LED MEDICAL DIAGNOSTICS INC.

2017 Annual Report

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Chief Executive Officer Letter

Dear Fellow Shareholders,

Our acquisition of Apteryx, Inc. (Apteryx) in early 2017 allowed us to execute on our vision of strengthening our overall market position by expanding our product offerings, broadening our IP portfolio and increasing the size of our customer base. This has helped us achieve stronger financial results over the prior year and sets us up for even more growth for years to come.

Highlights from 2017 include:

- Acquisition of Apteryx, bringing us an enhanced Software as a Service (SaaS) recurring revenue business model
- New customer wins, including significant Dental Service Organizations (DSOs)
- Cross-selling to existing clients and new pipeline of Apteryx customers
- Revenue increase of 25% for the full year 2017 over 2016
- Gross margin improvement of more than 100% to 56% for 2017 vs. 24% for 2016
- EBITDA improvement of more than US$3 million
- Reduced net loss by nearly US$3 million

The premier asset of our acquired software is XVWeb®, the dental industry's first affordable cloud-based SaaS imaging module. We believe that we are at the leading edge of new adoption and market trends, such as the expanding market presence of DSOs. As well an increasing number of cloud practice management offerings in the market to partner with will facilitate more subscription-based recurring revenue for our business. Subscription revenue from these new XVWeb® customer acquisitions combined with the roll out of a new Maintenance & Support customer program in the summer of 2017 will continue to provide the Company with a growing stream of recurring revenue as a more significant portion of our total business – while achieving our desired product mix.

Apteryx revenues have historically been driven by a one-time perpetual software license sales model. Now Apteryx revenues have largely been positioned to move to a subscription software revenue model for our XVWeb®. We anticipate Apteryx's recurring revenue streams to grow both organically as well as through the SaaS agreement signed recently with a large, North American provider of dental software. SaaS agreements allow for greater market penetration and awareness for our products and services and are an important step in our vision of leading the industry toward the rapid adoption of cloud imaging technologies. This June we plan to release XVWeb® 3D, the first add-on module for XVWeb®, which will provide cloud support for 3D image DICOM and STL data. XVWeb® 3D will be offered to all current XVWeb® customers.

2017 Financial Highlights

Net revenue for the year ended December 31, 2017 was US$12,688,752, which is an increase of 25% from the year ended December 31, 2016. This revenue increase was primarily due to the acquisition of Apteryx and adding the software business to the Company's product line. Gross margin for 2017 increased by over 100% to 56% versus a gross margin of 24% for 2016. 2017 EBITDA from operations (net of acquisition costs) was (US$1.3 million) compared to EBITDA of (US$4.5 million) in 2016. EBITDA was reduced by a US$365,000 non-cash expense related to the Apteryx acquisition recorded in the fourth quarter. Our new product mix is the primary reason for the improved margin and improved EBITDA.

The net loss for the year ended December 31, 2017 was US$2,495,015 compared to the net loss for the year ended December 31, 2016 of US$5,373,273. The decrease in net loss is mainly attributable to higher margin Apteryx software products.

Cash flow used in operations was US$4,432,082 during the year ended December 31, 2017 compared to cash flow used in operations of US$2,449,563 during the year ended December 31, 2016. Inflows from financing for the year ended December 31, 2017 of US$12,791,305 were higher as compared to US$1,457,079 of cash inflows from the financing activities for the year ended December 31, 2016. The cash outflows from investing activities of US$6,547,642 relates largely to the cash consideration on the purchase of Apteryx, Inc.

The Company had cash of US$2,425,468 and Net Working Capital deficit of US$1,221,176 as of December 31, 2017. Net Working Capital is defined as total current assets less total current liabilities.

2018 Status Update:

XVWeb® is the dental industry's first affordable cloud-based SaaS imaging module which we expect will add high value revenue to our business. It is also key to our strategy of becoming a lead imaging provider in the rapidly expanding niche of Dental Service Organizations, and to the US military dental command. We remain focused on our core proprietary dental imaging and imaging device business including, Tuxedo sensor and VELscope®VX sales, while growing recurring revenue streams through subscription software sales, software maintenance and support, VELcare, and VELscope® disposable sales.

The Company's objectives for the balance of 2018 are:

- Targeted growth of recurring and repeatable revenue streams from software subscription, maintenance and support, VELscope® consumable products and VELcare services via traditional sales/marketing activities and strategic partnering opportunities;
- XVWeb® SaaS customer acquisition campaign to DSO customers and expansion of our reseller partnering program with practice management software partners;
- Launch of additional XVWeb® modules, starting with XVWeb® 3D;
- Continued growth of customer base by entering US Federal Government market segment through a General Services Agency contract award to more efficiently sell LED/Apteryx products and services to federal government dental prospects;
- Implement operating expense reductions and improve the balance sheet, including reducing the cost of capital as we refinance our debt over time at lower rates to support the execution of our plan; and
- Reduced reliance on sale and support of 3rd party distributed imaging device products.

I look forward to our long-term success as we continue to invest in and grow our business.

Thank you for your interest in our company, our products, and our services.

Sincerely,

Dr. David Gane
Chief Executive Officer
April 27, 2018

Please refer to the risk factors and forward-looking statements included in the Company's Management's Discussion & Analysis for the year ended December 31, 2017 and for the three months ended December 31, 2017, respectively, filed by the Company on Sedar.

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis ("MD&A") has been prepared by management, in accordance with the requirements of National Instrument 51-102 *Continuous Disclosure Obligations* as of April 27, 2018 and should be read in conjunction with the audited consolidated financial statements and related notes of LED Medical Diagnostics Inc. ("LED" or the "Company") as at and for the three and twelve months ended December 31, 2017 (prepared in accordance with International Financial Reporting Standards or "IFRS"). All amounts are presented in United States dollars unless otherwise noted. All referenced materials as well as additional disclosures, including the Company's Annual Information Form ("AIF"), are available on SEDAR at www.sedar.com.

