

MEDX HEALTH CORP.

Interim Condensed Consolidated Financial Statements

For the Three Months Ended March 31, 2016 and 2015

(UNAUDITED)

(Presented in Canadian dollars)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying interim condensed consolidated financial statements for MedX Health Corp. were prepared by management in accordance with International Financial Reporting Standards (IFRS). Management acknowledges responsibility for the preparation and presentation of the interim condensed consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. In the opinion of management, the unaudited interim condensed consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Accounting Standard 34-Interim Financial Reporting, using accounting policies consistent with International Financial Reporting Standards appropriate in the circumstances.

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

The Board of Directors is responsible for reviewing and approving the interim condensed consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the interim condensed consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the interim condensed consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

The unaudited Interim Condensed Consolidated Financial Statements as at and for the three month periods ended March 31, 2016 and 2015 have not been reviewed by the Company's auditor.

MEDX HEALTH CORP.

Interim Condensed Consolidated Statements of Financial Position
(Unaudited)
Presented in Canadian dollars

	March 31	December 31
	2016	2015
ASSETS		
Current assets		
Cash	\$ 13,283	\$ 62,754
Accounts receivable (Note 3)	41,090	49,318
Inventory (Note 4)	119,264	78,514
Prepaid expenses and deposits	16,053	16,053
	189,690	206,639
Property and equipment (Note 5)	54,630	58,183
Intangible assets (Note 6)	366,681	389,227
	\$ 611,001	\$ 654,049
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Notes 7 and 9)	\$ 2,194,282	\$ 2,058,097
Deferred revenue	40,527	31,547
Demand loans (Note 8)	204,000	179,000
	2,438,809	2,268,644
Long-term debt (Note 8)	758,950	777,010
	3,197,759	3,045,654
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 9)	15,537,000	15,537,000
Contributed surplus (Note 9)	4,146,027	3,884,104
Warrants (Note 9)	144,519	397,101
Deficit	(22,414,304)	(22,209,810)
	(2,586,758)	(2,391,605)
	\$ 611,001	\$ 654,049

Going concern (Note 1), Commitments and contingencies (Note 15), Subsequent events (Note 17)
See accompanying notes to the interim condensed consolidated financial statements

MEDX HEALTH CORP.

Interim Condensed Consolidated Statements of Comprehensive Loss
(Unaudited)
Presented in Canadian dollars

Three months ended March 31	2016	2015
Sales	\$ 188,701	\$ 298,619
Cost of sales	64,636	120,251
Gross profit	124,065	178,368
Expenses		
Selling, general and administrative	292,212	161,479
Share-based compensation (Note 9)	9,341	51,375
Interest expense	16,416	1,116
Foreign exchange (gain) loss	(14,372)	9,538
Amortization of property and equipment	2,416	4,392
Amortization of intangibles	22,546	6,500
	328,559	234,400
Net loss and comprehensive loss for the period	\$ (204,494)	\$ (56,032)
Loss per share, basic and fully diluted (Note 11)	\$ (0.00)	\$ (0.00)
Weighted average number of shares outstanding	73,890,509	70,637,072

See accompanying notes to the interim condensed consolidated financial statements

MEDX HEALTH CORP.

Interim Condensed Consolidated Statements of Changes in Shareholders' Deficiency
(Unaudited)
Presented in Canadian dollars

Three months ended March 31, 2016 and 2015

	Share Capital	Contributed Surplus	Warrants	Deficit	Total
Balance, December 31, 2014	\$ 15,309,259	\$ 3,010,550	\$ 1,130,025	\$ (21,710,561)	\$ (2,260,727)
Net loss for the period				(56,032)	(56,032)
Share-based compensation		51,375			51,375
Balance, March 31, 2015	\$ 15,309,259	\$ 3,061,925	\$ 1,130,025	\$ (21,766,593)	\$ (2,265,384)
Balance, December 31, 2015	\$ 15,537,000	\$ 3,884,104	\$ 397,101	\$ (22,209,810)	\$ (2,391,605)
Net loss for the period				(204,494)	(204,494)
Expiration of warrants		252,582	(252,582)		-
Share-based compensation (Note 9)		9,341			9,341
Balance, March 31, 2016	\$ 15,537,000	\$ 4,146,027	\$ 144,519	\$ (22,414,304)	\$ (2,586,758)

See accompanying notes to the interim condensed consolidated financial statements

MEDX HEALTH CORP.

