

**MedX Health Corp.  
Management's Discussion and Analysis  
For the Three Months Ended March 31, 2017 and 2016**

*This Management's Discussion and Analysis has been prepared based on information available to MedX Health Corp. ("MedX" or the "Company") as at May 23, 2017. 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 months ended March 31, 2017 compared with the three months ended March 31, 2016 as contained in the 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, 2016.*

**Overview and Review of Operations**

MedX Health Corp. is a medical device company that was incorporated on April 15, 1999, in Ontario. The Company has two main product lines; SIAscopy™, a medical device technology that is used to scan skin for suspicious moles and lesions, and phototherapeutic medical devices, which use light energy in lower-level laser and LED to provide effective treatment offering rapid, drug-free and non-invasive healing in the rehabilitation market for treating pain, tissue damage, swelling and inflammation.

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, and to athletes and sports teams. MedX's therapeutic light products are currently sold in North America. The Company utilizes medical device distributors to sell its products, who normally distribute a variety of products to their customers. The markets in which the Company sells these products are highly competitive, characterized by pricing pressure and many competitive products. These products are US FDA and Health Canada cleared.

In 2011, the Company purchased the assets and business related to SIAscopy™, a medical device technology that is used to scan suspicious moles and lesions. The scan is read by a trained physician and a determination is made as to whether the suspicious mole or lesion needs a follow on appointment with a dermatologist, or the patient is deemed clear of follow up. The SIAscopy products use light to penetrate 2mm below the surface of the skin, generating five images of the suspicious mole. This enables physicians to assess the condition of the moles better and provide immediate feedback to their patients, improving the quality of care of potential skin cancer patients by reducing the need for biopsies, and the resulting pain and scars 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 SIAscopy technology is patented, 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

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Australia, Turkey and a number of other countries. The Company works with, and is actively growing its network of distributors and distribution partners on a global basis.

In addition to marketing the SIAscopy products directly to physicians, clinics and other health care facilities through independent distributors, a European distributor has successfully built and is expanding a skin scanning business in more than 200 pharmacies in Norway, Sweden and the United Kingdom to date, allowing individuals to have a suspicious mole or lesion checked quickly by way of a distributed network of trained physicians who can access the scan images. The Company has also started a similar program in Ontario whereby clinic points of service are connected by way of the Ontario Telemedicine Network to dermatologists. The distribution model for a multi-unit setting could involve the Company generating revenue through the sale or leasing of machines or on a subscription or per-scan basis, or a combination.

MedX's SIAscopy products are sold world-wide, but particularly in Europe during the last several years. Based on this European experience, the Company is pursuing a strategy to distribute its products through multi-unit retail or clinic settings, which will be a focus during the next several years. The Company is initiating further test programs with its partners in selected European countries, and in Canada, and pursuing other opportunities in other markets including the United States.

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

The Company has experienced significant issues with respect to a lack of funding and cash flow. It has experienced losses since its inception, and has a large negative working capital balance. The very competitive nature of the market for the therapeutic laser products, and the time it has taken to develop the appropriate marketing strategies after the acquisition of SIAscopy hampered the ability of the Company to generate adequate sales and cash flow. 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 revenues, which it anticipates will continue, which should improve cash flows, and which may improve the likelihood of raising additional capital.

During 2015, the Company completed the following financing and capital related transactions:

- The Company entered into a \$100,000 non-interest bearing demand loan with a company controlled by a Director. In connection with the loan, the Company granted 100,000 share options to the lender on December 30, 2015, which options may be exercised for two years from the grant date at \$0.12 per share.
- The Company borrowed \$500,000, under a three year Term loan agreement with a party related to a Director, with an interest rate of 8.0%, paid quarterly, due in June 2018, and secured by a General Security Agreement.

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- The Company borrowed US\$200,000 under a Term loan agreement with a company related to a customer, due in June 2018, with an interest rate of 8.0%, paid quarterly, and secured by a General Security Agreement, on a pari pasu basis with the term loan above.
- The Company issued 3,253,437 common shares to settle \$454,023 of amounts owing to insiders and other vendors, of which 2,550,000 of the shares issued were to insiders, as approved at a meeting of shareholders in November 2015.

