

IMAGING DYNAMICS COMPANY LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE YEAR ENDED DECEMBER 31, 2019



Your Global Medical Imaging Technology Provider

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

As at July 15, 2020

General

Imaging Dynamics Company Ltd. (the "Company" or "IDC") is a medical technology company in the field of Digital Radiography ("DR") equipment. IDC offers a family of products, which can be found in many leading medical and healthcare facilities, throughout the world. IDC was founded in May 1995 and maintains its corporate headquarters in Calgary, Alberta, Canada. IDC has subsidiary in USA, Euro and Hongkong. IDC is a publicly traded company incorporated under the laws of the Province of Alberta. The Company is listed on the TSX Venture Exchange ("TSXV"), trading under the symbol "IDL".

The Company's technology produces digital diagnostic images. It replaces the need for film and chemical film processing, as well as reduces storage and retrieval costs normally associated with traditional X-ray technology.

The information included in this document should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2019 and related notes to the consolidated financial statements. The financial information contained in this document is derived from the Company's consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). For additional information and details, readers are referred to the quarterly and annual consolidated financial statements and MD&A for the fiscal years 2018 and 2019 all of which are published separately and are available at www.sedar.com. Additional information relating to the Company may be found on the Company's web site: www.imagingdynamics.com.

Advisory regarding Forward-Looking Statements

This MD&A is intended to provide readers with the information that management believes is required to gain an understanding of IDC's current results and to assess the Company's future prospects. This MD&A contains certain forward-looking information (collectively referred to herein as "forward-looking statements") within the meaning of Canadian securities laws. All statements other than statements of historical fact are forward-looking statements. Forward-looking information typically contains statements with words such as "anticipate", "believe", "plan", "continuous", "estimate", "expect", "may", "will", "project", "should", or similar words suggesting future outcomes. In particular, this MD&A may contain forward-looking statements including, but not limited to the following:

- revenues;
- cost of sales;
- sales and marketing expenses;
- general and administration expenses;
- production/manufacturing expenses;
- research and development expenses;
- foreign exchange (gain) loss;
- warranty;
- bad debts;
- amortization;
- inventory;
- accounts receivable;
- short term borrowing;
- sources of funding;
- convertible debentures.

Undue reliance should not be placed on forward-looking statements, which are inherently uncertain, are based on estimates and assumptions, and are subject to known and unknown risks and uncertainties (both general and specific) that contribute to the possibility that the future events or circumstances contemplated by the forward-looking statements will not occur.

There can be no assurance that the plans, intentions or expectations upon which forward-looking statements are based will in fact be realized. Actual results will differ, and the difference may be material and adverse to the Company and its shareholders.

Forward-looking statements are based on the Company's current beliefs as well as assumptions made by, and information currently available to, the Company concerning anticipated financial performance, business prospects, strategies, regulatory developments, future demand for digital radiography products, competition, product pricing, cost of goods and external financing options. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

By their very nature, forward-looking statements involve inherent risks and uncertainties (both general and specific) and risks that forward-looking statements will not be achieved. These factors include, but are not limited to: risks associated with competition, financial risks, substantial capital requirements, bank financing, government regulation, environmental, prices, markets and marketing, dependence on key personnel, dependence of key and single source vendors, risks may not be insurable, management of growth, expiration of licenses and patents, seasonality, conflicts of interest, issuance of debt, title to patents and property, variations in foreign exchange rates. Readers are cautioned that the foregoing list of factors that may affect future results is not exhaustive.

Certain statements in the MD&A, other than statements of historical fact, may include forward-looking information that involves various risks and uncertainties. These can include, without limitation, statements based on current expectations involving a number of risks and uncertainties related to all aspects of the medical imaging industry. These risks and uncertainties include, but are not limited to, continued increased demand for the Company's products, the Company's ability to maintain its technological and competitive advantages in the field of digital radiography, the Company's ability to attract and retain key employees, the enforceability of the Company's patents, the Company's ability to raise capital on acceptable terms when needed, and the availability of key components. These uncertainties may cause actual results to differ from information contained herein. There can be no assurance that such statements will prove to be accurate. Actual results and future events could differ materially from those anticipated in such statements. These forward-looking statements are based on the estimates and opinions of Management on the dates they are made and are expressly qualified in their entirety by this notice. The reader is cautioned not to rely on these forward looking statements. The Company will provide appropriate periodic updates to forward-looking statements should circumstances or Management's estimates or estimates or opinions change.

All dollar amounts are in Canadian Dollars unless otherwise stated.