Interim Condensed Consolidated Statements of Cash Flows
(Unaudited)
Presented in Canadian dollars

Three months ended March 31	2016	2015
Cash flows from operating activities		
Net loss for the period	\$ (204,494)	\$ (56,032)
Adjustments for non-cash items		
Amortization of property and equipment	3,553	4,392
Amortization of intangible assets	22,546	6,500
Foreign exchange (gain) loss	(14,372)	9,538
Share-based compensation	9,341	51,375
	(183,426)	15,773
Net change in non-cash operating working capital items:		
Accounts receivable	8,228	62,038
Inventory	(40,750)	8,248
Prepaid expenses and deposits	-	11,701
Deferred revenue	8,980	-
Accounts payable and accrued liabilities	132,497	(178,730)
	108,955	(96,743)
Net cash used in operating activities	(74,471)	(80,970)
Cash flows from investing activities		
Purchases of property and equipment	-	-
Net cash used in investing activities	-	-
Cash flows from financing activities		
Proceeds from issuance of demand loans	25,000	100,000
Net cash from financing activities	25,000	100,000
Net change in cash for the period	(49,471)	19,030
Cash, beginning of period	62,754	3,978
Cash, end of period	\$ 13,283	\$ 23,008

See accompanying notes to the interim condensed consolidated financial statements

MEDX HEALTH CORP.

Notes to the Interim Condensed Consolidated Financial Statements
For the Three Months Ended March 31, 2016 and 2015
(Unaudited)
Presented in Canadian dollars

1. NATURE OF OPERATIONS AND GOING CONCERN

MedX Health Corp. ("MedX" or "the Company") is incorporated under the laws of Ontario. The Company develops, manufactures and markets skin related screening tools and phototherapy devices for pain relief and tissue repair throughout North America, Europe and Asia.

The Company's shares are listed on the TSX Venture Exchange under the symbol MDX. Its head office, principal address, and registered office is located at 1495 Bonhill Road, Unit #1, Mississauga, ON, L5T 1M2.

The interim condensed consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards 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. As at March 31, 2016, the Company had a working capital deficiency of \$2,249,119 (December 31, 2015 - \$2,062,005), had an accumulated deficit of \$22,414,304 (December 31, 2015 - \$22,209,810), and shareholders' deficiency of \$2,586,758 (December 31, 2015 - \$2,391,605). These conditions indicate the existence of material uncertainties that may cast significant 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 interim condensed consolidated financial statements do not give effect to any adjustments which might 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 interim condensed consolidated financial statements. These adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These interim condensed consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), effective for the reporting period ended March 31, 2016.

The policies applied in these interim condensed consolidated financial statements are based on IFRS issued and outstanding as of March 31, 2016. The Board of Directors approved these interim condensed consolidated financial statements on May 30, 2016.

Basis of Presentation

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". The interim condensed consolidated financial statements do not include all the information and disclosures required in the Company's annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2015.

These interim condensed consolidated financial statements have been prepared on a historical cost basis. In addition, these interim condensed consolidated financial statements have been prepared using the accrual basis of accounting.

MEDX HEALTH CORP.

Notes to the Interim Condensed Consolidated Financial Statements
For the Three Months Ended March 31, 2016 and 2015
(Unaudited)
Presented in Canadian dollars

Recent Accounting Pronouncements

At the date of authorization of these interim condensed consolidated financial statements, the IASB and International Financial Reporting Interpretations Committee (“IFRIC”) have issued the following new and revised Standards and Interpretations, some of which are not yet effective.

With respect to IAS 1, IAS 16 and IAS 38 below, the Company has performed its assessment and concluded that the changes do not have a significant impact on the Company's financial statements. The Company has not early adopted the remaining standards, amendments and interpretations; however it is currently assessing what impact, if any, the application of these standards or amendments will have on future interim condensed consolidated financial statements.

IAS 1 - Presentation of Financial Statements

IAS 1, Presentation of Financial Statements was amended by the IASB in December 2014. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of the financial disclosures. Furthermore, the amendments clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures. The amendments are effective for annual periods beginning on or after January 1, 2016.

IAS 16 and IAS 38 – Property, Plant and Equipment and Intangible Assets

IAS 16 and IAS 38, Property, Plant and Equipment and Intangible Assets were amended by the IASB in December 2013. The amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset are not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. The amendments are effective for annual periods beginning on or after January 1, 2016.

IFRS 9 - Financial Instruments

IFRS 9, Financial Instruments was issued in final form by the IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets.

Most requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method be used, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes requirements relating to a new hedge accounting model, which represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements.

