Interim Condensed Consolidated Financial Statements

For the Three Months Ended March 31, 2018 and 2017

(UNAUDITED)

(Presented in Canadian dollars)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

The unaudited Interim Condensed Consolidated Financial Statements as at and for the three-month periods ended March 31, 2018 and 2017 have not been reviewed by the Company's auditor.

MEDX HEALTH CORP.

Interim Condensed Consolidated Statements of Financial Position
(Unaudited)
Presented in Canadian dollars

	March 31 2018	December 31 2017
ASSETS		
Current assets		
Cash	**$ 1,052,503**	$ 96,256
Accounts receivable (Note 3)	**80,504**	113,953
Inventory (Note 4)	**201,931**	146,430
Prepaid expenses and deposits	**71,695**	68,569
	1,406,633	425,208
Property and equipment (Note 5)	**37,401**	36,907
Intangible assets (Note 6)	**186,318**	208,863
	$ 1,630,352	$ 670,978
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Notes 7 and 16)	**$ 1,162,895**	$ 1,422,831
Deferred revenue	**59,964**	27,252
Demand loans (Note 8)	**-**	200,000
Current portion of long-term debt (Note 8)	**64,435**	146,422
	1,287,294	1,796,505
Convertible debt (Note 8)	**390,293**	376,723
	1,677,587	2,173,228
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 9)	**20,865,277**	18,707,778
Equity portion of convertible debt (Note 8)	**227,000**	227,000
Contributed surplus (Note 9)	**4,682,183**	4,712,513
Deficit	**(25,821,695)**	(25,149,541)
	(47,235)	(1,502,250)
	$ 1,630,352	$ 670,978

Nature of operations and going concern (Note 1), Commitments and contingencies (Note 15), Subsequent events (Note 17)

See accompanying notes to the interim condensed consolidated financial statements

MEDX HEALTH CORP.

Interim Condensed Consolidated Statements of Comprehensive Loss
(Unaudited)
Presented in Canadian dollars

Three months ended March 31		2018		2017
Revenue	**$**	**226,122**	$	239,810
Cost of sales		**98,660**		86,154
Gross profit		**127,462**		153,656
Expenses				
Selling, general and administrative		**616,043**		339,320
Product and software development		**119,000**		-
Share-based compensation (Notes 9 and 16)		**5,392**		105,331
Interest expense		**25,870**		27,582
Foreign exchange loss		**8,864**		3,884
Amortization of property and equipment		**1,902**		2,852
Amortization of intangibles		**22,545**		22,546
		799,616		501,515
Net loss and comprehensive loss for the period	**$**	**(672,154)**	$	(347,859)
Loss per share, basic and fully diluted (Note 11)	**$**	**(0.01)**	$	(0.00)
Weighted average number of shares outstanding		**123,801,788**		97,691,161

See accompanying notes to the interim condensed consolidated financial statements

MEDX HEALTH CORP.

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

Three months ended March 31, 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 period					(347,859)	(347,859)
Share-based compensation				105,331		105,331
Balance, March 31, 2017	$ 16,445,020	$ 612,508	$ 227,000	$ 4,540,554	$ (23,892,962)	$ (2,067,880)
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 period					(672,154)	(672,154)
Issuance of Units	878,941	712,470				1,591,411
Exercise of share options	75,722			(35,722)		40,000
Exercise of warrants	584,085	(93,719)				490,366
Share-based compensation				5,392		5,392
Balance, March 31, 2018	$ 18,878,360	$ 1,986,917	$ 227,000	$ 4,682,183	$ (25,821,695)	$ (47,235)

See accompanying notes to the interim condensed consolidated financial statements

MEDX HEALTH CORP.

