

**MedX Health Corp.
Management's Discussion and Analysis
For the Years Ended December 31, 2019 and 2018**

This Management's Discussion and Analysis has been prepared based on information available to MedX Health Corp. ("MedX" or the "Company") as at the date of this Report. Management's Discussion and Analysis is a narrative explanation to enable the reader to assess material changes in the financial condition and results of operations of the Company as at and during the year ended December 31, 2019 compared with year ended December 31, 2018 as contained in the Consolidated Financial Statements, which have been prepared in accordance with IFRS. This management's discussion and analysis should be read in conjunction with the Company's audited consolidated financial statements and the related notes for the year ended December 31, 2019.

Overview and Review of Operations

MedX Health Corp. was incorporated on April 15, 1999, in Ontario. The Company has two main product lines; SIAscopy™, a medical device technology including the SIAscopy on DermSecure™ telemedicine platform 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 offering rapid, drug-free and non-invasive healing in the rehabilitation market for treating pain, tissue damage, swelling and inflammation.

SIAscopy™ is a medical device technology the Company acquired in 2011, that is used to scan suspicious moles and lesions, using specific light wavelengths to penetrate 2mm below the surface of the skin, generating five images of the suspicious mole. The scan is read by a trained physician or dermatologist and a determination is made as to whether the suspicious mole or lesion needs a follow-on appointment, or the patient is deemed clear of follow up. This enables physicians to assess the condition of the moles more effectively and provide more immediate feedback to their patients, improving the quality of care of patients by reducing the need for biopsies, and the resulting pain and potential scarring as well as the anxiety associated with waiting for biopsy results. This technology provides a vastly improved level of certainty for physicians and care for patients.

SIAscopy™ is a technology proprietary to MedX and has been cleared by the FDA in the U.S. and by Health Canada, is CE marked for sale in Europe, with equivalent approval in Brazil, Australia, Turkey and a number of other jurisdictions, totalling 35 countries.

The Company recently launched its SIAscopy on DermSecure™ telemedicine platform. This platform enables the web-based operation of its SIAscopy™ scanning technology and allows the Company to deploy its technology in networks of third-party locations from which patients' mole and lesion scans can be connected to specialist physicians for remote assessment. SIAscopy on DermSecure™ complies with international standards, including for privacy and security, with specific processes tailored to each jurisdiction. With its own proprietary system, the Company can more aggressively market the technology in a recurring revenue scenario. This project is part of a series of initiatives taken to focus on moving forward with the Company's development roadmap, with the

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objective of updating its SIAscopy™ hardware and software, making it more scalable and marketable. In addition, the Company is updating the scanner hardware components and related software which will result in higher definition images. It is anticipated that with the roll-out of SIAscopy on DermSecure™ and future innovation releases, the Company will continue to evolve both the hardware and software over a number of years to meet the demands of the customer base and improve patient access and care.

SIAscopy on DermSecure™ and MedX's other SIAscopy™ products are sold worldwide. The Company is already working with a number of groups internationally to market SIAscopy on DermSecure™ in a number of countries. Prior to this, the focus was on Europe, where a European distributor had built a skin scanning business in more than 200 pharmacies in Norway, Sweden and the United Kingdom, allowing individuals to have a suspicious mole or lesion checked quickly by way of a network of trained physicians who could access the scanned images. MedX is also initiating programs in selected South American and European countries and in Canada while pursuing other opportunities in other markets including the United States.

The Company's phototherapeutic products have been available in the market for many years, with a strong reputation for quality and reliability. The Company has sold thousands of its products to practitioners in clinics, academic facilities, hospitals, long-term care facilities, athletes and sports teams. MedX's therapeutic light products are currently sold in Canada and the United States. The Company partners with medical device distributors to sell its products. The markets in which the Company sells these products are highly competitive, characterized by pricing pressure and multiple competitive products. These products are US FDA and Health Canada cleared. The Company updates its products to remain competitive in the market and continues to try to increase its market share.

The Company's SIAscopy™ and therapeutic light products are produced in an ISO 13485, CMDCAS and MDSAP certified manufacturing and testing facility in Mississauga, Ontario.

During 2018, the Company's President and CEO, Rob von der Porten, retired from this role, and remains with the Company as its Chairman. Scott Spearn, with many years of experience with medical device companies joined the Company as President and CEO. The Company has also added a number of internationally recognized individuals to its Scientific Medical Advisory Board, who are specialists in various areas related to skin disorders and cancer, advising the Company as it continues the development of its technology and platform and considers market entry strategies for its skin related product portfolio.

