Theralase Technologies Inc.

Condensed Interim Consolidated Financial Statements - Unaudited

As at June 30, 2020 and for the six-month period ended June 30, 2020 and 2019

THERALASE® TECHNOLOGIES INC.

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

	Note	2020	2019
Assets			
Current assets			
Cash and cash equivalents		$ 9,610,914	$ 12,548,550
Trade and other receivables	3	554,812	824,133
Inventories	4	553,684	722,558
Prepaid expenses and other assets		70,985	95,101
Total current assets		10,790,395	14,190,342
Non-current assets			
Trade receivables	3	76,911	101,626
Property and equipment	5	961,899	1,013,381
Right-of-use-assets	7	115,620	141,247
Intangible assets	6	3,844	6,512
Rent deposit		16,982	16,982
Total non-current assets		1,175,256	1,279,748
Total Assets		**$ 11,965,651**	**$ 15,470,090**
Liabilities			
Current liabilities			
Payables and accruals	8	$ 748,006	$ 1,470,025
Current portion of lease liabilities	7	54,406	50,147
Total current liabilities		802,412	1,520,172
Non-current liabilities			
Lease liabilities	7	64,597	94,475
Total non-current liabilities		64,597	94,475
Total Liabilities		867,009	1,614,647
Equity attributable to shareholders			
Share capital	9,12	42,120,421	42,120,213
Contributed surplus	9,10	9,856,776	6,990,821
Common share purchase warrants	9,11	5,228,919	7,396,563
Accumulated deficit		(46,107,474)	(42,652,154)
Total Equity		11,098,642	13,855,443
Total Shareholders' Equity and Liabilities		**$ 11,965,651**	**$ 15,470,090**

Commitments (Note 20)

Approved on Behalf of the Board

[Randy Bruder] Director

[Guy Anderson] Director

THERALASE® TECHNOLOGIES INC.

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

		Three Months Ended June 30		Six Months Ended June 30	
	Note	**2020**	**2019**	**2020**	**2019**
Sales		$ 181,910	$ 249,257	$ 293,453	$ 370,436
Cost of sales		130,648	183,393	230,095	267,644
Gross margin		51,262	65,864	63,358	102,792
Operating expenses					
Selling expenses	14	93,104	165,694	229,998	344,501
Administrative expenses	15	432,495	530,530	965,824	1,062,087
Research and development expenses	16	1,171,775	855,624	2,219,057	1,303,375
(Gain) loss on foreign exchange		(1,491)	1,861	(3,261)	8,417
Interest accretion on lease liabilities		2,553	3,526	5,361	6,001
Interest income		(23,406)	(4,574)	(85,997)	(9,321)
		1,675,032	1,552,661	3,330,982	2,715,060
Net loss and comprehensive loss for the period		$ (1,623,770)	$ (1,486,797)	$ (3,267,624)	$ (2,612,268)
Basic and diluted loss per common share	13	(0.01)	(0.01)	(0.02)	(0.02)
Weighted average number of common shares		204,275,875	144,818,890	204,276,375	142,759,478

THERALASE® TECHNOLOGIES INC.

Consolidated Statements of Cash Flows
For the six month periods ended June 30
Stated in Canadian Dollars

	2020	2019
Cash flows from operating activities		
Net loss for the year	$ (3,267,624)	$ (2,612,268)
Items not involving cash:		
Amortization of property and equipment	97,946	92,014
Amortization of right-of-use assets	25,627	25,627
Amortization of intangibles	2,668	6,945
Stock-based compensation expense	514,368	55,357
(Gain) loss on foreign exchange	(3,261)	8,417
Interest accretion from lease liabilities	5,361	6,001
	(2,624,915)	(2,417,907)
Change in operating assets and liabilities other than cash:		
Current trade and other receivables	272,582	60,583
Non-current trade receivables	24,715	35,816
Inventories	168,874	(72,721)
Prepaid expenses and other assets	24,116	(102,700)
Payables and accruals	(727,380)	(260,510)
	(2,862,007)	(2,757,439)
Cash flows from investing activity		
Purchase of property and equipment	(46,464)	(28,859)
	(46,464)	(28,859)
Cash flows from financing activities		
Payment of lease liabilities	(25,619)	(23,829)
Proceeds from public offering	-	222,238
Proceeds from the exercise of share warrants	175	2,688,915
Warrant extension costs	(3,721)	-
	(29,165)	2,887,324
Increase (decrease) in cash during the period	(2,937,636)	101,026
Cash and cash equivalents, beginning of period	12,548,550	1,033,699
Cash and cash equivalents, end of period	$ 9,610,914	$ 1,134,725
Supplementary Information		
Interest Paid	$ -	$ -
Interest Received	$ 85,997	$ 4,747

