

MedX Health Corp.
Management's Discussion and Analysis
For the Nine Months Ended September 30, 2023 and 2022

This Management's Discussion and Analysis has been prepared based on information available to MedX Health Corp. ("MedX" or the "Company") as at the date of this Report. Management's Discussion and Analysis is a narrative explanation to enable the reader to assess material changes in the financial condition and results of operations of the Company as at and during the three and nine months ended September 30, 2023 compared with the three and nine months ended September 30, 2022 as contained in the Company's Interim Condensed Consolidated Financial Statements, which have been prepared in accordance with IFRS. This management's discussion and analysis should be read in conjunction with the Company's audited consolidated financial statements and the related notes for the year ended December 31, 2022.

Overview and Review of Operations

MedX Health Corp. was incorporated on April 15, 1999, in Ontario. The Company has two main product lines; SIAscopy™, a medical device technology including the SIAscopy™ on DermSecure™ telemedicine platform 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 offering rapid, drug-free and non-invasive healing in the rehabilitation market for treating pain, tissue damage, swelling and inflammation.

SIAscopy™ is a medical device technology the Company acquired in 2011, that is used to scan suspicious moles and lesions, using specific light wavelengths to penetrate 2mm below the surface of the skin, generating five images of the suspicious mole. The scan is read by a trained physician or dermatologist and a determination is made as to whether the suspicious mole or lesion needs a follow-on appointment, or the patient is deemed clear of follow up. This enables physicians to assess the condition of the moles more effectively and provide more immediate feedback to their patients, improving the quality of care of patients by reducing the need for biopsies, and the resulting pain and potential scarring as well as the anxiety associated with waiting for biopsy results. This technology provides a vastly improved level of certainty for physicians and care for patients.

The Company recently launched its SIAscopy™ on DermSecure™ telemedicine platform. This platform enables the web-based operation of its SIAscopy™ scanning technology and allows the Company to deploy its technology in networks of third-party locations from which patients' mole and lesion scans, along with other relevant patient information can be connected to specialist physicians for remote assessment. The platform enables the Company to move to a recurring revenue model, where it can earn revenue based on the number of patient reports generated from the system.

SIAscopy™ on DermSecure™ complies with international standards, including for privacy and security, with specific processes tailored to each jurisdiction. With its own proprietary system, the Company can more aggressively market the technology in a recurring revenue scenario. The SIAscopy™ technology is proprietary to MedX and has been cleared by

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the FDA in the U.S. and by Health Canada, is CE marked for sale in Europe, with equivalent approval in Brazil, Australia, Turkey and a number of other jurisdictions, totalling 35 countries.

The initial releases of SIAscopy™ on DermSecure™ are a step in the Company's development roadmap, with the objective of updating its SIAscopy™ hardware and software, making it more scalable and marketable. In addition, the Company is updating the scanner hardware components and related software which will result in higher definition images. It is anticipated that with the roll-out of SIAscopy on DermSecure™ and future innovation releases, the Company will continue to evolve both the hardware and software over a number of years to meet the demands of the potential customer base and improve patient access and care. The addition of an additional HD camera to take images of surrounding areas and other skin conditions is also in progress.

SIAscopy™ on DermSecure™ and MedX's other SIAscopy™ products are sold world-wide. The Company is already working with groups internationally to market SIAscopy™ on DermSecure™ in a number of countries. MedX is also initiating programs in selected South American and European countries and in Canada while pursuing other opportunities in other markets including the United States.

The Company's phototherapeutic products have been available in the market for many years, with a strong reputation for quality and reliability. The Company has sold thousands of its products to practitioners in clinics, academic facilities, hospitals, long-term care facilities, athletes and sports teams. MedX's therapeutic light products are currently sold in Canada and the United States. The Company partners with medical device distributors to sell its products. The markets in which the Company sells these products are highly competitive, characterized by pricing pressure and multiple competitive products. These products are US FDA and Health Canada cleared. The Company updates its products to remain competitive in the market and continues to try to increase its market share.

The Company's SIAscopy™ and therapeutic light products are produced in an ISO 13485, CMDCAS and MDSAP certified manufacturing and testing facility in Mississauga, Ontario.

On May 9, 2023, Stephen Lockyer was appointed CEO.

The Company has a Scientific Medical Advisory Board that includes a number of internationally recognized individuals, who are specialists in various areas related to skin disorders and cancer, that advise the Company as it continues the development of its technology and platform and considers market entry strategies for its skin related product portfolio.

The Company has experienced significant issues with respect to a lack of funding and cash flow and has experienced losses and negative working capital since its inception. The very competitive nature of the market for therapeutic laser products, and the time it has taken to develop the appropriate product offerings and marketing strategies for its

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SIAscopy™ technology hampered the ability of the Company to generate adequate sales and cash flow. In addition, during the last three years, the Company has invested in developing its DermSecure™ telemedicine software platform, and as a result, the Company has not reached a level of profitability that would allow it to market itself aggressively, as is required in the market. The Company has begun a process to build the awareness and benefits of its SIAscopy™ on DermSecure™ telemedicine platform locally and internationally, which should increase revenues going forward and which may improve the likelihood of raising additional capital.

