MEDX HEALTH CORP.

Consolidated Financial Statements

For the Years Ended December 31, 2020 and 2019

(Presented in Canadian dollars)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying 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 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 consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards, 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 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 consolidated financial statements and (ii) the 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 consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the 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 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 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.

(signed)	*(signed)*
Robert von der Porten Chairman and Interim Chief Executive Officer	Jim Cooke Chief Financial Officer

April 28, 2021
Mississauga, Ontario

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BDO Canada LLP
60 Columbia Way, Suite 300
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Independent Auditor's Report

To the Shareholders of MedX Health Corp.

Opinion

We have audited the consolidated financial statements of MedX Health Corp. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2020 and 2019, and the consolidated statements of comprehensive loss, shareholders' deficiency and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has current liabilities in excess of current assets of $2,062,790 during the year ended December 31, 2020 and, as of that date, had an accumulated deficit of $35,811,940. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease

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operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Peter Matutat.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants
Markham, Ontario
April 28, 2021

MEDX HEALTH CORP.

Consolidated Statements of Financial Position

Presented in Canadian dollars

As at December 31		2020		2019
ASSETS				
Current assets				
Cash	**$**	**37,948**	$	11,920
Accounts receivable (Note 3)		**42,787**		54,415
Inventory (Note 4)		**371,756**		237,968
Prepaid expenses and deposits		**56,933**		47,571
		509,424		351,874
Property, equipment and right of use asset (Note 5)		**224,966**		55,525
Intangible assets (Note 6)		**-**		28,499
	$	**734,390**	$	435,898
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities (Notes 7 and 16)	**$**	**1,827,800**	$	2,472,577
Deferred revenue		**27,768**		52,556
Demand loans (Note 8)		**184,000**		252,000
Convertible debt (Note 8)		**500,000**		500,000
Current portion of Lease liability (Note 8)		**32,646**		25,670
		2,572,214		3,302,803
Long-term debt (Note 8)		**232,282**		-
		2,804,496		3,302,803
SHAREHOLDERS' DEFICIENCY				
Share capital (Note 9)		**23,000,870**		20,287,147
Warrants (Note 9)		**2,180,056**		1,981,149
Equity portion of convertible debt (Note 8)		**227,000**		227,000
Contributed surplus (Note 9)		**8,333,908**		7,250,263
Deficit		**(35,811,940)**		(32,612,464)
		(2,070,106)		(2,866,905)
	$	**734,390**	$	435,898

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

Subsequent events (Note 17)

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board of Directors,

"Robert von der Porten" (signed) — Director

"Ken McKay" *(signed)* — Director

MEDX HEALTH CORP.

Consolidated Statements of Comprehensive Loss
Presented in Canadian dollars

Years ended December 31		2020		2019
Revenue	$	**530,066**	$	860,248
Cost of sales		**261,960**		380,428
Gross profit		**268,106**		479,820
Expenses				
Selling, general and administrative		**2,446,573**		2,173,073
Product and software development		**431,163**		535,463
Share-based compensation (Notes 9 and 16)		**345,379**		769,220
Interest expense		**58,174**		125,028
Loss on debt settlements (Note 9)		**99,910**		-
Foreign exchange loss		**11,975**		20,882
Depreciation of property, equipment and right of use asset		**45,909**		42,322
Amortization of intangibles		**28,499**		90,182
		3,467,582		3,756,170
Net loss and comprehensive loss for the year	**$**	**(3,199,476)**	$	(3,276,350)
Loss per share, basic and fully diluted (Note 11)	**$**	**(0.02)**	$	(0.02)
Weighted average number of shares outstanding		**166,559,339**		140,187,856

See accompanying notes to the consolidated financial statements

MEDX HEALTH CORP.

