinical trial in bladder cancer would be disruptive in the oncology market.

Patents:
Four U.S. patents for its PDC technology have been issued. Theralase currently has twelve issued patents and two patents pending.

Intellectual Property

The Company owns and controls all aspects of its laser system technology, including: patents, trademarks, intellectual knowledge, trade secrets, engineering specifications, clinical and scientific research. The Company controls the design and development of all manufactured products and their subsequent international distribution.

Patents:

TLT Division: (TLC-2000 Patents)

Title: Therapeutic laser device and method including noninvasive subsurface monitoring and controlling means

Abstract:

A method is provided for treating a patient having a disorder, wherein the method includes irradiating a tissue surface of the patient with at least one laser beam, automatically monitoring the tissue, and automatically controlling the at least one laser beam to adjust and/or terminate the treatment in a therapeutically effective manner. The method noninvasively determines in real-time the irradiance and/or radiant exposure of a target tissue at a predetermined depth below the tissue surface by detecting the radial dependence of light remitted from the tissue surface. Preferably, the method employs a near-infrared light laser beam and a visible laser light beam in combination. An apparatus for performing the method is also provided.

Issued Patents:

USA: 6,413,267 Issued: July 2, 2002 Expires: July 2, 2019

Canadian: 2,315,521 Issued: July 5, 2011 Expires: July 5, 2028

Belgium, Italy, United Kingdom, Germany, France, Spain: EP1075854

Issued: October 11, 2004 Expires: October 11, 2021

Status: No known third party challengers or infringers to patent

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PDT Division (TLC-3000 Patents):

Title: Supramolecular complexes as photoactivated DNA cleavage agents

Abstract:

The invention provides supramolecular metal complexes as DNA cleaving agents. In the complexes, charge is transferred from one light absorbing metal (e.g. Ru or Os) to an electron accepting metal (e.g. Rh) via a bridging .pi.-acceptor ligand. A bioactive metal-to-metal charge transfer state capable of cleaving DNA is thus generated. The complexes function when irradiated with low energy visible light with or without molecular oxygen.

Issued Patent:

USA: 6,962,910 Issued November 8, 2005 Expires: November 8, 2022

Status: No known third party challengers or infringers to patent

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Title: Supramolecular complexes as photoactivated DNA cleavage agents

Abstract:

The invention provides supramolecular metal complexes as DNA cleaving agents. In the complexes, charge is transferred from one light absorbing metal (e.g. Ru or Os) to an electron accepting metal (e.g. Rh) via a bridging .pi.-acceptor ligand. A bioactive metal-to-metal charge transfer state capable of cleaving DNA is thus generated. The complexes function when irradiated with low energy visible light with or without molecular oxygen.

Issued Patent:

USA: 7,612,057 Issued: November 3, 2009 Expires: November 3, 2026

Status: No known third party challengers or infringers to patent

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Title: Supramolecular metallic complexes exhibiting both DNA binding and photocleavage

Abstract:

Supramolecular complexes that target and cleave DNA are provided. The supramolecular complexes include at least one metal-to-ligand charge transfer (MLCT) light absorbing unit, at least one Pt based DNA binding unit, and at least one bridging unit that serves to connect the components. The Pt-based DNA binding unit binds the complex to DNA, and the MLCT unit absorbs light, thereby sensitizing molecular oxygen to produce reactive oxygen species in close proximity to the complex and the bound DNA. The reactive oxygen species cleave the bound DNA.

Issued Patent:

USA: 8,148,360 Issued: April 3, 2012 Expires: April 3, 2029

Status: No known third party challengers or infringers to patent

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Title: Supramolecular complexes as photoactivated DNA cleavage agents

Abstract:

The invention provides supramolecular metal complexes as DNA cleaving agents. In the complexes, charge is transferred from one light absorbing metal (e.g. Ru or Os) to an electron accepting metal (e.g. Rh) via a bridging .pi.-acceptor ligand. A bioactive metal-to-metal charge transfer state capable of cleaving DNA is thus generated. The complexes function when irradiated with low energy visible light with or without molecular oxygen.

Issued Patent:

USA: 8,445,475 Issued: May 21, 2013 Expires: May 21, 2030

Status: No known third party challengers or infringers to patent

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Title: Metal-Based Thiophene Photodynamic Compounds And Their Use

Abstract:

Compositions of the invention include tunable metal-based thiophene photodynamic compounds useful as therapeutic agents and as in vivo diagnostic agents for treating or preventing diseases that involve hyperproliferating cell etiology including cancer and diseases associated with hyperproliferating cells. The compositions are also useful for treating infectious diseases and for pathogen disinfection.

Patent Application Numbers:

USA: 13/863,089 Filing Date: April 15, 2012

USA: PCT/US13/36595 Filing Date: April 15, 2013

Status: No known sign of any government objection to this application.

