**MedX Health Corp.**
**Management's Discussion and Analysis**
**For the Three and Six Months Ended June 30, 2021 and 2020**

*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 three and six months ended June 30, 2021, compared with the three and six months ended June 30, 2020, as contained in the Company's Interim Condensed 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, 2020.*

## 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 images, along with other pertinent patient related information, is assessed 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.

The Company developed over the last several years, and 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 images, along with other relevant patient information can be connected to specialist physicians for remote assessment. The platform enables the Company to move to a recurring revenue model, where it can earn revenue based on the number of patient reports generated from the system.

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. The SIAscopy™ technology is 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 initial releases of SIAscopy™ on DermSecure™ are a step in the Company's development roadmap, with the 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 potential customer base and improve patient access and care. The addition of an additional HD camera to take images of surrounding areas and other skin conditions is also in progress.

SIAscopy on DermSecure™ and MedX's other SIAscopy™ products are sold world-wide. The Company is already working with groups internationally to market SIAscopy™ on DermSecure™ in a number of countries. 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. COVID-19 had a significant impact on the sales of these products in 2020 and into 2021.

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.

In August 2021, Sylvain Desjeans, who joined the Company in May 2021 as Chief Revenue Officer, was appointed President and CEO, and as a member of the Board. Also in August 2021, Rob von der Porten, the Company's Chairman retired from the Board, and Ken McKay, a long time MedX Board member was appointed Chairman. Rob, who previously was the Company's President and CEO, had taken on the role from June 2020 to August 2021 of Interim Executive Chairman while the search for a new CEO was undertaken after the retirement of Scott Spearn, who had been in that role since 2018. The Company is very appreciative of the more than seven years that Rob contributed to MedX. During 2020, the Company added to its Board, with two new members, both with valuable experience with growing companies in the medical device industry. Earlier in 2021, two long-time Board members retired from the Board, and the Company thanks Gary Van Nest (the Company' Chairman for many years), and David Breukelman for their many years of service to the Company.

The Company has a Scientific Medical Advisory Board that includes a number of internationally recognized individuals, who are specialists in various areas related to skin disorders and cancer, that advise 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 has taken to develop the appropriate product offerings and marketing strategies for its SIAscopy™ technology hampered the ability of the Company to generate adequate sales and cash flow. In addition, during the last three years, the Company has invested in developing its DermSecure™ 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 being actively increasing the awareness and benefits of its SIAscopy™ on DermSecure™ telemedicine platform locally and internationally, which should increase revenues going forward 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 and to provide cash flow for operations while it builds its revenue base. To date in 2021, the Company raised net proceeds of $926,716 from a private placement of equity, and $4,000,000 ($3,642,527, net of cash expenses) from a private placement of Convertible Debenture Loan Notes.

During 2020, the Company raised net proceeds of $3,086,795 from private placements, through the sale of Units, each which consisted of a common share and share purchase warrant, summarized as follows:

| Date | # of Units | Net Proceeds | Warrants Issued | Warrant Term | Warrant Price |
|---|---|---|---|---|---|
| January 30 | 1,485,000 | $ 160,812 | 1,569,000 | 2 Years | $ 0.20 |
| March 4 | 7,459,139 | 814,733 | 7,965,139 | 2 Years | $ 0.20 |
| March 5 | 2,000,000 | 220,800 | 2,000,000 | 2 Years | $ 0.20 |
| April 22 | 8,749,673 | 952,861 | 9,091,673 | 2 Years | $ 0.20 |
| April 27 | 1,158,333 | 131,000 | 1,158,333 | 2 Years | $ 0.20 |
| April 29 | 200,000 | 22,080 | 200,000 | 2 Years | $ 0.20 |
| May 13 | 4,887,466 | 502,036 | 5,115,226 | 2 Years | $ 0.20 |
| July 31 | 2,600,000 | 282,473 | 2,600,000 | 2 Years | $ 0.20 |
| | 28,539,611 | $ 3,086,795 | 29,699,371 | | |

The Company has also benefited in the past from cash provided by demand loans advanced by related parties during periods where low cash resources were impacting operations and while the Company was raising more substantial funding. There have been no advances of this nature to date in 2021.

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. The Company experienced a significant revenue decrease from its laser and light products during the first half of 2020, as a large proportion of the users of these products were closed for extended periods. Activity increased subsequently; however, it is unknown as to how the short to medium-term demand will change as circumstances change in various regions. Marketing of MedX's DermSecure™ telemedicine platform has also been significantly impacted to date by COVID-19, in all the markets in which the Company has been actively marketing the product. In addition to the difficulty in meeting with potential customers during this period, reaching out to dermatologists has been hampered, and the regulatory processes in most countries has slowed considerably. 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 has not been significantly impacted to date with respect to the supply of inventory, and the Company has been able to raise capital during the period. To date in 2021, the Company received $77,688 under the Canada Emergency Wage Subsidy. During 2020, the Company received an interest-free loan of $60,000 under the Canada Emergency Business Account Program and received $169,426 under the Canada Emergency Wage Subsidy and $26,192 under the CECRA – Rent Relief Program.

