MEDX HEALTH CORP.

Interim Condensed Consolidated Financial Statements

For the Three Months Ended March 31, 2021 and 2020

(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 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 in 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, 2021 and 2020 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 2021		December 31 2020
ASSETS				
Current assets				
Cash	**$**	**2,155,825**	$	37,948
Accounts receivable (Note 3)		**32,529**		42,787
Inventory (Note 4)		**371,665**		371,756
Prepaid expenses and deposits		**136,503**		56,933
		2,696,522		509,424
Property, equipment and right of use asset (Note 5)		**215,299**		224,966
	$	**2,911,821**	$	734,390
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities (Notes 7 and 16)	**$**	**1,375,078**	$	1,827,800
Deferred revenue		**27,768**		27,768
Demand loans (Note 8)		**-**		184,000
Convertible loan (Note 8)		**500,000**		500,000
Current portion of Long-term debt (Note 8)		**33,984**		32,646
		1,936,830		2,572,214
Long-term debt (Note 8)		**3,263,663**		232,282
		5,200,493		2,804,496
SHAREHOLDERS' DEFICIENCY				
Share capital (Note 9)		**23,005,298**		23,000,870
Warrants (Note 9)		**1,632,001**		2,180,056
Equity portion of convertible debt (Note 8)		**803,264**		227,000
Contributed surplus (Note 9)		**9,107,424**		8,333,908
Deficit		**(36,836,659)**		(35,811,940)
		(2,288,672)		(2,070,106)
	$	**2,911,821**	$	734,390

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

Three months ended March 31		2021		2020
Revenue	**$**	**109,657**	$	95,544
Cost of sales		**60,688**		60,517
Gross profit		**48,969**		35,027
Expenses				
Selling, general and administrative		**748,613**		572,830
Product and software development		**159,620**		46,350
Share-based compensation (Notes 9 and 16)		**64,334**		-
Interest expense		**86,449**		11,298
Loss on debt settlement (Notes 7 and 9)		**-**		107,410
Foreign exchange loss		**2,473**		3,881
Depreciation of property, equipment and right of use asset		**12,199**		10,897
Amortization of intangibles		**-**		22,545
		1,073,688		775,211
Net loss and comprehensive loss for the period	**$**	**(1,024,719)**	$	(740,184)
Loss per share, basic and fully diluted (Note 11)	**$**	**(0.01)**	$	(0.00)
Weighted average number of shares outstanding		**175,951,274**		148,253,270

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, 2021 and 2020

	Common Shares	Warrants	Equity Portion of Convertible Debt	Contributed Surplus	Deficit	Total
Balance, December 31, 2020	**$ 23,000,870**	**$ 2,180,056**	**$ 227,000**	**$ 8,333,908**	**$ (35,811,940)**	**$ (2,070,106)**
Net loss for the period	-	-	-	-	(1,024,719)	(1,024,719)
Exercise of warrants	4,428	-	-	-	-	4,428
Issuance of convertible debentures		161,127	576,264	-	-	737,391
Expiry of warrants	-	(709,182)	-	709,182	-	-
Share-based compensation	-	-	-	64,334	-	64,334
Balance, March 31, 2021	**$ 23,005,298**	**$ 1,632,001**	**$ 803,264**	**$ 9,107,424**	**$ (36,836,659)**	**$ (2,288,672)**
Balance, December 31, 2019	**$ 20,287,147**	**$ 1,981,149**	**$ 227,000**	**$ 7,250,263**	**$ (32,612,464)**	**$ (2,866,905)**
Net loss for the period	**-**	**-**	**-**	**-**	**(740,184)**	**(740,184)**
Issuance of Units	**884,736**	**311,609**	**-**	**-**	**-**	**1,196,345**
Shares issued on debt settlement	**372,465**	**107,016**	**-**	**-**	**-**	**479,481**
Balance, March 31, 2020	**$ 21,544,348**	**$ 2,399,774**	**$ 227,000**	**$ 7,250,263**	**$ (33,352,648)**	**$ (1,931,263)**