Title: Metal-Based Coordination Complexes as Photodynamic Compounds and their Use

Abstract:

This invention relates to metal-based coordination complexes that are useful as therapeutic and diagnostic agents. The invention further relates to photodynamic compounds that can be activated with ultraviolet to infrared (UV-IR) light, particularly near infrared light, that are useful as therapeutic and diagnostic agents. In particular, the invention provides tunable metal-based photodynamic compounds that are coordination complexes derived from organic ligands. The photodynamic compounds can be activated by light to destroy unwanted cells, for example hyperproliferative cells and microbial cells. The photodynamic compounds can also be activated by light to destroy viruses.

Patent Application Number:

USA: 61/801,674 Filing Date: March 15, 2013

Status: No known sign of any government objection to this application.

Trademarks:

Canadian Registered Trademarks:

"Theralase®" – TMA519612
"Healing at the Speed of Light®" - TMA661393

USA Registered Trademarks:

"Theralase®" – 2929654
"Healing at the Speed of Light®" - 3285506

European Union Registered Trademarks:

"Theralase®" – 001150580
"Healing at the Speed of Light®" – 004309126

RISK FACTORS

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 stage 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.

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.

The Company has key man life insurance in place on the President and CEO in the amount of $500,000.

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, 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 a 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 licences 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.

Product Deficiencies

Given that the Company's products are either fairly new, or are in 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 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 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 (FDA, Health Canada, CE) and authoritative quality standards bodies (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 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.

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 total amount of $1,000,000. This coverage is limited and a product liability claim could potentially be greater than these coverages. The Company's profitability would be adversely affected by any successful product liability claim in excess of its insurance coverage.

MARKET FOR SECURITIES

Market Listings

The Company's Common Shares are listed and posted for trading on the TSX Venture Exchange Inc. ("**TSXV**") under the symbol "**TLT**" and under "**TLTFF**" on the OTC Link market ("**OTC**").

Trading Price and Volume

The following table sets forth the highest and lowest trading price ranges (high/low), closing price and the aggregate monthly volume of trading of the common shares on the TSXV for the twelve month period ended December 31, 2013 and the sixth month period ended June 30, 2014. The prices listed below are in Canadian dollars.

Month / Year	High Price ($ CAN)	Low Price ($ CAN)	Close ($ CAN)	Volume (Millions)
January 2013	0.23	0.22	0.23	0.31
February 2013	0.27	0.27	0.27	0.33
March 2013	0.23	0.22	0.22	0.61
April 2013	0.26	0.25	0.25	0.23
May 2013	0.25	0.25	0.25	0.13
June 2013	0.20	0.20	0.20	0.12
July 2013	0.24	0.23	0.24	0.08
August 2013	0.24	0.24	0.24	0.04
September 2013	0.22	0.21	0.22	0.18
October 2013	0.22	0.21	0.22	0.66
November 2013	0.36	0.34	0.36	1.93
December 2013	0.40	0.38	0.39	0.77
January 2014	0.49	0.47	0.48	2.15
February 2014	0.45	0.42	0.43	1.57
March 2014	0.44	0.40	0.42	10.0
April 2014	0.34	0.31	0.32	7.87
May 2014	0.28	0.24	0.26	34.0
June 2014	0.34	0.31	0.33	41.3

Warrants and Stock Options

As at June 30, 2014, the share capital of the Company consisted of 79,207,709 common shares. Each common share entitles the holder to one vote per share.

As at June 30, 2014, there were 2,110,000 options outstanding, of which 1,506,667 were vested and exercisable into an equivalent number of the Company's common shares as follows:

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 $
300,000	0.4	$ 0.35	300,000	$ 0.35
1,810,000	2.5	$ 0.50	1,206,667	$ 0.50
2,110,000		$ 0.48	1,506,667	$ 0.48

As at June 30, 2014, there were 11,104,500 warrants outstanding. Each whole warrant entitles the holder thereof to purchase one additional common share. The warrants are exercisable as follows: 1,480,000 at a price of $0.38 until April 12, 2017, 9,624,500 at a price of $0.20 exercisable until November 7, 2015.

	Number outstanding	Weighted average exercised price $	Fair value at date of grant $
Outstanding, January 1, 2013	2,615,000	0.68	247,116
Expired	(1,115,000)	0.68	(247,115)
Issued with private placement shares	22,985,900	0.20	42,223
Outstanding, December 31, 2013	24,485,900	0.21	289,339
Exercised	(13,381,400)	0.20	1,180,925
Outstanding, June 30, 2014	11,104,500	0.22	1,470,264

DIRECTORS AND OFFICERS

Directors

The names and municipalities of residence of the directors, their principal occupations and the year in which each director first became a director and the number of common shares which each director held as beneficial owner as at December 31, 2013 and at June 30th, 2014 are provided in the table below:

