IMAGING DYNAMICS COMPANY LTD.

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE MONTHS ENDED MARCH 31, 2016

Your Global Medical Imaging Technology Provider

MANAGEMENT'S DISCUSSION AND ANALYSIS ("MD&A")

As at May 30, 2016

General

Imaging Dynamics Company Ltd. (the "Company" or "IDC") is a medical technology Company that has been an innovative force in the fast-growing field of digital radiography ("DR") equipment. IDC offers a family of products, which can be found in many leading medical and healthcare facilities, throughout the world. IDC was founded in May 1995 and maintains its corporate headquarters in Calgary, Alberta, Canada. IDC is a publicly traded company incorporated under the laws of the Province of Alberta. The Company is listed on the Toronto Venture Stock Exchange ("TSXV"), trading under the symbol "IDL".

The Company's technology produces digital diagnostic images. It replaces the need for film and chemical film processing, as well as reduces storage and retrieval costs normally associated with traditional X-ray technology.

The information included in this document should be read in conjunction with the Company's interim unaudited financial statements for the three months ended March 31, 2016 and audited consolidated financial statements for the year ended December 31, 2015 and related notes to the consolidated financial statements. The financial information contained in this document is derived from the Company's consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"). For additional information and details, readers are referred to the quarterly consolidated financial statements and MD&A for the fiscal years 2015 and 2014 all of which are published separately and are available at www.sedar.com. Additional information relating to the Company may be found on the Company's web site: www.imagingdynamics.com.

Advisory regarding Forward-Looking Statements

This MD&A is intended to provide readers with the information that management believes is required to gain an understanding of IDC's current results and to assess the Company's future prospects. This MD&A contains certain forward-looking information (collectively referred to herein as "forward-looking statements") within the meaning of Canadian securities laws. All statements other than statements of historical fact are forward-looking statements. Forward-looking information typically contains statements with words such as "anticipate", "believe", "plan", "continuous", "estimate", "expect", "may", "will", "project", "should", or similar words suggesting future outcomes. In particular, this MD&A may contain forward-looking statements including, but not limited to the following:

- revenues;
- cost of sales;
- sales and marketing expenses;
- general and administration expenses;
- production/manufacturing expenses;
- research and development expenses;
- foreign exchange (gain) loss;
- warranty;
- bad debts;
- amortization;
- inventory;
- accounts receivable;
- short term borrowing;
- sources of funding;
- convertible debentures.

Undue reliance should not be placed on forward-looking statements, which are inherently uncertain, are based on estimates and assumptions, and are subject to known and unknown risks and uncertainties (both general and specific) that contribute to the possibility that the future events or circumstances contemplated by the forward-looking statements will not occur.

There can be no assurance that the plans, intentions or expectations upon which forward-looking statements are based will in fact be realized. Actual results will differ, and the difference may be material and averse to the Company and its shareholders.

Forward-looking statements are based on the Company's current beliefs as well as assumptions made by, and information currently available to, the Company concerning anticipated financial performance, business prospects, strategies, regulatory developments, future demand for digital radiography products, competition, product pricing, cost of goods and external financing options. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

By their very nature, forward-looking statements involve inherent risks and uncertainties (both general and specific) and risks that forward-looking statements will not be achieved. These factors include, but are not limited to: risks associated with competition, financial risks, substantial capital requirements, bank financing, government regulation, environmental, prices, markets and marketing, dependence on key personnel, dependence of key and single source vendors, risks may not be insurable, management of growth, expiration of licenses and patents, seasonality, conflicts of interest, issuance of debt, title to patents and property, variations in foreign exchange rates, and hedging. Readers are cautioned that the foregoing list of factors that may affect future results is not exhaustive.

Certain statements in the MD&A, other than statements of historical fact, may include forward-looking information that involves various risks and uncertainties. These can include, without limitation, statements based on current expectations involving a number of risks and uncertainties related to all aspects of the medical imaging industry. These risks and uncertainties include, but are not restricted to, continued increased demand for the Company's products, the Company's ability to maintain its technological and competitive advantages in the field of digital radiography, the Company's ability to attract and retain key employees, the enforceability of the Company's patents, the Company's ability to raise capital on acceptable terms when needed, and the availability of key components. These uncertainties may cause actual results to differ from information contained herein. There can be no assurance that such statements will prove to be accurate. Actual results and future events could differ materially from those anticipated in such statements. These forward-looking statements are based on the estimates and opinions of Management on the dates they are made and are expressly qualified in their entirety by this notice. The reader is cautioned not to rely on these forward looking statements. The Company will provide appropriate periodic updates to forward-looking statements should circumstances or Management's estimates or estimates or opinions change.

Certain of the forward-looking statements in this MD&A may constitute "financial outlooks" as contemplated by National Instrument 51-102 Disclosure Obligations, including information related to projected revenues, cost of goods, expenses, and sales for 2016, which are provided for the purpose of forecasting the financial position of the Company at the end of the 2016 financial year. Please be advised that the financial outlook in the MD&A may not be appropriate for purposes other than the one stated above.

All dollar amounts are in Canadian Dollars unless otherwise stated.

In this MD&A, we may describe certain income and expense items that are unusual or non-recurring. These terms are not defined by IFRS. Our usage of these terms may vary from the usage adopted by other companies. We provide this detail so that readers have a better understanding of the significant events and transactions that have had an impact on our results. In addition, terms such as income before interest, taxes, depreciation and amortization ("EBITDA") and backlog are not defined by IFRS, and our use of such terms or measurement of such items may vary from that of other companies. Where relevant, and particularly for earnings-based measures, we provide tables in this document that reconcile non-IFRS measures used to amounts reported on the face of the consolidated financial statements.