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

Three months ended March 31		2021		2020
Cash flows from operating activities				
Net loss for the period	**$**	**(1,024,719)**	$	(740,184)
Adjustments for non-cash items				
Depreciation of property, equipment and right of use asset		**12,333**		12,158
Amortization of intangible assets		**-**		22,545
Loss on debt settlement		**-**		107,410
Accretion of convertible debt		**35,275**		-
Share-based compensation		**64,334**		-
		(912,777)		(598,071)
Net change in non-cash operating working capital items:				
Accounts receivable		**10,258**		37,392
Inventory		**91**		(17,864)
Prepaid expenses and deposits		**(79,570)**		(11,182)
Accounts payable and accrued liabilities		**(447,720)**		(454,256)
Deferred revenue		**-**		9,129
		(516,941)		(436,781)
Net cash used in operating activities		**(1,429,718)**		(1,034,852)
Cash flows from investing activities				
Purchases of property and equipment		**(2,666)**		(5,500)
Net cash used in investing activities		**(2,666)**		(5,500)
Cash flows from financing activities				
Proceeds from issuance of Units, net of issue costs		**-**		1,196,345
Proceeds from exercise of warrants		**4,428**		-
Increase in long-term debt		**3,642,527**		-
Repayment of lease liability		**(7,694)**		(9,212)
Proceeds from issuance of demand loans		**-**		45,000
Repayment of demand loans		**(89,000)**		(100,000)
Net cash from financing activities		**3,550,261**		1,132,133
Net change in cash for the period		**2,117,877**		91,781
Cash, beginning of period		**37,948**		11,920
Cash, end of period	**$**	**2,155,825**	$	103,701
Non-cash transactions (Notes 7, 8 and 16)	**$**	**100,000**	$	372,071

See accompanying notes to the interim condensed consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

MedX Health Corp. ("MedX" or "the Company") is incorporated under the laws of Ontario. The Company develops and manufactures skin-related screening tools and phototherapy devices for pain relief and tissue repair, marketing the latter in Canada and the United States while the skin related screening tools are also marketed in Europe, Australia and selected markets in Asia and Latin America.

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, 2021, the Company had current assets in excess of current liabilities of $759,692 (December 31, 2020 – current liabilities in excess of current assets of $2,062,790), had an accumulated deficit of $36,836,659 (December 31, 2020 - $35,811,940), and shareholders' deficiency of $2,288,672 (December 31, 2020 - $2,070,106). 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 raised capital and debt during 2020 and to date in 2021 and will 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. As of March 31, 2021, substantially all of the Company's assets are located in Canada.

The recent coronavirus (COVID-19) pandemic has impacted and could further impact the Company's operations. A majority of the Company's staff are working remotely. The Company experienced a significant revenue decrease from its laser and light products during 2020, as a large proportion of the users of these products were closed for extended periods. Activity increased subsequently; however, it is unknown as to how the short to medium-term demand will change as circumstances change in various regions. Marketing of MedX's DermSecure™ telemedicine platform has also been significantly impacted to date by COVID-19, in all the markets in which the Company has been actively marketing the product. In addition to the difficulty in meeting with potential customers during this period, reaching out to dermatologists has been hampered, and the regulatory processes in most countries has slowed considerably. Given the uncertainty with respect to the timing and level of recovery from the pandemic on a global basis, the Company's ability to market its products through direct contact with customers may be difficult, and there remains uncertainty around the duration and its broader impact. The Company has not been significantly impacted to date with respect to the supply of inventory, and the Company has been able to raise capital during the period. To date in 2021, the Company received $11,562 under the Canada Emergency Wage Subsidy. During 2020, the Company received an interest-free loan of $60,000 under the Canada Emergency Business Account Program and received $169,426 under the Canada Emergency Wage Subsidy and $26,192 under the CECRA – Rent Relief Program.

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, 2021, 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, 2020, but do not include all the information and disclosures required in the Company’s annual financial statements. The preparation of interim condensed consolidated financial statements in accordance with IAS 34 requires the use of certain accounting estimates and 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 2020 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, 2020.