Consolidated Statements of Changes in Shareholders' Deficiency
Presented in Canadian dollars

Years ended December 31, 2020 and 2019

	Common Shares	Warrants	Equity Portion of Convertible Debt	Contributed Surplus	Deficit	Total
Balance, December 31, 2018	$ 19,453,957	$ 2,129,045	$ 227,000	$ 5,981,763	$ (29,336,114)	$ (1,544,349)
Net loss for the year	-	-	-	-	(3,276,350)	(3,276,350)
Issuance of Units	833,190	351,384	-	-	-	1,184,574
Expiry of warrants	-	(499,280)	-	499,280	-	-
Share-based compensation	-	-	-	769,220	-	769,220
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 year	**-**	**-**	**-**	**-**	**(3,199,476)**	**(3,199,476)**
Issuance of Units	**2,256,638**	**830,157**	**-**	**-**	**-**	**3,086,795**
Issue of shares for services	**27,120**	**-**	**-**	**-**	**-**	**27,120**
Expiry of warrants	**-**	**(738,266)**	**-**	**738,266**	**-**	**-**
Share-based compensation	**-**	**-**	**-**	**345,379**	**-**	**345,379**
Shares issued on debt settlements	**429,965**	**107,016**	**-**	**-**	**-**	**536,981**
Balance, December 31, 2020	**$ 23,000,870**	**$ 2,180,056**	**$ 227,000**	**$ 8,333,908**	**$ (35,811,940)**	**$ (2,070,106)**

See accompanying notes to the consolidated financial statements.

MEDX HEALTH CORP.

Consolidated Statements of Cash Flows
Presented in Canadian dollars

Years ended December 31		2020		2019
Cash flows from operating activities				
Net loss for the year	**$**	**(3,199,476)**	$	(3,276,350)
Adjustments for non-cash items				
Depreciation of property, equipment and right of use asset		**50,952**		46,072
Amortization of intangible assets		**28,499**		90,182
Loss on debt settlements		**99,910**		-
Increase (decrease) in provision (recovery) for expected credit losses		**(9,589)**		(41,455)
Shares issued for services		**24,000**		-
Accretion of convertible debt		**-**		65,994
Share-based compensation		**345,379**		769,220
		(2,660,325)		(2,346,337)
Net change in non-cash operating working capital items:				
Accounts receivable		**21,217**		129,388
Inventory		**(133,788)**		42,649
Prepaid expenses and deposits		**(9,362)**		(13,120)
Accounts payable and accrued liabilities		**(101,825)**		871,405
Deferred revenue		**(24,788)**		(8,778)
		(248,546)		1,021,544
Net cash used in operating activities		**(2,908,871)**		(1,324,793)
Cash flows from investing activities				
Purchases of property and equipment		**(5,500)**		(4,441)
Net cash used in investing activities		**(5,500)**		(4,441)
Cash flows from financing activities				
Proceeds from issuance of Units, net of issue costs		**2,984,034**		1,184,574
Increase in long-term debt		**60,000**		-
Repayment of lease liability		**(35,635)**		(34,364)
Proceeds from issuance of demand loans		**229,000**		422,000
Repayment of demand loans		**(297,000)**		(270,000)
Net cash from financing activities		**2,940,399**		1,302,210
Net change in cash for the year		**26,028**		(27,024)
Cash, beginning of year		**11,920**		38,944
Cash, end of year	**$**	**37,948**	$	11,920
Non-cash transactions (Notes 7 and 9)	**$**	**539,832**	$	-

See accompanying notes to the 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 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 December 31, 2020, the Company had current liabilities in excess of current assets of $2,062,790 (December 31, 2019 – $2,950,929), had an accumulated deficit of $35,811,940 (December 31, 2019 - $32,612,464), and shareholders' deficiency of $2,070,106 (December 31, 2019 - $2,866,905). 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 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 consolidated financial statements do not give effect to any adjustments which might be necessary should the Company be unable to continue as a going concern and be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying consolidated financial statements. These adjustments could be material.

The Company operates in a single reportable operating segment. As of December 31, 2020, 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 the first half of 2020, as a large proportion of the users of these products were closed for extended periods. Activity increased subsequently; however, it is unknown as to how the short to medium-term demand will change as circumstances change in various regions. Marketing of MedX's DermSecure™ telemedicine platform has also been significantly impacted to date by COVID-19, in all the markets in which the Company has been actively marketing the product. In addition to the difficulty in meeting with potential customers during this period, reaching out to dermatologists has been hampered, and the regulatory processes in most countries has slowed considerably. Given the uncertainty with respect to the timing and level of recovery from the pandemic on a global basis, the Company's ability to market its products through direct contact with customers may be difficult, and there remains uncertainty around the duration and its broader impact. The Company has not been significantly impacted to date with respect to the supply of inventory, and the Company has been able to raise capital during the period. 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 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 December 31, 2020.

