

**MedX Health Corp.**  
**Management's Discussion and Analysis**  
**For the Three and Nine Months Ended September 30, 2016 and 2015**

*This Management's Discussion and Analysis has been prepared based on information available to MedX Health Corp. ("MedX" or the "Company") as at November 28, 2016. Management's Discussion and Analysis is a narrative explanation to enable the reader to assess material changes in the financial condition and results of operations of the Company as at and during the three and nine months ended September 30, 2016 compared with the three and nine months ended September 30, 2015, as contained in the unaudited interim condensed consolidated Financial Statements, which have been prepared in accordance with IFRS. This management's discussion and analysis should be read in conjunction with the Company's audited consolidated financial statements and the related notes for the year ended December 31, 2015.*

**Overview and Review of Operations**

MedX Health Corp. ("MedX" or "the Company") is a medical device company that was incorporated on April 15, 1999 in Ontario. Initially, the Company was focused on research, development, manufacturing and distribution of phototherapeutic medical devices, which use light energy in lower-level laser and LED.

The Company's original phototherapeutic products use light energy in lower-level laser and LED to provide effective treatment offering rapid, drug-free and non-invasive healing in the rehabilitation market for treating pain, tissue damage, swelling and inflammation. The Company has sold thousands of its products to practitioners in clinics, academic facilities, hospitals, long-term care facilities, and to athletes and sports teams. MedX's therapeutic light products are currently sold in North America. The Company utilizes medical device distributors to sell its products, who normally distribute a variety of products to their customers. The markets in which the Company sells these products is highly competitive, characterized by pricing pressure and many competitive products. These products are US FDA and Health Canada cleared.

In 2011, the Company purchased the assets and business related to SIAscopy™, a medical device technology that is used to scan suspicious moles and lesions. The scan is read by a trained physician and a determination is made as to whether the suspicious mole or lesion needs a follow on appointment with a Dermatologist, or the patient is deemed clear of follow up. In addition to the purchase price of \$247,608, the Company was required to pay the seller a royalty of 10% of all revenue derived from the technology in the future. In December 2015, the Company paid \$277,010 to the seller, to release the Company from all future obligations with respect to the royalties and any other obligations or warranties provided for in the original agreement.

The SIAscopy products use light to penetrate 2mm below the surface of the skin, generating five images of the suspicious mole. This enables physicians to assess the condition of the moles better, and provide immediate feedback to their patients, improving the quality of care of potential skin cancer patients by reducing the need for biopsies, and the resulting pain and scars as well as the anxiety associated with waiting

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for biopsy results. This technology provides a vastly improved level of certainty for physicians and care for patients.

The SIAscopy technology is patented, and has been cleared by the FDA in the U.S. and by Health Canada, is CE marked for sale in Europe, with equivalent approval in Australia and Turkey. The Company works with, and is actively growing its network of distributors and distribution partners on a global basis.

In addition to the traditional model of marketing the SIAscopy products directly to physicians, clinics and other health care facilities, a European distributor has successfully built and is expanding a skin scanning business in approximately 200 pharmacies in Norway, Sweden and the United Kingdom to date, allowing individuals to have a suspicious mole or lesion checked quickly by way of a distributed network of trained physicians who can access the scan images. The distribution model for a multi-unit setting could involve the Company generating revenue through the sale or leasing of machines or on a per-scan basis, or a combination.

MedX's SIAscopy products are sold world-wide, but particularly in Europe during the last two years. Based on this European experience, the Company is pursuing a strategy to distribute its products through multi-unit retail or clinic settings, which will be a focus during the next several years. The Company is initiating further pilots with its partners in selected European countries, and in Canada, and pursuing other opportunities in other markets including the United States.

The Company's SIAscopy and therapeutic light products are produced in an ISO 13485, CMCAS certified manufacturing and testing facility in Mississauga, Ontario.

The Company has experienced significant issues with respect to a lack of funding and cash flow. It has experienced losses since its inception, and has a large negative working capital balance. The very competitive nature of the market for the therapeutic laser products, and the absence until 2014 of the CE mark after the acquisition of SIAscopy hampered the ability of the Company to generate adequate sales and cash flow. As a result, the Company has not reached a level of profitability that would allow it to market itself aggressively, as is required in the market. The Company has continued to increase SIAscopy revenues, which it anticipates will continue, which should improve cash flows, which may improve the likelihood of raising additional capital.

During 2014, the Company raised gross proceeds of \$915,000 from a brokered private placement of Units, consisting of common shares and warrants, of which \$165,000 was utilized to settle debt. The Company was also advanced \$50,000 by a company related to a director, under a non-interest bearing Promissory Note, due on demand. Also in 2014, the Company settled \$435,604 of amounts owing to insiders of the Company by issuing 1,742,415 common shares.

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The Company entered into a non-interest bearing demand loan arrangement in 2015 with a corporation controlled by a Director for \$100,000. In connection with the loan, the Company granted 100,000 share options to the lender on December 30, 2015, which options may be exercised for two years from the grant date at \$0.12 per share.