These interim condensed consolidated financial statements were approved by the Board of Directors effective May 31, 2021.

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 2020 annual consolidated financial statements.

Recent Accounting Pronouncements

At the date of authorization of these interim condensed consolidated financial statements, there are no amendments, revisions or new IFRS standards, which have been issued but are not effective until annual periods beginning after March 31, 2021, that are expected to have a material impact on the Company.

3. ACCOUNTS RECEIVABLE

The amount of accounts receivable is net of an allowance for expected credit losses, which was $26,915 on March 31, 2021 (December 31, 2020 - $26,915).

Presented in Canadian dollars

4. INVENTORY

`		March 31 2021		December 31 2020
Raw materials	**$**	**235,131**	$	233,307
Finished goods		**136,534**		138,449
	$	**371,665**	$	371,756

For the three months ended March 31, 2021, $56,066 (2020 - $53,840) 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
Cost								
Balance, January 1, 2020	$	133,407	$	55,112	$	60,034	$	248,553
Lease expiry		-		-		(60,034)		(60,034)
Additions		5,500		-		214,893		220,393
Balance, December 31, 2020		138,907		55,112		214,893		408,912
Additions		**2,666**		**-**		**-**		**2,666**
Balance, March 31, 2021	**$**	**141,573**	**$**	**55,112**	**$**	**214,893**	**$**	**411,578**
Accumulated Depreciation								
Balance, January 1, 2020	$	113,656	$	43,351	$	36,021	$	193,028
Lease expiry						(60,034)		(60,034)
Depreciation		7,569		5,043		38,340		50,952
Balance, December 31, 2020		121,225		48,394		14,327		183,946
Depreciation		**1,212**		**377**		**10,744**		**12,333**
Balance, March 31, 2021	**$**	**122,437**	**$**	**48,771**	**$**	**25,071**	**$**	**196,279**
Carrying Value								
Balance, December 31, 2020	$	17,682	$	6,718	$	200,566	$	224,966
Balance, March 31, 2021	**$**	**19,136**	**$**	**6,341**	**$**	**189,822**	**$**	**215,299**

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. The asset was fully amortized as of December 31, 2020.

Presented in Canadian dollars

Cost		
Balance, January 1, December 31, 2020 and March 31 2021	**$**	**518,709**
Accumulated Amortization		
Balance, January 1, 2020	$	490,210
Amortization		28,499
Balance, December 31, 2020 and March 31, 2021	**$**	**518,709**
Carrying Value		
Balance, December 31, 2020	$	-
Balance, March 31, 2021	**$**	**-**

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

		March 31 2021		December 31 2020
Accounts payable	**$**	**63,328**	$	563,713
Amounts owing to officers and Board of directors		**118,850**		160,272
Taxes, including unpaid payroll withholdings and related interest, accrued sales and other taxes		**572,058**		559,040
Other accrued liabilities		**620,842**		544,775
	$	**1,375,078**	$	1,827,800

On March 5, 2020, the Company settled $372,071 owing to a vendor by issuing 3,103,878 Units, each Unit consisting of one Common share and one Common share purchase warrant (“Warrant”). Each Warrant will be exercisable to acquire one Common share at any time for a period of two years, at an exercise price of $0.20. In accounting for the settlement, the shares issued were valued at $372,465 and the warrants were valued at $107,016, totaling $479,481, resulting in a loss of $107,410.

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

In addition, during 2020, $102,761 of amounts owing were repaid through subscriptions in a private placement.

8. DEMAND LOANS, CONVERTIBLE LOAN AND LONG-TERM DEBT

a) Demand loans

As of March 31, 2021, there were no demand loans owing to related parties. During the three months ended March 31, 2021, $89,000 of loans were repaid, and $95,000 were settled through participation in a private placement of convertible debentures. While outstanding, these unsecured loans accrued interest at 10% per annum, paid at the time of repayment.