The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. In addition, a single, forward-looking expected loss impairment model is introduced, which will require more timely recognition of expected credit losses. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

MEDX HEALTH CORP.

Notes to the Interim Condensed Consolidated Financial Statements
For the Three Months Ended March 31, 2016 and 2015
(Unaudited)
Presented in Canadian dollars

IFRS 15 - Revenue from Contracts with Customers

IFRS 15, Revenue from Contracts with Customers was issued by the IASB in May 2014. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. IFRS 15 supersedes the following standards: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue - Barter Transactions Involving Advertising Services.

Consolidation

These interim condensed consolidated financial statements include the accounts of MedX Health Corp. and its wholly-owned subsidiaries, MedX Electronics Inc., and LaserPath Therapeutics Inc. All inter-company transactions and balances between the entities have been eliminated.

Income taxes

Income tax expense represents the sum of current income taxes and deferred income taxes. Current and deferred taxes are recognized in profit and loss, except to the extent that it relates to items recognized in other comprehensive loss or directly in equity. Under these circumstances, the taxes are recognized in other comprehensive loss or directly in equity.

Current income taxes -

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute current income tax assets and liabilities are measured at tax rates, which have been enacted or substantively enacted at the reporting date. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred income taxes -

Deferred income taxes are provided using the asset and liability method applied to temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, and carry forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax losses can

MEDX HEALTH CORP.

Notes to the Interim Condensed Consolidated Financial Statements
For the Three Months Ended March 31, 2016 and 2015
(Unaudited)
Presented in Canadian dollars

be utilized except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred income tax assets and deferred income tax liabilities are offset if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Share-based payment transactions

Employees, directors and service providers of the Company may receive a portion of their compensation in the form of share-based payment transactions, whereby services are rendered as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued to non-employees and the fair value of goods or services received by the entity as consideration cannot be estimated reliably, they are measured at fair value of the equity instruments granted.

Equity settled transactions

The costs of equity settled transactions are measured by reference to the fair value of the equity instrument at the date on which they are granted.

The costs of equity settled transactions are recognized, together with a corresponding increase in

MEDX HEALTH CORP.

Notes to the Interim Condensed Consolidated Financial Statements
For the Three Months Ended March 31, 2016 and 2015
(Unaudited)
Presented in Canadian dollars

equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant party becomes fully entitled to the award (“the vesting date”). The cumulative expense is recognized for equity settled transactions at each reporting date until the vesting date, and reflects the Company’s best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in contributed surplus.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options and warrants is reflected as additional dilution in the computation of earnings per share.

Net loss and comprehensive income (loss) per share

Income (loss) per share and comprehensive income (loss) per share are based on the weighted average number of common shares outstanding for the period. In a period when the Company reports a loss and comprehensive loss, the effect of potential issuances of shares under options and warrants outstanding would be anti-dilutive and, therefore basic and diluted loss and comprehensive per share are the same.

Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Common shares (share capital) and subscriber warrants

Common shares are classified as share capital. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects. Subscriber warrants are classified within warrant reserve. Where common shares and subscriber warrants are offered together (as a “unit”) the Company allocates the consideration received per unit, net of any issuance costs, to the common shares and subscriber warrants based on their relative fair values. The fair value of warrants is measured using a Black-Scholes option pricing model.

Significant Accounting Judgments and Estimates

The preparation of the interim condensed consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of

MEDX HEALTH CORP.

Notes to the Interim Condensed Consolidated Financial Statements
For the Three Months Ended March 31, 2016 and 2015
(Unaudited)
Presented in Canadian dollars

assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim condensed consolidated financial statements and reported amount of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and are reviewed periodically and adjustments, if necessary, are made in the period in which they are identified. Actual results could differ from those estimates.

Significant estimates in connection with these interim condensed consolidated financial statements include the valuation and determination of the useful lives of assets, valuation of share-based compensation, warrants, debt settlements through issuance of shares, deferred income taxes, deferred revenue, receivables and inventory valuation, and the valuation of intangibles of the Company.

Significant judgments in connection with these interim condensed consolidated financial statements include going concern and revenue recognition.

Financial instruments

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans-and-receivables or at fair value through profit or loss ("FVTPL"). Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through operations.

Financial assets classified as loans-and-receivables and held-to-maturity are measured at amortized cost. Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive loss.

The Company has elected to apply the following classifications to each of its significant categories of financial instruments:

MEDX HEALTH CORP.

