MEDX HEALTH CORP.

Consolidated Financial Statements

For the Years Ended December 31, 2018 and 2017

(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)*
Scott Spearn Chief Executive Officer	Jim Cooke Chief Financial Officer

April 30, 2019
Mississauga, Ontario

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BDO Canada LLP
60 Columbia Way, Suite 300
Markham, ON L3R 0C9

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, 2018 and 2017, 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, 2018 and 2017, 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 $1,700,152 during the year ended December 31, 2018 and, as of that date, had an accumulated deficit of $29,336,114. 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

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the going concern basis of accounting unless management either intends to liquidate the Company or to cease 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 30, 2019

MEDX HEALTH CORP.

Consolidated Statements of Financial Position

Presented in Canadian dollars

As at December 31	2018	2017
ASSETS		
Current assets		
Cash	**$ 38,944**	$ 96,256
Accounts receivable (Note 3)	**142,348**	113,953
Inventory (Note 4)	**280,617**	146,430
Prepaid expenses and deposits	**34,451**	68,569
	496,360	425,208
Property and equipment (Note 5)	**37,122**	36,907
Intangible assets (Note 6)	**118,681**	208,863
	$ 652,163	$ 670,978
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Notes 7 and 16)	**$ 1,601,172**	$ 1,422,831
Deferred revenue	**61,334**	27,252
Demand loans (Note 8)	**100,000**	200,000
Convertible debt (Note 8)	**434,006**	-
Current portion of long-term debt (Note 8)	**-**	146,422
	2,196,512	1,796,505
Convertible debt (Note 8)	**-**	376,723
	2,196,512	2,173,228
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 9)	**21,583,002**	18,707,778
Equity portion of convertible debt (Note 8)	**227,000**	227,000
Contributed surplus (Note 9)	**5,981,763**	4,712,513
Deficit	**(29,336,114)**	(25,149,541)
	(1,544,349)	(1,502,250)
	$ 652,163	$ 670,978

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

"Scott Spearn" *(signed)*
Director

MEDX HEALTH CORP.

Consolidated Statements of Comprehensive Loss

Presented in Canadian dollars

Years ended December 31	2018	2017
Revenue	**$ 1,087,426**	$ 1,093,239
Cost of sales	**398,237**	478,748
Gross profit	**689,189**	614,491
Expenses		
Selling, general and administrative	**2,492,458**	1,554,133
Product and software development	**880,772**	182,461
Share-based compensation (Notes 9 and 16)	**1,304,972**	277,290
Interest expense	**101,890**	115,620
Foreign exchange loss (gain)	**(103)**	(5,353)
Amortization of property and equipment	**5,591**	4,596
Amortization of intangibles	**90,182**	90,182
	4,875,762	2,218,929
Net loss and comprehensive loss for the year	**$ (4,186,573)**	$ (1,604,438)
Loss per share, basic and fully diluted (Note 11)	**$ (0.03)**	$ (0.02)
Weighted average number of shares outstanding	**130,346,865**	103,749,259

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, 2018 and 2017

	Common Shares	Warrants	Equity Portion of Convertible Debt	Contributed Surplus	Deficit	Total
Balance, December 31, 2016	$ 16,445,020	$ 612,508	$ 227,000	$ 4,435,223	$ (23,545,103)	$ (1,825,352)
Net loss for the year	-	-	-	-	(1,604,438)	(1,604,438)
Issuance of Units	894,592	755,658	-	-	-	1,650,250
Share-based compensation	-	-	-	277,290	-	277,290
Balance, December 31, 2017	$ 17,339,612	$ 1,368,166	$ 227,000	$ 4,712,513	$ (25,149,541)	$ (1,502,250)
Net loss for the year	-	-	-	-	(4,186,573)	(4,186,573)
Issuance of Units	1,206,234	891,499	-	-	-	2,097,733
Exercise of share options	75,722	-	-	(35,722)	-	40,000
Exercise of warrants	832,389	(130,620)	-	-	-	701,769
Share-based compensation	-	-	-	1,304,972	-	1,304,972
Balance, December 31, 2018	$ 19,453,957	$ 2,129,045	$ 227,000	$ 5,981,763	$ (29,336,114)	$ (1,544,349)

See accompanying notes to the consolidated financial statements

MEDX HEALTH CORP.
Consolidated Statements of Cash Flows
Presented in Canadian dollars

