MEDX HEALTH CORP.

Interim Condensed Consolidated Financial Statements

For the Three and Nine Months Ended September 30, 2022 and 2021

(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 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, 2022 and 2021 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 2022		December 31 2021
ASSETS				
Current assets				
Cash	**$**	**26,498**	$	106,771
Accounts receivable (Note 3)		**130,454**		9,627
Inventory (Note 4)		**394,761**		371,206
Prepaid expenses and deposits		**53,007**		53,808
		604,720		541,412
Property, equipment and right of use asset (Note 5)		**150,780**		189,651
	$	**755,500**	$	731,063
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities (Notes 6 and 15)	**$**	**2,934,670**	$	1,765,344
Deferred revenue		**15,432**		15,432
Short-term loans (Note 7)		**400,000**		150,000
Current portion of Long-term debt (Note 7)		**42,805**		38,216
		3,392,907		1,968,992
Long-term debt (Note 7)		**3,451,277**		2,392,493
		6,844,184		4,361,485
SHAREHOLDERS' DEFICIENCY				
Share capital (Note 8)		**23,958,413**		23,935,585
Warrants (Note 8)		**917,870**		1,541,956
Equity portion of convertible debt (Note 8)		**3,144,686**		2,149,360
Contributed surplus (Note 8)		**10,774,025**		9,878,157
Deficit		**(44,883,678)**		(41,135,480)
		(6,088,684)		(3,630,422)
	$	**755,500**	$	731,063

See accompanying notes to the interim condensed consolidated financial statements.

MEDX HEALTH CORP.

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	**2022**	2021
Revenue	**$ 90,186**	$ 94,146	**$ 297,797**	$ 350,335
Cost of sales	**54,605**	92,882	**166,304**	224,617
Gross profit	**35,581**	1,264	**131,493**	125,718
Expenses				
Selling, general and administrative (Note 16)	**745,458**	897,076	**2,509,849**	2,709,182
Product and software development	**155,760**	480,168	**467,280**	823,560
Interest expense	**310,133**	155,947	**858,976**	366,334
(Gain) loss on debt settlements	**-**	-	**-**	(8,307)
Foreign exchange (gain) loss	**2,224**	6,794	**4,999**	8,828
Depreciation of property, equipment and right of use asset	**12,862**	12,948	**38,587**	37,345
	1,226,437	1,552,933	**3,879,691**	3,936,942
Net loss and comprehensive loss for the period	**$ (1,190,856)**	$ (1,551,669)	**$ (3,748,198)**	$ (3,811,224)
Income (loss) per share, basic and fully diluted	**$ (0.01)**	$ (0.01)	**$ (0.02)**	$ (0.02)
Weighted average number of shares outstanding	**183,770,111**	182,069,024	**183,723,269**	179,000,212

See accompanying notes to the interim condensed consolidated financial statements.

MEDX HEALTH CORP.

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

Nine months ended September 30, 2022 and 2021

	Common Shares	Warrants	Equity Portion of Convertible Debt	Contributed Surplus	Deficit	Total
Balance, December 31, 2021	**$ 23,935,585**	**$ 1,541,956**	**$ 2,149,360**	**$ 9,878,157**	**$ (41,135,480)**	**$ (3,630,422)**
Net loss for the period	**-**	**-**	**-**	**-**	**(3,748,198)**	**(3,748,198)**
Exercise of warrants	**22,828**	**(2,828)**	**-**	**-**	**-**	**20,000**
Issuance of convertible debentures	**-**	**15,143**	**995,326**	**-**	**-**	**1,010,469**
Expiry of warrants	**-**	**(636,401)**	**-**	**636,401**	**-**	**-**
Share-based compensation	**-**	**-**	**-**	**259,467**	**-**	**259,467**
Balance, September 30, 2022	**$ 23,958,413**	**$ 917,870**	**$ 3,144,686**	**$ 10,774,025**	**$ (44,883,678)**	**$ (6,088,684)**
Balance, December 31, 2020	$ 23,000,870	$ 2,180,056	$ 227,000	$ 8,333,908	$ (35,811,940)	$ (2,070,106)
Net loss for the period	-	-	-	-	(3,811,224)	(3,811,224)
Issuance of units	710,471	216,245	-	-	-	926,716
Exercise of warrants	4,428	-	-	-	-	4,428
Shares issued on debt settlement	63,693	-	-	-	-	63,693
Settlement of Convertible loan	-	-	(227,000)	227,000	-	-
Issuance of convertible debentures	-	161,127	644,264	-	-	805,391
Expiry of warrants	-	(862,487)	-	862,487	-	-
Convertible debenture conversions	189,685	77,777	(44,462)	-	-	223,000
Share-based compensation	-	-	-	138,171	-	138,171
Balance, September 30, 2021	$ 23,969,147	$ 1,772,718	$ 599,802	$ 9,561,566	$ (39,623,164)	$ (3,719,931)

See accompanying notes to the interim condensed consolidated financial statements.