The Company completed a non-brokered private placement in 2016, in four separate tranches, raising gross proceeds of \$1,499,918 through the sale of 23,075,652 Units, consisting of common shares and warrants, sold for \$0.065 per Unit. The company also was advanced and subsequently repaid \$75,000 to Company insiders during the year.

On December 28, 2016, the Company agreed with the lender to amend the terms of its \$500,000 Term Loan. Under the new terms, the lender has the right to convert the principal of the loan, in whole or in part, at any time into common shares of MedX at \$0.20 per share. In addition, the due date of the loan has been extended from June 2018 to December 31, 2019, with no principal payments until maturity. This change improves the Company's cash flow management and thereby its ability to grow the business.

The Company is continuing its efforts to raise additional funds to provide the working capital to pursue its current strategic objectives, and to reduce its liabilities. On April 21, 2017, the Company completed the first tranche of a brokered private placement, raising cash of \$833,800 (\$784,946 net of commissions) by issuing 6,948,333 Units, at \$0.12 per Unit, each Unit consisting 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 from the date of the closing at an exercise price of \$0.20 per share. The Company had previously announced that it had engaged Wildlaw Capital Markets Inc., to complete on a "best efforts" basis, a private placement of Units at a price of \$0.12 per Unit, for aggregate gross proceeds of up to \$3,000,000. The Company is continuing to offer Units under the private placement.

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**Review of Operating Results**

	<b>Three Months Ended March 31</b>	
	<b>2017</b>	<b>2016</b>
<b>Sales</b>	\$ 239,810	\$ 188,701
Cost of sales	86,154	64,636
<b>Gross profit</b>	153,656	124,065
<b>Expenses</b>		
Selling, general and administrative	339,320	292,212
Share-based compensation	105,331	9,341
Interest expense	27,582	16,416
Foreign exchange (gain) loss	3,884	(14,372)
Amortization of property and equipment	2,852	2,416
Amortization of intangibles	22,546	22,546
	501,515	328,559
<b>Net loss for the period</b>	<b>\$ (347,859)</b>	<b>\$ (204,494)</b>

**Three Months Ended March 31, 2017 and 2016**

*Revenue -*

Revenue of \$239,810 for the three months ended March 31, 2017 was \$51,109, or 27.1% higher than revenue of \$188,701 for the three months ended March 31, 2016. Revenues from MedX's therapeutic laser products of \$206,634 for the three months ended March 31, 2017 were \$74,644, or 56.6% higher than in the 2016 three month period. Sales from this product line have been trending upward during the last year, due in part to an upgraded product line introduced in the second half of 2016.

Revenues from the Company's SIAscopy product line were \$33,176 for the three months ended March 31, 2017, lower by \$23,535 from the prior year. A focus for the Company is working with partners that either have, or have access to chains of multiple locations that are easily accessible to patients to have scans done, using networks to transmit scan data to dermatologists for review and assessment. The Company has existing customers successfully using this model, and others currently in a test environment, and is working on and needs broader distribution of the SIAscopy products to many more of such customers, otherwise sales growth will be limited by the growth of the installed base of the existing customer base. It is expected that growth will resume in 2017, and increase at a more rapid pace in the future.

*Cost of sales -*

Cost of sales of \$86,154 for the three months ended March 31, 2017 were \$21,518 or 33.3% higher than cost of sales of \$64,636 for the three months ended March 31, 2016.

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Cost of sales as a percent of sales was 35.9% for the first quarter of 2017 compared with 34.3% in 2016; a relatively small variance from the prior year.

*Gross profit -*

Gross profit for the three months ended March 31, 2017 was \$153,656, a \$29,591 increase from gross profit of \$124,065 for the three months ended March 31, 2016, with the increase resulting primarily from the increase in revenue for the period. The gross margin for the three months ended March 31, 2017 was 64.1% of sales versus 65.7% of sales in the prior year. The modestly lower margin resulted in part from product mix.