Executive Summary

Management continues to work on a new strategy to grow the business and work towards profitability.

In the first quarter ended March 31, 2016 the Company completed the issuance of convertible debentures with a face value of $5,750,000. Initial payments of $4,835,000 were received by the Company in the fourth quarter of 2015 with the balance paid in the first quarter of 2016. Further to this transaction, $875,000 of long term debt was extinguished. During 2015, there was a private placement completed, which raised $2 million in a share offering. In total, the Company has raised gross proceeds of $14 million over the past 15 months. These private placements are for expansion of business operations, for working capital purposes, to refinance existing long-term debt and to repay long-term debt outstanding.

Given the vast market potential and to service the Chinese and Asian markets, IDC opened its new subsidiary based in the Shanghai Free Trade Zone to establish an R&D Centre to explore, develop, and market new products. In the first quarter of 2016, IDC opened a marketing office in Beijing that will focus on developing the Asia Pacific market for the Company's products.

Goals and outlook

The unaudited quarterly consolidated financial statements of the Company have been prepared by Management in accordance with IFRS applicable to a going concern, which assumes that the Company will realize the carrying value of its assets and satisfy its obligations as they become due in the normal course of operations.

The executive team, along with the new Board, continues to work on a new strategy to be implemented during 2016 to grow the business and work towards profitable operations. The Company continues to work towards developing new strategic business relationships globally, to look at potential strategic business acquisition opportunities, and to secure new sales. The Company will also work on developing a new medical device business category that is complementary to its business to take advantage of the opportunities in the medical equipment market. IDC has also been working to develop new markets in the rest of the world and to re-organize the existing market.

Liquidity and Capital Resources

The unaudited interim consolidated financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern, which assumes that the Company will realize the carrying value of its assets and satisfy its obligations as they become due in the normal course of operations.

At March 31, 2016, the Company had positive working capital of $6,530,828 (working capital at December 31, 2015 – $2,627,957), negative cash flows from operations of $1,871,965 (year ended December 31, 2015 – negative $2,812,463) and a loss of $1,295,582 (year ended December 31, 2015 – $3,828,253) and deficit at March 31, 2016 of $94,968,947 (December 31, 2015 deficit – $93,673,365).

Working capital increased due to short term debt at December 31, 2015 being refinanced by long term debt with the issue of convertible debentures. The current quarter loss is mainly attributable to establishing of operations in Shanghai, Beijing and reorganization in Calgary.

The ability of the Company to continue as a going concern will depend on attaining a satisfactory revenue level, the generation of cash from operations and the ability to secure additional new financing arrangements and new capital, the outcome of any of these is uncertain.

The Company will continue to seek additional capital through equity markets, debt markets or other innovative financing arrangements, including partnership or licensing arrangements that may be available for continued operations. However, the disclosed uncertainties may cast significant doubt on the Company's ability to continue as a going concern. Although, in the opinion of management, the use of the going concern assumption is appropriate, there can be no assurance that any steps management is taking will be successful. The unaudited consolidated financial statements do not reflect adjustments in the carrying values of the assets and liabilities, revenues, expenses and the balance sheet classifications that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

The Company's cash and cash equivalents totaled $7,568,492 at March 31, 2016, a decrease from the cash balance of $10,128,633 available at December 31, 2015. The decrease is the result of spending funds to establish operations in China and to reorganize the Canadian operations. Funds were used for working capital, fixed asset additions, and overhead.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development and sales of its digital imaging products and medical devices and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes the components of shareholders' equity and the Convertible Debentures.

The Company manages its capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of its underlying assets. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue new debt, acquire or dispose of assets to adjust the amount of cash and cash equivalents.

First Quarter 2016 Highlights

- The Company opened a new marketing office in Beijing. It also signed a lease to move to a new facility in Calgary in May 2016;

- Gross revenues for the first quarter increased by 72 percent to $836,432 compared to $485,385 for the same quarter last year. In the quarter, 70 per cent (2015 – 46 per cent) of sales were in the Asia Pacific region and 30 per cent (2015 - 54 per cent) in the Americas. This reflects a significant increase in the trading business in China;

- Gross margins were for the three months ended March 31, 2016 were $244,194 or 29 per cent compared to 55 per cent if the same quarter of 2015. The decrease is due to an increase in lower margin trading business but offset by the company selling previously written down inventory in Canada;

- Overhead costs (sales, general and administrative, production and manufacturing, and research and development expenses) were $1,242,570, up from $476,441 during the same quarter last year. This increase is due to establishing of operations in China and Canada. In addition, the company has once again begun to increase research and development costs, spending $75,406 in the quarter, an increase of 571% over the same quarter in 2015;

- Net loss for the first quarter ended March 31, 2016 was $1,295,582 compared to net loss of $288,968 for the same quarter last year. The main contributors to this loss were lower gross margins as described above, increased overhead due to setting up and reorganizing the business, and interest costs on the convertible debentures;

- Trade and other receivables increased from $169,637 at December 31, 2015 to $878,926 at March 31, 2016 due to a 72% increase in sales during March and the Company once again granting credit to low credit risk customers;

- Inventory increased from $205,664 at December 31, 2015 to $300,456 due to the lower RMB and expanded product offerings;

- Trade and other payables decreased by $23,062 compared to December 31, 2015. Debenture interest payable increased by $213,191 which was offset by a stronger Canadian dollar for payables denominated in foreign currencies;

- Lease inducements (Long term and Short term) increased by $36,132 from December 31, 2015. This reflects the free rent period negotiated by the company for its Shanghai premises.

