

**MEDX HEALTH CORP.**

**Interim Condensed Consolidated Financial Statements  
For the Three and Nine Months Ended September 30, 2020 and 2019**

**(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 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 in 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, 2020 and 2019 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 2020	December 31 2019
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 165,919	\$ 11,920
Accounts receivable (Note 3)	63,623	54,415
Inventory (Note 4)	364,824	237,968
Prepaid expenses and deposits	67,784	47,571
	<b>662,150</b>	351,874
Property, equipment and right of use asset (Note 5)	27,553	55,525
Intangible assets (Note 6)	-	28,499
	<b>\$ 689,703</b>	<b>\$ 435,898</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Notes 7 and 16)	\$ 1,519,197	\$ 2,472,577
Deferred revenue	40,763	52,556
Demand loans (Note 8)	-	252,000
Convertible debt (Note 8)	500,000	500,000
Lease liability (Note 8)	-	25,670
	<b>2,059,960</b>	3,302,803
Long-term debt (Note 8)	40,000	-
	<b>2,099,960</b>	3,302,803
<b>SHAREHOLDERS' DEFICIENCY</b>		
Share capital (Note 9)	22,943,370	20,287,147
Warrants (Note 9)	2,472,303	1,981,149
Equity portion of convertible debt (Note 8)	227,000	227,000
Contributed surplus (Note 9)	8,091,705	7,250,263
Deficit	(35,144,635)	(32,612,464)
	<b>(1,410,257)</b>	<b>(2,866,905)</b>
	<b>\$ 689,703</b>	<b>\$ 435,898</b>

---

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

Subsequent events (Note 17)

See accompanying notes to the interim condensed consolidated financial statements

**MEDX HEALTH CORP.**

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

---

---

	Three and Nine Months ended September 30, 2020 and 2019			
	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2020	2019	2020	2019
<b>Revenue</b>	\$ 172,889	\$ 234,977	\$ 337,885	\$ 678,886
Cost of sales	92,079	85,714	182,091	293,895
<b>Gross profit</b>	<b>80,810</b>	149,263	<b>155,794</b>	384,991
<b>Expenses</b>				
Selling, general and administrative	534,418	499,491	1,659,759	1,613,016
Product and software development	302,367	90,401	421,157	476,164
Share-based compensation (Notes 9 and 16)	308,477	69,677	395,423	174,358
Interest expense	10,090	30,477	38,809	88,798
Loss on debt settlement (Note 8)	-	-	107,410	-
Foreign exchange loss	1,334	5,944	7,217	19,219
Depreciation of property, equipment and right of use asset	7,896	8,376	29,691	32,692
Amortization of intangibles	-	22,545	28,499	67,636
	1,164,582	726,911	2,687,965	2,471,883
<b>Net loss and comprehensive loss for the period</b>	<b>\$ (1,083,772)</b>	\$ (577,648)	<b>\$ (2,532,171)</b>	\$ (2,086,892)
Income (loss) per share, basic and fully diluted	\$ (0.01)	\$ (0.00)	\$ (0.02)	\$ (0.01)
Weighted average number of shares outstanding	172,720,317	141,079,994	163,566,250	139,283,825

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, 2020 and 2019**

	<b>Common Shares</b>	<b>Warrants</b>	<b>Equity Portion of Convertible Debt</b>	<b>Contributed Surplus</b>	<b>Deficit</b>	<b>Total</b>
<b>Balance, December 31, 2019</b>	<b>\$ 20,287,147</b>	<b>\$ 1,981,149</b>	<b>\$ 227,000</b>	<b>\$ 7,250,263</b>	<b>\$ (32,612,464)</b>	<b>\$ (2,866,905)</b>
Net loss for the period	-	-	-	-	(2,532,171)	(2,532,171)
Issuance of Units	2,256,638	830,157	-	-	-	3,086,795
Issue of shares for services	27,120	-	-	-	-	27,120
Expiry of warrants	-	(446,019)	-	446,019	-	-
Share-based compensation	-	-	-	395,423	-	395,423
Shares issued on debt settlement	372,465	107,016	-	-	-	479,481
<b>Balance, September 30, 2020</b>	<b>\$ 22,943,370</b>	<b>\$ 2,472,303</b>	<b>\$ 227,000</b>	<b>\$ 8,091,705</b>	<b>\$ (35,144,635)</b>	<b>\$ (1,410,257)</b>
<b>Balance, December 31, 2018</b>	<b>\$ 19,453,957</b>	<b>\$ 2,129,045</b>	<b>\$ 227,000</b>	<b>\$ 5,981,763</b>	<b>\$ (29,336,114)</b>	<b>\$ (1,544,349)</b>
Net loss for the period	-	-	-	-	(2,086,892)	(2,086,892)
Issuance of Units	691,106	303,951	-	-	-	995,057
Expiry of warrants	-	(499,280)	-	499,280	-	-
Share-based compensation	-	-	-	174,358	-	174,358
<b>Balance, September 30, 2019</b>	<b>\$ 20,145,063</b>	<b>\$ 1,933,716</b>	<b>\$ 227,000</b>	<b>\$ 6,655,401</b>	<b>\$ (31,423,006)</b>	<b>\$ (2,461,826)</b>