## Review of Operating Results

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | June 30 2021 | June 30 2020 | June 30 2021 | June 30 2020 |
| **Revenue** | $ 146,532 | $ 69,452 | $ 256,189 | $ 164,996 |
| Cost of sales | 71,046 | 29,495 | 131,734 | 90,012 |
| **Gross profit** | 75,486 | 39,957 | 124,455 | 74,984 |
| **Expenses** | | | | |
| Selling, general and administrative | 948,068 | 552,511 | 1,696,681 | 1,125,341 |
| Product and software development | 183,772 | 72,440 | 343,392 | 118,790 |
| Share-based compensation | 51,091 | 86,946 | 123,048 | 86,946 |
| Interest | 123,938 | 17,420 | 210,387 | 28,718 |
| (Gain) loss on debt settlements | (8,307) | - | (8,307) | 107,410 |
| Foreign exchange (gain) loss | (439) | 2,001 | 2,034 | 5,882 |
| Depreciation of property, equipment and right of use asset | 12,199 | 10,897 | 24,398 | 21,794 |
| Amortization of intangibles | - | 5,954 | - | 28,499 |
| | 1,310,322 | 748,169 | 2,391,633 | 1,523,380 |
| **Net loss for the period** | $ (1,234,836) | $ (708,212) | $ (2,267,178) | $ (1,448,396) |

## Three Months Ended June 30, 2021 and 2020

*Revenue -*
Revenue of $146,532 for the three months ended June 30, 2021, was $77,080, or more than double the revenue of $69,452 for the three months ended June 30, 2020, resulting from an increase in revenue from its laser products. Revenue continues to be impacted by COVID-19. It is impacting the marketing efforts for the Company's DermSecure™ telemedicine platform, and on the sales of laser products, as customers are still operating at reduced capacity and delaying purchases.

Revenues from the Company's SIAscopy™ product line for the second quarter of 2021 were $20,641, a decrease of $10,388 from revenues of $31,029 for the prior year three-month period. Most of the revenue in the second quarter was a result of scanning activity on the DermSecure™platform.

Revenues from MedX's therapeutic laser products of $125,891 for the three months ended June 30, 2021, were $87,468 higher, or more than three times the $38,423 in the second quarter of 2020, and almost double the first quarter revenue. While not at average historic numbers, sales and order activity has improved from 2020 as businesses have been more active during ease-ups from COVID.

*Cost of sales -*
Cost of sales of $71,046 for the three months ended June 30, 2021, was $41,551 higher than cost of sales of $29,495 for the three months ended June 30, 2020, primarily as a result of sales. Cost of sales as a percent of sales was 48.5% for the three-month period compared with 42.5% for the three-months ended June 30, 2020.

*Gross profit -*
Gross profit for the three months ended June 30, 2021, was $75,486, an increase of $35,529 from gross profit of $39,957 for the three months ended June 30, 2020. The increase resulted from the increase in revenue. The gross margin for the three months ended June 30, 2021, was 51.5% of sales versus 57.5% of sales in the prior year, due in part to higher COVID subsidies in 2020 that lowered the fixed costs. The margin increased from the first quarter as sales increased and the impact from the fixed cost base was lower than is experienced when sales are very low.

*Selling, general and administrative expenses* –
Administrative expenses of $948,068 for the three months ended June 30, 2021, were $395,557, or 72% higher than expenses of $552,511 for the three months ended June 30, 2020. Costs increased primarily as a result of the sales and business development team having expanded with the selling and marketing activities for DermSecure™.

*Product and software development* –
Product and software development expenses of $183,772 for the second quarter of 2021 were $111,332 higher than expenses of $72,440 in the prior year period. The expenditures relate to the on-going development of the Company's SIAscopy™ on DermSecure™ telemedicine platform. Expenditures were increased in 2021 as the Company raised further capital, making important additions to the software application. Expenses will remain higher in 2021.

*Share-based compensation* –
Share-based compensation expense for the three months ended June 30, 2021, was $51,091, compared with $86,946 in the prior year period. The expense is a result of share options that were granted and/or vested during the period.

*Interest expense* –
Interest expense of $123,938 for the three months ended June 30, 2021, was significantly higher than the $17,420 of interest expense for three months ended June 30, 2020. As the Company issued $4,000,000 of convertible debentures and a further $500,000 in the second quarter, the related interest has increased the expense, including $49,779 of non-cash accretion recorded for the quarter. The interest expense will be higher in the remaining quarters of the year.

*(Gain) loss on debt settlements* –
The Company settled a $72,000 amount outstanding with a vendor through the issuance of shares, and recorded a gain of $8,307, as the transaction amount was based on the value of the 360,000 shares issued as of the transaction date, of $63,693. There were no similar transactions in the prior year period.

*Foreign exchange (gain) loss* –
The Company experienced a foreign exchange gain of $439 for the three months ended June 30, 2021, compared with a loss of $2,001 for the 2020 three-month period. The

loss is related to the settlement of and translation of net foreign denominated working capital balances during the respective quarters.

*Depreciation of property, equipment and right of use asset –*
Depreciation of $12,199 for the three months ended June 30, 2021 is an increase of from the depreciation for the prior year three-month period of $10,897. The increase is the result of entering into a new premises lease in 2020, and the depreciation of the right of use asset.

*Amortization of intangibles –*
There was no amortization for the three months ended June 30, 2021, as the asset was fully amortized during 2020. The intangibles represent the amortized cost of the SIAscopy™ technology.

