MEDX HEALTH CORP.

Interim Condensed Consolidated Financial Statements

For the Three Months Ended March 31, 2020 and 2019

(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 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 interim condensed consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standard 34 – Interim Financial Reporting, using accounting policies consistent and 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 in 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, 2020 and 2019 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 2020		December 31 2019
ASSETS				
Current assets				
Cash	**$**	**103,701**	$	11,920
Accounts receivable (Note 3)		**17,023**		54,415
Inventory (Note 4)		**255,832**		237,968
Prepaid expenses and deposits		**58,753**		47,571
		435,309		351,874
Property, equipment and right of use asset (Note 5)		**48,867**		55,525
Intangible assets (Note 6)		**5,954**		28,499
	$	**490,130**	$	435,898
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities (Notes 7 and 16)	**$**	**1,646,250**	$	2,472,577
Deferred revenue		**61,685**		52,556
Demand loans (Note 8)		**197,000**		252,000
Convertible debt (Note 8)		**500,000**		500,000
Lease liability (Note 8)		**16,458**		25,670
		2,421,393		3,302,803
SHAREHOLDERS' DEFICIENCY				
Share capital (Note 9)		**21,544,348**		20,287,147
Warrants (Note 9)		**2,399,774**		1,981,149
Equity portion of convertible debt (Note 8)		**227,000**		227,000
Contributed surplus (Note 9)		**7,250,263**		7,250,263
Deficit		**(33,352,648)**		(32,612,464)
		(1,931,263)		(2,866,905)
	$	**490,130**	$	435,898

Nature of operations and 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		2020		2019
Revenue	**$**	**95,544**	$	184,801
Cost of sales		**60,517**		91,834
Gross profit		**35,027**		92,967
Expenses				
Selling, general and administrative		**572,830**		552,333
Product and software development		**46,350**		168,830
Share-based compensation (Notes 9 and 16)		**-**		86,188
Interest expense		**11,298**		29,251
Loss on debt settlement (Note 9)		**107,410**		-
Foreign exchange loss		**3,881**		9,763
Depreciation of property, equipment and right of use asset		**10,897**		12,158
Amortization of intangibles		**22,545**		22,545
		775,211		881,068
Net loss and comprehensive loss for the period	**$**	**(740,184)**	$	(788,101)
Loss per share, basic and fully diluted (Note 11)	**$**	**(0.00)**	$	(0.01)
Weighted average number of shares outstanding		**148,253,270**		137,094,734

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, 2020 and 2019

	Common Shares	Warrants	Equity Portion of Convertible Debt	Contributed Surplus	Deficit	Total
Balance, December 31, 2019	$ 20,287,147	$ 1,981,149	$ 227,000	$ 7,250,263	$ (32,612,464)	$ (2,866,905)
Net loss for the period	-	-	-	-	(740,184)	(740,184)
Issuance of Units	884,736	311,609	-	-	-	1,196,345
Debt settlement	372,465	107,016	-	-	-	479,481
Balance, March 31, 2020	$ 21,544,348	$ 2,399,774	$ 227,000	$ 7,250,263	$ (33,352,648)	$ (1,931,263)
Balance, December 31, 2018	$ 19,453,957	$ 2,129,045	$ 227,000	$ 5,981,763	$ (29,336,114)	$ (1,544,349)
Net loss for the period	-	-	-	-	(788,101)	(788,101)
Issuance of Units	308,493	154,033	-	-	-	462,526
Share-based compensation	-	-	-	86,188	-	86,188
Balance, March 31, 2019	$ 19,762,450	$ 2,283,078	$ 227,000	$ 6,067,951	$ (30,124,215)	$ (1,783,736)

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		2020		2019
Cash flows from operating activities				
Net loss for the period	**$**	**(740,184)**	$	(788,101)
Adjustments for non-cash items				
Depreciation of property, equipment and right of use asset		**12,158**		12,158
Amortization of intangible assets		**22,545**		22,545
Loss on debt settlement		**107,410**		-
Accretion of convertible debt		**-**		15,633
Share-based compensation		**-**		86,188
		(598,071)		(651,577)
Net change in non-cash operating working capital items:				
Accounts receivable		**37,392**		95,136
Inventory		**(17,864)**		(10,579)
Prepaid expenses and deposits		**(11,182)**		110
Accounts payable and accrued liabilities		**(454,256)**		112,002
Deferred revenue		**9,129**		(7,300)
		(436,781)		189,369
Net cash used in operating activities		**(1,034,852)**		(462,208)
Cash flows from investing activities				
Purchases of property and equipment		**(5,500)**		-
Net cash used in investing activities		**(5,500)**		-
Cash flows from financing activities				
Proceeds from issuance of Units, net of issue costs		**1,196,345**		462,526
Repayment of lease liability		**(9,212)**		(8,238)
Proceeds from issuance of demand loans		**45,000**		100,000
Repayment of demand loans		**(100,000)**		(100,000)
Net cash from financing activities		**1,132,133**		454,288
Net change in cash for the period		**91,781**		(7,920)
Cash, beginning of period		**11,920**		38,944
Cash, end of period	**$**	**103,701**	$	31,024
Non-cash transactions (Note 9)	**$**	**372,071**	$	-