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, 2020 and 2019

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
<b>Cash flows from operating activities</b>				
Net loss for the period	\$ (1,083,772)	\$ (577,648)	\$ (2,532,171)	\$ (2,086,892)
Adjustments for non-cash items				
Depreciation of property, equipment and right of use asset	7,896	8,376	29,691	32,692
Amortization of intangible assets	-	22,545	28,499	67,636
Loss on debt settlement	-	-	107,410	-
Increase (decrease) in allowance for doubtful accounts	(24,268)	-	(36,504)	(17,053)
Shares issued for services	12,000	-	24,000	-
Accretion of convertible debt	-	16,780	-	48,610
Share-based compensation	308,477	69,677	395,423	174,358
	<b>(779,667)</b>	<b>(460,270)</b>	<b>(1,983,652)</b>	<b>(1,780,649)</b>
Net change in non-cash operating working capital items:				
Accounts receivable	(15,134)	42,507	27,296	88,092
Inventory	(13,899)	20,987	(126,856)	34,226
Prepaid expenses and deposits	19,315	(4,207)	(20,213)	(21,818)
Accounts payable and accrued liabilities	260,752	222,682	(471,647)	623,796
Deferred revenue	(60,923)	(3,800)	(11,793)	(14,901)
	<b>190,111</b>	<b>278,169</b>	<b>(603,213)</b>	<b>709,395</b>
Net cash used in operating activities	<b>(589,556)</b>	<b>(182,101)</b>	<b>(2,586,865)</b>	<b>(1,071,254)</b>
<b>Cash flows from investing activities</b>				
Purchases of property and equipment	-	-	(5,500)	(3,511)
Net cash used in investing activities	-	-	<b>(5,500)</b>	<b>(3,511)</b>
<b>Cash flows from financing activities</b>				
Proceeds from issuance of Units, net of issue costs	282,473	142,752	2,984,034	995,057
Increase in long-term debt	-	-	40,000	-
Repayment of lease liability	(7,014)	(8,694)	(25,670)	(25,379)
Proceeds from issuance of demand loans	-	80,000	45,000	305,000
Repayment of demand loans	-	(70,000)	(297,000)	(220,000)
Net cash from financing activities	<b>275,459</b>	<b>144,058</b>	<b>2,746,364</b>	<b>1,054,678</b>
<b>Net change in cash for the period</b>	<b>(314,097)</b>	<b>(38,043)</b>	<b>153,999</b>	<b>(20,087)</b>
Cash, beginning of period	480,016	56,900	11,920	38,944
<b>Cash, end of period</b>	<b>\$ 165,919</b>	<b>\$ 18,857</b>	<b>\$ 165,919</b>	<b>\$ 18,857</b>
<b>Non-cash transactions (Note 7)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 474,832</b>	<b>\$ 60,034</b>

See accompanying notes to the interim condensed consolidated financial statements

## **MEDX HEALTH CORP.**

Notes to the Interim Condensed Consolidated Financial Statements  
For the Three and Nine Months Ended September 30, 2020 and 2019  
(Unaudited)  
Presented in Canadian dollars

---

### **1. NATURE OF OPERATIONS AND GOING CONCERN**

MedX Health Corp. ("MedX" or "the Company") is incorporated under the laws of Ontario. The Company develops and manufactures skin-related screening tools and phototherapy devices for pain relief and tissue repair, marketing the latter in Canada and the United States while the skin related screening tools are also marketed in Europe, Australia and selected markets in Asia and Latin America.

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, 2020, the Company had current liabilities in excess of current assets of \$1,397,810 (December 31, 2019 - \$2,950,929), had an accumulated deficit of \$35,144,635 (December 31, 2019 - \$32,612,464), and shareholders' deficiency of \$1,410,257 (December 31, 2019 - \$2,866,905). 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 raised capital during 2019 and to date in 2020 and will require additional capital to continue to develop and market its products and as it continues to develop sales opportunities. These interim condensed consolidated financial statements do not give effect to any adjustments which might be necessary should the Company be unable to continue as a going concern and be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying consolidated financial statements. These adjustments could be material.

The Company operates in a single reportable operating segment. As of September 30, 2020, substantially all of the Company's assets are located in Canada.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

#### **Statement of Compliance**

These interim condensed consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), effective for the reporting period ended September 30, 2020, and have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". The interim condensed consolidated financial statements follow the same accounting policies and methods of application as those disclosed in the annual consolidated financial statements for the year ended December 31, 2019, but do not include all the information and disclosures required in the Company's annual financial statements. The preparation of interim condensed consolidated financial statements in accordance with IAS 34 requires the use of certain accounting estimates and requires management to use judgement in applying the Company's accounting policies. The areas that involve judgement and estimates have been disclosed in Note 2 of the Company's 2019 consolidated financial statements.

These interim condensed consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended December 31, 2019.

## **MEDX HEALTH CORP.**

Notes to the Interim Condensed Consolidated Financial Statements  
For the Three and Nine Months Ended September 30, 2020 and 2019  
(Unaudited)  
Presented in Canadian dollars

---

These interim condensed consolidated financial statements were approved by the Board of Directors effective November 25, 2020.

### **Basis of Presentation**

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.

### **Basis of 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.

### **Significant Accounting Judgments and Estimates**

There have been no material revisions to the nature and amount or changes in estimates of amounts as reported in the 2019 annual consolidated financial statements.

### **Recent Accounting Pronouncements**

At the date of authorization of these consolidated financial statements, there are no amendments, revisions or new IFRS standards, which have been issued but are not effective until annual periods beginning after December 31, 2019 that are expected to have a material impact on the Company.

## **3. ACCOUNTS RECEIVABLE**

The amount of accounts receivable is net of an allowance for doubtful accounts, which was \$nil on September 30, 2020 (December 31, 2019 - \$36,504).

## **4. INVENTORY**

	<b>September 30</b>	<b>December 31</b>
	<b>2020</b>	<b>2019</b>
Raw materials	\$ 156,617	\$ 80,559
Work-in-process	72,406	21,548
Finished goods	135,801	135,861
	<b>\$ 364,824</b>	<b>\$ 237,968</b>

For the nine months ended September 30, 2020, \$161,509 (2019 - \$251,507) of inventory was included in Cost of sales in the consolidated statements of loss.

