

**MedX Health Corp.  
Management's Discussion and Analysis  
For the Years Ended December 31, 2017 and 2016**

*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 years ended December 31, 2017 compared with the year ended December 31, 2016 as contained in the audited 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, 2017.*

**Overview and Review of Operations**

MedX Health Corp. is a medical device company that was incorporated on April 15, 1999, in Ontario. The Company has two main product lines; SIAscopy™, a medical device technology that is used to scan skin for suspicious moles and lesions, and phototherapeutic medical devices, which use light energy in lower-level laser and LED to provide effective treatment offering rapid, drug-free and non-invasive healing in the rehabilitation market for treating pain, tissue damage, swelling and inflammation.

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, and to athletes and sports teams. MedX's therapeutic light products are currently sold in North America. The Company utilizes medical device distributors to sell its products, who normally distribute a variety of products to their customers. The markets in which the Company sells these products are highly competitive, characterized by pricing pressure and many competitive products. These products are US FDA and Health Canada cleared. The Company has implemented improvements in marketing the product line, which has led to a growth in revenues from the product line beginning in late 2016.

The Company purchased the assets and business related to SIAscopy™ in 2011. SIAscopy™ is a medical device technology 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 and a determination is made as to whether the suspicious mole or lesion needs a follow-up appointment with a dermatologist, or the patient is deemed clear of follow up. This enables physicians to assess the condition of the moles better and provide immediate feedback to their patients, improving the quality of care of potential skin cancer patients by reducing the need for biopsies, and the resulting pain and scars 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.

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SIAscopy™ is MedX's proprietary technology and has been cleared by the FDA in the U.S. and by Health Canada, is CE marked for sale in Europe, with equivalent approval in Australia, Turkey and a number of other countries, totalling 34 countries. The Company works with and is actively growing its network of distributors and distribution partners on a global basis.

During 2017, the Company initiated a series product development projects in line with its technology development roadmap, with the objective of updating its SIAscopy hardware and software, making it more scalable and marketable. These projects comprise the development of a dermatologic telemedicine platform that will enable web-based operation of its scanning technology as well as an update of the scanner hardware components which will result in higher definition images. The telemedicine platform will allow the Company to deploy its technology in networks of third-party locations from which patients' mole and lesion scans can be connected to specialist physicians for remote assessment. The telemedicine platform will be set up to comply with international standards with specific processes tailored to each jurisdiction. This will allow the Company to have its own system to be able to more aggressively market the technology in a recurring revenue scenario. It is anticipated that subsequent to the release of these two innovations, the Company will continue to evolve both the hardware and software over a number of years to meet the demands of the customer base and improve patient access and care.

MedX's SIAscopy products are sold world-wide, but particularly in Europe during the last several years, where a European distributor successfully built and is expanding a skin scanning business in more than 200 pharmacies in Norway, Sweden and the United Kingdom to date, allowing individuals to have a suspicious mole or lesion checked quickly by way of a network of trained physicians who can access the scan images.

The Company started a program in Ontario whereby selected medical clinics are connected by way of the Ontario Telemedicine Network to dermatologists. The Company is also initiating further test programs with its partners in selected European countries and in Canada while pursuing other opportunities in other markets including the United States.

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

The Company has experienced significant issues with respect to a lack of funding and cash flow. It has experienced losses since its inception, and as of the end of 2017 had a large negative working capital balance. The very competitive nature of the market for the therapeutic laser products, and the time it has taken to develop the appropriate marketing strategies after the acquisition of SIAscopy hampered the ability of the Company to generate adequate sales and cash flow. 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 continued to build the markets for SIAscopy

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revenues, which it anticipates will continue, which should improve cash flows, and which may improve the likelihood of raising additional capital.

The Company completed a non-brokered private placement in 2016, in four separate tranches, raising gross proceeds of \$1,499,918 through the sale of 23,075,652 Units, consisting of common shares and warrants, sold for \$0.065 per Unit. The company also was advanced and subsequently repaid \$75,000 to Company insiders during the year.

On December 28, 2016, the Company agreed with the lender of its \$500,000 Term Loan to amend the terms of the loan. As amended, the lender has the right to convert the principal of the loan, in whole or in part, at any time into common shares of MedX at \$0.20 per share, and the due date of the loan was extended to December 31, 2019, with no principal payments until maturity. This change improves the Company's cash flow management and thereby its ability to grow the business.

During 2017, the lender of the US\$200,000 Term loan requested that the principal of the loan be repaid in monthly instalments beginning in July 2017, as was allowed under the terms of the loan. This loan will be repaid by June 2018, its original due date.

The Company continues to raise additional funds to provide the working capital to pursue its current strategic objectives, and to reduce its liabilities. The Company engaged Wildlaw Capital Markets Inc. in March 2017, to complete on a "best efforts" basis, a private placement of up to \$3,000,000, of Units at a price of \$0.12 per Unit, with each Unit consisting of one common share and one common share warrant of the Company. Each warrant entitles the holder to purchase one common share of the Company for \$0.20 per share for three years from the closing. On April 21, 2017, the Company completed the first tranche of the placement, raising cash of \$833,800 (\$759,337 net of expenses) by issuing 6,948,333 Units, and on July 14, 2017 completed the second and final closing, raising cash of \$246,757 (\$200,690 net of expenses) by issuing 2,056,306 Units. The Company issued 514,370 broker warrants in connection with the private placement.