The Company has undertaken a number of financing initiatives to finance the development of its products and to provide cash flow for operations while it builds its revenue base.

In September, 2023 a private placement consisted of the sale of 13,857,142 units for \$0.07 per unit, with each unit consisting of one common share and one common share purchase warrant exercisable to purchase one further common share at the price of \$0.12, exercisable for a period commencing on the date of issue and expiring on December 31, 2026. There were two closings in September, 2023, of 12,214,285 units on September 7 and 1,642,857 on September 29, 2023. Of the total funds raised on these closings, \$630,000 was subscribed for by related parties. See also “Subsequent Events – Private Placement Closing” below.

On January 6, 2023, the Company completed issuance of a Secured Convertible Debenture, with gross proceeds of \$1,500,000, which included prior advances of \$1,010,000 that had been drawn down as at December 31, 2022, in advance of closing. On February 6, 2023 the Company completed a further issuance of Secured Convertible Debentures, with gross proceeds of \$765,000. On March 17, 2023, the Company completed a further issuance of Secured Convertible Debentures, with gross proceeds of \$700,000. All the holders of the Secured Convertible Debentures have entered into an Intercreditor Agreement so that their respective advances are treated *pari passu*. Funds advanced under these Secured Convertible Debentures may only be paid out on expenditures approved by the lenders' representative. Interest of 8% on the Secured Convertible Debentures is payable quarterly. The Secured Convertible Debentures are secured by a fixed and floating charge over all assets and undertaking of the Company, and are convertible into Units at the option of the holders. The Secured Convertible Debentures mature on December 31, 2027 (the “Maturity Date”). The conversion price for the Units is set at \$0.05 per Unit until November 18, 2023, and thereafter at \$0.10. Each Unit comprises one common share and one common share purchase warrant exercisable at \$0.20 exercisable until the Maturity Date. On June 15, 2023 and June 29, 2023, Series III Notes with a face value of \$250,000 were converted by four debenture holders. As a result, the Company issued 3,571,430 common shares and 3,571,430 warrants, with each warrant exercisable until December 31, 2026, with an exercise price of \$0.10.

With closings on July 11 and 13, August 11 and 30, and September 2, 2022, the Company completed the first phase of a private placement of Convertible Loan Notes (“Series III

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Notes”), with gross proceeds of \$600,000 (\$591,887, net of cash expenses). In connection with the placement, \$8,000 of cash commissions were paid to agents. On October 21, 2022, the company completed the final phase of a private placement of Series III Notes, with gross proceeds of \$500,000 (\$489,691, 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.

On March 21, 2022, the Company completed a private placement of Convertible Loan Notes (“Series II Notes”), with gross proceeds of \$1,000,000 (\$901,151 net of cash expenses). The Series II 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 II 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-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.

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.

Effective July 20, 2022, the Company obtained regulatory acceptance to extend the expiry date of a total of 2,600,000 subscriber warrants with an original expiry date of July 31, 2022, to December 31, 2023. The exercise price of \$0.20 and other terms of these warrants remain unchanged.

The Company has also benefited in the past from cash provided through short-term loans from related parties during periods when low cash resources were impacting operations and while the Company was raising more substantial funding. During the year ended December 31, 2022, the Company was advanced \$1,550,000 by Directors as short-term loans, which are unsecured, with interest at 10% per annum and are due on demand.

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\$40,000 was repaid and \$500,000 was converted into Series III Loan Notes during 2022. \$1,010,000 was converted into the January 6, 2023 Secured Convertible Debenture Note. On May 25 and June 29, 2023, respectively, \$150,000 and \$100,000 of short-term loan was advanced by related-party with an interest rate of 10% per annum, and considered due on demand

Review of Operating Results

	Three-months Ended September 30		Nine- Months Ended September 30	
	2023	2022	2023	2022
Revenue	\$ 111,259	\$ 90,186	\$ 389,757	\$ 297,797
Cost of sales	45,615	58,888	206,215	179,153
Gross profit	65,644	31,298	183,542	118,644
Expenses				
Selling, general and administrative	775,538	754,037	2,115,551	2,535,587
Product and software development	124,614	155,760	463,779	467,280
Interest	533,747	310,133	1,583,964	858,976
Foreign exchange (gain) loss	(882)	2,224	(736)	4,999
	1,433,017	1,222,154	4,162,558	3,866,842
Net loss for the period	\$ (1,367,373)	\$ (1,190,856)	\$ (3,979,016)	\$ (3,748,198)

Three Months Ended September 30, 2023 and 2022

Revenue -

Revenue of \$111,259 for the three months ended September 30, 2023 was \$21,073, or 23.4% higher than revenue of \$90,960 for the three months ended September 30, 2022, resulting from an increase in revenue from onboarding of new customers and completion of finished goods.

Revenues from the Company’s Laser product line for the third quarter were \$89,908 an increase of \$67,319 or 74.9% higher than revenues of \$22,589, for the prior year period. The increase was due to completion of finished goods resulting in higher sales. Revenue from Company’s SIAscopy™ product line for the third quarter were \$21,351, a decrease of \$46,246. The decrease was due to longer sales cycle process and pilots being completed.