See accompanying notes to the interim condensed consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

MedX Health Corp. ("MedX" or "the Company") is incorporated under the laws of Ontario. The Company develops and manufactures skin-related screening tools and phototherapy devices for pain relief and tissue repair, marketing the latter in Canada and the United States while the skin related screening tools are also marketed in Europe, Australia and selected markets in Asia and Latin America.

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, 2020, the Company had current liabilities in excess of current assets of $1,986,084 (December 31, 2019 – $2,950,929), had an accumulated deficit of $33,352,648 (December 31, 2019 - $32,612,464), and shareholders' deficiency of $1,931,263 (December 31, 2019 - $2,866,905). 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 raised capital during 2019 and to date in 2020 and will require additional capital to continue to develop and market its products and as it continues to develop sales opportunities. 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 consolidated financial statements. These adjustments could be material.

The Company operates in a single reportable operating segment. As at March 31, 2020, substantially all of the Company's assets are located in Canada.

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, 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 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.

Presented in Canadian dollars

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, 2020.

These interim condensed consolidated financial statements were approved by the Board of Directors effective July 14, 2020.

Basis of Presentation

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.

Basis of Consolidation

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

Significant Accounting Judgments and Estimates

There have been no material revisions to the nature and amount or changes in estimates of amounts as reported in the 2019 annual consolidated financial statements.

Recent Accounting Pronouncements

At the date of authorization of these consolidated financial statements, there are no amendments, revisions or new IFRS standards, which have been issued but are not effective until annual periods beginning after December 31, 2019 that are expected to have a material impact on the Company.

3. ACCOUNTS RECEIVABLE

The amount of accounts receivable is net of an allowance for doubtful accounts, which was $36,504 at March 31, 2020 (December 31, 2019 - $36,504).

4. INVENTORY

		March 31 2020		December 31 2019
Raw materials	**$**	**124,822**	$	80,559
Work-in-process		**31,565**		21,548
Finished goods		**99,445**		135,861
	$	**255,832**	$	237,968

For the three months ended March 31, 2020, $53,840 (2019 - $82,103) of inventory was included in Cost of sales in the consolidated statements of loss.

Presented in Canadian dollars

5. PROPERTY, EQUIPMENT AND RIGHT OF USE ASSET

	Furniture and Office Equipment	Manufacturing Equipment	Right of Use Asset	Total
Cost				
Balance, January 1, 2019	$ 128,966	$ 55,112	$ -	$ 184,078
Adoption of IFRS 16	-	-	60,034	60,034
Additions	4,441	-	-	4,441
Balance, December 31, 2019	133,407	55,112	60,034	248,553
Additions	**5,500**	**-**	**-**	**5,500**
Balance, March 31, 2020	**$ 138,907**	**$ 55,112**	**$ 60,034**	**$ 254,053**
Accumulated Depreciation				
Balance, January 1, 2019	$ 107,354	$ 39,602	$ -	$ 146,956
Depreciation	6,302	3,749	36,021	46,072
Balance, December 31, 2019	113,656	43,351	36,021	193,028
Depreciation	**1,892**	**1,261**	**9,005**	**12,158**
Balance, March 31, 2020	**$ 115,548**	**$ 44,612**	**$ 45,026**	**$ 205,186**
Carrying Value				
Balance, December 31, 2019	$ 19,751	$ 11,761	$ 24,013	$ 55,525
Balance, March 31, 2020	**$ 23,359**	**$ 10,500**	**$ 15,008**	**$ 48,867**

6. INTANGIBLE ASSETS

The Company purchased the assets (including intellectual property), related to SIAscopy™ in 2011, and in 2015 acquired the future royalty obligation associated with the technology from the original seller.