On December 15, 2017, the Company completed a non-brokered private placement, raising gross proceeds of \$725,680 (\$690,223 net of expenses). The Company sold 6,047,329 units (the "Units"), for \$0.12 per Unit, with each Unit consisting of one common share and one common share warrant of the Company. Each warrant entitles the holder to purchase one common share of the Company for \$0.20 per share for three years from the closing date.

On January 24, 2018, the Company completed a non-brokered private placement with gross proceeds of \$1,658,520 and net proceeds of \$1,588,078. The private placement consisted of the sale of 13,821,000 units (the "Units") at a price of \$0.12 per Unit. Each Unit consisted of one common share and one common share purchase warrant ("Warrant"). Each Warrant will be exercisable to acquire one Common share at any time for a period of three years, at an exercise price of \$0.20 per Common Share.

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To date in 2018, the Company has also received proceeds of \$706,769 from the exercise of warrants and share options, significantly reducing the negative working capital and shareholder deficiency. In addition, the Company repaid \$200,000 of demand loans.

**Review of Operating Results**

**Years Ended December 31, 2017 and 2016**

	<b>Year Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
<b>Revenue</b>	\$ 1,093,239	\$ 817,055
Cost of sales	<u>478,748</u>	<u>379,226</u>
<b>Gross profit</b>	614,491	437,829
<b>Expenses</b>		
Selling, general and administrative	1,554,133	1,390,957
Product and software development	182,461	-
Share-based compensation	277,290	171,206
Interest expense	115,620	66,817
Loss on debt settlement	-	54,000
Foreign exchange gain	(5,353)	(5,673)
Amortization of property and equipment	4,596	5,633
Amortization of intangibles	<u>90,182</u>	<u>90,182</u>
	<u>2,218,929</u>	<u>1,773,122</u>
<b>Net loss for the year</b>	<b><u>\$ (1,604,438)</u></b>	<b><u>\$ (1,335,293)</u></b>

*Revenue -*

Revenue of \$1,093,239 for the year ended December 31, 2017 was \$276,184, or 33.8% higher than revenue of \$817,055 for the year ended December 31, 2016.

Revenues from MedX's therapeutic laser products of \$840,085 for the year ended December 31, 2017 were \$341,488, or 68.5% higher than \$498,597 in 2016. Sales from this product line have been trending upward through 2017, due in part to sales initiatives and better inventory levels, with a significant increase in the final quarter of 2017.

Revenues from the Company's SIAscopy product line were \$253,154 for the year ended December 31, 2017, lower by \$65,304, or 20.5% from the prior year. Sales slowed in 2017 after larger orders in the first half of 2016 from a channel partner. The Company is awaiting the completion of several pilot projects and the completion and launch of its telemedicine platform in 2018 and anticipates increases in sales as these are completed.

The Company announced in 2017 that it is working towards completion of a new telemedicine platform, and also commenced work on an update of its hardware

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components and anticipates sales will increase once these are completed in 2018. A focus for the Company is working with partners that either have or have access to multiple locations that are easily accessible to patients to have scans done, using networks to transmit scan data to dermatologists for review and assessment. The Company has existing customers successfully using this model, and others currently in a test environment, and is working on and needs broader distribution of the SIAscopy products to many more of such customers, otherwise sales growth will be limited by the growth of the installed base of the existing customer base.

*Cost of sales -*

Cost of sales of \$478,748 for the year ended December 31, 2017 were \$99,522 or 26.2% higher than cost of sales of \$379,226 for the year ended December 31, 2016. Cost of sales as a percent of sales was 43.8% for 2017 compared with 46.4% in 2016. The lower costs as a percent of sales are primarily a result of product mix and pricing, with additional production efficiency.

*Gross profit -*

Gross profit for the year ended December 31, 2017 was \$614,491, a \$176,662 increase from gross profit of \$437,829 for the year ended December 31, 2016, with the increase resulting primarily from the increase in revenue for the year and improved margins. The gross margin for the year ended December 31, 2017 was 56.2% of sales versus 53.6% of sales in the prior year.

*Selling, general and administrative expenses –*

Administrative expenses of \$1,554,133 for the year ended December 31, 2017 were \$163,176 or 11.7% higher than \$1,390,957 for the year ended December 31, 2016. Expenses relating to regulatory matters have increased during 2017, as have marketing and business development costs, offset by lower management compensation costs.

*Product and software development –*

Product and software development expenses of \$182,461 represent expenditures to date on the development of a new software platform and hardware improvements for the Company's SIAscopy product line that were initiated in the third quarter of 2017. Costs related to these initiatives are anticipated to continue through 2018.

*Share-based compensation –*

The expense related to non-cash share-based compensation of \$277,290 for the year ended December 31, 2017 was \$106,084 higher than the expense recorded in 2016, and represents the costs related to option grants made in 2017, and the options vested during the year. The \$171,206 recorded in the prior year resulted from the allocation of expenses for the options granted in 2014 that vested in 2016.

*Interest –*

Interest expense of \$115,620 for the year ended December 31, 2017 was \$48,803 higher than interest expense of \$66,817 for the year ended December 31, 2016, with the

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increase arising from the non-cash accreted interest relating to the Company's Convertible loan, while cash interest costs have decreased as loans are repaid.