## MEDX HEALTH CORP.

Notes to the Interim Condensed Consolidated Financial Statements  
For the Three and Nine Months Ended September 30, 2020 and 2019  
(Unaudited)  
Presented in Canadian dollars

### 5. PROPERTY, EQUIPMENT AND RIGHT OF USE ASSET

	Furniture and Office Equipment	Manufacturing Equipment	Right of Use Asset	Total
<b>Cost</b>				
Balance, January 1, 2019	\$ 128,966	\$ 55,112	\$ -	\$ 184,078
Adoption of IFRS 16	-	-	60,034	60,034
Additions	4,441	-	-	4,441
Balance, December 31, 2019	133,407	55,112	60,034	248,553
<b>Additions</b>	<b>5,500</b>	<b>-</b>	<b>-</b>	<b>5,500</b>
<b>Lease expiry</b>	<b>-</b>	<b>-</b>	<b>(60,034)</b>	<b>(60,034)</b>
<b>Balance, September 30, 2020</b>	<b>\$ 138,907</b>	<b>\$ 55,112</b>	<b>\$ -</b>	<b>\$ 194,019</b>
<b>Accumulated Depreciation</b>				
Balance, January 1, 2019	\$ 107,354	\$ 39,602	\$ -	\$ 146,956
Depreciation	6,302	3,749	36,021	46,072
Balance, December 31, 2019	113,656	43,351	36,021	193,028
<b>Depreciation</b>	<b>5,676</b>	<b>3,783</b>	<b>24,013</b>	<b>33,472</b>
<b>Lease expiry</b>	<b>-</b>	<b>-</b>	<b>(60,034)</b>	<b>(60,034)</b>
<b>Balance, September 30, 2020</b>	<b>\$ 119,332</b>	<b>\$ 47,134</b>	<b>\$ -</b>	<b>\$ 166,466</b>
<b>Carrying Value</b>				
Balance, December 31, 2019	\$ 19,751	\$ 11,761	\$ 24,013	\$ 55,525
<b>Balance, September 30, 2020</b>	<b>\$ 19,575</b>	<b>\$ 7,978</b>	<b>\$ -</b>	<b>\$ 27,553</b>

### 6. INTANGIBLE ASSETS

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

<b>Cost</b>	
<b>Balance, January 1 and December 31, 2019 and September 30, 2020</b>	<b>\$ 518,709</b>
<b>Accumulated Amortization</b>	
Balance, January 1, 2019	\$ 400,028
Amortization	90,182
Balance, December 31, 2019	490,210
<b>Amortization</b>	<b>28,499</b>
<b>Balance, September 30, 2020</b>	<b>\$ 518,709</b>
<b>Carrying Value</b>	
Balance, December 31, 2019	\$ 28,499
<b>Balance, September 30, 2020</b>	<b>\$ -</b>

### 7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities are principally comprised of amounts accrued or outstanding

## MEDX HEALTH CORP.

Notes to the Interim Condensed Consolidated Financial Statements  
For the Three and Nine Months Ended September 30, 2020 and 2019  
(Unaudited)  
Presented in Canadian dollars

for trade purchases relating to inventory and administrative expenses, unpaid payroll and sales taxes, and interest.

	<b>September 30</b>	December 31
	<b>2020</b>	2019
Accounts payable	<b>\$ 280,583</b>	\$ 977,663
Amounts owing to staff, officers and board of directors	<b>134,532</b>	316,798
Taxes, including unpaid payroll withholdings and related interest, accrued sales and other taxes	<b>549,719</b>	564,132
Other accrued liabilities	<b>554,363</b>	613,984
	<b>\$ 1,519,197</b>	\$ 2,472,577

On March 5, 2020, the Company settled \$372,071 owing to a vendor by issuing 3,103,878 Units, each Unit consisting of one Common share and one Common share purchase warrant ("Warrant"). Each Warrant will be exercisable to acquire one Common share at any time for a period of two years, at an exercise price of \$0.20. In accounting for the settlement, the shares issued were valued at \$372,465 and the warrants were valued at \$107,016, totaling \$479,481, resulting in a loss of \$107,410.

In addition, during 2020, \$102,761 of amounts owing were repaid through subscriptions in a private placement.

### 8. DEMAND LOANS AND LONG-TERM DEBT

#### a) Demand loans

As of September 30, 2020, there were no demand loans due to related parties. Advances of \$45,000 were made to the Company during the nine months ended September 30, 2020 (with fees of \$2,250 related to these advances) and the Company repaid the remaining \$297,000 of the loans during the period. The loans accrued interest at 10% per annum, payable at the time of repayment.

As of December 31, 2019, there were \$252,000 of unsecured demand loans due to related parties. The loans were accruing interest at 10% per annum, payable at the time of repayment. During 2019, a total of \$422,000 of advances were made to the Company (with fees of \$21,350 paid related to these advances) and the Company repaid \$270,000 of the loans. Loans of \$102,000 were advanced to the Company by a corporation controlled by a Director, and \$50,000 of loans repaid to this party, and the balance of loans owing to this lender as of December 31, 2019 was \$152,000. Loans of \$320,000 were made by a Director during 2019, of which \$220,000 were repaid during the year, and \$100,000 was due to this lender as of December 31, 2019.

#### b) Convertible debt

The Convertible debt consists of a \$500,000 loan with a party that is related to a Director of the Company, which was due on December 31, 2019, and considered as due on demand, bearing interest at 8% per annum, paid monthly. The loan is convertible, in whole or part, at any time into common shares of the Company at \$0.20 per share. The debt is secured by a general security agreement covering all the Company's assets.

#### c) Lease liability

The Company leases premises consisting of its office and manufacturing facilities, which lease ended in August 2020. On adoption of IFRS 16 at the beginning of 2019, a liability of \$60,034 was established, representing the lease payments of \$64,900 remaining on the lease in 2019 and 2020, discounted using an incremental borrowing rate of 10.0%. The lease did not include extension

## MEDX HEALTH CORP.

Notes to the Interim Condensed Consolidated Financial Statements  
For the Three and Nine Months Ended September 30, 2020 and 2019  
(Unaudited)  
Presented in Canadian dollars

options. The balance of the liability as at September 30, 2020 was \$nil (December 31, 2019 - \$25,670). The Company entered into a new lease of the premises subsequent to September 30, 2020.