The Company has experienced significant issues with respect to a lack of funding and cash flow and has experienced losses and negative working capital since its inception. The very competitive nature of the market for therapeutic laser products, and the time it

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has taken to develop the appropriate product offerings and marketing strategies after the acquisition of the SIAscopy™ technology hampered the ability of the Company to generate adequate sales and cash flow. In addition, during the last two years, the Company has invested in developing a telemedicine software platform, and as a result, the Company has not reached a level of profitability that would allow it to market itself aggressively, as is required in the market. The Company has continued to build the markets for SIAscopy™ related revenues, which it anticipates will continue, which should improve cash flows, and which may improve the likelihood of raising additional capital.

The Company has undertaken a number of financing initiatives in the past to finance the development of its products to provide cash flow for operations while it builds its revenue base. During 2018 and 2019, the Company raised net proceeds of \$3,991,100 from private placements of equity and warrant and option exercises. In addition, to date in 2020, the Company has raised net proceeds of \$2,900,800 from private placements of equity.

In 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

During the year ended December 31, 2019, the company was also advanced \$422,000 of demand loans by related parties and repaid \$270,000 of such loans.

In 2018, the Company raised net proceeds of \$2,097,733 from private placements, summarized as follows:

Date	# of Units	Gross Proceeds	Issue Costs	Net Proceeds	Broker Warrants	Allocation to Shares	Allocation to Warrants
January 23	13,821,000	\$ 1,658,520	\$ 67,109	\$ 1,591,411	\$ 86,364	\$ 882,229	\$ 709,182
October 11	2,106,250	337,000	8,153	328,847	-	207,831	121,016
November 22	1,137,500	182,000	4,525	177,475	-	116,174	61,301
	17,064,750	\$ 2,177,520	\$ 79,787	\$ 2,097,733	\$ 86,364	\$ 1,206,234	\$ 891,499

Also, in 2018, the Company received proceeds of \$741,769 from the exercise of warrants and share options. The additional funding allowed the Company to lower its debt, with its US\$200,000 term loan and \$200,000 of demand loans fully repaid in the

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first half of 2018. During the remainder of 2018, the Company was advanced \$100,000 of demand loans.

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.

Review of Operating Results

	Year Ended December 31	
	2019	2018
Revenue	\$ 860,248	\$ 1,087,426
Cost of sales	380,428	398,237
Gross profit	479,820	689,189
Expenses		
Selling, general and administrative	2,173,073	2,492,458
Product and software development	535,463	880,772
Share-based compensation	769,220	1,304,972
Interest expense	125,028	101,890
Foreign exchange loss (gain)	20,882	(103)
Depreciation of property, equipment and right of use asset	42,322	5,591
Amortization of intangibles	90,182	90,182
	3,756,170	4,875,762
Net loss for the year	\$ (3,276,350)	\$ (4,186,573)

Years Ended December 31, 2019 and 2018

Revenue -

Revenue of \$860,248 for the year ended December 31, 2019 was \$227,178, or 20.9% lower than revenue of \$1,087,426 for the year ended December 31, 2018.

Revenues from MedX's therapeutic laser products of \$712,754 for the year ended December 31, 2019 were \$54,426, or 7.1% lower than \$767,180 in 2018. Sales were

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strong until the last quarter of the year. The Company continues to seek additional distributors in key markets in order to increase sales.

Revenues from the Company's SIAscopy™ product line were \$147,494 for the year ended December 31, 2019, a decrease of 53.9% when compared with \$320,246 in 2018, with the decrease the result of fewer units sold during the year, and resulting primarily from one large sale to a European distributor in 2018. It is anticipated that revenues will increase as the Company is anticipating initial orders from the launch of its SIAscopy on DermSecure™ telemedicine platform.

Cost of sales -

Cost of sales of \$380,428 for the year ended December 31, 2019 were \$17,809 or 4.5% lower than cost of sales of \$398,237 for the year ended December 31, 2018. Cost of sales as a percent of sales was 44.2% compared with 36.6% for the year ended December 31, 2018. The costs as a percent of sales were higher in 2019 due primarily to the lower proportion of sales of SIAscopy.

Gross profit -

Gross profit for the year ended December 31, 2019 was \$479,820, a decrease of \$209,369 from gross profit of \$689,189 in 2018, with the lower amount resulting primarily from lower sales, in addition to lower margins. The gross margin for the year ended December 31, 2019 was 55.8% of sales versus 63.4% of sales in the prior year, lower in 2019 as noted above due to a lower proportion of SIAscopy sales in 2019.

Selling, general and administrative expenses –

Administrative expenses of \$2,173,073 for the year ended December 31, 2019 were \$319,385, or 12.8% lower than expenses of \$2,492,458 for the year ended December 31, 2018. With lower sales, and lower cash available, the Company has managed costs carefully, with reductions in sales and marketing and business development programs, offset in part by cost increases related to regulatory requirements.

Product and software development –

Product and software development expenses of \$535,463 represent expenditures with respect to on-going development of the Company's SIAscopy on DermSecure™ telemedicine platform. The 2019 costs were \$345,309 lower than the \$880,772 spent in the prior year, as the costs have moderated in 2019 due in part to cost restraints given the Company's working capital position.