Notes to the Interim Condensed Consolidated Financial Statements
For the Three Months Ended March 31, 2016 and 2015
(Unaudited)
Presented in Canadian dollars

Asset/Liability	Category	Measurement
Cash	Fair value through profit or loss	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Demand loans	Other financial liabilities	Amortized cost
Term loans	Other financial liabilities	Amortized cost

Foreign currency

a. Functional and presentation currency

These interim condensed consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its wholly-owned subsidiaries.

b. Foreign currency transactions

Foreign currency monetary assets and liabilities are translated into the entity's functional currency using the closing rate at the end of each reporting period. Non-monetary assets and liabilities are translated at the rates on the date the fair value was determined or at historical cost using the rate at the date of the transaction. Translation gains and losses are included in the interim condensed consolidated statement of comprehensive loss.

Revenue recognition

The Company recognizes revenue when it is realized or earned. The Company considers revenue realized or earned on the sale of goods and performance of a service when persuasive evidence of an arrangement exists, title and risk of product ownership is transferred to the customer, typically when the product is shipped or when the service is performed, collection of the revenue is reasonably assured and the price is reasonably determinable.

The term 'bill and hold' sale is used to describe a transaction where the customer purchases, accepts billings for and takes title to inventory, and delivery is delayed at the customer's request. Revenue is recognized when the customer takes title, provided it is probable that delivery will be made, the item is on hand, identified and ready for delivery to the customer at the time the sale is recognized, the customer specifically acknowledges the deferred delivery instructions, and the usual payment terms apply.

Provisions are established for estimated warranty costs on applicable product sales at the time revenue is recognized. Cash received in advance of meeting these revenue recognition criteria is recorded as deferred revenue.

Revenue from licensing the Company's technology is recognized over the period covered by the license or contract. Amounts received and not yet recognized are included in deferred revenue.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand and short-term, highly liquid investments with maturities when acquired of less than three months, held for purposes of meeting short-term cash requirements.

Inventories

Raw materials, work-in-process and finished goods inventories are stated at the lower of cost and net realizable value, with cost determined on a weighted average basis. Net realizable value is the

MEDX HEALTH CORP.

Notes to the Interim Condensed Consolidated Financial Statements
For the Three Months Ended March 31, 2016 and 2015
(Unaudited)
Presented in Canadian dollars

estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Finished goods and work-in-process inventory costs include raw materials, direct labour and allocation of overheads. A provision for shrinkage and obsolescence is calculated based on historical experience. Management reviews the entire provision to assess whether, based on economic conditions, it is adequate.

Property and equipment

Property and equipment are recorded at cost net of accumulated depreciation and write-downs for impairment, if any. Depreciation is calculated using the declining balance method over their estimated useful lives at the following annual rates:

Furniture	-	20%
Computers	-	30%
Manufacturing equipment	-	20% - 30%

Intangible assets

Patents and other intangibles are recorded at cost, net of accumulated amortization and write-downs for impairment. On the basis they have a finite useful life, they are amortized on a straight line basis over their estimated useful life which management estimates at 7 years.

Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the interim condensed consolidated statement of comprehensive loss, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

3. ACCOUNTS RECEIVABLE

The amount of accounts receivable is net of an allowance for doubtful accounts, which was \$nil at March 31, 2016 (December 31, 2015 - \$nil).

MEDX HEALTH CORP.

Notes to the Interim Condensed Consolidated Financial Statements
For the Three Months Ended March 31, 2016 and 2015
(Unaudited)
Presented in Canadian dollars

4. INVENTORY

	March 31	December 31
	2016	2015
Raw materials	\$ 50,762	\$ 36,865
Work-in-process	22,145	3,069
Finished goods	46,357	38,580
	\$ 119,264	\$ 78,514

For the three month period ended March 31, 2016, \$64,636 (2015 - \$120,251) of inventory was included in Cost of sales in the interim condensed consolidated statements of loss.

5. PROPERTY AND EQUIPMENT

	Furniture and Office Equipment	Manufacturing Equipment	Total
Cost			
Balance, January 1, 2015	\$ 111,160	\$ 52,563	\$ 163,723
Additions	3,701	995	4,696
Balance, December 31, 2015	\$ 114,861	\$ 53,558	\$ 168,419
Additions	-	-	-
Balance, March 31, 2016	\$ 114,861	\$ 53,558	\$ 168,419
Accumulated Amortization			
Balance, January 1, 2015	\$ 85,210	\$ 6,803	\$ 92,013
Amortization	6,324	11,899	18,223
Balance, December 31, 2015	\$ 91,534	\$ 18,702	\$ 110,236
Amortization	1,330	2,223	3,553
Balance, March 31, 2016	\$ 92,864	\$ 20,925	\$ 113,789
Carrying Value			
Balance, December 31, 2015	\$ 23,327	\$ 34,856	\$ 58,183
Balance, March 31, 2016	\$ 21,997	\$ 32,633	\$ 54,630

6. INTANGIBLES

In 2011, the Company purchased the worldwide assets related to SIAscopy™, a technology used to help gather information about suspicious moles and lesions, including the patents, trademarks, manufacturing procedures, software, inventory, equipment, existing distribution, supply and other contracts, for cash and an ongoing royalty obligation, based on future sales.

