

**MEDX HEALTH CORP.**

**Interim Condensed Consolidated Financial Statements**

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

**(UNAUDITED)**

**(Presented in Canadian dollars)**

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying interim condensed consolidated financial statements for MedX Health Corp. were prepared by management in accordance with International Financial Reporting Standards (IFRS). Management acknowledges responsibility for the preparation and presentation of the interim condensed consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. In the opinion of management, the interim condensed consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standard 34-Interim Financial Reporting, using accounting policies consistent and appropriate in the circumstances.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the interim condensed consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the interim condensed consolidated financial statements and (ii) the interim condensed consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of, and for the periods presented by the interim condensed consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the interim condensed consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the interim condensed consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the interim condensed consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

**The unaudited Interim Condensed Consolidated Financial Statements as at and for the three-month periods ended March 31, 2019 and 2018 have not been reviewed by the Company's auditor.**

**MEDX HEALTH CORP.**

## Interim Condensed Consolidated Statements of Financial Position

(Unaudited)

Presented in Canadian dollars

	March 31 2019	December 31 2018
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 31,024	\$ 38,944
Accounts receivable (Note 3)	47,212	142,348
Inventory (Note 4)	291,196	280,617
Prepaid expenses and deposits	34,341	34,451
	<b>403,773</b>	496,360
Property, equipment and right of use asset (Note 5)	84,998	37,122
Intangible assets (Note 6)	96,136	118,681
	<b>\$ 584,907</b>	<b>\$ 652,163</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Notes 7 and 16)	\$ 1,713,174	\$ 1,601,172
Deferred revenue	54,034	61,334
Demand loans (Note 8)	100,000	100,000
Convertible debt (Note 8)	449,639	434,006
Current portion of lease liability (Note 8)	35,338	-
	<b>2,352,185</b>	2,196,512
Lease liability	16,458	-
	<b>2,368,643</b>	2,196,512
<b>SHAREHOLDERS' DEFICIENCY</b>		
Share capital (Note 9)	19,762,450	19,453,957
Warrants (Note 9)	2,283,078	2,129,045
Equity portion of convertible debt (Note 8)	227,000	227,000
Contributed surplus (Note 9)	6,067,951	5,981,763
Deficit	(30,124,215)	(29,336,114)
	<b>(1,783,736)</b>	<b>(1,544,349)</b>
	<b>\$ 584,907</b>	<b>\$ 652,163</b>

Nature of operations and going concern (Note 1), Commitments and contingencies (Note 15)

Subsequent events (Note 17)

See accompanying notes to the interim condensed consolidated financial statements

**MEDX HEALTH CORP.**

## Interim Condensed Consolidated Statements of Comprehensive Loss

(Unaudited)

Presented in Canadian dollars

<b>Three months ended March 31</b>	<b>2019</b>	<b>2018</b>
<b>Revenue</b>	<b>\$ 184,801</b>	<b>\$ 226,122</b>
<b>Cost of sales</b>	<b>91,834</b>	<b>98,660</b>
<b>Gross profit</b>	<b>92,967</b>	<b>127,462</b>
<b>Expenses</b>		
Selling, general and administrative	<b>552,333</b>	616,043
Product and software development	<b>168,830</b>	119,000
Share-based compensation (Notes 9 and 16)	<b>86,188</b>	5,392
Interest expense	<b>29,251</b>	25,870
Foreign exchange loss	<b>9,763</b>	8,864
Amortization of property, equipment and right of use asset	<b>12,158</b>	1,902
Amortization of intangibles	<b>22,545</b>	22,545
	<b>881,068</b>	799,616
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (788,101)</b>	<b>\$ (672,154)</b>
Loss per share, basic and fully diluted (Note 11)	<b>\$ (0.01)</b>	<b>\$ (0.01)</b>
Weighted average number of shares outstanding	<b>137,094,734</b>	123,801,788

See accompanying notes to the interim condensed consolidated financial statements

## MEDX HEALTH CORP.

### Interim Condensed Consolidated Statements of Changes in Shareholders' Deficiency (Unaudited) Presented in Canadian dollars