Years ended December 31		2018		2017
Cash flows from operating activities				
Net loss for the year	**$**	**(4,186,573)**	$	(1,604,438)
Adjustments for non-cash items				
Amortization of property and equipment		**10,635**		11,407
Amortization of intangible assets		**90,182**		90,182
Increase in allowance for doubtful accounts		**77,959**		-
Accretion of convertible debt		**57,283**		49,723
Share-based compensation		**1,304,972**		277,290
		(2,645,542)		(1,175,836)
Net change in non-cash operating working capital items:				
Accounts receivable		**(106,354)**		(73,480)
Inventory		**(134,187)**		32,774
Prepaid expenses and deposits		**34,118**		(43,920)
Accounts payable and accrued liabilities		**211,341**		(206,233)
Deferred revenue		**34,082**		(4,295)
		39,000		(295,154)
Net cash used in operating activities		**(2,606,542)**		(1,470,990)
Cash flows from investing activities				
Purchases of property and equipment		**(10,850)**		(1,171)
Net cash used in investing activities		**(10,850)**		(1,171)
Cash flows from financing activities				
Proceeds from issuance of Units, net of issue costs		**2,064,733**		1,416,170
Proceeds from exercises of share options and warrants		**741,769**		-
Repayment of long-term debt		**(146,422)**		(105,306)
Proceeds from issuance of demand loans		**100,000**		225,000
Repayment of demand loans		**(200,000)**		(175,000)
Net cash from financing activities		**2,560,080**		1,360,864
Net change in cash for the year		**(57,312)**		(111,297)
Cash, beginning of year		**96,256**		207,553
Cash, end of year	**$**	**38,944**	$	96,256
Non-cash transactions (Notes 8 and 16)	**$**	**33,000**	$	278,330

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, manufactures and markets skin-related screening tools and phototherapy devices for pain relief and tissue repair throughout North America, Europe and Asia.

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

The 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, 2018, the Company had current liabilities in excess of current assets of $1,700,152 (2017 – $1,371,297), had an accumulated deficit of $29,336,114 (2017 - $25,149,541), and shareholders' deficiency of $1,544,349 (2017 - $1,502,250). These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon achieving a profitable level of operations and obtaining additional financing, neither of which is assured. The Company has raised capital during 2018 and 2019 to date and may require additional capital to continue to develop and market its products and as it continues to develop sales opportunities. These 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. The Company develops, manufactures and markets skin-related screening tools and phototherapy devices for pain relief and tissue repair throughout North America, Europe and Asia. As at December 31, 2018, substantially all of the Company's assets are located in Canada.

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, 2018.

The Board of Directors approved these consolidated financial statements on April 30, 2019.

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.

Adoption of New Accounting Standards

Accounting standards, interpretations and amendments effective for accounting years beginning on or after January 1, 2018 did not materially affect the Company's financial statements.

IFRS 9 Financial Instruments (IFRS 9)

On January 1, 2018, the Company adopted IFRS 9, which supersedes IAS 39, Financial Instruments: Recognition and Measurement (IAS 39). IFRS 9 includes revised guidance on the classification and measurement of financial assets and liabilities, new guidance for measuring impairment on financial assets, and new hedge accounting guidance. The Company adopted IFRS 9 retrospectively, however despite the retrospective adoption of IFRS 9, the Company is not required, upon initial application, to restate comparatives.

Classification and measurement of financial instruments -

On adoption of IFRS 9, in accordance with its transitional provisions, the Company has not restated prior periods but has reclassified the financial assets held at January 1, 2018, retrospectively, based on the new classification requirements and the characteristics of each financial instrument as at the transition date. For financial liabilities, IFRS 9 retains most of the IAS 39 requirements. The Company did not choose the option of designating any financial liabilities at fair value through profit or loss (FVTPL) as such, the adoption of IFRS 9 did not impact the Company's accounting policies for financial liabilities. All of the Company's financial liabilities, previously classified as "Other financial liabilities" under IAS 39, are now classified as at "Amortized cost", with no change in the carrying value as at January 1, 2018.

Under IFRS 9, financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 contains three primary measurement categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVTOCI), and FVTPL. Financial assets previously classified as "Loans and receivables under IAS 39 are now classified as at "Amortized cost", with no change in the carrying value as at January 1, 2018.

Impairment of financial assets -

IFRS 9 replaces the incurred loss model in IAS 39 with an expected credit loss (ECL) model. This applies to financial assets measured at amortized cost. Under IFRS 9, credit losses are recognized earlier than under IAS 39. Under IAS 39, accounts receivable would first be provisioned for when it is deemed that the collection is unlikely. Upon adoption of IFRS 9 the Company measures the loss allowance at an amount equal to the lifetime ECL that results from possible default events over the expected life of accounts receivables, using a simplified impairment model estimating losses with a provision matrix to measure the lifetime ECL.