*Selling, general and administrative expenses –*

Administrative expenses of \$339,320 for the three months ended March 31, 2017 were \$47,108 higher than \$292,212 for the three months ended March 31, 2016. Expenses relating to management compensation were lower, while costs were higher for sales, marketing and business development initiatives.

*Share-based compensation –*

The expense related to share-based compensation of \$105,331 for the three months ended March 31, 2017 was \$95,990 higher than the expense recorded in the 2016 period, and represents the costs related to option grants made in 2017, and the options vested during the period. The \$9,341 recorded in the prior year resulted from the allocation of expenses of the options granted in 2014 that vested in 2016.

*Interest –*

Interest expense of \$27,582 for the three months ended March 31, 2017 was \$11,166 higher than interest expense of \$16,416 for the three months ended March 31, 2016. While the principal and stated interest rate of the Company's loans are unchanged, interest costs are higher as a result of the accreted interest relating to the Company's Convertible loan.

*Foreign exchange (gain) loss –*

The Company experienced a foreign exchange loss of \$3,884 for the three months ended March 31, 2017, compared with a gain of \$14,372 in 2016. Gains and losses result primarily from the translation of the US Dollar denominated term loan, and other net payables balances; the Canadian dollar was weaker in the first quarter of 2017.

*Net loss for the period –*

The net loss and comprehensive loss of \$347,859 for the three months ended March 31, 2017 was \$143,365 higher than the loss of \$204,494 for the three months ended March 31, 2016. While the higher sales and resulting margin increase were offset by higher operating costs, approximately \$125,000 of the increase in the loss resulted from non-cash expenses including share-based compensation, interest and foreign exchange.

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**Liquidity and Capital Resources**

The Company had a working capital deficiency of \$1,996,147 as of March 31, 2017, compared with \$1,755,027 as of December 31, 2016, and an accumulated deficit of \$23,892,962 and a shareholders' deficiency of \$2,067,880 as of March 31, 2017. The decrease in working capital during the three month period resulted from the operating loss for the quarter, funded with a demand loan, and an increase in the current portion of long-term debt. Despite raising additional capital, the current financial conditions for the Company indicate the existence of material 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 during 2017, and continues to develop sales opportunities that could result in additional sales of its products in the future. 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 financial statements. These adjustments could be material.

As a result of the large working capital deficiency and negative cash from operations, the Company manages its cash resources and expenditure levels carefully to ensure that risks are minimized, while focusing on marketing its products and growing its revenues.

The Company continues to assess and manage the reduction of liabilities. While the Company was not able to raise the cash required to pay down debt during the last several years, it has negotiated settlements with creditors that has included issuing shares and warrants where possible. The Company has, and will continue where possible to reduce its liabilities, and its recurring cost base to conserve cash.

During 2015, the Company completed the following financing and capital related transactions:

- The Company entered into a \$100,000 non-interest bearing demand loan with a company controlled by a Director. In connection with the loan, the Company granted 100,000 share options to the lender on December 30, 2015, which options may be exercised for two years from the grant date at \$0.12 per share.
- The Company borrowed \$500,000, under a three year Term loan agreement with a party related to a Director, with an interest rate of 8.0%, paid quarterly, due in June 2018, and secured by a General Security Agreement. The terms of this loan were amended in 2016, as described below.
- The Company borrowed US\$200,000 under a Term loan agreement with a company related to a customer, due in June 2018, with an interest rate of 8.0%,

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- paid quarterly, and secured by a General Security Agreement, on a pari pasu basis with the term loan above.
- The Company issued 3,253,437 common shares to settle \$454,023 of amounts owing to insiders and other vendors, of which 2,550,000 of the shares issued were to insiders, as approved at a meeting of shareholders in November 2015.

The Company completed a non-brokered private placement in 2016, in four separate tranches, raising gross proceeds of \$1,499,918 through the sale of 23,075,652 Units, consisting of common shares and warrants, sold for \$0.065 per Unit. The warrants are exercisable for a period of three years at \$0.14 per share. Also during 2016, 300,000 share options and 325,000 warrants were exercised, for gross proceeds of \$75,500.