DISCLAIMER FOR FORWARD-LOOKING STATEMENTS

The following Management's Discussion and Analysis contains statements, which, to the extent that they are not recitations of historical fact, may constitute forward-looking information under applicable Canadian securities legislation. Such forward-looking statements or information includes financial and other projections as well as statements regarding the Company's future plans, objectives, performance, revenue, growth, profits, operating expenses or the Company's underlying assumptions and the Company's intention to expand its technology beyond dental applications including "costs of production", "capital expenditures", "costs and timing of the development of new products", "hedging practices", "currency exchange rate fluctuations", "requirements for additional capital", "government regulation of medical device operations" and "insurance coverage". Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "believes" or variations of such words and phrases or statements that certain actions, events or results "may", "would", "could", "might" or "will be taken", "occur" or "be achieved" or the negative connotation thereof. Persons reading this Management's Discussion and Analysis are cautioned that such statements or information are only predictions, and that the Company's actual future results or performance may be materially different. Factors that could cause actual events or results to differ materially from those suggested by these forward-looking statements include, but are not limited to: economic conditions; dilution; limited history of profits and operations; operational risk; distributor risks; working capital; potential conflicts of interest; speculative investment; intellectual property risks; disruptions in production; reliance on key personnel; seasonality; management's estimates; development of new customers and products risks; stock price volatility risk; sales and marketing risk; competitors and competition risk; regulatory requirements; reliance on few suppliers; reliance on subcontractors; operating cost and quarterly results fluctuations; fluctuations in exchange rates; product liability and medical malpractice claims; access to credit and additional financing; taxation; market acceptance of the Company's products and services; customer and industry analyst perception of the Company and its technology vision and future prospects; technological change, new products and standards; risks related to acquisitions and international expansion; reliance on large customers; concentration of sales; international operations and sales; management of growth and expansion; dependence upon key personnel and hiring; the Company not adequately protecting its intellectual property; risks related to product defects and product liability; reliance on third party suppliers; future working capital investments in accounts receivable and inventory; credit terms from suppliers; and including, but not limited to, other factors described in the Company's reports filed on SEDAR, including its financial statements and this Management's Discussion and Analysis. In drawing a conclusion or making a forecast or projection set out in the forward-looking information, the Company takes into account the following material factors and assumptions in addition to the above factors: the Company's ability to execute on its business plan; the acceptance of the Company's products and services by its customers; the timing of execution of outstanding or potential customer contracts by the Company; the sales opportunities available to the Company; the Company's subjective assessment of the likelihood of success of a sales lead or opportunity; the Company's historic ability to generate sales leads or opportunities; and that sales will be completed at or above the Company's estimated margins. This list is not exhaustive of the factors that may affect the Company's forward-looking information. These and other factors should be considered carefully and readers should not place undue reliance on such forward-looking information. All forward-looking statements made in this Management's Discussion and Analysis is qualified by this cautionary statement and there can be no assurance those actual results or developments anticipated by the Company will be realized. The Company disclaims any intention or obligation to update or revise forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

OVERVIEW

LED was incorporated under the BCBCA on July 17, 2002 as 651192 B.C. Ltd. and changed its name to LED Medical Diagnostics Inc. on November 6, 2003. LED's head office is located at 580 Hornby Street, Unit 810, Vancouver, B.C. V6C 3B6. LED's registered and records office is located at 2500 – 700 West Georgia Street, Vancouver, B.C. V7Y 1B3. The Company is listed on the TSX Venture Exchange (TSX-V) under the trading symbol LMD.

As of the date of this report, LED has four wholly-owned subsidiaries, LED Dental (US) Ltd., which was incorporated on August 3, 2006 under the laws of Washington state, LED Dental Inc., which was incorporated on January 18, 2006 under the BCBCA, Essentia Genetics Corp., which was incorporated under the BCBCA on January 14, 2014 and Apteryx Inc. acquired on February 10, 2017 was incorporated under the laws of Ohio state.

General Development of the Business

LED's first product, the VELscope®, a patented hand held medical device for the early discovery of oral mucosal lesions has experienced wide spread adoption in the North American dental market and is the global market leader in this product category. In 2014, the Company established its US based operations in Atlanta, Georgia and began expansion and diversification of its imaging device portfolio with the launch of the Tuxedo intraoral digital sensor and through distribution agreements with select imaging device manufacturers including RAY America, the RAYSCAN extra oral radiographic imaging product line. In February 2017, LED acquired Apteryx Inc., an Ohio based dental imaging software company. Since the Apteryx acquisition LED has taken significant and progressive steps towards establishing itself as a leader in the development, sales and support imaging devices as well as dental imaging software including its XVWeb® software as a service (SaaS) product.

Description of the Business

LED has grown from a pre-commercial research and product development company to a niche software and technology solution provider for dentists and oral health care specialists. The Company's product portfolio is centered on a family of patented, open architected software applications which includes XVWeb® cloud based imaging software as a service, the Tuxedo intraoral digital radiographic sensor, the VELscope® oral assessment device and additional distributed imaging devices including the RAYSCAN line of extraoral imaging systems. The customer base of the Company's initial VELscope® product, along with the newly acquired customers from the February 2017 Apteryx acquisition provides a predictable pipeline and growth platform for lead generation for its imaging device and software business.

LED's sales and marketing is directed primarily within the North American market and is focused towards corporately owned group practices known as Dental Support Organizations (DSOs), government dental clinics and individual dental practices. LED markets its products and services, in conjunction with its distribution and general goodwill partners, both directly and through select dental distributor / resellers to its target market of end user dental professionals. Marketing activities include direct mail/e-mail campaigns, advertising in industry journals and trade magazines, the publication of white papers and posting on social media, multiple unrelated offsite activities at locations including the company's web sites, personal onsite office visits and inbound and outbound telephone calls. In limited cases, direct marketing activities are oriented towards convincing dental practitioners to attend an educational seminar, webinar or trade show event in which LED is a sponsor or participant.

LED believes that because of recent evolutions to its VELscope® device to include the iPod touch and the addition of the Apteryx software portfolio which can be localized to different languages, that LED has potential for continued expansion into international markets. LED also has had recent success in establishing indirect and direct partnerships with large dental distributors and other organizations and networks that provide goodwill marketing for the Company and its products at offsite locations. This is a cost-effective strategy that the company will look to continue in the future.

In February 2017, the Company acquired Apteryx Inc. providing the Company with a significant new base of customers, an expanded and strengthened IP portfolio, research and development software capabilities and a suite of patented digital imaging software. XVWeb®, XrayVision®, XVlite®, and DataGrabber represent Enterprise, Client Server and Software as a Service (SaaS) versions of the Apteryx Imaging portfolio. Once installed at a customer's site, Apteryx software allows the practice to interface with and deploy image acquisition devices from a wide range of hardware manufacturers. Through its data grabber and name grabber patented software utilities the software provides integration to most dental practice management software solutions. Apteryx's "open architecture" approach is unique in the dental industry where most competitive systems are "closed" proprietary systems. Apteryx competitive advantage of open compatibility with competitive imaging devices and integration with existing dental practice software which allows a practice to continue to use their existing imaging devices while enabling the addition of LED imaging device solutions which are optimized for Apteryx software allowing LED to successfully compete for the imaging device sales once Apteryx is installed at a customer's site. The ability to integrate with a wide range of devices and practice management software systems creates natural pull through on sales capabilities.

XVWeb® is a cloud based dental imaging software as a service (SaaS) solution that allows an individual practice or organization to capture and view their patient images securely from most web-enabled devices. Designed to work with existing imaging applications via secure TLS DICOM, XVWeb® allows the customer to store and retrieve images from a webpage or any DICOM-compatible imaging program over a secure connection. XVWeb® allows the entire imaging database to be securely accessible via any web-connected device including smart phone or tablet. XVWeb® allows our customers to scale down the size and expense of onsite servers, reducing hardware and IT maintenance costs by utilizing XVWeb® and cloud resources.

In addition, most 3rd party practice management systems can be bridged to XVWeb®, and many, communicate directly and seamlessly with XVWeb® as an embedded service for clinical image management, processing and analysis. Apteryx software products facilitate our customers and prospects transition to a complete digital imaging workflow via the provision of image capture, analysis, storage, data conversion and sharing functionalities.

The acquisition of Apteryx has strengthened the Company providing many unique synergies to its core business which we expect will result in a financially stronger and more diversified Company with less reliance on VELscope sales or sales of lower margin distributed devices. Currently Apteryx revenues are primarily from the sale of perpetual software licenses, software support services and a growing stream of recurring revenue from XVWeb® subscription software services to its customers. XVWeb® software platform add on subscription modules will follow, the first of which is XVWeb® 3D which will support 3D Cone Beam Computed Tomography (CBCT) and Stereolithography (STL) data sets. XVWeb® 3D has a planned release date of June 2018 and will be offered to all current XVWeb® customers.