THERALASE® TECHNOLOGIES INC.

Consolidated Statements of Changes in Equity
For the six month periods ended June 30
Stated in Canadian Dollars

	Note	Number of Shares	Share Capital	Contributed Surplus	Common Share Purchase Warrants	Deficit	Total Shareholders' Equity
		#	$	$	$	$	$
Balance, December 31, 2018		134,877,585	26,434,938	5,989,332	3,812,609	(35,238,240)	998,639
Stock-based compensation expense	10	-	-	55,357	-	-	55,357
Exercised share purchase warrants	11	7,534,300	3,260,344	-	(571,429)	-	2,688,915
Issued pursuant to private placement	9	4,095,157	1,017,288	-	416,017	-	1,433,305
Transaction cost on private placement	9	-	(6,864)	-	(2,807)	-	(9,671)
Loss for the period		-	-	-	-	(2,612,268)	(2,612,268)
Balance, June 30, 2019		146,507,042	30,705,706	6,044,689	3,654,390	(37,850,508)	2,554,277
Balance, December 31, 2019		204,275,375	42,120,213	6,990,821	7,396,563	(42,652,154)	13,855,443
Stock-based compensation expense	10	-	-	514,368	-	-	514,368
Expired warrants	11	-	-	2,351,587	(2,351,587)	-	-
Exercised share purchase warrants	11	500	208	-	(33)	-	175
Extension of warrants	11	-	-	-	187,697	(187,697)	-
Warrants extension costs	11	-	-	-	(3,721)	-	(3,721)
Loss for the period		-	-	-	-	(3,267,624)	(3,267,624)
Balance, June 30, 2020		204,275,875	42,120,421	9,856,776	5,228,919	(46,107,474)	11,098,642

1. Nature of Operations

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

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

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

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

Going Concern, Capital Disclosures and Statement of Compliance

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

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

For the six-month period ended June 30, 2020, the Company had a net loss of $3,267,624 (2019 - $2,612,268), an accumulated deficit of $46,107,474 (December 31, 2019 - $42,652,154) and has historically used net cash in operations. These conditions indicate the existence of material uncertainties that casts substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon achieving a profitable level of operations and obtaining additional financing, neither of which is assured. The Company has been able to raise capital to continue to market its products and continues to develop sales opportunities that could result in additional sales of its products in the future.

These consolidated financial statements do not give effect to any adjustments which may be necessary should the Company be unable to continue as a going concern and be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying consolidated financial statements. These adjustments could be material.

The Company's objective is to maintain a sufficient capital base to support future research, development and strategic business initiatives allowing the Company to invest in its future and maintain investor, creditor and market confidence. Sales of the TLC-1000 and TLC-2000, the Company's existing product lines have not met expectations and have not been sufficient in and of themselves to enable the Company to fund all its continuing development and commercialization efforts and, accordingly, management is pursuing alternate financing sources to fund the Company's development and commercialization efforts. The Company has successfully raised capital through equity offerings in 2019 (note 7) however, there is no guarantee that the Company will be able to raise additional capital on terms and conditions agreeable to the Company.

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

Approval of Financial Statements

The interim condensed consolidated financial statements for the six-month period ended June 30, 2020 (including comparatives) were approved and authorized for issue by the board of directors on August 26, 2020.