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

Three months ended March 31		**2018**		**2017**
Cash flows from operating activities				
Net loss for the period	**$**	**(672,154)**	$	(347,859)
Adjustments for non-cash items				
Amortization of property and equipment		**1,902**		2,852
Amortization of intangible assets		**22,545**		22,546
Accretion of convertible debt		**13,570**		10,157
Share-based compensation		**5,392**		105,331
		(628,745)		(206,973)
Net change in non-cash operating working capital items:				
Accounts receivable		**33,449**		(3,527)
Inventory		**(55,501)**		(9,841)
Prepaid expenses and deposits		**(3,126)**		(4,453)
Accounts payable and accrued liabilities		**(257,289)**		(36,146)
Deferred revenue		**32,714**		8,436
		(249,753)		(45,531)
Net cash used in operating activities		**(878,498)**		(252,504)
Cash flows from investing activities				
Purchases of property and equipment		**(2,396)**		-
Net cash used in investing activities		**(2,396)**		-
Cash flows from financing activities				
Proceeds from issuance of Units, net of issue costs		**1,591,411**		-
Proceeds from exercises of share options and warrants		**530,366**		-
Repayment of long-term debt		**(84,636)**		-
Proceeds from issuance of demand loans		**-**		100,000
Repayment of demand loans		**(200,000)**		-
Net cash from financing activities		**1,837,141**		100,000
Net change in cash for the period		**956,247**		(152,504)
Cash, beginning of period		**96,256**		207,553
Cash, end of period	**$**	**1,052,503**	$	55,049

See accompanying notes to the interim condensed consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

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

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

The interim condensed consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards on a going concern basis, which contemplates the realization of assets and the discharge of liabilities in the normal course of business for the foreseeable future. As at March 31, 2018, the Company had a working capital balance of $119,339 (December 31, 2017 – ($1,371,297)), had an accumulated deficit of $25,821,695 (December 31, 2017 - $25,149,541), and shareholders' deficiency of $47,235 (December 31, 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 been able to raise capital during the 2016 to 2018 period and may require additional capital to continue to develop its products, market its products and as it continues to develop sales opportunities. These interim condensed consolidated financial statements do not give effect to any adjustments which might be necessary should the Company be unable to continue as a going concern and be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying interim condensed consolidated financial statements. These adjustments could be material.

The Company operates in a single reportable operating segment. The Company develops, manufactures and markets skin-related screening tool and phototherapy devices for pain relief and tissue throughout North America, Europe and Asia. As at March 31, 2018, substantially all of the Company's assets are located in Canada.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These interim condensed consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), effective for the reporting period ended March, 2018.

The policies applied in these interim condensed consolidated financial statements are based on IFRS issued and outstanding as of March 31, 2018. The Board of Directors approved these interim condensed consolidated financial statements on May 29, 2018.

Basis of Presentation

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". The interim condensed consolidated financial statements do not include all the information and disclosures required in the Company's annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2017.

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

Certain comparative figures have been reclassified to conform to the current year's presentation.

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 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 interim condensed consolidated financial statements.

Consolidation

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

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”).

In situations where equity instruments are issued to non-employees and the fair value of goods or services received by the entity as consideration cannot be estimated reliably, they are measured at fair value of the equity instruments granted.

Equity settled transactions

The costs of equity settled transactions are measured by reference to the fair value of the equity instrument at the date on which they are granted.

The costs of equity settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant party becomes fully entitled to the award ("the vesting date"). The cumulative expense is recognized for equity settled transactions at each reporting date until the vesting date, and reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in contributed surplus.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options and warrants is reflected as additional dilution in the computation of earnings per share.

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.

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 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.

Significant estimates in connection with these 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, the valuation of convertible loans, the equity component of convertible loans, deferred income taxes, deferred revenue, receivables and inventory valuation, and the valuation of intangibles of the Company.

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

Financial instruments

Financial assets

All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans-and-receivables or at fair value through profit or loss (“FVTPL”). Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through operations.

Financial assets classified as loans-and-receivables and held-to-maturity are measured at amortized cost. Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary.

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.

All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive loss.

The Company has elected to apply the following classifications to each of its significant categories of financial instruments:

Asset/Liability	Category	Measurement
Cash	Fair value through profit or loss	Fair value
Accounts receivable	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost
Demand loans	Other financial liabilities	Amortized cost
Term loans	Other financial liabilities	Amortized cost
Convertible Loans	Other financial liabilities	Amortized cost

Foreign currency

a. Functional and presentation currency

These interim condensed consolidated financial statements are presented in Canadian dollars, which is the functional 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 interim condensed consolidated statement of comprehensive loss.

Revenue recognition

The Company recognizes revenue when it is realized or earned. The Company considers revenue realized or earned on the sale of medical devices, support licenses and other arrangements when persuasive evidence of an arrangement exists, title and risk of product ownership is transferred to the customer, typically when the product is shipped or when the service is performed, collection of the revenue is reasonably assured and the price is reasonably determinable.

Revenue arrangements with multiple elements are reviewed in order to determine whether the multiple elements can be divided into separate units of accounting. Where separable, the consideration received is allocated amount the separate units of accounting based on the residual method, and the applicable revenue recognition criteria are applied to each of the separate units.