The four closings of the non-brokered private placement are summarized as follows:

- June 6, 2016 - gross proceeds of \$560,400 were raised on the sale of 8,641,540 Units, resulting in the issue of 8,641,540 common shares. The 8,641,540 warrants may be exercised until June 6, 2019.
- August 2, 2016 - gross proceeds of \$165,275 were raised on the sale of 2,542,692 Units, resulting in the issue of 2,542,692 common shares. The 2,542,692 warrants may be exercised until August 2, 2019.
- September 2, 2016 - gross proceeds of \$439,493 were raised on the sale of 6,761,422 Units, resulting in the issue of 6,761,422 common shares. The 6,761,422 warrants may be exercised until September 2, 2019.
- September 15, 2016 - gross proceeds of \$334,750 were raised on the sale of 5,149,998 Units, resulting in the issue of 5,149,998 common shares. The 5,149,998 warrants may be exercised until September 15, 2019.

On December 28, 2016, the Company agreed with the lender to amend the terms of its \$500,000 Term Loan. Under the amended terms, the lender has the right to convert the principal of the loan, in whole or part, at any time into common shares at \$0.20 per share. In addition, the due date of the loan was extended from June 2018 to December 31, 2019, with no principal payments until maturity. This change improves the Company's cash flow management and thereby our ability to grow the business.

As of March 31, 2017, the Company's capital resources consist of the following:

*Accounts payable and accrued liabilities –*

The Company had \$1,783,610 of accounts payable and accrued liabilities as of the March 31, 2017, a decrease of \$33,722 from \$1,817,332 on December 31, 2016. The March 31, 2017 amounts consist of trade payables (\$186,999), amounts owing to staff, management and directors for unpaid compensation and fees (\$923,829), amounts owing and accrued to governments for unpaid payroll withholdings, sales and other taxes (\$434,094) and interest and other accruals (\$238,688).

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*Demand loans –*

The Company has a number of unsecured advances outstanding, consisting of:

- A \$100,000 demand loan advanced to the Company related to Director of the Company on March 2, 2017, which bears interest at 10% per annum, payable on repayment of the loan. A fee of \$3,000 was paid in connection with the loan.
- Non-interest bearing advances totaling \$150,000 from a company related to a Director, and an advance of \$29,000 owing to an individual related to a Director of the Company, bearing interest at prime plus 6% per annum.

*Long-term debt -*

The Company entered into a US\$200,000 Term Loan in December 2015, with a balance as of March 31, 2017 of \$266,166 (December 31, 2016 - \$268,540), with a party related to a customer, which loan is due in June 2018. The loan bears interest at 8.0% per annum, paid quarterly, and no principal payments to maturity. The Company has the option to repay the loan at any time without penalty. The lender has the option of requiring the principal portion to be repaid in monthly installments to maturity, if certain financial targets are not being met. As these conditions were not being met as of March 31, 2017, \$210,750 of the loan has been classified as current on the balance sheet, representing the amount that could be due if requested by the lender. The debt is secured by a General Security Agreement, on a pari passu basis with the Convertible debt.

*Convertible Debt -*

The Company entered into a \$500,000 term loan in 2015 with a party that is related to a Director of the Company, which had a term of three years, bearing interest at 8% per annum, paid quarterly. The terms of the loan were amended on December 28, 2016, and under the amended terms, the loan bears interest at 8% per annum, paid quarterly, with no principal payments until the due date on December 31, 2019. 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 on a pari passu basis with the Long-term debt. Under the original terms, the loan was due in June 2018, and also gave the lender an option to require the Company to repay the loan in monthly installments if certain financial conditions were not met.

The amending of the terms of the loan was considered an exchange of the original debt for a new convertible loan, and as such, a value of the debt and equity components of the new loan were determined as the amount required to extinguish the original term loan, and the difference resulted in a loss on the exchange of the debt of \$54,000, which was recorded on the exchange of the term loan for the convertible loan in 2016.

The value of the debt and equity components was determined to be \$327,000 and \$227,000 respectively, as of the date of the amendment, and the debt portion reflected as Convertible debt on the balance sheet. The equity portion of the debt will be accreted, and added to the loan balance over the remaining term of the loan, resulting in a balance of \$337,157 as of March 31, 2017.