*Loss on debt settlement -*

There were no gains or losses on debt settlements in 2017. The expense of \$54,000 in 2016 resulted from amendments to the terms of a \$500,000 term loan during 2016, which resulted in the loan being convertible into common shares of the Company. The amendments to the loan were considered an exchange of the original debt for a new convertible loan, and as such, a value of the debt and equity components of the new loan were determined as the amount to extinguish the old debt, and the difference resulting in a loss on the exchange of the debt.

*Foreign exchange gain –*

The Company experienced a foreign exchange gain of \$5,353 for the year ended December 31, 2017, compared with a gain of \$5,673 in 2016. Gains and losses result primarily from the translation of the US Dollar denominated term loan, and other net payables balances, and settling aged payables that originated at different exchange rates.

*Amortization of property and equipment –*

Amortization of \$4,596 for the year ended December 31, 2017 was \$1,037 lower than in 2016, reflecting an asset base that has not increased during the year.

*Amortization of intangibles –*

Amortization of \$90,182 for the year ended December 31, 2017 was the same as 2016, reflecting the annual amortization of increased intangibles from 2015, which are being amortized over the same period as the original SIAscopy related intangibles.

*Net loss for the year –*

The net loss of \$1,604,438 for the year ended December 31, 2017 was \$269,145 higher than the loss of \$1,335,293 for the year ended December 31, 2016. The higher sales and resulting gross margin increase of \$176,662 was offset by \$182,461 of product and software development costs and higher operating costs. Approximately \$155,000 of the increase in the loss resulted from non-cash expenses including share-based compensation and interest.

**Liquidity and Capital Resources**

The Company had a working capital deficiency of \$1,371,297 as of December 31, 2017, compared with \$1,755,027 as of December 31, 2016, and an accumulated deficit of \$25,149,541 and a shareholders' deficiency of \$1,502,250 as of December 31, 2017. The increase in the working capital position during 2017 resulted primarily the Company raising net proceeds of \$1,650,250 from private placements of equity during 2017, which funded the cash required for operations and a reduction in liabilities. Despite raising additional capital, including in 2018, the current financial conditions for the Company

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indicate the 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 \$3,055,000 during 2016 and 2017, with additional \$2,295,000 of funding to date in 2018, and continues to develop sales opportunities that could result in additional sales of its products in the future. 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.

Due to the large working capital deficiency and negative cash from operations, the Company manages its cash resources and expenditure levels carefully to ensure that risks are minimized, while focusing on developing and marketing its products and growing its revenues.

The Company continues to assess and manage the reduction of liabilities. During periods when the Company was not able to raise the cash required to pay down debt during the last several years, it negotiated settlements with creditors that has included issuing shares and warrants where possible. The Company has, and will continue where possible to reduce its liabilities, and its recurring cost base to conserve cash.

The Company completed a non-brokered private placement in 2016, in four separate tranches, raising gross proceeds of \$1,499,918 through the sale of 23,075,652 Units, consisting of common shares and warrants, sold for \$0.065 per Unit. The warrants are exercisable for a period of three years at \$0.14 per share.

The four closings of the non-brokered private placement are summarized as follows:

- June 6, 2016 - gross proceeds of \$560,400 were raised on the sale of 8,621,540 Units, resulting in the issue of 8,621,540 common shares and 8,621,540 warrants that may be exercised until June 6, 2019.
- August 2, 2016 - gross proceeds of \$165,275 were raised on the sale of 2,542,692 Units, resulting in the issue of 2,542,692 common shares and 2,542,692 warrants that may be exercised until August 2, 2019.
- September 2, 2016 - gross proceeds of \$439,493 were raised on the sale of 6,761,422 Units, resulting in the issue of 6,761,422 common shares and 6,761,422 warrants that may be exercised until September 2, 2019.
- September 15, 2016 - gross proceeds of \$334,750 were raised on the sale of 5,149,998 Units, resulting in the issue of 5,149,998 common shares and 5,149,998 warrants that may be exercised until September 15, 2019.

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During 2016, 300,000 share options and 325,000 warrants were exercised, for gross proceeds of \$75,500.

On December 28, 2016, the Company agreed with the lender to amend the terms of its \$500,000 Term Loan. Under the amended terms, the lender has the right to convert the principal of the loan, in whole or part, at any time into common shares at \$0.20 per share. In addition, the due date of the loan was extended from June 2018 to December 31, 2019, with no principal payments until maturity. This change improves the Company's cash flow management and thereby its ability to grow the business.

The Company engaged Wildlaw Capital Markets Inc. in March 2017, to complete on a "best efforts" basis, a private placement of Units at a price of \$0.12 per Unit, for aggregate gross proceeds of up to \$3,000,000. On April 21, 2017, the Company completed the first tranche of the placement, raising cash of \$833,800 (\$759,337 net of expenses) by issuing 6,948,333 Units. On July 14, 2017, the Company completed a second tranche of the placement, raising cash of \$246,757 (\$200,690 net of expenses) by issuing 2,056,306 Units.

On December 15, 2017, the Company completed a non-brokered private placement through the sale of Units at a price of \$0.12 per Unit, each unit consisting of one common share and one warrant exercisable at \$0.20 for three years, raising cash of \$725,680 (\$690,223 net of expenses) by issuing 6,047,329 Units.