2. Summary of Significant Accounting Policies

Basis of presentation

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

Basis of consolidation

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

Reclassification

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

Stated in Canadian Dollars

3. Trade and Other Receivables

	As at June 30, 2020	As at December 31, 2019
Trade receivable (net amount)	$ 211,390	$ 380,229
Government tax credits receivable	420,333	545,530
Total	631,723	925,759
Less: Non-current trade receivables	(76,911)	(101,626)
Total	**$ 554,812**	**$ 824,133**

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

Government tax credits receivable comprise research and development investment tax credits receivable from the federal government which relate to qualifiable research and development expenditures and Canada Emergency Wage Subsidy under the applicable tax laws.

Government tax credits receivable totalling $240,000 have been recognized as a reduction of related research and development expenses. The Canada Emergency Wage Subsidy totalling $115,033 is accounted for as a reduction of operating expenses and have been allocated as follows, $27,104 against selling expenses, $19,436 against administrative expenses, $16,680 against cost of goods sold and $51,813 against research and development expenses.

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

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

4. Inventories

	As at June 30, 2020	As at December 31, 2019
Raw materials	$ 225,629	$ 337,536
Work-in-process	10,137	10,120
Finished goods	317,918	374,902
Total	**$ 553,684**	**$ 722,558**

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

Stated in Canadian Dollars

5. Property and Equipment

Cost

	Tools and Dies	Computer Equipment	Furniture and Fixtures	Rental units	Equipment	Leasehold Improvements	Total
Balance at January 1, 2019	$207,499	$347,953	$147,941	$139,820	$420,542	$ 212,554	$1,476,309
Additions	1,150	59,505	1,090	-	441,811	29,652	533,208
Disposals	-	-	-	(5,891)	-	-	(5,891)
Balance at December 31, 2019	$208,649	$407,458	$149,031	$133,929	$862,353	$ 242,206	$2,003,626
Balance at January 1, 2020	$208,649	$407,458	$149,031	$133,929	$862,353	$ 242,206	$2,003,626
Additions	5,144	-	12,243	-	25,581	3,496	46,464
Disposals	-	-	-	-	-	-	-
Balance at June 30, 2020	$213,793	$407,458	$161,274	$133,929	$887,934	$ 245,702	$2,050,090

Depreciation

	Tools and Dies	Computer Equipment	Furniture and Fixtures	Rental units	Equipment	Leasehold Improvements	Total
Balance at January 1, 2019	$141,565	$229,125	$106,608	$ 57,577	$228,767	$ 39,977	$ 803,619
Depreciation for the year	16,500	38,049	8,681	26,786	52,501	50,000	192,517
Disposals	-	-	-	(5,891)	-	-	(5,891)
Balance at December 31, 2019	$158,065	$267,174	$115,289	$ 78,472	$281,268	$ 89,977	$ 990,245
Balance at January 1, 2020	$158,065	$267,174	$115,289	$ 78,472	$281,268	$ 89,977	$ 990,245
Depreciation for the year	6,708	20,985	4,505	13,356	24,676	27,716	97,946
Disposals	-	-	-	-	-	-	-
Balance at June 30, 2020	$164,773	$288,159	$119,794	$ 91,828	$305,944	$ 117,693	$1,088,191

Carrying Amounts

	Tools and Dies	Computer Equipment	Furniture and Fixtures	Rental units	Equipment	Leasehold Improvements	Total
At December 31, 2019	$ 50,584	$140,284	$ 33,742	$ 55,457	$581,085	$ 152,229	$1,013,381
At June 30, 2020	$ 49,020	$119,299	$ 41,480	$ 42,101	$581,990	$ 128,009	$ 961,899

For the six-month period ended June 30, 2020, there was amortization included in cost of sales amounting to $13,824 (2019 - $8,797). As at June 30, 2020, research and development equipment included assets not available for use with a cost of $405,220 (2019 - $397,339).

