

MEDX HEALTH CORP.

**Interim Condensed Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2017 and 2016**

**(UNAUDITED)
(Presented in Canadian dollars)**

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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

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

The unaudited Interim Condensed Consolidated Financial Statements as at and for the three and nine-month periods ended September 30, 2017 and 2016 have not been reviewed by the Company's auditor.

MEDX HEALTH CORP.

Interim Condensed Consolidated Statements of Financial Position

(Unaudited)

Presented in Canadian dollars

	September 30 2017	December 31 2016
ASSETS		
Current assets		
Cash	\$ 39,124	\$ 207,553
Accounts receivable (Note 3)	110,371	40,473
Inventory (Note 4)	176,778	179,204
Prepaid expenses and deposits	88,308	24,649
	414,581	451,879
Property and equipment (Note 5)	39,758	47,143
Intangible assets (Note 6)	231,409	299,045
	\$ 685,748	\$ 798,067
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 7)	\$ 1,808,694	\$ 1,817,332
Deferred revenue	39,956	31,547
Demand loans (Note 8)	204,000	179,000
Current portion of long-term debt (Note 8)	200,048	179,027
	2,252,698	2,206,906
Long-term debt (Note 8)	-	89,513
Convertible debt (Note 8)	359,388	327,000
	2,612,086	2,623,419
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 9)	18,017,555	17,057,528
Equity portion of convertible debt (Note 8)	227,000	227,000
Contributed surplus (Note 9)	4,676,702	4,435,223
Deficit	(24,847,595)	(23,545,103)
	(1,926,338)	(1,825,352)
	\$ 685,748	\$ 798,067

Going concern (Note 1), Commitments and contingencies (Note 15)

See accompanying notes to the interim condensed consolidated financial statements

MEDX HEALTH CORP.

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

Three and Nine Months ended September 30, 2017 and 2016

	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
Revenue	\$ 255,269	\$ 243,287	\$ 731,970	\$ 640,534
Cost of sales	110,292	129,297	298,021	289,525
Gross profit	144,977	113,990	433,949	351,009
Expenses				
Selling, general and administrative	387,485	393,898	1,186,894	1,054,238
Product and software development	153,461	-	153,461	-
Share-based compensation (Note 9)	107,091	143,137	241,479	158,706
Interest	27,406	16,471	82,294	50,599
Foreign exchange (gain) loss	(4,861)	(5,928)	(3,879)	(14,643)
Amortization of property and equipment	2,852	3,552	8,556	9,520
Amortization of intangibles	22,545	22,545	67,636	67,637
	695,979	573,675	1,736,441	1,326,057
Net loss and comprehensive loss for the period	\$ (551,002)	\$ (459,685)	\$ (1,302,492)	\$ (975,048)
Income (loss) per share, basic and fully diluted	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ (0.01)
Weighted average number of shares outstanding	106,382,884	87,040,186	102,401,864	79,060,900

See accompanying notes to interim condensed consolidated financial statements

MEDX HEALTH CORP.Interim Condensed Consolidated Statements of Changes in Shareholders' Deficiency
(Unaudited)
Presented in Canadian dollars**Nine months ended September 30, 2017 and 2016**

	Common Shares	Warrants	Equity Portion of Convertible Debt	Contributed Surplus	Deficit	Total
Balance, December 31, 2015	\$ 15,537,000	\$ 397,101	\$ -	\$ 3,884,104	\$ (22,209,810)	\$ (2,391,605)
Net loss for the period					(975,048)	(975,048)
Expiration of warrants		(397,101)		397,101		-
Issuance of Units	786,228	623,550				1,409,778
Share-based compensation				158,706		158,706
Balance, September 30, 2016	\$ 16,323,228	\$ 623,550	\$ -	\$ 4,439,911	\$ (23,184,858)	\$ (1,798,169)
Balance, December 31, 2016	\$ 16,445,020	\$ 612,508	\$ 227,000	\$ 4,435,223	\$ (23,545,103)	\$ (1,825,352)
Net loss for the period					(1,302,492)	(1,302,492)
Issuance of Units	479,851	480,176				960,027
Share-based compensation				241,479		241,479
Balance, September 30, 2017	\$ 16,924,871	\$ 1,092,684	\$ 227,000	\$ 4,676,702	\$ (24,847,595)	\$ (1,926,338)

See accompanying notes to the interim condensed consolidated financial statements

MEDX HEALTH CORP.