In June 2015, the Company borrowed \$500,000, under a three year Term loan agreement with a party related to a Director, with an interest rate of 8.0%, paid quarterly, and secured by a General Security Agreement.

In December 2015, the Company entered into a US\$200,000 Term loan agreement with a company related to a customer, due in June 2018, with an interest rate of 8.0%, paid quarterly, and secured by a General Security Agreement.

In December 2015, the Company issued 3,253,437 common shares to settle \$454,023 of amounts owing to insiders and other vendors, of which 2,550,000 of the shares issued were to insiders, as approved at a meeting of shareholders in November 2015.

During 2016, \$25,000 was advanced to the Company, on a demand basis, bearing interest at 10% per annum, by a Director, and \$50,000 was advanced to the Company by a company controlled by a Director on the same terms. These amounts were repaid with the proceeds of the financing noted below.

In 2016, the Company completed a non-brokered private placement, closing in four separate tranches, raising gross proceeds of \$1,499,918 through the sale of 23,075,652 Units, consisting of common shares and warrants, sold for \$0.065 per Unit.

The Company is continuing its efforts to raise additional funds, to provide the working capital to pursue its current strategic objectives, and to reduce its liabilities.

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**Review of Operating Results**

	Three Months Ended		Nine Months Ended	
	September 30 2016	September 30 2015	September 30 2016	September 30 2015
<b>Revenue</b>	\$ 317,420	\$ 165,977	\$ 714,667	\$ 831,852
Cost of sales	129,297	76,556	289,525	286,634
<b>Gross profit</b>	188,123	89,421	425,142	545,218
<b>Expenses</b>				
Selling, general and administrative	468,031	279,853	1,128,371	711,312
Share-based compensation	143,137	23,352	158,706	116,761
Interest	16,471	11,170	50,599	13,980
Foreign exchange (gain) loss	(5,928)	2,732	(14,643)	15,709
Amortization of property and equipment	3,552	4,392	9,520	13,176
Amortization of intangibles	22,545	6,500	67,637	19,500
	647,808	327,999	1,400,190	890,438
<b>Net loss for the period</b>	\$ (459,685)	\$ (238,578)	\$ (975,048)	\$ (345,220)

**Three months ended September 30, 2016 and 2015**

*Revenue -*

Revenue of \$317,420 for the three months ended September 30, 2016, represented an increase of \$151,443, or 91.2% above the revenue of \$165,977 for the three months ended September 30, 2015. Revenue for the third quarter was 52% higher than the second quarter sales of \$209,496. Revenue from the Company's SIAscopy product line was \$148,881 for the three months ended September 30, 2016, \$89,522, or 150.8% higher than revenue of \$59,359 in 2015, and 22% higher than the previous quarter. As has been noted in the past, sales from this product line fluctuate by quarter, depending on the timing of orders from its channel partners and distributors. The Company's focus is on working with its channel partners to increase the number of units installed, to increase sales of scanning devices and scan related fees.

Revenue from MedX's therapeutic laser products of \$168,539 for the three month period ended September 30, 2016 was \$61,921, or 58.1% higher than sales in the 2015 three month period, and were the highest quarterly sales of this product line in the last seven quarters. The increase is attributable in part to higher levels of inventory on hand. The therapeutic laser market is competitive, and the Company is working to increase the number of distributors selling its product line to maintain, or increase its share.

*Cost of sales -*

Cost of sales of \$129,297 for the three months ended September 30, 2016 were \$52,741, or 68.9% higher than cost of sales of \$76,556 for the three months ended September 30, 2015. The costs increased as a result of the large increase in revenue.

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The costs decreased as a percentage of revenues as a result of product mix, and efficiency in production as activity increased.

*Gross profit -*

Gross profit for the three months ended September 30, 2016 was \$188,123, a \$98,702, or 110.4% increase from gross profit of \$89,421 for the three months ended September 30, 2015. The increase was driven by the higher revenue, and also by the higher margins of 59.3% of sales compared with a margin of 53.9% of sales in the 2015 three month period.

*Selling, general and administrative expenses –*

Administrative expenses of \$468,031 for the three months ended September 30, 2016 were \$188,178 higher than \$279,853 for the 2015 period. Higher costs were incurred in the current year for sales and business development related activities, and costs related to completing regulatory status for products in additional jurisdictions. Expenses in the prior year period were approximately \$78,000 lower as a result of expense reversals from settlement of vendor liabilities. The Company's main priority is spending on business development initiatives with an objective to increase revenues in the long term, while conserving all other costs.

*Share-based compensation –*

The expense related to share-based compensation of \$143,137 for the three months ended September 30, 2016 represents the costs associated with options granted during the three month period, while the \$23,352 in the prior year period related to allocations of costs from options granted in 2014.

*Interest –*

Interest expense of \$16,471 for the three months ended September 30, 2016 was \$5,301 higher than \$11,170 of interest expense for the three months ended September 30, 2015. Interest costs are higher as a result of the additional interest from the US\$200,000 term loan issued at the end of 2015, which has an 8.0% interest rate.