Stated in Canadian Dollars

6. Intangible Assets

Cost	Patents	Trademarks	Development Costs	FDA Clinical Study Costs(1)	Total
Balance at December 31, 2019	$ 199,622	$ 58,346	$ 344,093	$ 509,649	$ 1,111,710
Balance at June 30, 2020	$ 199,622	$ 58,346	$ 344,093	$ 509,649	$ 1,111,710
Amortization					
Balance at January 1, 2019	$ 181,863	$ 58,103	$ 344,093	$ 509,649	$ 1,093,708
Amortization for the year	11,353	137	-	-	11,490
Balance at December 31, 2019	$ 193,216	$ 58,240	$ 344,093	$ 509,649	$ 1,105,198
Balance at January 1, 2020	$ 193,216	$ 58,240	$ 344,093	$ 509,649	$ 1,105,198
Amortization for the year	2,562	106	-	-	2,668
Balance at June 30, 2020	$ 195,778	$ 58,346	$ 344,093	$ 509,649	$ 1,107,866
Carrying Amounts					
At December 31, 2019	$ 6,406	$ 106	$ -	$ -	$ 6,512
At June 30, 2020	$ 3,844	$ -	$ -	$ -	$ 3,844

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

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

	Property	Office Equipment	Total
Right-of-use Assets			
Balance at January 1, 2019	$ 185,479	$ 7,022	$ 192,501
Depreciation charge for the period	24,731	896	25,627
Balance at June 30, 2019	**$ 160,748**	**$ 6,126**	**$ 166,874**
Balance at January 1, 2020	$ 136,018	$ 5,229	$ 141,247
Depreciation charge for the period	24,731	896	25,627
Balance at June 30, 2020	**$ 111,287**	**$ 4,333**	**$ 115,620**
Lease Liabilities			
Balance at January 1, 2019	$ 185,479	$ 7,022	$ 192,501
Interest charge for the period	5,782	219	6,001
Lease payments for the period(1)	(28,750)	(1,080)	(29,830)
Balance at June 30, 2019	**$ 162,511**	**$ 6,161**	**$ 168,672**
Balance at January 1, 2020	$ 139,309	$ 5,313	$ 144,622
Interest charge for the period	5,163	198	5,361
Lease payments for the period(1)	(29,900)	(1,080)	(30,980)
Balance at June 30, 2020	**$ 114,572**	**$ 4,431**	**$ 119,003**

(1) Lease payments does not include variable property lease payments of $18,803 (2019 - $21,884).

Stated in Canadian Dollars

	As at June 30, 2020			As at December 31, 2019		
	Property	**Office Equipment**	**Total**	**Property**	**Office Equipment**	**Total**
Current portion of lease liabilities	$ 52,533	$ 1,873	$ 54,406	$ 48,421	$ 1,726	$ 50,147
Non-current portion of lease liabilities	62,039	2,558	64,597	90,888	3,587	94,475
	$114,572	**$ 4,431**	**$119,003**	**$139,309**	**$ 5,313**	**$144,622**

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

	Property	Office Equipment	Total
2020	$ 23,684	$ 844	$ 24,528
2021	52,294	1,864	54,158
2022	38,594	1,723	40,317
	$ 114,572	**$ 4,431**	**$ 119,003**

8. Payables and Accruals

	As at June 30, 2020	As at December 31, 2019
Trade payables	$ 465,379	$ 525,195
Salaries, employment taxes, and benefits	229,377	613,170
Accrued liabilities	53,250	331,660
Total	**$ 748,006**	**$ 1,470,025**

9. Public Offering and Private Placement

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

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

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

Stated in Canadian Dollars

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

The fair value of each common share purchase warrants granted, with the exception of the August 22, 2019 public offering, was estimated on the dates of the grant using the Black-Scholes option pricing model with the following assumptions:

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

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

10. Stock Options

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

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

	Common shares under option	Weighted average exercised price $
Outstanding, December 31, 2019	**16,010,000**	**0.35**
Expired during period	(1,250,000)	0.50
Forfeited during period[1]	(260,000)	0.50
Outstanding, June 30, 2020	**14,500,000**	**0.33**

1) During 2020, certain employees were terminated and/or resigned from the employment of the Company and forfeited all non-vested options and non-exercised totaling 260,000.