The core of the digital imaging device line is the TUXEDO intraoral digital sensor used for acquiring low dose intra-oral radiographs. The Tuxedo sensor is optimized for use with Apteryx x\software as is the RAYSCAN α digital extra oral imaging device, which comes in panoramic, cephalometric and Cone Beam Computed Technology (CBCT) varieties, Market penetration of CBCT machines continues to expand through the general and dental specialty markets, allowing practitioners to visualize the patient radiographically in all three dimensions to better diagnose, treatment plan and treat their patients for specific dental treatments such as dental implant, orthodontic and orthognathic procedures, and intraoral cameras round out the imaging device portfolio.

The VELscope® was initially launched in 2006 with the VELscope® Vantage, and, in 2011, the VELscope®Vx. The VELscope®Vx is portable, rechargeable, and significantly more affordable than previous models. Its increased functionality and lower production costs improve LED's prospects as it expands into more countries and other healthcare markets. The VELscope® Vx hand piece emits a safe blue light into the oral cavity, which excites the tissue from the surface of the epithelium through to the basement membrane (where premalignant changes typically start) and into the stroma beneath, causing it to fluoresce. The clinician is then able to immediately view the fluorescence response to help detect abnormal tissue. The VELscope® has peer-reviewed clinical studies that support its use in helping discover occult oral disease. The services of LED and its partners are directed toward developing a professional outreach program with key university–based oral pathology, oral surgery, and oral medicine leaders worldwide to assist healthcare providers as the need arises. LED is positioned to facilitate the dissemination of new findings that address early detection based on fluorescence and other technologies. Currently over 50% of US dental colleges own at least one VELscope®. LED has sold over 15,000 VELscope devices since initial launch and supplies its VELscope customers with disposable VELcaps and VELcare customer support programs.

Products and Intellectual Property

LED's focus is on accelerating growth through its proprietary and patented products and technologies and aggregating a comprehensive imaging product portfolio in which intellectual property and barrier to entry are a central focus. LED has sought patent protection for its projects by filing one or more patent applications for each aspect of a device, system or method, that LED believes is both patentable and that justifies the costs of patent protection. LED intends to protect future developments in the same manner. LED maintains certain of its intellectual property as trade secrets. LED also has pursued and intends to pursue trademark, copyright and other intellectual property protection as it believes is warranted. Currently LED has over 30 US and foreign patents.

FORWARD-LOOKING COMPANY OBJECTIVES

The Company's objectives for the balance of 2018 are to grow EBITDA, net income and free cash flow by:

- Targeted growth of existing recurring and repeatable revenue streams from software subscription and maintenance and support, VELscope consumable products and VELcare services via traditional sales/marketing activities and strategic partnering opportunities
- XVWeb® SaaS customer acquisition campaign via traditional sales/marketing activities and strategic partnering opportunities for our software and imaging device offerings
- Expand XVWeb reseller partner program focused on partners that sell dental practice management solutions
- Launch of additional XVWeb modules, starting with XVWeb® 3D with June 2018 launch date.
- Continued growth of customer base and lead pipeline in the DSO space and in the government space through General Services Agency contract award to more efficiently sell LED/Apteryx products and services to federal government agencies
- Reduced focus on sale and support of 3rd party distributed imaging device products.
- Executing on operating expense reductions and operational optimizations made available by the evolving business

SIGNIFICANT EVENTS

- On November 30, 2017, the Company consolidated its common shares on a 10 for 1 basis. Upon completion of the consolidation LED had 37,914,636 shares issued and outstanding, reduced from 379,146,372. As a result, all common share, warrant and option information presented below has been retroactively adjusted on a 10 to 1 basis.
- On February 10, 2017, the Company acquired 100% of the common shares of Apteryx, Inc ("Apteryx") for aggregate consideration of US$10.7 million. The Company paid US$6.987 million in cash and issued 3,385,840 common shares of the company to the seller at CDN$0.80 representing US$2.1 million of value. An additional US$1.2 million of the purchase price will be paid in cash in tranches over 18 months. The final payment of US$450,000 will be paid in common shares of the Company or in cash at the Company's option, 24 months from closing.
- On February 10, 2017, the Company closed a series of financings related to the acquisition for gross proceeds of approximately CDN$14.4 million. The Company completed a private placement of 22,071,154 equity units of the Company (the "Equity Units") for gross proceeds of approximately CDN$13.2 million (US$10.1 million). The Equity Units were priced at CDN$0.60 per Equity Unit, each consisting of one common share and one-half of one common share purchase warrant, with each whole warrant being exercisable for a period of 24 months into one common share of LED at a price of CDN$1.00 per common share. Additionally, the Company issued 1,326,286 finder's warrants (the "Finders' Warrants") to an arm's length finder The Company also issued senior secured debentures with a principal amount of CDN$1,150,000 (US$ 875,857) maturing 24 months from the closing date. The debenture is attached with a 12% coupon and 244,375 common shares of the Company. The Company also issued 35,200 Finders' Warrants to an arm's length finder relating to the debentures.
- On March 8, 2017, the Company announced that a new X-ray imaging patent was issued to LED subsidiary Apteryx, Inc.
- On July 7, 2017, the Company agreed with the holder of its previously issued 13% senior secured debenture in the principal amount of CDN$385,000 issued July 2016 (the "2016 Debentures") to amend the 2016 debentures by extending the terms until February 10, 2019 and decreasing the interest rate from 13% to 12%. As consideration for such amendments to the 2016 Debentures, LED issued 39,167 common shares of the Company to the holders of the 2016 Debentures.

- On September 18, 2017, American Dental Partners selected LED Medical Diagnostics Inc's subsidiary Apteryx as their provider for cloud dental imaging software technologies. American Dental Partners will transition their entire network--nearly 300 US-based dental and specialty practices--to Apteryx's XVWeb cloud imaging technology within the next 12 months.
- On October 2, 2017, Dental Care Alliance Selected LED Medical Diagnostics as Preferred Imaging Technology Providers for dental imaging devices and software technologies. DCA is one of the United States' largest and oldest dental support organizations, with 265 affiliated practices across all dental specialties in 13 states.
- October 30, 2017, the Company issued senior secured debentures with a principle amount of CDN$2,500,000 (US$1,938,690), maturing 24 months from the closing date. The debenture is attached with a 12% coupon and 531,250 common shares of the Company. The Company also issued 88,800 finders' warrants to arm's length finder relating to the debenture.

Financial Highlights

- Net revenue for the year ended December 31, 2017 was $12,688,752, which is an increase of 25% from the year ended December 31, 2016. This revenue increase was primarily due to the acquisition of Apteryx and adding the software business to the Company's product line.

- Gross Margin for the year ended December 31, 2017 was $7,168,702 or 56% compared to the year ended December 31, 2016 of $2,478,766 or 24%. The increase in gross margin percentage is due to the addition of higher margin Apteryx software sales.

- Expenses (excluding stock-based compensation and depreciation and amortization) increased 25% due to the addition of Apteryx which resulted in an increase in research and development expenses and administrative costs such as professional fees, rent, and utilities.