Share-based compensation –

The expense relates to non-cash share-based compensation of \$769,220 for the year ended December 31, 2019, which was \$535,752 lower than \$1,304,972 recorded for 2018. The expense in 2019 relates primarily to options granted in 2019, all of which are fully vested. The much higher expense in 2018 was from options that were granted and vested during 2018.

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Interest expense –

Interest expense of \$125,028 for the year ended December 31, 2019 was \$23,138 higher than interest expense of \$101,890 in 2018. The increase in interest expense is primarily a result of the introduction of IFRS 16 - Leases, and the addition of an interest-bearing lease liability beginning on January 1, 2019, offset in part as interest from long-term debt decreased as the debt was repaid in 2018. Included in interest expense is \$65,994 of non-cash accreted interest relating to the Company's Convertible loan, representing more than half the expense for the year.

Foreign exchange loss (gain) –

The Company experienced a foreign exchange loss of \$20,882 for the year ended December 31, 2019, compared with a gain of (\$103) for the year ended December 31, 2018. The loss is related to settling of and the period end translation of net foreign denominated working capital balances during and at the end of the year.

Depreciation of property, equipment and right of use asset –

Depreciation of \$42,322 for the year ended December 31, 2019 is an increase of \$36,731 from depreciation of \$5,591 in 2018. The increase is primarily a result of the introduction of IFRS 16 – Leases on January 1, 2019, whereby a right of use asset of \$60,034, representing the net present value of remaining lease payments for the Company's office and manufacturing facilities has been included in assets, which asset is being depreciated over the remaining term of the lease.

Amortization of intangibles –

Amortization of \$90,182 for the year ended December 31, 2019 was the same as for 2018, reflecting the amortization of intangibles from 2011 and 2015, relating to the SIAscopy™ product line. The asset will be fully amortized in 2020.

Net loss for the year –

The net loss of \$3,276,350 for the year ended December 31, 2019 was \$910,223 lower than the loss of \$4,186,573 for the year ended December 31, 2018. The Company reduced its administrative and product development expenditures, which more than offset the impact of the lower sales and gross margin. More than half the reduction in the loss from 2018 was due to the decrease in share-based compensation expense due to the timing of share option grants and vesting.

Liquidity and Capital Resources

The Company had a negative working capital balance of \$2,950,929 as of December 31, 2019, compared with a working capital deficiency of \$1,700,152 as of December 31, 2018, and an accumulated deficit of \$32,612,464 and a shareholders' deficiency of \$2,866,905 as of December 31, 2019. The decrease in the working capital position at the end of 2019 is attributable to the operating loss for 2019 and an increase in liabilities, offset partially by the \$1,184,574 of net proceeds from private placements and increases in demand loans during the year. Despite raising additional capital in 2018, 2019, and to

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date in 2020, the current financial conditions for the Company are such that there is an existence of uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. The Company continues to review alternatives for additional financing.

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, including raising net proceeds of \$3,991,076 from private placements of equity and warrant and option exercises during 2018 and 2019. In addition, the Company has raised an additional net proceeds of \$2,900,782 of equity from private placements to date in 2020. The Company's 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.

Due to the negative working capital and negative cash from operations, the Company manages its cash resources and expenditure levels carefully to ensure that risks are minimized, while focusing on developing and marketing its products and growing its revenues and raising additional capital. The Company has, and will continue where possible to reduce its liabilities, and its recurring cost base to conserve cash.

During 2019, the Company raised net proceeds of \$1,184,574 from private placements.

- 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 and May 23, 2019, the Company completed non-brokered private placements with gross proceeds of \$282,600 (\$257,709, net of expenses) and \$136,000 (\$132,070, net of expenses), respectfully. The private placements consisted of the sale of 1,766,250 and 850,000 units, respectfully, 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.

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- On November 4 and November 22, 2019, the Company completed non-brokered private placements with gross proceeds of \$150,120 (\$141,017, net of expenses) and \$50,000 (\$48,500, net of expenses), respectively. The private placements consisted of the sale of 1,251,000 and 416,666 units, respectively, 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.

During the year ended December 31, 2019, the company was also advanced \$422,000 of demand loans by related parties and repaid \$270,000 of such loans.

In 2018, the Company completed three non-brokered private placements with total net proceeds of \$2,097,733.

- On January 23, 2018, the Company raised \$1,658,520 (\$1,591,411, net of expenses) through the sale of 13,821,000 units at a price of \$0.12 per unit. Each unit consisted of one common share and one common share purchase warrant, with each warrant exercisable to acquire one common share at any time for a period of three years, at an exercise price of \$0.20.
- On October 11 and November 22, 2018, the Company raised \$519,000 (\$506,322, net of expenses) through the sale of 3,243,750 units, in two tranches at a price of \$0.16 per unit. Each unit consisted of one common share and one common share purchase warrant, with each warrant exercisable to acquire one common share at any time for a period of three years, at an exercise price of \$0.35.