These consolidated financial statements were approved by the Board of Directors effective April 28, 2021.

Basis of Presentation

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

Recent Accounting Pronouncements

At the date of authorization of these 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 December 31, 2020 that are expected to have a material impact on the Company.

Basis of Consolidation

These 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

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.

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.

Estimates:

Deferred revenue – Deferred revenue is estimated based on the period over which revenue is recognized and an estimate of the portion of the amount of revenue related to the performance obligation recognized over time.

Expected credit losses – Management estimates the collectability of specific accounts and records an appropriate allowance for credit losses, as discussed in Note 13 – Credit Risk.

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

Other estimates – Estimates are also used in determining, but are not limited to, share-based compensation, warrants, the useful lives of assets, the amount of right of use assets, the valuation of convertible loans, the equity component of convertible loans, the loss on debt settlements, shares for services, the valuation of intangibles and deferred income taxes, which are discussed in Note 2 and in their respective notes.

Income taxes

Income tax expense represents the sum of current income taxes and deferred income taxes. Current and deferred taxes are recognized in profit and loss, except to the extent that it relates to items recognized in other comprehensive loss or directly in equity. Under these circumstances, the taxes are recognized in other comprehensive loss or directly in equity.

Current income taxes -

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute current income tax assets and liabilities are measured at tax rates which have been enacted or substantively enacted at the reporting date. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred income taxes -

Deferred income taxes are provided using the asset and liability method applied to temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, and carry forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax losses can be utilized except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred income tax assets and deferred income tax liabilities are offset if, a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Related party transactions

Parties are considered related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered a related party transaction when there is a transfer of resources or obligations between related parties.

Share-based payment transactions

Employees, directors, and service providers of the Company may receive a portion of their compensation in the form of share-based payment transactions, whereby services are rendered as consideration for equity instruments (“equity-settled transactions”).

Options granted to employees and others providing similar services are measured at the fair value of goods or services received unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or services received, the Company would measure the value and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted, which the Company does using the Black-Scholes option- pricing model. The fair value of the options granted is determined as at the grant date.

Stock options granted to non-employees are valued at the fair value of the goods or service received, measured at the date on which the goods are received, or the services rendered. If the Company cannot estimate reliably the fair value of the goods or services received, it measures the value and the corresponding increase in equity, indirectly, by reference to the fair value of the equity instruments granted, which the Company does using the Black-Scholes option- pricing model. The fair value of the options granted is determined as at the grant date.

Net loss and comprehensive loss per share

Loss per share and comprehensive loss per share are based on the weighted average number of common shares outstanding for the year. In a year when the Company reports a loss and comprehensive loss, the effect of potential issuances of shares under convertible debentures, options and warrants outstanding would be anti-dilutive and, therefore basic and diluted loss and comprehensive loss per share are the same.

Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Common shares (share capital) and subscriber warrants

Common shares are classified as share capital. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects. Where common shares and subscriber warrants are offered together as a "unit", the Company allocates the consideration received per unit, net of any issuance costs, to the common shares and warrants based on their relative fair values. The fair value of warrants is measured using a Black-Scholes option pricing model.

Financial instruments

Financial assets

Financial assets are initially recorded at fair value and after initial recognition are either measured at amortized cost or at fair value, as Fair value through profit or loss ("FVTPL") or at Fair value through other comprehensive income (FVOCI) as either Certain Debt Instruments or Certain equity instruments. Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through operations.

Financial assets are classified and subsequently measured at amortized cost based on meeting the following criteria of (i) Hold to collect business model test – the asset being held within a business model whose objective is to hold the financial asset in order to collect contractual cash flows and (ii) Solely payments of principal and interest (SPPI) contractual cash flow characteristics test – the contractual terms of the financial asset give rise to cash flow that are SPPI on the principal amount outstanding on a specified date.