In this MD&A, we may describe certain income and expense items that are unusual or non-recurring. These terms are not defined by IFRS. Our usage of these terms may vary from the usage adopted by other companies. We provide this detail so that readers have a better understanding of the significant events and transactions that have had an impact on our results. In addition, terms such as income

before interest, taxes, depreciation and amortization (“EBITDA”) and backlog are not defined by IFRS, and our use of such terms or measurement of such items may vary from that of other companies. Where relevant, and particularly for earnings-based measures, we provide tables in this document that reconcile non-IFRS measures used to amounts reported on the face of the consolidated financial statements.

Executive Summary

Management continues to work on a new strategy to grow the business and work towards profitability.

The mix of sales is shifting to flat panel DR systems versus CCD's and related parts.

Accounts receivable balances contains the allowance for doubtful accounts.

Interest costs have decreased and interest income has increased as convertible debentures were converted into common shares and the interest was waived by debenture holders. Please refer to the Liquidity and Capital Resources section for additional details.

Goals and outlook

The consolidated financial statements of the Company have been prepared by Management in accordance with IFRS applicable to a going concern, which assumes that the Company will realize the carrying value of its assets and satisfy its obligations as they become due in the normal course of operations.

The executive team, along with the Board, continues to work on the strategy to grow the business and work towards profitable operations. The Company continues to work towards developing new strategic business relationships globally, to look at potential strategic business acquisition opportunities, develop new products and to secure new sales. The Company will also work on developing new medical device business categories that are complementary to its business and take advantage of the Company's global brand and distribution network. The Company has also been working to develop new markets and obtain further product certifications.

Liquidity and Capital Resources

At December 31, 2019, the Company had negative working capital of \$1,238,992 (negative working capital of \$22,096,338 at December 31, 2018), cash flows used from operating activities for the year of \$291,226 (year ended December 31, 2018- \$4,324,552) and a net loss of \$3,897,890 (year ended December 31, 2018 net income – \$3,205,230) and a deficit at December 31, 2019 of \$112,534,120 (December 31, 2018 deficit – \$108,636,230).

Working capital increased by \$20,857,346 compared to December 31, 2018. This is the result of the Company's debenture offerings in 2016, which were converted into common shares in 2019.

The ability of the Company to continue as a going concern will depend on attaining a satisfactory revenue level, the generation of cash from operating activities, and the ability to secure additional new financing arrangements and new capital, and the economic recovery of the Canadian and global economies due to the COVID-19 pandemic declared subsequent to year-end. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, economies, and financial markets globally, potentially leading to an economic downturn. It is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company's business or ability to raise funds.

The Company will seek to raise additional capital through equity markets, debt markets or other innovative financing arrangements, including partnership or licensing arrangements that may be

available for continued operations. However, the disclosed uncertainties may cast significant doubt on the Company's ability to continue as a going concern. Although, in the opinion of management, the use of the going concern assumption is appropriate, there can be no assurance that any steps management is taking will be successful. These consolidated financial statements do not reflect adjustments in the carrying values of the assets and liabilities, revenues, expenses and the balance sheet classifications that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

The Company's cash and cash equivalents totaled \$57,649 (compare to \$129,848 at December 31, 2018), a decrease from the cash balance of \$72,199 available at December 31, 2018. Funds were used for new product development, funding working capital to support increases sales, fixed asset additions, and overhead expenses in anticipation of future demand for cash.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development and sales of its digital imaging products and medical devices and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes the components of shareholders' equity and the Convertible Debentures proceeds.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets to adjust the amount of cash and cash equivalents.

Fourth Quarter and Annual 2019 Results

- Gross revenues for the three months ended December 31, 2019 increased by 65 percent and twelve months ended December 31, 2019 decreased 9 percent respectively compared to the same periods in 2018. Gross revenues for the three and twelve months ended December 31, 2019 were \$133,415 and \$679,916, compared to \$80,991 and \$748,680 respectively in the same periods of 2018.
- Gross margins were for the three and twelve months ended December 31, 2019 were \$155,629 (117 per cent) and \$547,414 (81 percent) compared to negative \$428,599 (-31 percent) and negative \$42,058 (-31 per cent) (negative \$232,402 attributable to the parent and 190,344 attributable to the discontinued operations) respectively, for the same periods in 2018. The increase of Gross Margin Percentage in 2019 is attributed to the company sold inventories which has an inventory written off already.
- Expenses (sales, general and administrative, and research and development expenses) for the year ended December 31, 2019 were \$1,480,799, compared to \$4,736,789 (\$2,264,216 of SAR costs are for the discontinued operations) in 2018.
- Net loss for the three and twelve months ended December 31, 2019 was \$ 2,254,311 (\$0.01 per share) and net loss of \$3,897,890 (\$0.03 per share) compared to a net income of \$ 5,503,747 (\$0.09 per share) in the same period of 2018 and net income of 3,205,230 (\$0.05 per share) in the same periods of 2018 on a post-consolidated basis.
- Trade accounts receivable includes \$271,503 owing from customers with \$1,390 not past due, \$3,507 30 days past due and \$266,607 over 365 days. The Company recorded a total allowance for doubtful accounts of \$266,523 which has been netted against trade receivables.
- Trade and other payables decreased from \$3,302,136 at December 31, 2018 to \$836,161 at December 31, 2019. This decrease is due to a supplier has waived the payment of payables and the debenture holders have waived the interest payable.