Stated in Canadian Dollars

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

Stock Options Outstanding			Stock Options Exercisable	
Stock Options Outstanding	**Weighted Average Remaining Life (years)**	**Weighted Average Exercise Price $**	**Stock Options Exercisable**	**Weighted Average Exercise Price $**
50,000	0.3	0.50	50,000	0.50
10,000	0.8	0.50	10,000	0.50
3,020,000	1.8	0.50	3,020,000	0.50
11,420,000	4.2	0.28	-	0.28
14,500,000			**3,080,000**	

Under the stock option plan, the stock options vest over a three year period, commencing one year after the grant. As at June 30, 2020, 3,080,000 of the stock options were vested. All outstanding stock options, as at June 30, 2020, will be fully vested by September 11, 2022.

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

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

* Based on historical volatility

For the six-month period ended June 30, 2020, the Company recognized stock-based compensation expense of $514,368 (2019 - $55,357) for stock options issued to directors, officers, employees and consultants, of which $279,024 (2019 - $47,503) is included in administrative expenses, $999 (2019 - $478) in selling expenses and $234,345 (2019 - $7,376) is included in research and development expenses. The remaining stock based compensation amount to be expensed on non-vested options, net of forfeiture, is $973,274.

11. Common Share Purchase Warrants

Common share purchase warrants consisted of the following:

	Number outstanding	**Weighted average exercised price $**	**Fair value at date of grant $**
Outstanding December 31, 2019	91,546,371		7,396,563
Expired[1]	(19,071,940)	0.54	(2,351,587)
Exercised[2]	(500)	0.35	(33)
Extended	-		187,697
Extension Costs	-		(3,721)
Outstanding June 30, 2020	**72,473,931**		**5,228,919**

Stated in Canadian Dollars

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

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

Exercise Price	Outstanding Beginning of the year	Expired During the period	Exercised During the period	Granted During the period	Outstanding End of Period	Weighted Average Remaining Contractual Life (years)
$0.540	19,071,940	19,071,940	-	-	-	-
$0.375	4,555,266	-	-	-	4,555,266	1.61
$0.300	3,159,000	-	-	-	3,159,000	2.12
$0.500	3,165,008	-	-	-	3,165,008	0.51
$0.500	4,095,157	-	-		4,095,157	0.78
$0.350	57,500,000	-	500		57,499,500	4.39
	91,546,371	**19,071,940**	**500**	**-**	**72,473,931**	-

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

12. Share Capital

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

13. Loss Per Common Share

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

Stock options to purchase 14,500,000 (2019 - 5,770,000) common shares and common share purchase warrants totaling 72,473,931 (2019 - 34,314,705) were not included in the computation of diluted loss and comprehensive loss per common share due to their anti-dilutive nature.

Stated in Canadian Dollars

14. Selling Expenses

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

		2020		2019
Sales salaries	$	132,156	$	202,152
Advertising		50,787		59,987
Commission		13,021		22,463
Travel		7,819		22,147
Stock-based compensation		999		478
Amortization and depreciation allocation		25,216		37,274
Total selling expenses	**$**	**229,998**	**$**	**344,501**

15. Administrative Expenses

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

		2020		2019
Insurance	$	19,598	$	24,455
Professional fees		253,834		163,913
Rent		18,803		21,884
General and administrative expenses		141,642		270,918
Administrative salaries		190,974		456,895
Director and advisory fees		36,840		30,889
Stock-based compensation		279,024		47,503
Amortization and depreciation allocation		25,111		45,630
Total administrative expenses	**$**	**965,824**	**$**	**1,062,087**

16. Research and Development Expenses

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

		2020		2019
Research and development (net of investment tax credit)	$	1,922,623	$	1,254,317
Stock-based compensation		234,345		7,376
Amortization and depreciation allocation		62,089		41,682
Total research and development expenses	**$**	**2,219,057**	**$**	**1,303,375**

17. Financial Instruments – Fair Value and Risks

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

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

Stated in Canadian Dollars

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

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

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

Assets are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. As at June 30, 2020 and December 31, 2019, the Company's financial instruments are categorized as Level 1. There were no financial instruments categorized as Level 2 or 3.

i Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's trade and other receivable. The amounts reported in the consolidated balance sheets are net of allowances for bad debts, estimated by the Company's management based on prior experience and its assessment of the current economic environment. The Company reviews its trade receivable accounts regularly and reduces amounts to their expected realizable values by adjusting the allowance for doubtful accounts when management determines that the account may not be fully collectible. The Company has adopted credit policies in an effort to minimize those risks. The carrying value of trade and other receivables represent the Company's maximum exposure to credit risk.