- The net loss for the year ended December 31, 2017 was $2,495,015 compared to the net loss for the year ended December 31, 2016 of $5,373,273. The decrease in net loss is mainly attributable to higher margin Apteryx software products.

- Cash flow used in operations was $4,432,082 during the year ended December 31, 2017 compared to cash flow used in operations of $2,449,563 during the twelve months ended December 31, 2016. There were inflows from financing for the year ended December 31, 2017 of $12,791,305 as compared to $1,457,079 of cash inflows from the financing activities for the year ended December 31, 2016. The cash outflows from investing activities of $6,547,642 relates largely to the cash consideration on the purchase of Apteryx, Inc.

- The Company had cash of $2,425,468 and Net Working Capital deficit of $1,221,176 as of December 31, 2017. Net Working Capital is defined as total current assets less total current liabilities.

SELECTED QUARTERLY INFORMATION

The information in the tables below has been derived from the Company's unaudited interim condensed consolidated financial statements. The Company's quarterly operating results have varied substantially in the past and may vary substantially in the future. Accordingly, the information below is not necessarily indicative of results for any future quarter.

(in US$ '000's)	**December 31, 2017**	**September 30, 2017**	**June 30, 2017**	**March 31, 2017**	**December 31, 2016**	**September 30, 2016**	**June 30, 2016**	**March 31, 2016**
Cash	$ 2,425	$ 1,120	$1,509	$ 2,905	$ 874	$ 341	$ 364	$ 1,185
Working Capital	(1,221)	(1,522)	(893)	(59)	(2,109)	(2,857)	(1,999)	(1,045)
Total Assets	14,857	14,093	14,378	15,094	2,669	2,857	3,307	7,178
Long-term financial liabilities	5,602	4,885	4,191	6,291	2,047	(80)	77	85
Shareholders' equity/(deficiency)	2,818	3,924	5,268	4,145	(3,887)	(2,598)	(1,744)	(702)

Historically, being in the dental supply industry and due to the timing of trade shows and client spending patterns, the Company's business has been seasonal in nature, with the fourth quarter typically representing the largest portion of annual sales and annual net earnings. Management expects such seasonality to be less of a factor going forward as with the addition of Apteryx product line, focusing on a recurring revenue model as well as selling to the DSO market and government agencies.

(in US$ '000's, except earnings per share)	**December 31, 2017**	**September 30, 2017**	**June 30, 2017**	**March 31, 2017**	**December 31, 2016**	**September 30, 2016**	**June 30, 2016**	**March 31, 2016**
Revenues	$ 3,694	$ 3,192	$3,704	$ 2,098	$ 1,865	$ 2,489	$ 3,661	$ 2,153
Cost of goods sold	1,725	1,115	1,610	1,069	1,610	1,872	2,590	1,617
Gross margin	1,968	2,077	2,094	1,029	255	617	1,071	536
Expenses:								
Sales and marketing	1,574	1,194	1,104	983	776	988	1,436	1,555
Research and development	332	297	249	162	26	37	20	50
Administration	868	760	737	570	608	423	502	617
Operating Income (loss)	(806)	(174)	4	(685)	(1,155)	(831)	(887)	(1,686)
Other (income) expenses	59	(1,274)	(901)	402	228	(24)	196	366
Income tax expense	0	0	0	0	0	0	0	0
Net income (loss)	(865)	(1,448)	905	(1,087)	(1,383)	(855)	(1,083)	(2,052)
Net loss per share (basic and diluted)	0.00	0.00	0.00	0.00	(0.01)	(0.01)	(0.01)	(0.02)

See Financial Results section below for further discussion on the selected quarterly income statement information.

FINANCIAL RESULTS FOR THE THREE MONTHS ENDED DECEMBER 31, 2017

The following analysis of the results of operations for the three months ended December 31, 2017 includes comparisons to the three months ended September 30, 2017 and December 31, 2016.

Revenue

Revenue is derived from the sale of the Company's diverse product line of digital imaging software and hardware which includes the VELscope® product and related consumable products. Revenue is expressed net of sales and early payment discounts.

	Three months ended:		
	December 31, 2017	September 30, 2017	December 31, 2016
Total revenue	**$ 3,693,874**	$ 3,191,963	$1,865,430

Revenue increased 16% when comparing three months ended December 31, 2017 to September 30, 2017 and 98% compared to the three months ended December 31, 2016. The fourth quarter typically represents the highest portion of earnings for the Company due to the seasonality associated within the dental industry. The addition of the Apteryx product line enhanced total revenue when compared to the same period in 2016.

During the three months ended December 30, 2017, the Company had no customers that represent 10% or more of total revenue. During the three months ended September 30, 2017 and the three months ended December 31, 2016, revenue from customers which amounted to 10% or more of the Company's revenue was also nil.

Gross Margin[1]

The Company experienced the following gross margin for the periods outlined:

	Three months ended:		
	December 31, 2017	September 30, 2017	December 31, 2016
Revenue	**$ 3,693,874**	$ 3,191,963	$ 1,865,430
Cost of sales	**1,725,465**	1,114,974	1,610,643
Gross margin	**$ 1,968,409**	$ 2,076,989	$ 254,787
Percentage of revenue	**53%**	65%	14%

The Company earned gross margin for the three months ended December 31, 2017 of 53%, a decrease from the Company's gross margin for the three months ended September 30, 2017. The decrease in gross margin for Q4 compared to Q3 can be attributed to a higher portion of overall revenue from the VELscope® and Imaging product lines in Q4 (72% of overall revenue in Q4 vs 65% in Q3) compared to the revenue from higher margin Apteryx products (28% in Q4 vs 35% in Q3). The VELscope and Imaging product lines experience greater sales seasonality than Apteryx revenue which is more consistent over the course of the year. Gross margin for Q4 was additionally impacted by year-end adjustments made for inventory obsolescence.

[1] Gross margin is a non-IFRS measure that does not have a standard meaning and may not be comparable to a similar measure disclosed by other issuers. Gross margin referenced here relates to revenue less cost of sales. This measure does not have a comparable IFRS measure and is used by the Company to manage and evaluate the operating performance of the Company.

Expenses

	Three months ended:		
	December 31, 2017	September 30, 2017	December 31, 2016
Sales and marketing	**$ 1,574,457**	$ 1,193,760	$ 776,413
Research and development	**331,715**	297,043	25,542
Administration	**867,837**	644,859	607,921
Stock-based compensation	**307,616**	92,011	(10,206)
Depreciation and amortization	**748,873**	22,975	123,749
Total expenses	**$ 3,830,498**	$ 2,250,648	$ 1,523,419
As a percentage of revenue	**104%**	71%	71%

The increase in expenses for the three months ended December 31, 2017 as compared to the three months ended December 31, 2016 was primarily associated with the addition of the Apteryx business. This resulted in additional research & development expenses associated with the development Apteryx software products and a substantial amortization of acquired intangible assets which was booked entirely in Q4. Total expenses were also impacted by a higher stock-based compensation adjustment for 2017 compared to 2016 due to the issue options during the year to directors, officers, consultants and employees.