Cost	
Balance, January 1, 2019, December 31, 2019 and March 31, 2020	**$ 518,709**
Accumulated Amortization	
Balance, January 1, 2019	$ 400,028
Amortization	90,182
Balance, December 31, 2019	490,210
Amortization	**22,545**
Balance, March 31, 2020	**$ 512,755**
Carrying Value	
Balance, December 31, 2019	$ 28,499
Balance, March 31, 2020	**$ 5,954**

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

Presented in Canadian dollars

		March 31 2020		December 31 2019
Accounts payable	**$**	**283,688**	$	977,663
Amounts owing to staff, officers and board of directors		**230,613**		316,798
Taxes, including unpaid payroll withholdings and related interest, accrued sales and other taxes		**577,383**		564,132
Other accrued liabilities		**554,566**		613,984
	$	**1,646,250**	$	2,472,577

On March 5, 2020, the Company settled a portion of the amounts owing to a vendor, settling $372,071 of amounts owed to the vendor by issuing 3,103,878 Units, each Unit consisting of one Common share and one Common share purchase warrant ("Warrant"). Each Warrant will be exercisable to acquire one Common share at any time for a period of two years, at an exercise price of $0.20. In accounting for the settlement, the shares issued were valued at $372,465 and the warrants were valued at $107,016, totaling $479,481, resulting in a loss of $107,410.

8. DEMAND LOANS AND LONG-TERM DEBT

a) Demand loans

As of March 31, 2020, there are $197,000 of unsecured demand loans due to related parties. The loans accrue interest at 10% per annum, payable at the time of repayment. Advances of $45,000 were made to the Company during the three months ended March 31, 2020 (with fees of $2,250 related to these advances) and the Company repaid $100,000 during the period.

With regards to 2019, as of December 31, 2019, there were $252,000 of unsecured demand loans due to related parties. The loans were accruing interest at 10% per annum, payable at the time of repayment. A total of $422,000 of advances were made to the Company during 2019 (with fees of $21,350 paid related to these advances) and the Company repaid $270,000 of loans. During 2019, a $50,000 demand loan due to a corporation controlled by a Director at the end of 2018 was repaid and $102,000 of demand loans were advanced by this lender, on the same terms. As of December 31, 2019, $52,000 of loans were due to this lender. A total of $320,000 of unsecured advances were made by a Director during 2019, of which $220,000 were repaid during 2019 and $100,000 was due as of December 31, 2019.

b) Convertible debt

The Convertible debt consists of a $500,000 loan with a party that is related to a Director of the Company, which was due on December 31, 2019, and considered as due on demand, bearing interest at 8% per annum, paid monthly. The loan is convertible, in whole or part, at any time into common shares of the Company at $0.20 per share. The debt is secured by a general security agreement covering all of the Company's assets.

c) Lease liability

The Company leases premises consisting of its office and manufacturing facilities. On adoption of IFRS 16 at the beginning of 2019, a liability of $60,034 was established, representing the lease payments of $64,900 remaining on the lease in 2019 and 2020, discounted using an incremental borrowing rate of 10.0%. The lease does not include extension options. The balance of the liability as at March 31, 2020 is $16,458 (December 31, 2019 - $25,670).

Presented in Canadian dollars

9. SHARE CAPITAL

Common Shares

Authorized - Unlimited number of common shares

Issued and outstanding

	Number of shares	Stated Capital
Outstanding at January 1, 2019	135,053,901	$ 19,453,957
Issued for cash (a)	8,532,527	833,190
Outstanding at December 31, 2019	**143,586,428**	**20,287,147**
Issued for cash (a)	**10,944,139**	**884,736**
Issued on debt settlement (b)	**3,103,878**	**372,465**
Outstanding at March 31, 2020	**157,634,445**	**$ 21,544,348**

a) Shares issued for cash

During the three months ended March 31, 2020, the Company raised net proceeds of $1,196,345 from private placements, summarized as follows:

Date	# of Units	Gross Proceeds	Issue Costs	Net Proceeds	Broker Warrants	Allocation to Shares	Allocation to Warrants
January 30	1,485,000	$ 178,200	$ 17,388	$ 160,812	$ 8,759	$ 114,259	$ 46,553
March 4	7,459,139	895,097	80,364	814,733	43,530	598,958	215,775
March 5	2,000,000	240,000	19,200	220,800	-	171,519	49,281
	10,944,139	$ 1,313,297	$ 116,952	$ 1,196,345	$ 52,289	$ 884,736	$ 311,609

On January 30, 2020, the Company completed a non-brokered private placement with gross proceeds of $178,200 ($160,812, net of expenses). The private placement consisted of the sale of 1,485,000 units at a price of $0.12 per Unit. Each Unit consisted of one Common share and one Common share purchase warrant (“Warrant”). Each Warrant will be exercisable to acquire one Common share at any time for a period of two years, at an exercise price of $0.20. The Company issued 84,000 Broker warrants in connection with the placement.