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

Three and Nine Months ended September 30, 2017 and 2016

	Three Months Ended September 30		Nine Months Ended September 30	
	2017	2016	2017	2016
Cash flows from operating activities				
Net loss for the period	\$ (551,002)	\$ (459,685)	\$ (1,302,492)	\$ (975,048)
Adjustments for non-cash items				
Amortization of property and equipment	2,852	3,552	8,556	7,105
Amortization of intangible assets	22,545	22,545	67,636	67,637
Accretion on convertible debt	11,448	-	32,388	-
Share-based compensation	107,091	143,137	241,479	158,706
Foreign exchange (gain)/loss	(4,861)	(5,928)	(3,879)	(14,643)
	(411,927)	(296,379)	(956,312)	(756,243)
Net change in non-cash operating working capital items:				
Accounts receivable	(15,019)	33,657	(69,898)	(20,085)
Inventory	2,843	9,100	2,426	(53,569)
Prepaid expenses and deposits	11,166	(49)	(63,659)	(49)
Accounts payable and accrued liabilities	118,813	(87,508)	(31,482)	(87,223)
Deferred revenue	8,410	8,155	8,409	8,155
	126,213	(36,645)	(154,204)	(152,771)
Net cash used in operating activities	(285,714)	(333,024)	(1,110,516)	(909,014)
Cash flows from investing activities				
Purchases of property and equipment	-	(1,553)	(1,171)	(1,553)
Net cash used in investing activities	-	(1,553)	(1,171)	(1,553)
Cash flows from financing activities				
Proceeds from issuance (repayment) of Demand loans	25,000	-	25,000	-
Repayment of long-term debt	(41,769)	-	(41,769)	-
Issuance of share capital, net of issue costs	200,690	881,071	960,027	1,409,778
Net cash from financing activities	183,921	881,071	943,258	1,409,778
Net change in cash for the period	(101,793)	546,494	(168,429)	499,211
Cash, beginning of period	140,917	15,471	207,553	62,754
Cash, end of period	\$ 39,124	\$ 561,965	\$ 39,124	\$ 561,965

See accompanying notes to interim condensed consolidated financial statements

MEDX HEALTH CORP.

Notes to the Interim Condensed Consolidated Financial Statements
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(Unaudited)
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1. NATURE OF OPERATIONS AND GOING CONCERN

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

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

The interim condensed consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards on a going concern basis, which contemplates the realization of assets and the discharge of liabilities in the normal course of business for the foreseeable future. As at September 30, 2017, the Company had a working capital deficiency of \$1,838,117 (December 31, 2016 - \$1,755,027), had an accumulated deficit of \$24,847,595 (December 31, 2016 - \$23,545,103), and shareholders' deficiency of \$1,926,338 (December 31, 2016 - \$1,825,352). These conditions indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

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

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These interim condensed consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), effective for the reporting period ended September 30, 2017.

The policies applied in these interim condensed consolidated financial statements are based on IFRS issued and outstanding as of September 30, 2017. The Board of Directors approved these interim condensed consolidated financial statements on November 23, 2017.

Basis of Presentation

These interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". The interim condensed consolidated financial statements do not include all the information and disclosures required in the Company's annual financial statements and should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2016.

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

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Recent Accounting Pronouncements

At the date of authorization of these interim condensed consolidated financial statements, the IASB and International Financial Reporting Interpretations Committee (“IFRIC”) have issued the following new and revised Standards and Interpretations that will become effective in future years.

IFRS 9 - Financial Instruments

IFRS 9, Financial Instruments was issued in final form by the IASB in July 2014 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. Management is currently assessing the impact of this standard on the interim condensed consolidated financial statements.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15, Revenue from Contracts with Customers was issued by the IASB in May 2014. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. The new standard is effective for annual periods beginning on or after January 1, 2018. Earlier application is permitted. IFRS 15 supersedes the following standards: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue - Barter Transactions Involving Advertising Services. Management is currently assessing the impact of this standard on the interim condensed consolidated financial statements.

IFRS 16- Leases

In January 2016, the IASB issued the final publication of the IFRS 16 Standard, which will supercede the current IAS 17, Leases Standard. IFRS 16 introduces a single accounting model for lessees and for all leases with a term of more than 12 months. A lessee will be required to recognize a right-of-use asset, which represents its right to use that underlying asset and a lease liability, which represents the obligation to make a lease payment. The standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15 has also been applied. Management does not expect the adoption of this standard to have a material impact on the financial statements.