Name and Municipality of Residence	Position and office with the Company	Year First became Director	Principal Occupation (last 5 years)	Number/Percentage of Outstanding Common Share of the Company held on December 31, 2013 and June 30, 2014
S. Donald Moore Toronto, Ontario	Chairman of the Board of Directors	1982	Chairman of the Company, President & CEO and Director of Phoenix Canada Oil Company Limited and President & CEO (until 2013) and Director of Starrex International Ltd.	6,293,885/7.95% (1)

			(formerly Starrex Mining Company Ltd.)	
Roger Dumoulin-White Toronto, Ontario	President, Chief Executive Officer and Director	2004	President and Chief Executive Officer of the Company and of Theralase Inc. [(2)]	5,133,796/6.48%
Randy Bruder [(3, 6)] Colborne, Ontario	Independent Director	2008	Owner /Operator of The Grainery, a wholesale and retail food processing business	1,102,500/1.39%
Guy Anderson [(3, 4, 6)] Toronto, Ontario	Independent Director	2013	Wealth Management and Personal Finance Advisor at Investment Planning Counsel	0/0.00%
Matthew Perraton [(3, 5, 6)] Toronto, Ontario	Independent Director	2013	Financial Planner at TD Waterhouse	33,333/0.04%
Total				**12,563,514/15.86%**

Notes:
(1) Of this total, 2,823,025 Common Shares are held indirectly by Mr. Moore's corporation, Talent Oil and Gas Ltd.
(2) Theralase Inc. is a wholly-owned subsidiary of the Company.
(3) Member of the Audit Committee and the Governance and Compensation Committee.
(4) Chairman of the Audit Committee.
(5) Chairman of the Governance and Compensation Committee
(6) Independent Director.

Each of the directors has served continuously as a director since the date he was first elected or appointed.

The present term of each director will expire immediately prior to the election of directors at the next Annual and Special Meeting of Shareholders, anticipated to be held on November 14, 2014.

Medical and Scientific Advisory Board

Dr. James Andrews:
James R. Andrews MD is one of the founding members of ASMOC in Birmingham, Alabama. He is also co- founder of ASMI, a non-profit institute dedicated to injury prevention, education and research in orthopaedic and sports medicine. Doctor Andrews continues to serve as Chairman of the Board and Medical Director of ASMI. Doctor Andrews is also a founding partner and Medical Director of the Andrews Institute in Gulf Breeze, Florida. He is President and Chairman of the Board of the Andrews Research and Education Foundation also dedicated to prevention, education and research at the Andrews Institute. He has mentored more than 314 orthopaedic/sports medicine Fellows and more than 84 primary care sports medicine Fellows who have trained under him through these Sports Medicine Fellowship Programs.

Dr. Jeffrey Dugas:

Jeffrey R. Dugas MD treats all types of orthopedic sports injuries, including injuries of the shoulder, elbow and knee. He also performs total joint replacement surgery of the shoulder and knee. He is board certified in orthopaedic surgery and the sub-specialty of sports medicine. Due to the injuries he suffered from years of playing baseball, Dr. Dugas developed a true passion for the health and injury prevention of youth baseball players. He continues to work with athletes to develop the field of sports-injury treatment and prevention. He maintains a special interest in throwing athletes and much of his research concentrates in this area. Dr. Dugas has contributed significantly to the research of sports medicine. He has published articles and textbook chapters related to injuries of the shoulder and elbow in throwing athletes, vascular injuries in throwers and rotator cuff injuries. He has also published manuscripts on the treatment of knee ligament injuries and the treatment of cartilaginous defects of the knee.

Dr. Lyle Cain:

E. Lyle Cain, Jr., MD specializes in arthroscopy and treatment of sports related injuries, as well as open and arthroscopic treatment of knee, ankle, shoulder and elbow injuries. He also performs surgical joint replacement for arthritis of the knee and shoulder. In addition, he is certified to treat cartilage injuries in the knee with articular cartilage implantation and meniscal transplantation. Dr. Cain has presented papers and instructional courses for the American Academy of Orthopaedic Surgeons ("**AAOS**"), American Orthopaedic Society for Sports Medicine ("**AOSSM**") and The International Society for Arthroscopy and Knee Surgery aand Orthopaedic Sports Medicine ("**ISAKOS**") on knee ligament injuries. He has published articles on the treatment of cartilage injuries in the knee and the open repair of shoulder injuries in throwing athletes. Dr. Cain's orthopaedic research extends to biomechanical testing of the golf swing, the evaluation of exercise programs to decrease the incidence of injuries in golf and the treatment of ulnar collateral ligament injuries of the elbow in baseball players.