- All long term and short term debt was replaced with convertible debentures by March 31, 2016. The total liability for these debentures was $11,326,241 at March 31, 2016 ($5,886,180 December 31, 2015);

Overall Performance

Trade and other receivables

Trade and other receivables increased to $878,926 at the end of March 31, 2016 from $169,637 at December 31, 2015, due to an increase in sales and granting credit to low credit risk customers. The

Company monitors the aging of trade receivables on a regular basis and has established a process to collect overdue trade receivables in a timely and effective manner.

The Company established new procedures for performing credit reviews and analyzes payment history before processing sales on credit. The Company recorded $5,918 of bad debt expense during the first quarter of 2016 and currently has a total allowance for doubtful accounts of $241,185 related to past years which has been netted against trade receivables. The Company is pursuing collection of these doubtful accounts. The following table is a geographic breakdown of the trade and other receivables:

	March 31, 2016	December 31, 2015
Canada	0.0%	15.8%
United States	18.8%	16.4%
Asia Pacific	81.2%	67.8%
Latin America/Europe	0.0%	0.0%

Inventory

Inventory increased to $300,456 at the end of March 31, 2016 from $205,664 at December 31, 2015. This increase was the result of adding inventory that did not require impairment.

Revenues

Three Months Ended March 31,	**2016**	2015
Total revenues	**$ 836,432**	$ 485,385
Percentage growth from prior year quarter	**72%**	22%

Sales in the first quarter of 2016 were higher in the Asia Pacific ($586,776) region compared to the first quarter of 2015 ($220,943). This reflects an increase of focus in China and a significant trading business increase. Sales in the Americas were down quarter over quarter and represented mostly parts and service revenue.

Gross Profit

Three Months Ended March 31,	**2016**	2015
Gross Profit	**$ 244,194**	$ 268,944
Percentage of sales	**29%**	55%

Gross profit for first quarter of 2016 totaled $244,194 on $836,432 of sales for a gross profit percent of 29% versus a gross profit of 55% percent on sales of $485,385 for the same quarter last year.

The gross profit percentage decreased due to the lower margin trading business in China.

Sales, Administration and Research (SAR)

Three Months Ended March 31,	**2016**	2015
Sales and marketing	**$ 1,122,924**	$ 410,681
Percentage of sales	**134%**	85%

SAR consist principally of salaries and other costs associated with the Company's sales force and marketing activities and administration. Marketing expense is in the form of advertising, promotions and trade shows, travel and post-sales support and service for sales and marketing.

The Company continues to focus on sales in the Asia region and is emphazing its strategy to gain new OEM and distribution partners to sell its products globally.

IDC opened a manufacturing facility in Shanghai, China in the fourth quarter of 2015 and a marketing office in Beijing, China in the first quarter of 2016. The administrative costs in the period ended March 31, 2016 added by these new facilities were $433,522 and $238,530 respectively. The rest of the increase was due to the rebuilding of the Calgary head office and business unit. For this quarter IDC has focused on starting up and refocusing its businesses. Included in the above are $75,406 of research costs in quarter 1, 2016. IDC has begun to develop new product offerings.

Production and Manufacturing Expenses

Three Months Ended March 31,	**2016**	2015
Production and manufacturing	**$ 119,646**	$ 65,760
Percentage of sales	**14%**	14%

Production and manufacturing expenses include payroll costs, warehousing, facility costs, logistics and assembly expenses that are not assigned to specific products or components and hence are not included in cost of goods but are disclosed separately as production and manufacturing expenses.

Production and manufacturing expenses for the first quarter of 2016 were up by $53,886 from the $65,760 during the comparative quarter. The expenses are consistent between periods at 14 percent of sales. The increase is mostly related to head count additions in Canada and lease restoration costs at IDC's Calgary's location

Foreign Exchange (Gain) / Loss

Three Months Ended March 31,	2016	2015
Foreign exchange loss/(gain)	**$ 144,637**	$ 40,438
Percentage of sales	**17%**	8%

During the first quarter of 2016, the Company incurred a foreign exchange loss of $144,637 compared to a loss of $40,438 for the same quarter last year. The main reason for the change is the company currently holds significant cash balances in USD and does not have the ability to hedge. The principal currencies to which the Company is exposed are the US dollar and Chinese Renminbi.

Because of the operations in Shanghai and Beijing China, IDC recorded other comprehensive losses of $328,300 resulting from the conversion of the Chinese Reminbi functional currency which devalued versus the Canadian dollar currency since December 31, 2015.

The Company did not enter into any foreign currency forward contracts during the first quarter of 2016 and 2015. The Company endeavors to maintain a natural hedge between receivables and payables denominated in US dollars, but is exposed to a large long position in US dollar cash. The Company is limited in the amount of forward contracts into which it can enter. As at March 31, 2016, the company had no outstanding forward contracts.

Warranty Expense / (Recovery)

Three Months Ended March 31,	2016	2015
Warranty expense / (recovery)	**$ 6,412**	$ 3,615
Percentage of sales	**1%**	1%

An estimate of warranty claims is recognized at the time of sale and a provision is set up on the balance sheet. Cost of parts issued under warranty is adjusted against the warranty provision and on expiry of the warranty period the unused warranty provision is recognized as a warranty recovery on the consolidated statement of operations and comprehensive loss.