Consolidation

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

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Income taxes

Income tax expense represents the sum of current income taxes and deferred income taxes. Current and deferred taxes are recognized in profit and loss, except to the extent that it relates to items recognized in other comprehensive loss or directly in equity. Under these circumstances, the taxes are recognized in other comprehensive loss or directly in equity.

Current income taxes -

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute current income tax assets and liabilities are measured at tax rates which have been enacted or substantively enacted at the reporting date. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred income taxes -

Deferred income taxes are provided using the asset and liability method applied to temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, and carry forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax losses can be utilized except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the date of the statement of financial position.

Deferred income tax assets and deferred income tax liabilities are offset if, a legally enforceable right

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exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be settled or recovered.

Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties.

Share-based payment transactions

Employees, directors and service providers of the Company may receive a portion of their compensation in the form of share-based payment transactions, whereby services are rendered as consideration for equity instruments ("equity-settled transactions").

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

Equity settled transactions

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

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

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

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

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

Net loss and comprehensive loss per share

Loss per share and comprehensive loss per share are based on the weighted average number of common shares outstanding for the period. In a period when the Company reports a loss and comprehensive loss, the effect of potential issuances of shares under options and warrants outstanding would be anti-dilutive and, therefore basic and diluted loss and comprehensive loss per

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share are the same.

Provisions

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Common shares (share capital) and subscriber warrants

Common shares are classified as share capital. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects. Subscriber warrants are classified as a warrant reserve within share capital. Where common shares and subscriber warrants are offered together as a "unit", the Company allocates the consideration received per unit, net of any issuance costs, to the common shares and warrants based on their relative fair values. The fair value of warrants is measured using a Black-Scholes option pricing model.

Significant Accounting Judgments and Estimates

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

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

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

Financial instruments

Financial assets

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

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

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Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

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

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

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

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

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

Foreign currency

a. Functional and presentation currency

These interim condensed consolidated financial statements are presented in Canadian dollars, which is the functional currency of the Company and its wholly-owned subsidiaries.

b. Foreign currency transactions

Foreign currency monetary assets and liabilities are translated into the entity's functional currency using the closing rate at the end of each reporting period. Non-monetary assets and liabilities are translated at the rates on the date the fair value was determined or at historical cost using the rate at the date of the transaction. Translation gains and losses are included in the interim condensed consolidated statement of comprehensive loss.

Revenue recognition

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

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

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

Cash and cash equivalents

Cash and cash equivalents includes cash on hand and short-term, highly liquid investments with maturities when acquired of less than three months, held for purposes of meeting short-term cash requirements.

Inventories

Raw materials, work-in-process and finished goods inventories are stated at the lower of cost and net realizable value, with cost determined on a weighted average basis. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Finished goods and work-in-process inventory costs include raw materials, direct labour and allocation of overheads. A provision for shrinkage and obsolescence is calculated based on historical experience. Management reviews the entire provision to assess whether, based on economic conditions, it is adequate.

Product and software development

Expenditures on research, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized as an expense when incurred.

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

Property and equipment

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

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

Intangible assets

Patents and other intangibles are recorded at cost, net of accumulated amortization and write-downs for impairment. On the basis they have a finite useful life, they are amortized on a straight line basis over their estimated useful life which management estimates at 7 years.

Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual

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asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the interim condensed consolidated statement of comprehensive loss, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

3. ACCOUNTS RECEIVABLE

The amount of accounts receivable is net of an allowance for doubtful accounts, which was \$2,115 at September 30, 2017 (December 31, 2016 - \$2,115).

4. INVENTORY

	September 30	December 31
	2017	2016
Raw materials	\$ 64,654	\$ 62,863
Work-in-process	-	76,118
Finished goods	112,124	40,223
	\$ 176,778	\$ 179,204

For the nine months ended September 30, 2017, \$298,021 (2016 - \$289,525) of inventory was included in Cost of sales in the interim condensed consolidated statements of loss.