*Net loss for the period –*
The net loss of $1,234,836, for the three months ended June 30, 2021, was $526,624 higher than the loss of $708,212 for the three months ended June 30, 2020. Higher general and administrative and product and software and development costs, along with higher interest expense contributed to the increase, offset modestly by the higher gross margin from improved sales.

**Six Months Ended June 30, 2021 and 2020**

*Revenue -*
Revenue of $256,189 for the six months ended June 30, 2021 was $91,193, or 55.3% higher than revenue of $164,996 for the six months ended June 30, 2020, resulting from an increase in revenue from both product categories. Revenue continues to be impacted by COVID-19. It is impacting the marketing efforts for the Company's DermSecure™ telemedicine platform, while there has been a rebound in activity for orders and sales of laser products, as customers have increased their businesses as COVID restrictions have eased.

Revenues from the Company's SIAscopy™ product line for the first six months of 2021 were $62,678, an increase of $9,871, or 18.7% from revenues of $52,807, for the prior year period, with the increase a result of recurring revenue from DermSecure™ installations.

Revenues from MedX's therapeutic laser products of $193,511 for the six months ended June 30, 2021, were $81,322, or 72.5% higher than $112,189 for the first half of 2020. Sales were substantially higher in the second quarter than the first quarter.

*Cost of sales -*
Cost of sales of $131,734 for the six months ended June 30, 2021 was $41,722 higher than cost of sales of $90,012 for the six months ended June 30, 2020. Cost of sales as

a percent of sales was 51.4% for the six-month period compared with 54.6% for the prior year period, with improvement in the second quarter with higher sales.

*Gross profit -*
Gross profit for the six months ended June 30, 2021, was $124,455, an increase of $49,471 from gross profit of $74,984 for the six months ended June 30, 2020. The increase resulted from both higher revenue and margins. The gross margin for the first half of 2021 was 48.6% of sales versus 45.4% of sales in the prior year. The margin is lower than would normally be expected as the base level of sales remains low, and many related costs are fixed in nature.

*Selling, general and administrative expenses* –
Administrative expenses of $1,696,681 for the six months ended June 30, 2021 were $571,340, or 50.8% higher than expenses of $1,125,341 for the six months ended June 30, 2020. Costs increased primarily as a result of the sales and business development team having expanded with the selling and marketing activities for DermSecure™and public company related costs.

*Product and software development* –
Product and software development expenses of $343,392 for the first half of 2021 were $224,602 higher than expenses of $118,790 in the prior year period. The expenditures relate to the on-going development of the Company's SIAscopy™ on DermSecure™ telemedicine platform. Expenditures were increased in 2021 as the Company raised further capital, allowing for important additions to the software application. Expenses will remain higher in 2021.

*Share-based compensation* –
Share-based compensation expense for the six months ended June 30, 2021, was $123,048, compared with $86,946 in the prior year period. The expense is a result of share options that were granted and/or vested during the period.

*Interest expense* –
Interest expense of $210,387 for the six months ended June 30, 2021 was significantly higher than the $28,718 of interest expense for the six months ended June 30, 2020. As the Company issued $4,000,000 of convertible debentures during the first quarter and an additional $500,000 in the second quarter, the related interest has increased the expense, including $85,055 of non-cash accretion recorded for the six-month period. The interest expense will be higher in the remaining quarters of the year.

*(Gain) loss on debt settlements* –
In 2021, the Company settled a $72,000 amount outstanding with a vendor through the issuance of shares and recorded a gain of $8,307, as the transaction amount was based on the $63,693 value of the 360,000 shares issued. In the prior year period, the Company settled an amount outstanding with a vendor through the issuance of shares and recorded a loss of $107,410.

*Foreign exchange (gain) loss* –
The Company experienced a foreign exchange loss of $2,034 for the six months ended June 30, 2021, compared with a loss of $5,882 for the 2020 six-month period. The loss is related to the settlement of and translation of net foreign denominated working capital balances during the respective periods.

*Depreciation of property, equipment and right of use asset* –
Depreciation of $24,398 for the six months ended June 30, 2021 is an increase of from the depreciation for the prior year period of $21,794. The increase is the result of entering into a new premises lease in 2020, and the depreciation of the right of use asset.

*Amortization of intangibles* –
There was no amortization recorded in 2021, as the asset was fully amortized during 2020. The intangibles represent the amortized cost of the SIAscopy™ technology.

*Net loss for the period* –
The net loss of $2,267,178 for the six months ended June 30, 2021 was $818,782 higher than the loss of $1,448,396 for the six months ended June 30, 2020. Higher general and administrative and product and software and development costs, along with higher interest expense contributed to the increase, while the positive impact of higher sales and comparing against the debt settlement loss in the prior year offset a portion of the increase.

## Liquidity and Capital Resources

The Company had a working capital balance of $1,111,894 as of June 30, 2021, compared with a working capital deficit of $2,062,790 as of December 31, 2020. The Company had an accumulated deficit of $38,079,118 and a shareholders' deficiency of $2,414,008 as of June 30, 2021. The $3,174,684 improvement in the working capital position during the first half of 2021 is attributable to the long-term debt raised during the period and settlement of short-term liabilities, offset by the operating losses to date for the year. Despite raising capital in 2020 and to date in 2021, 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 $4,013,511 from private placements of equity during 2020 and 2021, and a further $3,642,527 of long-term debt in 2021. The Company's 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.