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

	2020	2019
Trade receivables (net amount)	$ 211,390	$ 380,229
Percentage outstanding more than 30 days	2%	21%
Percentage outstanding more than 120 days	1%	21%

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

	As at June 30, 2020	As at December 31, 2019
Allowance for trade receivables - beginning of period	$ 70,436	$ 94,012
Allowance recorded against current period sales	-	1,695
Adjustment based on collection experience	11,389	13,601
Amounts written off	-	(38,872)
Allowance for trade receivables - end of period	**$ 81,825**	**$ 70,436**

ii Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages its liquidity risk by continuously monitoring forecasted and actual cash flows, as well as anticipated investing and financing activities. The Company does not have material long-term financial liabilities.

Stated in Canadian Dollars

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

Contractual Obligations	Total	2020	2021	2022	2023
Lease liabilities	$ 119,003	$ 24,528	$ 54,158	$ 40,317	-
Payables and accruals	748,006	748,006	-	-	-
Commitments (note 20)	581,185	439,135	111,485	30,565	-
Total contractual obligations	**$ 1,448,194**	**$ 1,211,669**	**$ 165,643**	**$ 70,882**	**$ -**

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

iii Interest rate risk

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

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

iv Foreign currency exchange risk

The Company is exposed to foreign currency exchange risk. This risk arises from the Company's holdings of U.S. dollar denominated cash, trade and other receivables and payables and accrued liabilities. Changes arising from this risk could impact the Company's reported foreign currency exchange gains or losses.

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

	As at June 30, 2020		As at December 31, 2019	
	Canadian	U.S.	Canadian	U.S.
Cash	$ 10,163	$ 7,457	$ 31,223	$ 24,040
Trade and other receivables	57,695	42,496	108,826	86,677
Payables and accruals	(57,646)	(42,300)	(201,469)	(173,318)
Total	**$ 10,212**	**$ 7,653**	**$ (61,420)**	**$ (62,601)**

Stated in Canadian Dollars

v Foreign currency exchange risk sensitivity analysis

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

	As at June 30, 2020	As at December 31, 2019
Cash	$ 1,016	$ 3,122
Trade and other receivables	5,770	10,883
Payables and accruals	(5,765)	(20,147)
Total	**$ 1,021**	**$ (6,142)**

18. Related Party Disclosure

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

	2020	2019
Short-term compensation	$600,000	$424,359
Stock-based compensation	241,142	12,874
Total	**$841,142**	**$437,233**

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

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

19. Segmented Information

For management purposes, the Company is organized into two separate reportable operating divisions; (1) Photo Dynamic Therapy (PDT) division and (2) Medical Laser Technology (MLT) division. The PDT division is responsible for the research and development of Photo Dynamic Compounds (PDCs) for the treatment of cancer. The MLT division is responsible for all aspects of the Company's therapeutic laser business, which manufactures products used by healthcare practitioners predominantly for the healing of pain.

Stated in Canadian Dollars

The following table displays revenue and direct expenses from the MLT and PDT division for the six-month periods ended June 30:

	2020			2019		
	MLT	**PDT**	**Total**	**MLT**	**PDT**	**Total**
Sales	$ 293,454	$ -	$ 293,454	$ 370,436	$ -	$ 370,436
Cost of sales	230,095	-	230,095	267,644	-	267,644
Gross margin	63,359	-	63,359	102,792	-	102,792
Operating Expenses						
Selling expenses	229,998	-	229,998	344,501	-	344,501
Administrative expenses	590,902	374,922	965,824	692,236	369,851	1,062,087
Research and development expenses	209,154	2,009,903	2,219,057	217,721	1,085,654	1,303,375
(Gain) loss on foreign exchange	(1,631)	(1,630)	(3,261)	4,209	4,208	8,417
Interest expense	2,681	2,681	5,362	6,001	-	6,001
Interest income	(85,997)	-	(85,997)	(9,321)	-	(9,321)
	945,108	2,385,876	3,330,983	1,255,347	1,459,713	2,715,060
Loss for the period	$ (881,749)	$ (2,385,876)	$ (3,267,624)	$(1,152,555)	$(1,459,713)	$(2,612,268)
Total Assets	$ 3,552,358	$ 8,413,293	$ 11,965,651	$ 3,650,696	$ 182,129	$ 3,832,825
Total Liabilities	637,726	229,283	867,009	1,034,486	244,062	1,278,548