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5. PROPERTY AND EQUIPMENT

	Furniture and Office Equipment	Manufacturing Equipment	Total
Cost			
Balance, January 1, 2016	\$ 114,861	\$ 53,558	\$ 168,419
Additions	2,084	1,554	3,638
Balance, December 31, 2016	116,945	55,112	172,057
Additions	1,171	-	1,171
Balance, September 30, 2017	\$ 118,116	\$ 55,112	\$ 173,228
Accumulated Amortization			
Balance, January 1, 2016	\$ 91,534	\$ 18,702	\$ 110,236
Amortization	5,633	9,045	14,678
Balance, December 31, 2016	97,167	27,747	124,914
Amortization	3,447	5,109	8,556
Balance, September 30, 2017	\$ 100,614	\$ 32,856	\$ 133,470
Carrying Value			
Balance, December 31, 2016	\$ 19,778	\$ 27,365	\$ 47,143
Balance, September 30, 2017	\$ 17,502	\$ 22,256	\$ 39,758

6. INTANGIBLE ASSETS

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

Cost	
Balance, December 31, 2016 and September 30, 2017	\$ 518,709
Accumulated Amortization	
Balance, January 1, 2016	\$ 129,482
Amortization	90,182
Balance, December 31, 2016	219,664
Amortization	67,636
Balance, September 30, 2017	\$ 287,300
Carrying Value	
Balance, December 31, 2016	\$ 299,045
Balance, September 30, 2017	\$ 231,409

7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

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	September 30	December 31
	2017	2016
Accounts payable	\$ 268,482	\$ 173,245
Amounts owing to staff, officers and board of directors	865,818	980,505
Taxes, including unpaid payroll withholdings and related interest, accrued sales and other taxes	439,744	439,744
Other accrued liabilities	234,650	223,838
	\$ 1,808,694	\$ 1,817,332

8. DEMAND LOANS AND LONG-TERM DEBT

a) Demand loans

Demand loans, all of which are unsecured include the following:

- \$175,000 of demand loans, of which \$25,000 was issued in 2017, to a corporation controlled by a Director, with no fixed terms for repayment, and without interest.
- A demand loan of \$29,000 with a party related to a Director of the Company, with interest at prime plus 6% per annum.

b) Long-term debt

Long-term debt consists of a \$200,048 (US\$166,666) term loan (December 31, 2016 - \$268,540 (US\$200,000)) entered into during 2015 with a company related to a customer, with interest at 8.0% per annum, paid quarterly, and due on June 26, 2018. The Company has the option to repay the loan at any time without penalty. The Company makes monthly payments of US\$16,667, beginning in July 2017, as requested by the lender in connection with the Company not meeting financial targets stipulated in the loan agreement. The debt is secured by a general security agreement covering the Company's assets on a pari passu basis with the Convertible Debt.

c) Convertible debt

The Convertible debt consists of a \$500,000 loan with a party that is related to a Director of the Company, which is due on December 31, 2019, and bears interest at 8% per annum, paid quarterly. The loan is convertible, in whole or part, at any time into common shares of the Company at \$0.20 per share. The Company has the option of repaying the loan at any time. The debt is secured by a general security agreement on a pari passu basis with the Long-term debt.

The loan was originally a three-year Term loan issued in June 2015, which terms were amended in 2016. The amendment of the terms was considered an exchange of the original debt for a new convertible loan, and as such, a value of the debt and equity components of the new loan were determined as the amount required to extinguish the original Term loan, and the difference resulting in a loss on the exchange of the debt. The value of the debt component was determined to be \$327,000, based on a discounted cash flow of the cash interest and principal obligations of the loan. The value of the equity component, \$227,000, was based on a Black-Scholes valuation of the shares into which the loan may be converted, assuming a share price volatility of 75% based on historical volatility, a risk-free rate of 1.15%, and with no expected dividend yield over the life of the loan. As a result, a loss of \$54,000 was recorded on the exchange of the term loan for the convertible loan in 2016.

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As of September 30, 2017, the convertible debt consists of the following:

	September 30 2017	December 31 2016
Face value	\$ 500,000	\$ 500,000
Balance to be accreted	(140,612)	(173,000)
	\$ 359,388	\$ 327,000

9. SHARE CAPITAL

Common Shares

Authorized - Unlimited number of common shares

Issued and outstanding

	Number of shares	Stated Capital
Outstanding at January 1, 2016	73,890,509	\$ 15,537,000
Issued for cash (a)	23,075,652	783,183
Issued on exercise of share options (b)	300,000	30,000
Reclassification from contributed surplus on option exercise (b)	-	17,188
Issued on exercise of warrants (c)	325,000	45,500
Reclassification from warrants on warrant exercise (c)	-	8,649
Issued on settlement of fees (d)	100,000	23,500
Outstanding at December 31, 2016	97,691,161	16,445,020
Issued for cash (a)	9,004,639	479,851
Outstanding at September 30, 2017	106,695,800	\$ 16,924,871

a) Shares issued for cash

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

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

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

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

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Amounts raised from the 2017 private placement are summarized below:

Tranche	Date	# of Units	Gross Proceeds	Issue Costs	Broker Warrants	Allocation to Shares	Allocation to Warrants
1	April 21	6,948,333	\$ 833,800	\$ 74,463	\$ 79,642	\$ 391,508	\$ 367,829
2	July 14	2,056,306	246,757	46,067	27,992	88,343	112,347
		9,004,639	\$ 1,080,557	\$ 120,530	\$107,634	\$ 479,851	\$ 480,176

The share price on the closing date of each of the tranches was \$0.13 and \$0.125, respectively. The warrant value for each tranche was determined to be \$0.096 and \$0.119, respectively.

Tranche 1 costs included issuing 400,365 Broker warrants with each warrant entitling the holder to purchase one Unit of the Company at \$0.12 during the period expiring April 21, 2020, comprised of a share and a warrant exercisable into one share until April 21, 2020 at \$0.20. The broker warrants were valued at \$79,642, with \$45,874 allocated as a reduction in share capital and a \$33,768 reduction of the warrants.

Tranche 2 costs included issuing 114,005 Broker warrants with each warrant entitling the holder to purchase one Unit of the Company at \$0.12 during the period expiring July 14, 2020, comprised of a share and a warrant exercisable into one share until July 14, 2020 at \$0.20. The broker warrants were valued at \$27,992, with \$14,319 allocated as a reduction in share capital and a \$13,673 reduction of the warrants.

During 2016, the Company completed a non-brokered private placement in four tranches, raising gross proceeds of \$1,499,918 (\$1,409,778 net of expenses). The Company sold 23,075,652 units (the "Units") in total, for \$0.065 per Unit, with each Unit consisting of one common share and one common share warrant of the Company. Each warrant entitles the holder to purchase one common share of the Company for \$0.14 per share for three years from the closing date.

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

- No expected dividends over the life of the warrants;
- A 1.15% risk-free interest rate;
- Based on historic volatility, 149%, 146%, 148% and 150% share price volatility for each closing, respectively.

Cash related issue costs were allocated in the same manner as the proceeds, reducing the amounts recorded as share capital and warrants. For transactions involving Finder's warrants, the value of the warrants was determined in the same manner as the common share warrants, and were treated similar to cash issue costs as a reduction of the amounts recorded as share capital and warrants.

Amounts raised from the 2016 private placement are summarized below:

Tranche	Date	# of Units	Gross Proceeds	Issue Costs	Finder's Warrants	Allocation to Shares	Allocation to Warrants
1	June 6	8,621,540	\$ 560,400	\$ 31,694	\$ -	\$ 299,271	\$ 227,042
2	August 2	2,542,692	165,275	21,568	5,871	79,417	64,290
3	September 2	6,761,422	439,493	16,600	3,539	237,958	184,935
4	September 15	5,149,998	334,750	25,716	-	166,537	144,890
		23,075,652	\$ 1,499,918	\$ 95,578	\$ 9,410	\$ 783,183	\$ 621,157

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The share price on the closing date of each of the tranches was \$0.095, \$0.08, \$0.095 and \$0.235, respectively. The warrant value for each tranche was determined to be \$0.073, \$0.059, \$0.072 and \$0.201, respectively.

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

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

b) Shares issued on exercise of share options

The Company issued 300,000 common shares in 2016 on the exercise of share options. The options were exercised at \$0.10 per share, resulting in proceeds of \$30,000. In addition, the original share-based compensation expense recorded related to these options of \$17,188 was reclassified from contributed surplus to common shares.

c) Shares issued on exercise of warrants

The Company issued 325,000 common shares during 2016 on the exercise of warrants. The warrants had an exercise price of \$0.14, resulting in proceeds of \$45,500. In addition, the warrant value originally allocated to the warrants of \$8,649 was reclassified from warrants to common shares.

d) Shares issued on settlement of fees

The Company issued 100,000 common shares in November 2016, as payment for a \$10,000 fee owing to a lender. The difference between the value of shares when they were issued and the amount owing was expensed in 2016.

e) Warrants

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

	Number of Warrants	Weighted- Average Exercise Price \$
Outstanding at January 1, 2016	9,750,000	0.20
Warrants issued	23,224,284	0.14
Warrants exercised	(325,000)	0.14
Expired	(9,750,000)	0.20
Outstanding at December 31, 2016	22,899,284	0.14
Warrants issued	9,519,009	0.20
Outstanding at September 30, 2017	32,418,293	0.16

In connection with the brokered private placement completed in 2017, 9,004,639 warrants were granted to subscribers of Units and 514,370 Broker warrants were issued.

