

MEDX HEALTH CORP.

**Interim Condensed Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2023 and 2022**

**(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, 2023 and 2022 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	December 31
	2023	2022
ASSETS		
Current assets		
Cash	\$ 186,151	\$ 142,496
Accounts receivable (Note 3)	2,393	8,196
Inventory (Note 4)	436,732	376,876
Prepaid expenses and deposits	38,781	15,490
	664,057	543,058
Non-current assets		
Property, equipment and right of use asset (Note 5)	101,186	137,961
	\$ 765,243	\$ 681,019
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Notes 6 and 15)	\$ 2,602,113	\$ 2,752,275
Deferred revenue	12,175	12,175
Short-term loans (Note 7)	16,700	1,060,000
Current portion of debt (Note 7)	4,849,664	3,060,307
	7,480,652	6,884,757
Non-current liabilities		
Long-term debt (Note 7)	965,387	877,238
	8,446,039	7,761,995
SHAREHOLDERS' DEFICIENCY		
Share capital (Note 8)	24,763,035	23,958,413
Warrants (Note 8)	1,168,935	918,315
Equity portion of convertible debt (Note 8)	5,269,317	3,465,611
Contributed surplus (Note 8)	11,366,111	10,845,864
Deficit	(50,248,195)	(46,269,179)
	(7,680,797)	(7,080,976)
	\$ 765,243	\$ 681,019

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		Nine Months Ended	
	September 30		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	35,581	183,542	118,644
Expenses				
Selling, general and administrative (Note 16)	775,538	754,037	2,115,551	2,535,587
Product and software development	124,614	155,760	463,779	467,280
Interest expense	533,747	310,133	1,583,964	858,976
Foreign exchange (gain) loss	(882)	2,224	(736)	4,999
	1,433,017	1,226,437	4,162,558	3,866,842
Net loss and comprehensive loss for the period	\$ (1,367,373)	\$ (1,190,856)	\$ (3,979,016)	\$ (3,748,198)
Income (loss) per share, basic and fully diluted	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.02)
Weighted average number of shares outstanding	183,951,735	183,723,269	185,410,279	183,723,269

See accompanying notes to interim condensed consolidated financial statements.

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

Nine months ended September 30, 2023 and 2022

	Common Shares	Warrants	Equity Portion of Convertible Debt	Contributed Surplus	Deficit	Total
Balance, December 31, 2022	\$ 23,958,413	\$ 918,315	\$ 3,465,611	\$ 10,845,864	\$ (46,269,179)	(7,080,976)
Net loss for the period	-	-	-	-	(3,979,016)	(3,979,016)
Issuance of convertible debentures	-	-	1,966,530	-	-	1,966,530
Coverision of covertible debentures	250,143	79,003	(162,825)	-	-	166,321
Exercise of warrants	-	(15,800)	-	-	-	(15,800)
Expiry of warrants	-	(216,245)	-	216,245	-	-
Issuance of Private Placement	554,479	403,662	-	-	-	958,141
Share-based compensation	-	-	-	304,002	-	304,002
Balance, September 30, 2023	\$ 24,763,035	\$ 1,168,935	\$ 5,269,317	\$ 11,366,111	\$ (50,248,195)	\$ (7,680,797)
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)

See accompanying notes to the interim condensed consolidated financial statements.

MEDX HEALTH CORP.

Interim Condensed Consolidated Statements of Cash Flows

(Unaudited)

Presented in Canadian dollars

Three and nine Months ended September 30, 2023 and 2022

	Three Months Ended September 30		Nine Months Ended September 30	
	2023	2022	2023	2022
Cash flows from operating activities				
Net loss for the period	\$ (1,367,373)	\$ (1,190,856)	\$ (3,979,016)	\$ (3,748,198)
Adjustments for non-cash items				
Depreciation of property, equipment and right of use asset	118	12,863	26,031	38,587
Interest expense	533,747	299,408	1,583,964	843,182
Share-based compensation	38,140	49,189	304,001	259,467
	(795,368)	(615,662)	(2,065,020)	(2,606,962)
Net change in non-cash operating working capital items:				
Accounts receivable	127,849	(35,091)	5,803	(120,827)
Inventory	(17,723)	(20,688)	(59,856)	(23,555)
Prepaid expenses and deposits	(11,567)	1,925	(23,291)	801
Accounts payable and accrued liabilities	238,346	210,636	(139,419)	1,159,559
	336,905	156,782	(216,763)	1,015,978
Interest paid	(168,152)	(85,674)	(525,305)	(249,566)
Net cash used in operating activities	(626,615)	(544,554)	(2,807,088)	(1,840,550)
Cash flows from financing activities				
Proceeds from issuance of units, net of issue costs	958,142	-	958,142	-
Proceeds from exercise of warrants	-	20,000	50,000	20,000
Increase in long-term debt	-	591,887	1,908,446	1,408,180
Repayment of lease liability	(11,241)	(9,666)	(32,545)	(17,903)
Proceeds from issuance of short-term loans	396,700	170,000	646,700	390,000
Repayment/Conversion of short-term loans	(660,000)	(40,000)	(680,000)	(40,000)
Net cash from financing activities	683,601	732,221	2,850,743	1,760,277
Net change in cash for the period	56,986	(26,068)	43,655	(80,273)
Cash, beginning of period	129,165	52,566	142,496	106,771
Cash, end of period	\$ 186,151	\$ 26,498	\$ 186,151	\$ 26,498
Non-cash transactions (Note 7)	\$ 215,000	\$ -	\$ 215,000	\$ 100,000