Dr. Kevin Wilk:

Kevin Wilk DPT has lead a distinguished career as a clinical physical therapist for the past 29 years, as a leading authority in rehabilitation of sports injuries and orthopaedic lesions. He has provided significant contributions to laboratory research, bio-mechanical research and clinical outcome studies. Dr. Wilk is currently Associate Clinical Director for Champion Sports Medicine, a physiotherapy facility, in Birmingham, Alabama. In addition, he is the Director of Rehabilitative Research at ASMI in Birmingham and is Adjunct Assistant Professor in the Physical Therapy Program at Marquette University in Milwaukee, Wisconsin. Dr. Wilk is also the Rehabilitation Consultant for the Tampa Bay Rays' baseball team and has worked with the Rays for 15 years. Kevin has worked with professional baseball for 25 years and with the Rays since the organization started. Dr Wilk received his physical therapy diploma from Northwestern University Medical School in Chicago, Illinois and his DPT from Massachusetts General Hospital Institute of HealthCare Professions in Boston, Massachusetts.

Dr. Michael Jewett:

Michael Jewett MD is a Professor of Surgery (Urology) at the University of Toronto, Surgical Oncology at Princess Margaret Cancer Centre, UHN. He graduated from Queen's University, Faculty of Medicine, and completed his urology training at the University of Toronto. He became a Fellow of the Royal College of Physicians and Surgeons of Canada ("**FRCSC**") in 1974 and subsequently spent two years as a Fellow at Memorial Sloane Kettering Cancer Center in New York City before returning to the Faculty. His clinical practice is in urologic oncology with research interests in testicular cancer and superficial bladder cancer.

Dr. Lothar Lilge:
Lothar Lilge, Ph.D., is a Professor in the Department of Medical Biophysics, University of Toronto and Senior Scientist at the Ontario Cancer Institute, Princess Margaret Cancer Centre, UHN. Dr. Lilge's research is focused on PDT, optical diagnostics, destruction of cancer and bacteria by light activated PDTs and the use of light as a microscopic tool for biomedical research. He has published over 30 original scientific papers and is an editor of peer reviewed scientific journals. Dr. Lilge is a much sought after speaker at many international medical and scientific conferences.

Officers

Officers hold their offices until the meeting of the Board of Directors following the annual meeting of the shareholders of the Company following their nomination or until their successors are appointed.

The name of each officer, the year in which each officer first became an officer of Theralase Technologies Inc.** and Theralase Inc.* and the principal occupation of each person is provided in the following table:

Names and Municipality of Residence	Officer Since	Position
Roger Dumoulin-White	2003**	President and Chief Executive Officer
Toronto, Ontario Canada	1994*	President and Chief Executive Officer
Kristina Hachey	2003**	Chief Financial Officer
Toronto, Ontario Canada	1997*	Chief Financial Officer
Arkady Mandel	2011**	Chief Scientific Officer

For the past three years, all of the officers of the Company have been engaged in the principal occupation indicated in the above table.

As of June 30, 2014, the directors and officers of the Company collectively exercised control over 13,370,924 common shares, representing 16.9% of all of the issued and outstanding common shares as of such date.

ESCROWED SHARES

There are no shares of the Company currently under escrow.

DIVIDENDS

The Company has not previously paid any dividends on its Common Shares. The Company is not restricted from paying dividends other than pursuant to certain solvency tests prescribed under the *Canada Business Corporations Act*; however, the Company does not intend to pay dividends on any of its securities in the foreseeable future.

CAPITAL STRUCTURE

The Company's authorized share capital consists of an unlimited number of Common Shares.

	December 31, 2013	June 30, 2014
Issued and Outstanding Common Shares	65,726,309	79,207,709
Stock Price ($ CAN)	$0.44	$0.38
Market Capitalization ($ CAN)	$28,919,576	$30,098,929

The Common Shares entitle their holders:

- to vote, on the basis of one vote per Common Share held, whenever a shareholders' vote is held;
- to receive any dividend if and when declared by the Board of Directors of the Company; and
- to share proportionately in the remaining assets of the Company in the event of its liquidation or dissolution after satisfaction of all creditors.

INTEREST OF EXPERTS

Collins Barrow Toronto LLP (Toronto, ON) are the auditors of the Company. To the knowledge of the Company, the firm did not have any interest and will not have any interest, directly or indirectly, in the property of the Company or did not have or will not have any beneficial ownership, directly or indirectly, over any securities of the Company.

THE AUDIT COMMITTEE / GOVERNANCE AND COMPENSATION COMMITTEE

Audit Committee

The Audit Committee operates under the Audit Committee Mandate (Schedule "A" hereto). In addition to carrying out its statutory legal responsibilities (including review of the Corporation's annual and interim financial statements prior to their presentation to the Board), the Audit Committee reviews all financial reporting, the statutory Management's Discussion and Analyses ("**MD&A**") reported in the Company's Annual and interim reports. The Audit Committee consults with the Company's independent external auditors and with members of Management to assist it in the effective discharge of its duties. The Audit Committee also recommends to the Board of Directors the auditor to be appointed as the Company's external auditor at the Annual Meeting and the terms of their remuneration.