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In connection with the non-brokered private placements completed in 2016, 23,075,652 warrants were granted to subscribers of Units and 148,632 Finder's warrants were issued.

The warrants outstanding, and their expiry dates as of September 30, 2017 are as follows:

	Exercise Price	Warrants	\$
Private Placement – June 6, 2019	\$0.14	8,296,540	218,393
Private Placement – August 2, 2019	\$0.14	2,642,454	64,290
Private Placement – September 2, 2019	\$0.14	6,810,292	184,935
Private Placement – September 15, 2019	\$0.14	5,149,998	144,890
Private Placement – April 21, 2020	\$0.20	7,348,698	367,829
Private Placement – July 14, 2020	\$0.20	2,170,311	112,347
		32,418,293	1,092,684

f) Stock options

On August 25, 2016, at the Annual and Special Meeting of Shareholders, shareholders approved an amendment to the Company's 2014 Incentive Stock Option Plan to increase the number of options available under the plan from 12,000,000 to 16,400,000.

Under the terms of the plan, directors, officers, employees and consultants, subject to certain conditions, may be granted options to purchase common shares of the Company. As at September 30, 2017 there were 13,600,000 options that have been granted and are outstanding, with 2,500,000 options available to be granted under the plan. Options generally expire after five years, with vesting provisions stated in the plan.

Activity in the Company's stock option plan for the nine months ended September 30, 2017 and the year ended December 31, 2016 are summarized as follows:

	Nine months ended September 30, 2017		Year ended December 31, 2016	
	Weighted- Average Exercise Number of Options	Price \$	Number of Options	Weighted- Average Exercise Price \$
Outstanding, beginning of period	11,575,000	0.10	10,125,000	0.10
Expired	-		(100,000)	0.10
Exercised	-		(300,000)	0.10
Granted	2,025,000	0.18	1,850,000	0.13
Outstanding, end of period	13,600,000	0.12	11,575,000	0.10

As of September 30, 2017, 13,250,000 of the options outstanding may be exercised, with the remainder vesting during 2017 and 2018. The outstanding options have a weighted average exercise price of \$0.12, and an average remaining life of 2.4 years.

On July 26, 2017, the Company granted 200,000 share options, which have an exercise price of \$0.14, and are exercisable for five years. The options were valued at \$21,567, of which \$5,392 was included in expenses and contributed surplus during the nine months ended September 30, 2017, with the remainder to be expensed as the options vest. The value was determined using the Black-Scholes option pricing model based on a risk-free interest rate of 1.60%, volatility of 148% based on historical stock price volatility, expected life of five years, and no expected dividend yield.

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On February 27, 2017, 1,825,000 options were granted to consultants and employees of the Company, which are exercisable at \$0.18 for a period of five years from the grant date, and vest during 2017. The options were valued at \$265,144, of which \$134,388 was included in expenses and contributed surplus during the six months ended June 30, 2017, with the remainder to be expensed as the options vest. The value was determined using the Black-Scholes option pricing model based on a risk-free interest rate of 1.13%, volatility of 195% based on historical stock price volatility, expected life of five years, and no expected dividend yield.

On August 25, 2016, 1,750,000 options were granted to consultants of the Company. The options are fully vested. Of the options, 875,000 are exercisable at \$0.10 and 875,000 are exercisable at \$0.14 for a period of five years from the date of grant. The options were valued at \$143,137, which was included in expenses and contributed surplus. On November 25, 2016, 100,000 options were granted to an employee of the Company, which will be fully vested in 2017. The options are exercisable at \$0.24 for a period of five years from the date of grant. The options were valued at \$12,500, which was included in expenses and contributed surplus. The values of the options were determined using the Black-Scholes option pricing model based on a risk-free interest rate of 1.38%, volatility of 191% based on historical stock price volatility, expected life of five years, and no expected dividend yield.