Overall Performance

Trade and other receivables

Trade and other receivables decreased to \$4,980 at the end of December 31, 2019 compared to \$7,842 at the end of December 31, 2018 due to some customer paid receivable.

Most of the Company's distribution partners have income streams from various sources and have an established history of providing goods and services to the health care industry. The Company does not usually sell to the end user and as such has limited recourse in collecting any delinquent balances. In cases where collection is in question, the Company has the ability to withhold both warranty support or warranty parts to a dealer that has not paid, remove the dealer as a qualified Company dealer, as well as any and all legal recourse measures.

Trade accounts receivable includes \$271,503 owing from customers with \$1,390 not past due, \$3,507 30 days past due and \$266,607 over 365 days. The Company recorded a total allowance for doubtful accounts of \$266,523 which has been netted against trade receivables. Given this business practice, the Company currently believes its allowance for doubtful accounts is adequate, but continues to monitor its outstanding receivables.

The Company is pursuing collection of these doubtful accounts.

Inventory

The inventory value of \$889,611 at December 31, 2019. Inventory included \$817,307 of purchased components and \$72,304 of finished goods. The company recorded a provision for inventory obsolescence of \$782,587.

Prepaid expenses

The prepaid expenses are \$22,893 at December 31, 2019 which includes the facility rental deposit and prepaid regulatory expense.

Revenues

	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018
Total revenues	\$ 133,415	\$ 80,991	\$ 679,916	\$ 1,663,879
Discontinued Operations			\$	(915,199)
	\$ 133,415	\$ 80,991	\$ 679,916	\$ 748,680
Percentage change from corresponding prior year period	65%	-44%	-9%	-15%

Gross revenues for the three months ended December 31, 2019 increased by 65 percent and twelve months ended December 31, 2019 decreased 9 percent respectively compared to the same periods in 2018. Gross revenues for the three and twelve months ended December 31, 2019 were \$133,415 and \$679,916, compared to \$80,991 and \$748,680 respectively in the same periods of 2018.

Gross Profit

	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018
Gross profit	\$ 155,629	\$ (428,599)	\$ 547,414	\$ (42,058)
Discontinued Operations			\$	(190,344)
	\$ 155,629	\$ (428,599)	\$ 547,414	\$ (232,402)
Percentage of sales	117%	-529%	81%	-31%

Gross margins were for the three and twelve months ended December 31, 2019 were \$155,629 (117 per cent) and \$547,414 (81 percent) compared to negative \$428,599 (-31 percent) and negative \$42,058 (-31 per cent) (negative \$232,402 attributable to the parent and 190,344 attributable to the discontinued operations) respectively, for the same periods in 2018. The increase of Gross Margin Percentage in 2019 is attributed to the company sold inventories which has an inventory written off already.

Expenses - Sales and marketing, General and Administration and Research and development (SAR)

	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018
Expenses- SAR	\$ 600,842	\$ 687,532	\$ 1,480,799	\$ 2,472,573
Discontinued Operations			\$	2,264,216
	\$ 600,842	\$ 687,532	\$ 1,480,799	\$ 4,736,789
Percent of sales	450%	849%	218%	250%

SAR consist principally of salaries and other costs associated with the Company's sales force and marketing activities and administration. Marketing expense is in the form of advertising, promotions and trade shows, travel and post-sales support and service for sales and marketing.

Expenses (sales, general and administrative, and research and development expenses) for the year ended December 31, 2019 were \$1,480,799, compared to \$4,736,789 (\$2,264,216 of SAR costs are for the discontinued operations) in 2018.

Foreign Exchange (Gain) / Loss

	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018
Foreign exchange loss (gain)	\$ 47,495	\$ 58,375	\$ (55,767)	\$ 87,367
Discontinued Operations			\$	(13,667)
	\$ 47,495	\$ 58,375	\$ (55,767)	\$ 73,700
Percentage of sales	36%	72%	-8%	10%

During the three and twelve months periods ended December 31, 2019, the Company incurred a foreign exchange loss of \$47,495 and gain of \$55,767, compared to foreign exchange losses of \$58,375 and \$73,700 (loss of \$87,367 from continued operations and gain from \$13,667 from discontinued operations), respectively for the same periods in 2018. The main reason for the change year over year is exchange rate change and does not have the ability to hedge. The foreign exchange loss was impacted as a result of the Canadian dollar increasing versus the CNY and USD. The principal currencies to which the Company is exposed are the US dollar and Chinese CNY.