During 2017, a \$29,000 demand loan owing to a party related to a director, at an interest rate of 6% per annum, was repaid (including accrued interest of \$34,295) through a subscription in one of the private placements. In addition, the Company borrowed \$50,000 from a third party, at an interest rate of 8% per annum, and \$125,000 from a corporation controlled by a director, at an interest rate of 10% per annum, which were repaid during the year.

During 2017, the lender of the US\$200,000 Term loan requested that the principal of the loan be repaid in monthly instalments beginning in July 2017, in connection with the Company not meeting financial targets stipulated in the loan agreement, as opposed to the original June 2018 due date.

As of December 31, 2017, the Company's capital resources consist of the following:

*Accounts payable and accrued liabilities –*

The Company had \$1,422,831 of accounts payable and accrued liabilities as of the December 31, 2017, a decrease of \$394,501 from \$1,817,332 as of December 31, 2016, the decrease a result of repayments of liabilities from cash raised from private placements during the year. The December 31, 2017 amounts consist of trade payables (\$105,090), amounts owing to staff, management and directors for unpaid compensation and fees (\$683,041), amounts owing and accrued to governments by an inactive



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subsidiary for unpaid payroll withholdings, sales and other taxes (\$466,355) and interest and other accruals (\$168,345).

*Demand loans –*

Demand loans, all of which are unsecured, consist of \$200,000 of advances from a corporation controlled by a Director. Of the total, \$50,000 was advanced in 2017, with no fixed terms for repayment, at an interest rate of 10% per annum, payable when the loans are repaid. The remaining \$150,000 of the loans advanced in prior years are without interest. These loans were repaid subsequent to December 31, 2017.

*Long-term debt -*

Long-term debt consists of a term loan with a balance as of December 31, 2017 of \$146,422 (US\$116,666) (December 31, 2016 - \$268,540 (US\$200,000)) entered into in December 2015 with a party related to a customer, with interest at 8% per annum, paid quarterly, and due on June 26, 2018. The Company has the option to repay the loan at any time without penalty. The Company began making monthly payments of US\$16,667 in July 2017, as requested by the lender in connection with the Company not meeting financial targets stipulated in the loan agreement. The loan is secured by a General Security Agreement covering all of the Company's assets, on a pari passu basis with the Convertible debt.

*Convertible Debt -*

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

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

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*Share Capital -*

The Company had 112,743,129 shares outstanding as of December 31, 2017:

	Number of shares	Stated Capital
Outstanding at December 31, 2015	73,890,509	\$ 15,537,000
Issued for cash	23,075,652	783,183
Issued on exercise of share options	300,000	30,000
Issued on exercise of warrants	325,000	45,500
Issued on settlement of fees	100,000	23,500
Reclassification from contributed surplus and warrants on option and warrant exercises	-	25,837
Outstanding at December 31, 2016	97,691,161	16,445,020
Issued for cash	15,051,968	894,592
Outstanding at December 31, 2017	112,743,129	\$ 17,339,612

During 2017, the Company completed a brokered private placement in two tranches, on April 21, 2017 and July 14, 2017, raising gross proceeds of \$1,080,557 (\$960,027 net of expenses). The Company sold 9,004,639 units (the "Units") in total, for \$0.12 per Unit, with each Unit consisting of one common share and one common share warrant of the Company. Each warrant entitles the holder to purchase one common share of the Company for \$0.20 per share for three years from the closing date.

In addition, on December 15, 2017, the Company completed a non-brokered private placement, raising gross proceeds of \$725,680 (\$690,223 net of expenses). The Company sold 6,047,329 units (the "Units") in total, for \$0.12 per Unit, with each Unit consisting of one common share and one common share warrant of the Company. Each warrant entitles the holder to purchase one common share of the Company for \$0.20 per share for three years from the closing date.

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

- No expected dividends over the life of the warrants;
- A 1.00%, 1.03% and 1.35% risk-free interest rate, for each closing, respectively;
- Based on historic volatility, 142%, 137% and 127% share price volatility for each closing, respectively.

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

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Amounts raised from the 2017 private placement are summarized below:

Date	# of Units	Gross Proceeds	Issue Costs	Net Proceeds	Broker Warrants	Allocation to Shares	Allocation to Warrants
April 21	6,948,333	\$ 833,800	\$ 74,463	\$ 759,337	\$ 79,642	\$ 391,508	\$ 367,829
July 14	2,056,306	246,757	46,067	200,690	21,101	105,108	95,582
December 15	6,047,329	725,680	35,457	690,223	32,434	397,976	292,247
	15,051,968	\$ 1,806,237	\$ 155,987	\$ 1,650,250	\$ 133,177	\$ 894,592	\$ 755,658

The share price on the closing date of each of the transactions was \$0.13, \$0.125 and \$0.115, respectively. The warrant value for each transaction was determined to be \$0.096, \$0.089 and \$0.075, respectively.

The April 21, 2017 costs included issuing 400,365 Broker warrants with each warrant entitling the holder to purchase one Unit of the Company at \$0.12 during the period expiring April 21, 2020, comprised of a share and a warrant exercisable into one share until April 21, 2020 at \$0.20. The broker warrants were valued at \$79,642, with \$45,874 allocated as a reduction in share capital and a \$33,768 reduction of the warrants.