MEDX HEALTH CORP.

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

	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	**2022**	2021
Cash flows from operating activities				
Net loss for the period	**$ (1,190,856)**	$ (1,551,669)	**$ (3,748,198)**	$ (3,811,224)
Adjustments for non-cash items				
Depreciation of property, equipment and right of use asset	**12,862**	12,948	**38,587**	37,345
(Gain) Loss on debt settlement	**-**	-	**-**	(8,307)
Accretion of convertible debt	**213,734**	56,085	**593,616**	141,140
Share-based compensation	**49,189**	22,746	**259,467**	138,171
	(915,071)	(1,459,890)	**(2,856,528)**	(3,502,875)
Net change in non-cash operating working capital items:				
Accounts receivable	**(35,091)**	(25,779)	**(120,827)**	(32,314)
Inventory	**(20,688)**	(32,740)	**(23,555)**	(7,513)
Prepaid expenses and deposits	**1,925**	47,707	**801**	378
Accounts payable and accrued liabilities	**210,636**	369,993	**1,159,559**	(244,639)
	156,782	359,181	**1,015,978**	(284,088)
Net cash used in operating activities	**(758,289)**	(1,100,709)	**(1,840,550)**	(3,786,963)
Cash flows from investing activities				
Purchases of property and equipment	**-**	-	**-**	(9,983)
Net cash used in investing activities	**-**	-	**-**	(9,983)
Cash flows from financing activities				
Proceeds from issuance of Units, net of issue costs	**-**	-	**-**	926,716
Proceeds from exercise of warrants	**20,000**	-	**20,000**	4,428
Increase in long-term debt	**591,887**	-	**1,408,180**	3,642,527
Repayment of lease liability	**(9,666)**	(8,256)	**(17,903)**	(23,837)
Proceeds from issuance of short-term loans	**170,000**	-	**390,000**	-
Repayment of short-term loans	**(40,000)**	-	**(40,000)**	(89,000)
Net cash from financing activities	**732,221**	(8,256)	**1,760,277**	4,460,834
Net change in cash for the period	**(26,068)**	(1,108,965)	**(80,273)**	663,888
Cash, beginning of period	**52,566**	1,810,801	**106,771**	37,948
Cash, end of period	**$ 26,498**	$ 701,836	**$ 26,498**	$ 701,836
Non-cash transactions (Note 7)	**$ -**	$ 572,000	**$ 100,000**	$ 672,000

See accompanying notes to the interim condensed consolidated financial statements.

1. NATURE OF OPERATIONS AND GOING CONCERN

MedX Health Corp. ("MedX" or "the Company") is incorporated under the laws of Ontario. The Company develops 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 ("consolidated financial statements") have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") 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, 2022, the Company had current liabilities in excess of current assets of $2,788,187 (December 31, 2021 – $1,427,580), had an accumulated deficit of $44,883,678 (December 31, 2021 - $41,135,480), and shareholders' deficiency of $6,088,684 (December 31, 2021 - $3,630,422). 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 and debt during 2021 and to date in 2022 and will require additional capital to continue to develop and market its products and as it continues to develop sales opportunities. These 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, 2022, substantially all of the Company's assets are located in Canada.

The coronavirus (COVID-19) pandemic has impacted and could further impact the Company's operations. A majority of the Company's staff are working remotely. There remains uncertainty as to how demand will be impacted in 2022 as circumstances change in various regions. Marketing of MedX's DermSecure™ telemedicine platform has and continues to be significantly impacted, especially in international markets more impacted by COVID-19 than others. In addition to the difficulty in meeting with potential customers, reaching out to dermatologists to increase awareness of the new technology has been hampered, and the regulatory processes in most countries has slowed considerably. 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 will continue to be impacted in 2022, and there remains uncertainty around the duration and its broader impact. The Company has also been impacted to date with respect to the supply of inventory, as components can be difficult to source with longer lead times. During this extended period, however, the Company has been able to raise capital, including in 2022. To date in 2022, the Company received $nil ($115,565 for the year ended December 31, 2021) under the Canada Emergency Wage Subsidy.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB"), effective for the reporting period ended September 30, 2022, and have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting". The 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, 2021, but do not include all the information and disclosures required in the Company's annual financial statements. The preparation of 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 2021 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, 2021.

These consolidated financial statements were approved by the Board of Directors effective November 29, 2022.

Basis of Presentation

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

Recent Accounting Pronouncements

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's consolidated financial statements are listed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective and is currently analyzing them to determine their impact on the consolidated financial statements:

The following amendments are effective for the period beginning January 1, 2022:
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
- Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41); and
- References to Conceptual Framework (Amendments to IFRS 3).