Expected credit losses associated with accounts receivable and contract assets require management to assess forward looking and economic factors to determine whether there is a significant increase in credit risk as well as the expected provision on the balance outstanding as at the end of the period.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities

All financial liabilities are initially recorded at fair value and designated upon inception as either at amortized cost or at FVTPL. Financial liabilities are measured at amortized cost unless either the financial liability is held for trading and is therefore measured at FVTPL, or the Company elects to measure the financial liability at FVTPL

The Company applies the following classifications to each of its significant categories of financial instruments:

Asset/Liability	Category/Measurement	Measurement
Cash	Amortized cost	Amortized cost
Accounts receivable	Amortized cost	Amortized cost
Accounts payable and accrued liabilities	Amortized cost	Amortized cost
Demand loans	Amortized cost	Amortized cost
Long-term debt	Amortized cost	Amortized cost
Convertible Loans	Amortized cost	Amortized cost

Foreign currency

a. Functional and presentation currency

These consolidated financial statements are presented in Canadian dollars, which is the functional and presentation currency of the Company and its wholly-owned subsidiaries.

b. Foreign currency transactions

Foreign currency monetary assets and liabilities are translated into the entity's functional currency using the closing rate at the end of each reporting period. Non-monetary assets and liabilities are translated at the rates on the date the fair value was determined or at historical cost using the rate at the date of the transaction. Translation gains and losses are included in the consolidated statement of comprehensive loss.

Revenue recognition

The majority of the Company's revenue is derived from selling medical devices, with revenue recognized at the point in time when the goods are shipped and considered transferred to the customer. The level of judgement required in determining the point at which control is passed to the customer is low, as upon shipment, the Company no longer has possession of the products, will have received full, partial or a right to full payment, and the risks and rewards of ownership of the product have been assumed by the customer.

All of the medical devices sold by the Company include warranties which require it to repair or replace products during the warranty period if the product fails to work to the specifications agreed at the time of sale. Such warranties are not accounted for as separate performance obligations, and no revenue is allocated to them.

A portion of the Company's medical device products involve a device that is integrated with software that is licensed to the end user of the product, such that the device is attached to a computer on which the software resides, and data from the operation of the device is interpreted and displayed for the user. As the software is integral to the functionality and operation of the device and the software is dependent on the data from the device to provide benefits to the customer, the granting of the license is not considered distinct from the device, and the Company accounts for the software and granting of its license and the device as a single performance obligation. During the license period, the Company maintains the software and provides limited support to the customer, which the Company considers to be a separate performance obligation, for which it allocates a portion of the price, and recognizes this revenue over the license period.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and short-term, highly liquid investments with maturities when acquired of less than three months, held for purposes of meeting short-term cash requirements.

Inventory

Raw materials, work-in-process and finished goods inventories are stated at the lower of cost and net realizable value, with cost determined on a weighted average basis. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Finished goods and work-in-process inventory costs include raw materials, direct labour and allocation of overheads. A provision for shrinkage and obsolescence is calculated based on historical experience. Management reviews the entire provision to assess whether, based on economic conditions, it is adequate.

Product and software development

Expenditures on research, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized as an expense when incurred.

Development costs are expensed as incurred, unless all of the following criteria are met: the intention and the technical feasibility of completing the intangible asset for use or sale; the ability to use or sell the intangible asset; probable future economic benefits; resources to complete the development; and the ability to measure the expenditure attributable to the intangible asset during development. As at December 31, 2020 and 2019, as it is not yet possible to determine the level of certainty that the economic benefits are probable, no development costs have been capitalized.

Property, equipment and right of use asset

Property and equipment are recorded at cost net of accumulated depreciation and write-downs for impairment, if any. Depreciation is calculated on a straight-line basis over the remaining term of the lease for the right of use asset, and using the declining balance method over their estimated useful lives for property and equipment, at the following annual rates:

Furniture	-	20%
Computers	-	30%
Manufacturing equipment	-	20% - 30%
Right of use asset	-	term of lease

Intangible assets

Patents and other intangibles are recorded at cost, net of accumulated amortization and write-downs for impairment. On the basis they have a finite useful life, they are amortized on a straight-line basis over their estimated useful life which management estimates at 7 years.