### d) Canada Emergency Business Account (CEBA)

During 2020, the Company received \$40,000 under a line of credit from the Government of Canada CEBA program, administered through the Company's bank. The loan is non-interest bearing until December 31, 2022, after which interest of 5% per annum is payable. If the loan is repaid before December 31, 2022, 25% of the amount repaid will be forgiven.

## 9. SHARE CAPITAL

### Common Shares

**Authorized** - Unlimited number of common shares

### Issued and outstanding

	Number of shares	Stated Capital
Outstanding at January 1, 2019	135,053,901	\$ 19,453,957
Issued for cash (a)	8,532,527	833,190
Outstanding at December 31, 2019	<b>143,586,428</b>	<b>20,287,147</b>
Issued for cash (a)	<b>28,539,611</b>	<b>2,256,638</b>
Issued on debt settlement (b)	<b>3,103,878</b>	<b>372,465</b>
Issued for services (c)	<b>194,707</b>	<b>27,120</b>
Outstanding at September 30, 2020	<b>175,424,624</b>	<b>\$ 22,943,370</b>

### a) Shares issued for cash

During the nine months ended September 30, 2020, the Company raised net proceeds of \$3,086,795 from private placements, summarized as follows:

Date	# of Units	Unit Price	Gross Proceeds	Issue Costs	Net Proceeds	Broker Warrants	Allocation to Shares	Allocation to Warrants
January 30	1,485,000	\$ 0.12	\$ 178,200	\$ 17,388	\$ 160,812	\$ 8,759	\$ 114,259	\$ 46,553
March 4	7,459,139	\$ 0.12	895,097	80,364	814,733	43,530	598,958	215,775
March 5	2,000,000	\$ 0.12	240,000	19,200	220,800	-	171,519	49,281
April 22	8,749,673	\$ 0.12	1,049,961	97,100	952,861	35,365	690,939	261,922
April 27	1,158,333	\$ 0.12	139,000	8,000	131,000	-	97,875	33,125
April 29	200,000	\$ 0.12	24,000	1,920	22,080	-	16,496	5,584
May 13	4,887,466	\$ 0.12	586,496	84,460	502,036	27,932	350,689	151,347
July 31	2,600,000	\$ 0.12	312,000	29,527	282,473	-	215,903	66,570
	28,539,611		\$ 3,424,754	\$ 337,959	\$ 3,086,795	\$ 115,586	\$ 2,256,638	\$ 830,157

With respect to the private placements completed to date in 2020, in each case, the placement consisted of the sale of the number of Units indicated at the Unit Price, and each Unit consisted of one Common share and one Common share purchase warrant ("Warrant"). Each Warrant will be exercisable to acquire one Common share at any time for a period of two years from the respective closing date, at an exercise price of \$0.20.

## MEDX HEALTH CORP.

Notes to the Interim Condensed Consolidated Financial Statements  
For the Three and Nine Months Ended September 30, 2020 and 2019  
(Unaudited)  
Presented in Canadian dollars

---

In addition, in connection with the placements, the Company issued 84,000, 506,000, 342,000 and 227,760 Broker warrants in connection with the January 30, 2020, March 4, 2020, April 22, 2020 and May 13, 2020 placements, respectively. The Broker Warrants issued in connection with the placements are exercisable for a period of two years, to acquire a unit at \$0.12, comprising a Share and a Warrant exercisable for two years at \$0.20.

In accounting for the private placement transactions, at the time of each closing, the Company allocated the gross 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 of the warrants was based on a calculation using the Black-Scholes model, as of the date of closing. Cash related issue costs were allocated in the same manner as the proceeds, reducing the amounts recorded as share capital and warrants. With respect to the Broker warrants issued, the value of the warrants was determined in the same manner as the common share warrants, and were treated similar to cash issue costs, as a reduction of the amounts recorded as share capital and warrants. See note 9(d) with respect to the calculation of the value of the warrants and Broker warrants.

During 2019, the Company raised net proceeds of \$1,184,574 from private placements, summarized as follows:

Date	# of Units	Unit Price	Gross Proceeds	Issue Costs	Net Proceeds	Broker Warrants	Allocation to Shares	Allocation to Warrants
January 28	2,962,500	\$ 0.16	\$ 474,000	\$ 11,474	\$ 462,526	\$ -	\$ 308,493	\$ 154,033
April 26	1,766,250	\$ 0.16	282,600	24,891	257,709	10,099	181,040	76,669
May 23	850,000	\$ 0.16	136,000	3,930	132,070	-	95,529	36,541
August 29	1,286,111	\$ 0.12	154,333	11,581	142,752	4,297	106,044	36,708
November 4	1,251,000	\$ 0.12	150,120	9,103	141,017	3,387	104,964	36,053
November 22	416,666	\$ 0.12	50,000	1,500	48,500	-	37,120	11,380
	8,532,527		\$ 1,247,053	\$ 62,479	\$ 1,184,574	\$ 17,783	\$ 833,190	\$ 351,384

With respect to the private placements completed in 2019, in each case, the placement consisted of the sale of the number of Units indicated at the Unit Price, and each Unit consisted of one Common share and one Common share purchase warrant ("Warrant"). The terms of the Warrants issued were as follows:

- January 28, 2019 placement - each warrant will be exercisable to acquire one Common share at any time for a period of three years, at an exercise price of \$0.35.
- April 26, 2019 placement - each warrant will be exercisable to acquire one Common share at any time for a period of two years, at an exercise price of \$0.25. The 79,350 Broker Warrants issued in connection with the placement are exercisable for a period of two years, to acquire a unit at \$0.16, comprising a Share and a Warrant exercisable until April 26, 2021, at \$0.25.
- May 23, 2019 placement - each warrant will be exercisable to acquire one Common share at any time for a period of two years, at an exercise price of \$0.25.
- August 29, 2019, November 4, 2019 and November 22, 2019 placements – each warrant will be exercisable to acquire one Common share at any time for a period of two years, at an exercise price of \$0.20. The 58,000 and 42,800 Broker Warrants issued in connection with the August 29, 2020 and November 4, 2019 placements, respectively, are exercisable for a period of two years, to acquire a unit at \$0.12, comprising a Share and a Warrant exercisable at \$0.20.