The following amendments are effective for the period beginning 1 January 2023:
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2);
- Definition of Accounting Estimates (Amendments to IAS 8); and
- Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).

Basis of Consolidation

These 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 2021 annual consolidated financial statements.

Presented in Canadian dollars

3. ACCOUNTS RECEIVABLE

The amount of accounts receivable is net of an allowance for expected credit losses, which was $91,370 on September 30, 2022 (December 31, 2021 - $91,370).

4. INVENTORY

		September 30 2022		December 31 2021
Raw materials	**$**	**215,750**	$	194,541
Finished goods		**179,011**		176,665
	$	**394,761**	$	371,206

5. PROPERTY, EQUIPMENT AND RIGHT OF USE ASSET

		Furniture and Office Equipment		**Manufacturing Equipment**		**Right of Use Asset**		**Total**
Cost								
Balance, January 1, 2021	$	138,907	$	55,112	$	214,893	$	408,912
Additions		16,494		-		-		16,494
Balance, December 31, 2021		155,401		55,112		214,893		425,406
Balance, September 30, 2022	**$**	**155,401**	**$**	**55,112**	**$**	**214,893**	**$**	**425,406**
Accumulated Depreciation								
Balance, January 1, 2021	$	121,225		48,394		14,327	$	183,946
Depreciation		7,323		1,508		42,978		51,809
Balance, December 31, 2021		128,548		49,902		57,305		235,755
Depreciation		**5,773**		**864**		**32,234**		**38,871**
Balance, September 30, 2022	**$**	**134,321**	**$**	**50,766**	**$**	**89,539**	**$**	**274,626**
Carrying Value								
Balance, December 31, 2021	$	26,853	$	5,210	$	157,588	$	189,651
Balance, September 30, 2022	**$**	**21,080**	**$**	**4,346**	**$**	**125,354**	**$**	**150,780**

6. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

Presented in Canadian dollars

		September 30 2022		December 31 2021
Accounts payable	$	1,516,240	$	501,342
Amounts owing to officers and Board of directors		149,222		76,665
Taxes, including unpaid payroll withholdings and related interest, accrued sales and other taxes		645,388		600,474
Other accrued liabilities		623,820		586,863
	$	2,934,670	$	1,765,344

7. SHORT-TERM LOANS AND LONG-TERM DEBT

a) Short-term loans

As of September 30, 2022, there were $400,000 of short-term loans owing by the Company to related parties. The loans are unsecured, with an interest rate of 10% per annum, and considered due on demand. During 2022, net advances of $350,000 were made to the Company, while $100,000 of short-term loans were settled through participation in the March 21, 2022, private placement of Convertible Loan Notes (Note 7(b)).

As of December 31, 2021, there were $150,000 of short-term loans owing by the Company to related parties. The loans, advanced during 2021, are unsecured, with an interest rate of 10% per annum. During 2021, $89,000 of demand loans owing from 2020 to related parties were repaid, and the remaining $95,000 of loans from 2020 were settled through participation in the private placement of 6% CDNL's (Note 7(b)). These loans from 2020 were unsecured and accrued interest at 10% per annum, payable when the loans were repaid.

b) Long-term debt

		September 30 2022		December 31 2021
Convertible Debenture Loan Notes	$	3,289,755	$	2,198,427
Lease liability		144,327		172,282
Canada Emergency Business Account		60,000		60,000
		3,494,082		2,430,709
Less: Current portion		(42,805)		(38,216)
	$	3,451,277	$	2,392,493

Convertible Debenture Loan Notes –

On September 30, 2022, the Company completed a private placement of Convertible Loan Notes ("Series III Notes"), with gross proceeds of $600,000 ($591,887, net of cash expenses). The Series III Notes are unsecured and bear interest at 8% per annum, payable in cash semi-annually, and are due on December 31, 2026 ("Maturity Date"). The Series III Notes may be converted at the option of the holder, into units at $0.10 per unit, at any time until the Maturity Date. Each unit will be comprised of one fully paid common share and one purchase warrant. Each warrant will be exercisable to purchase one further common share at the price of $0.07, exercisable for a period expiring on the Maturity Date. After January 1, 2025, under certain circumstances as described in the terms of the Notes, the Company may have the right to force redemption of any Note(s) then outstanding. In connection with the placement, $8,000 of cash commissions were paid to agents.

In accounting for the $600,000 of Series III Notes, the Company determined the value of the debt to be $209,220, based on the net present value of the loan interest and principal over the term of the loans, using a discount rate of 38%, with the remaining $390,780 allocated to the equity portion of the convertible debentures. Cash related issue costs of $8,113 were allocated in the same proportion as the allocation of the Series III Notes to debt and equity, reducing the amounts recorded as long-term debt by $2,829 and the equity portion of the debenture by $5,284.