As of December 31, 2020, there were $184,000 of demand loans due to related parties, consisting of $89,000 owing to a Director, and $95,000 owing to a corporation controlled by a Director. All of these loans are unsecured and accrued interest at 10% per annum, payable when the loans are repaid, with fees of $4,750 related to these advances. In addition to the loans outstanding as of December 31, 2020, advances of $45,000 were made to the Company during 2020 (with fees of $2,250 related to these advances), which advances were repaid, as were the loans outstanding as of December 31, 2019.

Presented in Canadian dollars

b) Convertible loan

The Convertible loan consists of a $500,000 loan with a party that is related to a Director of the Company, which was due on December 31, 2019, and considered as due on demand, bearing interest at 8% per annum, paid monthly. The loan is convertible, in whole or part, at any time into common shares of the Company at $0.20 per share. The debt is secured by a general security agreement covering all the Company's assets.

c) Long-term debt

		March 31 2021		December 31 2020
Convertible Debenture Loan Notes	**$**	**3,040,412**	$	-
Lease liability		**197,235**		204,928
Canada Emergency Business Account		**60,000**		60,000
		3,297,647		264,928
Less: Current portion		**(33,984)**		(32,646)
	$	**3,263,663**	$	232,282

Convertible Debenture Loan Notes –

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

In accounting for the $4,000,000 of CDLN's, the Company determined the value of the debt to be $3,356,600, based on the net present value of the loan interest and principal over the term of the loans, using a discount rate of 12.5%, with the remaining $643,400 allocated to the equity portion of the convertible debenture. Cash related issue costs of $257,473 were allocated in the same proportion as the allocation of the CDLN's to debt and equity, reducing the amounts recorded as long-term debt by $216,117 and the equity portion of the debenture by $41,356.

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

Presented in Canadian dollars

The balance of the CDLN's is as follows:

		March 31 2021
Face value	$	4,000,000
Costs of issue		(351,464)
		3,648,536
Balance to be accreted		(608,124)
	$	3,040,412

Lease liability –

The Company leases premises consisting of its office and manufacturing facilities. The Company had a lease in place that ended in August 2020, with a new lease signed, effective September 1, 2020. With respect to the new lease, the lease payments totaling $276,060 over the 60-month term of the lease represented a liability of $214,893 at the start of the lease, based on the lease payments discounted using an incremental borrowing rate of 10.0%. The liability as of March 31, 2021 is $197,235 (December 31, 2020 - $204,928).

Canada Emergency Business Account (CEBA) –

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

9. SHARE CAPITAL

Common Shares

Authorized - Unlimited number of common shares

Issued and outstanding

	Number of shares	Stated Capital
Outstanding at January 1, 2020	143,586,428	$ 20,287,147
Issued for cash (a)	28,539,611	2,256,638
Issued on debt settlements (b)	3,603,878	429,965
Issued for services (c)	194,707	27,120
Outstanding at December 31, 2020	**175,924,624**	**23,000,870**
Issued on exercise of warrants (d)	**36,900**	**4,428**
Outstanding at March 31, 2021	**175,961,524**	**$ 23,005,298**

a) Shares issued for cash

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

Presented in Canadian dollars

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

With respect to the private placements completed in 2020, in each case, the placement consisted of the sale of the number of Units indicated at the Unit Price, and each Unit consisted of one Common share and one Common share purchase warrant ("Warrant"). Each Warrant will be exercisable to acquire one Common share at any time for a period of two years from the respective closing date, at an exercise price of $0.20.

In addition, in connection with the placements, the Company issued 84,000, 506,000, 342,000 and 227,760 Broker warrants in connection with the January 30, 2020, March 4, 2020, April 22, 2020 and May 13, 2020 placements, respectively. The Broker Warrants issued in connection with the placements are exercisable for a period of two years, to acquire a unit at $0.12, comprising a Share and a Warrant exercisable for two years at $0.20.