## MEDX HEALTH CORP.

Notes to the Interim Condensed Consolidated Financial Statements  
For the Three and Nine Months Ended September 30, 2020 and 2019  
(Unaudited)  
Presented in Canadian dollars

---

The accounting for the private placement transactions is as noted above. See note 9(d) with respect to the calculation of the value of the warrants and Broker warrants.

### b) Shares issued on debt settlement

On March 5, 2020, the Company settled \$372,071 of debt owed to a vendor by issuing to it 3,103,878 Units, each Unit consisting of one Common share and one Common share purchase warrant ("Warrant"). Each Warrant will be exercisable to acquire one Common share at any time for a period of two years, at an exercise price of \$0.20. In accounting for the settlement, the shares issued were valued based on the closing price of the shares on the closing date of \$0.12, or \$372,465 and the warrants were valued at \$107,016, estimated to be \$0.03 per warrant using the Black-Scholes pricing model (historic volatility of 79%, 0.92% risk-free interest rate and no expected dividends), resulting in a loss of \$107,410.

### c) Shares issued for services

During the nine-months ended September 30, 2020, the Company issued 194,707 shares (of which 90,400 were issued at \$0.15 per share and 104,307 were issued at \$0.13 per share) in connection with an agreement signed in 2020 related to marketing services being provided to the Company. Under the agreement, the Company will issue shares for services in exchange for \$60,000 of the services over a period of one year. The shares issued in the period represent payment of \$27,120 of services (including HST) to date.

### d) Warrants

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

	<b>Number of Subscriber Warrants</b>	<b>Weighted- Average Exercise Price \$</b>
Outstanding at January 1, 2019	50,204,727	0.19
Warrants issued - private placements	8,532,527	0.27
Warrants expired	(18,415,653)	0.14
Outstanding at December 31, 2019	<b>40,321,601</b>	<b>0.23</b>
Warrants issued - private placements	<b>28,539,611</b>	<b>0.20</b>
Warrants issued - debt settlement	<b>3,103,878</b>	<b>0.20</b>
Warrants expired	<b>(8,676,995)</b>	<b>0.20</b>
Outstanding at September 30, 2020	<b>63,288,095</b>	<b>0.22</b>

## MEDX HEALTH CORP.

Notes to the Interim Condensed Consolidated Financial Statements  
For the Three and Nine Months Ended September 30, 2020 and 2019  
(Unaudited)  
Presented in Canadian dollars

---

The number of warrants and Broker warrants issued in connections with the private placements completed in 2020, as well as the assumptions used in the Black-Scholes calculations are summarized as follows:

Date	# of Warrants	Exercise Period (Yrs)	Exercise Price	# of Broker Warrants	Share Price	Interest Rate	Volatility	Warrant Value
January 30	1,485,000	2	\$ 0.20	84,000	\$ 0.130	1.47%	83%	\$ 0.04
March 4	7,459,139	2	\$ 0.20	506,000	\$ 0.120	0.92%	79%	\$ 0.03
March 5	2,000,000	2	\$ 0.20	-	\$ 0.120	0.92%	79%	\$ 0.03
April 22	8,749,673	2	\$ 0.20	342,000	\$ 0.130	0.33%	83%	\$ 0.04
April 27	1,158,333	2	\$ 0.20	-	\$ 0.135	0.32%	83%	\$ 0.05
April 29	200,000	2	\$ 0.20	-	\$ 0.135	0.32%	83%	\$ 0.05
May 13	4,887,466	2	\$ 0.20	227,760	\$ 0.145	0.28%	82%	\$ 0.05
July 31	2,600,000	2	\$ 0.20	-	\$ 0.130	0.27%	80%	\$ 0.04

The Broker Warrants issued in connection with the placements in 2020 are exercisable for a period of two years from the respective issue date, to acquire a unit at \$0.12, comprising a Share and a Warrant exercisable for two years at \$0.20.

During 2020, 8,676,995 subscriber warrants, with an exercise price of \$0.20, and 422,681 Broker warrants expired. The \$446,019 value originally allocated to these warrants was reclassified to Contributed surplus.

The number of warrants and Broker warrants issued in connections with the private placements completed in 2019, as well as the assumptions used in the Black-Scholes calculations are summarized as follows:

Date	# of Warrants	Exercise Period (Yrs)	Exercise Price	# of Broker Warrants	Share Price	Interest Rate	Volatility	Warrant Value
January 28	2,962,500	3	\$ 0.35	-	\$ 0.150	1.50%	108%	\$ 0.07
April 26	1,766,250	2	\$ 0.25	79,350	\$ 0.150	1.45%	93%	\$ 0.06
May 23	850,000	2	\$ 0.25	-	\$ 0.150	1.45%	94%	\$ 0.06
August 29	1,286,111	2	\$ 0.20	58,000	\$ 0.100	1.58%	90%	\$ 0.03
November 4	1,251,000	2	\$ 0.20	42,800	\$ 0.105	1.59%	89%	\$ 0.03
November 22	416,666	2	\$ 0.20	-	\$ 0.105	1.60%	88%	\$ 0.03

The 79,350 Broker Warrants issued in connection with the April 26, 2019 placement are exercisable for a period of two years, to acquire a unit at \$0.16, comprising a Share and a Warrant exercisable at \$0.25. The 58,000 and 42,800 Broker Warrants issued in connection with the August 29, 2020 and November 4, 2019 placements, respectively, are exercisable for a period of two years, to acquire a unit at \$0.12, comprising a Share and a Warrant exercisable at \$0.20.