See accompanying notes to the interim condensed consolidated financial statements.

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Notes to the Interim Condensed Consolidated Financial Statements
For the Three and Nine Months Ended September 30, 2023 and 2022
(Unaudited)
Presented in Canadian dollars

1. NATURE OF OPERATIONS AND GOING CONCERN

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

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

The interim condensed consolidated financial statements ("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, 2023, the Company had current liabilities in excess of current assets of \$6,816,595 (December 31, 2022 – \$6,341,698), had an accumulated deficit of \$50,248,195 (December 31, 2022 - \$46,269,179), and shareholders' deficiency of \$7,680,797 (December 31, 2022 - \$7,080,976). 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 2022 and to date in 2023 and will require additional capital to continue to develop and market its products and as it continues to develop sales opportunities. These interim condensed consolidated financial statements do not give effect to any adjustments which might be necessary should the Company be unable to continue as a going concern and be required to realize its assets and discharge its liabilities in other than the normal course of business and at amounts different from those reflected in the accompanying consolidated financial statements. These adjustments could be material.

Operating segments are reported in a manner consistent with the internal reporting provided to the Company's chief operating decision maker (CODM). The CODM has been identified as the Board of Directors of the Company. For management purposes, the Company uses the same measurement policies as those used in its financial statements. The CODM evaluates the performance of each segment based on net profit (loss). The Company operates in a single reportable operating segment. As of September 30, 2023, substantially all of the Company's assets are located in Canada.

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

These interim condensed consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), effective for the reporting period ended September 30, 2023, 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, 2022, 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 2022

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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, 2022.

These consolidated financial statements were approved by the Board of Directors effective November 28, 2023.

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 2022 annual consolidated financial statements.

3. ACCOUNTS RECEIVABLE

The amount of accounts receivable is net of an allowance for expected credit losses, which was \$227,237 on September 30, 2023 (December 31, 2022 - \$227,237).

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4. INVENTORY

	September 30 2023	December 31 2022
Raw materials	\$ 246,850	\$ 171,612
Finished goods	178,004	205,264
Work-in-progress	11,878	-
	\$ 436,732	\$ 376,876

5. PROPERTY, EQUIPMENT AND RIGHT OF USE ASSET

	Furniture and Office Equipment	Manufacturing Equipment	Right of Use Asset	Total
Cost				
Balance, January 1, 2022	\$ 155,401	55,112	214,893	425,406
Additions	-	-	-	-
Balance, December 31, 2022	155,401	55,112	214,893	425,406
Additions	2,095	-	-	2,095
Balance, September 30, 2023	\$ 157,496	55,112	214,893	427,501
Accumulated Depreciation				
Balance, January 1, 2022	\$ 128,548	49,902	57,305	235,755
Depreciation	7,558	1,153	42,979	51,690
Balance, December 31, 2022	136,106	51,055	100,284	287,445
Depreciation	6,055	581	32,234	38,870
Balance September 30, 2023	\$ 142,161	\$ 51,636	\$ 132,518	\$ 326,315
Carrying Value				
Balance, December 31, 2022	\$ 19,295	\$ 4,057	\$ 114,609	\$ 137,961
Balance, September 30, 2023	\$ 15,335	\$ 3,476	\$ 82,375	\$ 101,186

As of September 30, 2023, the depreciation expense of \$26,031 (2022 - UAH \$17,482), was included in cost of sales, \$17,493 (2022 - \$25,725) in selling, general and administrative expenses

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.

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	September 30 2023	December 31 2022
Accounts payable	\$ 617,020	\$ 615,135
Amounts owing to officers and Board of directors	33,516	202,841
Taxes, including unpaid payroll withholdings and related interest, accrued sales and other taxes	532,344	638,239
Accrued Interest	44,246	108,562
Other accrued liabilities	1,374,987	1,187,498
	\$ 2,602,113	\$ 2,752,275

7. SHORT-TERM LOANS AND LONG-TERM DEBT

a) 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.

b) Long-term debt

	September 30 2023	December 31 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

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.