The Company has an industry leading warranty inclusion on its proprietary products. The Company reviews its estimate quarterly to determine if an adjustment is necessary.

In the first quarter of both 2016 and 2015 the provision was about 1 per cent of sales. The increase in 2016 is the result of a few warranty services.

Share-based payments

There were no stock option grants in the first quarter. Because stock options immediately vest there were no period costs for stock based compensation recorded in the current quarter.

Bad debts expense

Three months ended March 31,	**2016**	2015
Bad debt expense	**$ 5,918**	$ -
Percentage of sales	**1%**	0%

The Company recorded bad debt expense in the quarter of $5,918 which approximated 1% of sales and is an estimate which reflects its historical experience.

Amortization

Three Months Ended March 31,		**2016**		2015
Amortization	**$**	**19,267**	$	22,624
Percentage of sales		**2%**		5%

During the quarter IDC spent $106,999 on leasehold improvements in Beijing and Shanghai, China. With the set up these new facilities IDC spent $85,998 on office equipment including computers. The increased depreciation on these new assets was offset with depreciation no longer being recorded on older fully depreciated assets.

Interest Expense

Three Months Ended March 31,	2016	2015
Interest expense	**$ 213,191**	$ 14,794
Percentage of sales	**26%**	3%

Interest expense for the first quarter of 2016 was $213,191 compared to interest expense of $14,794 for the same quarter last year. The interest expense for 2016 relates to the interest payable on the convertible debentures. The first payment is due in September 2016.

Net Profit (Loss)

Three Months Ended March 31,	2016	2015
Net loss	**$ (1,295,582)**	$ (288,968)
Percentage of sales	**(155%)**	(60%)

Net loss for the first quarter of 2016 was $1,295,582 or $0.00 per basic and diluted loss per share compared to a net loss of $288,968 or $0.00 per basic and diluted loss per share for the same quarter last year. The net loss for the first quarter ended March 31, 2016 increased by $1,006,614 over the same quarter of 2015 mainly due increased cost of sales, administrative, research expenses and interest incurred in the period.

The Company continues with its objective to improve operations in the year through increased sales and marketing efforts to generate revenues and through the continuing efforts to manage and control operating expenses. Also manufacturing research and development spending has increased to enable the company to provide new product offerings.

Selected Annual Information

	Dec 31, 2015	Dec 31, 2014	Dec 31, 2013
Cash and cash equivalents	$ 10,128,633	$ 265,312	$ 1,254,763
Current assets	10,843,095	1,103,236	2,533,666
Total assets	10,966,954	1,340,084	2,881,500
Total liabilities	14,130,170	3,362,863	3,526,047
Working capital(deficiency)	2,627,957	(2,259,627)	(992,381)
Revenues	2,435,667	2,546,317	2,985,700
Gross profit	541,206	773,044	1,104,742
Gross profit percentage	22.2%	30.4%	37.0%
Expenses before finance costs	4,362,680	2,054,079	2,931,343
Net loss	(3,828,253)	(1,378,232)	(1,961,817)
Net comprehensive loss	(3,736,059)	(1,378,232)	(1,916,817)
Basic and diluted profit (loss) per share	$(0.01)	$(0.01)	$(0.01)
Weighted average shares outstanding	277,850,000*	194,288,356*	140,150,274*

* Adjusted for a 5:1 stock consolidation that occurred on October 18, 2013.

Selected Quarterly Information

The following selected financial data has been extracted from the unaudited interim consolidated financial statements, prepared in accordance with IFRS, for the fiscal periods indicated and should be read in conjunction with those unaudited financial statements.

	Mar 31, 2016	**Dec 31, 2015**	**Sep 30, 2015**	**Jun 30, 2015**
Cash and cash equivalents	7,568,492	$ 10,128,633	$ 6,512,418	$ 762,385
Current assets	9,036,762	10,843,095	7,868,528	1,687,872
Total assets	9,342,656	10,966,954	8,040,170	1,879,482
Total liabilities	13,884,358	14,130,170	8,721,490	2,519,863
Working capital(deficiency)	6,530,828	2,627,957	5,041,564	(831,991)
Revenues	836,432	458,448	874,416	617,418
Gross profit (loss)	244,194	(424,518)	387,798	308,982
Gross profit percentage	29.2%	(92.6)%	44.3%	50.0%
Net loss	(1,295,582)	(2,553,436)	(365,499)	(620,350)
Net comprehensive loss	(1,623,882)	(2,461,242)	(365,499)	(620,350)
Basic and diluted profit (loss) per share	$(0.00)	$(0.01)	$(0.00)	$(0.00)
Weighted average shares outstanding	277,850,000*	277,850,000*	294,288,356*	294,288,356*

* Adjusted for a 5:1 stock consolidation that occurred on October 18, 2013.