The July 14, 2017 costs included issuing 114,005 Broker warrants with each warrant entitling the holder to purchase one Unit of the Company at \$0.12 during the period expiring July 14, 2020, comprised of a share and a warrant exercisable into one share until July 14, 2020 at \$0.20. The broker warrants were valued at \$21,101, with \$12,350 allocated as a reduction in share capital and a \$8,751 reduction of the warrants.

The December 15, 2017 costs included issuing 204,400 Finder warrants with each warrant entitling the holder to purchase one Unit of the Company at \$0.12 during the period expiring December 15, 2020, comprised of a share and a warrant exercisable into one share until December 15, 2020 at \$0.20. The finder warrants were valued at \$32,434, with \$19,623 allocated as a reduction in share capital and a \$12,811 reduction of the warrants.

During 2016, the Company completed a non-brokered private placement in four tranches, raising gross proceeds of \$1,499,918 (\$1,404,340 net of expenses). The Company sold 23,075,652 units (the "Units") in total, for \$0.065 per Unit, with each Unit consisting of one common share and one common share warrant of the Company. Each warrant entitles the holder to purchase one common share of the Company for \$0.14 per share for three years from the closing date.

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

- No expected dividends over the life of the warrants;

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- A 1.15% risk-free interest rate;
- Based on historic volatility, 149%, 146%, 148% and 150% share price volatility for each closing, respectively.

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

Amounts raised from the 2016 private placement are summarized below:

Date	# of Units	Gross Proceeds	Issue Costs	Net Proceeds	Finder's Warrants	Allocation to Shares	Allocation to Warrants
June 6	8,621,540	\$ 560,400	\$ 31,694	\$ 528,706	\$ -	\$ 299,271	\$ 229,435
August 2	2,542,692	165,275	21,568	143,707	5,871	79,417	64,290
September 2	6,761,422	439,493	16,600	422,893	3,539	237,958	184,935
September 15	5,149,998	334,750	25,716	309,034	-	166,537	142,497
	23,075,652	\$ 1,499,918	\$ 95,578	\$ 1,404,340	\$ 9,410	\$ 783,183	\$ 621,157

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

August 2, 2016 costs included issuing 99,762 Finder's warrants with each warrant entitling the holder to purchase one common share of the Company at \$0.14 during the period expiring August 2, 2019. The finder's warrants were valued at \$0.059 for a total of \$5,871, with \$3,383 allocated as a reduction in share capital and a \$2,488 reduction of the warrants.

September 2, 2016 costs included issuing 48,870 Finder's warrants, with each warrant entitling the holder to purchase one common share of the Company at \$0.14 during the period expiring September 2, 2019. The finder's warrants were valued at \$0.072, and the \$3,539, allocated as a \$2,008 reduction in share capital and a \$1,531 reduction of the warrants.

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

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

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*Stock options –*

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

Under the terms of the plan, directors, officers, employees and consultants, subject to certain conditions, may be granted options to purchase common shares of the Company. As at December 31, 2017 there were 11,725,000 options that have been granted and are outstanding, with 4,375,000 options available to be granted under the plan. Options generally expire after five years, with vesting provisions stated in the plan. The options outstanding as of December 31, 2017, have a weighted average exercise price of \$0.12, and have an average remaining life of 2.5 years. Of the options outstanding, 11,325,000 are vested, and the remainder will be vested during 2018.

On December 29, 2017, the Company granted 300,000 share options, which have an exercise price of \$0.15, are exercisable for one year, and vest during the one-year period they are outstanding.

On July 26, 2017, the Company granted 200,000 share options, which options have an exercise price of \$0.14, are exercisable for five years, and will be fully vested in 2018.

On February 27, 2017, the Company granted 1,825,000 options to consultants and employees of the Company, all of which are vested, and expire five years from the grant date. The options have an exercise price of \$0.18 per share.

On November 25, 2016, the Company granted 100,000 options to an employee, which have an exercise price of \$0.24, expire after five years and are vested.

On August 25, 2016, the Company granted 1,750,000 options to consultants of the Company, all of which have vested, and expire five years from the grant date. Of the options, 875,000 have an exercise price of \$0.10 per share and the remaining 875,000 have an exercise price of \$0.14 per share.

During 2016, 300,000 share options were exercised.

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*Warrants –*

The Company has issued warrants in connection with debt and share offerings and debt settlements.

The number of warrants, including broker warrants, outstanding as of December 31, 2017, and a summary of their terms are as follows:

<b>Warrants</b>	<b>Warrant Expiry and Exercise Prices</b>
8,296,540	\$0.14 until June 6, 2019
2,642,454	\$0.14 until August 2, 2019
6,810,292	\$0.14 until September 2, 2019
5,149,998	\$0.14 until September 15, 2019
7,348,698	\$0.20 until April 21, 2020
2,170,311	\$0.20 until July 14, 2020
6,251,729	\$0.20 until December 15, 2020
<b>38,670,022</b>	

In connection with the brokered private placements completed in 2017, a total of 9,004,639 warrants were granted to subscribers of Units, each allowing the holder to purchase one common share at a price of \$0.20 per share, with 6,948,333 of the warrants expiring on April 21, 2020 and 2,056,306 of the warrants expiring on July 14, 2020. In addition, Broker warrants were issued, with 400,365 warrants entitling the holder to purchase one Unit of the Company at \$0.12 during the period expiring April 21, 2020, comprised of a share and a warrant exercisable into one share until April 21, 2020 at \$0.20, 114,005 Broker warrants with each warrant entitling the holder to purchase one Unit of the Company at \$0.12 during the period expiring July 14, 2020, comprised of a share and a warrant exercisable into one share until July 14, 2020 at \$0.20.