*Foreign exchange (gain) loss –*

The Company experienced a foreign exchange gain of \$5,928 during the three months ended September 30, 2016, compared with a loss of \$2,732 in the three month period in 2015. The gain was a result of the translation of the US Dollar denominated term loan entered into in late 2015, and other net liabilities, with a stronger Canadian dollar during the three month period.

*Amortization of intangibles –*

Amortization of \$22,545 for the three months ended September 30, 2016 was \$16,045 higher than for the three months ended September 30, 2015, as a result of amortizing the \$277,010 of increased intangibles from 2015, which are being amortized over the same period as the original SIAscopy related intangibles.

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*Net loss for the period –*

The net loss and comprehensive loss of \$459,685 for the three months ended September 30, 2016 was \$221,107 higher than the loss of \$238,578 in 2015. The \$98,702 increase in gross margin was offset by \$119,785 higher share-based compensation and a \$188,178 increase in administrative costs for the period.

**Nine months ended September 30, 2016 and 2015**

*Revenue -*

Revenue of \$714,667 for the nine months ended September 30, 2016 was \$117,185, or 14.1% lower than revenue of \$831,852 for the nine months ended September 30, 2015. While revenues improved during the third quarter, the increase was not high enough to bring year to date sales to the prior year level. Revenues from the Company's SIAscopy product line were \$327,650 for the nine months ended September 30, 2016, lower by \$124,839, or 27.6% from the prior year nine month period. The Company expects further growth from the product line in the future, while experiencing fluctuating sales by quarter depending on demand from distributors and customers.

Revenues from MedX's therapeutic laser products of \$387,967 for the nine month period ended September 30, 2016 were 2.3% higher than sales of \$379,363 in the 2015 nine month period. Sales in the first half of 2016 were lower as a result of constraints on inventory, and have trended higher more recently.

*Cost of sales -*

Cost of sales of \$289,525 for the nine months ended September 30, 2016 were \$2,891 or 1.0% higher than cost of sales of \$286,634 for the nine months ended September 30, 2015. Cost of sales as a percent of sales was 40.5% for the nine month period in 2016 compared with 34.5% in first half of 2015. The main reason for the increase was that SIAscopy sales represented less than half of total revenue in 2016 versus 54% in the prior year, and margins are higher on that product line, and average selling prices are also lower.

*Gross profit -*

Gross profit for the nine months ended September 30, 2016 was \$425,142, a \$120,076 decrease from gross profit of \$545,218 for the nine months ended September 30, 2015, with the decrease resulting primarily from the lower revenues during the period, and the impact of the product mix. The gross margin for the nine month period ended September 30, 2016 was 59.5% of sales versus 65.5% of sales in the prior year period. Margins were lower, as therapeutic laser sales were a higher proportion of sales on a year to date basis, and have lower margins than SIAscopy. Margins have also been impacted by the fixed portion of production costs.

*Selling, general and administrative expenses –*

Administrative expenses of \$1,128,371 for the nine months ended September 30, 2016 were \$417,059 higher than \$711,312 for the nine months ended September 30, 2015.

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Expenses for the 2015 period were reduced by \$326,000 as a result of agreements to settle old liabilities at less than the book values, including with directors. Higher costs in the current year period related to sales and business development and product certification.

*Share-based compensation –*

The expense related to share-based compensation of \$158,706 for the nine months ended September 30, 2016 represents the costs related to option grants in the most recent quarter and the allocation of costs over the vesting period from share options granted in 2014. The \$116,761 recorded in the prior year period resulted from the allocation of expenses of the options granted in 2014 vesting in that period.

*Interest –*

Interest expense of \$50,599 for the nine months ended September 30, 2016 was \$36,619 higher than interest expense of \$13,980 for the nine months ended September 30, 2015. Interest costs are higher as a result of the Company entering into two term loans in 2015 that bear interest at 8.0% per year.

*Foreign exchange (gain) loss –*

The Company experienced a foreign exchange gain of \$14,643 for the nine months ended September 30, 2016, compared with a loss of \$15,709 in the nine month period in 2015. Gains and losses result primarily from the translation of the US Dollar denominated term loan entered into in late 2015, and other net payables balances; the Canadian dollar has been stronger in 2016.

*Amortization of intangibles –*

Amortization of \$67,637 for the nine months ended September 30, 2016 was \$48,137 higher than for the nine months ended September 30, 2015, as a result of amortizing the \$277,010 of increased intangibles from 2015, which are being amortized over the same period as the original SIAscopy related intangibles.

*Net loss for the period –*

The net loss and comprehensive loss of \$975,048 for the nine months ended September 30, 2016 was \$629,828 higher than the loss of \$345,220 for the nine months ended September 30, 2015. There are several significant areas that explain the higher loss. In the prior year nine-month period, there were settlements of liabilities that reduced administrative expenses by \$326,000, accounting for approximately one half of the difference. The impact of lower sales and lower gross margins year to date has impacted the loss by \$120,000. And in addition, the higher loss resulted from increased non-cash share-based compensation and amortization of \$86,000. Administrative costs have increased with a focus on business development and product certification, with the objective of increasing revenues going forward.