#### Three months ended March 31, 2019 and 2018

	Common Shares	Warrants	Equity Portion of Convertible Debt	Contributed Surplus	Deficit	Total
<b>Balance, December 31, 2017</b>	\$ 17,339,612	\$ 1,368,166	\$ 227,000	\$ 4,712,513	\$ (25,149,541)	\$ (1,502,250)
Net loss for the period	-	-	-	-	(672,154)	(672,154)
Issuance of Units	878,941	712,470	-	-	-	1,591,411
Exercise of share options	75,722	-	-	(35,722)	-	40,000
Exercise of warrants	584,085	(93,719)	-	-	-	490,366
Share-based compensation	-	-	-	5,392	-	5,392
<b>Balance, March 31, 2018</b>	\$ 18,878,360	\$ 1,986,917	\$ 227,000	\$ 4,682,183	\$ (25,821,695)	\$ (47,235)
<b>Balance, December 31, 2018</b>	\$ 19,453,957	\$ 2,129,045	\$ 227,000	\$ 5,981,763	\$ (29,336,114)	\$ (1,544,349)
Net loss for the period	-	-	-	-	(788,101)	(788,101)
Issuance of Units	308,493	154,033	-	-	-	462,526
Share-based compensation	-	-	-	86,188	-	86,188
<b>Balance, March 31, 2019</b>	\$ 19,762,450	\$ 2,283,078	\$ 227,000	\$ 6,067,951	\$ (30,124,215)	\$ (1,783,736)

See accompanying notes to the interim condensed consolidated financial statements

**MEDX HEALTH CORP.**

Interim Condensed Consolidated Statements of Cash Flows  
(Unaudited)  
Presented in Canadian dollars

<b>Three months ended March 31</b>	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities</b>		
Net loss for the period	\$ (788,101)	\$ (672,154)
Adjustments for non-cash items		
Amortization of property, equipment and right of use asset	12,158	1,902
Amortization of intangible assets	22,545	22,545
Interest expense	29,251	25,870
Share-based compensation	86,188	5,392
	<b>(637,959)</b>	<b>(616,445)</b>
Net change in non-cash operating working capital items:		
Accounts receivable	95,136	33,449
Inventory	(10,579)	(55,501)
Prepaid expenses and deposits	110	(3,126)
Accounts payable and accrued liabilities	102,077	(236,589)
Deferred revenue	(7,300)	32,714
	<b>179,444</b>	<b>(229,053)</b>
Net cash used in operating activities	<b>(458,515)</b>	<b>(845,498)</b>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	-	(2,396)
Net cash used in investing activities	-	(2,396)
<b>Cash flows from financing activities</b>		
Proceeds from issuance of Units, net of issue costs	462,526	1,558,411
Proceeds from exercises of share options and warrants	-	530,366
Payments of interest	(3,693)	-
Repayment of long-term debt	-	(84,636)
Repayment of lease liability	(8,238)	-
Proceeds from issuance of demand loans	100,000	-
Repayment of demand loans	(100,000)	(200,000)
Net cash from financing activities	<b>450,595</b>	<b>1,804,141</b>
<b>Net change in cash for the period</b>	<b>(7,920)</b>	<b>956,247</b>
Cash, beginning of period	38,944	96,256
<b>Cash, end of period</b>	<b>\$ 31,024</b>	<b>\$ 1,052,503</b>
<b>Non-cash transactions (Notes 5 and 8)</b>	<b>\$ 60,034</b>	<b>\$ 33,000</b>

See accompanying notes to the interim condensed consolidated financial statements

## **MEDX HEALTH CORP.**

Notes to the Interim Condensed Consolidated Financial Statements  
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### **1. NATURE OF OPERATIONS AND GOING CONCERN**

MedX Health Corp. ("MedX" or "the Company") is incorporated under the laws of Ontario. The Company develops, manufactures and markets skin-related screening tools and phototherapy devices for pain relief and tissue repair throughout North America, Europe and Asia.

The Company's shares are listed on the TSX Venture Exchange under the symbol MDX. Its head office, principal address, and registered office is located at 1495 Bonhill Road, Unit #1, Mississauga, ON, L5T 1M2.

The interim condensed consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards on a going concern basis, which contemplates the realization of assets and the discharge of liabilities in the normal course of business for the foreseeable future. As at March 31, 2019, the Company had current liabilities in excess of current assets of \$1,948,412 (December 31, 2018 – \$1,700,152), had an accumulated deficit of \$30,124,215 (December 31, 2018 - \$29,336,114), and shareholders' deficiency of \$1,783,736 (December 31, 2018 - \$1,544,349). These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon achieving a profitable level of operations and obtaining additional financing, neither of which is assured. The Company has raised capital during 2018 and 2019 to date and may require additional capital to continue to develop and market its products and as it continues to develop sales opportunities. These interim condensed consolidated financial statements do not give effect to any adjustments which might be necessary should the Company be unable to continue as a going concern and be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying interim condensed consolidated financial statements. These adjustments could be material.