In connection with the private placement completed in December 2017, 6,047,329 warrants were granted to subscribers of Units, each allowing the holder to purchase one common share at a price of \$0.20 per share until December 15, 2020. In addition, 204,400 Finder warrants were issued, each entitling the holder to purchase one Unit of the Company at \$0.12 during the period expiring December 15, 2020, comprised of a share and a warrant exercisable into one share at a price of \$0.20 per share until December 15, 2020.

In connection with the private placements completed in 2016, a total of 23,075,652 warrants were granted to subscribers of Units, each allowing the holder to purchase one common share at a price of \$0.14 per share, with 8,621,540 of the warrants expiring on June 6, 2019, 2,542,692 of the warrants expiring on August 2, 2019, 6,761,422 of the warrants expiring on September 2, 2019, and the remaining 5,149,998 warrants expiring on September 15, 2019. In addition, in connection with the placement, the Company granted 148,632 finder's warrants, each allowing the holder to purchase one common share at a price of \$0.14 per share, with 99,762 of the warrants expiring on August 2, 2019, and 48,870 of the warrants expiring on September 2, 2019.

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During 2016, 325,000 of the warrants issued in 2016 were exercised.

During 2016, 9,750,000 warrants issued with a private placement in 2014 expired.

*Off-Balance Sheet Arrangements –*  
The Company has no off-balance sheet arrangements.

**Issued and outstanding Shares, Warrants and Stock Options**

As at the date of this Report the following total number of shares, warrants, broker warrants, stock options and shares that could be issued on conversion of loans were issued and outstanding:

	<b>December 31 2017</b>	<b>April 30 2018</b>
Common shares	112,743,129	131,560,151
Warrants	38,670,022	48,238,260
Stock Options	11,725,000	18,700,000
Shares from conversion of Convertible loan	2,500,000	2,500,000
<b>Total</b>	<b>165,638,151</b>	<b>200,998,411</b>

**Three Months Ended December 31, 2017 and 2016**

	<b>Three Months Ended December 31</b>	
	<b>2017</b>	<b>2016</b>
<b>Revenue</b>	\$ 361,269	\$ 176,521
Cost of sales	180,727	89,701
<b>Gross profit</b>	180,542	86,820
<b>Expenses</b>		
Selling, general and administrative	367,238	336,719
Product and software development	29,000	-
Share-based compensation	35,811	12,500
Interest expense	33,326	16,218
Loss on debt settlement	-	54,000
Foreign exchange (gain) loss	(1,474)	8,970
Amortization of property and equipment	(3,959)	(3,887)
Amortization of intangibles	22,546	22,545
	482,488	447,065
<b>Net loss for the period</b>	<b>\$ (301,946)</b>	<b>\$ (360,245)</b>

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*Revenue -*

Revenue of \$361,269 for the three months ended December 31, 2017 was \$184,748, or 104.7% higher than revenue of \$176,521 for the three months ended December 31, 2016.

Revenues from MedX's therapeutic laser products of \$285,895 for the three months ended December 31, 2017 were \$174,315, or 156.2% higher than \$111,580 in the 2016 three-month period. Sales from this product line have been trending positively, and the sales in the last quarter of 2017 were the highest quarterly sales for the product line in number of years. While it is expected that sales will continue to grow, the level of sales by quarter will fluctuate depending on the timing of orders.

Revenues from the Company's SIAscopy product line were \$75,374 for the three months ended December 31, 2017, an increase of \$10,433, or 16.1% over the prior year, and higher than the previous quarter.

*Cost of sales -*

Cost of sales of \$180,727 for the three months ended December 31, 2017 were \$91,026 or 101.5% higher than cost of sales of \$89,701 for the three months ended December 31, 2016, higher as a result of the increase in revenue. Cost of sales as a percent of sales was 50.0% for the fourth quarter of 2017 compared with 50.8% in 2016.

*Gross profit -*

Gross profit for the three months ended December 31, 2017 was \$180,542, a \$93,722 or 107.9% increase from gross profit of \$86,820 for the three months ended December 31, 2016, with the increase resulting from the increase in revenue for the period. The gross margin for the three months ended December 31, 2017 was 50.0% of sales versus 49.2% of sales in the prior year.

*Selling, general and administrative expenses –*

Administrative expenses of \$367,238 for the three months ended December 31, 2017 were \$30,519, or 9.1% higher than \$336,719 for the three months ended December 31, 2016, but were lower than the previous quarter. Expenses relating to regulatory matters were higher for the quarter, but were offset by lower marketing, business development and management compensation costs.

*Product and software development –*

Product and software development expenses of \$29,000 represent expenditures during the three-month period on the development of a new software platform and hardware improvements for the Company's SIAscopy product line that began during 2017. The costs were lower than the previous quarter, as costs related to the first phase of a project were completed.