In 2018, the Company received proceeds of \$741,769 from the exercise of warrants and share options. The additional funding allowed the Company to lower its debt, with its US\$200,000 term loan and \$200,000 of demand loans repaid in the first half of 2018.

As of December 31, 2019, the Company's capital resources consist of the following:

Accounts payable and accrued liabilities –

The Company had \$2,472,577 of accounts payable and accrued liabilities as of December 31, 2019, an increase of \$871,405 from \$1,601,172 as of December 31, 2018, the increase primarily a result of higher accounts payable balances and amounts owing to related parties. The December 31, 2019 balance consists of trade payables (\$977,663), amounts owing to staff, management and directors for accrued or unpaid compensation and fees (\$316,798), amounts owing and accrued to governments primarily by an inactive subsidiary for unpaid payroll withholdings, sales and other taxes (\$564,132) and interest and other accruals (\$613,984).

Demand loans –

As of December 31, 2019, there are \$252,000 of unsecured demand loans due to related parties. The loans accrue interest at 10% per annum, payable at the time of

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repayment. A total of \$422,000 of advances were made to the Company during 2019 and \$270,000 of payments were made, and fees of \$21,350 were related to these advances.

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 to the Company by a Director during 2019, of which \$220,000 was repaid during 2019 and \$100,000 was due as of December 31, 2019.

During 2018, unsecured demand loans totaling \$100,000 were advanced by a corporation controlled by a Director, which were due as of December 31, 2018, with \$4,000 of fees paid in relation to these advances. Unsecured demand loans owing to a corporation controlled by a Director totaling \$200,000 were repaid in 2018, of which \$50,000 was at an interest rate of 10% per annum, and the remaining \$150,000 of the loans were without interest.

Lease liability -

The Company leases premises consisting of its office and manufacturing facilities. On adoption of IFRS 16 as of January 1, 2019, a liability of \$60,034 was established, representing the lease payments of \$38,828 in 2019 and \$26,072 in 2020, discounted using an incremental borrowing rate of 10.0%. The lease does not include extension options. The balance of the liability as at December 31, 2019 is \$25,670.

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.

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Share Capital -

The Company had 143,586,428 shares outstanding as of December 31, 2019:

	Number of shares	Stated Capital
Outstanding at December 31, 2017	112,743,129	\$ 17,339,612
Issued for cash	17,064,750	1,206,234
Issued on exercise of share options	400,000	40,000
Issued on exercise of warrants	4,846,022	701,769
Reclassification from contributed surplus and warrants on option and warrant exercises	-	166,342
Outstanding at December 31, 2018	135,053,901	19,453,957
Issued for cash	8,532,527	833,190
Outstanding at December 31, 2019	143,586,428	\$ 20,287,147

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.

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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. 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;

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- Based on historic volatility, 108%, 93%, 94%, 90%, 89% and 88% share price volatility for each closing, respectively.

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 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.

During 2018, the Company raised net proceeds of \$2,097,733 from private placements, summarized as follows:

Date	# of Units	Gross Proceeds	Issue Costs	Net Proceeds	Broker Warrants	Allocation to Shares	Allocation to Warrants
January 23	13,821,000	\$ 1,658,520	\$ 67,109	\$ 1,591,411	\$ 86,364	\$ 882,229	\$ 709,182
October 11	2,106,250	337,000	8,153	328,847	-	207,831	121,016
November 22	1,137,500	182,000	4,525	177,475	-	116,174	61,301
	17,064,750	\$ 2,177,520	\$ 79,787	\$ 2,097,733	\$ 86,364	\$ 1,206,234	\$ 891,499

On January 23, 2018, the Company completed a non-brokered private placement with gross proceeds of \$1,658,520 (\$1,591,411, net of expenses). The private placement consisted of the sale of 13,821,000 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 three years, at an exercise price of \$0.20 per Common share. A total of 343,260 Broker Warrants were issued to finders in connection with the placement, with each exercisable for a period of three years, to acquire a unit at \$0.12, comprising a Share and a Warrant exercisable until January 23, 2021, at \$0.20. The Broker Warrants were valued at \$86,364 and allocated as a \$50,625 reduction of share capital and \$35,739 reduction of the warrants.

Also, in 2018 the Company completed a non-brokered private placement in two tranches, on October 11, 2018 and November 22, 2018, raising gross proceeds totaling \$519,000 (\$506,322, net of expenses). The Company sold 3,243,750 units in total, for \$0.16 per unit, with each unit consisting of one Common share and one common share Warrant, with each Warrant entitling the holder to purchase one Common share of the Company for \$0.35 per share for three years from the closing date.

The value for the warrants and broker warrants was estimated using the Black-Scholes pricing model at each date using the following assumptions:

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- No expected dividends over the life of the warrants;
- A 1.35%, 1.45% and 1.50% risk-free interest rate, for each closing, respectively;
- Based on historic volatility, 126%, 120% and 114% share price volatility for each closing, respectively.