Sales and Marketing

	Three months ended:		
	December 31, 2017	September 30, 2017	December 31, 2016
Expenses	**$ 1,574,457**	$ 1,193,760	$ 776,413
Percentage of revenue	**43%**	37%	41%

Sales and marketing includes the cost for customer support activities. The increase in sales and marketing expenses in the three-month period ended December 31, 2017 over the three months ended December 31, 2016 was due to increased sales activities (such as attending trade shows) in the fourth quarter and the addition of Apteryx's customer support activities.

Research and Development

	Three months ended:		
	December 31, 2017	September 30, 2017	December 31, 2016
Expenses	**$ 331,715**	$ 297,043	$ 25,542
Percentage of revenue	**9%**	9%	1%

Research and development expenses relate primarily to salaries and related benefit costs and costs related to obtaining or maintaining regulatory approvals and development of Apteryx software technology. The Company is currently focused on developing complimentary products to align with the Company's VELscope® products as well as enhancing current and developing new Apteryx software products.

Administration

	Three months ended:		
	December 31, 2017	September 30, 2017	December 31, 2016
Expenses	**$ 867,837**	$ 644,859	$ 607,921
Percentage of revenue	**23%**	20%	33%

Administration expenses include executive and administrative staff salaries, facilities, rent, investor relations, insurance, accounting and legal fees as well as general administrative costs. Administration expenses as a percentage of revenue reduced compared to the previous quarter ended September 30, 2017 and compared to the corresponding quarter ended December 31, 2016. This result is partly attributed to the ongoing economies of scale benefits achieved through the addition of the Apteryx business which reflects the ability of the Company to generate a higher level of sales output whilst maintaining a relatively consistent base of administration expenses to support these sales. The Company expects this trend to continue in the foreseeable future.

Stock-based compensation

	Three months ended:		
	December 31, 2017	September 30, 2017	December 31, 2016
Expenses	**$ 307,616**	$ 92,011	(10,206)
Percentage of revenue	**8%**	3%	-1%

Stock-based compensation expenses increased for the three months ended December 31, 2017 compared to the three months ended September 30, 2017 due to an annual adjustment for the 2017 option grant.

Depreciation and amortization

	Three months ended:		
	December 31, 2017	September 30, 2017	December 31, 2016
Expenses	**$ 748,873**	$ 22,975	123,749
Percentage of revenue	**20%**	1%	7%

Depreciation and amortization expense for the three months ended December 31, 2017 increased compared to the three months ended September 30, 2017 and the three months ended December 31, 2016 due to the amortization of intangible assets acquired with the Apteryx business. These intangible assets include acquired software technology, customer base, patents and brand; all of which are being amortized over 10 years, being the estimated useful life of these intangible assets.

Other (Income) Expenses

	Three months ended:		
	December 31, 2017	September 30, 2017	December 31, 2016
Change in fair value of Canadian dollar denominated warrants	**$ (1,203,960)**	980,410	-
Foreign exchange (gain) loss and other (gain) loss	**15,955**	149,143	(60,007)
Interest expense	**190,490**	144,501	174,505
Total other operating (income) expenses	**$ (997,515)**	$ 1,274,054	$ 114,498

During the three months ended December 31, 2017, other operating expenses decreased from the three months ended December 31, 2016 due to the gain in the fair value of the Canadian dollar denominated warrants, offset by a stronger Canadian dollar creating a foreign exchange loss and increased interest expense associated with Canadian dollar denominated debentures issued in February 2017 and October 2017.

Net Loss and Comprehensive Loss

	Three months ended:		
	December 31, 2017	September 30, 2017	December 31, 2016
Net loss and comprehensive loss for the period	**$ (864,574)**	$ (1,447,713)	**$ (1,383,130)**
Loss per share - basic and diluted	**$ (0.03)**	$ 0.00	**$ (0.10)**

Net loss for the three months ended December 31, 2017 decreased over the three months ended December 31, 2016 primarily due to the addition of the high gross margin Apteryx products.

SELECTED ANNUAL INFORMATION

	Year ended December 31, 2017	Year ended December 31, 2016	Year ended December 31, 2015
Revenue	**$ 12,688,752**	$ 10,168,896	$ 13,135,007
Operating income (loss)	**(3,058,072)**	(5,114,465)	(5,199,974)
Net Loss and comprehensive loss for the year	**(2,495,015)**	(5,373,272)	(5,175,899)
Loss per common share (basic and diluted)	**(0.08)**	(0.47)	(0.57)
Distributions/cash dividends declared	**-**	-	-

As at	**December 31, 2017**	**December 31, 2016**	**December 31, 2015**
Total assets	**14,856,964**	2,669,908	$ 9,912,587
Total non-current financial liabilities	**5,601,585**	2,048,024	87,411

See Financial Results section below for discussion on Revenue and Net Loss for the year. The decrease net loss for December 31, 2017 to December 31, 2016 was due to the addition of revenues from the newly acquired Apteryx product line.

FINANCIAL RESULTS FOR THE TWELVE MONTHS ENDED DECEMBER 31, 2017

The following analysis of the results of operations for the twelve months ended December 31, 2017 includes comparisons to the twelve months ended December 31, 2016.

Revenue

Revenue is derived from the sale of the Company's VELscope® product, related consumable products which are disposal components for singular use of the VELscope® product, our digital imaging product line and the Apteryx imaging software. Revenue is expressed net of sales and early payment discounts.

	Twelve months ended:	
	December 31, 2017	December 31, 2016
Total revenue	**$ 12,688,752**	$ 10,168,896

The Company is subject to seasonality with the North American summer months typically being slower and sales activity picking up in the winter months as US dental practices make year-end capital equipment purchases. Revenue increased 25% when comparing the twelve months ended December 31, 2017 to the twelve months ended December 31, 2016 due to the addition of the Apteryx revenue line to the business; however, the Company achieved lower than expected sales from its digital imaging products during the year-end height of seasonality for capital purchases in the US dental market.

During the twelve months ended December 31, 2017 and December 31, 2016, the Company had no customers that represent 10% or more of total revenue.

Gross Margin[2]

The Company experienced the following gross margin for the periods outlined:

	Twelve months ended:	
	December 31, 2017	December 31, 2016
Revenue	**$ 12,688,752**	$ 10,168,896
Cost of sales	**5,520,050**	7,690,130
Gross margin	**7,168,702**	2,478,766
Percentage of revenue	**56%**	24%

The Company earned gross margin for the twelve months ended December 31, 2017 of 56% compared to 24% for the twelve months ended December 31, 2016. This result was achieved due to the addition of high gross margin Apteryx software products to complement the existing VELscope® and digital imaging product lines.

Expenses

	Twelve months ended:	
	December 31, 2017	December 31, 2016
Sales and marketing	**$ 4,855,988**	$ 4,742,093
Research and development	**1,039,827**	132,097
Administration	**2,861,091**	2,150,282
Stock based compensation	**628,280**	220,148
Depreciation and amortization	**841,588**	348,612
Total expenses	**$ 10,226,774**	$ 7,593,232
As a percentage of revenue	**81%**	75%

The increase in expenses as a percentage of revenue for the twelve months ended December 31, 2017 as compared to the twelve months ended December 31, 2016 was primarily due to the addition of Apteryx employee and facility costs, the amortization of intangible assets acquired as a result of purchasing Apteryx and additional stock-based compensation from options granted.