With a lack of profitability to date, and a history of 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 spending on developing and marketing its products to grow its revenues.

To date in 2021, the Company has raised $926,716 of equity from a private placement, and in 2020, the Company raised $3,086,795 from private placements. The details of these private placements are described in the Share Capital section below.

During periods of reduced cash flow, the Company has been able to access cash by entering into unsecured short-term demand loans with related parties in order to ensure operating cash flow, which amounts are then repaid on completion of raising more permanent equity or longer-term debt. In this regard, the Company had utilized these facilities during certain periods in 2019 and 2020, repaying all amounts in 2021.

As of June 30, 2021, the Company's capital resources consist of the following:

*Accounts payable and accrued liabilities* –
The Company had $1,135,897 of accounts payable and accrued liabilities as of June 30, 2021, a decrease of $691,903 from $1,827,800 as of December 31, 2020. There was a large reduction of vendor payable balances, enabled by the proceeds from the issuance equity and convertible debentures in the first half of 2021. The June 30, 2021, balance consists of trade payables ($88,281), amounts owing to management and directors for accrued or unpaid compensation and fees ($91,850), amounts owing and accrued to governments primarily by an inactive subsidiary for unpaid payroll withholdings, sales and other taxes ($580,103) and other accrued liabilities ($375,663).

*Demand loans* –
As of June 30, 2021, there were no demand loans owing to related parties. During 2021, $89,000 of loans were repaid and $95,000 were settled through participation in a private placement of convertible debentures. While outstanding, these unsecured loans accrued interest at 10% per annum, paid at the time of repayment.

As of December 31, 2020, there were $184,000 of demand loans due to related parties, consisting of $89,000 owing to a Director, and $95,000 owing to a corporation controlled by a Director. All of these loans were unsecured and accrued interest at 10% per annum, payable when the loans were repaid, with fees of $4,750 related to these advances.

*Convertible loan* -
A $500,000 Convertible loan previously owing to a party that is related to a Director of the Company was settled in June 2021 through the participation by the lender in a

$500,000 private placement of Convertible Debenture Loan Notes, as described below. The Convertible loan had been due at the end of 2019, and considered as due on demand since then, bearing interest at 8% per annum, paid monthly. The loan was convertible into common shares of the Company at $0.20 per share. The debt was secured by a general security agreement covering all the Company's assets, which has since been discharged.

*Lease liability -*
The Company leases premises consisting of its office and manufacturing facilities. The Company had a lease in place that ended in August 2020, with a new lease signed effective September 1, 2020. With respect to the new lease, the lease payments totaling $276,060 over the 60-month term of the lease represented a liability of $214,893 at the start of the lease, based on the lease payments discounted using an incremental borrowing rate of 10.0%. The liability as of June 30, 2021, is $189,347 (December 31, 2020 - $204,928).

*Convertible Debenture Loan Notes "(CDLN's) -*

| | | June 30 2021 |
|---|---|---|
| Face value | $ | **4,500,000** |
| Costs of issue | | **(351,464)** |
| | | **4,148,536** |
| Balance to be accreted | | **(626,345)** |
| | $ | **3,522,191** |

During the first quarter of 2021, the Company completed a private placement of Convertible Debenture Loan Notes ("CDLN's"), with gross proceeds of $4,000,000 ($3,742,527, net of cash expenses). In June 2021, the Company completed an additional placement of $500,000 of CDLN's, which amount settled a previously outstanding Convertible loan. The CDNL's are unsecured and bear interest at 6% per annum, payable in cash on a quarterly basis, and are due on December 31, 2023 ("Maturity Date"). The CDLN's may be converted, at the option of the holder, into units at $0.14 per unit ("Unit") at any time until the Maturity Date. Each Unit will be comprised of one fully paid Common share and one-half of a Share Purchase Warrant. Each whole Share Purchase Warrant will be exercisable to purchase one further Common share at the price of $0.20, exercisable for a period expiring on the Maturity Date. In connection with the initial placement, 985,719 broker warrants were issued, with each exercisable to acquire one Unit at $0.14 per Unit, at any time up to the Maturity Date.

In accounting for the $4,000,000 of CDLN's, the Company determined the value of the debt to be $3,356,600, based on the net present value of the loan interest and principal over the term of the loans, using a discount rate of 12.5%, with the remaining $643,400 allocated to the equity portion of the convertible debenture. Cash related issue costs of

$257,473 were allocated in the same proportion as the allocation of the CDLN's to debt and equity, reducing the amounts recorded as long-term debt by $216,117 and the equity portion of the debenture by $41,356. For the $500,000 placement, the value of the debt was determined to be $432,000, using a similar discount rate, with the remaining $68,000 allocated to the equity portion of the convertible debenture.

With respect to the Broker warrants issued, the value of the warrants issued was determined to be $161,127, using the Black-Scholes option pricing model. For the 407,143 and 578,576 broker warrants issued for the initial and second closing, respectfully, a risk-free interest rate of 0.5% and 0.5%, volatility of 83% and 84% (based on historical stock price volatility), expected life of 3 years, and no expected dividend yield was used, respectively. The value of the warrants is considered a non-cash cost of the placement, and was treated the same as the cash issue costs, as a reduction of $135,347 of the long-term debt and $25,780 reduction of the equity portion of the debenture.