	Mar 31, 2015	Dec 31, 2014	Sep 30, 2014	Jun 30, 2014
Cash and cash equivalents	$ 1,453,579	$ 265,312	$ 364,448	$ 421,025
Current assets	2,449,737	1,103,236	1,566,802	1,718,695
Total assets	2,663,971	1,340,084	1,831,286	2,010,814
Total liabilities	2,986,159	3,362,864	3,287,005	3,262,120
Working capital (deficiency)	(536,422)	(2,259,627)	(1,720,203)	(1,543,425)
Revenues	485,385	910,500	521,821	715,584
Gross profit	268,944	22,728	223,028	274,834
Gross profit percentage	55.4%	2.5%	42.7%	38.4%
Net profit (loss)	(288,968)	(567,061)	(204,413)	(238,489)
Net comprehensive income (loss)	(288,968)	(567,061)	(204,413)	(238,489)
Basic and diluted profit (loss) per share	(0.00)	$(0.00)	$(0.00)	$(0.00)
Weighted average shares outstanding	230,955,023	194,288,356*	194,288,356*	194,288,356*

* Adjusted for a 5:1 stock consolidation that occurred on October 18, 2013.

Related Party Transactions

Related party transactions are documented in detail in the financial statements. For March 31, 2016 details of related party transactions see note 18 to the unaudited financial statements for the three months ended March 31, 2016.

The Company is not dependent on transactions with related parties. These transactions are for convenience only and should be not construed to place the Company at any disadvantage.

Off-Balance Sheet Arrangements

At the date of this report, the Company had no off-balance sheet arrangements.

Risk Factors

In the normal course of business, the Corporation’s operations are influenced by a number of internal and external factors and are exposed to risks and uncertainties that can affect its business, financial condition and operating results.

The activities of the Corporation are subject to ongoing operational risks including the performance of key suppliers, product performance, governmental and other industry regulations and reliance on information systems, all of which may affect the ability of the Corporation to meet its obligations. While management believes its innovation and technology make it a leader in the industry, revenue and results may be affected if products are not accepted in the marketplace, are not approved by regulatory authorities, or if products are not brought to market in a timely manner.

a) Impact of Current Economic Environment

The Corporation may experience increased price pressure and other competitive pressures as customers adjust to the current environment. The Corporation also expects that the global economic environment will impact the financial condition of some of the Corporation's customers and suppliers. The Corporation will continue to closely monitor its customers' ability to pay their receivables and monitor the Corporation's suppliers in an effort to ensure consistency of supply. The interruption of supply from a supplier, especially for single sourced components, could have a significant impact on the Corporation's operations and its customers, if the Corporation is unable to deliver finished product in a timely manner.

b) Risks Related to Current Global Financial Markets

The Corporation is subject to counter-party risk and liquidity risk. The Corporation is exposed to various counter-party risks including, but not limited to: (i) through financial institutions that hold the Corporation's cash; (ii) through customers, dealers, distributors and OEM's that have payables to the Corporation; (iii) through the Corporation's insurance providers; (iv) through the Corporation's lenders; and (v) through companies that have received deposits from the company for the future delivery of parts for the company's products. The Corporation is also exposed to liquidity risks in meeting its operating expenditure requirements in instances where cash positions are unable to be maintained or appropriate financing is unavailable. These factors may impact the ability of the Corporation to obtain loans and other credit facilities in the future and, if obtained, on terms favorable to the Corporation. If these increased levels of volatility and market turmoil continue, the Corporation's planned growth could be adversely impacted and the trading price of the Corporation's securities could also be adversely affected.

c) Key Personnel

The Digital Radiography industry involves a high degree of risk, which a combination of experience, knowledge and careful business evaluation may not be able to overcome. The success of the Corporation is dependent on the services of its senior management. The experience of these individuals will be a factor contributing to the Corporation's continued success and growth. The loss of one or more of its key employees could have a material adverse effect on the Corporation's operations and business prospects. In addition, the Corporation's future success will depend in large part on its ability to attract and retain additional highly skilled technical, management, manufacturing, sales and marketing personnel. There can be no assurance that the Corporation will be successful in attracting and retaining such personnel and the failure to do so could have a material adverse effect on the Corporation's business, operating results and financial condition.

The Corporation does not have key man insurance in place in respect of any of its senior officers or personnel.

d) Accounts Receivable, Allowance for Doubtful Accounts & Bad Debts

The Corporation evaluates the collectability of its trade receivables based upon a combination of factors on a periodic basis. When the Corporation becomes aware of a customer's inability to meet its financial obligations to the Corporation (such as in the case of bankruptcy filings or material deterioration in the customer's financial position and payment experience), the Corporation records a specific bad debt provision to reduce the customer's related trade receivable to its estimated net realizable value. If circumstances related to specific customers change, the Corporation's estimates of the recoverability of trade receivables could be further adjusted. It should be noted that the Corporation does not usually sell to the end user and as such has limited recourse in collecting any delinquent balances. In cases where collection is in question; the Corporation may have the ability to remotely disable the equipment in cases where an end user has not paid and has internet connectivity to the system, not provide warranty support or warranty parts to a dealer that has not paid, remove such dealer as a qualified IDC dealer, or take all other recourse available by law.

e) Additional Financing Requirements

The Corporation currently does have the necessary financing in place to support short term operating losses, but would not be able to support sustained operating losses. Historically, the Corporation has financed its operations and investments through the use of funds obtained from share issuances and debt financing. These matters raise significant doubt about the Corporation's ability to continue as a going concern and the appropriateness of the use of accounting principles applicable to a going concern. The Corporation's continuation as a going concern is dependent upon, amongst other things, attaining a satisfactory revenue level, the generation of cash from operations and the ability to secure new financing arrangements and new capital.