During 2019, 18,415,653 warrants, with an exercise price of \$0.14 relating to private placements in 2016 expired. The \$499,280 value originally allocated to the warrants (net of amounts previously reclassified) was reclassified to Contributed surplus.

## MEDX HEALTH CORP.

Notes to the Interim Condensed Consolidated Financial Statements  
For the Three and Nine Months Ended September 30, 2020 and 2019  
(Unaudited)  
Presented in Canadian dollars

Warrants outstanding, (including 1,887,570 Broker warrants with a weighted average exercise price of \$0.13), and their expiry dates as of September 30, 2020 are as follows:

<b>Date Issued</b>	<b>Expiry Date</b>	<b>Exercise Price</b>	<b># of Warrants</b>	<b>\$</b>
December 15, 2017	December 15, 2020	\$0.20	<b>6,251,729</b>	<b>292,247</b>
January 23, 2018	January 23, 2021	\$0.20	<b>14,164,260</b>	<b>709,182</b>
October 11, 2018	October 11, 2021	\$0.35	<b>2,106,250</b>	<b>121,016</b>
November 22, 2018	November 22, 2021	\$0.35	<b>1,137,500</b>	<b>61,301</b>
January 28, 2019	January 28, 2022	\$0.35	<b>2,962,500</b>	<b>154,033</b>
April 26, 2019	April 26, 2021	\$0.25	<b>1,845,600</b>	<b>76,669</b>
May 23, 2019	May 23, 2021	\$0.25	<b>850,000</b>	<b>36,541</b>
August 29, 2019	August 29, 2021	\$0.20	<b>1,344,111</b>	<b>36,708</b>
November 4, 2019	November 4, 2021	\$0.20	<b>1,293,800</b>	<b>36,053</b>
November 22, 2019	November 22, 2021	\$0.20	<b>416,666</b>	<b>11,380</b>
January 30, 2020	January 30, 2022	\$0.20	<b>1,569,000</b>	<b>46,553</b>
March 4, 2020	March 4, 2022	\$0.20	<b>7,965,139</b>	<b>215,775</b>
March 5, 2020	March 5, 2022	\$0.20	<b>2,000,000</b>	<b>49,281</b>
March 5, 2020	March 5, 2022	\$0.20	<b>3,103,878</b>	<b>107,016</b>
April 22, 2020	April 22, 2022	\$0.20	<b>9,091,673</b>	<b>261,922</b>
April 27, 2020	April 27, 2022	\$0.20	<b>1,158,333</b>	<b>33,125</b>
April 29, 2020	April 29, 2022	\$0.20	<b>200,000</b>	<b>5,584</b>
May 13, 2020	May 13, 2022	\$0.20	<b>5,115,226</b>	<b>151,347</b>
July 31, 2020	July 31, 2022	\$0.20	<b>2,600,000</b>	<b>66,570</b>
			<b>65,175,665</b>	<b>2,472,303</b>

### e) Stock options

On November 5, 2018, at an Annual and Special Meeting of Shareholders, shareholders approved an amendment to the Company's 2014 Incentive Stock Option Plan to increase the number of shares available under the plan from 21,200,000 to 26,000,000.

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, 2020, there were 21,765,000 options that have been granted and are outstanding, with 4,235,000 options available to be granted under the plan. Options generally expire after five years, with vesting provisions stated in the plan.

## MEDX HEALTH CORP.

Notes to the Interim Condensed Consolidated Financial Statements  
For the Three and Nine Months Ended September 30, 2020 and 2019  
(Unaudited)  
Presented in Canadian dollars

---

Activity in the Company's stock option plan for the nine months ended September 30, 2020 and for the year ended December 31, 2019 is summarized as follows:

	Number of Options	Weighted- Average Exercise Price \$
Outstanding, January 1, 2019	18,100,000	0.17
Granted	6,990,000	0.17
Expired/forfeited	(7,325,000)	0.10
Outstanding, December 31, 2019	<b>17,765,000</b>	<b>0.20</b>
Granted	4,500,000	0.17
Expired/forfeited	(500,000)	0.25
Outstanding, September 30, 2020	<b>21,765,000</b>	<b>0.19</b>

The outstanding options have exercise prices in the range of \$0.10 and \$0.25, an average remaining life of 2.7 years, weighted average exercise price of \$0.19, and as of September 30, 2020, all of the options are exercisable.

On August 31, 2020, the Company granted 3,500,000 share options to consultants, which vested on the grant date. The options have an exercise price of \$0.17 per share, expiring three years from the date of issue. The options were valued at \$195,496, which has been expensed in 2020. The value was determined using the Black-Scholes option pricing model based on a risk-free interest rate of 0.6%, volatility of 86% (based on historical stock price volatility), expected life of three years, and no expected dividend yield.

On June 16, 2020, the expiration date for 3,000,000 previously granted and vested options was shortened to December 31, 2021. As a result, a calculation was made to value the options as if granted on that date, and the options were valued at \$112,981 which has been expensed in 2020. The value was determined using the Black-Scholes option pricing model based on a risk-free interest rate of 0.5%, volatility of 83% (based on historical stock price volatility), expected life of eighteen months, and no expected dividend yield.