*Canada Emergency Business Account (CEBA) -*
During 2020, the Company received $60,000 under a line of credit from the Government of Canada CEBA program, administered through the Company's bank. The loan is non-interest bearing until December 31, 2022, after which interest of 5% per annum is payable. If the loan is repaid before December 31, 2022, 25% of the amount repaid will be forgiven.

*Share Capital -*
The Company had 181.913,745 common shares outstanding as of June 30, 2021:

| | Number of shares | Stated Capital |
|---|---|---|
| Outstanding at December 31, 2019 | 143,586,428 | $ 20,287,147 |
| Issued for cash | 28,539,611 | 2,256,638 |
| Issued on debt settlements | 3,603,878 | 429,965 |
| Issued for services | 194,707 | 27,120 |
| Outstanding at December 31, 2020 | 175,924,624 | 23,000,870 |
| Issued for cash | 5,592,221 | 710,471 |
| Issued on debt settlement | 360,000 | 63,693 |
| Issued on exercise of warrants | 36,900 | 4,428 |
| Outstanding at June 30, 2021 | 181,913,745 | $ 23,779,462 |

During 2021, the Company has raised net proceeds of equity of $926,716 from a private placement, summarized as follows:

| Date | # of Units | Unit Price | Gross Proceeds | Issue Costs | Net Proceeds | Broker Warrants | Allocation to Shares | Allocation to Warrants |
|---|---|---|---|---|---|---|---|---|
| May 14 | 5,592,221 | $ 0.18 | $ 1,006,600 | $ 79,884 | $ 926,716 | | $ 710,471 | $ 216,245 |

The placement consisted of the sale of the number of Units indicated at the Unit Price, and 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 from the closing date, at an exercise price of $0.25.

In accounting for the placement, the Company allocated the gross 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 the closing date. The value of the warrants was based on a calculation using the Black-Scholes model, as of the date of closing. Cash related issue costs were allocated in the same manner as the proceeds, reducing the amounts recorded as share capital and warrants. Information with respect to the calculation of the value of the warrants is below in the *Warrants* section.

During 2021, the Company settled $72,000 owing to a vendor by issuing 360,000 shares. The shares issued were valued at $63,693, based on the closing price of the shares on the settlement date of $0.18, resulting in a gain of $8,307.

In 2021, 36,900 broker warrants were exercised, resulting in proceeds of $4,428.

During the year ended December 31, 2020, the Company raised net proceeds of $3,086,795 from private placements, summarized as follows:

| Tranche | Date | # of Units | Unit Price | Gross Proceeds | Issue Costs | Net Proceeds | Broker Warrants | Allocation to Shares | Allocation to Warrants |
|---|---|---|---|---|---|---|---|---|---|
| | January 30 | 1,485,000 | $ 0.12 | $ 178,200 | $ 17,388 | $ 160,812 | $ 8,759 | $ 114,259 | $ 46,553 |
| | March 4 | 7,459,139 | $ 0.12 | 895,097 | 80,364 | 814,733 | 43,530 | 598,958 | 215,775 |
| | March 5 | 2,000,000 | $ 0.12 | 240,000 | 19,200 | 220,800 | - | 171,519 | 49,281 |
| | April 22 | 8,749,673 | $ 0.12 | 1,049,961 | 97,100 | 952,861 | 35,365 | 690,939 | 261,922 |
| | April 27 | 1,158,333 | $ 0.12 | 139,000 | 8,000 | 131,000 | - | 97,875 | 33,125 |
| | April 29 | 200,000 | $ 0.12 | 24,000 | 1,920 | 22,080 | - | 16,496 | 5,584 |
| | May 13 | 4,887,466 | $ 0.12 | 586,496 | 84,460 | 502,036 | 27,932 | 350,689 | 151,347 |
| | July 31 | 2,600,000 | $ 0.12 | 312,000 | 29,527 | 282,473 | - | 215,903 | 66,570 |
| | | 28,539,611 | | $ 3,424,754 | $ 337,959 | $ 3,086,795 | $ 115,586 | $ 2,256,638 | $ 830,157 |

With respect to the private placements completed in 2020, in each case, the placement consisted of the sale of the number of Units indicated at the Unit Price, and 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 from the respective closing date, at an exercise price of $0.20.

In addition, in connection with the placements, the Company issued 84,000, 506,000, 342,000 and 227,760 Broker warrants in connection with the January 30, 2020, March 4, 2020, April 22, 2020 and May 13, 2020 placements, respectively. The Broker Warrants issued in connection with the placements are 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 accounting for the private placement transactions in 2020 is as noted above for 2021 and the information with respect to the calculation of the value of the warrants and Broker warrants is below in the *Warrants* section.

On March 5, 2020, the Company settled $372,071 of debt owed to a 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.

On December 22, 2020, the Company settled $65,000 owing to a vendor by issuing 500,000 common shares to the vendor. In accounting for the settlement, the shares issued were valued at $57,500, based on the closing price of the Company's shares, resulting in a gain of $7,500.

During 2020, the Company issued 194,707 shares (of which 90,400 were issued at $0.15 per share and 104,307 were issued at $0.13 per share) in connection with an agreement signed in 2020 related to marketing services being provided to the Company. Under the agreement, the Company will issue shares for services in exchange for $60,000 of the services over a period of one year. The shares issued in 2020 represent payment of $27,120 of services (including HST) to date.