Cost of sales -

Cost of sales of \$45,615 for the three months ended September 30, 2023, was \$13,273 lower than cost of sales of \$58,888 for the three months ended September 30, 2022. Cost of sales as a percent of sales was 41% in the three months ended September 30, 2023 compared with 65.3% for the three months ended September 30, 2022. Cost of sales is lower compared to prior period due to efficiencies in processes and ease in supply chain.

Gross profit -

Gross profit for the three months ended September 30, 2023, was \$65,644 an increase of \$34,346 from gross profit of \$31,298 for the three months ended September 30, 2022.

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The gross margin for three months ended September 30, 2023, was 59% of sales versus 35% of sales in the prior year.

Selling, general and administrative expenses –

Administrative expenses of \$775,538 for the three months ended September 30, 2023 were \$21,501, or 2.9% higher than expenses of \$754,037 for the three months ended September 30, 2022. The increase resulted primarily from higher professional costs involved in settlements.

Product and software development –

Product and software development expenses of \$124,614 for the three months ended September 30, 2023, were \$31,146 lower than expenses of \$155,760 in the prior year period. The expenditures relate to the on-going development of the Company's SIAscopy™ on DermSecure™ telemedicine platform.

Interest expense –

Interest expense of \$533,747 for the three months ended September 30, 2023, was significantly higher than \$301,133 of interest expense for the three months ended September 30, 2022, as the Company has issued a total of \$9,065,000 of convertible debt in the last three years. A large portion, or \$366,701 of interest expense for the third quarter represents non-cash accretion.

Foreign exchange loss (gain) –

The Company experienced a foreign exchange gain of \$822 for the three months ended September 30, 2023, compared with a loss of \$2,224 in 2022. The loss is related to the settlement of and translation of net foreign denominated working capital balances during the respective years.

Net loss for the period –

The net loss of \$1,367,373 for the three months ended September 30, 2023 was \$176,517 greater than the loss of \$1,190,856 for the three months ended September 30, 2022. This is principally due to the higher interest expense costs.

Nine Months Ended September 30, 2023 and 2022

Revenue -

Revenue of \$389,757 for the nine months ended September 30, 2023 was \$91,960, or 30.9% higher than revenue of \$297,797 for the nine months ended September 30, 2022, resulting from an increase in revenue from onboarding of new customers and completion of finished goods.

Revenues from the Company's SIAscopy™ product line for the three quarters were \$162,377 a decrease of \$27,007 or 16.6% lower than revenues of \$189,384, for the prior year period. The decrease was due to a longer sales cycle and pilot projects in progress. Revenues from MedX's therapeutic laser products of \$227,380 for the nine months ended

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September 30, 2023, were \$67,319 or 52.3% higher than \$108,413 for the three quarters. The increase is due increase in the completion of finished goods resulting in higher sales.

Cost of sales -

Cost of sales of \$206,215 for the nine months ended September 30, 2023, was \$27,062 higher than cost of sales of \$179,153 for the nine months ended September 30, 2022. Cost of sales as a percent of sales was 52.9% in the nine months ended September 30, 2023 compared with 60.2% for the nine months ended September 30, 2022. Cost of sales is lower compared to prior period due to efficiencies in processes.

Gross profit -

Gross profit for the nine months ended September 30, 2023, was \$183,542 an increase of \$34,346 from gross profit of \$118,644 for the nine months ended September 30, 2022. The gross margin for nine months ended September 30, 2023, was 47% of sales versus 40% of sales in the prior year.

Selling, general and administrative expenses –

Administrative expenses of \$2,115,551 for the nine months ended September 30, 2023 were \$420,036 or 16.6% lower than expenses of \$2,535,587 for the nine months ended September 30, 2022. The decrease resulted primarily from lower public company related costs and lower sales and market development expenses.

Product and software development –

Product and software development expenses of \$463,779 for the nine months ended September 30, 2023, were \$3,501 higher than expenses of \$467,280 in the prior year period. The expenditures relate to the on-going development of the Company's SIAscopy™ on DermSecure™ telemedicine platform.

Interest expense –

Interest expense of \$1,583,964 for the nine months ended September 30, 2023, was significantly higher than \$858,976 of interest expense for the nine months ended September 30, 2022, as the Company has issued a total of \$8,865,000 of convertible debt in the last three years. A large portion, or \$1,056,587 of interest expense for the three quarters represents non-cash accretion compared to \$593,616 for first three quarters in 2022.

Foreign exchange loss (gain) –

The Company experienced a foreign exchange loss of \$736 for the nine months ended September 30, 2023, compared with a gain of \$4,999 in 2022. The loss is related to the settlement of and translation of net foreign denominated working capital balances during the respective years.

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Net loss for the period –

The net loss of \$3,979,016 for the nine months ended September 30, 2023 was \$230,818 greater than the loss of \$3,748,198 for the nine months ended September 30, 2022. This is principally due to the higher interest expense costs.