The Committee is charged with reviewing and monitoring the actions taken by Management with respect to any significant recommendations made by the Company's independent external auditors.

The Audit Committee's Charter

The Board of Directors of the Company has established an audit committee ("**Audit Committee**"). The written charter of the Audit Committee that sets out its mandate and responsibilities was first adopted in June 2006 (see Schedule A to this AIF for the complete text of the Audit Committee's Charter).

Composition of the Audit Committee

The Audit Committee is composed of three members Mr. Randy Bruder, Mr. Guy Anderson and Mr. Matt Perraton. The Audit Committee is chaired by Mr. Guy Anderson and all three members are independent directors.

Each of the Audit Committee members is independent and financially literate within the meaning of NI 52-110, which means that each of them:

has no direct or indirect material relationship with the Company, other than being one of its Directors and

has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements.

Pre-Approved Policies

The Board of Directors of the Company and the Audit Committee have adopted certain policies with respect to services rendered by external auditors.

Specific services may be rendered by the external auditors of the Company, which are not incompatible, as to their nature, with the maintenance of their professional independence. Certain of these services reflect the statutory role of the external auditors and are grouped under "Audit Services" below.

Audit Services

- Examination of the Company's annual consolidated financial statements;
- Review of the Company's quarterly consolidated financial statements;
- Review of the Company's MD&A, Management Information Circular and other annual filing documents

External Auditors Service Fees

The following are the aggregate fees billed by the Company's external auditors in each of the last two fiscal years by category of services provided to the Company by said auditors.

Type of Services	Fiscal Year 2013	Fiscal Year 2012
Audit Fees	$48,000	$47,000
Audit Related Fees	$1,650	$2,200
Tax-related Fees	$7,000	$8,000
Total	**$56,650**	**$57,200**

Governance and Compensation Committee

The Governance and Compensation Committee operates under the Governance and Compensation Mandate (Schedule "B" hereto). In addition to carrying out its statutory legal responsibilities (including review of the Company's governance and compensation practices), the Governance and Compensation Committee reviews all governance issues and compensation reviews. The Governance and Compensation Committee regularly consults with the members of Management to assist it in the effective discharge of its duties. The Governance and Compensation Committee also recommends to the Board of Directors, best practices and policies in the governance and compensation of the Company.

Composition of the Governance and Compensation Committee

The Governance and Compensation Committee is composed of Mr. Randy Bruder, Mr. Guy Anderson and Mr. Matt Perraton. The Governance and Compensation Committee is chaired by Mr. Matt Perraton and all three members are independent directors.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Management of the Company is not aware of any legal proceeding, litigation outstanding or regulatory actions, threatened or pending as of the date hereof by or against the Company or relating to its business, which would be material to an existing or potential holder of Common Shares.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the knowledge of the Company, there hasn't been any material interest, direct or indirect, of any executive officer of the Company, or a person or company that is the direct or indirect beneficial owner of, or who exercises control or direction over, more than 20 percent of any class or series of the outstanding voting securities of the Company, or any associate or affiliate thereof, within the three most recently completed financial years, that has materially affected the Company.

TRANSFER AGENT AND REGISTRAR

The Company's Transfer Agent and Registrar is TMX Equity Transfer Services Inc. with offices located in Toronto, Ontario, Canada.

LEGAL COUNSEL

Basman Smith LLP of Toronto, Ontario, Canada acts as the Company's legal counsel.

Caesar Rivise Bernstein Cohon and Pokotilow Ltd. of Philadelphia, Pennsylvania e of Pf

agrees to pay VTIP a licence issue fee, licence maintenance fee, milestone payments and a royalty of two and one half (**2 1/2 %**) percent of net sales received by Theralase, Each such payment shall be made within thirty days of the end of each quarter.

On September 9, 2011, Theralase entered into an exclusive worldwide licensing agreement with Dr. Sherri McFarland, a chemistry professor at Acadia University, granting Theralase any and all rights to all allowed claims in intellectual property of *Invention Disclosure* dated July 22, 2011 and all intellectual property rights related to or arising from subsequent improvements by the parties during the currency of the agreement in cancer related therapies and in general, utilizing PDT for medical or sterilization related applications, cosmetic applications, bacteria applications, virus applications, cancer related therapies, PDT. Medical or sterilization related applications include, but are not limited to: research and development of the destruction of biological tissue, especially hyperproliferating cells, such as cancer and destruction of microbial entities, such as bacteria and viruses. The agreement is in good effect and binding on the parties for twenty years following the expiry of the last patent, including improvements; thereby, protecting the intellectual property under this agreement currently until April 15, 2053. In consideration for the licence as granted herein, Theralase agrees to pay McFarland milestone payments and a royalty of three (**3 %**) percent of net sales received by Theralase, Each such payment shall be made within sixty days of the end of each quarter.