On March 4 and March 5, 2020, the Company completed a non-brokered private placement, with gross proceeds totaling $1,135,097 ($1,035,533, net of expenses). The private placement consisted of the sale of 9,459,139 units at a price of $0.12 per Unit. Each Unit consisted of one Common share and one Common share purchase warrant (“Warrant”). Each Warrant will be exercisable to acquire one Common share at any time for a period of two years, at an exercise price of $0.20. The Company issued 506,000 Broker warrants in connection with the placement.

In accounting for the transactions, at the time of each closing, the Company allocated the proceeds between the shares and the warrants issued, based on the relative value of the components. The value of the shares was based on the closing trading value of the Company’s shares on each closing date. Cash related issue costs were allocated in the same manner as the proceeds, reducing the amounts recorded as share capital and warrants. With respect to the Broker warrants issued, the value of the warrants was determined in the same manner as the common share warrants, and were treated similar to cash issue costs, as a reduction of the amounts recorded as share capital and warrants.

Presented in Canadian dollars

The closing share price on January 30, 2020 was $0.13 and on March 4 and March 5, 2020 was $0.12. The warrant value for each transaction was determined to be $0.04, $0.03 and $0.03, respectively. The value for the warrants was estimated using the Black-Scholes pricing model at each date using the following assumptions:

- No expected dividends over the life of the warrants.
- A 1.47%, 0.92% and 0.92% risk-free interest rate, for each closing, respectively.
- Based on historic volatility, 83%, 79%, and 79% share price volatility for each closing, respectively.

During 2019, the Company raised net proceeds of $1,184,574 from private placements, summarized as follows:

Date	# of Units	Gross Proceeds	Issue Costs	Net Proceeds	Broker Warrants	Allocation to Shares	Allocation to Warrants
January 28	2,962,500	$ 474,000	$ 11,474	$ 462,526	$ -	$ 308,493	$ 154,033
April 26	1,766,250	282,600	24,891	257,709	10,099	181,040	76,669
May 23	850,000	136,000	3,930	132,070	-	95,529	36,541
August 29	1,286,111	154,333	11,581	142,752	4,297	106,044	36,708
November 4	1,251,000	150,120	9,103	141,017	3,387	104,964	36,053
November 22	416,666	50,000	1,500	48,500	-	37,120	11,380
	8,532,527	$ 1,247,053	$ 62,479	$ 1,184,574	$ 17,783	$ 833,190	$ 351,384

On January 28, 2019, the Company completed a non-brokered private placement with gross proceeds of $474,000 ($462,526, net of expenses). The private placement consisted of the sale of 2,962,500 units at a price of $0.16 per unit. Each unit consisted of one Common share and one Common share purchase warrant. Each warrant will be exercisable to acquire one Common share at any time for a period of three years, at an exercise price of $0.35.

On April 26, 2019, the Company completed a non-brokered private placement with gross proceeds of $282,600 ($257,709, net of expenses). The private placement consisted of the sale of 1,766,250 units at a price of $0.16 per unit. Each unit consisted of one Common share and one Common share purchase warrant. Each warrant will be exercisable to acquire one Common share at any time for a period of two years, at an exercise price of $0.25. A total of 79,350 Broker Warrants were issued to finders in connection with the placement, with each exercisable for a period of two years, to acquire a unit at $0.16, comprising a Share and a Warrant exercisable until April 26, 2021, at $0.25. The Broker Warrants were valued at $10,099 and allocated as a $7,384 reduction of share capital and $2,715 reduction of the warrants.

On May 23, 2019, the Company completed a non-brokered private placement with gross proceeds of $136,000 ($132,070, net of expenses). The private placement consisted of the sale of 850,000 units at a price of $0.16 per unit. Each unit consisted of one Common share and one Common share purchase warrant. Each warrant will be exercisable to acquire one Common share at any time for a period of two years, at an exercise price of $0.25.

On August 29, 2019, the Company completed a non-brokered private placement with gross proceeds of $154,333 ($142,752, net of expenses). The private placement consisted of the sale of 1,286,111 units at a price of $0.12 per unit. Each unit consisted of one Common share and one Common share purchase warrant. Each warrant will be exercisable to acquire one Common share at any time for a period of two years, at an exercise price of $0.20. There were 58,000 Broker Warrants issued to finders in connection with the placement, with each exercisable for a period of two years, to acquire a unit at $0.12, comprising a Share and a Warrant exercisable until August 29, 2021, at $0.20. The Broker Warrants were valued at $4,297 and allocated as a $3,291 reduction of share capital and $1,006 reduction of the warrants.