The Company operates in a single reportable operating segment. The Company develops, manufactures and markets skin-related screening tools and phototherapy devices for pain relief and tissue repair throughout North America, Europe and Asia. As at March 31, 2019, substantially all of the Company's assets are located in Canada.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

#### **Statement of Compliance**

These interim condensed consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), effective for the reporting period ended March 31, 2019, and have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". The interim condensed consolidated financial statements follow the same accounting policies and methods of application as those disclosed in the annual consolidated financial statements for the year ended December 31, 2018, but do not include all the information and disclosures required in the Company's annual financial statements, and with the exception of new accounting policies adopted on January 1, 2019 as described below. The preparation of interim condensed consolidated financial statements in accordance with IAS 34 requires the use of certain accounting estimates, and also requires management to use judgement in applying the Company's accounting policies. The areas that involve judgement and estimates have been disclosed in Note 2 of the Company's 2018 consolidated financial statements.

These interim condensed consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2018.

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The Board of Directors approved these interim condensed consolidated financial statements on May 27, 2019.

### **Basis of Presentation**

These interim condensed consolidated financial statements have been prepared on a historical cost basis. In addition, these interim condensed consolidated financial statements have been prepared using the accrual basis of accounting.

### **Basis of Consolidation**

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

### **Significant Accounting Judgments and Estimates**

There have been no material revisions to the nature and amount or changes in estimates of amounts as reported in the 2018 annual consolidated financial statements.

### **Adoption of New Accounting Standards**

The Company adopted the following new accounting pronouncement in the interim condensed consolidated financial statements.

#### **IFRS 16 – Leases (IFRS 16)**

On January 1, 2019, the Company adopted IFRS 16, which supersedes IAS 17, Leases. IFRS 16 introduces a single accounting model, requiring lessees to recognize assets and liabilities for all major leases. The standard is effective for annual periods beginning on or after January 1, 2019 and the Company is required to apply IFRS 16 to all contracts that are not complete on the date of initial application. The Company applied the modified retrospective approach to remaining lease payments as at January 1, 2019, without restatement of comparative figures presented for 2018 as previously reported under IAS 17. Upon the initial application as of January 1, 2019, a right of use asset and lease liability was recorded with respect to the Company's leased premises, with no net impact on retained earnings. As this lease was previously classified as an operating lease under IAS 17, the lease liability has been measured at the present value of the remaining lease payments, discounted using the incremental borrowing rate as at the date of initial application. Additionally, the right of use asset has been measured at an amount equal to the lease liability.

The result of the initial application of IFRS 16 on January 1, 2019 was to record a right of use asset of \$60,034 and a lease liability of \$60,034. When measuring the lease liability, the Company discounted the remaining lease payments (the operating lease commitments as of December 31, 2018 of \$64,900), using its incremental borrowing rate, estimated to be 10.0%.

### **3. ACCOUNTS RECEIVABLE**

The amount of accounts receivable is net of an allowance for doubtful accounts, which was \$77,959 at March 31, 2019 (December 31, 2018 - \$77,959).



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### 4. INVENTORY

	March 31 2019	December 31 2018
Raw materials	\$ 83,804	\$ 70,966
Work-in-process	42,315	33,340
Finished goods	165,077	176,311
	<b>\$ 291,196</b>	<b>\$ 280,617</b>

For the three months ended March 31, 2019, \$91,834 (2018 - \$98,660) of inventory was included in Cost of sales in the interim condensed consolidated statements of Loss.