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*Share-based compensation –*

The expense related to non-cash share-based compensation of \$35,811 for the three months ended December 31, 2017 was \$23,311 higher than the expense recorded in the 2016 period, and represents the costs related to option grants made in 2017, for the options vested during the period. The \$12,500 recorded in the prior year resulted from the allocation of expenses for the options granted in 2014 that vested in 2016.

*Interest –*

Interest expense of \$33,326 for the three months ended December 31, 2017 was \$17,108 higher than interest expense of \$16,218 for the three months ended December 31, 2016. While the principal amount has decreased, and the stated interest rate of the Company's loans are unchanged, interest costs were higher in 2017 as a result of the accreted interest relating to the Company's Convertible loan.

*Foreign exchange (gain) loss –*

The Company reported a foreign exchange gain of \$1,474 for the three months ended December 31, 2017, compared with a loss of \$8,970 in 2016. Gains and losses result primarily from the translation of the US Dollar denominated term loan, and other net payables balances.

*Net loss for the period –*

The net loss and comprehensive loss of \$301,946 for the three months ended December 31, 2017 was \$58,299 lower than the loss of \$360,245 for the three months ended December 31, 2016, resulting primarily from \$93,722 increase in the gross margin from higher sales, offset by the product and software development activities undertaken during the quarter, administrative cost increases and higher non-cash share-based compensation and interest.

**Capital Resources –**

The Company has made only relatively low levels of capital expenditures in the last two years. The Company plans to update the technology in its SIAscopy units and software and provide an environment where it can broaden the distribution of its SIAscopy products to multi-centre outlets, which could involve a significant level of expenditures, which will be undertaken as cash from further financing becomes available.

The Company defines its managed capital as the total of demand loans, long-term debt, convertible debt and shareholders' deficiency including share capital, warrants, equity portion of convertible debt, contributed surplus and deficit. As at December 31, 2017, total managed capital was (\$779,105) (2016 - (\$1,050,812)).

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

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reduce debt, controlling the amount it distributes to shareholders, and making adjustments to its capital expenditure program.

There were no changes in the Company’s approach to capital management during the year ended December 31, 2017. The Company is not subject to externally imposed capital restrictions.

**Summary of Quarterly Results**

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

Quarter Ended	March 31 2016	June 30 2016	September 30 2016	December 31 2016	March 31 2017	June 30 2017	September 30 2017	December 31 2017
Revenues	\$189	\$209	\$243	\$177	\$240	\$237	\$255	\$361
Comprehensive Income/(Loss)	(\$204)	(\$311)	(\$460)	(\$360)	(\$348)	(\$404)	(\$551)	(\$302)
Income (loss) per share	(\$0.00)	(\$0.00)	(\$0.01)	\$0.00	(\$0.00)	(\$0.00)	(\$0.01)	(\$0.00)

As the foregoing schedule indicates, results over the past eight quarters have fluctuated, driven in part by revenues. As the Company is building its revenue through several distribution channels, sales can fluctuate by quarter, depending on the timing of orders. Periods with lower losses have resulted primarily from gains relating to debt settlements or other liability reductions by the Company.

Revenues in the third quarter of 2016 were restated; Revenue and selling general and administrative expenses were each reduced by \$74,100, to be consistent with the current year’s presentation. The loss for the period was unchanged.

**Contractual Obligations**

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

**Significant Accounting Judgments and Estimates**

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

Significant estimates in connection with the consolidated financial statements include the valuation and determination of the useful lives of assets, valuation of share-based compensation, warrants, debt settlements through issuance of shares, receivables and inventory valuation, and the valuation of intangibles of the Company.

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Significant judgments in connection with the consolidated financial statements include going concern and revenue recognition.

**Recent Accounting Pronouncements**

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

**IFRS 9 - Financial Instruments**

IFRS 9, Financial Instruments was issued in final form by the IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets.

Most requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method be used, replacing the multiple impairment methods in IAS 39. IFRS 9 also includes requirements relating to a new hedge accounting model, which represents a substantial overhaul of hedge accounting which will allow entities to better reflect their risk management activities in the financial statements.

The most significant improvements apply to those that hedge non-financial risk, and so these improvements are expected to be of particular interest to non-financial institutions. In addition, a single, forward-looking expected loss impairment model is introduced, which will require more timely recognition of expected credit losses. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. Management is currently assessing the impact of this standard on the consolidated financial statements.

**IFRS 15 - Revenue from Contracts with Customers**

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

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Services. Management is currently assessing the impact of this standard on the consolidated financial statements.

**IFRS 16- Leases**

In January 2016, the IASB issued the final publication of the IFRS 16 Standard, which will supercede the current IAS 17, Leases Standard. IFRS 16 introduces a single accounting model for lessees and for all leases with a term of more than 12 months. A lessee will be required to recognize a right-of-use asset, which represents its right to use that underlying asset and a lease liability, which represents the obligation to make a lease payment. The standard is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted if IFRS 15 has also been applied. Management is currently assessing the impact of this standard on the consolidated financial statements.