On May 1, 2014, the Company entered into a one year term agreement with UHN to have Lothar Lilge Ph.D. ("**Scientific Principal Investigator**") direct research activities related to Theralase's patented, patent pending and / or proprietary PDC technology used for the destruction, reduction or modification of cancer cells, tissue cells, eurkaryotes (mammalian cells), prokaryotes (bacteria) or other cells, as the application dictates. Under the terms of the agreement, UHN is to be paid a total of $168,000 to identify the lead compound, provide GMP evaluation and pre-toxicology of the lead compounds, codevelop medical instruments and dosimetry and for use of laboratory bench space.

On June 12, 2014, the Company entered into an agreement, ending December 31, 2014, with the University of Toledo to complete a research project entitled, "*The Use of Novel Photosensitizers and Photodynamic Therapy in a Rat Bladder Tumor Model*" to evaluate and assist in the selection of the Company's lead PDC in a rat bladder cancer tumour model. Under the terms of the agreement, the University of Toledo is to be paid a total of $USD 29,043 to conduct pre-clinical animal studies aimed at testing the efficacy of using novel photosensitizers and photodynamic therapy in a rat bladder tumor model.

ADDITIONAL INFORMATION

Additional information including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, options to purchase securities and interests of insiders in material transactions, where applicable, is contained in the Company's Management Information Circular prepared in connection with the Annual General Meeting of Shareholders of the Company, held on November 30, 2013 and filed on SEDAR (www.sedar.com) on November 19, 2013.

Additional financial information, including the comparative financial statements, is provided in the Company's 2013 Annual Audited Consolidated Financial Statements and notes attached thereof, as well as a discussion of the Company's strategic focus in the Management's Discussion and Analysis for the fiscal year ended December 31, 2013 filed on SEDAR April 30, 2014, its March 31, 2014 consolidated interim financial statements filed on SEDAR on May 30, 2014 and its June 30, 2014 consolidated interim

financial statements filed on SEDAR on August 29, 2014. These documents and other ancillary information relating to Theralase Technologies Inc. are available on SEDAR (www.sedar.com) or the Company web site www.theralase.com

For further information or to obtain a copy of the above-mentioned documents, please contact Theralase at 1945 Queen Street East, Toronto, Ontario, M4L 1H7, Canada, Toll-Free 1-866-THE-LASE (843-5273), Work (416) 699-LASE (5273), Fax (416) 699-5250, e-mail info@theralase.com

SCHEDULE "A"
CHARTER OF THE AUDIT COMMITTEE

The Audit Committee ("**Audit Committee**") of the Board of Directors of Theralase Technologies Inc. ("**Company**") shall have the responsibilities and duties as outlined below:

MANDATE

The mandate of the Audit Committee is:

a) To perform such duties as may be required by the applicable legislation, regulations and policies, including those of the Ontario Securities Commission ("**OSC**") and the TSX Venture Exchange ("**TSXV**"), as further described under the heading "Duties" below.

b) To assist the Board of Directors ("**Board**") in fulfilling its oversight responsibilities for:

i. the integrity of the Company's financial statements;
ii. the Company's compliance with legal and regulatory requirements;
iii. the independent external auditors' qualifications and independence;
iv. the performance of the Company's independent external auditors; and
v. the system of internal control over financial reporting ("**internal controls**").

c) To perform such other duties as may from time to time be assigned to the Audit Committee by the Board.

AUTHORITY

The Audit Committee has authority to:

a) conduct or authorize investigations into any matters within its scope of responsibility;

b) meet with Company officers, independent external auditors and legal advisors; as applicable and necessary; and

c) determine appropriate funding for the Company's legal advisors.

DUTIES

The Audit Committee shall:

Financial Information

a) review the quarterly and annual consolidated financial statements of the Company prior to their approval by the Board and disclosure to the public, which review shall be completed in a timely manner and shall include discussion with management and the external auditors on significant issues regarding the financial results, accounting principles, practices and management estimates and judgments;

b) review the quarterly and annual MD&A of the Company's current financial results, position and future prospects prior to its review and approval by the Board;

c) review earnings and related press releases;

d) discuss significant financial risk exposures and the steps the Company's management has taken to monitor, control and report such exposures;

e) review with management and the external auditors all matters required to be communicated to the Committee under generally accepted auditing standards;

f) review the process relating to the certifications of the Chief Executive Officer and the Chief Financial Officer on the integrity of the Company's quarterly and annual consolidated financial statements as may be required under applicable securities legislation.

Compliance

a) review material financial transactions of the Company which may be brought to its attention by the external auditors or by Company management;

b) review litigation matters, when relevant and material;

c) review this Mandate annually for the Audit Committee and evaluate the Audit Committee's effectiveness in fulfilling its mandate.