On November 4, 2019, the Company completed a non-brokered private placement with gross proceeds of $150,120 ($141,017, net of expenses). The private placement consisted of the sale of 1,251,000 units at a price of $0.12 per unit. Each unit consisted of one Common share and one Common share purchase warrant. Each warrant will be exercisable to acquire one Common share at any time for a period of two years, at an exercise price of $0.20. There were 42,800 Broker Warrants issued to finders in connection with the placement, with each exercisable for a period of two years, to acquire a unit at $0.12, comprising a Share and a Warrant exercisable for two years, at $0.20. The Broker Warrants were valued at $3,387 and allocated as a $2,584 reduction of share capital and $803 reduction of the warrants.

On November 22, 2019, the Company completed a non-brokered private placement with gross proceeds of $50,000 ($48,500, net of expenses). The private placement consisted of the sale of 416,666 units at a price of $0.12 per unit. Each unit consisted of one Common share and one Common share purchase warrant. Each warrant will be exercisable to acquire one Common share at any time for a period of two years, at an exercise price of $0.20.

In accounting for the transactions, at the time of each closing, the Company allocated the proceeds between the shares and the warrants issued, based on the relative value of the components. The value of the shares was based on the closing trading value of the Company's shares on each closing date. Cash related issue costs were allocated in the same manner as the proceeds, reducing the amounts recorded as share capital and warrants. With respect to the Broker warrants issued, the value of the warrants was determined in the same manner as the common share warrants, and were treated similar to cash issue costs, as a reduction of the amounts recorded as share capital and warrants.

The closing share price on January 28, April 26, and May 23, 2019 was $0.15, on August 29 was $0.10, and on November 4 and November 22, 2019 was $0.105. The warrant value for each transaction was determined to be $0.07, $0.06, $0.06, $0.03, $0.03 and $0.03, respectively. The value for the warrants was estimated using the Black-Scholes pricing model at each date using the following assumptions:

- No expected dividends over the life of the warrants.
- A 1.50%, 1.45% ,1.45%, 1.58%, 1.59% and 1.60% risk-free interest rate, for each closing, respectively.
- Based on historic volatility, 108%, 93%, 94%, 90%, 89% and 88% share price volatility for each closing, respectively.

b) Shares issued on debt settlement

On March 5, 2020, the Company settled a portion of amounts owing to a vendor, settling $372,071 of debt owed to the vendor by issuing to it 3,103,878 Units, each Unit consisting of one Common share and one Common share purchase warrant ("Warrant"). Each Warrant will be exercisable to acquire one Common share at any time for a period of two years, at an exercise price of $0.20. In accounting for the settlement, the shares issued were valued based on the closing price of the shares on the closing date of $0.12, or $372,465 and the warrants were valued at $107,016, estimated to be $0.03 per warrant using the Black-Scholes pricing model (historic volatility of 79%, 0.92% risk-free interest rate and no expected dividends), resulting in a loss of $107,410.

c) Warrants

The Company has issued subscriber warrants in connection with share offerings and also has issued broker warrants in connection with certain offerings. The value of warrants has been estimated in each case using the Black-Scholes pricing model as of the date of the transaction.

Presented in Canadian dollars

	Number of Subscriber Warrants	Weighted-Average Exercise Price $
Outstanding at January 1, 2019	50,204,727	0.19
Warrants issued - private placements	8,532,527	0.27
Warrants expired	(18,415,653)	0.14
Outstanding at December 31, 2019	**40,321,601**	**0.23**
Warrants issued - private placements	**10,944,139**	**0.20**
Warrants issued - debt settlement	**3,103,878**	**0.20**
Outstanding at March 31, 2020	**54,369,618**	**0.22**

Included in the January 30, March 4 and March 5, 2020 private placements were the issuance of 1,485,000, 7,459,139 and 2,000,000 warrants, respectively. Included in the March 5, 2020 debt settlement was the issuance of 3,103,878 warrants. Each of the above noted warrants are exercisable to acquire one Common share at any time for a period of two years from the respective closing date, at an exercise price of $0.20. There were 84,000 and 506,000 Broker warrants issued in the January 30, 2020 and March 4, 2020 private placements, respectively, with an exercise price of $0.12.