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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, 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 Note 17(b) - Subsequent Events)

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 per unit until September 30, 2023, and thereafter 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

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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 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 the Series I, Series II and Series III Convertible Loan Notes as of September 30 2023 is as follows:

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	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

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. If the loan is repaid before December 31, 2023, 33% of the amount repaid will be forgiven.

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8. SHARE CAPITAL

Common Shares

Authorized - Unlimited number of common shares

Issued and outstanding

	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

a) 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.

	Number of shares	Stated Capital
Outstanding at January 1, 2022	183,699,459	\$ 23,935,585
Issued on exercise of warrants (a)	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 (a)	714,286	65,801
Issued on conversion of Notes (a)	2,142,858	110,605
Issued for cash (a)	13,857,142	554,479
Outstanding at September 30, 2023	201,942,317	\$ 24,763,035

b) 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-

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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.

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.

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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:

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

c) 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:

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<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 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.

d) Shares issued for cash

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

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Date	# of Units	Unit Price	Gross Proceeds	Issue Costs	Net Proceeds	Allocation to Shares	Allocation to Warrants
September	13,857,142	\$ 0.07	\$ 970,000	\$ 11,858	\$ 958,142	\$ 554,479	\$ 403,663

The 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 Note 17(a) *Subsequent Events*).

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 dates. The value of the warrants was based on a calculation using the Black-Scholes model, as of the dates of closing. Cash related issue costs were allocated in the same manner as the proceeds, reducing the amounts recorded as share capital and warrants.

9. INCOME TAXES

As of September 30, 2023, the Company had non-capital losses, carried forward of \$22,826,423 available to reduce future years' taxable income. These losses expire as follows:

<u>Expiry</u>			
2026 -	\$ 553,339	2035 -	\$ 494,759
2027 -	\$ 101,131	2036 -	\$ 1,175,296
2028 -	\$ 320,518	2037 -	\$ 1,525,829
2029 -	\$ 1,418,650	2038 -	\$ 2,943,543
2030 -	\$ 481,214	2039 -	\$ 2,859,474
2031 -	\$ 324,117	2040 -	\$ 2,637,975
2032 -	\$ 392,684	2041 -	\$ 4,778,474
2033 -	\$ 638,392	2042 -	\$ 2,181,027
			<u>\$22,826,423</u>

10. LOSS PER COMMON SHARE

The calculation of basic and diluted loss per share for the Nine months ended September 30, 2023 and December 31, 2022 was based on the loss attributable to common shareholders of \$3,979,016 (2022 - \$3,748,198) and the weighted average number of common shares outstanding of 185,410,279 (2022 - 183,723,269). 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

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in Asia and Latin America, while the phototherapeutic products are sold in Canada and the United States.

Sales of the products for the three and Nine months ended September 30, 2023, and 2022 were as follows:

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2023	2022	2023	2022
SIAscopy	\$ 21,351	\$ 67,597	162,377	\$ 189,384
Phototherapeutic lasers	89,908	22,589	227,380	108,413
	\$ 111,259	\$ 90,186	389,757	\$ 297,797

Sales for the Nine months ended September 30, 2023 were made to customers in the following geographic regions: Canada 63%, United States 7%, Europe 23%, Rest of World 7% (year ended December 31, 2022 - Canada 38%, United States 14%, Europe 42%, Rest of World 6%).

Approximately 18% of the Company's revenue for the Nine months ended September 30, 2023, was from one customer (Year ended December 31, 2022 - 28% 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.

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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 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 for additional discussions regarding the contractual maturities of financial liabilities.

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13. CAPITAL MANAGEMENT

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 2022 or 2023. The Company is not subject to externally imposed capital restrictions.

14. COMMITMENTS AND CONTINGENCIES

From time to time and in the normal course of business, claims against the Company may be received. The outcome of such claims cannot be determined with certainty; management estimates that any potential payments resulting from the outcome of any such claims 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, 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

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16. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Three Months Ended		Nine Months Ended	
	September 30		September 30	
	2023	2022	2023	2022
Sales and market development	\$ 39,013	\$ 196,061	\$ 666,425	\$ 568,621
Sales and marketing programs	86,179	88,166	235,313	247,316
Salaries and benefits, contractors	159,427	240,397	464,971	947,325
Professional fees and public company expenses	267,524	108,114	352,947	324,380
Software platform operating expenses	194,312	86,701	234,658	283,142
Amortization	8,746	8,579	26,239	34,045
Other administrative expenses	20,337	26,019	51,573	139,065
	\$ 775,538	\$ 754,037	\$ 2,115,551	\$ 2,543,894

17. 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.