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**Liquidity and Capital Resources**

The Company had a working capital deficiency of \$1,405,616 as of September 30, 2016, compared with \$2,062,005 as of December 31, 2015, and an accumulated deficit of \$23,184,858 and a shareholders' deficiency of \$1,798,169 as of September 30, 2016. The decrease in the deficiency from the latest year end resulted from the \$1,409,777 of capital that was raised in 2016, offset in part by losses for the period. Despite raising additional capital, the current financial conditions for the Company indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. The Company continues to review alternatives for additional financing.

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

As a result of the large working capital deficiency and negative cash from operations, the Company manages its cash resources and expenditure levels carefully to ensure that risks are minimized, while focusing on marketing its products and growing its revenues.

The Company continues to assess and manage the reduction of liabilities. While the Company was not able to raise the cash required to pay down debt during the last several years, it has negotiated settlements with creditors that has included issuing shares and warrants. Accounts payable and accrued liabilities of \$1,966,467 as of September 30, 2016 are approximately \$0.7 million lower than at the end of 2014, and \$1.8 million lower than at the end of 2013. The Company has, and will continue where possible to reduce its liabilities, and its recurring cost base to conserve cash.

During 2014, the Company completed a brokered private placement of Units, in two tranches, raising gross proceeds of \$915,000 (\$826,868, net of related expenses), consisting of 9,150,000 common shares and 9,150,000 warrants. Each warrant was exercisable into one common share, at \$0.20 per share, for two years from the closing dates of the tranches. In addition, the Company issued 600,000 broker warrants. The Company repaid a \$150,000 promissory note and \$15,000 of accrued interest from the proceeds of the private placement. The warrants and broker warrants from this private placement have expired.

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In 2014, as approved at a shareholders' meeting, the Company settled \$435,604 of amounts owing to insiders of the Company by issuing 1,742,415 common shares.

During 2014 and 2015, the Company was advanced \$150,000 by a company related to a Director of the Company. The advances are non-interest bearing, unsecured and due on demand. In connection with the advance in 2015, the Company granted 100,000 share options to the lender, which are exercisable for two years at \$0.12 per share.

The Company entered into a \$500,000 Term Loan agreement in June 2015 with a party related to a Director. The loan bears interest at 8% per annum, paid quarterly, with no principal payments until the due date on June 26, 2018. In December 2015, the Company entered into a US\$200,000 Term Loan agreement with a company related to a customer, on the same terms, and with the same due date as the other term loan. The loans are secured by a General Security Agreement over the assets of the Company, on a pari passu basis between the lenders.

During 2016, the Company completed a non-brokered private placement, in four tranches. In total, the Company raised gross proceeds of \$1,499,918, through the sale of 23,075,652 units (the "Units") at \$0.065 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 \$0.14 per share for three years from the closing date.

The four closings are summarized as follows:

- June 6, 2016 - gross proceeds of \$560,400 were raised on the sale of 8,641,540 Units, resulting in the issue of 8,641,540 common shares. The 8,641,540 warrants may be exercised until June 6, 2019.
- August 2, 2016 - gross proceeds of \$165,275 were raised on the sale of 2,542,692 Units, resulting in the issue of 2,542,692 common shares. The 2,542,692 warrants may be exercised until August 2, 2019.
- September 2, 2016 - gross proceeds of \$439,493 were raised on the sale of 6,761,422 Units, resulting in the issue of 6,761,422 common shares. The 6,761,422 warrants may be exercised until September 2, 2019.
- September 15, 2016 - gross proceeds of \$334,750 were raised on the sale of 5,149,998 Units, resulting in the issue of 5,149,998 common shares. The 5,149,998 warrants may be exercised until September 15, 2019.

As of September 30, 2016, the Company's capital resources consist of the following:

*Accounts payable and accrued liabilities –*

The Company had \$1,966,467 of accounts payable and accrued liabilities as of the September 30, 2016, a decrease of \$91,630 from \$2,058,097 on December 31, 2015. While balances increased during the first half of 2016, the Company was able to use a portion of the proceeds from its private placement to reduce them to previous levels.

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The September 30, 2016 amounts consist of trade payables (\$166,535), amounts owing to staff, management and directors for unpaid compensation and fees (\$1,100,297), amounts owing and accrued to governments for unpaid payroll withholdings, sales and other taxes (\$381,129) and interest and other accruals (\$318,506).

*Demand loans –*

The Company has a number of advances outstanding, consisting of non-interest bearing advances totaling \$150,000 from a company related to a Director, and an advance of \$29,000 owing to an individual related to a Director of the Company, bearing interest at prime plus 6% per annum. The Company was advanced an additional \$75,000 by related parties during 2016, which amounts have been repaid.