On December 23, 2015, the Company paid \$277,010 to the original seller to release the Company from all future obligations with respect to royalties from sales of the products utilizing the technology, and from any other obligations or warranties provided for in the agreement. The amount paid has been included in intangibles and is being amortized over the same period as the SIAscopy intangible asset.

MEDX HEALTH CORP.

Notes to the Interim Condensed Consolidated Financial Statements
For the Three Months Ended March 31, 2016 and 2015
(Unaudited)
Presented in Canadian dollars

	SIAscopy	
Cost		
Balance, January 1, 2015	\$	241,699
Addition		277,010
Balance, December 31, 2015 and March 31, 2016	\$	518,709
Accumulated Amortization		
Balance, January 1, 2015	\$	103,482
Amortization		26,000
Balance, December 31, 2015		129,482
Amortization		22,546
Balance, March 31, 2016	\$	152,028
Carrying Value		
Balance, December 31, 2015	\$	389,227
Balance, March 31, 2016	\$	366,681

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are principally comprised of amounts outstanding for trade purchases relating to general and administrative expenses, accrued salaries and Board fees, unpaid payroll and sales taxes, and interest.

	March 31 2016	December 31 2015
Accounts payable	\$ 284,642	\$ 274,474
Amounts owing to staff, officers and board of directors	1,181,415	1,058,825
Taxes, including unpaid payroll withholdings and related interest, accrued sales and other taxes	407,603	402,441
Other accrued liabilities	320,622	322,357
	\$ 2,194,282	\$ 2,058,097

8. DEMAND LOANS AND LONG-TERM DEBT

Demand loans include the following:

- A \$25,000 demand loan issued in 2016 to a Director of the Company, which is unsecured and bears interest at 10% per annum.
- A \$100,000 demand loan issued in 2015 to a corporation controlled by a director, with no fixed terms for repayment, and without interest. The Company paid a 3% commitment fee to the lender in connection with the advance.
- A \$50,000 demand loan issued in 2014 to a corporation controlled by a director, which is non-interest bearing.
- A demand loan of \$29,000 with a party related to a director of the Company bears interest at

MEDX HEALTH CORP.

Notes to the Interim Condensed Consolidated Financial Statements
For the Three Months Ended March 31, 2016 and 2015
(Unaudited)
Presented in Canadian dollars

prime plus 6% per annum, with interest accrued to December 31, 2015.

Long-term debt consists of the following:

- A \$500,000 term loan entered into during 2015 with a party that is related to a director of the Company. The loan is for three years, with an 8% interest rate, paid quarterly, and no principal payments until the due date on June 26, 2018. The Company has the option to repay the loan at any time without penalty. The lender has the option of requiring the principal portion to be repaid in monthly installments to maturity, if certain financial targets are not being met. The debt is secured by a general security agreement covering all of the Company's assets, on a pari passu basis with the US\$200,000 term loan.
- A \$258,950 (US\$200,000) term loan entered into during 2015 with a company related to a customer, which has an 8% interest rate, paid quarterly, and no principal payments until the due date on June 26, 2018. The Company has the option to repay the loan at any time without penalty. The lender has the option of requiring the principal portion to be repaid in monthly installments to maturity, if certain financial targets are not being met. The debt is secured by a general security agreement covering all of the Company's assets, on a pari passu basis with the \$500,000 term loan.

9. SHARE CAPITAL

Common Shares

Authorized - Unlimited number of common shares

Issued and outstanding

	Number of shares	Stated Capital
Outstanding at January 1, 2015	70,637,072	\$ 15,309,259
Issued in exchange for debt (a)	3,253,437	227,741
Outstanding at December 31, 2015 and March 31, 2016	73,890,509	\$ 15,537,000

a) Shares issued in exchange for debt

On December 23, 2015, the Company issued 3,253,437 common shares to settle \$454,023 of amounts owing by the Company. The market value of the Company's shares as of the date of issue was \$0.07, resulting in an addition to share capital of \$227,741, and a gain on the settlements of \$226,282. Of the debt settled, 2,550,000 shares issued to non-arms length parties, to settle \$328,956 of amounts owing, resulting in a gain of \$150,456, and 703,437 shares were issued to other parties, to settle \$125,067 of amount owing, resulting in a gain of \$75,826.

b) Warrants

The Company has issued warrants in connection with debt and share offerings and debt settlements in prior years. No warrants were issued in 2015 or in 2016. The value of warrants have been estimated in each case using the Black-Scholes pricing model as of the date of the transaction.