Sales and Marketing

	Twelve months ended:	
	December 31, 2017	December 31, 2016
Expenses	**$ 4,855,988**	$ 4,742,092
Percentage of revenue	**38%**	47%

Sales and marketing includes the cost for customer and support activities. Sales and marketing expenses as a percentage of revenue increased for the twelve months ended December 31, 2017 compared to December 31, 2016 due to the increased sales activities such as trade shows offset somewhat by the increase in less sales intensive revenue streams such as the Apteryx software product line.

Research and Development

	Twelve months ended:	
	December 31, 2017	December 31, 2016
Expenses	**$ 1,039,827**	$ 132,097
Percentage of revenue	**8%**	1%

[2] Gross margin is a non-IFRS measure that does not have a standard meaning and may not be comparable to a similar measure disclosed by other issuers. Gross margin referenced here relates to revenue less cost of sales. This measure does not have a comparable IFRS measure and is used by the Company to manage and evaluate the operating performance of the Company.

Research and development expenses relate primarily to salaries and related benefit costs and costs related to obtaining or maintaining regulatory approvals. Most of the head count expenses associated with the Apteryx products are recognized as part of research and development expenses due to the nature of the software products, which require ongoing development initiatives. The Company continues to pursue other research and development activities for products to complement the existing VELscope ® and imaging product lines.

Administration

	Twelve months ended:	
	December 31, 2017	December 31, 2016
Expenses	**$ 2,861,091**	$ 2,150,282
Percentage of revenue	**23%**	21%

Administration expenses include executive and administrative staff salaries, facilities, investor relations, insurance, accounting and legal fees as well as various general administrative costs. Administration expenses for the twelve months ended December 31, 2017 compared to the twelve months ended December 31, 2016 remained consistent relative to a percentage of revenue. This is despite some additional one-off transaction cost relating to Apteryx acquisition. Going forward, it is anticipated that administration expenses will lower as a % of revenue as business operations streamline.

Stock-based compensation

	Twelve months ended:	
	December 31, 2017	December 31, 2016
Expenses	**$ 628,280**	$ 220,148
Percentage of revenue	**5%**	2%

Stock-based compensation expenses increased for the twelve months ended December 31, 2017 compared to the twelve months ended December 31, 2016 due to the amount of the options granted in 2017 compared to 2016's option grant.

Depreciation and amortization

	Twelve months ended:	
	December 31, 2017	December 31, 2016
Expenses	**$ 841,588**	$ 348,612
Percentage of revenue	**7%**	3%

Depreciation and amortization expenses increased for the twelve months ended December 31, 2017 compared to the twelve months ended December 31, 2016 due to the amortization of intangible assets acquired with the Apteryx business. These intangible assets include acquired software technology, customer base, patents and brand; all of which are being amortized over 10 years, being the estimated useful life of these intangible assets. Amortization of intangible assets totaled $730,713 for the year ended December 31,2017.

Other (Income) Expenses

	Twelve months ended:	
	December 31, 2017	December 31, 2016
Change in fair value of Canadian denominated warrants	**(1,593,244)**	-
Foreign exchange (gain) loss and other (gain) loss	**439,145**	(22,353)
Interest expense	**591,042**	281,160
Total other operating (income) expenses	**$ (563,057)**	$ 258,807

During the twelve months ended December 31, 2017, other operating (income) expenses decreased from the twelve months ended December 31, 2016 due to a favorable effect from the mark-to-market adjustment on the Canadian denominated warrants offset by higher interest expense from additional debentures issued in 2017 and late 2016. Foreign exchange loss for the 12 months is largely due to Canadian denominated debentures and the Canadian dollar strengthening against the US dollar

Net Loss and Comprehensive Loss

	Twelve months ended:	
	December 31, 2017	December 31, 2016
Net loss and comprehensive loss for the period	**$ (2,495,015)**	$ (5,373,272)
Loss per share - basic and diluted	**$ (0.08)**	(0.47)

Net loss for the twelve months ended December 31, 2017 decreased from the twelve months ended December 31, 2016 due to higher sales revenues and margins offset additional staffing and overhead costs resulting from the acquisition of Apteryx. Non-operating expenses such as interest, changes in the fair value of warrants and amortization of acquired intangibles also impacted the net loss for the Company.

LIQUIDITY AND CAPITAL RESOURCES

The Company finances its operations and capital expenditures through cash generated from operations and debt and equity financings. As at December 31, 2017, the Company had cash of $2,425,468 and Net Working Capital deficit of $1,221,176 as compared to cash of $874,567 and net working capital of $2,109,442 as at December 31, 2016.

	Twelve months ended:	
Cash (used in) provided by:	**December 31, 2017**	December 31, 2016
Operating activities	**$ (4,432,082)**	$ (2,449,563)
Investing activities	**(6,547,642)**	(117,668)
Financing activities	**12,791,305**	1,457,079
Foreign exchange effect on cash	**(260,680)**	(2,690)
Net increase (decrease) in cash	**$ 1,550,901**	$ (1,112,842)

Cash used in operating activities for the twelve months ended December 31, 2017 was attributable to the Company's net loss, decreases in trade payables, increase in accounts receivable, prepaid expenses and inventory offset by higher deferred revenues.

The investing activities for the twelve months ended December 31, 2017 were due to purchase of Apteryx and some computer equipment.

The financing activities during the twelve months ended December 31, 2017 relate to the proceeds from private placement and debenture financing relating to the acquisition of Apteryx in February and additional debenture financing in October.

The Company has US$5.9 million of debentures and unpaid interest outstanding at December 31, 2017 of which US$2.2 million is payable over the next 12 months and another US$1.2 million due in early 2019. The Company also has US$1.65 million in deferred cash consideration for the Apteryx acquisition outstanding at December 31, 2017 of which US$1.2 million is due within the next 12 months. The final payment of $450,000 is due February 10, 2019 and can be either cash or share consideration at the Company's discretion. The Company's forecasted future cash flows are not adequate to meet its debenture, deferred consideration and interest payment obligation over the next 12 months. Historically, the Company has relied on equity and debt financings to fund its operating losses. Although the Company has a good track record for raising financing there is no guarantee it will be successful in its efforts to raise additional financing or if financing is available, that it will be on terms that are acceptable to the Company.

STAFFING LEVELS

The following table summarizes the Company's headcount, by functional group:

	As at December 31, 2017	As at September 30, 2017	As at December 31, 2016
Sales and marketing	20	19	12
Support	23	23	10
Research and development	10	10	1
Administration	6	6	5
Total	**59**	**58**	**28**

COMMITMENTS

The Company continues to have no bank debt, off-balance sheet financing arrangements or capital leases. The Company has leased facilities in Canada and the USA. Minimum lease payments as of December 31, 2017 are $1,059,767.

INTANGIBLE ASSET IMPAIRMENT

The Company has no impaired intangible assets.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Related parties include key management, the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

During the twelve months ended December 31, 2017 and 2016 respectively, the Company paid or accrued the following compensation expenses to key personnel of the Company:

	Twelve months ended:	
Cash used in:	**December 31, 2017**	December 31, 2016
Short-term compensation	**$ 915,948**	$ 802,221
Share-based payments	**$ 297,101**	$ 187,548

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Company's management makes judgments in its process of applying the Company's accounting policies in the preparation of its condensed interim consolidated financial statements. In addition, the preparation of the financial data requires that the Company's management make assumptions and estimates of the impacts from uncertain future events on the carrying amounts of the Company's assets and liabilities at the end of the reporting period, and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates, as the estimation process is inherently uncertain. Estimates are reviewed on an ongoing basis based on historical experience and other factors that are considered to be relevant under the circumstances. Revisions to estimates and the resulting impacts on the carrying amounts of the Company's assets and liabilities are accounted for prospectively. The critical judgments and estimates applied in the preparation of the Company's condensed interim consolidated financial statements for the three months and twelve months ended December 31, 2017 are consistent with those applied and disclosed in note 3 to the Company's audited consolidated financial statements for the year ended December 31, 2017.