Internal Controls

a) require Company management to implement and maintain appropriate internal control procedures over financial reporting and review and evaluate and approve these procedures;

b) maintain procedures for processing material complaints regarding accounting, internal controls or auditing matters; and

c) establish procedures for responding to material complaints regarding environmental and related matters.

External Auditors

a) have responsibility for the oversight of the independent external auditors who shall report directly to the Audit Committee;

b) retain and/or terminate the Company's external auditors, subject to the appropriate shareholder action at the Company's shareholder meetings;

c) annually review the report of the external auditors;

d) review and recommend to the Board the annual fee for the audit, and review the Company's audit-related expenses;

e) meet with the independent external auditors and with the Company's Chief Financial Officer to review the annual consolidated financial statements, including the Company's disclosures under the MD&A; and

f) review with the external auditors any audit problems or difficulties and management's response in such circumstances.

Reporting and Other Duties

a) report to the Board on the proceedings of each Audit Committee meeting and on the Audit Committee's recommendations at the next regularly scheduled Board meeting;

b) provide for open communications between the internal audit functions, the external auditors and the Board;

c) institute and oversee special investigations of Company financial and related matters, as determined by the Board.

COMPOSITION OF THE AUDIT COMMITTEE

Structure

The Audit Committee shall comprise not less than two directors, a majority of whom shall be resident Canadians, and all of whom shall be "**Independent Directors**," as such term is defined in the TSXV corporate governance guidelines.

Each member of the Audit Committee shall be free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her judgment as a member of the Audit Committee. All members of the Audit Committee shall have a working familiarity with basic finance and accounting practices and generally accepted accounting principles.

Independence

No member of the Audit Committee may be a current officer or employee of the Company, or of any of its subsidiaries or affiliates, nor shall have held such position within the 24 months prior to his or her appointment. No member may be a person who is affiliated with the Company, or of any of its subsidiaries or affiliates, as determined by the Board for the purposes of the TSXV Guidelines on Corporate Governance. No member may hold 5% or more of the voting shares of the Company. Directors' fees (annual retainer and/or attendance fees) and incentive stock options are the only compensation a member of the Audit Committee may receive from the Company.

Appointment of Audit Committee Members

Members are appointed or reappointed annually by the Board, such appointments to be effective immediately following the Annual Meeting of the shareholders of the Company. Members shall hold office until their successors are appointed or until they cease to be Directors of the Company.

Vacancies

The Board shall fill vacancies for the remainder of any current term of appointment of members of the Audit Committee.

Appointment and Qualifications of Audit Committee Chair

The Board shall appoint from the Audit Committee membership a Chair of the Audit Committee to preside at their meetings. In the absence of the Chair, one of the other members of the Audit Committee present shall be chosen by the Audit Committee to preside at that meeting.

MEETINGS

Calling of Meetings

Meetings of the Audit Committee may be called by:

(i) the Chair
(ii) any member of the Audit Committee; or
(iii) the independent external auditors.

The Audit Committee may call a meeting of the Board to consider any matter of material concern to the Audit Committee.

The Audit Committee shall not transact business at a meeting unless a majority of the members present are resident Canadians except where:

a) a resident Canadian member who is unable to be present approves in writing or by telephonic, electronic or other communication facilities the business transacted at such meeting; and

b) a resident Canadian majority of members would have been present if the absent member had been present.

Any resolution consented to at any time during the Company's existence by the signatures of all the members of the Audit Committee is as valid and effective as if passed at a meeting of the members of the Audit Committee duly called, constituted and held for that purpose.

Notice of Meetings

Notice of meetings of the Audit Committee shall be sent by prepaid mail, by personal delivery or other means of transmitted or recorded communication, or by telephone, at least 12 hours before the meeting to each member of the Audit Committee at the member's address or communication number last recorded with the Company. An Audit Committee member may in any manner waive notice of a meeting of the Audit Committee, and attendance at a meeting is a waiver of notice of the meeting, except where a member attends for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

Notice to the Internal Auditor and Independent External Auditor

The independent external auditors are entitled to receive notice of meetings of the Audit Committee when their work for the Company is on the agenda of such meeting. The said auditors have the right, but not the obligation, to attend and be heard at each such meeting and to have the opportunity to discuss matters with the independent Directors, without the presence of management or the other Directors, at the discretion of the independent Directors.

Frequency

The Audit Committee shall meet at least quarterly, or as otherwise determined by the Audit Committee.

Quorum

The quorum for a meeting of the Audit Committee shall not be less than 40% of the number of members, subject to a minimum of two members.

Secretary and Minutes

The Chief Financial Officer of the Company shall act as Secretary of the Audit Committee. When the Chief Financial Officer is not available to act as Secretary, or is not, in the discretion of the Audit Committee, designated to so act, any member of the Audit Committee shall be appointed by the other members to act as Secretary of the Audit Committee.

Minutes of meetings of the Audit Committee shall be recorded and maintained by the Secretary of the Audit Committee, or by a member so designated at a meeting, and subsequently presented to the Audit Committee and to the Board, if required by the Board.