On March 21, 2022, the Company completed a private placement of Convertible Loan Notes (“8% CLN’s”), with gross proceeds of $1,000,000 ($916,293 net of cash expenses). The 8% CLN’s are unsecured and bear interest at 8% per annum, payable in cash semi-annually, and are due on December 31, 2026 (“Maturity Date”). The 8% CLN’s may be converted at the option of the holder, into units at $0.10 per unit, at any time until the Maturity Date. Each unit will be comprised of one fully paid common share and one-half of a share purchase warrant. Each whole share purchase warrant will be exercisable to purchase one further common share at the price of $0.15, exercisable for a period expiring on the Maturity Date. After January 1, 2025, under certain circumstances as described in the terms of the Notes, the Company may have the right to force redemption of any Note(s) then outstanding. In connection with the placement, $64,000 of cash commissions were paid to agents, and 177,778 agent’s warrants were issued, which will be exercisable at the price of $0.09 to acquire a unit comprised of one common share and one-half of a non-transferable agent’s share purchase warrant. Each whole agent’s share purchase warrant will be exercisable to purchase one common share at the price of $0.18, until March 21, 2024.

In accounting for the $1,000,000 of 8% CLN’s, the Company determined the value of the debt to be $323,276, based on the net present value of the loan interest and principal over the term of the loans, using a discount rate of 38%, with the remaining $676,724 allocated to the equity portion of the convertible debentures. Cash related issue costs of $83,707 were allocated in the same proportion as the allocation of the 8% CDLN’s to debt and equity, reducing the amounts recorded as long-term debt by $27,060 and the equity portion of the debenture by $56,647.

With respect to the broker warrants, the value of the warrants issued was determined to be $15,143, using the Black-Scholes option pricing model, with a risk-free interest rate of 2.44%, volatility of 185% (based on historical stock price volatility), expected life of 2 years, and no expected dividend yield was used. The value of the warrants is considered a non-cash cost of the placement and was treated the same as the cash issue costs, as a reduction of $4,895 of the long-term debt and $10,248 reduction of the equity portion of the debenture.

During 2021, the Company completed a private placement of Convertible Debenture Loan Notes (“6% CDLN’s”), with gross proceeds of $4,000,000 ($3,742,527, net of cash expenses). The 6% CDLN’s are unsecured and bear interest at 6% per annum, payable in cash on a quarterly basis, and are due on December 31, 2023 (“Maturity Date”). The 6% CDLN’s may be converted at the option of the holder, into units at $0.14 per unit, at any time until the Maturity Date. Each unit will be comprised of one fully paid common share and one-half of a share purchase warrant. Each whole share purchase warrant will be exercisable to purchase one further common share at the price of $0.20, exercisable for a period expiring on the Maturity Date. In connection with the placement, 985,719 broker warrants were issued, with each exercisable to acquire one unit at $0.14 per unit, at any time up to the Maturity Date.

In accounting for the $4,000,000 of 6% CDLN’s, the Company determined the value of the debt to be $1,746,000, based on the net present value of the loan interest and principal over the term of the loans, using a discount rate of 38%, with the remaining $2,254,000 allocated to the equity portion of the convertible debentures. Cash related issue costs of $257,473 were allocated in the same proportion as the allocation of the 6% CDLN’s to debt and equity, reducing the amounts recorded as long-term debt by $113,288 and the equity portion of the debenture by $144,185.

Presented in Canadian dollars

With respect to the broker warrants, the value of the warrants issued was determined to be $161,127, using the Black-Scholes option pricing model. For the 407,143 and 578,576 broker warrants issued for the initial and second closing, respectively, a risk-free interest rate of 0.5% and 0.5%, volatility of 83% and 84% (based on historical stock price volatility), expected life of 3 years, and no expected dividend yield was used. The value of the warrants is considered a non-cash cost of the placement and was treated the same as the cash issue costs, as a reduction of $70,896 of the long-term debt and $90,231 reduction of the equity portion of the debenture.

On June 10, 2021, the Company completed an additional closing of 6% CDLN's of $500,000, as settlement of a Convertible loan, with the terms of the 6% CDLN's the same as previously issued in 2021. In accounting for the $500,000 loan, the Company determined the value of the debt to be $244,000, based on the net present value of the loan interest and principal over the term of the loans, using a discount rate of 38%, with the remaining $256,000 allocated to the equity portion of the convertible debenture. There were no cash costs or broker warrants associated with this transaction.

