

**MedX Health Corp.**  
**Management's Discussion and Analysis**  
**For the Three Months Ended March 31, 2019 and 2018**

*This Management's Discussion and Analysis has been prepared based on information available to MedX Health Corp. ("MedX" or the "Company") as at the date of this Report. Management's Discussion and Analysis is a narrative explanation to enable the reader to assess material changes in the financial condition and results of operations of the Company as at and during the three months ended March 31, 2019 compared with the three months ended March 31, 2018 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, 2018.*

**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. 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. The Company updates its products to remain competitive in the market and continues to try to increase its market share.

SIAscopy™ is a medical device technology the Company acquired in 2011, that is used to scan suspicious moles and lesions, using specific light wavelengths to penetrate 2mm below the surface of the skin, generating five images of the suspicious mole. The scan is read by a trained physician 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. 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.

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SIAscopy™ is a technology proprietary to MedX, and has been cleared by the FDA in the U.S. and by Health Canada, is CE marked for sale in Europe, with equivalent approval in Australia, Turkey and a number of other jurisdictions, totalling 34 countries.

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

DermSecure™ and MedX's other SIAscopy™ products are sold world-wide. The Company is already working with a number of groups internationally to market DermSecure™ in a number of countries. Prior to this, the focus was on Europe, where a European distributor successfully built a skin scanning business in more than 200 pharmacies in Norway, Sweden, the United Kingdom and other areas to date, allowing individuals to have a suspicious mole or lesion checked quickly by way of a network of trained physicians who can access the scan images. The Company is also initiating programs in selected European countries and in Canada while 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.

During 2018, the Company's President and CEO, Rob von der Porten, retired from this role, and remains with the Company as its Chairman. Scott Spearn, with many years of experience with medical device companies joined the Company as President and CEO. The Company has also added a number of internationally recognized individuals to its Scientific and Medical Advisory Board, all of which are specialists in various areas related to skin disorders and cancer, who are actively assisting the Company in the development of the DermSecure™ platform.

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

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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.

The Company has undertaken a number of financing initiatives in the past to finance the development of its products to provide cash flow for operations while it builds its revenue base.

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

During the three-months ended March 31, 2019, the company was also advanced \$100,000 of demand loans, and repaid \$100,000 of demand loans.

In 2018, the Company completed three non-brokered private placements with total proceeds of \$2,177,520 (\$2,097,733, net of expenses).

- On January 23, 2018, the company raised \$1,658,520 (\$1,591,411, net of expenses) through the sale of 13,821,000 units at a price of \$0.12 per unit. Each unit consisted of one common share and one common share purchase warrant, with each warrant exercisable to acquire one common share at any time for a period of three years, at an exercise price of \$0.20.
- On October 11, 2018, the Company raised \$337,000 (\$328,847, net of expenses) through the sale of 2,106,250 units at a price of \$0.16 per unit. Each unit consisted of one common share and one common share purchase warrant, with each warrant exercisable to acquire one common share at any time for a period of three years, at an exercise price of \$0.35.
- On November 22, 2018, the Company raised \$182,000 (\$177,475, net of expenses) through the sale of 1,137,500 units at a price of \$0.16 per unit. Each unit consisted of one common share and one common share purchase warrant, with each warrant exercisable to acquire one common share at any time for a period of three years, at an exercise price of \$0.35.

Also in 2018, the Company received proceeds of \$741,769 from the exercise of warrants and share options. The additional funding allowed the Company to lower its debt, with its US\$200,000 term loan and \$200,000 of demand loans fully repaid in the first half of 2018. In the last quarter of the year, the Company was advanced \$100,000 of demand loans.

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Subsequent to March 31, 2019, the Company has raised additional equity of \$394,860, net of expenses from non-brokered private placements.

