

**MedX Health Corp.  
Management's Discussion and Analysis  
For the Three Months Ended March 31, 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 May 30, 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 months ended March 31, 2016 compared with the three months ended March 31, 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 years ended December 31, 2015 and 2014.*

**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.

In 2011, the Company purchased the assets and business related to SIAscopy™, a technology which is a medical device that is used to scan suspicious moles and lesions. The scan is read by a trained physician and a determination is made if 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 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 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 150

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pharmacies in Norway, Sweden and the United Kingdom, 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 pursuing other opportunities in other markets.

The Company's original products, phototherapeutic medical devices, which 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 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.

The Company's SIAscopy and therapeutic light products are produced in an ISO 13485, CMDCAS 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.

During 2014, at a meeting of shareholders, the shareholders of the Company approved the settlement of \$435,604 of amounts owing to insiders of the Company by issuing 1,742,415 common shares. In addition, the shareholders approved the establishment of a new Incentive Stock Option Plan, the terms of which included an increase in the

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number of options available in the plan to 12,000,000, after which the Company granted 7,150,000 share options to management of the Company.

The Company entered into a demand loan arrangement in 2015 with a corporation controlled by a Director for \$100,000, which was advanced to the Company, with no fixed terms for repayment, without interest. 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 issued 3,253,437 common shares to settle \$454,023 of amounts owing by the Company 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.

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.

During the first three months of 2016, \$25,000 was advanced to the Company, on a demand basis, bearing interest at 10% per annum, by a Director. Subsequent to March 31, 2016, \$50,000 was advanced to the Company by a company controlled by a Director on the same terms.

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 March 31	
	2016	2015
<b>Sales</b>	\$ 188,701	\$ 298,619
Cost of sales	64,636	120,251
<b>Gross profit</b>	124,065	178,368
<b>Expenses</b>		
Selling, general and administrative	292,212	161,479
Share-based compensation	9,341	51,375
Interest expense	16,416	1,116
Foreign exchange (gain) loss	(14,372)	9,538
Amortization of property and equipment	2,416	4,392
Amortization of intangibles	22,546	6,500
	328,559	234,400
<b>Net loss for the period</b>	<b>\$ (204,494)</b>	<b>\$ (56,032)</b>

**Three months ended March 31, 2016 and 2015**

*Sales -*

Revenue of \$188,701 for the three months ended March 31, 2016 was \$109,918, or 36.8% lower than the sales of \$298,619 for the three months ended March 31, 2015. Revenues from the Company's SIAscopy product line were \$56,711 for the three months ended March 31, 2016, a \$84,660 decrease, or 59.9% lower than revenues in the prior year. The decrease was primarily timing related, as sales were much higher in the last quarter of 2015. The Company's focus is on working with its partners to increase the number of units installed, to increase sales of scanning devices and scan related fees.

Revenues from MedX's therapeutic laser products of \$131,990 for the three month period ended March 31, 2016 were \$25,258, or 16.1% lower than sales in the 2015 three month period. Sales were modestly higher in this quarter than in each of the previous three quarters. The therapeutic laser market is very competitive, and while the Company has updated its product line, increasing sales over time will be challenging.

*Cost of sales -*

Cost of sales of \$64,636 for the three months ended March 31, 2016 were \$55,615, or 46.2% lower than cost of sales of \$120,251 for the three months ended March 31, 2015. The lower costs are primarily a result of lower sales for the quarter. Cost of sales as a percent of sales was 34.3% for the three month period in 2016 compared with 40.3% in first quarter of 2015. The decrease was due in part from no longer having to pay royalties on SIAscopy related sales, and also from higher margins on the laser products.

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*Gross profit -*

Gross profit for the three months ended March 31, 2016 was \$124,065, a \$54,303 decrease from gross profit of \$178,368 for the three months ended March 31, 2015, with the decrease resulting, primarily from the lower revenues during the period. The gross margin for the three month period ended March 31, 2016 was 65.7% of sales versus 59.7% of sales in the prior year period.