Provisions are established for estimated warranty costs on applicable product sales at the time revenue is recognized. Cash received in advance of meeting these revenue recognition criteria is recorded as deferred revenue.

Revenue from licensing the Company's technology is recognized over the period covered by the license or contract. Amounts received and not yet recognized are included in deferred revenue.

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.

Expenditures on development activities, applied to a plan or design for the production of new or substantially improved products or processes, are capitalized only if the product or process is technically and commercially feasible, if development costs can be measured reliably, if future economic benefits are probable, if the Company intends to use or sell the asset and the Company intends and has sufficient resources to complete development. To date, no material development expenditures 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.

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 their present value using a pre-tax discount rate that reflects current market assessments 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 interim condensed 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.

Presented in Canadian dollars

3. ACCOUNTS RECEIVABLE

The amount of accounts receivable is net of an allowance for doubtful accounts, which was $nil at March 31, 2018 (December 31, 2017 - $nil).

4. INVENTORY

		March 31 2018		December 31 2017
Raw materials	**$**	**91,878**	$	54,710
Work-in-process		**36,304**		17,310
Finished goods		**73,749**		74,410
	$	**201,931**	$	146,430

For the three months ended March 31, 2018, $98,660 (2017 - $86,154) of inventory was included in Cost of sales in the interim condensed consolidated statements of loss.

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		**2,396**		**-**		**2,396**
Balance, March 31, 2018	**$**	**120,512**	**$**	**55,112**	**$**	**175,624**
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		**1,902**		**-**		**1,902**
Balance, March 31, 2018	**$**	**103,665**	**$**	**34,558**	**$**	**138,223**
Carrying Value						
Balance, December 31, 2017	$	16,353	$	20,554	$	36,907
Balance, March 31, 2018	**$**	**16,847**	**$**	**20,554**	**$**	**37,401**

6. INTANGIBLE ASSETS

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

Presented in Canadian dollars

Cost		
Balance, January 1, 2017, December 31, 2017 and March 31, 2018	**$**	**518,709**
Accumulated Amortization		
Balance, January 1, 2017	$	219,664
Amortization		90,182
Balance, December 31, 2017		309,846
Amortization		**22,545**
Balance, March 31, 2018	**$**	**332,391**
Carrying Value		
Balance, December 31, 2017	$	208,863
Balance, March 31, 2018	**$**	**186,318**

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 and Board fees, unpaid payroll and sales taxes, and interest.

		March 31 2018		December 31 2017
Accounts payable	**$**	**118,552**	$	**105,090**
Amounts owing to staff, officers and board of directors		**539,495**		**683,041**
Taxes, including unpaid payroll withholdings and related interest, accrued sales and other taxes		**476,356**		**466,355**
Other accrued liabilities		**28,492**		**168,345**
	$	**1,162,895**	$	**1,422,831**

8. DEMAND LOANS AND LONG-TERM DEBT

a) Demand loans

There is a $nil amount of Demand loans outstanding as of March 31, 2018, as all of the loans outstanding as of December 31, 2017 were repaid during 2018. The loans outstanding as of December 31, 2017, all of which were unsecured, consisted of $200,000 of advances from a corporation controlled by a Director. Of the total, $50,000 were advanced in 2017, with no fixed terms for repayment, 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. In addition, 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) Long-term debt

Long-term debt consists of a term loan with a balance as of March 31, 2018 of $64,435 (US$49,997), (December 31, 2017 - $146,422 (US$116,665)) entered into in 2015 with a company related to a customer, with interest at 8.0% per annum, paid quarterly, and due on June 26, 2018.

Presented in Canadian dollars

The Company has the option to repay the loan at any time without penalty. 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 is secured by a general security agreement covering all of the Company's assets on a pari passu basis with the Convertible debt.

c) 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, on a pari passu basis with the Long-term debt.

The loan was originally a three-year Term loan issued in June 2015, which terms were amended in 2016. The amendment of the terms was considered an exchange of the original debt for a new convertible loan, and as such, a value of the debt and equity components of the new loan were determined as the amount required to extinguish the original Term loan, and the difference resulting in a loss on the exchange of the debt. 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. 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 a result, a loss of $54,000 was recorded on the exchange of the term loan for the convertible loan in 2016.