**Review of Operating Results**

	<b>Three Months Ended March 31</b>	
	<b>2019</b>	<b>2018</b>
<b>Revenue</b>	\$ 184,801	\$ 226,122
Cost of sales	91,834	98,660
<b>Gross profit</b>	92,967	127,462
<b>Expenses</b>		
Selling, general and administrative	552,333	616,043
Product and software development	168,830	119,000
Share-based compensation	86,188	5,392
Interest expense	29,251	25,870
Foreign exchange loss	9,763	8,864
Amortization of property, equipment and right of use asset	12,158	1,902
Amortization of intangibles	22,545	22,545
	881,068	799,616
<b>Net loss for the period</b>	<b>\$ (788,101)</b>	<b>\$ (672,154)</b>

**Three Months Ended March 31, 2019 and 2018**

*Revenue -*

Revenue of \$184,801 for the three months ended March 31, 2019 was \$41,321, or 18.3% lower than revenue of \$226,122 for the three months ended March 31, 2018.

Revenues from the Company's SIAscopy™ product line were \$21,563 for the three months ended March 31, 2019, compared with \$39,236 in the 2018 three-month period with the decrease the result of fewer units sold during the quarter. It is anticipated that revenues will increase as the Company expands its distribution network as well as with the launch of its DermSecure™ telemedicine platform.

Revenues from MedX's therapeutic laser products of \$163,238 for the three months ended March 31, 2019 were \$23,648, or 12.7% lower than \$186,886 in the 2018 period. The Company normally experiences a decrease in sales in the first quarter of the year, and anticipates revenue growth through 2019.

*Cost of sales -*

Cost of sales of \$91,834 for the three months ended March 31, 2019 were \$6,826 or 6.9% lower than cost of sales of \$98,660 for the three months ended March 31, 2018. Cost of sales as a percent of sales was 49.7% for the three-month period compared with

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43.6% in the three months ended March 31, 2018. The costs as a percent of sales were higher in 2019 due in part to the lower proportion of sales of SIAscopy.

*Gross profit -*

Gross profit for the three months ended March 31, 2019 was \$92,967, a decrease of \$34,495 from gross profit of \$127,462 for the three months ended March 31, 2018, with the lower amount resulting primarily from lower sales. The gross margin for the three months ended March 31, 2018 was 50.3% of sales versus 56.4% of sales in the prior year.

*Selling, general and administrative expenses –*

Administrative expenses of \$552,333 for the three months ended March 31, 2019 were \$63,710, or 10.3% lower than expenses of \$616,043 for the three months ended March 31, 2018. Lower business development and related travel costs, public company costs and regulatory costs were offset in part by higher salary related costs due to an increase in staff levels.

*Product and software development –*

Product and software development expenses of \$168,830 represent expenditures with respect to on-going development of the Company's DermSecure™ telemedicine platform and hardware improvements for the Company's SIAscopy™ product line. The costs during the three-month period ended March 31, 2019 were higher than the corresponding period in the prior year, however were lower than the average quarterly spending for the last year.

*Share-based compensation –*

The expense relates to non-cash share-based compensation of \$86,188 for the three months ended March 31, 2019, and were \$80,796 higher than \$5,392 recorded for the 2018 three-month period. The higher expense in 2019 is related to a large number of options that were granted during 2018, a portion of which vested in the first quarter of 2019. The amount in the prior year resulted from the allocation of expenses for options granted in 2017 that vested in 2018. These non-cash expenses will be lower in 2019.

*Interest –*

Interest expense of \$29,251 for the three months ended March 31, 2019 was \$3,381 higher than interest expense of \$25,870 for three months ended March 31, 2018. Interest from long-term debt decreased as the debt was repaid in 2018. The increase in interest expense is a result of the introduction of IFRS 16 - Leases, and the addition of an interest-bearing lease liability beginning on January 1, 2019. Included in interest expense is \$15,633 of non-cash accreted interest relating to the Company's Convertible loan.

*Foreign exchange loss –*

The Company experienced a foreign exchange loss of \$9,763 for the three months ended March 31, 2019, compared with a loss of \$8,864 for the 2018 three-month period.

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The loss is related to the translation of net payables balances and settling aged payables that originated at different exchange rates.