The Company did not enter into any foreign currency forward contracts during 2019 and 2018. The Company endeavors to maintain a natural hedge between receivables and payables denominated in US dollars. The Company is limited in the amount of forward contracts into which it can enter. As at December 31, 2019, the Company had no outstanding forward contracts.

Warranty Expense / (Recovery)

	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018
Warranty expense	\$ (18,264)	\$ (54,533)	\$ (4,794)	\$ (40,240)
Percentage of sales	-14%	-67%	-1%	-5%

An estimate of warranty claims is recognized at the time of sale and a liability is set up on the balance sheet. Cost of parts issued under warranty is adjusted against the warranty provision and on expiry of the warranty period the unused warranty provision is recognized as a warranty recovery on the consolidated statement of operations and comprehensive loss.

In 2019, the Company recorded a net warranty expense of \$18,120 and a warranty recovery of \$22,914 compared to a net warranty expense of \$18,717 and a warranty recovery of \$58,957 in 2018.

Share-based payments

Stock based payments expense for 2019 and 2018 was \$nil. There were no stock option grants in 2019. Because past granted stock options vested immediately, there were no period costs for stock based compensation recorded in 2019.

Bad debts expense

	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018
Bad debts expense (recoveries)	\$ 15,102	\$ 79,093	\$ 15,102	\$ 79,093
Percentage of revenue	10%	98%	3%	11%

The company record \$ 15,102 bad debt expense in 2018 compared to the bad debt expense of \$79,093 in year 2018.

Depreciation and Amortization

	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018
Depreciation and amortization	\$ 195,320	\$ 61,023	\$ 318,782	\$ 293,030
Discontinued Operations			\$	(43,503)
	\$ 195,320	\$ 61,023	\$ 318,782	\$ 249,527
Percentage of sales	146%	75%	47%	33%

During 2019, IDC Canada did not spend the purchase on property, plant and equipment. The increase in amortization from 2019 to 2018 periods is reflective of the Lease.

Interest Expense

	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018
Interest expense	\$ 355,332	\$ 477,475	\$ 989,388	\$ 1,620,298
Discontinued Operations			\$	(47,344)
	\$ 355,332	\$ 477,475	\$ 989,388	\$ 1,572,954
Percentage of sales	266%	590%	146%	210%

Interest expense for the three and twelve months ended December 31, 2019 was \$355,332 and \$989,388, respectively, compared to interest expense of 477,475 and \$1,620,298 for the same periods in 2018. The decrease in interest expense for 2019 relates to the conversion debenture converted into common shares. A total of \$17,850,000 was received from convertible debenture financings closing on September 28, 2015, January 22, 2016, and October 7, 2016. Each of these convertible debentures bear coupon interest payments at 6.0% per annum payable annually. The conversion debentures are converted into shares on Aug 6th, 2019. All interest payables regarding to the conversion debenture are waived.

Net Profit (Loss)

	Three months ended December 31,		Year ended December 31,	
	2019	2018	2019	2018
Net Income/loss	\$ (2,254,311)	\$ 5,503,747	\$ (3,897,890)	\$ 3,205,230

Net loss for the three and twelve months ended December 31, 2019 was \$ 2,254,311 (\$0.01 per share) and net loss of \$3,897,890 (\$0.03 per share) compared to a net income of \$ 5,503,747 (\$0.09 per share) in the same period of 2018 and net income of 3,205,230 (\$0.05 per share) in the same periods of 2018 on a post-consolidated basis.

Share capital

The Company's shares trade on the TSX Venture Exchange under the symbol IDL.

Common shares outstanding and dilutive instruments as at the date hereof are as follows:

	July 15, 2020	December 31, 2019	December 31, 2018
Common shares outstanding	206,690,990	206,690,990	58,857,656
Stock options	1,100,000	1,100,000	1,100,000
Shares issuable on conversion of convertible debentures			148,833,333
	207,790,990	207,790,990	208,790,989

Selected Annual Information

As at December 31,	2019	2018	2017
Cash and cash equivalents	\$57,649	\$129,848	\$53,177
Current assets	192,546	340,703	19,593,639
Total assets	804,037	4,513,037	22,342,398
Total liabilities	1,720,476	22,470,721	42,810,946
Working capital (deficiency)	(1,238,992)	(22,096,338)	(17,705,346)
For the year ended December 31,	2019	2018	2017
Revenues	\$679,916	\$748,680	\$13,042,116
Gross profit	547,414	(232,402)	1,760,081
Gross profit percentage	80.5%	-31.0%	30.0%
Net Income / loss	(3,897,890)	3,205,230	(11,591,034)
Net comprehensive Income / loss	(3,936,019)	3,041,830	(11,620,760)
Basic and diluted loss per share (*)	\$ (0.03)	\$ 0.05	\$ (0.20)
Weighted average common shares outstanding (*)	118,396,012	58,857,656	58,857,656