Included in the January 28, 2019 private placement was the issuance of 2,962,500 warrants, each which will be exercisable to acquire one Common share at any time for a period of three years, at an exercise price of $0.35. Included in the April 26, 2019 and May 23, 2019 private placements, 1,766,250 and 850,000 warrants were issued, respectively, with each warrant exercisable to acquire one Common share at any time for a period of two years from the closing date, at an exercise price of $0.25. There were 79,350 Broker warrants issued relating to the April 26, 2019 private placement, with an exercise price of $0.16. Included in the August 29, 2019, November 4, 2019 and November 22, 2019 private placements was the issuance of 1,286,111, 1,251,000 and 416,666 warrants, respectively, with each warrant exercisable to acquire one Common share at any time for a period of two years from the closing date, at an exercise price of $0.20. There were 58,000 and 42,800 Broker warrants issued in the August 29, 2019 and November 4, 2019 private placements, respectively, with an exercise price of $0.12.

During 2019, 18,415,653 warrants, with an exercise price of $0.14 related to private placements in 2016 expired. The $499,280 value originally allocated to the warrants (net of amounts previously reclassified) was reclassified to Contributed surplus.

Presented in Canadian dollars

Warrants outstanding, (including 1,740,491 Broker warrants with a weighted average exercise price of $0.13), and their expiry dates as of March 31, 2020 are as follows:

		Exercise Price	Warrants	$
Private Placement	– April 21, 2020	$0.20	**6,929,365**	**350,437**
Private Placement	– July 14, 2020	$0.20	**2,170,311**	**95,582**
Private Placement	– December 15, 2020	$0.20	**6,251,729**	**292,247**
Private Placement	– January 23, 2021	$0.20	**14,164,260**	**709,182**
Private Placement	– October 11, 2021	$0.35	**2,106,250**	**121,016**
Private Placement	– November 22, 2021	$0.35	**1,137,500**	**61,301**
Private Placement	– January 28, 2022	$0.35	**2,962,500**	**154,033**
Private Placement	– April 26, 2021	$0.25	**1,845,600**	**76,669**
Private Placement	– May 23, 2021	$0.25	**850,000**	**36,541**
Private Placement	– August 29, 2021	$0.20	**1,344,111**	**36,708**
Private Placement	– November 4, 2021	$0.20	**1,293,800**	**36,053**
Private Placement	– November 22, 2021	$0.20	**416,666**	**11,380**
Private Placement	– January 30, 2022	$0.20	**1,569,000**	**46,553**
Private Placement	– March 4, 2022	$0.20	**7,965,139**	**215,775**
Private Placement	– March 5, 2022	$0.20	**2,000,000**	**49,281**
Debt Settlement	– March 5, 2022	$0.20	**3,103,878**	**107,016**
			56,110,109	**2,399,774**

d) Stock options

On November 5, 2018, at an Annual and Special Meeting of Shareholders, shareholders approved an amendment to the Company's 2014 Incentive Stock Option Plan to increase the number of shares available under the plan from 21,200,000 to 26,000,000.

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. As at March 31, 2020, there were 17,765,000 options that have been granted and are outstanding, with 8,235,000 options available to be granted under the plan. Options generally expire after five years, with vesting provisions stated in the plan.

There was no change in the number of options during the three-months ended March 31, 2020. Activity in the Company's stock option plan for the three months ended March 31, 2020 and for the year ended December 31, 2019 is summarized as follows:

	Number of Options	Weighted-Average Exercise Price $
Outstanding, January 1, 2019	18,100,000	0.17
Granted	6,990,000	0.17
Expired/forfeited	(7,325,000)	0.10
Outstanding, December 31, 2019 and March 31, 2020	**17,765,000**	**0.20**

The outstanding options have exercise prices in the range of $0.10 and $0.25, an average remaining life of 3.4 years, and a weighted average exercise price of $0.20, and as of March 31, 2020, all of the options are exercisable.

Presented in Canadian dollars

On December 31, 2019, the Company granted 5,990,000 share options under the Company's Stock Option Plan to members of the Board of Directors, management, employees and consultants. The options have an exercise price of $0.17 per share, expire five years from the date of issue, and were vested as of the grant date. The options were valued at $594,862, which was expensed in 2019. The value was determined using the Black-Scholes option pricing model based on a risk-free interest rate of 1.68%, volatility of 111% based on historical stock price volatility, expected life of five years, and no expected dividend yield.

On September 30, 2019, the Company granted 1,000,000 share options under the Company's Stock Option Plan to a member of management and the Board of Directors. The options, which are vested as of December 31, 2019, have an exercise price of $0.16 per share and expire four years from the date of issue. The options were valued at $69,677, which was expensed in 2019. The value was determined using the Black-Scholes option pricing model based on a risk-free interest rate of 1.90%, volatility of 107% based on historical stock price volatility, expected life of four years, and no expected dividend yield.