The Corporation is considering various alternatives to remedy any future shortfall in capital. The Corporation is looking at various options to raise capital through equity markets, debt markets or other innovative financing arrangements, including partnership or licensing arrangements that may be available for continued operations. There is no assurance this capital will be available and if it is not, the Corporation may be forced to substantially curtail or cease operations. Although in the opinion of Management, the use of the going concern assumption is appropriate, there can be no assurance that any steps Management is taking will be successful.

f) Protection of Intellectual Property

Although the Corporation does not believe that its products infringe the proprietary rights of any third parties, there can be no assurance that infringement or invalidity claims (or claims for indemnification resulting from infringement claims) will not be asserted or prosecuted against the Corporation or that any such assertions or prosecutions will not materially adversely affect the Corporation's business, financial condition or results of operations. Irrespective of the validity or the successful assertion of such claims, the Corporation could incur significant costs and diversion of resources with respect to the defence thereof which could have a material adverse affect on the Corporation's business, financial condition or results of operations. The Corporation's performance and ability to compete are dependent to a significant degree on its proprietary technology. The Corporation relies on its patents and a combination of copyright and trade secret laws, as well as confidentiality agreements and technical measures, to establish and protect its proprietary rights. As part of its confidentiality procedures, the Corporation generally, enters into agreements with its employees and consultants and limits access to and distribution of its documentation and other proprietary information.

Accordingly, while the Corporation will endeavour to protect its intellectual property, there can be no assurance that the steps taken by the Corporation will prevent misappropriation of its technology or that agreements entered into for that purpose will be enforceable. The laws of other countries may afford the Corporation little or no effective protection of its intellectual property. While the Corporation's technology is developed and owned by the Corporation, it may in the future also rely on technology licenses from third parties. There can be no assurance that these third party licences will be, or will continue to be, available to the Corporation on commercially reasonable terms. The loss of, or inability of the Corporation to maintain, any of these technology licences could result in delays in completing its product enhancements and new developments until equivalent technology can be identified, licensed or developed and integrated. Any such delays would materially adversely affect the Corporation's business, financial condition and results of operations.

g) Competition

The Corporation may not be able to compete successfully against current and future competitors, and the competitive pressures the Corporation faces could harm its business and prospects. Broadly speaking, the market for Digital Radiography is approaching maturity and is highly competitive. The level of competition is likely to increase as current competitors improve their product offerings and as new participants enter the market. Many of the Corporation's current and potential competitors have longer operating histories, larger customer bases, greater name and brand recognition, and significantly greater financial, sales, marketing, technical, and other resources than the Corporation. Additionally, these competitors have research and development capabilities that may allow them to develop new or improved products that may compete with products the Corporation markets and distributes. New technologies and the expansion of existing technologies may also increase competitive pressures on the Corporation. Increased competition may result in reduced operating margins as well as loss of market share. This could result in decreased usage of the Corporation's products and may have a material adverse affect on the Corporation's business, financial condition and results of operations.

h) Implementation Delays

Many of the Corporation's customers will be in the initial adopter stage of utilizing the Corporation's products and may encounter delays or other problems in the introduction or implementation of the Corporation's products. A decision not to do so, or a delay in implementation, could result in a delay or loss of related revenue or could otherwise harm the Corporation's business and prospects. The Corporation will not be able to predict when a customer that is in an early adopter use phase will adopt a broader use of the Corporation's products.

i) Developing Markets

The market for the Corporation's products is relatively new in Emerging Markets and continues to evolve in established markets. The adoption and use of the Corporation's products will involve changes in the manner in which medical facilities have traditionally used such products. In some cases, the Corporation's customers will have little experience with products like those offered by the Corporation. The Corporation's ability to influence usage of its products by customers will be limited or non-existent. The Corporation will spend considerable resources educating potential customers about the value of the Corporation's products.

It is difficult to assess, or predict with any assurance, the present and future size of the potential market for the Corporation's products, or its growth rate, if any. Moreover, the Corporation cannot predict whether its products will achieve broad market acceptance. The Corporation's ability to achieve its business objectives also depends upon rapid market acceptance of future enhancements to its products. Any enhancement that is not favorably received by customers may not be profitable and, furthermore, could damage the Corporation's reputation or brand name.

j) Technological Change

The Digital Radiography industry is susceptible to technological advances and the introduction of new products utilizing new technologies. Further, the Digital Radiography industry is also subject to changing industry standards, market trends and customer preferences, and to competitive pressures which can, among other things, necessitate revisions in pricing strategies, price reductions and reduced profit margins. The success of the Corporation will depend on its ability to secure technological superiority in its products and maintain such superiority in the face of new products. While the Corporation believes that its products will be competitive, no assurances can be given that the products of the Corporation will be commercially viable or that further modification or additional products will not be required in order to meet demands or to make changes necessitated by developments made by competitors which might render the products of the Corporation less competitive, less marketable, or even obsolete over time. The future success of the Corporation will be influenced by its ability to continue to develop, or offer new competitive products through OEM relationships.