Liquidity and Capital Resources

The Company had a working capital deficit of \$6,816,595 as of September 30, 2023, compared with a working capital deficit of \$6,341,699 as of December 31, 2022. The Company had an accumulated deficit of \$50,248,195 and a shareholders' deficiency of \$7,680,797 as of September 30, 2023. The \$474,896 decline in the working capital position during the three quarters of 2023 is attributable to an increase in current portion of long term debt related to the Series I Loan Notes. Despite raising capital in the first quarter of 2023 and 2022, the current financial conditions for the Company are such that there is an existence of uncertainties that may cast significant doubt about the Company's ability to continue as a going concern. The Company continues to review alternatives for additional financing.

The Company's ability to continue as a going concern is dependent upon achieving a profitable level of operations and obtaining additional financing, neither of which is assured. The Company has been able to raise capital to continue to market its products, including raising net proceeds of \$2,918,462 in 2023 from the issuance of convertible debentures of which \$1,010,000 was converted from a short-term loan. The Company was also raised \$970,000 in September 2023 through Private Placement.

The Company raised \$1,982,729 of Convertible Loan Notes in 2022.

The Company's 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.

With a lack of profitability to date, and a history of negative working capital and negative cash from operations, the Company manages its cash resources and expenditure levels carefully to ensure that risks are minimized, while focusing spending on developing and marketing its products to grow its revenues. During periods of reduced cash flow, the Company has been able to access cash by entering into unsecured short-term loans with related parties in order to ensure operating cash flow, which amounts are then repaid on completion of raising more permanent equity or longer-term debt.

As of September 30, 2023, there are \$16,700 of short-term loans owing by the Company to related parties (December 31, 2022 - \$1,010,000). As of September 30, 2023 the short-

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term loans were unsecured, with an interest rate of 10% per annum, and considered due on demand. In January 2023, \$1,010,000 of short-term loans, together with a further advance of \$490,000, were converted to a secured convertible debenture.

As of September 30, 2023 the Company's capital resources consist of the following:

Accounts payable and accrued liabilities –

The Company had \$2,602,113 of accounts payable and accrued liabilities as of September 30, 2023, a decrease of \$150,162 from \$2,752,275 as of December 31, 2022. The decrease results mainly due to \$169,325 lower accrual for management and director compensation.

Short-term loans –

As of September 30, 2023, there are \$16,700 of short-term loans owing by the Company to related parties (December 31, 2022 - \$1,010,000). As of September 30, 2023 the short-term loans were unsecured, with an interest rate of 10% per annum, and considered due on demand. In January 2023, \$1,010,000 of short-term loans, together with a further advance of \$490,000, were converted to a secured convertible debenture.

There were \$1,550,000 of short-term loans proceeds in 2022, added to \$200,000 of advances made prior to January 1, 2022. \$100,000 of those short-term loans were settled through participation in the March 21, 2022, private placement of Series II Loan Notes and \$500,000 was settled in the October 21, 2022 final phase closing of Series III Loan Notes (See Note 7(b)), while \$90,000 was repaid.

Long-term debt –

	September 30	December 31
	2023	2022
Convertible Loan Notes	\$ 5,653,531	\$ 3,743,479
Lease liability	101,521	134,066
Canada Emergency Business Account	60,000	60,000
	5,815,052	3,937,545
Less:		
Current portion of Convertible Loan Notes	(4,800,065)	(3,015,865)
Current portion of lease liability	(49,599)	(44,442)
	\$ 965,387	\$ 877,238

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Secured Convertible Debentures

During the first quarter of fiscal 2023, the Company raised a total of \$2,965,000 by issuance of Secured Convertible Debentures. The Secured Convertible Debentures are secured by a registered charge over all the assets and undertaking of the Company, bear Interest at 8% per year payable Quarterly, and mature on December 31, 2027. Holders of the Secured Convertible Debentures have the right to convert, in portions of not less than \$50,000, into Units ("Unit(s)"). The Conversion price is \$0.05 per Unit until November 18, 2023, and \$0.10 thereafter. Each Unit comprises one fully paid common share and one share purchase warrant ("Warrant"); each Warrant is exercisable to acquire one common share at the price of \$0.20, valid from the date of issue until December 31, 2027. All holders of the Secured Convertible Debentures have entered into Intercreditor Agreements with each other and the Company, pursuant to which their rights to participate in the security are treated on a *pari passu* basis.

The closing was in three phases. January 6, 2023 of \$1,500,000, February 15, 2023 of \$765,000 and March 17, 2023 of \$700,000.

In accounting for January closing, the Company determined the value of the debt to be \$487,752, 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 \$1,012,248 allocated to the equity portion of the convertible debentures. Cash related issue costs of \$22,205 were allocated in the same proportion as the allocation of the debt and equity, debt and equity, reducing the amounts recorded as long-term debt by \$7,220 and the equity portion of the debenture by \$14,985.

In accounting for February closing, the Company determined the value of the debt to be \$251,432, 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 \$513,569 allocated to the equity portion of the convertible debentures. Cash related issue costs of \$11,564 were allocated in the same proportion as the allocation of the debt and equity, reducing the amounts recorded as long-term debt by \$3,800 and the equity portion of the debenture by \$7,763

In accounting for March closing, the Company determined the value of the debt to be \$231,486, 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 \$468,514 allocated to the equity portion of the convertible debentures. Cash related issue costs of \$21,105 were allocated in the same proportion as the allocation of the debt and equity, reducing the amounts recorded as long-term debt by \$6,979 and the equity portion of the debenture by \$14,125.81.