MEDX HEALTH CORP.

Notes to the Interim Condensed Consolidated Financial Statements
For the Three Months Ended March 31, 2016 and 2015
(Unaudited)
Presented in Canadian dollars

	Number of Warrants	Weighted- Average Exercise Price \$
Outstanding at January 1, 2015	17,587,112	0.20
Expired	(7,837,112)	0.30
Outstanding at December 31, 2015	9,750,000	0.20
Expired	(6,102,000)	0.20
Outstanding at March 31, 2016	3,648,000	0.20

The warrants outstanding as of March 31, 2016 are summarized as follows:

	Exercise Price	Warrants	\$
Private Placement – May 9, 2014	\$0.20	3,500,000	123,160
Private Placement – May 9, 2014 - broker warrants	\$0.10 - \$0.20	148,000	21,359
		3,648,000	144,519

In connection with the private placement completed in May 2014, the Company granted 3,500,000 warrants, each allowing the holder to purchase one common share at a price of \$0.20 per share until May 9, 2016. The Company granted 148,000 broker warrant Units in connection with the private placement, at an exercise price of \$0.10 per Unit until May 9, 2016. If exercised, the holder would receive one common share and the ability to purchase an additional common share at a price of \$0.20 per share, until May 9, 2016. These warrants and broker warrants expired subsequent to March 31, 2016.

A total of 5,650,000 warrants issued in connection with the private placement completed in March 2014, expired on March 19, 2016. Each warrant allowed the holder to purchase one common share at a price of \$0.20 per share. In addition, 452,000 broker warrant Units, issued at that time also expired. The Units had an exercise price of \$0.10 per Unit, allowing the holder to receive one common share and the ability to purchase an additional common share at a price of \$0.20 per share.

A total of 7,837,112 warrants issued in connection with debt settlements completed in July and November 2013 expired on December 31, 2015. Each warrant entitled the holder to purchase one common share of the Company for \$0.30.

c) Stock options

On June 24, 2014, the shareholders of the Company approved the establishment of a new Incentive Stock Option Plan. The new plan increased the number of options available under the plan from 5,076,332 to 12,000,000.

Under the terms of the plan, directors, officers, employees and consultants, subject to certain conditions, may be granted options to purchase common shares of the Company, and options granted under the old plan are carried forward to the new plan. As at March 31, 2016 there were 10,125,000 options that have been granted and are outstanding, with 1,875,000 options available to be granted under the plan. Options generally expire after five years, with vesting provisions stated in the plan.

Activity in the Company's stock option plan for the three months ended March 31, 2016 and for

MEDX HEALTH CORP.

Notes to the Interim Condensed Consolidated Financial Statements
For the Three Months Ended March 31, 2016 and 2015
(Unaudited)
Presented in Canadian dollars

the year ended December 31, 2015 are summarized as follows:

	Three months ended March 31, 2016		Year ended December 31, 2015	
	Weighted- Average Exercise	Price	Weighted- Average Exercise	Price
	Number of Options	\$	Number of Options	\$
Outstanding, beginning of period	10,125,000	0.10	10,025,000	0.10
Granted	-	0.12	100,000	0.12
Outstanding, end of period	10,125,000	0.10	10,125,000	0.10

Of the options outstanding as of March 31, 2016, 9,307,564 may be exercised. The outstanding options have a weighted average exercise price of \$0.10, and an average remaining life of 3.2 years.

On December 30, 2015, 100,000 options were granted to an insider. The options, which are fully vested, are exercisable at \$0.12 for a period of two years from the date of grant. The options were valued at \$5,187, which was included in expenses and contributed surplus, determined using the Black-Scholes option pricing model based on a risk-free interest rate of 0.94%, volatility of 148% based on historical stock price volatility, expected life of two years, and expected dividend yield of 0%.