Leases

Leases are accounted for by recognizing a right-of-use asset in property and equipment and a lease liability, except for leases of low value assets and leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless this is not readily determinable, in which case the Company's incremental borrowing rate on commencement of the lease is used. Further, lease terms are based on assumptions regarding extension terms that allow for operational flexibility and favorable future market conditions.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for lease payments made at or before commencement of the lease, initial direct costs incurred and the amount of any provision recognized where the Company is contractually required to restore the leased asset.

Subsequent to initial measurement, lease liabilities increase as a result of interest at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortized on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset, whichever is shorter.

Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to present value using a pre-tax discount rate that reflects the current market of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of comprehensive loss, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Presented in Canadian dollars

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

3. ACCOUNTS RECEIVABLE

The amount of accounts receivable is net of an allowance for expected credit losses, which was $26,915 on December 31, 2020 (December 31, 2019 - $36,504).

4. INVENTORY

		2020		2019
Raw materials	**$**	**160,651**	$	80,559
Work-in-process		**72,656**		21,548
Finished goods		**138,449**		135,861
	$	**371,756**	$	237,968

For the year ended December 31, 2020, $233,099 (2019 - $330,753) of inventory was included in Cost of sales in the 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, 2019	$	128,966	$	55,112	$	-	$	184,078
Adoption of IFRS 16		-		-		60,034		60,034
Additions		4,441		-		-		4,441
Balance, December 31, 2019		133,407		55,112		60,034		248,553
Additions		**5,500**		**-**		**-**		**5,500**
Additions during the year		**-**		**-**		**214,893**		**214,893**
Lease expiry		**-**		**-**		**(60,034)**		**(60,034)**
Balance, December 31, 2020	**$**	**138,907**	**$**	**55,112**	**$**	**214,893**	**$**	**408,912**
Accumulated Depreciation								
Balance, January 1, 2019	$	107,354	$	39,602	$	-	$	146,956
Depreciation		6,302		3,749		36,021		46,072
Balance, December 31, 2019		113,656		43,351		36,021		193,028
Depreciation		**7,569**		**5,043**		**38,340**		**50,952**
Lease expiry		**-**		**-**		**(60,034)**		**(60,034)**
Balance, December 31, 2020	**$**	**121,225**	**$**	**48,394**	**$**	**14,327**	**$**	**183,946**
Carrying Value								
Balance, December 31, 2019	$	19,751	$	11,761	$	24,013	$	55,525
Balance, December 31, 2020	**$**	**17,682**	**$**	**6,718**	**$**	**200,566**	**$**	**224,966**

Presented in Canadian dollars

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 has been fully amortized as of December 31, 2020.

Cost		
Balance, January 1 and December 31, 2019 and 2020	**$**	**518,709**
Accumulated Amortization		
Balance, January 1, 2019	$	400,028
Amortization		90,182
Balance, December 31, 2019		490,210
Amortization		**28,499**
Balance, December 31, 2020	**$**	**518,709**
Carrying Value		
Balance, December 31, 2019	$	28,499
Balance, December 31, 2020	**$**	**-**

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.

		2020		2019
Accounts payable	**$**	**563,713**	$	1,085,424
Amounts owing to officers and Board of directors		**160,272**		209,037
Taxes, including unpaid payroll withholdings and related interest, accrued sales and other taxes		**559,040**		564,132
Other accrued liabilities		**544,775**		613,984
	$	**1,827,800**	$	2,472,577

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 AND LONG-TERM DEBT

a) Demand loans

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 accrue 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, in addition to the repayment of the loans outstanding as of December 31, 2019.

As of December 31, 2019, there were $252,000 of unsecured demand loans due to related parties. The loans were accruing interest at 10% per annum, payable at the time of repayment. During 2019, a total of $422,000 of advances were made to the Company (with fees of $21,350 paid related to these advances) and the Company repaid $270,000 of the loans. Loans of $102,000 were advanced to the Company by a corporation controlled by a Director, and $50,000 of loans repaid to this party, and the balance of loans owing to this lender as of December 31, 2019 was $152,000. Loans of $320,000 were made by a Director during 2019, of which $220,000 were repaid during the year, and $100,000 was due to this lender as of December 31, 2019.