Selected Quarterly Information

The following selected financial data has been extracted from the unaudited interim consolidated financial statements, prepared in accordance with IFRS, for the fiscal periods indicated and should be read in conjunction with those audited financial statements

As at	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Cash and cash equivalents	\$57,649	\$35,701	\$40,478	\$56,954
Current assets	192,546	175,287	228,517	254,548
Total assets	804,037	3,752,503	4,011,356	4,227,527
Total liabilities	1,720,476	5,535,809	23,052,470	22,742,450
Working capital (deficiency)	(1,238,992)	(5,324,917)	(22,791,235)	(22,452,297)
	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
For the three months ended				
Revenues	\$133,415	\$154,848	\$76,771	\$314,882
Gross profit (loss)	155,629	101,101	62,561	228,123
Gross profit percentage	116.7%	65.3%	81.5%	72.4%
Net Income / loss attributable to Owners of the company	(2,254,311)	(545,843)	(537,279)	(560,457)
Net Comprehensive Income / loss attributable to Owners of the company	(2,305,332)	(547,257)	(526,191)	(557,239)
Basic and diluted loss per share	\$ (0.01)	\$ (0.00)	\$ (0.01)	\$ (0.01)
Weighted average common shares outstanding (*)	206,690,990	148,843,164	58,857,656	58,857,656
	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
As at				
Cash and cash equivalents	\$129,848	\$78,057	\$100,037	\$71,891
Current assets	340,703	853,787	1,079,647	1,054,648
Total assets	4,513,037	6,800,508	8,072,545	7,729,392
Total liabilities	22,470,721	21,711,202	21,098,075	20,337,061
Working capital (deficiency)	(22,096,338)	(20,823,735)	(19,983,785)	(19,244,883)
	December 31, 2018	September 30, 2018	June 30, 2018	March 31, 2018
For the three months ended				
Revenues	\$80,991.46	\$202,263.00	\$251,693.00	\$213,733.00
Gross profit	- 428,598.73	9,018.00	118,249.00	86,966.00
Gross profit percentage	-529%	-5%	47%	40%
Net loss attribute to owners of the Company	5,512,243	(781,112)	(741,477)	(775,928)
Net comprehensive loss attributable to owners of the company	5,348,860	(781,112)	(741,477)	(775,928)
Basic and diluted loss per share (*)	\$ 0.09	\$ (0.02)	\$ (0.01)	\$ (0.01)
Weighted average common shares outstanding (*)	58,857,656	58,857,656	58,857,656	58,857,656

Related Party Transactions

Related party transactions are documented in detail in the financial statements. For the year ended December 31, 2019, refer to details of related party transactions in note 18 to financial statements.

Off-Balance Sheet Arrangements

At the date of this report, the Company had no off-balance sheet arrangements.

Subsequent Event

Since December 31, 2019, the outbreak of the novel strain of coronavirus, specifically identified as “COVID-19”, has resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. Management have noted decrease in revenue as a result of outbreak have limited the Company’s ability to generate sales. However, it is not possible to-reliably estimate the length and severity of these developments and the impact on the financial results and condition of in future periods.

On April 17, 2020, the Company received \$40,000 in Canada Emergency Business Account (CEBA) loan, funded by the Federal Government. The terms of the loan is: Interest rate is 0% per year, but subject to the interest rate disclosed below in the loan extension section; loan repayment in whole or in part on or after January 1, 2021; \$10,000 (25%) of the \$40,000 loan is eligible for complete forgiveness if \$30,000 is fully repaid on or before December 31, 2022. Loan extension terms are: If the loan cannot be repaid by December 31, 2022, it will be converted into a 3-year term loan, charging an interest rate of 5%; Interest payments are due monthly and the outstanding principal balance must be fully repaid no later than December 31, 2025. However, you may repay some or all of the loan at any time.

The Company also got Canadian Emergency Wages Subsidy (“CEWS”) from the government assistant subsequent to year end due to the impact from global pandemic – COVID 19. The amount of CAD 15,629 was received on May 20, 2020 for the period of March 15, 2020 to April 10, 2020 wages subsidy and the amount of CAD 15,629 was received on Jun 10, 2020 for the period of April 11, 2020 to May 8, 2020.

In May 2020, 1,100,000 stock options have expired. The holder has not exercised any stock options prior to the expiration.

Risk Factors

In the normal course of business, the Company's operations are influenced by a number of internal and external factors and are exposed to risks and uncertainties that can affect its business, financial condition, and operating results.