On each of April 15 and April 20, 2020, the Company granted 500,000 share options to consultants, which vested on the grant date. The options have an exercise price of \$0.18 and \$0.17 per share, expiring three and five years from the date of issue, respectively. The options were valued at \$86,946, which has been expensed in 2020. The value was determined using the Black-Scholes option pricing model based on a risk-free interest rate of 1.05% and 1.50%, volatility of 89% and 115% (based on historical stock price volatility), expected life of three and five years, respectively, and no expected dividend yield.

On December 31, 2019, the Company granted 5,990,000 share options to members of the Board of Directors, management, employees and consultants. The options have an exercise price of \$0.17 per share, expire five years from the date of issue, and were vested as of the grant date. The options were valued at \$594,862, which was expensed in 2019. The value was determined using the Black-Scholes option pricing model based on a risk-free interest rate of 1.68%, volatility of 111% based on historical stock price volatility, expected life of five years, and no expected dividend yield.

On September 30, 2019, the Company granted 1,000,000 share options to a member of management and the Board of Directors. The options, which were vested as of December 31, 2019, have an exercise price of \$0.16 per share and expire four years from the date of issue. The options

## MEDX HEALTH CORP.

Notes to the Interim Condensed Consolidated Financial Statements  
For the Three and Nine Months Ended September 30, 2020 and 2019  
(Unaudited)  
Presented in Canadian dollars

---

were valued at \$69,677, which was expensed in 2019. The value was determined using the Black-Scholes option pricing model based on a risk-free interest rate of 1.90%, volatility of 107% based on historical stock price volatility, expected life of four years, and no expected dividend yield.

During 2019, the remaining \$104,681 of the \$1,398,071 value attributed to 7,375,000 share options granted in 2018 under the Company's Stock Option Plan was expensed. The options have an exercise price of \$0.25 per share, expire five years from the date of issue, and are fully vested.

### 10. INCOME TAXES

As of December 31, 2019, the Company had non-capital losses carried forward of \$12,607,351 available to reduce future years' taxable income. These losses expire as follows:

Expiry	
2026 - \$ 553,339	2033 - \$ 638,392
2027 - \$ 101,131	2035 - \$ 494,759
2028 - \$ 320,518	2036 - \$ 1,175,296
2029 - \$ 1,418,650	2037 - \$ 1,525,829
2030 - \$ 481,214	2038 - \$ 2,943,543
2031 - \$ 324,117	2039 - \$ 2,237,879
2032 - \$ 392,684	
	<b>\$12,607,351</b>

### 11. LOSS PER COMMON SHARE

The calculation of basic and diluted loss per share for the three months ended September 30, 2020 and 2019 was based on the loss attributable to common shareholders of \$1,083,772 (2019 - \$577,648) and the weighted average number of common shares outstanding of 172,720,317 (2019 - 141,079,994). The calculation for the nine months ended September 30, 2020 and 2019 was based on the loss attributable to common shareholders of \$2,532,171 (2019 - \$2,086,892) and the weighted average number of common shares outstanding of 163,566,250 (2019 - 139,283,825). Diluted loss per share for each of the periods did not include the effect of stock options, warrants or debenture conversions, as they were anti-dilutive.

### 12. REVENUE

The Company has two main product lines; SIAscopy™, a medical device technology that is used to scan skin for suspicious moles and lesions, and phototherapeutic medical devices, which use light energy in lower-level laser and LED to provide effective treatment of pain and tissue damage in the rehabilitation market. Currently, SIAscopy™ products are sold in Canada, the United States, Europe, Australia and selected markets in Asia and Latin America, while the phototherapeutic products are sold in Canada and the United States. Sales of the products for the three and nine-months ended September 30, 2020 and 2019 were as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2020	2019	2020	2019
SIAscopy	\$ 74,286	\$ 57,541	\$ 127,093	\$ 104,817
Phototherapeutic lasers	98,603	177,436	210,792	574,069
	<b>\$ 172,889</b>	<b>\$ 234,977</b>	<b>\$ 337,885</b>	<b>\$ 678,886</b>

Sales for the nine months ended September 30, 2020 and for the year ended December 31, 2019

## **MEDX HEALTH CORP.**

Notes to the Interim Condensed Consolidated Financial Statements  
For the Three and Nine Months Ended September 30, 2020 and 2019  
(Unaudited)  
Presented in Canadian dollars

---

were made to customers in the following geographic regions: Canada 32%; United States 31%, Europe 9%, Rest of World 28% (Year ended December 31, 2019 - Canada 37%; United States 47%, Europe 11%, Rest of World 5%).

Approximately 39% of the Company's revenue for the nine months ended September 30, 2020 was from two customers (Year ended December 31, 2019 - 12% from one customer).

### **13. FINANCIAL INSTRUMENTS**

The Company is exposed through its operations to a number of financial risks, including credit risk, interest rate risk, foreign currency risk and liquidity risk, arising from its use of financial instruments. The Company has in place processes to manage these risks, as described more fully below.

#### **Fair Value Measurement**

The accounting guidance for fair value measurements prioritizes the inputs used in measuring fair value into the following hierarchy:

**Level 1** – Quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2** – Inputs other than quoted prices included within Level 1 that are directly or indirectly observable.

**Level 3** – Unobservable inputs in which little or no market activity exists, therefore requiring an entity to develop its own assumptions about the assumptions that market participants would use in pricing.

The carrying value of accounts receivable, accounts payable and accrued liabilities, demand loans and the lease liability approximates fair value due to the relatively short-term maturity of these financial instruments. Convertible debt was initially recognized at fair value and was categorized as level 2. Subsequent to initial recognition it is carried at amortized cost.

The main risks the Company's financial instruments are exposed to are discussed below.

#### *Credit Risk -*

Credit risk is the risk on financial loss if a counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to risk on its trade receivables balances. The risk for the Company is reduced, as for a majority of its revenue, individual transactions 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 shipment.