The share price on the closing date of each of the 2018 transactions was \$0.17, \$0.16 and \$0.145, respectively. The warrant value for each transaction was determined to be \$0.12, \$0.09 and \$0.08, respectively.

During 2018, the Company issued 400,000 Common shares on the exercise of options. The options were exercised at \$0.10 per share, resulting in proceeds of \$40,000. In addition, the original share-based compensation expense recorded related to these options of \$35,722 was reclassified from Contributed surplus to Common shares.

The Company issued 4,754,333 Common shares during 2018 on the exercise of subscriber warrants, resulting in proceeds of \$690,766. In addition, 91,689 Broker warrants were exercised resulting in proceeds of \$11,003. The warrant value originally allocated to the warrants of \$130,620 was reclassified from Warrants to Common shares.

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 December 31, 2019 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.

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Activity in the Company's stock option plan for the years ended December 31, 2018 and 2019 is summarized as follows:

	Number of Options	Weighted- Average Exercise Price \$
Outstanding, January 1, 2018	11,725,000	0.12
Expired/forfeited	(600,000)	0.20
Granted	7,375,000	0.25
Exercised	(400,000)	0.10
Outstanding, December 31, 2018	18,100,000	0.17
Granted	6,990,000	0.17
Expired/forfeited	(7,325,000)	0.10
Outstanding, December 31, 2019	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 3.9 years, and a weighted average exercise price of \$0.20, and as of December 31, 2019, all of the options are exercisable.

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 has been expensed. 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 has been expensed. 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.

On April 27, 2018, the Company granted 7,375,000 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 \$0.25 per share and expire five years from the date of issue. As of December 31, 2019, all of the options are vested. The options were valued at \$1,398,071 of which \$1,293,390 was expensed 2018, and \$104,681 expensed in 2019. The value was determined using the Black-Scholes option

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pricing model based on a risk-free interest rate of 1.6%, volatility of 141% based on historical stock price volatility, expected life of five years, and no expected dividend yield.

Warrants –

The Company has issued subscriber warrants in connection with share offerings, and also has issued broker warrants in connection with certain offerings.

The number of warrants, (including 1,150,491 broker warrants with a weighted average exercise price of \$0.14), outstanding as of December 31, 2019, and a summary of their terms are as follows:

Warrants	Warrant Expiry and Exercise Prices
6,929,365	\$0.20 until April 21, 2020
2,170,311	\$0.20 until July 14, 2020
6,251,729	\$0.20 until December 15, 2020
14,164,260	\$0.20 until January 23, 2021
2,106,250	\$0.35 until October 11, 2021
1,137,500	\$0.35 until November 22, 2021
2,962,500	\$0.35 until January 28, 2022
1,845,600	\$0.25 until April 26, 2021
850,000	\$0.25 until May 23, 2021
1,344,111	\$0.20 until August 29, 2021
1,293,800	\$0.20 until November 4, 2021
416,666	\$0.20 until November 22, 2021
41,472,092	

With respect to private placements completed in 2019:

- 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.

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During 2019, 18,415,653 warrants, with an exercise price of \$0.14, relating to private placements in 2016 expired.

With respect to private placements completed in 2018:

- Included in the January 23, 2018 private placement was the issuance of 13,821,000 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 \$0.20. There were 79,350 Broker warrants issued relating to the placement, with an exercise price of \$0.12.
- Included in the October 11, 2018 and November 22, 2018 private placements, 2,106,250 and 1,137,500 warrants were issued, respectively, with each warrant exercisable to acquire one Common share at any time for a period of three years from the closing date, at an exercise price of \$0.35.

The Company issued 4,754,333 Common shares during 2018 on the exercise of subscriber warrants, resulting in proceeds of \$690,766. In addition, 91,689 Broker warrants were exercised resulting in proceeds of \$11,003.

Off-Balance Sheet Arrangements –

The Company has no off-balance sheet arrangements.

Issued and Outstanding Shares, Warrants and Stock Options

As at the date of this Report the following total number of shares, warrants and broker warrants, stock options and shares that could be issued on conversion of loans were issued and outstanding:

	December 31 2019	June 12 2020
Common shares	143,586,428	172,720,317
Warrants	41,472,092	64,745,976
Stock Options	17,765,000	18,265,000
Shares from conversion of Convertible loan	2,500,000	2,500,000
Total	205,323,520	258,231,293

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Three Months Ended December 31, 2019 and 2018

	Three Months Ended December 31	
	2019	2018
Revenue	\$ 181,362	\$ 275,193
Cost of sales	86,533	76,199
Gross profit	94,829	198,994
Expenses		
Selling, general and administrative	560,057	762,544
Product and software development	59,299	324,637
Share-based compensation	594,862	98,043
Interest expense	36,230	26,431
Foreign exchange loss (gain)	1,663	(19,327)
Depreciation of property, equipment and right of use asset	9,630	(640)
Amortization of intangibles	22,546	22,546
	1,284,287	1,214,234
Net loss for the period	\$ (1,189,458)	\$ (1,015,240)

Revenue -

Revenue of \$181,362 for the three months ended December 31, 2019 was \$93,831, or 34.1% lower than revenue of \$275,193 for the three months ended December 31, 2018, resulting from a reduction in sales of laser products.