In accounting for the private placement transactions, at the time of each closing, the Company allocated the gross proceeds between the shares and the warrants issued, based on the relative value of the components. The value of the shares was based on the closing trading value of the Company's shares on each closing date. The value of the warrants was based on a calculation using the Black-Scholes model, as of the date of closing. Cash related issue costs were allocated in the same manner as the proceeds, reducing the amounts recorded as share capital and warrants. 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. See note 9(e) with respect to the calculation of the value of the warrants and Broker warrants.

b) Shares issued on debt settlements

On March 5, 2020, the Company settled $372,071 of debt owed to a vendor by issuing to it 3,103,878 Units, each Unit consisting of one Common share and one Common share purchase warrant ("Warrant"). Each Warrant will be exercisable to acquire one Common share at any time for a period of two years, at an exercise price of $0.20. In accounting for the settlement, the shares issued were valued based on the closing price of the shares on the closing date of $0.12, or $372,465 and the warrants were valued at $107,016, estimated to be $0.03 per warrant using the Black-Scholes pricing model (historic volatility of 79%, 0.92% risk-free interest rate and no expected dividends), resulting in a loss of $107,410.

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

Presented in Canadian dollars

c) Shares issued for services

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

d) Shares issued on exercise of warrants and broker warrants

During the three-months ended March 31, 2021, 36,900 broker warrants were exercised, resulting in proceeds of $4,428.

e) Warrants

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

(WAEP - Weighted-Average Exercise Price)	**Number of Subscriber Warrants**	**WAEP $**
Outstanding at January 1, 2020	40,321,601	0.23
Warrants issued - private placements	28,539,611	0.20
Warrants issued - debt settlement	3,103,878	0.20
Warrants expired	(14,724,324)	0.20
Outstanding at December 31, 2020	**57,240,766**	**0.22**
Warrants expired	**(14,164,260)**	**0.20**
Outstanding at March 31, 2021	**43,076,506**	**0.22**

During 2021, in connection with the private placement of CDLN's, 985,719 broker warrants were issued, with each exercisable to acquire one Unit at $0.14 per Unit. Each Unit is comprised of one fully paid Common share and one-half of a Share Purchase Warrant. Each whole Share Purchase Warrant will be exercisable to purchase one further Common share at the price of $0.20, exercisable for a period expiring on the Maturity Date.

During 2021, 36,900 broker warrants were exercised for proceeds of $4,428.

On January 23, 2021, 13,821,000 subscriber warrants, with an exercise price of $0.20, and 306,360 broker warrants, with an exercise price of $0.12, expired. The $709,182 value originally allocated to these warrants was reclassified to Contributed surplus.

Presented in Canadian dollars

With respect to private placements completed in 2020, the number of warrants and Broker warrants as well as the assumptions used in the Black-Scholes calculations are summarized as follows:

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

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

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

Warrants outstanding, (including 2,325,629 Broker warrants with a weighted average exercise price of $0.13), and their expiry dates as of March 31, 2021 are as follows:

Date Issued	Expiry Date	Exercise Price	# of Warrants	$
October 11, 2018	October 11, 2021	$0.35	**2,106,250**	**121,016**
November 22, 2018	November 22, 2021	$0.35	**1,137,500**	**61,301**
January 28, 2019	January 28, 2022	$0.35	**2,962,500**	**154,033**
April 26, 2019	April 26, 2021	$0.25	**1,845,600**	**76,669**
May 23, 2019	May 23, 2021	$0.25	**850,000**	**36,541**
August 29, 2019	August 29, 2021	$0.20	**1,344,111**	**36,708**
November 4, 2019	November 4, 2021	$0.20	**1,293,800**	**36,053**
November 22, 2019	November 22, 2021	$0.20	**416,666**	**11,380**
January 30, 2020	January 30, 2022	$0.20	**1,569,000**	**46,553**
March 4, 2020	March 4, 2022	$0.20	**7,965,139**	**215,775**
March 5, 2020	March 5, 2022	$0.20	**2,000,000**	**49,281**
March 5, 2020	March 5, 2022	$0.20	**3,103,878**	**107,016**
April 22, 2020	April 22, 2022	$0.20	**9,091,673**	**261,922**
April 27, 2020	April 27, 2022	$0.20	**1,158,333**	**33,125**
April 29, 2020	April 29, 2022	$0.20	**200,000**	**5,584**
May 13, 2020	May 13, 2022	$0.20	**5,115,226**	**151,347**
July 31, 2020	July 31, 2022	$0.20	**2,600,000**	**66,570**
January 27, 2021	December 31, 2023	$0.14	**407,143**	**40,558**
February 3, 2021	December 31, 2023	$0.14	**578,576**	**120,569**
			45,745,395	**1,632,001**

Presented in Canadian dollars

f) 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, 2021, there were 25,315,000 options that have been granted and are outstanding, with 685,000 options available to be granted under the plan. Options generally expire after five years, with vesting provisions stated in the plan.