*Amortization of property, equipment and right of use asset –*

Amortization of \$12,158 for the three months ended March 31, 2019 is an increase of \$10,256 from amortization for the prior year three-month period. The increase is a result of the introduction of IFRS 16 – Leases on January 1, 2019, whereby a right of use asset of \$60,034, representing the net present value of remaining lease payments for the Company's office and manufacturing facilities has been included in assets, which asset is being amortized over the remaining term of the lease.

*Amortization of intangibles –*

Amortization of \$22,545 the three months ended March 31, 2019 was the same as for the 2018 period, reflecting the amortization of intangibles from 2011 and 2015, relating to the SIAscopy™ product line.

*Net loss for the period –*

The net loss of \$788,101 the three months ended March 31, 2019 was \$115,947 higher than the loss of \$672,154 for the three months ended March 31, 2018. Non-cash expenses related to share-based compensation, interest and foreign exchange losses represented a large portion of the increase. The increase in spending for product and software development were offset by lower administrative costs.

**Liquidity and Capital Resources**

The Company had a negative working capital balance of \$1,948,412 as of March 31, 2019, compared with a working capital deficiency of \$1,700,152 as of December 31, 2018, and an accumulated deficit of \$30,124,215 and a shareholders' deficiency of \$1,783,736 as of March 31, 2019. The decrease in the working capital position at the end of the first quarter is attributable to the operating loss for the three month period, offset by the \$474,000 proceeds from a private placement during the period. Despite raising additional capital in 2018 and 2019, the current financial conditions for the Company are such that there is an existence of uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. The Company continues to review alternatives for additional financing.

The Company's ability to continue as a going concern is dependent upon achieving a profitable level of operations and obtaining additional financing, neither of which is assured. The Company has been able to raise capital to continue to market its products, including raising net proceeds of \$3,663,888 from private placements of equity and warrant and option exercises during 2018 and to date in 2019. The Company's consolidated financial statements do not give effect to any adjustments which might be necessary should the Company be unable to continue as a going concern and be required to realize its assets and discharge its liabilities in other than the normal course

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of business and at amounts different from those reflected in the accompanying consolidated financial statements. These adjustments could be material.

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

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

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

*Accounts payable and accrued liabilities –*

The Company had \$1,713,174 of accounts payable and accrued liabilities as of March 31, 2019, an increase of \$112,002 from \$1,601,172 as of December 31, 2018, the increase a result of higher accounts payable balances. The March 31, 2019 balance consists of trade payables (\$589,934), amounts owing to staff, management and directors for accrued or unpaid compensation and fees (\$93,988), amounts owing and accrued to governments primarily by an inactive subsidiary for unpaid payroll withholdings, sales and other taxes (\$534,084) and interest and other accruals (\$495,168). Accruals relating to a former director, previously included in amounts owing to directors are included in other accruals.

*Demand loans –*

There are \$100,000 of unsecured demand loans outstanding from a corporation controlled by a Director as of March 31, 2019, bearing interest at 10% per annum. During the three-month period ended March 31, 2019, the Company repaid \$50,000 of \$100,000 of advances from 2018 and was advanced an additional \$50,000 from the lender on the same terms. In addition, during the period, the Company was advanced \$50,000 by a Director, on an unsecured basis and bearing interest at 10% per annum, which was repaid.

*Lease liabilities -*

The Company implemented a new accounting standard, IFRS-16 - Leases, for accounting for leases from January 1, 2019, and as such an obligation representing the discounted value of remaining lease payments under the Company's premises lease has been recorded as a liability. The Company used an interest rate of 10% in discounting the payments, and the obligation will be reduced over the remaining term of the lease, resulting in additional interest expenses.

*Convertible Debt -*

The Convertible debt consists of a \$500,000 loan with a party that is related to a Director of the Company, which is due on December 31, 2019, and bears interest at 8% per annum, paid quarterly. The loan is convertible in whole or in part, at any time during its term into common shares of the Company at \$0.20 per share. The Company has the option of repaying the loan at any time. The debt is secured by a General Security Agreement covering all the Company's assets.