On November 29, 2014, 7,150,000 incentive stock options were granted, of which 6,332,564 are vested as of March 31, 2016, with the remainder vesting in 2016. The options are exercisable at \$0.10 for a period of five years from the date of grant. The options granted were valued at \$490,211, of which \$339,203, representing the value of the options that vested during 2014, and \$135,440 during the year ended December 31, 2015, and \$9,341 for the period ended March 31, 2016 was included in expenses, determined using the Black-Scholes option pricing model based on a risk-free interest rate of 2.00%, volatility of 211% based on historical stock price volatility, expected life of 5 years, and expected dividend yield of 0%.

10. INCOME TAXES

As of December 31, 2015, the Company had non-capital losses, carried forward of approximately \$4,779,320 (2014 – \$4,461,843) available to reduce future years' taxable income. These losses will expire as follows:

<u>Expiry</u>			
2026 -	\$ 553,339	2031 -	\$ 324,117
2027 -	\$ 101,131	2032 -	\$ 392,684
2028 -	\$ 320,518	2033 -	\$ 638,392
2029 -	\$ 1,418,650	2034 -	\$ 224,198
2030 -	\$ 481,214	2035 -	\$ 325,077

11. LOSS PER COMMON SHARE

The calculation of basic and diluted loss per share for the three months ended March 31, 2016 was based on the loss attributable to common shareholders of \$204,494 (2015 - \$56,032) and the

MEDX HEALTH CORP.

Notes to the Interim Condensed Consolidated Financial Statements
For the Three Months Ended March 31, 2016 and 2015
(Unaudited)
Presented in Canadian dollars

weighted average number of common shares outstanding of 73,890,509 (2015 - 70,637,072). Diluted loss per share for the three months ended March 31, 2016 and 2015 did not include the effect of stock options or warrants, as they were anti-dilutive.

12. GEOGRAPHICAL AND CUSTOMER INFORMATION

The Company's products are sold on a worldwide basis. Sales for the three months ended March 31, 2016 were made to customers in the following geographic regions: Canada – 39%; United States – 30%, Europe - 27%, Rest of World – 4% (Year ended December 31, 2014: Canada – 28%; United States – 34%, Europe - 30%, Rest of World – 8%).

Approximately 20% of the Company's revenue for the three months ended March 31, 2016 was from two customers (Year ended December 31, 2014 - Two customers represented 31% of revenue).

13. FINANCIAL INSTRUMENTS

The Company has classified its interim condensed consolidated financial instruments in accordance with IFRS into various categories as described in its accounting policies. A disclosure of exposures to risk with respect to financial instruments and the potential impact is described below.

Fair Value

The carrying value of accounts receivable, accounts payable and accrued liabilities, and demand and term loans approximates fair value due to the relatively short-term maturity of these financial instruments. Given the respective designations cash is the only financial instrument carried at fair values and has been categorized as level 1 on the fair value hierarchy.

The main risks the Company's financial instruments are exposed to are credit risk, interest rate risk, foreign currency risk and liquidity risk, each of which is discussed below.

Credit Risk -

Credit risk is low with respect to its trade and other receivables. Individual sales are relatively small, are normally to established customers, and often include a deposit for a large portion of the sale or payment in full prior to delivery.

The Company maintains cash balances with Canadian commercial banks. As such, the Company believes its credit risk is minimal on cash balances.

Interest Rate Risk -

The Company has a low exposure to risk with respect to interest rate fluctuations, as a large proportion of its debt is at a fixed rate of interest. A 1% change in interest rates would have a negligible impact on income. The Company may increase debt levels depending on the nature of the financing in the future. If cash balances are higher than required for immediate requirements, the Company invests with a low risk strategy in secure short-term deposits through major banks to earn interest income.

Foreign Currency Risk -

The Company has low exposure to foreign exchange fluctuations with respect to cash, given the low cash balances. There is an impact on net loss from the translation of the accounts receivable and accounts payable balances, and debt denominated in US Dollars as of the end of the period. The company sells its products internationally, and incurs costs from international suppliers. As of March 31, 2016, a portion of the Company's accounts receivable, accounts payable and long-term debt were denominated in US Dollars, Euros and British Pounds. A 5% change in the exchange rate of

MEDX HEALTH CORP.

Notes to the Interim Condensed Consolidated Financial Statements
For the Three Months Ended March 31, 2016 and 2015
(Unaudited)
Presented in Canadian dollars

those currencies relative to the Canadian Dollar would impact the net loss by approximately \$23,400. The objective in managing foreign exchange risk is to monitor expenditure requirements in the short and medium term by currency, and convert available cash to the appropriate currency to match the requirements. The Company has not entered into any foreign exchange hedging contracts in 2015 or 2016.