IFRS 15 Revenue from Contracts with Customers (IFRS 15)

On January 1, 2018, the Company adopted IFRS 15, which contains a five-step model that applies to contracts with customers that specifies that revenue is recognized when or as an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognized at a point in time or over time.

The Company adopted IFRS 15 using the retrospective approach, where the recognition of transitional adjustments is made in the opening deficit on the date of initial application (January 1,2018), without restatement of comparative amounts. As the recognition of revenue under IFRS 15 was similar to how revenue was previously recognized, the adoption of IFRS 15 had no impact to the opening deficit as at January 1, 2018.

Recent Accounting Pronouncements

At the date of authorization of these consolidated financial statements, the IASB and International Financial Reporting Interpretations Committee ("IFRIC") has issued the following new and revised Standard and Interpretation that will become effective in future years.

IFRS 16- Leases –
In January 2016, the IASB issued the final publication of the IFRS 16 Standard, which will supersede the current IAS 17, Leases Standard. IFRS 16 introduces a single accounting model for lessees and for all leases with a term of more than 12 months. A lessee will be required to recognize a right-of-use asset, which represents its right to use that underlying asset and a lease liability, which represents

the obligation to make a lease payment. The standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15 has also been applied. Management is currently assessing the impact of this standard on the consolidated financial statements.

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.

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

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

Other estimates – Estimates are also used in determining, but are not limited to, share-based compensation, warrants, the useful lives of assets, the valuation of convertible loans, the equity component of convertible loans, the valuation of intangibles and 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 to be 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 to be 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 period. In a period 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. Subscriber warrants are classified as a warrant reserve within share capital. 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.

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
Cash	Amortized cost
Accounts receivable	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Demand loans	Amortized cost
Term loans	Amortized cost
Convertible Loans	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 includes 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, 2018 and 2017, 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 and equipment

Property and equipment are recorded at cost net of accumulated depreciation and write-downs for impairment, if any. Depreciation is calculated using the declining balance method over their estimated useful lives at the following annual rates:

Furniture	-	20%
Computers	-	30%
Manufacturing equipment	-	20% - 30%

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.

Presented in Canadian dollars

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.

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 doubtful accounts, which was $77,959 at December 31, 2018 (2017 - $nil).

4. INVENTORY

		2018		2017
Raw materials	**$**	**70,966**	$	54,710
Work-in-process		**33,340**		17,310
Finished goods		**176,311**		74,410
	$	**280,617**	$	146,430

For the year ended December 31, 2018, $398,237 (2017 - $478,748) of inventory was included in Cost of sales in the consolidated statements of loss.

Presented in Canadian dollars

5. PROPERTY AND EQUIPMENT

		Furniture and Office Equipment		Manufacturing Equipment		Total
Cost						
Balance, January 1, 2017	$	116,945	$	55,112	$	172,057
Additions		1,171		-		1,171
Balance, December 31, 2017		118,116		55,112		173,228
Additions		**10,850**		**-**		**10,850**
Balance, December 31, 2018	**$**	**128,966**	**$**	**55,112**	**$**	**184,078**
Accumulated Amortization						
Balance, January 1, 2017	$	97,167	$	27,747	$	124,914
Amortization		4,596		6,811		11,407
Balance, December 31, 2017		101,763		34,558		136,321
Amortization		**5,591**		**5,044**		**10,635**
Balance, December 31, 2018	**$**	**107,354**	**$**	**39,602**	**$**	**146,956**
Carrying Value						
Balance, December 31, 2017	$	16,353	$	20,554	$	36,907
Balance, December 31, 2018	**$**	**21,612**	**$**	**15,510**	**$**	**37,122**

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.

Cost		
Balance, January 1, 2017, December 31, 2017 and 2018	**$**	**518,709**
Accumulated Amortization		
Balance, January 1, 2017	$	219,664
Amortization		90,182
Balance, December 31, 2017		309,846
Amortization		**90,182**
Balance, December 31, 2018	**$**	**400,028**
Carrying Value		
Balance, December 31, 2017	$	208,863
Balance, December 31, 2018	**$**	**118,681**

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

Presented in Canadian dollars

		2018		2017
Accounts payable	**$**	**399,884**	$	**109,903**
Amounts owing to staff, officers and board of directors		**106,404**		**683,041**
Taxes, including unpaid payroll witholdings and related interest, accrued sales and other taxes		**525,710**		**466,355**
Other accrued liabilities		**569,174**		**163,532**
	$	**1,601,172**	$	**1,422,831**

Interest of $57,914 was accrued in the current year on tax amounts owing from prior years.