*Warrants* –
The Company has issued subscriber warrants in connection with share and debt offerings and 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.

| *(WAEP - Weighted-Average Exercise Price)* | Number of Subscriber Warrants | WAEP $ |
|---|---|---|
| Outstanding at January 1, 2020 | 40,321,601 | 0.23 |
| Warrants issued - private placements | 28,539,611 | 0.20 |
| Warrants issued - debt settlement | 3,103,878 | 0.20 |
| Warrants expired | (14,724,324) | 0.20 |
| Outstanding at December 31, 2020 | **57,240,766** | **0.22** |
| Warrants issued - private placement | **5,592,221** | **0.25** |
| Warrants expired | **(16,437,250)** | **0.21** |
| Outstanding at June 30, 2021 | **46,395,737** | **0.23** |

The number of warrants issued in connection with the private placement completed in 2021, as well as the assumptions used in the Black-Scholes calculations are summarized as follows:

| Date | # of Warrants | Exercise Period (Yrs) | Exercise Price | # of Broker Warrants | Share Price | Interest Rate | Volatility | Warrant Value |
|---|---|---|---|---|---|---|---|---|
| May 14 | 5,592,221 | 2 | $ 0.25 | - | $ 0.130 | 1.47% | 83% | $ 0.04 |

Also during 2021, in connection with the private placement of the Convertible Debenture Loan Notes, 985,719 broker warrants were issued, with each exercisable to acquire one Unit at $0.14 per Unit. Each Unit is comprised of one fully paid Common share and one-half of a Share Purchase Warrant. Each whole Share Purchase Warrant will be exercisable to purchase one further Common share at the price of $0.20, exercisable for a period expiring on the Maturity Date. The value of the broker warrants issued was determined to be $161,127, using the Black-Scholes option pricing model. For the 407,143 and 578,576 broker warrants issued for the initial and second closing, respectfully, a risk-free interest rate of 0.5% and 0.5%, volatility of 83% and 84% (based on historical stock price volatility), expected life of 3 years, and no expected dividend yield was used, respectively.

To June 30, 2021, the following warrants have expired in 2021:

- On January 23, 2021, 13,821,000 subscriber warrants, with an exercise price of $0.20, and 269,460 broker warrants, with an exercise price of $0.12, expired. The $709,182 value originally allocated to these warrants was reclassified to Contributed surplus.
- On April 26, 2021, 1,766,250 subscriber warrants, with an exercise price of $0.25, and 79,350 broker warrants, with an exercise price of $0.16, expired. The $76,669 value originally allocated to these warrants was reclassified to Contributed surplus.
- On May 23, 2021, 850,000 subscriber warrants, with an exercise price of $0.25, expired. The $36,541 value originally allocated to these warrants was reclassified to Contributed surplus

The number of warrants and Broker warrants issued in connection with the private placements completed in 2020, as well as the assumptions used in the Black-Scholes calculations are summarized as follows:

| Date | # of Warrants | Exercise Period (Yrs) | Exercise Price | # of Broker Warrants | Share Price | Interest Rate | Volatility | Warrant Value |
|---|---|---|---|---|---|---|---|---|
| January 30 | 1,485,000 | 2 | $ 0.20 | 84,000 | $ 0.130 | 1.47% | 83% | $ 0.04 |
| March 4 | 7,459,139 | 2 | $ 0.20 | 506,000 | $ 0.120 | 0.92% | 79% | $ 0.03 |
| March 5 | 2,000,000 | 2 | $ 0.20 | - | $ 0.120 | 0.92% | 79% | $ 0.03 |
| April 22 | 8,749,673 | 2 | $ 0.20 | 342,000 | $ 0.130 | 0.33% | 83% | $ 0.04 |
| April 27 | 1,158,333 | 2 | $ 0.20 | - | $ 0.135 | 0.32% | 83% | $ 0.05 |
| April 29 | 200,000 | 2 | $ 0.20 | - | $ 0.135 | 0.32% | 83% | $ 0.05 |
| May 13 | 4,887,466 | 2 | $ 0.20 | 227,760 | $ 0.145 | 0.28% | 82% | $ 0.05 |
| July 31 | 2,600,000 | 2 | $ 0.20 | - | $ 0.130 | 0.27% | 80% | $ 0.04 |

The Broker Warrants issued in connection with the placements in 2020 are exercisable for a period of two years from the respective issue date, to acquire a unit at $0.12, comprising a common share and a Warrant exercisable for two years at $0.20.

During 2020, 14,724,324 subscriber warrants, with an exercise price of $0.20, and 627,081 Broker warrants expired. The $738,266 originally allocated to these warrants was reclassified to Contributed surplus.