See also "**Subsequent Events** – Conversion of Secured Convertible Debentures" below.

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Convertible Loan Notes

On June 15 and June 29, 2023, Series III Notes with a face value of \$250,000 were converted by four Note holders. As a result, the Company issued 3,571,430 common shares and 3,571,430 warrants, with each warrant exercisable until December 31, 2026, with an exercise price of \$0.07. The liability related to these Notes at the conversion date was \$100,521, and in accounting for the conversion, the CDLN balance was reduced by this amount and \$70,365 was allocated to common shares and \$30,156 to warrants. The proportion allocated to common shares and warrants was estimated based on a relative valuation of those components when the CDLN's were last converted in 2021. The equity portion related to the converted Notes from the issue date was \$162,825, and this amount has been deducted from the equity component, of which \$113,977 was allocated to share capital and \$48,848 to warrants, allocated on the same basis.

On October 21, 2022, the company completed the final phase ("Phase II") of a private placement of Convertible Loan Notes ("Series III Notes"), with gross proceeds of \$500,000 (\$489,691, 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 \$0.07 until June 30, 2023, and at \$0.10 per unit, at any time thereafter 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 accounting for the \$500,000 of Series III Notes, the Company determined the value of the debt to be \$172,319, 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 \$327,681 allocated to the equity portion of the convertible debentures. Cash related issue costs of \$10.308 were allocated in the same proportion as the allocation of the Series III (Phase II) Notes to debt and equity, reducing the amounts recorded as long-term debt by \$3,553 and the equity portion of the debenture by \$6,756.

With closings on July 11 and 13, August 11 and 30, and September 2, 2022, the Company completed the first phase of a private placement of Series III Notes, with gross proceeds of \$600,000 (\$591,887, net of cash expenses). In connection with this 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

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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 (“Series II Notes”), with gross proceeds of \$1,000,000 (\$901,151 net of cash expenses). The Series II 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 II Notes 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. 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 Series II Note(s) then outstanding. In connection with this 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 Series II Notes, 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 Series II Notes 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 agent’s 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.

The balance of the Secured Convertible Debentures and Convertible Loan Notes as of September 30, 2023 is as follows:

	September 30	December 31
	2023	2022
Face value	\$ 9,065,000	\$ 6,350,000
Balance to be accreted	3,411,470	2,606,521
	\$ 5,653,530	\$ 3,743,479

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The change in the balance of the Series I Notes, Series II Notes, Series III Notes and the Secured Convertible Debentures closed during the nine months ended September 30, 2023, and year ended December 31, 2022, is as follows

	2023	2022
Balance, beginning of period	\$ 3,743,479	\$ 2,198,427
Issuances of Notes	2,965,000	2,100,000
Costs of issue	(46,554)	(117,271)
Amount allocated to equity	(1,966,530)	(1,316,251)
Conversion of Notes	(250,000)	-
Conversion amount allocated to equity	162,825	-
Interest Expense - Accretion	1,546,037	1,215,623
Contractual interest repayment	(500,726)	(337,049)
Balance, end of period	\$ 5,653,530	\$ 3,743,479

Lease liability –

The Company leases premises consisting of its office and manufacturing facilities. The Company signed a new lease, effective 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, 2023 is \$101,521 (December 31, 2022 - \$134,066).

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.

Share Capital –

The issued and outstanding shares and share capital of the Company is as follows:

	Number of shares	Stated Capital
Outstanding at January 1, 2022	183,699,459	\$ 23,935,585
Issued on exercise of warrants (b)	100,000	22,828
Outstanding at December 31, 2022	183,799,459	23,958,413
Issued on conversion of Notes (a)	1,428,572	73,737
Issued on exercise of warrants (b)	714,286	65,801
Issuable on conversion of Notes (a)	2,142,858	110,605
Issued for cash (c)	13,857,142	554,479
Outstanding at September 30, 2023	201,942,317	\$ 24,763,035

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Shares issued on exercise of Note conversions and Warrant exercises

The company issued 1,428,572 shares on June 15, 2023 and 2,142,858 shares on June 29, 2023 on conversion of Series III Notes of \$100,000 and \$150,000 respectively. The Notes were originally valued at \$73,735 for \$100,000 and \$110,607 for \$250,000.

The Company issued 714,286 common shares on June 16, 2023 on the exercise of 714,286 warrants which had been issued on June 15, 2023. The warrants had an exercise price of \$0.07 resulting in proceeds of \$50,000. In addition, the warrant value originally allocated to the warrants of \$15,801 was reclassified from warrants to common shares.

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.

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.