During 2019, the remaining $104,681 of the $1,398,071 value attributed to 7,375,000 share options granted in 2018 under the Company's Stock Option Plan was expensed. The options have an exercise price of $0.25 per share, expire five years from the date of issue, and are fully vested.

10. INCOME TAXES

As of December 31, 2019, the Company had non-capital losses carried forward of $12,607,351 available to reduce future years' taxable income. These losses expire as follows:

Expiry			
2026 -	$ 553,339	2033 -	$ 638,392
2027 -	$ 101,131	2035 -	$ 494,759
2028 -	$ 320,518	2036 -	$ 1,175,296
2029 -	$ 1,418,650	2037 -	$ 1,525,829
2030 -	$ 481,214	2038 -	$ 2,943,543
2031 -	$ 324,117	2039 -	$ 2,237,879
2032 -	$ 392,684		
			$ 12,607,351

11. LOSS PER COMMON SHARE

The calculation of basic and diluted loss per share for the three months ended March 31, 2020 and 2019 was based on the loss attributable to common shareholders of $740,184 (2019 - $788,101) and the weighted average number of common shares outstanding of 148,253,270 (2019 – 137,094,734). Diluted loss per share for each of the periods did not include the effect of stock options, warrants or debenture conversions, as they were anti-dilutive.

12. REVENUE

The Company has two main product lines; SIAscopy™, a medical device technology that is used to scan skin for suspicious moles and lesions, and phototherapeutic medical devices, which use light energy in lower-level laser and LED to provide effective treatment of pain and tissue damage in the rehabilitation market. Currently, SIAscopy™ products are sold in Canada, the United States, Europe, Australia and selected markets in Asia and Latin America, while the phototherapeutic products are sold in Canada and the United States. Sales of the products for the three months ended March 31, 2020 and 2019 were as follows:

Presented in Canadian dollars

Three months ended March 31		**2020**		2019
SIAscopy	**$**	**21,778**	$	21,563
Phototherapeutic lasers		**73,766**		163,238
	$	**95,544**	$	184,801

Sales for the three months ended March 31, 2020 and for the year ended December 31, 2019 were made to customers in the following geographic regions: Canada 22%; United States 52%, Europe 6%, Rest of World 20% (Year ended December 31, 2019 - Canada 37%; United States 47%, Europe 11%, Rest of World 5%).

Approximately 35% of the Company's revenue for the three months ended March 31, 2020 was from two customers (Year ended December 31, 2019 - 12% from one customer).

13. FINANCIAL INSTRUMENTS

The Company is exposed through its operations to a number of financial risks, including credit risk, interest rate risk, foreign currency risk and liquidity risk, arising from its use of financial instruments. The Company has in place processes to manage these risks, as described more fully below.

Fair Value Measurement

The accounting guidance for fair value measurements prioritizes the inputs used in measuring fair value into the following hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 – Inputs other than quoted prices included within Level 1 that are directly or indirectly observable.
Level 3 – Unobservable inputs in which little or no market activity exists, therefore requiring an entity to develop its own assumptions about the assumptions that market participants would use in pricing.

The carrying value of accounts receivable, accounts payable and accrued liabilities, demand loans and the lease liability approximates fair value due to the relatively short-term maturity of these financial instruments. Convertible debt was initially recognized at fair value and was categorized as level 2. Subsequent to initial recognition it is carried at amortized cost.

The main risks the Company's financial instruments are exposed to are discussed below.

Credit Risk -

Credit risk is the risk on financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to risk on its trade receivables balances. The risk for the Company is reduced, as for a majority of its revenue, individual transactions 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 shipment.

The Company measures the loss allowance at an amount equal to the lifetime ECL that results from possible default events over the expected life of accounts receivables, using a simplified impairment model estimating losses with a provision matrix to measure the lifetime ECL. With respect to the Company's phototherapeutic laser business, the Company has experienced minimal losses, and based on the provision matrix developed where a provision is not considered necessary unless account balances exceed 180 days, there is a minimal provision. With respect to sales of the Company's SIAscopy™ products, where new markets are being developed, the Company reviews individual balances, and as a result recorded a provision as of March 31, 2020 of $36,504 (December 31, 2019 - $36,504).

Presented in Canadian dollars

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 currently has no exposure to risk with respect to interest rate fluctuations, as its interest-bearing debt is at a fixed rate of interest. The Company may increase debt levels depending on the nature of the financing in the future.