Warrants outstanding, (including 2,246,279 Broker warrants with a weighted average exercise price of $0.13), and their expiry dates as of June 30, 2021, are as follows:

| Date Issued | Expiry Date | Exercise Price | # of Warrants | $ |
|---|---|---|---|---|
| October 11, 2018 | October 11, 2021 | $0.35 | **2,106,250** | **121,016** |
| November 22, 2018 | November 22, 2021 | $0.35 | **1,137,500** | **61,301** |
| January 28, 2019 | January 28, 2022 | $0.35 | **2,962,500** | **154,033** |
| August 29, 2019 | August 29, 2021 | $0.20 | **1,344,111** | **36,708** |
| November 4, 2019 | November 4, 2021 | $0.20 | **1,293,800** | **36,053** |
| November 22, 2019 | November 22, 2021 | $0.20 | **416,666** | **11,380** |
| January 30, 2020 | January 30, 2022 | $0.20 | **1,569,000** | **46,553** |
| March 4, 2020 | March 4, 2022 | $0.20 | **7,965,139** | **215,775** |
| March 5, 2020 | March 5, 2022 | $0.20 | **2,000,000** | **49,281** |
| March 5, 2020 | March 5, 2022 | $0.20 | **3,103,878** | **107,016** |
| April 22, 2020 | April 22, 2022 | $0.20 | **9,091,673** | **261,922** |
| April 27, 2020 | April 27, 2022 | $0.20 | **1,158,333** | **33,125** |
| April 29, 2020 | April 29, 2022 | $0.20 | **200,000** | **5,584** |
| May 13, 2020 | May 13, 2022 | $0.20 | **5,115,226** | **151,347** |
| July 31, 2020 | July 31, 2022 | $0.20 | **2,600,000** | **66,570** |
| January 27, 2021 | December 31, 2023 | $0.14 | **407,143** | **40,558** |
| February 3, 2021 | December 31, 2023 | $0.14 | **578,576** | **120,569** |
| May 14, 2021 | May 14, 2023 | $0.25 | **5,592,221** | **216,245** |
| | | | **48,642,016** | **1,735,036** |

*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. See also Subsequent events – Page 24.

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 June 30, 2021, there were 25,315,000 options that have been granted and are outstanding, with 685,000 options available to be granted under the plan. The exercise period and vesting provisions with respect to options being granted are set by the Board when options are granted, within the terms of the Plan.

Activity in the Company's stock option plan for the year ended December 31, 2020, and six months ended June 30, 2021 is summarized as follows:

| *(WAEP - Weighted-Average Exercise Price)* | **Number of Options** | **WAEP $** |
|---|---|---|
| Outstanding, January 1, 2020 | 17,765,000 | 0.20 |
| Granted | 6,200,000 | 0.17 |
| Expired/forfeited | (500,000) | 0.25 |
| Outstanding, December 31, 2020 | **23,465,000** | **0.19** |
| Granted | **1,850,000** | **0.25** |
| Outstanding, June 30, 2021 | **25,315,000** | **0.19** |

The outstanding options have exercise prices in the range of $0.10 and $0.25, an average remaining life of 2.2 years, and as of June 30, 2021, 23,477,500 options are exercisable. The exercisable options have a weighted average remaining life of 2.2 years and a weighted average exercise price of $0.19.

On March 31, 2021, 1,850,000 share options were granted to consultants. The options have an exercise price of $0.25 and expire on December 31, 2025, with 25% of the options vesting when granted, and 25% vesting on each of December 31, 2021, June 30, 2022, and December 31, 2022. The options were valued at $226,843, of which $94,858 has been expensed, and the remainder will be expensed as the options vest. The value was determined using the Black-Scholes option pricing model based on a risk-free interest rate of 1.05%, volatility of 95% (based on historical stock price volatility), expected life of 4.75 years, and no expected dividend yield.

On December 2, 2020, the Company granted 900,000 options to a firm in connection with a strategic marketing agreement. The options vest and will become exercisable quarterly, with 225,000 of the options vesting on each of the dates that are three, six, nine and twelve months from the grant date. The options have an exercise price of $0.17 per share and are exercisable for two years. The options were valued at $41,287, of which $28,190 has been expensed in 2021. The value was determined using the Black-Scholes option pricing model based on a risk-free interest rate of 0.53%, volatility of 80% (based on historical stock price volatility), expected life of two years, and no expected dividend yield.

On November 25, 2020, the Company granted 800,000 options to Directors, which options are vested, have an exercise price of $0.17, and are exercisable for five years. The options were valued at $62,937, which was expensed in 2020. The value was determined using the Black-Scholes option pricing model based on a risk-free interest rate of 0.95%, volatility of 93% (based on historical stock price volatility), expected life of five years, and no expected dividend yield.

On August 31, 2020, the Company granted 3,500,000 share options to consultants, which vested on the grant date. The options have an exercise price of $0.17 per share, expiring three years from the date of issue. The options were valued at $195,496, which was expensed in 2020. The value was determined using the Black-Scholes option pricing model based on a risk-free interest rate of 0.6%, volatility of 86% (based on historical stock price volatility), expected life of three years, and no expected dividend yield.

On each of April 15 and April 20, 2020, the Company granted 500,000 share options to consultants, which vested on the grant date. The options have an exercise price of $0.18 and $0.17 per share, expiring three and five years from the date of issue, respectively. The options were valued at $86,946, which was expensed in 2020. The value was determined using the Black-Scholes option pricing model based on a risk-free interest rate of 1.05% and 1.50%, volatility of 89% and 115% (based on historical stock price volatility), expected life of three and five years, respectively, and no expected dividend yield.