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*Share Capital -*

The Company had 138,016,401 shares outstanding as of March 31, 2019:

	Number of shares	Stated Capital
Outstanding at December 31, 2017	112,743,129	\$ 17,339,612
Issued for cash	17,064,750	1,206,234
Issued on exercise of share options	400,000	40,000
Issued on exercise of warrants	4,846,022	701,769
Reclassification from contributed surplus and warrants on option and warrant exercises	-	166,342
Outstanding at December 31, 2018	135,053,901	19,453,957
Issued for cash	2,962,500	308,493
Outstanding at March 31, 2019	138,016,401	\$ 19,762,450

On January 29, 2019, the Company completed a non-brokered private placement with gross proceeds of \$474,000 (\$462,526, net of expenses). The private placement consisted of the sale of 2,962,500 units at a price of \$0.16 per unit. Each unit consisted of one Common share and one Common share purchase warrant (“Warrant”). Each Warrant will be exercisable to acquire one Common share at any time for a period of three years, at an exercise price of \$0.35.

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

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

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

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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 1.35%, 1.45% and 1.50% risk-free interest rate, for each closing, respectively;
- Based on historic volatility, 126%, 120% and 114% share price volatility for each closing, respectively.

Cash related issue costs were allocated in the same manner as the proceeds, reducing the amounts recorded as share capital and warrants. With respect to the Broker warrants issued, the value of the warrants was determined in the same manner as the common share warrants, and were treated similar to cash issue costs, as a reduction of the amounts recorded as share capital and warrants.

Amounts raised from the 2018 private placements are summarized as follows:

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

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

*Stock options –*

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

Under the terms of the plan, directors, officers, employees and consultants, subject to certain conditions, may be granted options to purchase common shares of the Company. As at March 31, 2019 there were 17,925,000 options that have been granted and are outstanding, with 8,075,000 options available to be granted under the plan. Options generally expire after five years, with vesting provisions stated in the plan.

The outstanding options have exercise prices in the range of \$0.10 and \$0.25 and an average remaining life of 2.4 years, and as of March 31, 2019, 16,618,7500 options are exercisable. The exercisable options have a weighted average remaining life of 2.3 years and a weighted average exercise price of \$0.16.

On April 27, 2018, the Company granted 7,375,000 share options under the Company's Stock Option Plan to members of the Board of Directors, management, employees and consultants. The options have an exercise price of \$0.25 per share and expire five

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years from the date of issue. As of March 31, 2019, 6,056,250 of the options are vested, and the remaining 1,318,750 vest within one-year of the grant date. The options were valued at \$1,398,071 of which \$1,379,579 has been expensed in 2018 and to date in 2019, with the remainder to 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 1.6%, volatility of 141% based on historical stock price volatility, expected life of five years, and no expected dividend yield.

During 2018, 400,000 options were exercised, which options had an exercise price of \$0.10 resulting in proceeds of \$40,000, and 600,000 options were expired/forfeited.

*Warrants –*

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

During 2018, 4,754,333 subscriber warrants and 91,689 broker warrants were exercised, resulting in proceeds of \$701,769.

The number of warrants, including broker warrants, outstanding as of March 31, 2019, and a summary of their terms are as follows:

<b>Warrants</b>	<b>Warrant Expiry and Exercise Prices</b>
7,971,540	\$0.14 until June 6, 2019
1,202,454	\$0.14 until August 2, 2019
6,190,293	\$0.14 until September 2, 2019
3,199,998	\$0.14 until September 15, 2019
6,929,365	\$0.20 until April 21, 2020
2,170,311	\$0.20 until July 14, 2020
6,251,729	\$0.20 until December 15, 2020
14,164,260	\$0.20 until January 23, 2021
2,106,250	\$0.35 until October 11, 2021
1,137,500	\$0.35 until November 22, 2020
2,962,500	\$0.35 until January 28, 2022
54,286,200	

In connection with the private placement completed on January 28, 2019, 2,962,500 warrants were granted to subscribers of units, each allowing the holder to purchase one common share at a price of \$0.35 until January 28, 2022.