*Selling, general and administrative expenses –*

Administrative expenses of \$292,212 for the three months ended March 31, 2016 were \$130,733 higher than \$161,479 for the three months ended March 31, 2015. Expenses in the 2015 three month period were reduced by \$134,000 as a result of the settlement of prior amounts owing to Directors; expenses for the quarter versus the prior year were comparable otherwise. As has been noted previously, given the current cash situation, the Company continues to control costs very carefully, focusing where there is an opportunity to build sales.

*Share-based compensation –*

The expense related to share-based compensation of \$9,341 for the three months ended March 31, 2016 represents the allocation of costs over the vesting period from share options granted in 2014. The \$51,375 recorded in the prior year quarter relates to allocations of costs from the same option grants, with more options vesting in the prior year period.

*Interest –*

Interest expense of \$16,416 for the three months ended March 31, 2016 was \$15,300 higher than \$1,116 of interest expense for the three months ended March 31, 2015. Interest costs rose significantly 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 \$14,372 during the three months ended March 31, 2016, compared with a loss of \$9,538 in the three month period in 2015. The gain resulted primarily from the translation of the US Dollar denominated term loan entered into in late 2015, with a stronger Canadian dollar during the three month period.

*Amortization of intangibles –*

Amortization of \$22,546 for the three months ended March 31, 2016 was \$16,046 higher than for the three months ended March 31, 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. The quarterly amortization will be similar in future quarterly periods.

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*Net loss for the period –*

The net loss and comprehensive loss of \$204,494 for the three months ended March 31, 2016 was \$148,462 higher than the loss of \$56,032 for the three months ended March 31, 2015. After accounting for the \$134,000 lower administrative expenses in the prior year, as described above, the loss was marginally higher in the first quarter of 2016 when compared with the 2015 period. The lower sales and gross margin was offset by lower share-based compensation costs and the impact of a foreign exchange gain.

**Liquidity and Capital Resources**

The Company had a working capital deficiency of \$2,249,119 as of March 31, 2016, compared with \$2,062,005 as of December 31, 2015, and an accumulated deficit of \$22,414,304 and a shareholders' deficiency of \$2,586,758 as of March 31, 2016. The increase in the deficiency from the latest year end resulted from the losses during the first quarter of 2016, funded by an increase in short-term liabilities and a \$25,000 demand loan from a Director. 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'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 building sales.

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 \$2,194,282 as of March 31, 2016 are \$446,985 lower than at the end of 2014, and \$1,598,383 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 is

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exercisable into one common share, at \$0.20 per share, for two years from the closing dates of the tranches (March and May, 2014). 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. As of the date of this report, the warrants and broker warrants from this private placement have expired.

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. Of the amount settled, \$25,000 was a demand loan, with the remainder representing unpaid salaries, fees and accrued interest.

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 is for three years, with an 8% interest rate, paid quarterly, and no principal payments to maturity. The loan is secured by a General Security Agreement over the assets of the Company, on a pari passu basis with the other Term loan.

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 8% interest rate, paid quarterly, and no principal payments to maturity. The loan is also secured by a General Security Agreement over the assets of the Company, on a pari passu basis with the other Term loan.

As of March 31, 2016, the Company's capital resources consist of the following:

*Accounts payable and accrued liabilities –*

The Company had \$2,194,282 of accounts payable and accrued liabilities as of the March 31, 2016, an increase of \$136,185 from \$2,058,097 on December 31, 2015. The increase resulted losses during the first quarter of 2016. The March 31, 2016 amounts consist of trade payables (\$284,642), amounts owing to staff, management and directors for unpaid compensation and fees (\$1,181,415), amounts owing and accrued to governments for unpaid payroll withholdings, sales and other taxes (\$407,603) and interest and other accruals (\$320,622).

*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, including \$100,000 advanced in 2015 and \$50,000 advanced in 2014, a \$25,000 advance from a Director in

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2016, bearing interest at 10% per annum, 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.

*Term loans -*

The Company entered into a \$500,000 Term Loan agreement in 2015 with a party related to a Director. The loan is for three years, due in June 2018, 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 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 March 31, 2016 of \$258,950 (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 has 73,890,509 shares outstanding as of March 31, 2016:

	<b>Number of shares</b>	<b>Stated Capital</b>
Balance, January 1, 2015	<b>70,637,072</b>	<b>\$ 15,309,259</b>
Issued in exchange for debt	<b>3,253,437</b>	<b>227,741</b>
Balance, December 31, 2015 and March 31, 2016	<b>73,890,509</b>	<b>\$ 15,537,000</b>

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 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.