Although the Corporation is committed to the development of new products and the improvement of its existing products, there can be no assurance that these research and development activities will prove profitable, or that products or improvements resulting there from, if any, will be successfully produced and marketed. The Digital Radiography industry is characterized by technological change, changes in user and customer requirements, new product introductions and new technologies and the emergence of new industry standards and practices that could render the Corporation's technology obsolete or have a negative impact on sales margins the Corporation's product may command. The Corporation's performance will depend, in part, on its ability to enhance its existing products, develop new proprietary technology that addresses the sophisticated and varied needs of its prospective customers and respond to technological advances and emerging industry standards and practices on a timely and cost-effective basis.
The development of technology entails significant technical and business risks. There can be no assurance that the Corporation will be successful in using new technologies effectively or adapting its products to customer requirements or emerging industry standards.

k) Strategic Alliances

The Corporation's growth and marketing strategies are based, in part, on seeking out and forming strategic alliances and working relationships with suppliers and distribution channels. To date, the strategic alliances negotiated by the Corporation have not been exclusive or restricted as to location or technological environment. This strategy has afforded the Corporation the necessary flexibility to broaden its distribution by increasing the number of strategic alliances and working relationships. There can be no assurance that existing strategic alliances and working relationships will not be terminated or modified in the future, nor can there be any assurance that new relationships, if any, will afford the Corporation the same flexibility under which the Corporation currently operates.

l) Resolution of Product Deficiencies

Difficulties in product design, performance and reliability could result in lost revenue, delays in customer acceptance of the Corporation's products and/or lawsuits, and would be detrimental, perhaps materially, to the Corporation's market reputation. Some product deficiencies are typically found during the period immediately following the introduction of new products or enhancements to existing products. Undetected software bugs or product performance problems may be discovered in the future. Moreover, known errors which the Corporation considers minor may be considered serious by its customers. If the Corporation's internal quality assurance testing or customer testing reveals performance issues and/or desirable feature enhancements, the Corporation could postpone the development and release of updates or enhancements to its current products or the release of new products. The Corporation may not be able to successfully complete the development of planned or future products in a timely manner, or to adequately address product defects, which could harm the Corporation's business and prospects. In addition, product deficiencies may expose the Corporation to liability claims, for which the Corporation may not have sufficient liability insurance. A successful law suit against the Corporation could harm its business and financial condition.

m) Management of Growth

The Corporation may be subject to growth-related risks, including capacity constraints and pressure on its internal systems and controls. The Corporation's ability to manage its growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Corporation to deal with this growth could have a material adverse impact on its business, operations and prospects.

While management believes that it will have made the necessary investments in infrastructure to process anticipated volume increases in the short term, the Corporation may experience growth in the number of its employees and the scope of its operating and financial systems, resulting in increased responsibilities for the Corporation's personnel, the hiring of additional personnel and, in general, higher levels of operating expenses.

In order to manage its current operations and any future growth effectively, the Corporation will also need to continue to implement and improve its operational, financial and management information systems and to hire, train, motivate, manage and retain its employees. There can be no assurance that the Corporation will be able to manage such growth effectively, that its management, personnel or systems and will be adequate to support the Corporation's operations.

n) Negative Cash Flow & Absence of Profits

The Corporation has not been able to consistently generate profits and there is no assurance that it will be able to in the future. A significant portion of the Corporation's financial resources will continue to be directed to working capital, the ongoing improvement and development of its products, and channel related marketing activities. There is no assurance that future revenues will be sufficient to generate the required funds to continue business development and marketing activities.

o) Exchange Rate Fluctuations

The Corporation will transact the majority of its sales in US dollars, while a large portion of the Corporation's operating expenses will be in Canadian dollars. Even though the Corporation periodically has hedging programs in place to manage the potential exposure to fluctuations in the US/Canadian dollar exchange rate, fluctuations in the US/Canadian dollar exchange rate will impact the Corporation's earnings and cash flows.

Currently the Corporation is not entering into any hedging programs due to the non-availability of a credit facility with its bank.

p) Expansion into International Markets

The Corporation may choose to invest significant financial and managerial resources to the continued improvement and development of its products. Should it find it necessary to do so, the cost of opening new offices abroad and hiring new personnel for such offices could significantly decrease the Corporation's profitability if such new offices do not generate sufficient additional revenue within the same fiscal period.

A key component of the Corporation's strategy will be to further expand into international markets including Latin America, the Middle East, and South Asia and the Corporation must devote substantial resources to its international operations in order to succeed in these markets. In this regard, the Corporation may encounter difficulties such as: (i) unexpected changes in regulatory requirements and trade barriers applicable to the Corporation's business; (ii) challenges in staffing and managing foreign operations, including employment laws and practices in jurisdictions with different legal systems; (iii) seasonal reductions in business activity and economic downturns; (iv) longer payment cycles and problems in collecting accounts receivable; (v) different technology standards; and (vi) reduced protection for intellectual property rights in certain countries in which the Corporation may operate. In addition, the Corporation's focus on international markets subjects it to fluctuations in currency exchange rates and, depending on the jurisdiction, foreign currency exchange laws. Any of the foregoing difficulties of conducting business internationally could harm the Corporation's international operations and, consequently, its business and prospects.

q) Dependence on Third Party Suppliers

The Corporation has established relationships with certain third party suppliers upon whom it presently relies to provide certain key materials and components for completion of its products. In the event of the inability of these third parties to supply those materials and components in a timely manner or to supply materials and components that continue to meet the Corporation's quality, quantity or cost requirements, the Corporation will be required to purchase these materials and components from another supplier. If another supplier cannot be found who can supply the materials and components in a timely manner or that meet the Corporation's quality, quantity or cost requirements, then the Corporation's ability to manufacture its products will be negatively impacted.

Accounting standards issued but not yet adopted

IAS 7 *Statement of Cash Flows*. In January 2016, the IASB issued Disclosure Initiative – Amendments to IAS 7 Statement of Cash Flows, which require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. This standard is effective for annual periods beginning on or after January 1, 2017. Early adoption is permitted and entities can apply this amendment prospectively.