*Term loans -*

The Company entered into a \$500,000 Term Loan agreement in 2015 with a party related to a Director. The loan bears interest at 8% per annum, paid quarterly, with no principal payments until the due date on June 26, 2018. The Company has the option to repay the loan at any time without penalty. The lender has the option of requiring the principal portion to be repaid in monthly installments to maturity, if certain financial targets are not being met. The debt is secured by a General Security Agreement, on a pari passu basis with the other term loan.

The Company entered into a US\$200,000 Term Loan in December 2015, with a balance as of September 30, 2016 of \$263,222 (December 31, 2015 - \$277,010), with a party related to a customer, which loan is due in June 2018. The terms of the loan are the same as the loan above, with an 8.0% interest rate, paid quarterly, and no principal payments to maturity. The Company has the option to repay the loan at any time without penalty. The lender has the option of requiring the principal portion to be repaid in monthly installments to maturity, if certain financial targets are not being met. The debt is also secured by a General Security Agreement, on a pari passu basis with the other term loan.

*Share Capital -*

The Company had 96,966,161 shares outstanding as of September 30, 2016:

	Number of shares	Stated Capital
Balance, January 1, 2015	70,637,072	\$ 15,309,259
Issued in exchange for debt	3,253,437	227,741
Balance, December 31, 2015	73,890,509	15,537,000
Issued for cash	23,075,652	786,228
Balance, September 30, 2016	96,966,161	\$ 16,323,228

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During 2016, the Company completed a non-brokered private placement in four tranches, raising gross proceeds of \$1,499,918 (\$1,409,778 net of expenses). In total, the Company sold 23,075,652 units (the Units), for \$0.065 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 \$0.14 per share for three years from the closing date.

Amounts raised from the private placement are summarized below:

- The Company completed the first tranche of the private placement on June 6, 2016, of 8,621,540 Units for gross proceeds of \$560,400. The 8,621,540 warrants issued may be exercised until June 6, 2019.

The Company allocated the \$560,400 proceeds between the shares and the warrants issued, based on the relative value of the components. The value of the shares was based on the closing value of the Company's shares on the closing date of \$0.095, and the value for the warrants using the Black-Scholes pricing model at the issue date as \$0.073 per share based on a share price volatility of 149% based on historical volatility, a risk free rate of 1.15%, and with no expected dividend yield over the life of the warrant. As a result, the amount was allocated as to \$317,211 to share capital and \$243,189 to warrants. The Company incurred cash related issue costs of \$31,694, and this has been allocated in the same manner as the proceeds, with \$17,940 as a reduction of share capital and \$13,754 as a reduction of the warrants.

- The Company completed the second tranche of the private placement on August 2, 2016, of 2,542,692 Units for gross proceeds of \$165,275. The 2,542,692 warrants issued may be exercised until August 2, 2019. In addition, the Company granted 99,762 finder's warrants in connection with the issue, 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 Company allocated the \$165,275 proceeds between the shares and the warrants issued, based on the relative value of the components. The value of the shares was based on the closing value of the Company's shares on the closing date of \$0.08, and the value for the warrants using the Black-Scholes pricing model at the issue date as \$0.059 per share based on a share price volatility of 146% based on historical volatility, a risk free rate of 1.15%, and with no expected dividend yield over the life of the warrant. As a result, the amount was allocated as to \$95,227 to share capital and \$70,048 to warrants. The Company incurred cash related issue costs of \$21,568, including a finder's fee of \$6,485, and these costs have been allocated in the same manner as the proceeds, with \$12,427 as a reduction of share capital and \$9,141 as a reduction of the warrants. The finder's warrants were also valued at \$0.059, and the

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\$5,871 attributed to them considered a cost of the issue, with \$3,383 as a reduction in share capital and \$2,488 as a reduction of the warrants.

- The Company completed the third tranche of the private placement on September 2, 2016, of 6,761,422 Units for gross proceeds of \$439,493. The 6,761,422 warrants issued may be exercised until September 2, 2019. In addition, the Company granted 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 Company allocated the \$439,493 proceeds between the shares and the warrants issued, based on the relative value of the components. The value of the shares was based on the closing value of the Company's shares on the closing date of \$0.095, and the value for the warrants using the Black-Scholes pricing model at the issue date as \$0.072 per share based on a share price volatility of 148% based on historical volatility, a risk free rate of 1.15%, and with no expected dividend yield over the life of the warrant. As a result, the amount was allocated as to \$249,386 to share capital and \$190,107 to warrants. The Company incurred cash related issue costs of \$16,600, including a finder's fee of \$3,177, and these costs have been allocated in the same manner as the proceeds, with \$9,420 as a reduction of share capital and \$7,180 as a reduction of the warrants. The finder's warrants were also valued at \$0.072, and the \$3,539 value attributed to them considered a cost of the issue, with \$2,008 as a reduction in share capital and \$1,531 as a reduction of the warrants.

- The Company completed the fourth and final tranche of the private placement on September 15, 2016 of 5,149,998 Units for gross proceeds of \$334,750. The 5,149,998 warrants issued may be exercised until September 15, 2019.