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

	March 31 2018	December 31 2017
Face value	**$ 500,000**	$ 500,000
Balance to be accreted	**(109,707)**	(123,277)
	$ 390,293	$ 376,723

Presented in Canadian dollars

9. SHARE CAPITAL

Common Shares

Authorized - Unlimited number of common shares

Issued and outstanding

	Number of shares	Stated Capital
Outstanding at January 1, 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)	**13,821,000**	**878,941**
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 (c)	**3,458,333**	**490,366**
Reclassification from warrants on warrant excerises (c)	**-**	**93,719**
Outstanding at March 31, 2018	**130,422,462**	**$ 18,878,360**

a) Shares issued for cash

On January 24, 2018, the Company completed a non-brokered private placement with gross proceeds of $1,658,520 and net proceeds of $1,591,411. The private placement consisted of the sale of 13,821,000 units (the “Units”) at a price of $0.12 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 $0.20 per Common Share. A total of 343,260 Finder’s Warrants were issued to finders in connection with the placement.

The Company allocated the $1,658,520 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 $0.165, and the value for the warrants using the Black-Scholes pricing model at the issue date as $0.116 per share based on a share price volatility of 126% based on historical volatility, a risk-free rate of 1.35%, and with no expected dividend yield over the life of the warrant. As a result, the amount was allocated as to $974,637 to share capital and $683,883 to warrants. The Company incurred cash related issue costs, including broker commissions of $67,109, and these costs have been allocated in the same manner as the proceeds, with $39,437 as a reduction of share capital and $27,672 as a reduction of the warrants.

The Company issued 343,260 Finder’s Warrants to brokers; each non-transferable Finder’s Warrant is exercisable for a period of three years, to acquire a Unit at $0.12, comprising a Share and a Warrant exercisable until January 24, 2021, at $0.20. The Finder’s Warrants were valued at $95,734 using the Black-Scholes pricing model, are considered a cost of the private placement, and reflected as a $56,259 reduction of share capital and $39,475 reduction of the warrants.

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 (the “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 (the "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.

Presented in Canadian dollars

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.

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 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 $0.13, $0.125 and $0.115, respectively. The warrant value for each transaction was determined to be $0.096, $0.089 and $0.075, 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 share and a warrant exercisable into one 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.

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 share and a warrant exercisable into one 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.

The December 15, 2017 costs included issuing 204,400 Finder 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 share and a warrant exercisable into one share until December 15, 2020 at $0.20. The finder warrants were valued at $32,434, with $19,623 allocated as a reduction in share capital and a $12,811 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.

Presented in Canadian dollars

c) Shares issued on exercise of warrants

The Company issued 3,428,333 common shares during the period ended March 31, 2018 on the exercise of subscriber warrants, resulting in proceeds of $486,766. In addition, 30,000 broker warrants were exercised resulting in proceeds of $3,600. The warrant value originally allocated to the warrants of $93,719 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.

	Number of Warrants	Weighted-Average Exercise Price $
Outstanding at January 1, 2017	22,750,652	0.14
Warrants issued	15,051,968	0.20
Outstanding at December 31, 2017	**37,802,620**	**0.16**
Warrants issued	**13,821,000**	**0.20**
Warrants exercised	**(3,428,333)**	**0.14**
Outstanding at March 31, 2018	**48,195,287**	**0.18**

In connection with the private placement completed in 2018, the Company issued 343,260 Finder warrants, with an exercise price of $0.12. In connection with the private placements completed in 2017, the Company issued 718,770 Broker/Finder warrants (2016 – 148,632 Finder's warrants) with a weighted average exercise price of $0.12. See note 9(a) for the terms of Broker/Finder warrants.

The warrants (including Broker/Finder warrants) outstanding, and their expiry dates as of March 31, 2018 are as follows:

		Exercise Price	Warrants	$
Private Placement	– June 6, 2019	$0.14	**7,971,540**	**212,138**
Private Placement	– August 2, 2019	$0.14	**2,072,454**	**51,194**
Private Placement	– September 2, 2019	$0.14	**6,190,292**	**168,302**
Private Placement	– September 15, 2019	$0.14	**3,349,998**	**91,856**
Private Placement	– April 21, 2020	$0.20	**7,235,365**	**363,129**
Private Placement	– July 14, 2020	$0.20	**2,170,311**	**95,582**
Private Placement	– December 15, 2020	$0.20	**6,251,729**	**292,246**
Private Placement	– January 24, 2021	$0.20	**14,164,260**	**712,470**
			49,405,949	**1,986,917**

e) Stock options

On January 17, 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 16,400,000 to 21,200,000.