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*Share Capital -*

The Company had 97,691,161 shares outstanding as of March 31, 2017:

	Number of shares	Stated Capital
Outstanding at December 31, 2015	73,890,509	\$ 15,537,000
Issued for cash	23,075,652	783,183
Issued on exercise of share options	300,000	30,000
Issued on exercise of warrants	325,000	45,500
Issued on settlement of fees	100,000	23,500
Reclassification from contributed surplus and warrants on option and warrant exercises		25,837
Outstanding at December 31, 2016 and March 31, 2017	97,691,161	\$ 16,445,020

During 2016, the Company completed a non-brokered private placement in four tranches, raising gross proceeds of \$1,499,918 (\$1,404,340 net of expenses). In total, the Company sold 23,075,652 units (the "Units"), for \$0.065 per Unit, with each Unit consisting of one common share and one common share warrant of the Company. Each warrant entitles the holder to purchase one common share of the Company for \$0.14 per share for three years from the closing date.

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 1.15% risk-free interest rate;
- Based on historic volatility, 149%, 146%, 148% and 150% 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. For transactions involving Finder's warrants, 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.

Amounts raised from the private placement are summarized below:

Tranche	Date	# of Units	Gross Proceeds	Issue Costs	Finder's Warrants	Allocation to Shares	Allocation to Warrants
1	June 6	8,621,540	\$ 560,400	\$ 31,694	\$ -	\$ 299,271	\$ 229,435
2	August 2	2,542,692	\$ 165,275	\$ 21,568	\$ 5,871	\$ 79,417	\$ 64,290
3	September 2	6,761,422	\$ 439,493	\$ 16,600	\$ 3,539	\$ 237,958	\$ 184,935
4	September 15	5,149,998	\$ 334,750	\$ 25,716	\$ -	\$ 166,537	\$ 144,890
		23,075,652	\$ 1,499,918	\$ 95,578	\$ 9,410	\$ 783,183	\$ 623,550

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The share price on the closing date of each of the tranches was \$0.095, \$0.08, \$0.095 and \$0.235, respectively. The warrant value for each tranche was determined to be \$0.073, \$0.059, \$0.072 and \$0.201, respectively.

Tranche 2 costs included issuing 99,762 Finder's warrants with each warrant entitling the holder to purchase one common share of the Company at \$0.14 during the period expiring August 2, 2019. The finder's warrants were valued at \$0.059 for a total of \$5,871, with \$3,383 allocated as a reduction in share capital and a \$2,488 reduction of the warrants.

Tranche 3 costs included issuing 48,870 Finder's warrants, with each warrant entitling the holder to purchase one common share of the Company at \$0.14 during the period expiring September 2, 2019. The finder's warrants were valued at \$0.072, and the \$3,539, allocated as a \$2,008 reduction in share capital and a \$1,531 reduction of the warrants.

The Company issued 300,000 common shares in 2016 as a result of the exercise of share options. The options were exercised at \$0.10 per share, resulting in proceeds of \$30,000. In addition, the original share-based compensation expense recorded related to these options of \$17,188 was reclassified from contributed surplus to common shares.

The Company issued 325,000 common shares during 2016 as a result of the exercise of warrants. The warrants had an exercise price of \$0.14, resulting in proceeds of \$45,500. In addition, the warrant value originally allocated to the warrants of \$8,649 was reclassified between warrants and common shares.

The Company agreed in 2015 to issue 100,000 common shares as payment for a \$10,000 fee owing to a lender, which shares were issued in November 2016.

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

*Stock options –*

On August 25, 2016, at the Annual and Special Meeting of Shareholders, shareholders approved an amendment to the Company's 2014 Incentive Stock Option Plan to increase the number of options available under the plan from 12,000,000 to 16,400,000. Under the terms of the plan, directors, officers, employees and consultants, subject to certain conditions, may be granted options to purchase common shares of the Company. As at March 31, 2017 there were 13,400,000 options that have been granted

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and are outstanding, with 2,700,000 options available to be granted under the plan. Options generally expire after five years, with vesting provisions stated in the plan.