On September 22, 2021, 6% CDLN's with a face value of $250,000 were converted by debenture holders. As a result, the Company issued 1,785,714 common shares and 892,857 warrants, with each warrant exercisable until December 31, 2023, with an exercise price of $0.20. The liability related to these debentures at the conversion date was $118,369, and in accounting for the conversion, the 6% CDLN balance was reduced by this amount and $82,858 was allocated to common shares and $35,511 to warrants. The proportion allocated to common shares and warrants was estimated based on a relative valuation of those components when the 6% CDLN's were issued. The equity portion related to the converted debentures from the issue date was $126,224, and this amount has been deducted from the equity component, of which $88,358 was allocated to share capital and $37,866 to warrants, allocated on the same basis.

The balance of the 6% CDLN's, 8% CLN's and Series III Notes as of September 30, 2022 is as follows:

		September30 2022		December 31 2021
Face value	**$**	**5,850,000**	$	4,250,000
Balance to be accreted		**2,560,245**		2,051,573
	$	**3,289,755**	$	2,198,427

The change in the balance of the 6% CDLN's, 8% CLN's and Series III Notes during the nine months ended September 30, 2022, and year ended December 31, 2021, is as follows:

		2022		2021
Balance, beginning of period	**$**	**2,198,427**	$	-
Issuances of CDLN's		**1,600,000**		4,500,000
Costs of issue		**(40,068)**		(184,184)
Amount allocated to equity		**(1,062,220)**		(2,510,000)
Conversion of debentures		**-**		(118,369)
Accretion		**807,058**		738,888
Interest paid		**(213,442)**		(227,908)
Balance, end of period	**$**	**3,289,755**	$	2,198,427

Presented in Canadian dollars

Lease liability –

The Company leases premises consisting of its office and manufacturing facilities, entering into a new lease on September 1, 2020. The lease payments totaling $276,060 over the 60-month term of the lease represented a liability of $214,893 at the start of the lease, based on the lease payments discounted using an incremental borrowing rate of 10.0%. The liability as of September 30, 2022, is $144,327 (December 31, 2021 - $172,282).

Canada Emergency Business Account (CEBA) –

During 2020, the Company received $60,000 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, 2023, after which interest of 5% per annum is payable, and the loan is due for repayment on December 31, 2025. If the loan is repaid before December 31, 2023, up to 33% of the amount paid will be forgiven.

8. SHARE CAPITAL

Common Shares

Authorized - Unlimited number of common shares

Issued and outstanding

	Number of shares	Stated Capital
Outstanding at January 1, 2021	175,924,624	$ 23,000,870
Issued for cash (a)	5,592,221	710,471
Issued on debt settlements (b)	360,000	48,600
Issued on conversion of debentures (c)	1,785,714	171,216
Issued on exercise of warrants (d)	36,900	4,428
Outstanding at December 31, 2021	**183,699,459**	**23,935,585**
Issued on exercise of warrants (d)	100,000	22,828
Outstanding at September 30, 2022	**183,799,459**	**$ 23,958,413**

a) Shares issued for cash

During 2021, the Company raised net proceeds of $926,716 from a private placement, summarized as follows:

Date	# of Units	Unit Price	Gross Proceeds	Issue Costs	Net Proceeds	Allocation to Shares	Allocation to Warrants
May 14	5,592,221	$ 0.18	$ 1,006,600	$ 79,884	$ 926,716	$ 710,471	$ 216,245

The placement consisted of the sale of 5,592,221 units for $0.18 per unit, with each unit consisting of one common share and one common share purchase warrant. Each warrant will be exercisable to acquire one common share at any time for a period of two years from the closing date, at an exercise price of $0.25. In accounting for the placement, 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 the 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. See note 8(e) with respect to the calculation of the value of the warrants.

Presented in Canadian dollars

b) Shares issued on debt settlements

On June 15, 2021, the Company settled $72,000 owing to a vendor by issuing 360,000 common shares to the vendor. In accounting for the settlement, the shares issued were valued at $48,600, based on the closing price of the Company's shares, resulting in a gain of $23,400.

c) Shares issued on conversion of Convertible Debentures

On September 22, 2021, $250,000 of 6% CDLN's were converted by the debenture holders, at which time the Company issued 1,785,714 common shares and 892,857 warrants in accordance with the terms of the debenture. In accounting for the conversion, $171,216 was allocated to common shares and $73,377 to warrants. At the date of the conversion, the liability relating to the converted debentures was $118,369, of which $82,858 was allocated to share capital and $35,511 was allocated to warrants. In addition, $126,224 was deducted from the initial equity portion relating to the 6% CDLN's, of which $88,358 was allocated to share capital and $37,866 was allocated to warrants. The amounts attributed to share capital and warrants was based on the relative value of the components as determined at the issue date of the 6% CDLN's.

d) Shares issued on exercise of warrants and broker warrants

The Company issued 100,000 common shares on July 29, 2022 on the exercise of warrants. The warrants had an exercise price of $0.20 resulting in proceeds of $20,000. In addition, the warrant value originally allocated to the warrants of $2,828 was reclassified from warrants to common shares.