8. DEMAND LOANS AND LONG-TERM DEBT

a) Demand loans

Unsecured demand loans totaling $100,000 were advanced by a corporation controlled by a Director in 2018, which are outstanding as of December 31, 2018. The loans accrue interest at 10% per annum, payable at the time the loans are repaid, and $4,000 of fees were paid in relation to these advances.

The $200,000 of demand loans outstanding as of December 31, 2017 were repaid during 2018. These loans, all of which were unsecured, consisted of advances from a corporation controlled by a Director. Of the total, $50,000 was advanced in 2017, at an interest rate of 10% per annum, payable when the loans were repaid. The remaining $150,000 of the loans were advanced in prior years, without interest.

During 2017, a $29,000 demand loan owing to a party related to a director, at an interest rate of 6% per annum, was repaid (including accrued interest of $34,295) through a subscription in a private placement in 2017. Also, during 2017, the Company borrowed $125,000 from a corporation controlled by a Director, at an interest rate of 10% per annum and $50,000 from a third party at an interest rate of 8% per annum, which were repaid during 2017.

b) Convertible debt

The Convertible debt consists of a $500,000 loan with a party that is related to a Director of the Company, which is due on December 31, 2019, and bears interest at 8% per annum, paid quarterly. The loan is convertible, in whole or part, at any time into common shares of the Company at $0.20 per share. The Company has the option of repaying the loan at any time. The debt is secured by a general security agreement covering all of the Company's assets. This loan was originally a Term loan and was amended in 2016 to become a convertible loan. At that time, the value of the debt component was determined to be $327,000, based on a discounted cash flow of the cash interest and principal obligations of the loan and the value of the equity component, $227,000, was based on a Black-Scholes valuation of the shares into which the loan may be converted, assuming a share price volatility of 75% based on historical volatility, a risk-free rate of 1.15%, and with no expected dividend yield over the life of the loan.

As of December 31, 2018, and 2017, the convertible debt consists of the following:

		2018		2017
Face value	**$**	**500,000**	$	500,000
Balance to be accreted		**(65,994)**		(123,277)
	$	**434,006**	$	376,723

c) Long-term debt

There is no long-term debt outstanding as of December 31, 2018, as a term loan with a balance of

Presented in Canadian dollars

$146,422 (US$116,665) as of December 31, 2017 was repaid in 2018. The interest rate on the loan was 8.0% per annum, paid quarterly, and the loan was due on June 26, 2018. The Company began making monthly payments of US$16,667 in July 2017, as requested by the lender in connection with the Company not meeting financial targets stipulated in the loan agreement. The debt was secured by a general security agreement covering all of the Company's assets on a pari passu basis with the Convertible debt.

9. SHARE CAPITAL

Common Shares

Authorized - Unlimited number of common shares

Issued and outstanding

	Number of shares	Stated Capital
Outstanding at January 1, 2017	**97,691,161**	**$ 16,445,020**
Issued for cash (a)	**15,051,968**	**894,592**
Outstanding at December 31, 2017	**112,743,129**	**17,339,612**
Issued for cash (a)	**17,064,750**	**1,206,234**
Issued on exercise of share options (b)	**400,000**	**40,000**
Reclassification from contributed surplus on option exercise (b)	**-**	**35,722**
Issued on exercise of warrants and broker warrants (c)	**4,846,022**	**701,769**
Reclassification from warrants on warrant excerises (c)	**-**	**130,620**
Outstanding at December 31, 2018	**135,053,901**	**$ 19,453,957**

a) Shares issued for cash

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

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

In accounting for the transactions, at the time of each closing, the Company allocated the proceeds between the shares and the warrants issued, based on the relative value of the components. The value of the shares was based on the closing trading value of the Company's shares on each closing date. The value for the warrants was estimated using the Black-Scholes pricing model at each date using the following assumptions:

- No expected dividends over the life of the warrants;
- A 1.35%, 1.45% and 1.50% risk-free interest rate, for each closing, respectively;

Presented in Canadian dollars

- Based on historic volatility, 126%, 120% and 114% share price volatility for each closing, respectively.