### 5. PROPERTY, EQUIPMENT AND RIGHT OF USE ASSET

	Furniture and Office Equipment	Manufacturing Equipment	Right of Use Asset	Total
<b>Cost</b>				
Balance, January 1, 2018	\$ 118,116	\$ 55,112	\$ -	\$ 173,228
Additions	10,850	-	-	10,850
Balance, December 31, 2018	128,966	55,112	-	184,078
<b>Adoption of IFRS 16</b>	-	-	<b>60,034</b>	<b>60,034</b>
<b>Additions</b>	-	-	-	-
<b>Balance, March 31, 2019</b>	<b>\$ 128,966</b>	<b>\$ 55,112</b>	<b>\$ 60,034</b>	<b>\$ 244,112</b>
<b>Accumulated Amortization</b>				
Balance, January 1, 2018	\$ 101,763	\$ 34,558	\$ -	\$ 136,321
Amortization	5,591	5,044	-	10,635
Balance, December 31, 2018	107,354	39,602	-	146,956
<b>Amortization</b>	<b>1,892</b>	<b>1,261</b>	<b>9,005</b>	<b>12,158</b>
<b>Balance, March 31, 2019</b>	<b>\$ 109,246</b>	<b>\$ 40,863</b>	<b>\$ 9,005</b>	<b>\$ 159,114</b>
<b>Carrying Value</b>				
Balance, December 31, 2018	\$ 21,612	\$ 15,510	\$ -	\$ 37,122
<b>Balance, March 31, 2019</b>	<b>\$ 19,720</b>	<b>\$ 14,249</b>	<b>\$ 51,029</b>	<b>\$ 84,998</b>

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### 6. INTANGIBLE ASSETS

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

<b>Cost</b>	
<b>Balance, January 1 and December 31, 2018, March 31, 2019</b>	<b>\$ 518,709</b>
<b>Accumulated Amortization</b>	
Balance, January 1, 2018	\$ 309,846
Amortization	90,182
Balance, December 31, 2018	400,028
<b>Amortization</b>	<b>22,545</b>
<b>Balance, March 31, 2019</b>	<b>\$ 422,573</b>
<b>Carrying Value</b>	
Balance, December 31, 2018	\$ 118,681
<b>Balance, March 31, 2019</b>	<b>\$ 96,136</b>

### 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	<b>March 31 2019</b>	<b>December 31 2018</b>
Accounts payable	<b>\$ 589,934</b>	\$ 399,884
Amounts owing to staff, officers and board of directors	<b>93,988</b>	106,404
Taxes, including unpaid payroll withholdings and related interest, accrued sales and other taxes	<b>534,084</b>	525,710
Other accrued liabilities	<b>495,168</b>	569,174
	<b>\$ 1,713,174</b>	\$ 1,601,172

### 8. DEMAND LOANS AND LONG-TERM DEBT

#### a) Demand loans

As of March 31, 2019, there are \$100,000 of unsecured demand loans outstanding from a corporation controlled by a Director. The loans accrue interest at 10% per annum, payable at the time of repayment. During the three-months ended March 31, 2019 a \$50,000 demand loan outstanding as of December 31, 2018 was repaid and a \$50,000 demand loan was advanced by the same lender on the same terms, with a fee of \$2,500 at the time of the advance. In addition, a \$50,000 unsecured advance was made by a director and subsequently repaid during the three-month period; interest on the advance was 10% per annum, and a fee of \$2,500 was paid to the lender.

Unsecured demand loans totaling \$100,000 were advanced by a corporation controlled by a Director in 2018, which were outstanding as of December 31, 2018, with \$4,000 of fees were paid in relation to these advances. Demand loans totaling \$200,000 were repaid in 2018. These loans,

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all of which were unsecured, consisted of advances from a corporation controlled by a Director. Of the total, \$50,000 was at an interest rate of 10% per annum, and the remaining \$150,000 of the loans were without interest.

### b) Convertible debt

The Convertible debt consists of a \$500,000 loan with a party that is related to a Director of the Company, which is due on December 31, 2019, and bears interest at 8% per annum, paid quarterly. The loan is convertible, in whole or part, at any time 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 of the Company's assets.

As of March 31, 2019, and December 31, 2018, the convertible debt consists of the following:

	<b>March 31</b>		<b>December 31</b>
	<b>2019</b>		<b>2018</b>
Face value	\$ 500,000	\$	500,000
Balance to be accreted	<b>(50,361)</b>		<b>(65,994)</b>
	<b>\$ 449,639</b>	\$	<b>434,006</b>

### c) Lease liability

The Company leases premises consisting of its office and manufacturing facilities. On adoption of IFRS 16, as of January 1, 2019, a liability of \$60,034 was established, representing the lease payments of \$38,828 in 2019 and \$26,072 in 2020, discounted using an incremental borrowing rate of 10.0%. The lease does not include extension options. The balance of the liability as at March 31, 2019 is \$51,796.

### d) Long-term debt

There is no long-term debt outstanding as of March 31, 2019, as a term loan of \$146,422 (US\$116,665) was repaid in 2018. The interest rate on the loan was 8.0% per annum.