During 2021, 36,900 broker warrants were exercised, resulting in proceeds of $4,428.

e) Warrants

The Company has issued subscriber warrants in connection with share and debt offerings and has issued broker warrants in connection with certain offerings. Subscriber warrants are exercisable to acquire common shares of the Company, whereas the particular terms of broker warrants varies depending on the offering. The value of warrants has been estimated in each case using the Black-Scholes pricing model as of the date of the transaction.

(WAEP - Weighted-Average Exercise Price)	**Number of Subscriber Warrants**	**WAEP $**
Outstanding at January 1, 2021	57,240,766	0.22
Warrants issued - private placement	5,592,221	0.25
Warrants issued - debenture conversions	892,857	0.20
Warrants expired	(22,634,777)	0.23
Outstanding at December 31, 2021	**41,091,067**	**0.22**
Warrants expired	**(19,510,517)**	**0.22**
Warrants exercised	**(100,000)**	**0.20**
Outstanding at September 30, 2022	**21,480,550**	**0.21**

Presented in Canadian dollars

With respect to the private placement of shares completed in 2021, the number of warrants and 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
May 14	5,592,221	2	$ 0.25	-	$ 0.130	1.47%	83%	$ 0.04

With respect to the private placement of 8% CLN's in 2022, 177,778 broker warrants were issued, with each exercisable to acquire one unit for $0.09. Each unit is comprised of one fully paid common share and one-half of a share purchase warrant. Each whole share purchase warrant will be exercisable to purchase one further common share at for $0.18, exercisable for a period expiring on March 21, 2024. The value of the broker warrants issued was determined to be $15,143 using the Black-Scholes option pricing model. A risk-free interest rate of 2.44%, volatility of 185% (based on historical stock price volatility), expected life of 2 years, and no expected dividend yield was used.

On January 28, 2022, 2,962,500 warrants, with an exercise price of $0.35, expired, on January 30, 2022, 1,569,000 warrants, with an exercise price of $0.20, expired, on March 4 and March 5, 2022, a total of 13,069,017 warrants with an exercise price of $0.20 expired, and on July 31, 2022, 2,500,000 warrants with an exercise price of $0.20 expired. Also, 569,760 broker warrants with an exercise price of $0.12 expired on April 22 and May 13, 2022. The $636,401 value originally allocated to these warrants was reclassified to Contributed surplus.

Effective March 16, 2022, the Company obtained regulatory acceptance to extend the expiry date of a total of 14,995,472 subscriber warrants with original expiry dates of April 22, April 27, and May 13, 2022, to December 31, 2023. The exercise price of $0.20 and other terms of those warrants remained unchanged.

With respect to the private placement of 6% CDLN's in 2021, 985,719 broker warrants were issued, with each exercisable to acquire one unit for $0.14. Each unit is comprised of one fully paid common share and one-half of a share purchase warrant. Each whole share purchase warrant will be exercisable to purchase one further common share at for $0.20, exercisable for a period expiring on the Maturity Date. The value of the broker warrants issued was determined to be $161,127, using the Black-Scholes option pricing model. For the 407,143 and 578,576 broker warrants issued for the initial and second closing, respectively, a risk-free interest rate of 0.5% and 0.5%, volatility of 83% and 84% (based on historical stock price volatility), expected life of 3 years, and no expected dividend yield was used.

During 2021, the Company issued 892,857 warrants in connection with the conversion of $250,000 of CDLN's, in accordance with the provisions of the debentures. The warrants are exercisable at $0.20 until December 31, 2023. An amount of $73,377 was attributed to these warrants at the date of conversion.

During 2021, 22,634,777 subscriber warrants, with exercise prices ranging between $0.20 and $0.35, and 486,510 broker warrants expired. The $1,088,849 value originally allocated to these warrants was reclassified to Contributed surplus.

During 2022, 100,000 subscriber warrants were exercised for proceeds of $20,000. During 2021, 36,900 broker warrants were exercised for proceeds of $4,428.