Foreign Currency Risk -

The Company has low exposure to foreign exchange fluctuations with respect to cash, given the low cash balances. The Company sells its products internationally. Revenues could be impacted positively or negatively if the exchange rates in the currencies in which the Company sells its products fluctuates. The risk is decreased as customers are invoiced only in currencies that are considered to be stable in international markets. A portion of the Company's costs are from international suppliers and could be impacted by currency fluctuations. However, these requirements are not material to the business, and alternate sources of supply could be utilized if required. There is an impact on the net loss from the translation of the accounts receivable and accounts payable balances at the end of the period that are denominated in currencies other than the Canadian dollar. A 5% change in the exchange rate of those currencies relative to the Canadian Dollar would impact the net loss by approximately $1,000.

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 match the requirements. The risks are small enough that hedging would not be considered.

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 in some instances has entered into transactions to settle debts through the issuance of shares. Capital has been raised in 2019 and to date in 2020, and the Company must 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.

	12 months	1 to 2 years	Total
Accounts payable and accrued liabilities	$ **1,646,250**	$ **-**	$ **1,646,250**
Demand loans	**197,000**	**-**	**197,000**
Lease liability	**16,458**	**-**	**16,458**
Convertible debt	**500,000**	**-**	**500,000**
At March 31, 2020	**$ 2,359,708**	**$ -**	**$ 2,359,708**
At December 31, 2019	$ **3,250,247**	**$ -**	**$ 3,250,247**

Refer to Note 8 for additional discussions regarding the contractual maturities of financial liabilities.

14. CAPITAL MANAGEMENT

The Company defines its managed capital as the total of demand loans, lease liabilities, convertible debt and shareholders' deficiency including share capital, warrants, equity portion of convertible debt, contributed surplus and deficit. As at March 31, 2020, total managed capital was ($1,217,805) (December 31, 2019 - ($2,089,235)). 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 adjustment to its capital structure based on changes in economic conditions and the 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 adjusting its capital expenditure program. There have been no changes in the Company's approach to capital management during 2019 or 2020. The Company is not subject to externally imposed capital restrictions.

15. COMMITMENTS AND CONTINGENCIES

A claim was made against the Company in 2010 by 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.

A claim was made against the Company in 2018 by a former employee, claiming approximately $631,000 in damages. The Company has filed a counterclaim for misrepresentation and breach of contract.

Although the outcome of these claims 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

For the three months ended March 31, 2020, the Company incurred costs for management and Board compensation of $134,063 (2019 - $123,000). For the three months ended March 31, 2019, $38,893 of the expense recorded for share-based compensation related to officers and directors.

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

Included in accounts payable and accrued liabilities as of March 31, 2020 is $203,701 (December 31, 2019 - $209,037) accrued for officers and directors of the Company.

17. SUBSEQUENT EVENTS

Subsequent to March 31, 2020, the $197,000 of demand loans outstanding as of March 31, 2020, were repaid.

On April 22, 27, 29 and May 13, 2020, the Company completed the closing of tranches of a non-brokered private placement, with gross proceeds of $1,799,457. The private placement consisted of the sale of 14,995,472 units at a price of $0.12 per Unit. Each Unit consisted of one Common share and one Common share purchase warrant (“Warrant”). Each Warrant will be exercisable to acquire one Common share at any time for a period of two years, at an exercise price of $0.20. The Company paid commissions of $121,971 and issued 569,760 Broker warrants in connection with the placement.

Subsequent to March 31, 2020, 1,000,000 share options were granted to consultants. Of the options, 500,000 have an exercise price of $0.18 and expire in three years, and 500,000 options have an exercise price of $0.17 and expire in five years. In addition, 500,000 options were forfeited.

Subsequent to March 31, 2020, 6,929,365 warrants, with an exercise price of $0.20, expired.

The Company entered into a contract for services subsequent to March 31, 2020, whereby the Company will issue $60,000 of shares over the term of the one-year contract, based on the price of the Company’s shares as the services are provided. In this regard, the Company has issued 90,400 shares subsequent to March 31, 2020.

The recent coronavirus (COVID-19) pandemic has impacted and could further impact the Company’s operations. A majority of the Company’s staff are working remotely. To date, the Company has experienced a significant decrease in orders and revenue of therapeutic lasers, as a large proportion of the users of these products (rehabilitation and chiropractic clinics) have been or remain closed, and it is unknown how the short-term demand will change when these clinics re-open. Otherwise the Company has not been significantly impacted to date, as there has not been a significant interruption in the supply of inventory, and the Company has been able to raise capital during the period. Given the uncertainty with respect to the timing and level of recovery from the pandemic on a global basis, the Company’s ability to market its products through direct contact with customers may be difficult, and there remains uncertainty around the duration and its broader impact. The Company received an interest-free loan of $40,000 under the Canada Emergency Business Account Program and has received $73,244 to date under the Canada Emergency Wage Subsidy.