Liquidity risk -

Liquidity risk results from an excess of financial liabilities over available financial assets at any point in time. The Company's objective in managing risk is to ensure that it raises the amount of cash required to fund operating losses and to maintain cash to meet its other obligations. In this regard, the Company has had difficulty raising the level of cash required to meet its financial obligations as they have come due, and has entered into a number of transactions to settle debts through the issuance of shares. Cash has been raised in the last several years, and the Company will be required to raise additional cash to fund its ongoing operating requirements. A portion of the cash raised was in the form of debt, due on a demand basis. The Company is in a position where its liabilities are greater than its assets.

As at March 31, 2016, \$2,398,282 (December 31, 2015 - \$2,237,097) of the Company's financial liabilities have contractual maturities less than three months. Refer to Note 8 for additional discussions regarding the contractual maturities of financial liabilities in excess of one year.

14. CAPITAL MANAGEMENT

The Company defines its managed capital as the total of demand loans, long-term debt, and shareholders' deficiency including share capital, warrants, contributed surplus and deficit. As at March 31, 2016, total managed capital was \$(1,623,808) compared with \$(1,435,595) as at December 31, 2015.

The Company's objectives when managing capital are:

- i. To maintain balance sheet strength, ensuring the Company's strategic objectives are met, while retaining an appropriate amount of leverage; and
- ii. To provide an appropriate return to shareholders relative to the risk of the Company's underlying assets.

The Company manages its capital structure within guidelines approved by the Board of Directors. The Company makes adjustments to its capital structure based on changes in economic conditions and Company's planned requirements. The Company has the ability to adjust its capital structure by issuing new equity or debt, selling assets to reduce debt, controlling the amount it distributes to shareholders, and making adjustments to its capital expenditure program.

There were no changes in the Company's approach to capital management during the year ended December 31, 2015 or three months ended March 31, 2016. The Company is not subject to externally imposed capital restrictions.

15. COMMITMENTS AND CONTINGENCIES

The Company leases space for its office and manufacturing facility, entering into a five year lease in 2015, with annual minimum lease obligations of \$38,256 in 2016, \$38,400 in 2017, \$38,688 in 2018, \$38,828 in 2019 and \$26,072 in 2020.

A claim has been made against the Company, based on a notification received in November 2010

MEDX HEALTH CORP.

Notes to the Interim Condensed Consolidated Financial Statements
For the Three Months Ended March 31, 2016 and 2015
(Unaudited)
Presented in Canadian dollars

from a former employee, disputing amounts due relating to his position as Chief Technology Officer, claiming approximately \$418,000 in damages. The Company has filed a counterclaim for breach of contract.

Although the outcome of the claim cannot be determined with certainty, management estimates that any potential payments resulting from its outcome is not likely to have a substantial negative impact on the Company's results and financial position.

16. RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2016 the Company incurred costs for management and Board compensation, of \$127,500 (2015 - \$127,500, before the items noted below) under the terms of their compensation arrangements. In addition, \$7,912 of the expense recorded in the three months ended March 3, 2016 (2015 - \$43,518) for share-based compensation relates to management.

During 2015, members of the Board of Directors agreed to a reduction of \$134,000 of certain amounts owing to them, and the settlement for the remaining \$51,200 of such remaining amounts by the issuance of 512,500 shares of the Company.

See notes 8 and 9 for related party transaction disclosure relating to demand loans, long-term debt, debt settlements, and stock options issuances.

Included in accounts payable and accrued liabilities as of March 31, 2016 is \$1,062,192 (December 31, 2015 - \$965,448) due to officers and directors of the Company.

17. SUBSEQUENT EVENTS

Subsequent to March 31, 2016, 3,648,000 warrants and broker warrants expired on May 9, 2016.

Subsequent to March 31, 2016, a company controlled by a Director of the Company advanced \$50,000, on an unsecured basis, with the loan bearing interest at 10% per annum.

On May 30, 2016, the Company announced a non-brokered private placement of a minimum of 7,692,307 units and a maximum of 23,076,923 units at a price of \$0.065 per unit, for gross proceeds of a minimum of \$500,000 and a maximum of \$1,500,000; the Company has received subscriptions in excess of the minimum amount. Each unit consists of one common share in the capital of the Company and one warrant, with each warrant exercisable into one common share at a price of \$0.14 for a period of 36 months after closing. The proceeds from the private placement will be used for development of product and marketing initiatives, and general corporate expenses and working capital. The private placement is subject to receipt of applicable regulatory approvals including acceptance of the TSXV Venture Exchange.