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

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

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

The share price on the closing date of each of the transactions was $0.17, $0.160 and $0.145, respectively. The warrant value for each transaction was determined to be $0.12, $0.09 and $0.08, respectively.

During 2017, the Company completed a brokered private placement in two tranches, on April 21, 2017 and July 14, 2017, raising gross proceeds of $1,080,557 ($960,027 net of expenses). The Company sold 9,004,639 units in total, for $0.12 per unit, with each unit consisting of one Common share and one common share Warrant of the Company. Each Warrant entitles the holder to purchase one Common share of the Company for $0.20 per share for three years from the closing date.

In addition, on December 15, 2017, the Company completed a non-brokered private placement, raising gross proceeds of $725,680 ($690,223 net of expenses). The Company sold 6,047,329 units for $0.12 per unit, with each unit consisting of one Common share and one common share Warrant of the Company. Each Warrant entitles the holder to purchase one Common share of the Company for $0.20 per share for three years from the closing date.

In accounting for the transactions, at the time of each closing, the Company allocated the proceeds between the shares and the warrants issued, based on the relative value of the components. The value of the shares was based on the closing trading value of the Company's shares on each closing date. The value for the warrants was estimated using the Black-Scholes pricing model at each date using the following assumptions:

- No expected dividends over the life of the warrants;
- A 1.00%, 1.03% and 1.35% risk-free interest rate, for each closing, respectively;
- Based on historic volatility, 142%, 137% and 127% share price volatility for each closing, respectively.

Amounts raised from the 2017 private placements are summarized below:

Date	# of Units	Gross Procceds	Issue Costs	Net Proceeds	Broker Warrants	Allocation to Shares	Allocation to Warrants
April 21	6,948,333	$ 833,800	$ 74,463	$ 759,337	$ 79,642	$ 391,508	$ 367,829
July 14	2,056,306	246,757	46,067	200,690	21,101	105,108	95,582
December 15	6,047,329	725,680	35,457	690,223	32,434	397,976	292,247
	15,051,968	$ 1,806,237	$ 155,987	$ 1,650,250	$ 133,177	$ 894,592	$ 755,658

The share price on the closing date of each of the transactions was $0.130, $0.125 and $0.115, respectively. The warrant value for each transaction was determined to be $0.10, $0.09 and $0.08, respectively.

The April 21, 2017 costs included issuing 400,365 Broker warrants with each warrant entitling the holder to purchase one unit of the Company at $0.12 during the period expiring April 21, 2020, comprised of a Common share and a Warrant exercisable into one Common share until April 21, 2020 at $0.20. The Broker warrants were valued at $79,642, with $45,874 allocated as a reduction in share capital and a $33,768 reduction of the warrants. In 2018, 30,000 of these units were exercised for Common shares and warrants.

The July 14, 2017 costs included issuing 114,005 Broker warrants with each warrant entitling the holder to purchase one unit of the Company at $0.12 during the period expiring July 14, 2020, comprised of a Common share and a Warrant exercisable into one common share until July 14, 2020 at $0.20. The Broker warrants were valued at $21,101, with $12,350 allocated as a reduction in share capital and a $8,751 reduction of the warrants. In 2018, 61,689 of these units were exercised for Common shares and warrants.

The December 15, 2017 costs included issuing 204,400 Broker warrants with each Warrant entitling the holder to purchase one unit of the Company at $0.12 during the period expiring December 15, 2020, comprised of a Common share and a Warrant exercisable into one Common share until December 15, 2020 at $0.20. The Broker warrants were valued at $32,434, with $19,623 allocated as a reduction in share capital and a $12,811 reduction of the warrants.

August 2, 2016 costs included issuing 99,762 Finder's warrants with each warrant entitling the holder to purchase one common share of the Company at $0.14 during the period expiring August 2, 2019. The finder's warrants were valued at $0.059 for a total of $5,871, with $3,383 allocated as a reduction in share capital and a $2,488 reduction of the warrants.