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

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

The outstanding options have exercise prices in the range of $0.10 and $0.25, an average remaining life of 2.5 years, and as of March 31, 2021, 23,252,500 options are exercisable. The exercisable options have a weighted average remaining life of 2.5 years and a weighted average exercise price of $0.19.

On March 31,2021, 1,850,000 share options were granted to consultants. The options have an exercise price of $0.25 and expire on December 31, 2025, with 25% of the options vesting when granted, and 25% vesting on each of December 31, 2021, June 30, 2022, and December 31, 2022. The options were valued at $226,843, of which $56,711 has been expensed, and the remainder will be expensed as the options vest. The value was determined using the Black-Scholes option pricing model based on a risk-free interest rate of 1.05%, volatility of 95% (based on historical stock price volatility), expected life of 4.75 years, and no expected dividend yield.

On December 2, 2020, the Company granted 900,000 options to a firm in connection with a strategic marketing agreement. The options vest and will become exercisable quarterly, with 225,000 of the options vesting on each of the dates that are three, six, nine and twelve months from the grant date. The options have an exercise price of $0.17 per share and are exercisable for two years. The options were valued at $30,791, of which $7,623 has been expensed in 2021. The value was determined using the Black-Scholes option pricing model based on a risk-free interest rate of 0.53%, volatility of 80% (based on historical stock price volatility), expected life of two years, and no expected dividend yield.

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

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

Presented in Canadian dollars

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

10. INCOME TAXES

As of December 31, 2020, the Company had non-capital losses, carried forward of $15,781,459 available to reduce future years' taxable income. These losses expire as follows:

Expiry			
2026 -	$ 553,339	2033 -	$ 638,392
2027 -	$ 101,131	2035 -	$ 494,759
2028 -	$ 320,518	2036 -	$ 1,175,296
2029 -	$ 1,418,650	2037 -	$ 1,525,829
2030 -	$ 481,214	2038 -	$ 2,943,543
2031 -	$ 324,117	2039 -	$ 2,365,267
2032 -	$ 392,684	2040 -	$ 3,046,720
			$ 15,781,459

11. LOSS PER COMMON SHARE

The calculation of basic and diluted loss per share for the three-months ended March 31, 2021 and 2020 was based on the loss attributable to common shareholders of $1,024,719 (2020 - $740,184) and the weighted average number of common shares outstanding of 175,951,274 (2020 – 148,253,270). 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 including DermSecure™, its telemedicine software application, 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 in Canada, the United States, Europe, Australia and selected markets in Asia and Latin America, while the phototherapeutic products are sold in Canada and the United States.

Presented in Canadian dollars

Sales of the products for the three-months ended March 31, 2021 and 2020 were as follows:

	Three Months Ended March 31	
	2021	2020
SIAscopy	**$ 42,037**	$ 21,778
Phototherapeutic lasers	**67,620**	73,766
	$ 109,657	$ 95,544

Sales for the three-months ended March 31, 2021 and the year ended December 31, 2020 were made to customers in the following geographic regions: Canada 59%, United States 5%, Europe 25%, Rest of World 11% (Year ended December 31, 2020 - Canada 40%, United States 26%, Europe 15%, Rest of World 19%).

Approximately 70% of the Company's revenue for the three-months ended March 31, 2021, was from four customers (Year ended December 31, 2020 - 27% 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 and demand loans approximates fair value due to the relatively short-term maturity of these financial instruments. Convertible debt, lease liabilities and other long-term debt were initially recognized at fair value and categorized as level 2. Subsequent to initial recognition they are carried at amortized cost.