<i>(WAEP - Weighted-Average Exercise Price)</i>	Number of Subscriber Warrants	WAEP \$
Outstanding at January 1, 2022	41,091,067	0.22
Warrants exercised	(100,000)	0.20
Warrants expired	(17,110,517)	0.22
Outstanding at December 31, 2022	23,880,550	0.22
Warrants expired	(5,592,221)	0.25
Warrants issued	17,428,572	0.07
Warrants exercised	(714,286)	0.07
Outstanding at September 30, 2023	35,002,615	0.19

In relation to private placement closings in September, 2023, 13,857,142 units were issued at \$0.07 per unit. Each unit is comprised of one fully paid common share and one of a share purchase warrant. Each share purchase warrant will be exercisable to purchase one further common share at for \$0.12, exercisable for a period expiring on December 31, 2026. The value of the warrants issued was determined to be \$403,662, using the Black-Scholes option pricing model. For the 13,857,142 warrants issued, a risk-free interest rate of 4.5%, volatility of 127.5% (based on historical stock price volatility), expected life of 3 years, and no expected dividend yield was used.

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During the Third Quarter of 2023, the Company also obtained regulatory acceptance for amendment of the terms of 17,495,472 share purchase warrants issued in April, May and July 2020 in connection with Private Placements completed at that time. The expiry of the warrants was extended from December 31, 2023 to June 30, 2024 and exercise price was amended from \$0.20 to \$0.14.

On May 14, 2023, 5,592,221 warrants expired with weighted average price of 0.25. These warrants were valued at \$216,245.

With respect to the private placement of Series III Loan Notes in 2022, on June 15, 2023, 1,428,572 warrants and on June 28, 2023 2,142,858 warrants were issued to acquire one common share for \$0.07 expiring on December 31, 2026. This resulted from conversion of notes with face value of \$250,000 by four subscribers. From the warrants then issued, 714,286 were exercised on June 16, 2023, resulting in proceeds of \$50,000.

With respect to the private placement of Series II Loan Notes 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. Also, 1,159,760 broker warrants with an exercise price of \$0.12 expired on January 30, March 4, April 22 and May 13, 2022. The \$635,956 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 remain unchanged.

Effective July 20, 2022, the Company obtained regulatory acceptance to extend the expiry date of a total of 2,600,000 subscriber warrants with an original expiry date of July 31, 2022, to December 31, 2023. The exercise price of \$0.20 and other terms of these warrants remain unchanged.

During 2022, 100,000 subscriber warrants were exercised for proceeds of \$20,000.

Warrants outstanding, (including 1,252,386 broker warrants with a weighted average exercise price of \$0.13) and their expiry dates as of September 30, 2023, are as follows:

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Date Issued	Expiry Date	Exercise Price	# of Warrants	\$
April 22, 2020	December 31, 2023	\$0.20	9,091,673	226,558
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	123,415
July 31, 2020	December 31, 2023	\$0.20	2,500,000	63,742
January 27, 2021	December 31, 2023	\$0.14	407,143	40,558
February 3, 2021	December 31, 2023	\$0.14	578,576	120,569
September 22, 2021	December 31, 2023	\$0.20	892,857	73,377
March 21, 2022	March 21, 2024	\$0.09	177,778	15,142
June 29, 2023	December 31, 2026	\$0.07	2,857,144	63,203
September 7, 2023	December 31, 2026	\$0.12	12,214,285	355,806
September 29, 2023	December 31, 2026	\$0.12	1,642,857	47,857
			36,835,872	1,168,936

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, 2023, there were 17,120,000 options that have been granted and are outstanding, with 12,880,000 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 year ended December 31, 2022 and period ended September 30, 2023, is summarized as follows:

<i>(WAEP - Weighted-Average Exercise Price)</i>	Number of Options	WAEP \$
Outstanding, January 1, 2022	19,185,000	0.20
Granted	9,750,000	0.10
Expired/forfeited	(4,200,000)	0.21
Outstanding, December 31, 2022	24,735,000	0.16
Granted	6,200,000	0.10
Expired/forfeited	(13,815,000)	0.17
Outstanding, September 30, 2023	17,120,000	0.12

The outstanding options have exercise prices in the range of \$0.10 and \$0.25, an average remaining life of 3.5 years, and as of September 30, 2023 18,070,000 options are exercisable. The exercisable options have a weighted average remaining life of 3.48

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years and a weighted average exercise price of \$0.12.

On June 26, 2023 a total of 5,800,000 Options were granted to consultants and employees. The options have an exercise price of \$0.10, and expire on June 26, 2028. Of these options, 4 037,500 vest immediately and the balance vest in three instalments each of 587,500 at Nine month intervals thereafter. The options were valued at \$235,729 of which \$164,096 has been expensed and \$71,633 which 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 4.50%, volatility of 127.5% (based on historical stock price volatility), expected life of two years, and no expected dividend yield.

On March 31, 2023, a total of 400,000 options were granted to consultants; these options have an exercise price of \$0.10, vest immediately, and expire on March 31, 2026. The options were valued at \$204,474, which has been expensed. The value was determined using the Black-Scholes option pricing model based on a risk-free interest rate of 3.75%, volatility of 103.5% (based on historical stock price volatility), expected life of three years, and no expected dividend yield.

On November 17, 2022, 1,200,000 share options were granted to consultants. The options have an exercise price of \$0.10 and expire on November 17, 2027, with 50% of the options vested immediately, and 50% vesting on November 17, 2023. The options were valued at \$53,929, of which \$28,268 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.

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.