IAS 12 - *Income Taxes.* In January 2016, the IASB issued amendments to IAS 12 Income Taxes, clarifying the accounting for deferred tax assets for unrealized losses. Entities must consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Guidance is also provided on how to determine future taxable profits and explains the circumstances whereby taxable profit may include the recovery of some assets for more than their carrying amount. This standard is effective for periods beginning on or after January 1, 2017. Early adoption of the standard is permitted.

IFRS 9 – *Financial Instruments* ("IFRS 9") was issued by the IASB on December 16, 2011 and will replace the IAS 39 – *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 replaces the multiple rules in IAS 39 with a single approach to determine whether a financial asset is measured at amortized cost or fair value and a new mixed measurement model for debt instruments having two categories: amortized cost and fair value.

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 asset. IFRS 9 also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. This standard is mandatorily effective from January 1, 2018, with earlier application permitted.

IFRS15 – *Revenue from Contracts and Customers* ("IFRS 15") was issued by the IASB on May 28, 2014, and will replace IAS 18 – *Revenue*, IAS 11 – *Construction Contracts*, and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control based approach to recognize revenue which is a change from the risk and reward approach under the current standard. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for annual periods beginning on or after January 1, 2018.

IFRS 16 – *Leases* - On January 13, 2016, the IASB issued the final version of IFRS 16 *Leases*. The new standard will replace IAS 17 *Leases* and is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that also apply IFRS 15 Revenue from Contracts with Customers. IFRS 16 eliminates the classification of leases as either operating leases or finance leases for a lessee. Instead all leases are treated in a similar way to finance leases applying IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases (i.e. leases of 12 months or less) and leases of low-value assets.

The Company is currently assessing the impact of the new standards on its consolidated financial statements but does not anticipate the standards having a significant impact on the Company's consolidated financial statements.

Evaluation of Effectiveness of Disclosure Controls and Procedures (“DC&P”)

The Company’s Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, DC&P to provide reasonable assurance that: (i) material information relating to the Company is made known to the Company’s Chief Executive Officer and Chief Financial Officer by others, particularly during the period in which the annual and interim filings are being prepared; and (ii) information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time period specified in securities legislation.

Such officers have evaluated, or caused to be evaluated under their supervision, the effectiveness of the Company’s disclosure controls and procedures at the financial year end of the Company and have concluded that the Company’s disclosure controls and procedures are effective except as disclosed below under Internal Controls over Financial Reporting at the financial year end of the Company.

In reaching this conclusion, the Company recognizes that the two key factors must be and are present:

1. The Company is very dependent upon its advisors and consultants (principally its legal counsel) to assist in recognizing, interpreting, understanding and complying with the various securities regulations disclosure requirements; and

2. A pro-active Board and management with open lines of communications.

The Company has a small staff with varying degrees of knowledge concerning the various regulatory disclosure requirements. In many circumstances, the various regulatory requirements are relatively new, subject to interpretation, and can be complex. The Company augments staff knowledge and expertise when required by hiring consultants to assist.

Proper disclosure necessitates that a person not only be aware of the pertinent disclosure requirements, but must also be sufficiently involved in the affairs of the Company and/or receives the communication of information to assess any necessary disclosure requirements. Accordingly, it is essential that there be proper communication among those people who manage and govern the affairs of the Company, this being the Board of Directors and senior management. The Company believes this communication exists.

While the Company believes it has adequate DC&P in place, lapses in the disclosure controls and procedures could occur and/or mistakes could happen. Should such occur, the Company intends to take whatever steps it deems necessary to minimize the consequences thereof.

Internal Controls Over Financial Reporting (“ICFR”)

The Company’s Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed, under their supervision ICFR that provide reasonable assurance regarding the reliability of the Company’s financial reporting and the preparation of financial statements for external purposes in accordance with the IFRS.

The Company has conducted a review and evaluation of its ICFR, with the conclusion that as at December 31, 2015, the Company’s system of ICFR as defined under NI 52-109 is adequately designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The control framework the Company used to design and evaluate its ICFR was COSO.

In its evaluation, the Company identified certain material weaknesses in internal controls over financial reporting:

1. Due to the limited number of staff at the Company, it is not feasible to achieve the complete segregation of incompatible duties; and

2. Threat of management override and self review.

The Company believes these weaknesses are mitigated by: (i) the active involvement of senior management and the Board of Directors in the affairs of the Company; (ii) open lines of communication within the Company; (iii) the present levels of activities and transactions within the Company being readily transparent; (iv) the thorough review of the Company's financial statements by Management and the Board of Directors; (v) the establishment of a whistle-blower policy; and the (vi) the appointment of separate professional individuals to fulfill the roles of Chief Executive Officer and Chief Financial Officer.

However, these mitigating factors will not necessarily prevent a material mis-statement occurring as a result of the aforesaid weaknesses in the Company's internal controls over financial reporting. A system of internal controls over financial reporting, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the internal controls over financial reporting are met. The Company has no immediate plans for remediating the above weaknesses.

Internal Control Changes

The Company is required to disclose herein any change in the Company's ICFR that occurred during the fiscal period ended March 31, 2016 that has materially affected, or is reasonably likely to materially affect the Company's ICFR. No material changes in the Company's ICFR were identified during such period that has materially affected, or are reasonably likely to materially affect, the Company's ICFR.