The activities of the Company are subject to ongoing operational risks including the performance of key suppliers, product performance, governmental and other industry regulations, operating in foreign countries and reliance on information systems, all of which may affect the ability of the Company to meet its obligations. While management believes its innovation and technology make it a leader in the industry, revenue and results may be affected if products are not accepted in the marketplace, are not approved by regulatory authorities, or if products are not brought to market in a timely manner.

a) Impact of Current Economic Environment

The Company may experience increased price pressure and other competitive pressures as customers adjust to the current environment. The Company also expects that the global economic environment will impact the financial condition of some of the Corporation's customers and suppliers. The Corporation will continue to closely monitor its customers' ability to pay their receivables and monitor the Corporation's suppliers in an effort to ensure consistency of supply. The interruption of supply from a supplier, especially for single sourced components, could have a significant impact on the Corporation's operations and its customers, if the Corporation is unable to deliver finished product in a timely manner.

b) Risks Related to Current Global Financial Markets

The Corporation is subject to counter-party risk and liquidity risk. The Corporation is exposed to various counter-party risks including, but not limited to: (i) through financial institutions that hold the Corporation's cash; (ii) through customers, dealers, distributors and OEM's that have payables to the Corporation; (iii) through the Corporation's insurance providers; (iv) through the Corporation's lenders; and (v) through companies that have received deposits from the company for the future delivery of parts for the company's products. The Corporation is also exposed to liquidity risks in meeting its operating expenditure requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the ability of the Corporation to obtain loans and other credit facilities in the future and, if obtained, on terms favorable to the Corporation. If these increased levels of volatility and market turmoil continue, the Corporation's planned growth could be adversely impacted and the trading price of the Corporation's securities could also be adversely affected.

c) Key Personnel

The DR industry involves a high degree of risk, which a combination of experience, knowledge and careful business evaluation may not be able to overcome. The success of the Corporation is dependent on the services of its senior management. The experience of these individuals will be a factor contributing to the Corporation's continued success and growth. The loss of one or more of its key

employees could have a material adverse effect on the Corporation's operations and business prospects. In addition, the Corporation's future success will depend in large part on its ability to attract and retain additional highly skilled technical, management, manufacturing, sales and marketing personnel. There can be no assurance that the Corporation will be successful in attracting and retaining such personnel and the failure to do so could have a material adverse effect on the Corporation's business, operating results and financial condition.

d) Accounts Receivable, Allowance for Doubtful Accounts & Bad Debts

The Corporation evaluates the collectability of its trade receivables based upon a combination of factors on a periodic basis. The Corporation records an expected credit loss model to reduce the customer's related trade receivable to its estimated net realizable value. If circumstances related to specific customer's change, the Corporation's estimates of the recoverability of trade receivables could be further adjusted. It should be noted that the Corporation does not usually sell to the end user and as such has limited recourse in collecting any delinquent balances.

e) Additional Financing Requirements

The Corporation currently does not have the necessary financing in place to support short term operating losses, and is not able to support sustained operating losses. Historically, the Corporation has financed its operations and investments through the use of funds obtained from share issuances and debt financing. These matters raise significant doubt about the Corporation's ability to continue as a going concern and the appropriateness of the use of accounting principles applicable to a going concern. The Corporation's continuation as a going concern is dependent upon, amongst other things, attaining a satisfactory revenue level, the generation of cash from operations and the ability to secure new financing arrangements and new capital.

The Corporation is considering various alternatives to remedy any future shortfall in capital. Options open to the Company are to raise capital through equity markets, debt markets or other innovative financing arrangements, including partnership or licensing arrangements that may be available for continued operations. There is no assurance this capital will be available and if it is not, the Corporation may be forced to substantially curtail or cease operations. Although in the opinion of Management, the use of the going concern assumption is appropriate, there can be no assurance that any steps Management is taking will be successful.

f) Protection of Intellectual Property

Although the Corporation does not believe that its products infringe the proprietary rights of any third parties, there can be no assurance that infringement or invalidity claims (or claims for indemnification resulting from infringement claims) will not be asserted or prosecuted against the Corporation or that any such assertions or prosecutions will not materially adversely affect the Corporation's business, financial condition or results of operations. Irrespective of the validity or the successful assertion of such claims, the Corporation could incur significant costs and diversion of resources with respect to the defence thereof which could have a material adverse affect on the Corporation's business, financial condition or results of operations. The Corporation's performance and ability to compete are dependent to a significant degree on its proprietary technology. The Corporation relies on its patents and a

combination of copyright and trade secret laws, as well as confidentiality agreements and technical measures, to establish and protect its proprietary rights. As part of its confidentiality procedures, the Corporation generally, enters into agreements with its employees and consultants and limits access to and distribution of its documentation and other proprietary information.