Revenues from MedX's therapeutic laser products of \$138,685 for the three months ended December 31, 2019 were \$120,683, or 46.5% lower than \$259,368 in the 2018 period. While sales had been trending higher and were quite strong in the prior two quarters, the Company experienced a significant reduction in sales in the last quarter of 2019.

Revenues from the Company's SIAscopy™ product line were \$42,677 for the three months ended December 31, 2019, an increase of \$26,852 when compared with \$15,825 in the 2018 three-month period.

Cost of sales -

Cost of sales of \$86,533 for the three months ended December 31, 2019 was \$10,334 or 13.6% higher than cost of sales of \$76,199 for the three months ended December 31, 2018. Cost of sales as a percent of sales was 47.7% for the three-month period compared with 27.7% for the three months ended December 31, 2018. Costs of sales were a lower percentage of revenues in 2018 as a result of year end inventory adjustments.

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Gross profit -

Gross profit for the three months ended December 31, 2019 was \$94,829, a decrease of \$104,165 from gross profit of \$198,994 for the three months ended December 31, 2018, with the decrease resulting from lower sales in 2019 and a much higher gross margin in 2018. The gross margin for the three months ended December 31, 2019 was 52.3% of sales versus 72.3% of sales in the prior year.

Selling, general and administrative expenses –

Administrative expenses of \$560,057 for the three months ended December 31, 2019 were \$202,487, or 26.6% lower than expenses of \$762,544 for the three months ended December 31, 2018, with the decrease resulting from lower marketing and business development costs.

Product and software development –

Product and software development expenses of \$59,299 represent expenditures with respect to on-going development of the Company's SIAscopy on DermSecure™ telemedicine platform. The costs during the three-month period ended December 31, 2019 were \$265,338 lower than in the fourth quarter of 2018, in part due to the Company conserving cash in the second half of 2019.

Share-based compensation –

The expense relates to non-cash share-based compensation of \$594,862 for the three months ended December 31, 2019 which was substantially higher than \$98,043 recorded for the 2018 three-month period. The expense in 2019 relates to share options granted in the current quarter, which are vested, and the much lower expense in the 2018 three-month period was related to share options granted in 2018, of which only a relatively small number vested in the final quarter of 2018.

Interest expense –

Interest expense of \$36,230 for the three months ended December 31, 2019 was \$9,799 higher than interest expense of \$26,431 for three months ended December 31, 2018. The increase in interest expense is primarily a result of the introduction of IFRS 16 - Leases, and the addition of an interest-bearing lease liability beginning on January 1, 2019, and also due to higher demand loans in place at the end of 2019. Included in interest expense was \$17,384 of non-cash accreted interest relating to the Company's Convertible loan.

Foreign exchange loss (gain) –

The Company experienced a foreign exchange loss of \$1,663 for the three months ended December 31, 2019, compared with a gain of (\$19,327) for the 2018 three-month period. The loss is related to the settlement of and translation of net foreign denominated working capital balances during the respective quarters.

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Depreciation of property, equipment and right of use asset –

Depreciation of \$9,630 for the three months ended December 31, 2019 is an increase from the depreciation for the prior year three-month period. The expense has increased in 2019 from the introduction of IFRS 16 – Leases on January 1, 2019, whereby a right of use asset of \$60,034, representing the net present value of remaining lease payments for the Company's office and manufacturing facilities has been included in assets, which asset is being amortized over the remaining term of the lease. The negative amount in the prior year period was a result of year end adjustments.

Amortization of intangibles –

Amortization of \$22,546 for the three months ended December 31, 2019 was the same as for the 2018 period, reflecting the amortization of intangibles from 2011 and 2015, relating to the SIAscopy™ product line.

Net loss for the period –

The net loss of \$1,189,458 for the three months ended December 31, 2019 was \$174,218 higher than the loss of \$1,015,240 for the three months ended December 31, 2018. The higher loss was primarily a result of the increased non-cash share compensation expense and lower gross margin, offset in part by lower administrative and product development costs.

Capital Resources –

The Company made relatively low levels of capital expenditures until late in 2017 when it began projects to update its technology and develop a telemedicine platform. Spending in this regard was significant in 2018 and 2019. Expenditures will be reduced somewhat going forward, although the Company continues to develop its products. The Company will continue to update the technology for its SIAscopy on DermSecure™ telemedicine platform and its SIAscopy™ units and software, which could involve a significant level of expenditures, which could be undertaken as cash is available.