The Company measures the loss allowance at an amount equal to the lifetime ECL that results from possible default events over the expected life of accounts receivables, using a simplified impairment model estimating losses with a provision matrix to measure the lifetime ECL. With respect to the Company's phototherapeutic laser business, the Company has experienced minimal losses, and based on the provision matrix developed where a provision is not considered necessary unless account balances exceed 180 days, there is currently no provision. With respect to sales of the Company's SIAscopy™ products, where new markets are being developed, the Company reviews individual balances, and as a result recorded a provision as of September 30, 2020 of \$nil (December 31, 2019 - \$36,504).

The Company maintains cash balances with Canadian commercial banks. As such, the Company believes its credit risk is minimal on cash balances.

#### *Interest Rate Risk -*

The Company currently has no exposure to risk with respect to interest rate fluctuations, as its interest-

## MEDX HEALTH CORP.

Notes to the Interim Condensed Consolidated Financial Statements  
For the Three and Nine Months Ended September 30, 2020 and 2019  
(Unaudited)  
Presented in Canadian dollars

---

bearing debt is at a fixed rate of interest. The Company may increase debt levels depending on the nature of the financing in the future.

### *Foreign Currency Risk -*

The Company has low exposure to foreign exchange fluctuations with respect to cash, given the low cash balances. The Company sells its products internationally. Revenues could be impacted positively or negatively if the exchange rates in the currencies in which the Company sells its products fluctuates. The risk is decreased as customers are invoiced only in currencies that are considered to be stable in international markets. A portion of the Company's costs are from international suppliers and could be impacted by currency fluctuations. However, these requirements are not material to the business, and alternate sources of supply could be utilized if required. There is an impact on the net loss from the translation of the accounts receivable and accounts payable balances at the end of the period that are denominated in currencies other than the Canadian dollar. A 5% change in the exchange rate of those currencies relative to the Canadian Dollar would impact the net loss by approximately \$1,000.

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. The risks are small enough that hedging would not be considered.

### *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 in some instances has entered into transactions to settle debts through the issuance of shares. Capital has been raised in 2019 and to date in 2020, and the Company must 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.

	12 months	1 to 2 years	Total
Accounts payable and accrued liabilities	\$ 1,519,197	\$ -	\$ 1,519,197
Long-term debt	-	40,000	40,000
Convertible debt	500,000	-	500,000
<b>At September 30, 2020</b>	<b>\$ 2,019,197</b>	<b>\$ 40,000</b>	<b>\$ 2,059,197</b>
At December 31, 2019	\$ 3,250,247	\$ -	\$ 3,250,247

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, lease liabilities, convertible debt, long-term debt and shareholders' deficiency including share capital, warrants, equity portion of convertible debt, contributed surplus and deficit. As at September 30, 2020, total managed capital was (\$870,257) (December 31, 2019 - (\$2,089,235)). The Company's objectives when managing capital are:

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

## **MEDX HEALTH CORP.**

Notes to the Interim Condensed Consolidated Financial Statements  
For the Three and Nine Months Ended September 30, 2020 and 2019  
(Unaudited)  
Presented in Canadian dollars

---

The Company manages its capital structure within guidelines approved by the Board of Directors. The Company makes adjustment to its capital structure based on changes in economic conditions and the Company's planned requirements. The Company has the ability to adjust its capital structure by issuing new equity or debt, selling assets to reduce debt, controlling the amount it distributes to shareholders, and adjusting its capital expenditure program. There have been no changes in the Company's approach to capital management during 2019 or 2020. The Company is not subject to externally imposed capital restrictions.

### **15. COMMITMENTS AND CONTINGENCIES**

A claim was made against the Company in 2010 by 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.

A claim was made against the Company in 2018 by a former employee, claiming approximately \$631,000 in damages. The Company has filed a counterclaim for misrepresentation and breach of contract.

Although the outcome of these claims 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**

For the nine months ended September 30, 2020, the Company incurred costs for management and Board compensation of \$335,861 (2019 - \$402,750). For the nine months ended September 30, 2020, \$112,981 (2019 - \$116,809) of the expense recorded for share-based compensation related to officers and directors.

During 2020, \$39,000 owing to management was repaid through subscriptions in a private placement.

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

Included in accounts payable and accrued liabilities as of September 30, 2020 is \$102,525 (December 31, 2019 - \$209,037) relating to officers and directors of the Company.

### **17. SUBSEQUENT EVENTS**

Subsequent to September 30, 2020, the Company was advanced \$130,000, under unsecured, interest bearing demand loans from Directors.

Subsequent to September 30, 2020, the Company granted 800,000 options to Directors, which options are vested, have an exercise price of \$0.17, and are exercisable for five years.

Subsequent to September 30, 2020, the Company entered into a new lease for its premises. The lease has a term of five years, with total rent payments payable over the term of \$276,060.

The recent coronavirus (COVID-19) pandemic has impacted and could further impact the Company's operations. A majority of the Company's staff are working remotely. The Company experienced a significant decrease in orders and revenue from its laser and light products during the first half of 2020, as a large proportion of the users of these products (rehabilitation and chiropractic clinics) were closed for extended periods. While activity has increased subsequently, it is unknown how the short to

## **MEDX HEALTH CORP.**

Notes to the Interim Condensed Consolidated Financial Statements  
For the Three and Nine Months Ended September 30, 2020 and 2019  
(Unaudited)  
Presented in Canadian dollars

---

medium-term demand will change as clinics re-open, or if they close again. The Company has not been significantly impacted to date with respect to the supply of inventory, and the Company has been able to raise capital during the period. Given the uncertainty with respect to the timing and level of recovery from the pandemic on a global basis, the Company's ability to market its products through direct contact with customers may be difficult, and there remains uncertainty around the duration and its broader impact. The Company received an interest-free loan of \$40,000 under the Canada Emergency Business Account Program and has received \$169,426 to date in 2020 under the Canada Emergency Wage Subsidy and \$26,192 under the CECRA – Rent Relief Program.