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

The carrying value of accounts receivable, accounts payable and accrued liabilities, and demand and term loans approximates fair value due to the relatively short-term maturity of these financial instruments. Given the respective designations, cash is the only financial instrument carried at fair values and has been categorized as level 1 on the fair value hierarchy. Convertible debt was initially recognized at fair value and was categorized as level 2. Subsequent to initial recognition it is carried at amortized cost.

The main risks the Company's financial instruments are exposed to are credit risk, interest rate risk, foreign currency risk and liquidity risk, each of which is discussed below.

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*Credit Risk -*

Credit risk is low with respect to its trade and other receivables. Individual sales are relatively small, are normally to established customers, and often include a deposit for a large portion of the sale or payment in full prior to delivery.

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

*Interest Rate Risk -*

The Company currently has no exposure to risk with respect to interest rate fluctuations, as all of 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. If cash balances are higher than required for immediate requirements, the Company invests with a low risk strategy in secure short-term deposits through major banks to earn interest income.

*Foreign Currency Risk -*

The Company has low exposure to foreign exchange fluctuations with respect to cash, given the low cash balances. There is an impact on net loss from the translation of the accounts receivable and accounts payable balances, and debt denominated in US Dollars as of the end of the period. The company sells its products internationally and incurs costs from international suppliers. As of December 31, 2017, a portion of the Company's accounts receivable, accounts payable and long-term debt were denominated in US Dollars, Euros and British Pounds. A 5% change in the exchange rate of those currencies relative to the Canadian Dollar would impact the net loss by approximately \$8,000.

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

*Liquidity risk -*

Liquidity risk results from an excess of financial liabilities over available financial assets at any point in time. The Company's objective in managing risk is to ensure that it raises the amount of cash required to fund operating losses and to maintain cash to meet its other obligations. In this regard, the Company has had difficulty raising the level of cash required to meet its financial obligations as they have come due and has entered into transactions to settle debts through the issuance of shares. Cash has been raised in 2016, 2017 and subsequent to December 31, 2017, and the Company may be required to raise additional cash to fund its ongoing operating requirements. A portion of the cash raised was in the form of debt, due on a demand basis. The Company is in a position where its liabilities are greater than its assets.

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	12 months	1 to 2 years	2 to 4 years	Total
Accounts payable and accrued liabilities	\$ 1,422,831	\$ -	\$ -	\$ 1,422,831
Demand loans	200,000	-	-	200,000
Long-term debt	146,422	-	-	146,422
Convertible debt	-	500,000	-	500,000
<b>At December 31, 2017</b>	<b>\$ 1,769,253</b>	<b>\$ 500,000</b>	<b>\$ -</b>	<b>\$ 2,269,253</b>
At December 31, 2016	\$ 2,175,359	\$ 89,513	\$ 500,000	\$ 2,764,872

Refer to Notes 8 and 14 of the consolidated financial statements for additional discussions regarding the contractual maturities of financial liabilities.

**Related Party Transactions**

During the year ended December 31, 2017 the Company incurred costs for management and Board compensation of \$313,750 (2016 - \$469,750) under the terms of their compensation arrangements. In addition, \$68,128 of the expense recorded in the year ended December 31, 2017 (2016 - \$13,187) for share-based compensation relates to management. During 2017 certain board members waived amounts earned and payable to them of \$44,250 (2016 - \$nil), and \$170,785 owed to a corporation controlled by a director was repaid through a subscription in one of the private placements.

See notes 8 and 9 of the Company's consolidated financial statements for related party transaction disclosure relating to demand loans, long-term debt and stock option issuances.

Included in accounts payable and accrued liabilities as of December 31, 2017 is \$595,166 (December 31, 2016 - \$890,912) due to officers and directors of the Company.

**Subsequent Events**

On January 17, 2018, at an Annual and Special Meeting of Shareholders, shareholders approved an amendment to the Company's 2014 Incentive Stock Option Plan to increase the number of share available under the plan from 16,400,000 to 21,200,000.

On January 24, 2018, the Company completed a non-brokered private placement with gross proceeds of \$1,658,520 and net proceeds of \$1,588,078. The private placement consisted of the sale of 13,821,000 units (the "Units") at a price of \$0.12 per Unit. Each Unit consisted of one Common share and one Common share purchase warrant ("Warrant"). Each Warrant will be exercisable to acquire one Common share at any time for a period of three years, at an exercise price of \$0.20 per Common Share. A total of 343,260 Finder's Warrants were issued to finders in connection with the placement.

Subsequent to December 31, 2017, \$200,000 of demand loans were repaid.

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Subsequent to December 31, 2017, 4,596,022 warrants were exercised resulting in proceeds of \$666,769. In addition, 400,000 options were exercised, resulting in proceeds of \$40,000.

On April 27, 2018, the Company granted 7,375,000 share options under the Company's Stock Option Plan to members of the Board of Directors, management, employees and consultants, subject to the Policies of and Acceptance by the TSX-V. The options have an exercise price of \$0.25 per share and expire five years from the date of issue.

**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 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 December 31, 2017, MedX has a deficit of \$25,149,541. 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.

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**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 a term loan denominated in US Dollars and also has balances of accounts receivable and accounts 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 an early stage commercial company 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 fluctuations in the value of the Canadian dollar.

**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



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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 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.

**Additional information**

Additional information relating to the Company is available at [www.sedar.com](http://www.sedar.com), and may also be obtained by request to the Company.

**Dated: April 30, 2018**