Presented in Canadian dollars

Warrants outstanding, (including 1,733,257 broker warrants with a weighted average exercise price of $0.13) and their expiry dates as of September 30, 2022, are as follows:

Date Issued	Expiry Date	Exercise Price	# of Warrants	$
April 22, 2020	December 31, 2023	$0.20	**9,091,673**	**261,923**
April 27, 2020	December 31, 2023	$0.20	**1,158,333**	**33,125**
April 29, 2020	December 31, 2023	$0.20	**200,000**	**5,584**
May 13, 2020	December 31, 2023	$0.20	**5,115,226**	**151,347**
January 27, 2021	December 31, 2023	$0.14	**407,143**	**40,558**
February 3, 2021	December 31, 2023	$0.14	**578,576**	**120,569**
May 14, 2021	May 14, 2023	$0.25	**5,592,221**	**216,245**
September 22, 2021	December 31, 2023	$0.20	**892,857**	**73,377**
March 21, 2022	March 21, 2024	$0.09	**177,778**	**15,142**
			23,213,807	**917,870**

f) Stock options

On August 16, 2021, 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 26,000,000 to 30,000,000.

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, 2022, there were 23,535,000 options that have been granted and are outstanding, with 6,465,000 options available to be granted under the plan. The exercise period and vesting provisions with respect to options being granted are set by the Board when options are granted, within the terms of the Plan.

Activity in the Company's stock option plan for the nine months ended September 30, 2022, and year ended December 31, 2021 is summarized as follows:

(WAEP - Weighted-Average Exercise Price)	Number of Options	WAEP $
Outstanding, January 1, 2021	23,465,000	0.20
Granted	2,150,000	0.17
Expired/forfeited	(6,430,000)	0.25
Outstanding, December 31, 2021	**19,185,000**	**0.20**
Granted	**8,550,000**	**0.10**
Expired/forfeited	**(4,200,000)**	**0.21**
Outstanding, September 30, 2022	**23,535,000**	**0.16**

The outstanding options have exercise prices in the range of $0.10 and $0.25, an average remaining life of 2.6 years, and as of September 30, 2022, 19,110,000 options are exercisable. The exercisable options have a weighted average remaining life of 2.6 years and a weighted average exercise price of $0.16.

On June 9, 2022, 8,550,000 share options were granted to consultants, employees and directors. The options have an exercise price of $0.10 and expire on June 8, 2027, with 50% of the options vested when granted, and 50% vesting on June 8, 2023. The options were valued at $324,725, of which $212,766 has been expensed and the remainder will 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 2.95%, volatility of 91% (based on historical stock price volatility), expected life of 5 years, and no expected dividend yield.

Presented in Canadian dollars

On August 30, 2021, 300,000 share options were granted to a consultant, which vested on November 30, 2021. The options have an exercise price of $0.18 and expire on August 30, 2024. The options were valued at $15,123, which was expensed in 2021. The value was determined using the Black-Scholes option pricing model based on a risk-free interest rate of 0.60%, volatility of 81% (based on historical stock price volatility), expected life of 3.0 years, and no expected dividend yield.

On March 31, 2021, 1,850,000 share options were granted to consultants. The options have an exercise price of $0.25 and expire on December 31, 2025, with 25% of the options vested when granted, and 25% vesting on each of December 31, 2021, June 30, 2022, and December 31, 2022. The options were valued at $226,843, of which $171,990 was expensed in 2021, $46,701 expensed in 2022, and the remainder will 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 1.05%, volatility of 95% (based on historical stock price volatility), expected life of 4.75 years, and no expected dividend yield.

9. INCOME TAXES

As of December 31, 2021, the Company had non-capital losses, carried forward of $20,647,046 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 -	$ 2,859,474
2032 -	$ 392,684	2040 -	$ 2,637,975
		2041 -	$ 4,780,125
			$20,647,046

10. LOSS PER COMMON SHARE

The calculation of basic and diluted loss per share for the three months ended September 30, 2022 and 2021 was based on the loss attributable to common shareholders of $1,190,856 (2021 - $1,551,669) and the weighted average number of common shares outstanding of 183,770,111 (2021 – 182,069,024).

The calculation of basic and diluted loss per share for the nine months ended September 30, 2022 and 2021 was based on the loss attributable to common shareholders of $3,748,198 (2021 - $3,811,224) and the weighted average number of common shares outstanding of 183,723,269 (2021 – 179,000,212). 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.

11. 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 including DermSecure™, its telemedicine software application, 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.

Presented in Canadian dollars

Sales of the products for the three and nine months ended September 30, 2022, and 2021 were as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	**2022**	2021
SIAscopy	**$ 67,597**	$ 34,133	**$ 189,384**	$ 96,811
Phototherapeutic lasers	**22,589**	60,013	**108,413**	253,524
	$ 90,186	$ **94,146**	**$ 297,797**	$ 350,335

Sales for the nine-months ended September 30, 2022 and year ended December 31, 2021 were made to customers in the following geographic regions: Canada 26%, United States 17%, Europe 47%, Rest of World 10% (Year ended December 31, 2021 - Canada 44%, United States 28%, Europe 22%, Rest of World 6%).