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### 9. SHARE CAPITAL

#### Common Shares

**Authorized** - Unlimited number of common shares

#### Issued and outstanding

	Number of shares	Stated Capital
Outstanding at January 1, 2018	112,743,129	17,339,612
Issued for cash (a)	17,064,750	1,206,234
Issued on exercise of share options (b)	400,000	40,000
Reclassification from contributed surplus on option exercise (b)	-	35,722
Issued on exercise of warrants and broker warrants (b)	4,846,022	701,769
Reclassification from warrants on warrant exercises (b)	-	130,620
Outstanding at December 31, 2018	<b>135,053,901</b>	<b>\$ 19,453,957</b>
Issued for cash (a)	<b>2,962,500</b>	<b>308,493</b>
Outstanding at March 31, 2019	<b>138,016,401</b>	<b>\$ 19,762,450</b>

#### a) Shares issued for 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.

The Company allocated the \$474,000 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 value of the Company's shares on the closing date of \$0.15, and the value for the warrants using the Black-Scholes pricing model at the issue date as \$0.07 per share based on a share price volatility of 108% based on historical volatility, a risk-free rate of 1.50%, and with no expected dividend yield over the life of the warrant. As a result, the amount was allocated as to \$316,145 to share capital and \$157,855 to warrants. The Company incurred cash related issue costs, and these costs have been allocated in the same manner as the proceeds, with \$7,652 as a reduction of share capital and \$3,822 as a reduction of the warrants.

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

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.

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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

### b) Shares issued on exercise of share options and warrants

The Company issued 400,000 Common shares in 2018 on the exercise of options. The options were exercised at \$0.10 per share, resulting in proceeds of \$40,000. In addition, the original share-based compensation expense recorded related to these options of \$35,722 was reclassified from Contributed surplus to Common shares. The Company issued 4,754,333 Common shares during 2018 on the exercise of subscriber warrants, resulting in proceeds of \$690,766. In addition, 91,689 Broker warrants were exercised resulting in proceeds of \$11,003. The warrant value originally allocated to the warrants of \$130,620 was reclassified from Warrants to Common shares.

### c) Warrants

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

Included in the January 28, 2019 private placement was the issuance of 2,962,500 warrants, each which will be exercisable to acquire one Common share at any time for a period of three years, at an exercise price of \$0.35.

Warrants outstanding, (including 1,118,973 Broker warrants with a weighted average exercise price of \$0.13), and their expiry dates as of March 31, 2019 are as follows:

	Exercise Price	Warrants	\$
Private Placement – June 6, 2019	\$0.14	7,971,540	212,137
Private Placement – August 2, 2019	\$0.14	1,202,454	31,205
Private Placement – September 2, 2019	\$0.14	6,190,293	168,302
Private Placement – September 15, 2019	\$0.14	3,199,998	87,636
Private Placement – April 21, 2020	\$0.20	6,929,365	350,437
Private Placement – July 14, 2020	\$0.20	2,170,311	95,582
Private Placement – December 15, 2020	\$0.20	6,251,729	292,247
Private Placement – January 23, 2021	\$0.20	14,164,260	709,182
Private Placement – October 11, 2021	\$0.35	2,106,250	121,016
Private Placement – November 22, 2021	\$0.35	1,137,500	61,301
Private Placement – January 28, 2022	\$0.35	2,962,500	154,033
		<b>54,286,200</b>	<b>2,283,078</b>

### e) 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

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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. During the three-months ended March 31, 2019, no options were granted or exercised, and 175,000 options were forfeited.

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, 16,618,750 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 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 in 2019. The options were valued at \$1,398,071 of which \$1,293,391 was expensed 2018, and \$86,188 expensed 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.

### 10. INCOME TAXES

As of December 31, 2018, the Company had non-capital losses, carried forward of approximately \$10,423,795 available to reduce future years' taxable income. These losses expire as follows:

<u>Expiry</u>			
2026 -	\$ 553,339	2032 -	\$ 392,684
2027 -	\$ 101,131	2033 -	\$ 638,392
2028 -	\$ 320,518	2035 -	\$ 494,759
2029 -	\$ 1,418,650	2036 -	\$ 1,175,296
2030 -	\$ 481,214	2037 -	\$ 1,525,829
2031 -	\$ 324,117	2038 -	\$ 2,997,866
			\$10,423,795

### 11. LOSS PER COMMON SHARE

The calculation of basic and diluted loss per share for the three-months ended March 31, 2019 and 2018 was based on the loss attributable to common shareholders of \$788,101 (2018 - \$672,154) and the weighted average number of common shares outstanding of 137,094,734 (2018 - 123,801,788). Diluted loss per share for each of the periods did not include the effect of stock options, warrants or debenture conversions, as they were anti-dilutive.