In connection with the private placement completed in the January 2018, 13,821,000 warrants were granted to subscribers of units, each allowing the holder to purchase one common share at a price of \$0.20 until January 23, 2021. In addition, 343,260 Finder warrants were issued, each warrant entitling the holder to purchase one unit for \$0.12 during the period expiring January 23, 2021, each unit comprised of a share and a warrant exercisable into one share until January 23, 2021 at \$0.20.

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In connection with the private placement completed in the October and November of 2018, 3,243,750 warrants were granted to subscribers of units, each allowing the holder to purchase one common share at a price of \$0.35 for three years from the closing date. In connection with the brokered private placement completed in 2017, a total of 9,004,639 warrants were granted to subscribers of units, each allowing the holder to purchase one common share at a price of \$0.20 per share, with 6,948,333 of the warrants expiring on April 21, 2020 and 2,056,306 of the warrants expiring on July 14, 2020. In addition, Broker warrants were issued, with 400,365 warrants entitling the holder to purchase one unit for \$0.12 during the period expiring April 21, 2020, a unit comprised of a share and a warrant exercisable into one share until April 21, 2020 at \$0.20, and 114,005 Broker warrants with each warrant entitling the holder to purchase one unit for \$0.12 during the period expiring July 14, 2020, each unit comprised of a share and a warrant exercisable into one share until July 14, 2020 at \$0.20.

In connection with the private placement completed in December 2017, 6,047,329 warrants were granted to subscribers of units, each allowing the holder to purchase one common share at a price of \$0.20 per share until December 15, 2020. In addition, 204,400 Finder warrants were issued, each entitling the holder to purchase one unit for \$0.12 during the period expiring December 15, 2020, each unit comprised of a share and a warrant exercisable into one share at a price of \$0.20 per share until December 15, 2020.

In connection with the private placements in 2016, in addition to the 23,075,652 subscriber warrants issued, all of which expire three years from their respective closing dates and are exercisable at \$0.14 per share, the Company issued 148,632 Finder warrants, each entitling the holder to purchase one common share for \$0.14 expiring three years from the closing date.

*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, broker warrants, stock options and shares that could be issued on conversion of loans were issued and outstanding:

	<b>March 31 2019</b>	<b>May 30 2019</b>
Common shares	138,016,401	140,632,651
Warrants	54,286,200	56,981,800
Stock Options	17,925,000	17,925,000
Shares from conversion of Convertible loan	2,500,000	2,500,000
<b>Total</b>	<b>212,727,601</b>	<b>218,039,451</b>

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**Capital Resources –**

The Company has made relatively low levels of capital expenditures in the last two years until late in 2017 when it began projects to update its technology and develop a telemedicine platform. Spending in this regard was significant in 2018, and are not anticipated to be as large in 2019. The Company will continue 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 be undertaken as cash is available.

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, 2018, total managed capital was (\$1,182,301) (December 31, 2018 - (\$1,010,343)).

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

There were no changes in the Company’s approach to capital management during the year ended December 31, 2018 or 2019 to date. 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 2017	September 30 2017	December 31 2017	March 31 2018	June 30 2018	September 30 2018	December 31 2018	March 31 2019
Revenues	\$237	\$255	\$361	\$226	\$406	\$180	\$275	\$185
Comprehensive Income/(Loss)	(\$404)	(\$551)	(\$302)	(\$672)	(\$1,579)	(\$920)	(\$1,015)	(\$788)
Income (loss) per share	(\$0.00)	(\$0.01)	(\$0.00)	\$0.00	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)

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

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**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 \$38,828 in 2019 and \$26,072 in 2020.

**Significant Accounting Judgments and Estimates**

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

**Judgements:**

Going concern – The preparation of these 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 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 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.

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

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

Other estimates – Estimates are also used in determining, but are not limited to, share-based compensation, warrants, the useful lives of assets, the valuation of convertible loans, the equity component of convertible loans, the valuation of intangibles and

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deferred income taxes, which are disclosed in Note 2 and their respective notes in the consolidated financial statements.

**Recent Accounting Pronouncements**

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

**Financial Instruments**

**Fair Value Measurement**

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

**Level 1** – Quoted prices (unadjusted) in active markets for identical assets or liabilities;

**Level 2** – Inputs other than quoted prices included within Level 1 that are directly or indirectly observable;

**Level 3** – Unobservable inputs in which little or no market activity exists, therefore requiring an entity to develop its own assumptions about the assumptions that market participants would use in pricing.