Presented in Canadian dollars

Under the terms of the plan, directors, officers, employees and consultants, subject to certain conditions, may be granted options to purchase common shares of the Company. As at March 31, 2018 there were 11,325,000 options that have been granted and are outstanding, with 9,475,000 options available to be granted under the plan. Options generally expire after five years, with vesting provisions stated in the plan.

Activity in the Company's stock option plan for the year ended December 31, 2017 and three months ended March 31, 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**
Exercised	**(400,000)**	**0.10**
Outstanding, March 31, 2018	**11,325,000**	**0.12**

The outstanding options have exercise prices in the range of $0.10 and $0.24 and an average remaining life of 2.3 years. As of March 31, 2018, 11,050,000 options are exercisable with a weighted average exercise price of $0.12 and an average remaining life of 2.3 years.

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

On December 29, 2017, the Company granted 300,000 share options, which have an exercise price of $0.15, are exercisable for one year, and vest during the one-year period they are outstanding. The options were valued at $8,538, of which $2,348 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 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 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.

Presented in Canadian dollars

10. INCOME TAXES

As of December 31, 2017, the Company had non-capital losses, carried forward of approximately $7,571,770 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	2034 -	$ 224,198
2029 -	$ 1,418,650	2035 -	$ 325,077
2030 -	$ 481,214	2036 -	$ 1,166,251
2031 -	$ 324,117	2037 -	$ 1,626,199
			$ 7,571,770

11. LOSS PER COMMON SHARE

The calculation of basic and diluted loss per share for the three months ended March 31, 2018 and 2017 was based on the loss attributable to common shareholders of $672,154 (2017 - $347,859) and the weighted average number of common shares outstanding of 123,801,788 (2017 – 97,691,161). Diluted loss per share for three months ended March 31, 2018 and 2017 did not include the effect of stock options, warrants or debenture conversions, as they were anti-dilutive.

12. GEOGRAPHICAL AND CUSTOMER INFORMATION

The Company's products are sold on a worldwide basis. Sales for the three-months ended March 31, 2018 were made to customers in the following geographic regions: Canada 32%; United States 52%, Europe 9%, Rest of World 7% (Year ended December 31, 2017: Canada 33%; United States 44%, Europe 14%, Rest of World 9%).

Approximately 27% of the Company's revenue for the three months ended March 31, 2018 was from two customers (Year ended December 31, 2017 - 15% from one customer).

13. FINANCIAL INSTRUMENTS

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 Company has classified its interim condensed consolidated 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.

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. 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 credit risk, interest rate risk, foreign currency risk and liquidity risk, each of which is discussed below.

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 currently has no exposure to risk with respect to interest rate fluctuations, as all of 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. There is an impact on net loss from the translation of the accounts receivable and accounts payable balances, and debt denominated in US Dollars as of the end of the period. The company sells its products internationally and incurs costs from international suppliers. As of March 31, 2018, 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 $4,000.

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.

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. Cash has been raised in the 2016 to 2018 period, and the Company may 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.

Presented in Canadian dollars

		12 months		1 to 2 years		Total
Accounts payable and accrued liabilities	**$**	**1,162,895**	**$**	**-**	**$**	**1,162,895**
Long-term debt		**64,435**		**-**		**64,435**
Convertible debt		**-**		**500,000**		**500,000**
At March 31, 2018	**$**	**1,227,330**	**$**	**500,000**	**$**	**1,727,330**
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 March 31, 2018, total managed capital was $407,493 (December 31, 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 were no changes in the Company's approach to capital management during 2016 or 2017. 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 $38,688 in 2018, $38,828 in 2019 and $26,072 in 2020.

A claim was made against the Company in 2010 from 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.

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

16. RELATED PARTY TRANSACTIONS

During the three months ended March 31, 2018, the Company incurred costs for management and Board compensation of $120,000 (2017 - $80,250). In addition, $nil of the expense recorded in 2018 (2017 - $21,793) for share-based compensation relates to management.

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 March 31, 2018 is $478,576 (December 31, 2017 - $595,166) due to officers and directors of the Company.

17. SUBSEQUENT EVENTS

Subsequent to March 31, 2018, 1,387,689 warrants and broker warrants were exercised resulting in proceeds of $211,403.

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.