New Standards and Interpretations Not Yet Effective

Standards issued but not yet effective up to the date of issuance of the Company's consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company is currently assessing the impact of the following standards on the consolidated financial statements and intends to adopt these standards when they become effective.

IFRS 9 – Financial Instruments

IFRS 9 - Financial Instruments replaces the current IAS 39 Financial Instruments Recognition and Measurement. The standard introduces new requirements for classifying and measuring financial assets and liabilities. The Company will start the application of IFRS 9 in the financial statements effective from January 1, 2018.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 – Revenue from Contracts with Customers replaces all existing revenue requirements in IFRS and applies to all revenue arising from contracts with customers. The standard outlines the principles an entity must apply to measure and recognize revenue. The core principle is that an entity will recognize revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 will be applied using a five-step model:

1) Identify the contract(s) with a customer;

2) Identify the performance obligations in the contract;

3) Determine the transaction price;

4) Allocate the transaction price to the performance obligations in the contract; and

5) Recognize revenue when (or as) the entity satisfies a performance obligation

The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The Company will start the application of IFRS 15 in the financial statements effective from January 1, 2018.

IFRS 16 – Leases

IFRS 16 – Leases will replace IAS 17 Leases. The new standard specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. The standard was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

Classification of financial instruments

Financial assets included in the statement of financial position are as follows:

	Twelve months ended:	
Cash and cash equivalents	**December 31, 2017**	December 31, 2016
Cash	**$ 2,425,468**	$ 874,567
Receivables	**1,578,371**	799,339
Total	**$ 4,003,839**	$ 1,673,906

Financial liabilities included in the statement of financial position are as follows:

	December 31, 2017	December 31, 2016
Derivative liability at fair value through profit or loss:	-	-
Warrants	**$ 1,372,122**	-
	$ 1,372,122	-

	December 31, 2017	December 31, 2016
Other financial liabilities:		
Trades payable and accrued liabilities	**$ 2,191,815**	$ 3,534,972
Deferred revenues	**892,570**	309,531
Debenture	**5,871,293**	2,623,542
Deferred Consideration on acquisition	**1,650,000**	-
	$ 10,605,678	**$ 6,468,045**

Fair value

The fair value of the Company's financial assets and liabilities approximates their carrying amount.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly;
- Level 3 – Inputs that are not based on observable market data.

As at December 31, 2017, the Company no longer measures any assets at an estimated fair value.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risks arising from its cash and restricted cash and receivables. The Company manages credit risk by placing cash with major Canadian financial institutions. With respect to receivables, the Company performs ongoing credit evaluations of its customers' financial condition.

The Company monitors collectability of receivables on an on-going basis to determine credit risk. In order to mitigate credit risk, the Company offers credit terms to established customers. Other customers are required to pay in advance or by credit card, prior to shipping of the product. At December 31, 2017, any accounts receivable due beyond one year have been provided for in the allowance for doubtful accounts.

As at December 31, 2017 and December 31, 2016, the Company's exposure to credit risk for these financial instruments was as follows:

Credit risk	Twelve months ended: December 31, 2017	December 31, 2016
Cash	**$ 2,425,468**	$ 874,567
Receivables	**1,578,371**	799,339
Total	**$ 4,003,839**	$ 1,673,906

Trade accounts receivable as at December 31, 2017 and December 31, 2016 were aged as follows in the below table.

Accounts receivable aging	Twelve months ended: December 31, 2017	December 31, 2016
Current	**$ 1,051,142**	$ 540,537
31 - 60 days	**184,460**	72,646
Over 60 days	**322,112**	142,075
Total accounts receivable	**$ 1,557,714**	$755,258
Goods and services tax receivable	**20,657**	34,738
Total Accounts Receivable less taxes receivable	**$ 1,578,371**	$ 789,996

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company manages its liquidity risk associated with its financial liabilities through the use of cash flow generated from operations, and the issuance of additional equity primarily through private placements, as required to meet the payment requirements of maturing financial liabilities.

The contractual maturities of the Company's trade payables as at December 31, 2017 are listed below.

Trade payables were aged as follows as at December 31, 2017 and December 31, 2016 and does not include accrued liabilities, warranty provision and state and provincial sales tax payable of which are all current:

Accounts payable aging	Twelve months ended: December 31, 2017	December 31, 2016
Current	**$ 440,118**	$221,101
31 - 60 days	**34,752**	164,082
Over 60 days	**286,841**	2,179,319
Total	**$ 761,710**	$ 2,564,502

The following is an analysis of the contractual maturities of the Company's non-derivative accrued liabilities as at December 31, 2017:

Contractual Maturities	Within one year	Between one and five years
Trades Payable and Accrued liabilities	$ 2,191,815	$ -
Deferred Revenue	892,570	-
Debenture	2,152,841	3,718,452
Deferred consideration on acquisition	1,200,000	450,000
Total	**$ 6,437,226**	**$ 4,168,452**

The ability of the Company to make the aforementioned payment requirements related to maturing financial liabilities in the near term is dependent on the ability to secure additional financing and the timing of cash flows from operations. The ability to obtain additional financing is dependent on continued access to debt and/or equity markets, which may not be available on acceptable terms. In the event that debt or equity capital is not available on acceptable terms, the Company may need to explore other strategic alternatives.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk is limited to the portion of the Company's cash held in bank accounts that earn interest.

Due to the limited and short-term nature of these financial instruments, fluctuations in the interest rates will not have a significant impact on their fair value. As at December 31, 2017, the Company had not entered into any derivative contracts to manage this risk.

Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and the United States. The Company's functional currency is the U.S. dollar. The Company has not hedged its exposure to currency fluctuations.

Assuming that all other variables remain constant, a 10% change in the value of the Canadian dollar against the U.S. dollar would not materially affect the loss from operations.

DISCLOSURE OF OUTSTANDING SHARE DATA

The Company is authorized to issue an unlimited number of common shares, without par value and an unlimited number preference shares without par value. As of the date of this MD&A, the Company has 37,914,636 common shares outstanding and no preference shares outstanding.

The Company has instituted a rolling incentive stock option plan whereby shares reserved for issuance under the plan shall reflect 10% of the issued and outstanding common shares of the Company from time to time. As of December 31, 2017, the Company is entitled to grant incentive stock options for 3,791,464 common shares under the Company's stock option plan with a total of 3,237,002 options being issued and outstanding and has issued 36,000 deferred share units under the Company's Deferred Share Unit Plan. The Company also had 12,485,839 warrants outstanding.

SUBSEQUENT EVENTS

On January 4, 2018, the Company appointed James Topham to the board of directors of LED and as Chair of its Audit Committee. On the same date, the Company also announced that Rodger Tourigny had resigned from the board of directors.