The options outstanding as of March 31, 2017, have a weighted average exercise price of \$0.11, and have an average remaining life of 2.8 years. Of the 13,400,000 options outstanding, 12,300,000 are vested, and the remainder will be vested during 2017.

On February 27, 2017, the Company granted 1,825,000 options to consultants and employees of the Company, which vest during 2017 and expire five years from the grant date. The options have an exercise price of \$0.18 per share.

On August 25, 2016, the Company granted 1,750,000 options to consultants of the company, all of which have vested, and expire five years from the grant date. Of the options, 875,000 have an exercise price of \$0.10 per share and the remaining 875,000 have an exercise price of \$0.14 per share. On November 25, 2016, the Company granted 100,000 options to an employee, which have an exercise price of \$0.24 and expire after five years, half of which vested in 2016, and the remainder in 2017.

During 2016, 300,000 share options were exercised.

On December 30, 2015, 100,000 options were granted to an insider. The options are exercisable at \$0.12 for a period of two years from the date of grant.

*Warrants –*

The Company has issued warrants in connection with debt and share offerings and debt settlements.

The number of warrants outstanding as of March 31, 2017, and a summary of their terms are as follows:

<b>Warrants</b>	<b>Warrant Expiry and Exercise Prices</b>
8,296,540	\$0.14 until June 6, 2019
2,642,454	\$0.14 until August 2, 2019
6,810,292	\$0.14 until September 2, 2019
5,149,998	\$0.14 until September 15, 2019
22,899,284	

In connection with the private placements completed in 2016, a total of 23,075,652 warrants were granted to subscribers of Units, each allowing the holder to purchase one common share at a price of \$0.14 per share, with 8,621,540 of the warrants expiring on June 6, 2019, 2,542,692 of the warrants expiring on August 2, 2019, 6,761,422 of the warrants expiring on September 2, 2019, and the remaining 5,149,998 warrants expiring on September 15, 2019. In addition, in connection with the placement, the Company granted 148,632 finder's warrants, each allowing the holder to purchase one common

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share at a price of \$0.14 per share, with 99,762 of the warrants expiring on August 2, 2019, and 48,870 of the warrants expiring on September 2, 2019. During 2016, 325,000 of the warrants issued in 2016 were exercised.

During 2016, 9,750,000 warrants issued with a private placement in 2014 expired.

*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 numbers of shares, warrants and stock options were issued and outstanding:

	<b>March 31 2017</b>	<b>May 23 2017</b>
Common shares	97,691,161	104,639,494
Warrants	22,899,284	30,247,982
Stock Options	13,400,000	13,400,000
Shares from conversion of Convertible loan	2,500,000	2,500,000

**Capital Resources –**

The Company has made only relatively low levels of capital expenditures in the last two years. The Company plans to update the technology in its SIAscopy units and software, and provide an environment where it can broaden the distribution of its SIAscopy products to multi-centre outlets, which could involve a significant level of expenditures, which will not be undertaken until further financing is obtained.

The Company defines its managed capital as the total of demand loans, long-term debt, convertible debt and shareholders' deficiency including share capital, warrants, equity portion of convertible debt, contributed surplus and deficit. As at March 31, 2017, total managed capital was (\$1,185,607) (December 31, 2016 - (\$1,229,839)).

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

There were no changes in the Company's approach to capital management during the three months ended March 31, 2017. 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	June 30 2015	September 30 2015	December 31 2015	March 31 2016	June 30 2016	September 30 2016	December 31 2016	March 31 2017
Revenues	\$367	\$166	\$339	\$189	\$209	\$242	\$177	\$240
Comprehensive Income/(Loss)	(\$51)	(\$239)	(\$154)	(\$204)	(\$311)	(\$460)	(\$360)	(\$348)
Income (loss) per share	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.01)	\$0.00	(\$0.00)

As the foregoing Table 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 lower losses or income have resulted primarily from gains relating to debt settlements or other liability reductions by the Company.

Revenues in the third quarter of 2016 have been restated.