The Company allocated the \$334,750 proceeds between the shares and the warrants issued, based on the relative value of the components. The value of the shares was based on the closing value of the Company's shares on the closing date of \$0.235, and the value for the warrants using the Black-Scholes pricing model at the issue date as \$0.201 per share based on a share price volatility of 150% based on historical volatility, a risk free rate of 1.15%, and with no expected dividend yield over the life of the warrant. As a result, the amount was allocated as to \$180,517 to share capital and \$154,233 to warrants. The Company incurred cash related issue costs of \$20,279, and this has been allocated in the same manner as the proceeds, with \$10,935 as a reduction of share capital and \$9,343 as a reduction of the warrants.

On December 23, 2015, the Company issued 3,253,437 common shares to settle \$454,023 of amounts owing by the Company. The market value of the Company's shares as of the date of issue was \$0.07, resulting in an addition to share capital of \$227,741, and a gain on the settlements of \$226,282. Included in this were 2,550,000

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shares issued to non-arms length parties, to settle \$328,956 of amounts owing, resulting in a gain of \$150,456, and 703,437 shares were issued to other parties, to settle \$125,067 of amounts owing, resulting in a gain of \$75,826.

*Stock options –*

On August 25, 2016, at the Annual and Special Meeting of Shareholders, shareholders approved an amendment to the Company's 2014 Incentive Stock Option Plan to increase the number of options available under the plan from 12,000,000 to 16,400,000. 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 September 30, 2016 there were 11,775,000 options that have been granted and are outstanding, with 4,625,000 options available to be granted under the plan. Options generally expire after five years, with vesting provisions stated in the plan.

The options outstanding as of September 30, 2016, have a weighted average exercise price of \$0.10, and have an average remaining life of 3.0 years.

On December 30, 2015, 100,000 options were granted to an insider. The options are exercisable at \$0.12 for a period of two years from the date of grant.

In 2014, 7,150,000 options were granted to management and consultants, which have an exercise price of \$0.10, and may be exercised to November 29, 2019.

On August 25, 2016, the Company granted 1,750,000 options to consultants of the company, which options will be vested before December 31, 2016, and expire five years from the grant date. Of the options, 875,000 have an exercise price of \$0.10 per share and the remaining 875,000 have an exercise price of \$0.14 per share.

*Warrants –*

The Company has issued warrants in connection with debt and share offerings and debt settlements. The number of warrants outstanding as of September 30, 2016, and a summary of their terms are as follows:

<b>Warrants</b>	<b>Warrant Expiry and Exercise Prices</b>
8,621,540	\$0.14 until June 6, 2019
2,642,454	\$0.14 until August 2, 2019
6,810,292	\$0.14 until September 2, 2019
5,149,998	\$0.14 until September 15, 2019
23,224,284	

The value of warrants has been estimated in each case using the Black-Scholes pricing model as of the applicable date of the transaction.

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In connection with the private placements completed in 2016, a total of 23,075,652 warrants were granted to subscribers of Units, each allowing the holder to purchase one common share at a price of \$0.14 per share, with 8,621,540 of the warrants expiring on June 6, 2019, 2,542,692 of the warrants expiring on August 2, 2019, 6,761,422 of the warrants expiring on September 2, 2019, and the remaining 5,149,998 warrants expiring on September 15, 2019. In addition, in connection with the placement, the Company granted 148,632 finder's warrants, each allowing the holder to purchase one common share at a price of \$0.14 per share, with 99,762 of the warrants expiring on August 2, 2019, and 48,870 of the warrants expiring on September 2, 2019.

*Off-Balance Sheet Arrangements –*

The Company has no off-balance sheet arrangements.

**Issued and outstanding Shares, Warrants and Stock Options**

As at the date of this Report the following total numbers of shares, warrants and stock options were issued and outstanding:

	<b>September 30, 2016</b>	<b>November 28, 2016</b>
Common shares	96,966,161	97,166,161
Warrants	23,224,284	23,224,284
Stock Options	11,775,000	11,575,000

**Capital Resources –**

The Company has made only relatively low levels of capital expenditures in the last two years. The Company plans to update the technology in its SIAscopy units and software, and provide an environment where it can broaden the distribution of its SIAscopy products to multi-centre outlets, which will involve level of expenditure, which will not be undertaken until further financing is obtained.

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

There were no changes in the Company's approach to capital management during the nine months ended September 30, 2016. The Company is not subject to externally imposed capital restrictions.

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**Summary of Quarterly Results**

*Amounts in \$000's, except per share amounts*

Quarter Ended	December 31 2014	March 31 2015	June 30 2015	September 30 2015	December 31 2015	March 31 2016	June 30 2016	September 30 2016
Revenues	\$205	\$299	\$367	\$166	\$339	\$189	\$209	\$317
Comprehensive Income/(Loss)	(\$269)	(\$56)	(\$51)	(\$239)	(\$154)	(\$204)	(\$311)	(\$460)
Income (loss) per share	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.01)

As the foregoing Table indicates, results over the past eight quarters have fluctuated, driven in part by revenues. As the Company is building its revenue through several distribution channels, sales can fluctuate by quarter, depending on the timing of orders. Periods with lower losses or income have resulted primarily from gains relating to debt settlements or other liability reductions by the Company.

