

## Theralase Reports Second Quarter Sales Increase of 40%

For Immediate Release

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### Q2 2008 Highlights

- Total sales increased by 40% to \$604,996, compared to \$431,133 in Q2 2007
- Canadian and U.S. product sales increased by 7% and 97%, respectively, compared to Q1 2008
- R&D expenses rose to \$63,589 versus \$22,168 in Q2 2007 due to accelerated spending on TLC-3000 photodynamic technology
- Launched the new Theralase Laser Rehabilitation Centre and appointed a new clinic director
- Appointed a Vice President, Business Development to help expand into Canada and the U.S.

**Theralase Technologies Inc. (TSXV: TLT)** today announced financial results for the three and six months ended June 30, 2008.

“The European sale of photodynamic light systems boosted total sales in the second quarter and could lead to further international sales,” said Roger Dumoulin-White, President and CEO of Theralase Technologies. “Product sales, particularly in the U.S., showed strong growth over the prior quarter helped by the hiring of new sales representatives in Q1 2008. With the appointment of our new VP of Business Development, Mark Lemieux, we believe we can accelerate our sales and marketing initiatives in Canada and the U.S in the coming quarters.”

“During the quarter, we continued to make progress developing our next generation therapeutic laser, the TLC-2000, which we expect to start selling in the first quarter of 2009. Our planned clinical studies at the Mayo Clinic and the Scripps Institute should demonstrate the efficacy of the new technology. We are also developing a TLC-3000 alpha prototype, which when used with our patented photodynamic compounds, has the ability to destroy cancer cells. This prototype is slated to be delivered to University Health Network for pre-clinical evaluation in the third quarter.”

### Financial Review

Revenue for the three months ended June 30, 2008 was \$604,996, an increase of 40% over \$431,133 in the same period in 2007 and a rise of 87% compared to \$324,026 in Q1 2008.

Product and product-related sales increased 41% to \$597,289 from \$423,306 in Q2 2007 mainly due to the sale of photodynamic light systems to a European pharmaceutical company. Canadian product sales decreased by 3% to \$248,961 but increased 7% compared to Q1 2008. Product sales to the U.S. decreased by 2% to \$163,842 but increased 97% from \$83,316 in Q1 2008. The year-over-year decrease is primarily a result of a reduction in smoking cessation product sales and the weakness in the U.S. currency. U.S. product sales are expected to improve as the Company executes on its plans to hire and deploy U.S. regional sales representatives.

Clinic services revenue declined by 1% to \$7,707 compared to \$7,827 in Q2 2007 as the Company’s relocation in August 2007 temporarily shut down the Theralase clinic. The Company expects clinic services revenue to increase going forward due to the hiring of a new clinic director and the July 2008 launch of the Theralase Rehabilitation Laser Center, an in-house therapeutic facility which will be used to treat patients as well as to showcase Theralase’s products to its customers.

Gross margin was \$387,078, or 64% of revenue, compared to \$323,535, or 75% of revenue, in the corresponding period in the prior year. The change is primarily due to the addition of production personnel as well as the lower margin achieved on the production of the photodynamic light systems.

Operating expenses rose to \$609,596, or 101% of sales, from \$497,354, or 115% of sales in Q2 2007. The majority of the year-over-year increase related to the addition of new internal sales personnel, increased marketing, accelerated spending on the research and development of the TLC-2000 and TLC-3000 laser systems and administration expenses.

The net loss for the three months ended June 30, 2008 was \$222,581, which included \$49,799 of non-cash expenses (amortization, stock-based compensation expense, foreign exchange gain/loss and lease inducements). This compares to a net loss for the three months ended June 30, 2007 of \$176,463, which included \$173,292 of non-cash expenses.

During the second quarter of 2008, cash and cash equivalents decreased by \$229,445 to \$239,463. The most significant impact to the cash outflow was the net loss for the period and an increase in accounts receivable of \$154,991, of which over 63% has since been received.

## **Key Corporate Developments**

### **TLC-2000: Biofeedback Laser Technology**

In the second quarter, Theralase negotiated clinical studies, in conjunction with the Mayo Clinic (Rochester, Minnesota) and the Scripps Institute (La Jolla, California), to demonstrate the efficacy of the TLC-2000 technology in the areas of knee osteoarthritis and diabetic wound healing, respectively. These clinical studies, if proven successful, could secure a new Current Procedural Terminology (CPT) code for reimbursement of laser treatments in the U.S. Theralase expects to start selling the TLC-2000 in the first quarter of 2009.

### **TLC-3000: Cancer Therapy and Wound Healing**

In preparation for the next round of pre-clinical investigation, Theralase has designed and produced the alpha prototype of the TLC-3000 light source used to activate its patented PDCs in the presence of additional cancer cell lines. The TLC-3000 alpha prototype is slated to be delivered in early September 2008 to University Health Network for pre-clinical evaluation. Published results on the analysis of the PDCs are expected in the late third quarter to early fourth quarter of 2008.

### **Photodynamic Therapy (PDT) Light Systems**

In April 2008, Theralase announced that the Company was chosen by a European pharmaceutical company to contract manufacture prototype photodynamic therapy (PDT) light-based systems for delivery in the second and third quarter of 2008. These PDT light systems have been completed and delivered as per schedule. These systems are to be used in combination with the European pharmaceutical company's proprietary photosensitisers (light sensitive compounds) in clinical studies commencing in the fourth quarter of 2008.

## **Outlook**

The Company continues to invest in its future through expanding its U.S sales force for its TLC-1000 laser technology, commercializing its patented TLC-2000 biofeedback technology and researching and developing its TLC-3000 photodynamic compounds aimed at the destruction of cancer. Theralase will also increase its revenue by exploring new vertical medical markets (i.e. dental, veterinarian and physician), introducing a recurring revenue model and a take-home consumer laser system, leveraging its therapeutic laser rehabilitation and training center and partnering with existing medical facilities to create Theralase certified laser centers.

The complete consolidated financial statements and MD&A for three and six months ended June 30, 2008 can be found at [www.theralase.com](http://www.theralase.com) and [www.sedar.com](http://www.sedar.com).

## **About Theralase**

**Theralase Technologies Inc.** designs, develops and manufactures patented, super-pulsed laser technology used in a wide range of bio-stimulation and bio-destruction clinical applications. The Theralase technology platform targets several diverse healthcare sectors: firstly, for non-invasive pain management and clinical therapy, in hundreds of neural muscular skeletal conditions, including arthritis; secondly, to bio-stimulate and accelerate wound care and healing, including bone fracture regeneration; and thirdly, combining photodynamic compounds with super-pulsed, biofeedback laser technology to attack specifically targeted cancer, bacteria, viruses and fat cells.

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