SCHEDULE "B"
CHARTER OF THE GOVERNANCE AND COMPENSATION COMMITTEE

CORPORATE GOVERNANCE DISCLOSURE

The Board of Directors of the Company ("**Board**") considers good corporate governance to be important to the effective operations of the Company and to ensure that the Company is managed so as to optimize shareholder value. The Board is responsible for examining the Company's needs in this regard and address all issues that may arise from its practices. This Board ensures that the Company's corporate governance practices comply with National Instrument 58-101 *Disclosure of Corporate Governance Practices* and oversees their disclosure according to guidelines described in National Policy 58-201 *Corporate Governance Guidelines* (hereinafter collectively referred to as the "**Regulation**").

POSITION DESCRIPTIONS

The Board has developed written position descriptions for the Chairman of the Board and Chair of the Audit Committee. Position descriptions were also developed for the President and Chief Executive Officer and Chief Financial Officer.

ORIENTATION AND CONTINUING EDUCATION

The following actions are taken to ensure the continuing education of existing and new Directors:

a) Management provides Directors, from time to time, with pertinent articles and information relating to the Company's business, its competitors, corporate governance and regulatory issues.

b) Management makes regular presentations to the Board on business activities.

c) Directors are offered continuing education in the form of presentations on new legal and regulatory requirements that impact the Board.

Furthermore, new members of the Board will receive an orientation package, which will include information concerning the business of the Company as well as a description of the role and duties of board members.

The Board does not feel that any additional, more formal education process is warranted at this time; however, as part of its self-assessment process the Board of Directors actively considers, whether any particular business experience or expertise can be added to the Board through the nomination of new Board members.

ETHICAL BUSINESS CONDUCT

The Board has adopted a *Code of Business Ethics and Conduct* ("**Code**"**)** for the Company's directors, executive officers and employees and reviews it on an annual basis. The Code has been circulated to all employees of the Company, as has a whistleblower policy ("**Whistleblower Policy**") which provides that any issues regarding auditing or accounting or certain other matters can be reported directly to the Audit Committee. The Board has also adopted a *Disclosure and Trading Policy* that reflects clear guidelines to directors and officers and all other employees on trading of the Company's securities. This policy requires a consistent and timely dissemination of material information to the public, as per applicable securities

legislation.

In the event a director or an executive officer has a material interest in any transaction or agreement, the matter may initially be reviewed by the Governance and Compensation Committee ("**GC Committee**") to determine the scope of the interest and its impact on management's decision-making. The GC Committee will report its findings to the Board of Directors, which will take appropriate action to ensure independent exercise of judgement. In the event a director has a material interest in any transaction or agreement, such director must disclose, without delay, this conflict of interest and follow the rules provided by the General By-Laws of the Company.

NOMINATION OF DIRECTORS

The identification of new candidates for board nomination is overseen by the Board. The Board examine on an annual basis the size and composition of the Board. In addition, Board Members shall identify individuals qualified to become members of the Board and recommend the director nominees to be put before shareholders at each annual meeting.

INDEPENDENCE

A majority of the Company's directors are required to be independent directors, as defined by the Regulation.

COMPENSATION

The compensation of the officers and directors of the Company ("**Named Executives**") is proposed by the GC Committee and approved by the Board. On an annual basis the Board reviews the compensation arrangements for the Named Executives. The Board is responsible for approving any incentive compensation plans, including stock options for the Named Executives. The officers of the Company are responsible for preparing the Management Information Circular, which includes executive compensation, for approval by the Board, for disclosure to shareholders at the Annual General Meeting ("**AGM**").

ASSESSMENTS

While there is no formal process for assessing directors on an ongoing basis, the directors are free to discuss specific situations from time to time amongst themselves and/or with the Chairman of the Board and, if deemed necessary, steps are taken to remedy a situation.

REFERENCES

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[2]U.S. Bureau of Labor Statistics, *Occupational Outlook Handbook,* Washington, DC, 2010 – 2011 edition

[3]American Cancer Society. *Cancer Facts & Figures 2014,* Atlanta, Georgia, 2014

[4]Centers for Disease Control and Prevention. *The Burden of Chronic Diseases and Their Risk Factors: National and State Perspectives 2004.* Atlanta, Georgia, 2005

[5] National Cancer Institute, *SEER Cancer Statistics Review, 1975–2011*, Howlader N et al, Bethesda, MD, November 2013 SEER data submission, posted to the SEER Web site 2014.

[6]National Heart, Lung, and Blood Institute. *NHLBI Fact Book, Fiscal Year 2012,* Bethesda, MD, 2013.

[7]Wound Repair Regen. *Human Skin Wounds: A Major and Snowballing Threat to Public Health and the Economy*, Chandan K. Sen, PhD et al, 2009