*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 outstanding:

| | December 31 2020 | June 30 2021 | August 24 2021 |
|---|---|---|---|
| Common shares | 175,924,624 | 181,913,745 | 181,913,745 |
| Warrants | 58,923,936 | 48,642,016 | 48,642,016 |
| Stock Options | 23,465,000 | 25,315,000 | 25,315,000 |
| Shares from conversion of Convertible loan | 2,500,000 | - | - |
| Shares from conversion of Convertible Debentures | | 32,142,857 | 32,142,857 |
| Warrants from conversion of Convertible Debentures | | 16,071,429 | 16,071,429 |
| **Total** | **260,813,560** | **304,085,047** | **304,085,047** |

## Capital Resources –

The Company has spent approximately $2.4 million during the last four years to develop its SIAscopy™ on DermSecure™ telemedicine platform. Spending in this regard was significant in 2018 and the first half of 2019, and then was reduced during certain periods depending on the cash resources available for the project. Expenditures in 2021 will be moderately higher than in 2020. The Company will also continue to update the technology for its SIAscopy™ units and software, which could be undertaken as cash is available.

The Company defines its managed capital as the total of demand loans, lease liabilities, convertible debt, long-term debt and shareholders' deficiency including share capital, warrants, the equity portion of convertible debt, contributed surplus and deficit. As at June 30, 2021, total managed capital was $1,357,530 (December 31, 2020 - ($1,121,178)).

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 have been no changes in the Company's approach to capital management during 2020 or 2021. The Company is not subject to externally imposed capital restrictions.

## Summary of Quarterly Results

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

| Quarter Ended | June 30 2021 | March 31 2021 | December 31 2020 | September 30 2020 | June 30 2020 | March 31 2020 | December 31 2019 | September 30 2019 |
|---|---|---|---|---|---|---|---|---|
| Revenues | $147 | $110 | $192 | $173 | $69 | $96 | $181 | $235 |
| Comprehensive Income/(Loss) | ($1,235) | ($1,025) | ($667) | ($1,084) | ($708) | ($740) | ($1,189) | ($578) |
| Income (loss) per share | ($0.01) | $0.00 | ($0.00) | ($0.01) | ($0.00) | ($0.01) | ($0.00) | ($0.00) |

As the foregoing schedule indicates, results over the past eight quarters have fluctuated. 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. The Company signed a new lease for the facility during 2020, entering into a five-year lease, with minimum lease obligations of $51,692 in 2021, $53,747 in 2022, $55,872 in 2023, $58,069 in 2024 and $39,676 in 2025.

## Significant Accounting Judgments and Estimates

The preparation of the Company's interim condensed 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 interim condensed consolidated financial statements and reported amount of revenues and expenses during the reporting period. By their nature, these estimates are subject to measurement uncertainty and are reviewed periodically and adjustments, if necessary, are made in the period in which they are identified. Actual results could differ from those estimates.

***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 interim condensed 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 2020 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.

Expected credit losses – Management estimates the collectability of specific accounts and records an appropriate allowance for credit losses, as discussed in Note 13 – Credit Risk of the Company's 2020 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 amount of right of use assets, the valuation of convertible loans, the equity component of convertible loans, the loss on debt settlements, shares for services, the valuation of intangibles and deferred income taxes, which are discussed in Note 2 and in their respective notes in the interim condensed consolidated financial statements.

## Recent Accounting Pronouncements

At the date of authorization of the Company's interim condensed consolidated financial statements, the IASB and International Financial Reporting Interpretations Committee ("IFRIC") had 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 financial instruments in its consolidated financial statements 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 financial instruments. Convertible debt, lease liabilities and other long-term debt were initially recognized at fair value and was categorized as level 2. Subsequent to initial recognition they are 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 currently no 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 June 30, 2021 of $26,915 (December 31, 2020 - $26,915).

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, as the Company invests surplus funds in Canadian dollar accounts. 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 2020 and to date in 2021, 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.

| | 1 year | 2 to 3 years | 4 to 5 years | Total |
|---|---|---|---|---|
| Accounts payable and accrued liabilities | **$ 1,135,897** | **$ -** | **$ -** | **$ 1,135,897** |
| Lease liability | **35,355** | **89,069** | **64,923** | **189,347** |
| Convertible Debenture Loan Notes | **-** | **4,500,000** | **-** | **4,500,000** |
| Canada Emergency Business Account | **-** | **60,000** | **-** | **60,000** |
| **At June 30, 2021** | **$ 1,171,252** | **$ 4,649,069** | **$ 64,923** | **$ 5,885,244** |
| At December 31, 2020 | $ 2,544,446 | $ 142,657 | $ 149,625 | $ 2,836,728 |

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

**Related Party Transactions**

For the six months ended June 30, 2021, the Company incurred costs for management and Board compensation of $180,889 (2020 - $243,890).

During 2021, $100,000 of demand loans and related interest owing to a Company controlled by a Director was settled by subscription in the private placement of the Convertible Debenture Loan Notes.

During 2020, $39,000 owing to management was repaid through subscriptions in a private placement.

See notes 8 and 9 of the Company's interim condensed consolidated financial statements for related party transaction disclosure relating to demand loans, convertible debt and stock option issuances.

Included in accounts payable and accrued liabilities as of June 30, 2021 is $91,850 (December 31, 2020 - $160,272) relating to officers and directors of the Company.

**Subsequent Events**

On August 16, 2021, 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 26,000,000 to 30,000,000, subject to regulatory approval.

**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 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 June 30, 2021, MedX has a deficit in excess of $38 million. 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 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 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: August 24, 2021**