September 2, 2016 costs included issuing 48,870 Finder's warrants, with each warrant entitling the holder to purchase one common share of the Company at $0.14 during the period expiring September 2, 2019. The finder's warrants were valued at $0.072, and the $3,539, allocated as a $2,008 reduction in share capital and a $1,531 reduction of the warrants.

b) Shares issued on exercise of share options

The Company issued 400,000 Common shares in 2018 on the exercise of options. The options were exercised at $0.10 per share, resulting in proceeds of $40,000. In addition, the original share-based compensation expense recorded related to these options of $35,722 was reclassified from Contributed surplus to Common shares.

c) Shares issued on exercise of warrants

The Company issued 4,754,333 Common shares during 2018 on the exercise of subscriber warrants, resulting in proceeds of $690,766. In addition, 91,689 Broker warrants were exercised resulting in proceeds of $11,003. The warrant value originally allocated to the warrants of $130,620 was reclassified from Warrants to Common shares.

d) Warrants

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

Presented in Canadian dollars

	Number of Warrants	Weighted-Average Exercise Price $
Outstanding at January 1, 2017	22,750,653	0.14
Warrants issued	15,051,968	0.20
Outstanding at December 31, 2017	**37,802,621**	**0.16**
Warrants issued - private placements	**17,064,750**	**0.23**
Warrants issued on exercise of broker warrants	**91,689**	**0.20**
Warrants exercised	**(4,754,333)**	**0.15**
Outstanding at December 31, 2018	**50,204,727**	**0.19**

In addition to the 17,064,750 warrants issued in 2018 in connection with the private placements, 91,689 warrants were issued as a result of the exercise of Broker warrants issued in 2017.

In connection with the private placements completed in 2018, the Company issued 343,260 Broker warrants, with an exercise price of $0.12. In connection with the private placements completed in 2017, the Company issued 718,770 Broker warrants with a weighted average exercise price of $0.12. See note 9(a) for the terms of Broker warrants.

Subscribers exercised 4,754,333 warrants during 2018, resulting in proceeds of $690,766. The warrant value originally allocated to the warrants exercised of $130,620 was reclassified from warrants to common shares.

The warrants outstanding, (including 1,118,973 Broker warrants with a weighted average exercise price of $0.13), and their expiry dates as of December 31, 2018 are as follows:

		Exercise Price	Warrants	$
Private Placement	– June 6, 2019	$0.14	**7,971,540**	**212,137**
Private Placement	– August 2, 2019	$0.14	**1,202,454**	**31,205**
Private Placement	– September 2, 2019	$0.14	**6,190,293**	**168,302**
Private Placement	– September 15, 2019	$0.14	**3,199,998**	**87,636**
Private Placement	– April 21, 2020	$0.20	**6,929,365**	**350,437**
Private Placement	– July 14, 2020	$0.20	**2,170,311**	**95,582**
Private Placement	– December 15, 2020	$0.20	**6,251,729**	**292,247**
Private Placement	– January 23, 2021	$0.20	**14,164,260**	**709,182**
Private Placement	– October 11, 2021	$0.35	**2,106,250**	**121,016**
Private Placement	– November 22, 2021	$0.35	**1,137,500**	**61,301**
			51,323,700	**2,129,045**

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. During a previous Annual and Special Meeting of Shareholders held on January 17, 2018, shareholders approved an amendment to the Company's 2014 Incentive Stock Option Plan to increase the number of shares available under the plan from 16,400,000 to 21,200,000.

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

Presented in Canadian dollars

31, 2018 there were 18,100,000 options that have been granted and are outstanding, with 7,900,000 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 years ended December 31, 2017 and 2018 are summarized as follows:

	Number of Options	Weighted-Average Exercise Price $
Outstanding, December 31, 2016	11,575,000	0.10
Expired	(2,175,000)	0.10
Granted	2,325,000	0.17
Outstanding, December 31, 2017	**11,725,000**	**0.12**
Expired/forfeited	**(600,000)**	**0.20**
Granted	**7,375,000**	**0.25**
Exercised	**(400,000)**	**0.10**
Outstanding, December 31, 2018	**18,100,000**	**0.17**

The outstanding options have exercise prices in the range of $0.10 and $0.25 and an average remaining life of 2.7 years, and as of December 31, 2018, 15,462,500 options are exercisable. The exercisable options have a weighted average remaining life of 2.4 years and a weighted average exercise price of $0.16.

On April 27, 2018, the Company granted 7,375,000 share options under the Company's Stock Option Plan to members of the Board of Directors, management, employees and consultants. The options have an exercise price of $0.25 per share and expire five years from the date of issue. As of December 31, 2018, 4,437,500 of the options are vested, and the remaining 2,637,500 vest within one-year of the grant date. The options were valued at $1,398,071 of which $1,293,391 has been expensed to date in 2018, with the remainder to be expensed as the options vest. The value was determined using the Black-Scholes option pricing model based on a risk-free interest rate of 1.6%, volatility of 141% based on historical stock price volatility, expected life of five years, and no expected dividend yield.