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*Stock options –*

On June 24, 2014, the shareholders of the Company approved the establishment of a new Incentive Stock Option Plan. The new plan increased the number of options available under the plan from 5,076,332 to 12,000,000. As at March 31, 2016 there were 10,125,000 options that have been granted and remain outstanding, of which 9,307,564 are vested, with 1,875,000 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 March 31, 2016, have a weighted average exercise price of \$0.10, and have an average remaining life of 3.4 years.

On December 30, 2015, 100,000 options were granted to an insider. The options, which are fully vested, 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.

*Warrants –*

The Company has issued warrants in connection with debt and share offerings and debt settlements. The number of warrants outstanding as of March 31, 2016, and a summary of their terms are as follows:

<b>Warrants</b>	<b>Warrant Expiry and Exercise Prices</b>
3,500,000	\$0.20 until May 9, 2016
148,000	\$0.10 Units until May 9, 2016, one share and one warrant at \$0.20
3,648,000	

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

On March 19, 2016, 6,102,000 warrants and broker warrants expired, and on May 9, 2016, the remaining 3,648,000 warrants and broker warrants expired.

*Off-Balance Sheet Arrangements –*

The Company has no off-balance sheet arrangements.

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**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:

Common shares	73,890,509
Stock Options	10,125,000

**Capital Resources –**

The Company has made only relatively low levels of capital expenditures in the last two years. There are no immediate plans to make substantial capital expenditures, although the Company's initiatives to broaden the distribution of its SIAscopy products to multi-centre outlets may involve a higher level of capital expenditures in the future.

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 three months ended March 31, 2016. The Company is not subject to externally imposed capital restrictions.

**Summary of Quarterly Results**

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

Quarter Ended	June 30 2014	September 30 2014	December 31 2014	March 31 2015	June 30 2015	September 30 2015	December 31 2015	March 31 2016
Revenues	\$220	\$295	\$205	\$299	\$367	\$166	\$339	\$189
Comprehensive Income/(Loss)	(\$10)	\$343	(\$269)	(\$56)	(\$51)	(\$239)	(\$154)	(\$204)
Income (loss) per share	(\$0.00)	\$0.00	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)

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.

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**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.

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.

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**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.

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

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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.

*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

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internationally, and incurs costs from international suppliers. As of March 31, 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 the last several 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.

As at March 31, 2016, \$2,398,282 (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 three months ended March 31, 2016 the Company incurred costs for management and Board compensation, of \$127,500 (2015 - \$127,500, before the items noted below) under the terms of their compensation arrangements. In addition, \$7,912 of the expense recorded in the three months ended March 3, 2016 (2015 - \$43,518) 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.

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Included in accounts payable and accrued liabilities as of March 31, 2016 is \$1,062,192 (December 31, 2015 - \$965,448) due to officers and directors of the Company.

**Subsequent Events**

Subsequent to March 31, 2016, the Company was advanced \$50,000 on an unsecured, basis, with the loan bearing interest at 10% per annum, by a company controlled by a Director of the Company.

Subsequent to March 31, 2016, 3,648,000 warrants and broker warrants expired on May 9, 2016.

On May 30, 2016, the Company announced a non-brokered private placement of a minimum of 7,692,307 units and a maximum of 23,076,923 units at a price of \$0.065 per unit, for gross proceeds of a minimum of \$500,000 and a maximum of \$1,500,000; the Company has received subscriptions in excess of the minimum amount. Each unit consists of one common share in the capital of the Company and one warrant, with each warrant exercisable into one common share at a price of \$0.14 for a period of 36 months after closing. The proceeds from the private placement will be used for development of product and marketing initiatives, and general corporate expenses and working capital. The private placement is subject to receipt of applicable regulatory approvals including acceptance of the TSXV Venture Exchange.

**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.

**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

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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 March 31, 2016, MedX has a deficit of \$22,414,304. 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 in the United States and abroad 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.

**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,

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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: May 30, 2016**