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 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) 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. On adoption of IFRS 16 at the beginning of 2019, a liability of $60,034 was established, representing the lease payments of $64,900 remaining on the lease in 2019 and 2020, discounted using an incremental borrowing rate of 10.0%. As the lease expired during 2020, there is no liability related to this lease as of December 31, 2020 (December 31, 2019 - $25,670).

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 December 31, 2020 is $204,928, of which $32,646 is the current portion.

d) 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.

Presented in Canadian dollars

9. SHARE CAPITAL

Common Shares

Authorized - Unlimited number of common shares

Issued and outstanding

	Number of shares	Stated Capital
Outstanding at January 1, 2019	135,053,901	$ 19,453,957
Issued for cash (a)	8,532,527	833,190
Outstanding at December 31, 2019	**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**

a) Shares issued for cash

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

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(d) with respect to the calculation of the value of the warrants and Broker warrants.

Presented in Canadian dollars

During 2019, the Company raised net proceeds of $1,184,574 from private placements, summarized as follows:

Date	# of Units	Unit Price	Gross Proceeds	Issue Costs	Net Proceeds	Broker Warrants	Allocation to Shares	Allocation to Warrants
January 28	2,962,500	$ 0.16	$ 474,000	$ 11,474	$ 462,526	$ -	$ 308,493	$ 154,033
April 26	1,766,250	$ 0.16	282,600	24,891	257,709	10,099	181,040	76,669
May 23	850,000	$ 0.16	136,000	3,930	132,070	-	95,529	36,541
August 29	1,286,111	$ 0.12	154,333	11,581	142,752	4,297	106,044	36,708
November 4	1,251,000	$ 0.12	150,120	9,103	141,017	3,387	104,964	36,053
November 22	416,666	$ 0.12	50,000	1,500	48,500	-	37,120	11,380
	8,532,527		$ 1,247,053	$ 62,479	$ 1,184,574	$ 17,783	$ 833,190	$ 351,384

With respect to the private placements completed in 2019, 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”). The terms of the Warrants issued were as follows:

- January 28, 2019 placement - 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.
- April 26, 2019 placement - 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 79,350 Broker Warrants issued in connection with the placement are exercisable for a period of two years, to acquire a unit at $0.16, comprising a Share and a Warrant exercisable until April 26, 2021, at $0.25.
- May 23, 2019 placement - 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.
- August 29, 2019, November 4, 2019 and November 22, 2019 placements – 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. The 58,000 and 42,800 Broker Warrants issued in connection with the August 29, 2019 and November 4, 2019 placements, respectively, are exercisable for a period of two years, to acquire a unit at $0.12, comprising a Share and a Warrant exercisable at $0.20.

The accounting for the private placement transactions in 2019 is as noted above. See note 9(d) 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

Presented in Canadian dollars

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.

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) Warrants

The Company has issued subscriber warrants in connection with share 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.

	Number of Subscriber Warrants	Weighted-Average Exercise Price $
Outstanding at January 1, 2019	50,204,727	0.19
Warrants issued - private placements	8,532,527	0.27
Warrants expired	(18,415,653)	0.14
Outstanding at December 31, 2019	**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**

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

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

Presented in Canadian dollars

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.

The number of warrants and Broker warrants issued in connections with the private placements completed in 2019, 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 28	2,962,500	3	$ 0.35	-	$ 0.150	1.50%	108%	$ 0.07
April 26	1,766,250	2	$ 0.25	79,350	$ 0.150	1.45%	93%	$ 0.06
May 23	850,000	2	$ 0.25	-	$ 0.150	1.45%	94%	$ 0.06
August 29	1,286,111	2	$ 0.20	58,000	$ 0.100	1.58%	90%	$ 0.03
November 4	1,251,000	2	$ 0.20	42,800	$ 0.105	1.59%	89%	$ 0.03
November 22	416,666	2	$ 0.20	-	$ 0.105	1.60%	88%	$ 0.03

The 79,350 Broker Warrants issued in connection with the April 26, 2019 placement are exercisable for a period of two years, to acquire a unit at $0.16, comprising a Share and a Warrant exercisable at $0.25. The 58,000 and 42,800 Broker Warrants issued in connection with the August 29, 2019 and November 4, 2019 placements, respectively, are exercisable for a period of two years, to acquire a unit at $0.12, comprising a Share and a Warrant exercisable at $0.20.