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

On December 29, 2017, the Company granted 300,000 share options, which have expired. The options had an exercise price of $0.15, were exercisable for one year, and vested during the one-year period they were outstanding. The options were valued at $8,537, which was expensed in 2018. The value was determined using the Black-Scholes option pricing model based on a risk-free interest rate of 0.73%, volatility of 98% based on historical stock price volatility, expected life of one year, and no expected dividend yield.

On July 26, 2017, the Company granted 200,000 share options, which have an exercise price of $0.14, and are exercisable for five years. The options were valued at $21,567, of which $18,523 was included in expenses and contributed surplus in 2017, and $3,044 in 2018. The value was determined using the Black-Scholes option pricing model based on a risk-free interest rate of 1.60%, volatility of 148% based on historical stock price volatility, expected life of five years, and no expected dividend yield.

On February 27, 2017, 1,825,000 options were granted to consultants and employees of the

Presented in Canadian dollars

Company, which are exercisable at $0.18 for a period of five years from the grant date and vested during 2017. The options were valued at $248,667, and this was included in expenses and contributed surplus in 2017. The value was determined using the Black-Scholes option pricing model based on a risk-free interest rate of 1.13%, volatility of 154% based on historical stock price volatility, expected life of five years, and no expected dividend yield.

10. INCOME TAXES

a) Income taxes

	2018	2017
Net loss before income tax	(4,186,573)	(1,604,438)
Combined federal and provincial statutory income tax rate	26.50%	26.50%
Expected recovery at statutory rate	(1,109,442)	(425,176)
Non-deductible expenses and other permanent differences	363,022	84,083
Change in deferred tax assets not recognized	718,278	383,401
Other	28,142	(42,308)
	-	-

b) Deferred tax assets and liabilities

The tax effects of temporary differences that give rise to the deferred income tax assets at December 31, 2018 and 2017 are as follows:

	2018	2017
Non-capital losses	2,762,306	2,006,519
Capital loss	314,441	314,441
Deferred compensation	128,824	178,011
Share issuance costs	46,782	52,937
PPE and CEC	66,264	48,431
	3,318,617	2,600,339
Deferred tax assets not recognized	(3,318,617)	(2,600,339)
Net expected deferred income tax recovery	-	-

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

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

11. LOSS PER COMMON SHARE

The calculation of basic and diluted loss per share for 2018 and 2017 was based on the loss attributable to common shareholders of $4,186,573 (2017 - $1,604,438) and the weighted average number of common shares outstanding of 130,346,865 (2017 – 103,749,259). Diluted loss per share for each of the years did not include the effect of stock options, warrants or debenture conversions, as they were anti-dilutive.

Presented in Canadian dollars

12. REVENUE

The Company has two main product lines; SIAscopy™, a medical device technology that is used to scan skin for suspicious moles and lesions, and phototherapeutic medical devices, which use light energy in lower-level laser and LED to provide effective treatment of pain and tissue damage in the rehabilitation market. Currently, SIAscopy™ products are sold world-wide, while the phototherapeutic products are sold in North America. Sales of the products for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
SIAscopy	**$ 320,246**	$ 253,154
Phototherapeutic lasers	**767,180**	840,085
	$ 1,087,426	$ 1,093,239

Sales for the year ended December 31, 2018 were made to customers in the following geographic regions: Canada 30%; United States 40%, Europe 22%, Rest of World 8% (2017: Canada 33%; United States 44%, Europe 14%, Rest of World 9%).

Approximately 25% of the Company's revenue in 2018 was from two customers (2017 - 15% 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 was initially recognized at fair value and was categorized as level 2. Subsequent to initial recognition it is carried at amortized cost.

The main risks the Company's financial instruments are exposed to are each of which is discussed below.

Credit Risk -

Credit risk is the risk on financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to risk on its trade receivables balances. The risk for the Company is reduced, as for a majority of its revenue, individual transactions are relatively small, are normally to established customers, and often include a deposit for a large portion of the sale or payment in full prior to shipment.

Upon adoption of IFRS 9 the Company measures the loss allowance at an amount equal to the lifetime ECL that results from possible default events over the expected life of accounts receivables, using a simplified impairment model estimating losses with a provision matrix to measure the lifetime ECL. With respect to the Company's phototherapeutic laser business, the Company has experienced minimal losses, and based on the provision matrix developed where a provision is not considered necessary unless account balances exceed 180 days, no provision was made as of December 31, 2018 or 2017. With respect to sales of the Company's SIAscopy products, where new markets are being developed, the Company reviews individual balances, and as a result recorded a provision of $77,959 of accounts receivable as of December 31, 2018 (2017- $nil).