Accordingly, while the Corporation will endeavour to protect its intellectual property, there can be no assurance that the steps taken by the Corporation will prevent misappropriation of its technology or that agreements entered into for that purpose will be enforceable. The laws of other countries may afford the Corporation little or no effective protection of its intellectual property. While the Corporation's technology is developed and owned by the Corporation, it may in the future also rely on technology licenses from third parties. There can be no assurance that these third party licences will be, or will continue to be, available to the Corporation on commercially reasonable terms. The loss of, or inability of the Corporation to maintain, any of these technology licences could result in delays in completing its product enhancements and new developments until equivalent technology can be identified, licensed or developed and integrated. Any such delays would materially adversely affect the Corporation's business, financial condition and results of operations.

g) Competition

The Corporation may not be able to compete successfully against current and future competitors, and the competitive pressures the Corporation faces could harm its business and prospects. Broadly speaking, the market for Digital Radiography is approaching maturity and is highly competitive. The level of competition is likely to increase as current competitors improve their product offerings and as new participants enter the market. Many of the Corporation's current and potential competitors have longer operating histories, larger customer bases, greater name and brand recognition, and significantly greater financial, sales, marketing, technical, and other resources than the Corporation. Additionally, these competitors have research and development capabilities that may allow them to develop new or improved products that may compete with products the Corporation markets and distributes. New technologies and the expansion of existing technologies may also increase competitive pressures on the Corporation. Increased competition may result in reduced operating margins as well as loss of market share. This could result in decreased usage of the Corporation's products and may have a material adverse affect on the Corporation's business, financial condition and results of operations.

h) Implementation Delays

Many of the Corporation's customers will be in the initial adopter stage of utilizing the Corporation's products and may encounter delays or other problems in the introduction or implementation of the Corporation's products. A decision not to do so, or a delay in implementation, could result in a delay or loss of related revenue or could otherwise harm the Corporation's business and prospects. The Corporation will not be able to predict when a customer that is in an early adopter use phase will adopt a broader use of the Corporation's products.

i) Developing Markets

The market for the Corporation's products is relatively new in Emerging Markets and continues to evolve in established markets. The adoption and use of the Corporation's products will involve changes in the

manner in which medical facilities have traditionally used such products. In some cases, the Corporation's customers will have little experience with products like those offered by the Corporation. The Corporation's ability to influence usage of its products by customers will be limited or non-existent. The Corporation will spend considerable resources educating potential customers about the value of the Corporation's products. It is difficult to assess, or predict with any assurance, the present and future size of the potential market for the Corporation's products, or its growth rate, if any. Moreover, the Corporation cannot predict whether its products will achieve broad market acceptance. The Corporation's ability to achieve its business objectives also depends upon rapid market acceptance of future enhancements to its products. Any enhancement that is not favorably received by customers may not be profitable and, furthermore, could damage the Corporation's reputation or brand name.

j) Technological Change

The Digital Radiography industry is susceptible to technological advances and the introduction of new products utilizing new technologies. Further, the Digital Radiography industry is also subject to changing industry standards, market trends and customer preferences, and to competitive pressures which can, among other things, necessitate revisions in pricing strategies, price reductions and reduced profit margins. The success of the Corporation will depend on its ability to secure technological superiority in its products and maintain such superiority in the face of new products. While the Corporation believes that its products will be competitive, no assurances can be given that the products of the Corporation will be commercially viable or that further modification or additional products will not be required in order to meet demands or to make changes necessitated by developments made by competitors which might render the products of the Corporation less competitive, less marketable, or even obsolete over time. The future success of the Corporation will be influenced by its ability to continue to develop or offer new competitive products through OEM relationships.

Although the Corporation is committed to the development of new products and the improvement of its existing products, there can be no assurance that these research and development activities will prove profitable, or that products or improvements resulting there from, if any, will be successfully produced and marketed. The Digital Radiography industry is characterized by technological change, changes in user and customer requirements, new product introductions and new technologies, and the emergence of new industry standards and practices that could render the Corporation's technology obsolete or have a negative impact on sales margins the Corporation's product may command. The Corporation's performance will depend, in part, on its ability to enhance its existing products, develop new proprietary technology that addresses the sophisticated and varied needs of its prospective customers and respond to technological advances and emerging industry standards and practices on a timely and cost-effective basis.