**Contractual Obligations**

The Company leases space for its office and manufacturing facility, entering into a five year lease in 2015, with annual minimum lease obligations of \$38,256 in 2016, \$38,400 in 2017, \$38,688 in 2018, \$38,828 in 2019 and \$26,072 in 2020.

**Significant Accounting Judgments and Estimates**

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

Significant estimates in connection with the interim condensed consolidated financial statements include the valuation and determination of the useful lives of assets, valuation of share-based compensation, warrants, debt settlements through issuance of shares, deferred income taxes, deferred revenue, receivables and inventory valuation, and the valuation of intangibles of the Company.

Significant judgments in connection with the interim condensed consolidated financial statements include going concern and revenue recognition.

**Recent Accounting Pronouncements**

At the date of authorization of these interim condensed consolidated financial statements, the IASB and International Financial Reporting Interpretations Committee ("IFRIC") have issued the following new and revised Standards and Interpretations, some of which are not yet effective.

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With respect to IAS 1 and IAS 16 and 38 below, the Company has performed its assessment and concluded that the changes do not have a significant impact on the Company's financial statements. The Company has not early adopted the remaining standards, amendments and interpretations; however it is currently assessing what impact, if any, the application of these standards or amendments will have on future interim condensed consolidated financial statements.

**IAS 1 - Presentation of Financial Statements**

IAS 1, Presentation of Financial Statements was amended by the IASB in December 2015. The amendments are designed to further encourage companies to apply professional judgment in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of the financial disclosures. Furthermore, the amendments clarify that companies should use professional judgment in determining where and in what order information is presented in the financial disclosures. The amendments are effective for annual periods beginning on or after January 1, 2016.

**IAS 16 and IAS 38 – Property, Plant and Equipment and Intangible Assets**

IAS 16 and IAS 38, Property, Plant and Equipment and Intangible Assets were amended by the IASB in December 2013. The amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset are not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances. The amendments are effective for annual periods beginning on or after January 1, 2016.

**IFRS 9 - Financial Instruments**

IFRS 9, Financial Instruments was issued in final form by the IASB in July 2015 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets.

Most requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method be used, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes requirements relating to a new hedge accounting model, which represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements.

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The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. In addition, a single, forward-looking expected loss impairment model is introduced, which will require more timely recognition of expected credit losses. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted.

**IFRS 15 - Revenue from Contracts with Customers**

IFRS 15, Revenue from Contracts with Customers was issued by the IASB in May 2015. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. IFRS 15 supersedes the following standards: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue - Barter Transactions Involving Advertising Services.

**Financial Instruments**

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

**Fair Value**

The carrying value of accounts receivable, accounts payable and accrued liabilities, and demand and term loans approximates fair value due to the relatively short-term maturity of these financial instruments. Given the respective designations cash is the only financial instrument carried at fair values and has been categorized as level 1 on the fair value hierarchy.

The main risks the Company's financial instruments are exposed to are credit risk, interest rate risk, foreign currency risk and liquidity risk, each of which is discussed below.

**Risk Disclosures**

The main risks the Company's financial instruments are exposed to are credit risk, interest rate risk, foreign currency risk and liquidity risk, each discussed below.

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*Credit Risk -*

Credit risk is low with respect to its trade and other receivables. Individual sales 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 delivery.

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 has a low exposure to risk with respect to interest rate fluctuations, as a large proportion of its debt is at a fixed rate of interest. A 1% change in interest rates would have a negligible impact on income. 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. There is an impact on net loss from the translation of the accounts receivable, accounts payable balances and debt denominated in US Dollars and other currencies as of the end of the period. The company sells its products internationally, and incurs costs from international suppliers. As of September 30, 2016, a portion of the Company's accounts receivable, accounts payable and long-term debt 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 \$23,400.

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 the appropriate currency to match the requirements. The Company has not entered into any foreign exchange hedging contracts during 2015 and 2016.

*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 a number of transactions to settle debts through the issuance of shares. Cash has been raised in 2016 and in prior years, and the Company will be required to 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.

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As at September 30, 2016, \$2,145,467 (December 31, 2015 - \$2,237,097) of the Company's financial liabilities have contractual maturities less than three months. Refer to Note 8 of the Company's interim condensed consolidated financial statements for additional discussions regarding the contractual maturities of financial liabilities in excess of one year.

**Related Party Transactions**

During the nine months ended September 30, 2016 the Company incurred costs for management and Board compensation of \$371,875 (2015 - \$368,000, before the items noted below) under the terms of their compensation arrangements. In addition, \$13,187 of the expense recorded in the nine months ended September 30, 2016 (2015 - \$79,123) for share-based compensation relates to management.