Approximately 36% of the Company's revenue for the nine months ended September 30, 2022, was from one customer (Year ended December 31, 2021 - 43% from three customers).

12. 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 and demand loans approximates fair value due to the relatively short-term maturity of these financial instruments. Convertible debt, lease liabilities and other long-term debt were initially recognized at fair value and categorized as level 2. Subsequent to initial recognition they are 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 a provision of $5,321 (December 31, 2021 – $5,321). 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, 2022 of $86,049 (December 31, 2021 - $86,049).

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-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 as the Company invests surplus funds in Canadian dollar accounts. 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 less than $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 and debt has been raised in 2021 and to date in 2022, and the Company must raise additional cash to fund its ongoing operating requirements. The Company is in a position where its liabilities are greater than its assets.

	1 year	2 to 3 years	4 to 5 years	Total
Accounts payable and accrued liabilities	$ **2,934,670**	$ **-**	$ **-**	$ **2,934,670**
Short-term loans	**400,000**	**-**	**-**	**400,000**
Lease liability	**42,805**	**47,261**	**54,261**	**144,327**
Convertible Debenture Loan Notes	**-**	**4,250,000**	**1,600,000**	**5,850,000**
Canada Emergency Business Account	**-**	**-**	**60,000**	**60,000**
At September 30, 2022	**$ 3,377,475**	**$ 4,297,261**	**$ 1,714,261**	**$ 9,388,997**
At December 31, 2021	$ 1,953,560	$ 4,339,069	$ 104,997	$ 6,397,626

Refer to Notes 7 and 8 for additional discussions regarding the contractual maturities of financial liabilities.

13. CAPITAL MANAGEMENT

The Company defines its managed capital as the total of short-term loans, lease liabilities, convertible loans, long-term debt and shareholders' deficiency including share capital, warrants, equity portion of convertible debt, contributed surplus and deficit. As at September 30, 2022 total managed capital was ($2,194,602) (December 31, 2021 - ($1,049,713)). The Company's objectives when managing capital are:

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

The Company manages its capital structure within guidelines approved by the Board of Directors. The Company makes adjustment to its capital structure based on changes in economic conditions and the Company's planned requirements. The Company has the ability to adjust its capital structure by issuing new equity or debt, selling assets to reduce debt, controlling the amount it distributes to shareholders, and adjusting its capital expenditure program. There have been no changes in the Company's approach to capital management during 2021 or 2022. The Company is not subject to externally imposed capital restrictions.

14. COMMITMENTS AND CONTINGENCIES

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 this 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.

15. RELATED PARTY TRANSACTIONS

For the nine months ended September 30, 2022, the Company incurred costs for management compensation of $433,617 (2021 - $602,902) and for Board compensation of $25,200 (2021 - $44,690). In addition, for the nine months ended September 30, 2022, $136,025 (2021- $Nil) of expense recorded for share-based compensation related to management and Directors.

During the nine months ended September 30, 2022, $100,000 of short-term loans from related parties were settled by subscription in the private placement of 8% CDLN's. During 2021, $100,000 of demand loans and related interest owing to a Company controlled by a Director were settled by subscription in the private placement of 6% CDLN's.

See notes 7 and 8 for other related party transaction disclosure relating to short-term loans, convertible debt and stock options issuances.

Included in accounts payable and accrued liabilities as of September 30, 2022 is $149,222 (December 31, 2021 - $76,665) relating to officers and directors of the Company.

Presented in Canadian dollars

16. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Three Months Ended September 30		Nine Months Ended September 30	
	2022	2021	**2022**	2021
Sales and market development	**$ 196,061**	$ 261,166	**$ 568,621**	$ 777,488
Sales and marketing programs	**88,166**	87,751	**247,316**	410,777
Salaries and benefits, contractors	**240,397**	254,361	**947,325**	818,138
Professional fees and public company expenses	**108,114**	171,675	**324,380**	484,884
Software platform operating expenses	**86,701**	68,122	**283,142**	172,136
Other administrative expenses	**26,019**	54,001	**139,065**	45,759
	$ 745,458	$ 897,076	**$ 2,509,849**	$2,709,182

17. SUBSEQUENT EVENTS

On October 21, 2022, the Company completed an additional closing of Series III Notes, with gross proceeds of $500,000.

On November 18, 2022, the Company announced a proposed private placement of up to $1,500,000 of secured convertible debentures (subject to regulatory approval), which would be drawn down by the lender against expenditures approved by the lender. Interest of 8% on the debentures outstanding will be paid quarterly. The debentures, to be secured by a fixed and floating charge over all assets of the Company, will be convertible into Units, with each unit comprised of one common share and one common share purchase warrant. The conversion prices for the Units and purchase warrants will be determined at the time of each drawdown, in accordance with the Polices of the TSXV.