The main risks the Company's financial instruments are exposed to are 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 based on the provision matrix developed where a provision is not considered necessary unless account balances exceed 180 days, there is currently no provision. With respect to sales of the Company's SIAscopy™ products, where new markets are being developed, the Company reviews individual balances, and as a result recorded a provision as of March 31, 2021 of $26,915 (December 31, 2020 - $26,915).

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

Interest Rate Risk -

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

Foreign Currency Risk -

The Company has low exposure to foreign exchange fluctuations with respect to cash as the Company invests surplus funds in Canadian dollar accounts. The Company sells its products internationally. Revenues could be impacted positively or negatively if the exchange rates in the currencies in which the Company sells its products fluctuates. The risk is decreased as customers are invoiced only in currencies that are considered to be stable in international markets. A portion of the Company's costs are from international suppliers and could be impacted by currency fluctuations. However, these requirements are not material to the business, and alternate sources of supply could be utilized if required. There is an impact on the net loss from the translation of the accounts receivable and accounts payable balances at the end of the period that are denominated in currencies other than the Canadian dollar. A 5% change in the exchange rate of those currencies relative to the Canadian Dollar would impact the net loss by less than $1,000.

The objective in managing foreign exchange risk is to monitor expenditure requirements in the short and medium term by currency and convert available cash to match the requirements. The risks are small enough that hedging would not be considered.

Liquidity risk -

Liquidity risk results from an excess of financial liabilities over available financial assets at any point in time. The Company's objective in managing risk is to ensure that it raises the amount of cash required to fund operating losses and to maintain cash to meet its other obligations. In this regard, the Company has had difficulty raising the level of cash required to meet its financial obligations as they have come due, and in some instances has entered into transactions to settle debts through the issuance of shares. Capital and debt has been raised in 2020 and to date in 2021, and the Company must raise additional cash to fund its ongoing operating requirements. The Company is in a position where its liabilities are greater than its assets.

	1 year	**2 to 3 years**	**4 to 5 years**	**Total**
Accounts payable and accrued liabilities	**$ 1,375,078**	**$ -**	**$ -**	**$ 1,375,078**
Lease liability	**33,984**	**85,823**	**95,086**	**214,893**
Other long-term debt	**-**	**4,060,000**	**-**	**4,060,000**
Convertible loan	**500,000**	**-**	**-**	**500,000**
At March 31, 2021	**$ 1,909,062**	**$ 4,145,823**	**$ 95,086**	**$ 6,149,971**
At December 31, 2020	$ 2,544,446	$ 142,657	$ 149,625	$ 2,836,728

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 loans, long-term debt and shareholders' deficiency including share capital, warrants, equity portion of convertible debt, contributed surplus and deficit. As at March 31, 2021, total managed capital was $1,508,975 (December 31,2020 - ($1,121,178)). 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 2020 or 2021. The Company is not subject to externally imposed capital restrictions.

15. COMMITMENTS AND CONTINGENCIES

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 this claim 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, 2021, the Company incurred costs for management and Board compensation of $98,480 (2020 - $134,063). None of the share-based compensation recorded in 2021 relates to management or members of the Board.

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

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

See notes 8 and 9 for other 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, 2021 is $118,850 (December 31, 2020 - $160,272) relating to officers and directors of the Company.

17. SUBSEQUENT EVENTS

On April 26, 2021, 1,845,600 warrants, with an exercise price of $0.25, expired, and on May 23, 2021, 850,000 warrants, with an exercise price of $0.25, expired.

On May 14, 2021, the Company announced a non-brokered Private Placement to accredited investors of up to 13,888,888 units at $0.18 per unit ("Unit"), to raise up to $2,500,000. Each Unit will be comprised of One (1) fully paid common share and One (1) Share Purchase Warrant, exercisable to purchase One (1) further Common Share at the price of $0.25, exercisable for a period of two years from the date of issue. The Company closed a first tranche of the Private Placement by issuing a total of 5,592,221 Units, to raise $1,006,600 on May 14, 2021. In connection with this first Closing, a cash commission of $60,000 was paid.