During 2015, members of the Board of Directors agreed to a reduction of \$134,000 of certain amounts owing to them, and the settlement for the remaining \$51,200 of such remaining amounts by the issuance of 512,500 shares of the Company.

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

Included in accounts payable and accrued liabilities as of September 30, 2016 is \$977,059 (December 31, 2015 - \$965,448) due to officers and directors of the Company.

**Subsequent Events**

Subsequent to September 30, 2016, 200,000 stock options were exercised, with the Company receiving proceeds of \$20,000. In addition, the Company obtained Acceptance from the TSX-V for the issuance of 100,000 common shares, to be issued to a lender in connection with the amendment of security arrangements in December 2015 of a term loan agreement entered into in July 2015.

**Risks and Uncertainties**

Although not exhaustive, the following list summarizes some of the key risks the Company faces, as well as, strategies the Company employs to manage these risks:

**Market, Operating and Competitive Risks -**

The market opportunity for the Company's products is dependent upon external factors such as the level of regulation of the medical device and diagnostic market, acceptance of the Company's products by the medical and healthcare profession and patient/consumer interest. As well, the Company has larger competitors who have larger customer bases and more significant financial and operating resources which may make it more difficult for the Company to compete in the marketplace.

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**Technology Risks -**

The Company has invested significant resources in its products to ensure that they provide its customers with a competitive offering relative to other suppliers in its industry. As a result of its financial position, the Company has not been able to confirm the existence of all of its intellectual property, and if the Company has not protected its intellectual property adequately or if it infringes third party intellectual property rights, it may lose its competitive advantage and incur significant costs and loss of reputation that could materially negatively impact its business. To manage this risk, the Company has invested significant resources in product development and professional assistance to protect its intellectual property and avoid to the extent possible infringement of third party intellectual property rights.

**Operating Losses -**

The Company has experienced operating losses since incorporation in 1999. As at September 30, 2016, MedX has a deficit of \$23,184,858. The Company may continue to incur additional losses and negative cash flows from operations and may never achieve profitability. Its success will depend mainly on its ability to generate enough operating income to achieve profitability and to develop its products and technology to capture meaningful market share. MedX may be unable to achieve profitability and this inability could have a material adverse effect on the Company's business, results of operations and financial condition.

**Capital Requirements/Financing -**

The Company relies on funding from internally generated revenues and external sources to provide sufficient capital to continue ongoing operations. There is no certainty that internal profits will be generated or that the Company will be successful in attracting external sources of capital. If MedX does not have sufficient capital to fund its operations, it may be required to curtail certain business operations.

**Foreign Exchange Rate Risks -**

MedX reports its financial results in Canadian Dollars. A substantial amount of revenues are derived from customers outside of Canada which are transacted in US dollars and other currencies. The Company has a term loan denominated in US Dollars and also has balances of accounts receivable and accounts payable denominated in non-Canadian currencies. If the US dollar or other currencies fluctuate against the Canadian dollar, the reported revenues of the Company, its margins and results of operations will be impacted.

**Lack of Dividends -**

MedX anticipates that for the foreseeable future, the Company's earnings, if any, will be retained for use in the business, and no dividends will be paid. Declaration of dividends on the Company's common shares will depend on, among other things, future earnings, cash requirements and general business conditions.

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**Key Personnel Risk -**

The future success of the Company is dependent upon the Company's ability to retain, recruit and train senior management, technical, sales and managerial personnel. Competition for qualified employees is intense and it may be possible that the Company is unable to retain and recruit qualified personnel in the future.

**Other Risks and Uncertainties -**

MedX is an early stage commercial company facing corresponding risks. Future results may differ materially because of fluctuations in the Company's operating results due to changes in the cost of components used to manufacture the Company's products, changes in the regulatory environment for medical devices in the United States, Canada, and internationally, changes in the Company's markets including competitors' new product introductions and fluctuations in the value of the Canadian dollar.

**Forward-Looking Statements**

This Management's Discussion and Analysis contains certain "forward-looking statements." All statements, other than statements of historical fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, without limitation, statements regarding financial and business prospects and financial outlook) are forward looking statements. These forward-looking statements reflect the current expectations or beliefs of the Company, based on information currently available to the Company. Forward-looking statements are subject to a number of risks, uncertainties and assumptions that may cause the actual results of the Company to differ materially from those discussed in the forward-looking statements and, even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on the Company. Factors that could cause actual results or events to differ materially from current expectations include, among other things, changes in general economic and market conditions, changes to regulations affecting the Company's activities, and uncertainties relating to the availability and costs of financing needed in the future. Any forward-looking statement speaks only as at the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking statements are reasonable, forward looking statements are not guarantees of future performance and, accordingly, undue reliance should not be put on such statements due to the inherent uncertainty therein.

**Additional information**

Additional information relating to the Company is available at [www.sedar.com](http://www.sedar.com), and may also be obtained by request to the Company.

**Dated: November 28, 2016**