During the year ended December 31, 2016, 300,000 share options were exercised.

10. INCOME TAXES

As of December 31, 2016, the Company had non-capital losses, carried forward of approximately \$4,798,712 available to reduce future years' taxable income. These losses expire as follows:

<u>Expiry</u>			
2026 -	\$ 553,339	2032 -	\$ 392,684
2027 -	\$ 101,131	2033 -	\$ 638,392
2028 -	\$ 320,518	2034 -	\$ 224,198
2029 -	\$ 1,418,650	2035 -	\$ 325,077
2030 -	\$ 481,214	2036 -	\$ 19,392
2031 -	\$ 324,117		

11. LOSS PER COMMON SHARE

The calculation of basic and diluted loss per share for the three months ended September 30, 2017 and 2016 was based on the loss attributable to common shareholders of \$551,002 (2016 - \$459,685) and the weighted average number of common shares outstanding of 106,382,884 (2016 - 87,040,186). The calculation of basic and diluted loss per share for the nine months ended September 30, 2017 and 2016 was based on the loss attributable to common shareholders of \$1,302,492 (2016 - \$975,048) and the weighted average number of common shares outstanding of 102,401,864 (2016 - 79,060,900). Diluted loss per share for the three and nine-months ended September 30, 2017 and 2016 did not include the effect of stock options, warrants or debenture conversions, as they were anti-dilutive.

12. GEOGRAPHICAL AND CUSTOMER INFORMATION

The Company's products are sold on a worldwide basis. Sales for the nine months ended September 30, 2017 were made to customers in the following geographic regions: Canada 36%; United States 41%, Europe 13%, Rest of World 10% (Year ended December 31, 2016: Canada 34%; United States 28%, Europe 28%, Rest of World 10%).

Approximately 24% of the Company's revenue for the nine months ended September 30, 2017 was

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from two customers (Year ended December 31, 2016 - 16% of revenue was from one customer).

13. FINANCIAL INSTRUMENTS

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

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.

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 and accounts payable balances, and debt denominated in US Dollars as of the end of the period. The company sells its products internationally, and incurs costs from international suppliers. As of September 30, 2017, 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 \$20,000.

The objective in managing foreign exchange risk is to monitor expenditure requirements in the short and medium term by currency, and convert available cash to match the requirements.

Liquidity risk -

Liquidity risk results from an excess of financial liabilities over available financial assets at any point in time. The Company's objective in managing risk is to ensure that it raises the amount of cash required to fund operating losses and to maintain cash to meet its other obligations. In this regard, the Company has had difficulty raising the level of cash required to meet its financial obligations as they have come due, and has entered into transactions to settle debts through the issuance of shares. Cash has been raised in 2017 and 2016, and in prior years, and the Company will be required to raise additional cash to fund its ongoing operating requirements. A portion of the cash raised was in the form of debt, due on a demand basis. The Company is in a position where its liabilities are greater than its assets.

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Refer to Note 8 for additional discussions regarding the contractual maturities of financial liabilities.

14. CAPITAL MANAGEMENT

The Company defines its managed capital as the total of demand loans, long-term debt, convertible debt and shareholders' deficiency including share capital, warrants, equity portion of convertible debt, contributed surplus and deficit. As at September 30, 2017, total managed capital was (\$1,162,902) (December 31, 2016 - (\$1,229,839)).

The Company's objectives when managing capital are:

- i. To maintain balance sheet strength, ensuring the Company's strategic objectives are met, while retaining an appropriate amount of leverage; and
- ii. To provide an appropriate return to shareholders relative to the risk of the Company's underlying assets.

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

There were no changes in the Company's approach to capital management during 2016 or 2017. The Company is not subject to externally imposed capital restrictions.

15. COMMITMENTS AND CONTINGENCIES

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

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

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

16. RELATED PARTY TRANSACTIONS

During the nine months ended September 30, 2017, the Company incurred costs for management and Board compensation, of \$258,250 (2016 - \$371,875). In addition, \$65,378 of the expense recorded in 2017 (2016 - \$13,187) for share-based compensation relates to management.

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

Included in accounts payable and accrued liabilities as of September 30, 2017 is \$802,242 (December 31, 2016 - \$890,912) due to officers and directors of the Company.

17. COMPARATIVE AMOUNTS

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