During 2019, 18,415,653 warrants, with an exercise price of $0.14 relating to private placements in 2016 expired. The $499,280 value originally allocated to the warrants (net of amounts previously reclassified) was reclassified to Contributed surplus.

Presented in Canadian dollars

Warrants outstanding, (including 1,683,170 Broker warrants with a weighted average exercise price of $0.12), and their expiry dates as of December 31, 2020 are as follows:

Date Issued	Expiry Date	Exercise Price	# of Warrants	$
January 23, 2018	January 23, 2021	$0.20	**14,164,260**	**709,182**
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**
			58,923,936	**2,180,056**

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 conditions, may be granted options to purchase common shares of the Company. As at December 31, 2020, there were 23,465,000 options that have been granted and are outstanding, with 2,535,000 options available to be granted under the plan. Options generally expire after five years, with vesting provisions stated in the plan.

Presented in Canadian dollars

Activity in the Company's stock option plan for the years ended December 31, 2020 and 2019 is summarized as follows:

	Number of Options	Weighted-Average Exercise Price $
Outstanding, January 1, 2019	18,100,000	0.17
Granted	6,990,000	0.17
Expired/forfeited	(7,325,000)	0.10
Outstanding, December 31, 2019	**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**

The outstanding options have exercise prices in the range of $0.10 and $0.25, an average remaining life of 2.6 years, and as of December 31, 2020, 22,565,000 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 December 2, 2020, the Company granted 900,000 options to a firm in connection with a strategic marketing agreement. The options vest and will become exercisable quarterly, with 225,000 of the options vesting on each of the dates that are three, six, nine and twelve months from the grant date. The options have an exercise price of $0.17 per share and are exercisable for two years. The options were valued at $41,287, which amount 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 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 has been 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 has been expensed in 2020. The value was determined using the Black-Scholes option pricing model based on a risk-free interest rate of 0.6%, volatility of 86% (based on historical stock price volatility), expected life of three years, and no expected dividend yield.

On each of April 15 and April 20, 2020, the Company granted 500,000 share options to consultants, which vested on the grant date. The options have an exercise price of $0.18 and $0.17 per share, expiring three and five years from the date of issue, respectively. The options were valued at $86,946, which has been 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.

On December 31, 2019, the Company granted 5,990,000 share options to members of the Board of Directors, management, employees and consultants. The options have an exercise price of $0.17 per share, expire five years from the date of issue, and were vested as of the grant date.

Presented in Canadian dollars

The options were valued at $594,862, which was expensed in 2019. The value was determined using the Black-Scholes option pricing model based on a risk-free interest rate of 1.68%, volatility of 111% based on historical stock price volatility, expected life of five years, and no expected dividend yield.

On September 30, 2019, the Company granted 1,000,000 share options to a member of management and the Board of Directors. The options, which were vested as of December 31, 2019, have an exercise price of $0.16 per share and expire four years from the date of issue. The options were valued at $69,677, which was expensed in 2019. The value was determined using the Black-Scholes option pricing model based on a risk-free interest rate of 1.90%, volatility of 107% based on historical stock price volatility, expected life of four years, and no expected dividend yield.

During 2019, the remaining $104,681 of the $1,398,071 value attributed to 7,375,000 share options granted in 2018 under the Company's Stock Option Plan was expensed. The options have an exercise price of $0.25 per share, expire five years from the date of issue, and are fully vested.