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

	2020			2019		
	Canada	**USA**	**International**	**Canada**	**USA**	**International**
Sales by Product Line						
TLC-1000	$ 161,073	$ 12,267	$ 7,347	$ 164,121	$ 5,075	$ 13,463
TLC-2000	94,073	-	$ 18,694	168,926	18,851	-
	255,146	12,267	26,041	333,047	23,926	13,463
Expenses						
Cost of Sales	200,058	9,619	20,418	240,630	17,287	9,727
Selling Expenses	195,081	23,745	11,172	338,846	5,655	-
	395,139	33,364	31,590	579,476	22,942	9,727
	$ (139,993)	**$ (21,097)**	**$ (5,549)**	**$ (246,429)**	**$ 984**	**$ 3,736**

As at June 30, 2020 and 2019, the Company's long-lived assets used in operations are all located in Canada. Timing of revenue is recognized at a point in time.

Stated in Canadian Dollars

20. Commitments

The Company's commitments consist of the following:

	Total	2020	2021	2022	2023
Research Commitments (a)	$ 58,520	$ -	$ 58,520	$ -	-
Research Agreement (b)	91,695	30,565	30,565	30,565	-
Research Agreement (c)	341,370	341,370	-	-	-
Research Agreement (d)	89,600	67,200	22,400	-	-
Total	**$ 581,185**	**$ 439,135**	**$ 111,485**	**$ 30,565**	**-**

a) Research Commitments under a research collaboration agreement with University Health Network for the Ontario Research Fund project. Under the terms of this agreement, the Company is required to pay $348,600 for the period from June 1, 2017 through to June 1, 2021. The Company has paid $290,080 relating to this commitment, of which $58,520 is the remaining commitment.

b) Research Commitments under a research agreement with a Trial Management Organization for the TLC-3000 cancer therapy project. Under the terms of this agreement, the Company is required to pay $126,324 (U.S. $96,800) for the period from July 23, 2019 through to December 31, 2022. The Company has paid $34,629 (U.S. $26,200) relating to this commitment, of which $91,695 (U.S. $70,600) is the remaining commitment.

c) Research Commitments under a research agreement with Alphora Research Inc. for the TLC-3000 cancer therapy project. Under the terms of this agreement, the Company is required to pay $939,000 for the period from September 27, 2019 through to October 31, 2020. The Company has paid $597,360 relating to this commitment, of which $341,370 is the remaining commitment.

d) Research Commitments under a research collaboration agreement with University Health Network for the Sponsored Research Agreement. Under the terms of this agreement, the Company is required to pay $184,789 for the period from March 1, 2020 through to February 28, 2021. The Company has paid $95,189 relating to this commitment, of which $89,600 is the remaining commitment.

21. COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus ("**COVID-19**") as a global pandemic, which continues to spread throughout Canada and around the world. As of the report date, the Company is aware of significant changes in its business as a result of COVID-19, notably unavailability of personnel, personnel working remotely or virtually, significant delays / cancellations in customer purchase decisions and delays in the Company's Phase II Non-Muscle Invasive Bladder Cancer clinical study specifically; patient enrollment and treatment and the on-boarding of new clinical study sites. Management is uncertain of the full extent of theses impacts on its financial statements and believes that the business disruption caused by COVID-19 could be temporary; however, there is uncertainty around its duration and hence the potential impact on the business cannot be fully estimated as of the date of this report.

22. Contingency Note

Two former employees of the Company have retained legal counsel and are seeking compensation for wrongful dismissal. The Company believes that both cases are without merit and plans to vigorously defend its position in both of these matters.

23. Subsequent Events

A former employee of the Company retained legal counsel and is seeking compensation for wrongful dismissal. The Company believes that the case is without merit and plans to vigorously defend its position in this matter.