The Company defines its managed capital as the total of demand loans, convertible debt and shareholders' deficiency including share capital, warrants, the equity portion of convertible debt, contributed surplus and deficit. As at December 31, 2019, total managed capital was (\$2,089,235) (2018 - (\$1,010,343)).

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 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 making adjustments to its capital expenditure program.

There were no changes in the Company's approach to capital management during 2019 or 2018. The Company is not subject to externally imposed capital restrictions.

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Summary of Quarterly Results

Amounts in \$000's, except per share amounts

Quarter Ended	March 31 2018	June 30 2018	September 30 2018	December 31 2018	March 31 2019	June 30 2019	September 30 2019	December 31 2019
Revenues	\$226	\$406	\$180	\$275	\$185	\$259	\$235	\$181
Comprehensive Income/(Loss)	(\$672)	(\$1,579)	(\$920)	(\$1,015)	(\$788)	(\$721)	(\$578)	(\$1,189)
Income (loss) per share	(\$0.00)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.00)	(\$0.00)

As the foregoing schedule indicates, results over the past eight quarters have fluctuated, driven in part by revenues. As the Company is building its revenue through several distribution channels, sales can fluctuate by quarter, depending on the timing of orders. Periods with higher losses have resulted in part from the product development costs being incurred and non-cash share-based compensation.

Contractual Obligations

The Company leases space for its office and manufacturing facility, entering into a five-year lease in 2015, with minimum lease obligations of \$26,072 in 2020.

Significant Accounting Judgments and Estimates

The preparation of the Company's consolidated financial statements requires management to make estimates, judgements and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the 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.

Judgements:

Going concern – The preparation of the consolidated financial statements requires management to make judgements regarding its ability to continue as a going concern as discussed in Note 1 of the Company's consolidated financial statements.

Revenue recognition – Management makes judgements with respect to the point of time at which revenue is recognized, and whether the revenue will be recognized at point of time or over a period of time, as discussed in Note 2 – Revenue Recognition of the Company's consolidated financial statements.

Estimates:

Deferred revenue – Deferred revenue is estimated based on the period over which revenue is recognized and an estimate of the portion of the amount of revenue related to the performance obligation recognized over time.

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Allowance for doubtful accounts – Management estimates the collectability of specific accounts and records an appropriate allowance for doubtful accounts, as discussed in Note 13 – Credit Risk of the Company's consolidated financial statements.

Inventory Valuation – Management assesses the net realizable value based on a review of estimated selling prices net of costs to make the sale, taking into account current market conditions and historic experience.

Other estimates – Estimates are also used in determining, but are not limited to, share-based compensation, warrants, the useful lives of assets, the valuation of convertible loans, the equity component of convertible loans, the valuation of intangibles and deferred income taxes, which are disclosed in Note 2 and their respective notes in the consolidated financial statements.

Recent Accounting Pronouncements

At the date of authorization of these consolidated financial statements, the IASB and International Financial Reporting Interpretations Committee ("IFRIC") have not issued any new or revised Standards and Interpretations that will become effective in future years.

Financial Instruments

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 Company has classified its 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.

The carrying value of accounts receivable, accounts payable and accrued liabilities, and demand loans approximates fair value due to the relatively short-term maturity of these

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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 credit risk, interest rate risk, foreign currency risk and liquidity risk, each of which is discussed below.

Credit Risk -

Credit risk is the risk of 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 in 2019 of \$36,504 (2018 - \$77,959).

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. 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. 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

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at the end of the year 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 was raised in 2018 and 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	\$ 2,472,577	\$ -	\$ 2,472,577
Demand loans	252,000	-	252,000
Lease liability	25,670	-	25,670
Convertible debt	500,000	-	500,000
At December 31, 2019	\$ 3,250,247	\$ -	\$ 3,250,247
At December 31, 2018	\$ 2,201,172	\$ -	\$ 2,201,172

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

Related Party Transactions

For the year ended December 31, 2019, the Company incurred costs for management and Board compensation of \$541,000 (2018 - \$556,500). In addition, \$522,901 of the expense recorded in 2019 (2018 - \$801,190) for share-based compensation relates to officers and directors.

In 2018, \$33,000 owing to a director was repaid through a subscription in a private placement.

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

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Included in accounts payable and accrued liabilities as of December 31, 2019 is \$209,037 (2018 - \$48,407) accrued for officers and directors of the Company.

Subsequent Events

On January 30, 2020, the Company completed a non-brokered private placement with gross proceeds of \$178,200. 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 paid commissions of \$10,080 and 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. 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 paid commissions of \$79,920 and issued 506,000 Broker warrants in connection with the placement.

On March 5, 2020, the completed a debt settlement with a vendor, settling \$372,071 of debt owed to a creditor 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.