Issued and Outstanding Shares, Warrants and Stock Options

In September 2023, the Company raised net proceeds of \$958,142 from a private placement summarized as follow:

	September 30 2023	Date of this Report
Common shares	201,942,317	261,956,603
Warrants	36,835,872	96,850,158
Stock Options	17,120,000	17,120,000

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Summary of Quarterly Results

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

Quarter Ended	September 30 2023	June 30 2023	March 31 2023	December 31 2022	September 30 2022	June 30 2022	March 31 2022	December 31 2021
Revenues	\$111	\$279	\$49	\$213	\$90	\$143	\$65	\$94
Comprehensive Income/(Loss)	(\$1,367)	(\$2,611)	(\$1,230)	(\$1,353)	(\$1,191)	(\$1,332)	(\$1,219)	(\$1,277)
Income (loss) per share	(\$0.02)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)

As the foregoing schedule indicates, results over the past eight quarters have fluctuated. As the Company is building its revenue through several distribution channels, sales can fluctuate by quarter, depending on the timing of orders. Periods with higher losses have resulted in part from the product development costs being incurred and non-cash share-based compensation.

Capital Resources –

The Company has spent approximately \$3.2 million during the last five years to develop its SIAscopy™ on DermSecure™ telemedicine platform. Spending in this regard was significant in 2018 and the first half of 2019, and then was reduced during certain periods depending on the cash resources available for the project. Expenditures in 2021 were substantially higher than in 2020 as raising additional capital (by way of long-term debt) enabled additional spending. In 2022 and first quarter of 2023, the Company continued to update the technology for its SIAscopy™ units and software, and further updating will be undertaken as cash is available.

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, 2023 total managed capital was (\$1,849,045) (December 31, 2022 - (\$2,083,431).

The Company manages its capital structure within guidelines approved by the Board of Directors. The Company makes adjustments to its capital structure based on changes in economic conditions and 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 making adjustments to its capital expenditure program.

There have been no changes in the Company’s approach to capital management during 2023 or 2022. The Company is not subject to externally imposed capital restrictions.

Contractual Obligations

The Company leases space for its office and manufacturing facility. The Company signed a new lease for the facility during 2020, entering into a five-year lease, with minimum lease obligations of \$44,441 in 2023, \$51,396 in 2024 and \$38,229 in 2025.

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Significant Accounting Judgements and Estimates

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

Judgements:

Going concern – The preparation of these consolidated financial statements requires management to make judgements regarding its ability to continue as a going concern as discussed in Note 1.

Revenue recognition – Management makes judgements with respect to the point of time at which revenue is recognized, and whether the revenue will be recognized at point of time or over a period of time, as discussed in Note 2 – Revenue Recognition.

Estimates:

Deferred revenue – Deferred revenue is estimated based on the period over which revenue is recognized and an estimate of the portion of the amount of revenue related to the performance obligation recognized over time.

Expected credit losses – Management estimates the collectability of specific accounts and records an appropriate allowance for credit losses, as discussed in Note 13 – Credit Risk.

Inventory valuation – Management assesses the net realizable value based on a review of estimated selling prices net of costs to make the sale, taking into account current market conditions and historic experience.

Convertible debentures – Management determines an appropriate discount rate used to determine the present value of the obligations in assessing the value attributable to the liability and equity components of convertible loans.

Other estimates – Estimates are also used in determining, but are not limited to, share-based compensation, warrants, the useful lives of assets, the amount of right of use assets, debenture conversions, the (Gain) loss on debt settlements, shares for services and deferred income taxes, which are discussed in Note 2 and in their respective notes.

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

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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).

Financial Instruments

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

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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 \$nil (December 31, 2022 - \$153,741).

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 2022 and to date in 2023, and the Company must raise additional

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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	\$ 2,602,113	\$ -	\$ -	\$ 2,602,113
Short-term loans	16,700	-	-	16,700
Lease liability	49,599	77,427	-	127,026
Convertible debenture loan notes	4,737,195	770,400	5,200,200	10,707,795
Canada Emergency Business Account	-	60,000	-	60,000
At September 30, 2023	\$ 7,405,607	\$ 907,827	\$ 5,200,200	\$ 13,513,634
At December 31, 2022	\$ 8,619,341	\$ 454,069	\$ 2,377,931	\$ 11,451,341

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

Related Party Transactions

For the Nine months ended September 30, 2023, the Company incurred costs for management compensation of \$255,900 (2022 - \$674,846) and for accrued, but unpaid Board compensation of \$nil (2022 - \$40,500). In addition, for the Nine months ended September 30, 2023, \$304,000 (2022- \$342,452) of expense was recorded for share-based compensation related to management and Directors.

During the Nine months ended September 30, 2023, \$1,010,000 of short-term loans from a related party were settled by subscription in the Secured Convertible Debenture closed in January 6, 2023.

On May 25 and June 29, 2023, respectively, \$150,000, and \$100,000 of short-term loan was advanced by related party with an interest rate of 10% per annum and considered due on demand. These were settled as part of the private placement closed September 2023.

A total of \$150,000 of the Convertible Notes that are referred to in Note 8(a) above, and that were converted in June 2023, was held by related parties, as also were the warrants issued on June 15, 2023, See notes 7 and 8 for other related party transaction disclosure relating to short-term loans, convertible debt and stock options issuances. (See also Note 17 (b) – Subsequent Events).