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

The carrying value of accounts receivable, accounts payable and accrued liabilities, and demand loans approximates fair value due to the relatively short-term maturity of these financial instruments. Convertible debt was initially recognized at fair value and was categorized as level 2. Subsequent to initial recognition it is carried at amortized cost. The main risks the Company's financial instruments are exposed to are credit risk, interest rate risk, foreign currency risk and liquidity risk, each of which is discussed below.

*Credit Risk -*

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

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customers, and often include a deposit for a large portion of the sale or payment in full prior to shipment.

Upon adoption of IFRS 9 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, no provision was made as of March 31, 2019 or December 31, 2018. 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 of \$77,959 of accounts receivable as of December 31, 2018, which amount is unchanged.

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

*Interest Rate Risk -*

The Company currently has no exposure to risk with respect to interest rate fluctuations, as its interest-bearing debt is at a fixed rate of interest. The Company may increase debt levels depending on the nature of the financing in the future. If cash balances are higher than required for immediate requirements, the Company invests with a low risk strategy in secure short-term deposits through major banks to earn interest income.

*Foreign Currency Risk -*

The Company has low exposure to foreign exchange fluctuations with respect to cash, given the low cash balances. The Company sells its products internationally. Revenues could be impacted positively or negatively if the exchange rates in the currencies in which the Company sells its products fluctuates. The risk is decreased as customers are invoiced only in currencies that are considered to be stable in international markets. A portion of the Company's costs are from international suppliers, and could be impacted by currency fluctuations. However, these requirements are not material to the business, and alternate sources of supply could be utilized if required. There is an impact on the net loss from the translation of the accounts receivable and accounts payable balances at the end of the period. A 5% change in the exchange rate of those currencies relative to the Canadian Dollar would impact the net loss by approximately \$3,000.

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.



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*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 transactions to settle debts through the issuance of shares. Cash has been raised in 2018 and to date in 2019 and must raise additional cash to fund its ongoing operating requirements. A portion of the cash raised was debt, due on a demand basis. The Company is in a position where its liabilities are greater than its assets.

	12 months	1 to 2 years	Total
Accounts payable and accrued liabilities	\$ 1,713,174	\$ -	\$ 1,713,174
Demand loans	100,000	-	100,000
Lease liability	35,338	16,458	51,796
Convertible debt	500,000	-	500,000
<b>At March 31, 2019</b>	<b>\$ 2,348,512</b>	<b>\$ 16,458</b>	<b>\$ 2,364,970</b>
At December 31, 2018	\$ 2,201,172	\$ -	\$ 2,201,172

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

**Related Party Transactions**

For the three-months ended March 31, 2019, the Company incurred costs for management and Board compensation of \$123,000 (2018 - \$120,000). In addition, \$38,893 of the expense recorded in 2019 (2018 - \$nil) for share-based compensation relates to officers and directors.

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

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

Included in accounts payable and accrued liabilities as of March 31, 2019 is \$44,695 (December 31, 2018 - \$48,407) accrued for officers and directors of the Company.

**Subsequent Events**

On April 26, 2019, the Company completed a non-brokered private placement with gross proceeds of \$282,000 (\$262,790, net of expenses). The private placement consisted of the sale of 1,766,250 units at a price of \$0.16 per Unit. Each Unit consisted of one Common share and one Common share purchase warrant ("Warrant"). Each Warrant

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will be exercisable to acquire one Common share at any time for a period of two years, at an exercise price of \$0.25. The Company issued 79,350 Agent's warrants in connection with the placement.

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

Subsequent to March 31, 2019, the Company was advanced \$50,000 by a Director of the Company, which amount was subsequently The amount advanced was unsecured, due on demand and at an interest rate of 10% per annum.

**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, 2019, MedX has a deficit of \$30,124,215. 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

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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 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 or may occur in the future (including, without limitation, statements regarding financial

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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 30, 2019**