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 December 31, 2019, \$45,000 was advanced by, and then that advance, and the \$252,000 of advances owing to a director and a company controlled by a director as of December 31, 2019, were repaid.

Subsequent to December 31, 2019, 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.

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Subsequent to December 31, 2019, 6,929,365 warrants, with an exercise price of \$0.20, expired.

The Company entered into a contract for services subsequent to December 31, 2019, 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 December 31, 2019.

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 \$50,146 to date under the Canada Emergency Wage Subsidy.

Risks and Uncertainties

Although not exhaustive, the following list summarizes some of the key risks the Company faces, as well as, strategies the Company employs to manage these risks:

Market, Operating and Competitive Risks -

The market opportunity for the Company's products is dependent upon external factors such as the level of regulation of the medical device and diagnostic market, acceptance of the Company's products by the medical and healthcare profession and patient/consumer interest. As well, the Company has larger competitors who have larger customer bases and more significant financial and operating resources which may make it more difficult for the Company to compete in the marketplace.

Technology Risks -

The Company has invested significant resources in its products to ensure that they provide its customers with a competitive product offering relative to other suppliers in its industry. As a result of its financial position, the Company has not been able to confirm the existence of all of its intellectual property, and if the Company has not protected its intellectual property adequately or if it infringes third party intellectual property rights, it may lose its competitive advantage and incur significant costs and loss of reputation that could materially negatively impact its business. To manage this risk, the Company has

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invested significant resources in product development and professional assistance to protect its intellectual property and avoid possible infringement of third party rights.

Operating Losses -

The Company has experienced operating losses since incorporation in 1999. As at December 31, 2019, MedX has a deficit of \$32,612,464. The Company may continue to incur additional losses and negative cash flows from operations and may never achieve profitability. Its success will depend mainly on its ability to generate enough operating income to achieve profitability and to develop its products and technology to capture meaningful market share. MedX may be unable to achieve profitability and this inability could have a material adverse effect on the Company's business, results of operations and financial condition.

Capital Requirements/Financing -

The Company relies on funding from internally generated revenues and external sources to provide sufficient capital to continue ongoing operations. There is no certainty that internal profits will be generated or that the Company will be successful in attracting external sources of capital. If MedX does not have sufficient capital to fund its operations, it may be required to curtail certain business operations.

Foreign Exchange Rate Risks -

MedX reports its financial results in Canadian Dollars. A substantial amount of revenues are derived from customers outside of Canada which are transacted in US dollars and other currencies. The Company has balances of accounts receivable and accounts payable denominated in non-Canadian currencies. If the non-Canadian dollar currencies fluctuate against the Canadian dollar, reported revenues, margins and results of operations will be impacted.

Lack of Dividends -

MedX anticipates that for the foreseeable future, the Company's earnings, if any, will be retained for use in the business, and no dividends will be paid. Declaration of dividends on the Company's common shares will depend on, among other things, future earnings, cash requirements and general business conditions.

Key Personnel Risk -

The future success of the Company is dependent upon the Company's ability to retain, recruit and train senior management, technical, sales and managerial personnel. Competition for qualified employees is intense and it may be possible that the Company is unable to retain and recruit qualified personnel in the future.

Other Risks and Uncertainties -

MedX is in the initial stages of commercialization of some of its products, facing corresponding risks. Future results may differ materially because of fluctuations in the Company's operating results due to changes in the cost of components used to manufacture the Company's products, changes in the regulatory environment for

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medical devices in the United States, Canada, and internationally, changes in the Company's markets including competitors' new product introductions, and the acceptance in the market for the Company's product offerings.

COVID-19 -

The recent novel coronavirus (COVID-19) pandemic has impacted and could further impact the Company's operations and the operations of its third-party suppliers, customers, lenders and potential investors as a result of quarantines, facility closures, travel and logistics restrictions, a global economic slowdown and other limitations in connection with the outbreak.

Forward-Looking Statements

This Management's Discussion and Analysis contains certain "forward-looking statements." All statements, other than statements of historical fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, without limitation, statements regarding financial and business prospects and financial outlook) are forward looking statements. These forward-looking statements reflect the current expectations or beliefs of the Company, based on information currently available to the Company. Forward-looking statements are subject to a number of risks, uncertainties and assumptions that may cause the actual results of the Company to differ materially from those discussed in the forward-looking statements and, even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on the Company. Factors that could cause actual results or events to differ materially from current expectations include, among other things, changes in general economic and market conditions, changes to regulations affecting the Company's activities, and uncertainties relating to the availability and costs of financing needed in the future. Any forward-looking statement speaks only as at the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking statements are reasonable, forward looking statements are not guarantees of future performance and, accordingly, undue reliance should not be put on such statements due to the inherent uncertainty therein.

Additional information

Additional information relating to the Company is available at www.sedar.com, and may also be obtained by request to the Company.

Dated: June 12, 2020