Included in accounts payable and accrued liabilities as of September 30, 2023, is \$33,516 (December 31, 2022 - \$202,841) relating to officers and directors of the Company.

See also “**Subsequent Events** – Conversion of Secured Convertible Debentures” below.

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Risks and Uncertainties

Although not exhaustive, the following list summarizes some of the key risks the Company faces, as well as, strategies the Company employs to manage these risks:

Market, Operating and Competitive Risks –

The market opportunity for the Company's products is dependent upon external factors such as the level of regulation of the medical device and diagnostic market, acceptance of the Company's products by the medical and healthcare profession and patient/consumer interest. As well, the Company has larger competitors who have larger customer bases and more significant financial and operating resources which may make it more difficult for the Company to compete in the marketplace.

Technology Risks –

The Company has invested significant resources in its products to ensure that they provide its customers with a competitive product offering relative to other suppliers in its industry. As a result of its financial position, the Company has not been able to confirm the existence of all of its intellectual property, and if the Company has not protected its intellectual property adequately or if it infringes third party intellectual property rights, it may lose its competitive advantage and incur significant costs and loss of reputation that could materially negatively impact its business. To manage this risk, the Company has invested significant resources in product development and professional assistance to protect its intellectual property and avoid possible infringement of third-party rights.

Operating Losses –

The Company has experienced operating losses since incorporation in 1999. As at June 30, 2023, MedX has a deficit in excess of \$47 million. The Company may continue to incur additional losses and negative cash flows from operations and may never achieve profitability. Its success will depend mainly on its ability to generate enough operating income to achieve profitability and to develop its products and technology to capture meaningful market share. MedX may be unable to achieve profitability and this inability could have a material adverse effect on the Company's business, results of operations and financial condition.

Capital Requirements/Financing –

The Company relies on funding from internally generated revenues and external sources to provide sufficient capital to continue ongoing operations. There is no certainty that internal profits will be generated or that the Company will be successful in attracting external sources of capital. If MedX does not have sufficient capital to fund its operations, it may be required to curtail certain business operations.

Foreign Exchange Rate Risks –

MedX reports its financial results in Canadian Dollars. A substantial amount of revenues are derived from customers outside of Canada which are transacted in US dollars and other currencies. The Company has balances of accounts receivable and accounts

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payable denominated in non-Canadian currencies. If the non-Canadian dollar currencies fluctuate against the Canadian dollar, reported revenues, margins and results of operations will be impacted.

Lack of Dividends –

MedX anticipates that for the foreseeable future, the Company's earnings, if any, will be retained for use in the business, and no dividends will be paid. Declaration of dividends on the Company's common shares will depend on, among other things, future earnings, cash requirements and general business conditions.

Key Personnel Risk –

The future success of the Company is dependent upon the Company's ability to retain, recruit and train senior management, technical, sales and managerial personnel. Competition for qualified employees is intense and it may be possible that the Company is unable to retain and recruit qualified personnel in the future.

Other Risks and Uncertainties –

MedX is in the initial stages of commercialization of some of its products, facing corresponding risks. Future results may differ materially because of fluctuations in the Company's operating results due to changes in the cost of components used to manufacture the Company's products, changes in the regulatory environment for medical devices in the United States, Canada, and internationally, changes in the Company's markets including competitors' new product introductions, and the acceptance in the market for the Company's product offerings.

Forward-Looking Statements

This Management's Discussion and Analysis contains certain "forward-looking statements." All statements, other than statements of historical fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, without limitation, statements regarding financial and business prospects and financial outlook) are forward looking statements. These forward-looking statements reflect the current expectations or beliefs of the Company, based on information currently available to the Company. Forward-looking statements are subject to a number of risks, uncertainties and assumptions that may cause the actual results of the Company to differ materially from those discussed in the forward-looking statements and, even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on the Company. Factors that could cause actual results or events to differ materially from current expectations include, among other things, changes in general economic and market conditions, changes to regulations affecting the Company's activities, and uncertainties relating to the availability and costs of financing needed in the future. Any forward-looking statement speaks only as at the date on which it is made and, except as may be required

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by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking statements are reasonable, forward-looking statements are not guarantees of future performance and, accordingly, undue reliance should not be put on such statements due to the inherent uncertainty therein.

Subsequent Events

a) Private Placement closing

Effective November 10, 2023, a final closing of the private placement referred to at Note 8(d) above, took place with the issuance of 714,286 units, to raise gross proceeds of \$50,000.

b) Conversion of Secured Convertible Debentures

Effective November 17, 2023, holders of all of the \$2,965,000 of Secured Convertible Debentures referred to in Note 7 (b) above exercised their right to convert their investment into units, resulting in the elimination of \$2,965,000 of secured debt and issuance of 59,300,000 common shares and 59,300,000 share purchase warrants exercisable to purchase common shares at the price of \$0.20 per share, valid to December 31, 2027. Of the foregoing Secured Convertible Debentures, \$2,500,000 was held by related parties.

Additional information

Additional information relating to the Company is available at www.sedarplus.ca, and may also be obtained by request to the Company.

Dated: November 28, 2023