**Contractual Obligations**

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

**Significant Accounting Judgments and Estimates**

The preparation of the interim condensed consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the interim condensed interim condensed consolidated financial statements and reported amount of revenues and expenses during the reporting year. By their nature, these estimates are subject to measurement uncertainty and are reviewed periodically and adjustments, if necessary, are made in the year in which they are identified. Actual results could differ from those estimates.

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

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

**Recent Accounting Pronouncements**

At the date of authorization of the interim condensed consolidated financial statements, the IASB and International Financial Reporting Interpretations Committee ("IFRIC") have

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issued the following new and revised Standards and Interpretations that will become effective in future years.

**IFRS 9 - Financial Instruments**

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

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

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

**IFRS 15 - Revenue from Contracts with Customers**

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

**IFRS 16- Leases**

In January 2016, the IASB issued the final publication of the IFRS 16 Standard, which will supercede the current IAS 17, Leases Standard. IFRS 16 introduces a single

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accounting model for lessees and for all leases with a term of more than 12 months. A lessee will be required to recognize a right-of-use asset, which represents its right to use that underlying asset and a lease liability, which represents the obligation to make a lease payment. The standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15 has also been applied. Management is currently assessing the impact of this standard on the interim condensed consolidated financial statements.

**Financial Instruments**

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

**Fair Value**

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

**Risk Disclosures**

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

*Credit Risk -*

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

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

*Interest Rate Risk -*

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

*Foreign Currency Risk -*

The Company has low exposure to foreign exchange fluctuations with respect to cash, given the low cash balances. There is an impact on net loss from the translation of the accounts receivable, accounts payable balances and debt denominated in US Dollars

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and other currencies as of the end of the period. The company sells its products internationally, and incurs costs from international suppliers. As of March 31, 2017, a portion of the Company's accounts receivable, accounts payable and long-term debt were denominated in US Dollars, Euros and British Pounds. A 5% change in the exchange rate of those currencies relative to the Canadian Dollar would impact the net loss by approximately \$20,000.

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 the appropriate currency to match the requirements.

*Liquidity risk -*

Liquidity risk results from an excess of financial liabilities over available financial assets at any point in time. The Company's objective in managing risk is to ensure that it raises the amount of cash required to fund operating losses and to maintain cash to meet its other obligations. In this regard, the Company has had difficulty raising the level of cash required to meet its financial obligations as they have come due, and has entered into a number of transactions to settle debts through the issuance of shares. Cash has been raised in 2017 and in prior years, and the Company will be required to raise additional cash to fund its ongoing operating requirements. A portion of the cash raised was in the form of debt, due on a demand basis. The Company is in a position where its liabilities are greater than its assets.

Refer to Note 8 of the Company's interim condensed consolidated financial statements for additional discussions regarding the contractual maturities of financial liabilities in excess of one year.

**Related Party Transactions**

During the three months ended March 31, 2017 the Company incurred costs for management and Board compensation of \$80,250 (2016 - \$127,500) under the terms of their compensation arrangements. In addition, \$21,793 of the expense recorded in the three months ended March 31, 2017 (2016 - \$7,912) for share-based compensation relates to management.

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

Included in accounts payable and accrued liabilities as of March 31, 2017 is \$867,900 (December 31, 2016 - \$890,912) due to officers and directors of the Company.

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**Subsequent Events**

On April 21, 2017, the Company completed the first tranche of a brokered private placement with gross proceeds of \$833,800 and net proceeds of \$784,946. The private placement consisted of the sale of 6,948,333 units (the "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 three years, at an exercise price of \$0.20 per Common Share. In addition, 400,365 Compensation Options were issued to brokers, with each Compensation Option comprising a Broker warrant exercisable for three years, to acquire a Unit at \$0.12, comprising a share and a warrant exercisable for three years at \$0.20.

On April 27, 2017, the Company repaid a \$100,000 demand loan advanced by a company controlled by a Director on March 2, 2017.

**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 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 March 31, 2017, MedX has a deficit of \$23,892,962. 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

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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 a term loan denominated in US Dollars and also 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 an early stage commercial company 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 fluctuations in the value of the Canadian dollar.

**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

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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](http://www.sedar.com), and may also be obtained by request to the Company.

**Dated: May 23, 2017**