### 12. REVENUE

The Company has two main product lines; SIAscopy™, a medical device technology that is used to scan skin for suspicious moles and lesions, and phototherapeutic medical devices, which use light energy in lower-level laser and LED to provide effective treatment of pain and tissue damage in the rehabilitation market. Currently, SIAscopy™ products are sold world-wide, while the phototherapeutic products are sold in North America. Sales of the products for the three-months ended March 31, 2019 and 2018 were as follows:

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<b>Three months ended March 31</b>	<b>2019</b>	<b>2018</b>
SIAscopy	\$ 21,563	\$ 39,236
Phototherapeutic lasers	163,238	186,886
	\$ 184,801	\$ 226,122

Sales for the three months ended March 31, 2019 and the year ended December 31, 2018 were made to customers in the following geographic regions: Canada 47%; United States 40%, Europe 7%, Rest of World 6% (Year ended December 31, 2018: Canada 30%; United States 40%, Europe 22%, Rest of World 8%).

Approximately 34% of the Company's revenue to date in 2019 was from two customers (Year ended December 31, 2018 - 25% from two customers).

### 13. FINANCIAL INSTRUMENTS

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

#### Fair Value Measurement

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

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

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

The main risks the Company's financial instruments are exposed to are 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 customers, and often include a deposit for a large portion of the sale or payment in full prior to shipment.

The Company measures the loss allowance at an amount equal to the lifetime ECL that results from possible default events over the expected life of accounts receivables, using a simplified impairment model estimating losses with a provision matrix to measure the lifetime ECL. With respect to the Company's phototherapeutic laser business, the Company has experienced minimal losses, and

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based on the provision matrix developed where a provision is not considered necessary unless account balances exceed 180 days, there is no provision. With respect to sales of the Company's SIAscopy products, where new markets are being developed, the Company reviews individual balances, and as a result recorded a provision of \$77,959 in 2018, that is unchanged in 2019.

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

### *Interest Rate Risk -*

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

### *Foreign Currency Risk -*

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

### *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. Capital was raised in 2018 and to date in 2019, and the Company must raise additional cash to fund its ongoing operating requirements. A portion of the cash raised was in the form of debt, due on a demand basis. The Company is in a position where its liabilities are greater than its assets.

	12 months	1 to 2 years	Total
Accounts payable and accrued liabilities	\$ 1,713,174	\$ -	\$ 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 for additional discussions regarding the contractual maturities of financial liabilities.

## 14. CAPITAL MANAGEMENT

The Company defines its managed capital as the total of demand loans, lease liabilities, convertible debt and shareholders' deficiency including share capital, warrants, equity portion of convertible debt,



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contributed surplus and deficit. As at March 31, 2019, total managed capital was (\$1,182,301) (December 31, 2018 - (\$1,010,343)).

The Company's objectives when managing capital are:

- i. To maintain balance sheet strength, ensuring the Company's strategic objectives are met, while retaining an appropriate amount of leverage; and
- ii. To provide an appropriate return to shareholders relative to the risk of the Company's underlying assets.

The Company manages its capital structure within guidelines approved by the Board of Directors. The Company makes adjustment to its capital structure based on changes in economic conditions and the Company's planned requirements. The Company has the ability to adjust its capital structure by issuing new equity or debt, selling assets to reduce debt, controlling the amount it distributes to shareholders, and adjusting its capital expenditure program. There have been no changes in the Company's approach to capital management during 2019 or 2018. The Company is not subject to externally imposed capital restrictions.

### **15. COMMITMENTS AND CONTINGENCIES**

The Company leases space for its office and manufacturing facility, entering into a five-year lease in 2015; annual minimum lease obligations are \$38,828 in 2019 and \$26,072 in 2020.

A claim was made against the Company in 2010 by a former employee, disputing amounts due relating to his position as Chief Technology Officer, claiming approximately \$418,000 in damages. The Company has filed a counterclaim for breach of contract.

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

Although the outcome of these claims cannot be determined with certainty, management estimates that any potential payments resulting from its outcome is not likely to have a substantial negative impact on the Company's results and financial position.

### **16. RELATED PARTY TRANSACTIONS**

For the three-months ended March 31, 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 for related party transaction disclosure relating to demand loans, convertible debt and stock options issuances.

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

### **17. 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

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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. 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 repaid. The amount advanced was unsecured, due on demand and at an interest rate of 10% per annum.