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

Interest Rate Risk -

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

Foreign Currency Risk -

The Company has low exposure to foreign exchange fluctuations with respect to cash, given the low cash balances. The Company sells its products internationally. Revenues could be impacted positively or negatively if the exchange rates in the currencies in which the Company sells its products fluctuates. The risk is decreased as customers are invoiced only in currencies that are considered to be stable in international markets. A portion of the Company's costs are from international suppliers, and could be impacted by currency fluctuations. However, these requirements are not material to the business, and alternate sources of supply could be utilized if required. There is an impact on the net loss from the translation of the accounts receivable and accounts payable balances at the end of the year, and in 2017 as a result of debt denominated in US Dollars. As of December 31, 2018, a portion of the Company's accounts receivable and accounts payable were denominated in US Dollars, Euros and British Pounds. A 5% change in the exchange rate of those currencies relative to the Canadian Dollar would impact the net loss by approximately $7,000 (2017 - $8,000).

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

Liquidity risk -

Liquidity risk results from an excess of financial liabilities over available financial assets at any point in time. The Company's objective in managing risk is to ensure that it raises the amount of cash required to fund operating losses and to maintain cash to meet its other obligations. In this regard, the Company has had difficulty raising the level of cash required to meet its financial obligations as they have come due and has entered into transactions to settle debts through the issuance of shares. Capital was raised in 2017, 2018 and to date in 2019, and must raise additional cash to fund its ongoing operating requirements. A portion of the cash raised was in the form of debt, due on a demand basis. The Company is in a position where its liabilities are greater than its assets.

Presented in Canadian dollars

	12 months	1 to 2 years	Total
Accounts payable and accrued liabilities	**$ 1,601,172**	**$ -**	**$ 1,601,172**
Demand loans	**100,000**	**-**	**100,000**
Convertible debt	**500,000**	**-**	**500,000**
At December 31, 2018	**$ 2,201,172**	**$ -**	**$ 2,201,172**
At December 31, 2017	$ 1,769,253	$ 500,000	$ 2,269,253

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, long-term debt, convertible debt and shareholders' deficiency including share capital, warrants, equity portion of convertible debt, contributed surplus and deficit. As at December 31, 2018, total managed capital was ($1,010,343) (2017 - ($779,105)).

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 2017 or 2018. The Company is not subject to externally imposed capital restrictions.

15. COMMITMENTS AND CONTINGENCIES

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

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

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

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

16. RELATED PARTY TRANSACTIONS

For the year ended December 31, 2018, the Company incurred costs for management and Board compensation of $556,500 (2017 - $313,750). In addition, $801,190 of the expense recorded in 2018 (2017 - $68,128) for share-based compensation relates to officers and directors.

In 2018, an amount of $33,000 owing to a director was repaid through a subscription in a private placement. During 2017, certain board members waived amounts earned and payable to them of $44,250 and $170,785 owed to a corporation controlled by a director was repaid through a subscription in a 2017 private placement.

See notes 8 and 9 for related party transaction disclosure relating to demand loans, long-term debt and stock options issuances.

Included in accounts payable and accrued liabilities as of December 31, 2018 is $48,407 (2017 - $595,166) accrued for officers and directors of the Company.

17. SUBSEQUENT EVENTS

On January 29, 2019, the Company completed a non-brokered private placement with gross proceeds of $474,000 ($462,527, net of expenses). The private placement consisted of the sale of 2,962,500 units at a price of $0.16 per unit. Each unit consisted of one Common share and one Common share purchase warrant ("Warrant"). Each Warrant will be exercisable to acquire one Common share at any time for a period of three years, at an exercise price of $0.35.

On April 26, 2019, the Company completed a non-brokered private placement with gross proceeds of $282,000 ($262,790, net of expenses). The private placement consisted of the sale of 1,766,250 units at a price of $0.16 per Unit. Each Unit consisted of one Common share and one Common share purchase warrant ("Warrant"). Each Warrant will be exercisable to acquire one Common share at any time for a period of two years, at an exercise price of $0.25. The Company issued 79,350 Agent's warrants in connection with the placement.

Subsequent to December 31, 2018, the Company was advanced $50,000 by a company controlled by a Director, and a demand loan from that company advanced during 2018 was repaid. In addition, the Company was advanced $100,000 by a Director subsequent to December 31, 2018, of which $50,000 has been repaid. The amounts advanced are unsecured, due on demand and bear interest at 10% per annum.