The development of technology entails significant technical and business risks. There can be no assurance that the Corporation will be successful in using new technologies effectively or adapting its products to customer requirements or emerging industry standards.

k) Strategic Alliances

The Corporation's growth and marketing strategies are based, in part, on seeking out and forming strategic alliances and working relationships with suppliers and distribution channels. To date, the strategic alliances negotiated by the Corporation have not been exclusive or restricted as to location or technological environment. This strategy has afforded the Corporation the necessary flexibility to broaden its distribution by increasing the number of strategic alliances and working relationships. There can be no assurance that existing strategic alliances and working relationships will not be terminated or modified in the future, nor can there be any assurance that new relationships, if any, will afford the Corporation the same flexibility under which the Corporation currently operates.

l) Resolution of Product Deficiencies

Difficulties in product design, performance and reliability could result in lost revenue, delays in customer acceptance of the Corporation's products and/or lawsuits, and would be detrimental, perhaps materially, to the Corporation's market reputation. Some product deficiencies are typically found during the period immediately following the introduction of new products or enhancements to existing products. Undetected software bugs or product performance problems may be discovered in the future. Moreover, known errors which the Corporation considers minor may be considered serious by its customers. If the Corporation's internal quality assurance testing or customer testing reveals performance issues and/or desirable feature enhancements, the Corporation could postpone the development and release of updates or enhancements to its current products or the release of new products. The Corporation may not be able to successfully complete the development of planned or future products in a timely manner, or to adequately address product defects, which could harm the Corporation's business and prospects. In addition, product deficiencies may expose the Corporation to liability claims, for which the Corporation may not have sufficient liability insurance. A successful law suit against the Corporation could harm its business and financial condition.

m) Management of Growth

The Corporation may be subject to growth-related risks, including capacity constraints and pressure on its internal systems and controls. The Corporation's ability to manage its growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Corporation to deal with this growth could have a material adverse impact on its business, operations and prospects.

While management believes that it will have made the necessary investments in infrastructure to process anticipated volume increases in the short term, the Corporation may experience growth in the number of its employees and the scope of its operating and financial systems, resulting in increased responsibilities for the Corporation's personnel, the hiring of additional personnel and, in general, higher levels of operating expenses.

In order to manage its current operations and any future growth effectively, the Corporation will also need to continue to implement and improve its operational, financial and management information systems and to hire, train, motivate, manage and retain its employees. There can be no assurance that the Corporation will be able to manage such growth effectively, that its management, personnel or systems and will be adequate to support the Corporation's operations.

n) Negative Cash Flow & Absence of Profits

The Corporation has been unable to consistently generate profits and there is no assurance that it will be able to in the future. A significant portion of the Corporation's financial resources will continue to be directed to working capital, the ongoing improvement and development of its products, and channel related marketing activities. There is no assurance that future revenues will be sufficient to generate the required funds to continue business development and marketing activities.

o) Exchange Rate Fluctuations

The Corporation will transact the majority of its sales in US dollars and Chinese Renminbi, while a large portion of the Corporation's operating expenses will be in Canadian dollars. Even though the Corporation periodically has hedging programs in place to manage the potential exposure to fluctuations in the US/CNY/Canadian dollar exchange rate, fluctuations in the US/CNY/Canadian dollar exchange rate will impact the Corporation's earnings and cash flows.

Currently the Corporation is not entering into any hedging programs due to the non-availability of a credit facility with its bank.

p) Expansion into International Markets

The Corporation may choose to invest significant financial and managerial resources to the continued improvement and development of its products. Should it find it necessary to do so, the cost of opening new offices abroad and hiring new personnel for such offices could significantly decrease the Corporation's profitability if such new offices do not generate sufficient additional revenue within the same fiscal period.

A key component of the Corporation's strategy will be to further expand into international markets including Latin America, the Middle East, and Asia and the Corporation must devote substantial resources to its international operations in order to succeed in these markets. In this regard, the Corporation may encounter difficulties such as: (i) unexpected changes in regulatory requirements and trade barriers applicable to the Corporation's business; (ii) challenges in staffing and managing foreign operations, including employment laws and practices in jurisdictions with different legal systems; (iii) seasonal reductions in business activity and economic downturns; (iv) longer payment cycles and problems in collecting accounts receivable; (v) different technology standards; and (vi) reduced protection for intellectual property rights in certain countries in which the Corporation may operate. In addition, the Corporation's focus on international markets subjects it to fluctuations in currency exchange rates and, depending on the jurisdiction, foreign currency exchange laws. Any of the foregoing difficulties of conducting business internationally could harm the Corporation's international operations and, consequently, its business and prospects.

q) Dependence on Third Party Suppliers

The Corporation has established relationships with certain third party suppliers upon whom it presently relies to provide certain key materials and components for completion of its products. In the event of the inability of these third parties to supply those materials and components in a timely manner or to supply materials and components that continue to meet the Corporation's quality, quantity or cost requirements, the Corporation will be required to purchase these materials and components from another supplier. If another supplier who can supply the materials and components in a timely manner or that meet the Corporation's quality, quantity, or cost requirements cannot be found, then the Corporation's ability to manufacture its products will be negatively impacted.