10. INCOME TAXES

a) Income taxes

	2020	**2019**
Net loss before income tax	**(3,199,476)**	(3,276,350)
Combined federal and provincial statutory income tax rate	**26.50%**	26.50%
Expected recovery at statutory rate	**(847,861)**	(868,233)
Non-deductible expenses and other permanent differences	**118,050**	217,130
Change in deferred tax assets not recognized	**853,556**	654,028
Other	**(123,745)**	(2,925)
	-	-

b) Deferred tax assets and liabilities

The tax effects of temporary differences that give rise to the deferred income tax assets at December 31, 2020 and 2019 are as follows:

	2020	**2019**
Non-capital losses	**4,182,087**	3,340,948
Capital loss	**314,441**	314,441
Deferred compensation	**131,374**	185,226
Share issuance costs	**98,306**	47,532
PPE, intangibles and CEC	**96,813**	84,498
	4,823,021	3,972,645
Deferred tax assets not recognized	**(4,823,021)**	(3,972,645)
Net expected deferred income tax recovery	**-**	-

Presented in Canadian dollars

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 years ended December 31, 2020 and 2019 was based on the loss attributable to common shareholders of $3,199,476 (2019 - $3,276,350) and the weighted average number of common shares outstanding of 166,559,339 (2019 – 140,187,856). 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. Sales of the products for the years ended December 31, 2020 and 2019 were as follows:

		2020		2019
SIAscopy	**$**	**201,766**	$	147,494
Phototherapeutic lasers		**328,300**		712,754
	$	**530,066**	$	860,248

Sales for the years ended December 31, 2020 and 2019 were made to customers in the following geographic regions: Canada 40%, United States 26%, Europe 15%, Rest of World 19% (2019 - Canada 37%, United States 47%, Europe 11%, Rest of World 5%).

Approximately 27% of the Company's revenue for the year ended December 31, 2020 was from two customers (2019 - 12% from one customer).

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 December 31, 2020 of $26,915 (2019 - $36,504).

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 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.

Presented in Canadian dollars

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. A portion of the cash raised to the end of 2020 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	2 to 5 years	Total
Accounts payable and accrued liabilities	$ 1,827,800	$ -	$ -	$ 1,827,800
Demand loans	184,000	-	-	184,000
Long-term debt	-	60,000		60,000
Lease liability	32,646	82,657	89,625	204,928
Convertible debt	500,000	-	-	500,000
At December 31, 2020	**$ 2,544,446**	**$ 142,657**	**$ 89,625**	**$ 2,776,728**
At December 31, 2019	$ 3,250,247	$ -	$ -	$ 3,250,247

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, long-term debt and shareholders' deficiency including share capital, warrants, equity portion of convertible debt, contributed surplus and deficit. As at December 31, 2020, total managed capital was ($1,121,178) (2019 - ($2,089,235)). 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 2020. 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 year ended December 31, 2020, the Company incurred costs for management and Board compensation of $442,936 (2019 - $541,000). For the year ended December 31, 2020, $62,937 (2019 – $522,901) of the expense recorded for share-based compensation related to officers and directors.

During 2020, $39,000 owing to management was repaid through subscriptions 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 December 31, 2020 is $160,272 (December 31, 2019 - $209,037) relating to officers and directors of the Company.

17. SUBSEQUENT EVENTS

On January 23, 2021, 14,090,460 warrants, with an exercise price of $0.20, expired, and on April 26, 2021, 1,845,600 warrants, with an exercise price of $0.25, expired.

Subsequent to December 31, 2020, 36,900 broker warrants were exercised, resulting in proceeds of $4,428.

Subsequent to December 31, 2020, the Company completed a private placement of Convertible Debenture Loan Notes, with gross proceeds of $4,000,000 ($3,743,250, net of expenses). The Convertible Notes 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 Convertible Notes 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 (1) fully paid Common share and one-half (1/2) of a Share Purchase Warrant. Each whole Share Purchase Warrant will be exercisable to purchase one (1) further Common share at the price of $0.20, exercisable for a period expiring on the Maturity Date. In connection with the placement, $210,000 of cash commissions were paid to Agents, and 985,719 Agent's Warrants have been issued, with each non-transferable Agent's Warrant exercisable to acquire one Unit at $0.14 per Unit, at any time up to the Maturity Date.

Subsequent to December 31, 2020, the Company repaid the $184,000 of demand loans owing to Directors as of December 31, 2020.

Subsequent to December 31, 2020, 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.