On April 20, 2018, the Company settled a claim with a former contractor for prior period unpaid services. The total settlement of CDN$75,000 (US$59,650) has been accrued as an administration expense in the financial statements for the year ended December 31, 2017.

On April 24, 2018, the Company entered into an amending agreement (the "Amending Agreement") which extends the terms of the February 10, 2017 Apteryx purchase agreement (the "Purchase Agreement"). In the Purchase Agreement, a holdback payment of $500,000 was due on February 10, 2018 and a deferred cash payment of $300,000 was due on March 10, 2018. The Amending Agreement states the Company will pay $450,000 of the holdback payment which consists of $277,778 already paid plus an additional payment of $172,222 on May 17, 2018. The remaining $50,000 on the holdback payment and the $300,000 deferred cash payment have been extended to November 10, 2019 and will bear interest at 12% per annum paid in arrears quarterly commencing May 17, 2018. The remaining deferred payments of $400,000 on August 10, 2018 and $450,000, payable in shares or cash at the Company's option, on February 10, 2019 are unchanged from the Purchase Agreement. As of April 27, 2018, the Company is compliant with the payment terms of the Amending Agreement.

RISKS AND UNCERTAINTIES

An investment in the securities of the Company may be regarded as speculative due to the Company's stage of development. Risk factors relating to the Company could materially affect the Company's future results and could cause them to differ materially from those described in forward-looking statements relating to the Company. Prospective investors should carefully consider these risks.

The following are some of the risks that are associated with the Company's business and operations and should be carefully considered by any potential investor in the Company's shares.

History of Losses

The Company has a history of losses, and there can be no assurance that the Company's losses will not continue in the future. The Company's prospects must be considered in the context of its stage of development, the risks and uncertainties it faces, and the inability of the Company to accurately predict its operating results in the results of product development and sales and marketing initiatives. There can be no assurances that implementation of the Company's strategies will result in the Company becoming profitable. The Company uses cash raised in equity markets to partially fund working capital. If adequate funds are not available when required or on acceptable terms, the Company may be required to delay, scale back or terminate its product development activities and sales and marketing efforts, and may be unable to continue operations. There can be no assurance that the Company will be able to obtain the additional financial resources required to compete in its markets on favorable commercial terms or at all. Any equity offering may result in dilution to the ownership interests of shareholders and may result in dilution of the value of such interests.

The availability, or lack thereof, of bank credit, additional supplier credit, or additional equity investment could adversely affect the Company's ability to meet its business objectives. Recent market events and conditions, including disruptions in the Canadian and international credit markets and other financial systems and the deterioration of the Canadian and global economic conditions, could, among other things, impede access to capital or increase the cost of capital, which would have an adverse effect on the Company's ability to fund its working capital and other capital requirements. The Company's access to additional capital may not be available on terms acceptable to the Company or at all.

Operational Risk

In the normal course of business, LED's operations continue to be 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. LED's activities are subject to ongoing operational risks, including the performance of key suppliers, product performance, government and other industry regulations, all of which may affect its ability 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. LED is reliant on a small number of key employees, the loss of any one of whom could materially affect operating results and the ability to design and manufacture new products.

Debt Repayment

The Company has significant financial obligations maturing in the near-term including deferred consideration on the purchase of Apteryx, interest payments and debt principle repayments. Its ability to meet the payment requirements is dependent on generating sufficient cash flows from operations, securing additional financing or renegotiating terms of these obligations.

Distributor Risks

LED distributes its VELscope® product line in the North American market through non-exclusive distribution partnerships with multiple distributors. LED's reliance on distributors or if the distributors are unable or unwilling to promote and deliver the product to end customers, the Company's financial condition and operating results could be materially impacted. There can be no assurance the Company will be successful in managing the nuances of their markets to ensure the success of the Company's products in those markets.

Disruptions in Production

Factors that affect the production and sale of LED's products which could result in decreases in profitability include: (a) Acts of God; (b) the expiration or termination of leases, contracts, permits or licenses; (c) sales price redeterminations; (d) future litigation; (e) work stoppages or other labor difficulties; (f) disputes with suppliers, distributors and subcontractors; (g) political risk with offshore suppliers; (h) reliance on suppliers with highly technical and not easily replaceable expertise; and (i) changes in the market and general economic conditions. Weather conditions, equipment replacement or repair and fires can have a significant impact on operating results.

Seasonality

Sales may have seasonal components which may result in significant variances in quarterly operating results and may also significantly increase working capital requirements on a quarterly basis.

Working Capital Requirements

Although Company management believes in the long-term opportunity and its ability to execute on its business plan, the continued growth and success of the Company is tied to its ability to raise additional capital. The Company may not be able to raise capital or obtain favorable credit terms or debt financing to finance the investment into working capital for the business.

Management's Estimates

Management's estimates may prove to be inaccurate due to unexpected changes in business or market conditions.

Regulatory Requirements

Regulatory requirements in international markets may require clinical or other studies that may restrict the ability or timing of LED to sell in these markets.

The Company faces regulatory risk including national security review risk by the Committee on Foreign Investment in the United States.

The Company faces regulatory risk including national security review risk by the Committee on Foreign Investment in the United States.

Reliance on Suppliers

The Company has a limited number of suppliers for the raw materials required for its products. A dispute with one of these suppliers, or adverse changes in the business of the suppliers may have a negative impact on the business, operating results and financial condition of the Company if it is unable to source comparable raw materials from alternate sources at competitive rates. Reliance on key distribution partners whose products the Company resells/distributes as part of its new imaging produce offering. The Company has agreements with its manufacturer distribution partners that have termination for convenience provisions of various time frames. In the event a termination notice is received from a key supplier and the Company is not able to reach an agreement with an alternative supplier in a timely manner. This could result in a material adverse effect on the Company's product offering and recognized revenue.

Dependence on a Limited Number of Third Party Product Vendors

The Company is a distributor of third party products to its customers, which are supplied by vendors such as RAY Company. The Company is dependent upon the timely availability of these third-party products in addition to obtaining reasonable commercial terms pertaining to the purchase of such third-party products for resale by the Company. The distribution agreements between the Company and these third-party vendors include termination by the vendor with a limited notice period. In the event that the distribution agreement is either terminated by the third-party vendor or the third-party vendor is not able to supply the Company with its products or the vendor competes with the Company either directly or indirectly in its market, the Company's ability to resell such third-party products may be hindered accordingly resulting in a material adverse effect on the Company's revenue and related gross margin due to no longer being able to sell such third-party products.

Reliance on Subcontractors

LED utilizes a primary supplier for the production and supply of its products with the corresponding dependence on subcontractors who are responsible for their respective manufacturing requirements. If the primary supplier experiences business interruption issues or ceases operations or in the event that the Company's respective subcontractors manufacturing a material amount of products cease operations or are unable to come to terms on suitable arrangements with LED, LED's business and profitability may be adversely affected.

The Company May Not Realize the Benefits Currently Anticipated

As part of its strategy, the Company intends to continue its efforts to expand its existing customer base and products. A number of risks and uncertainties are associated with the development of new customers and products, including political, regulatory, design, sourcing, labor, operating, technical, technological risks and limited accessibility to distribution and or non-economic distribution channels. There are also uncertainties relating to capital and other costs, and financing risks in developing new products. The failure to develop one or more of these initiatives successfully could have an adverse effect on the Company's financial position and results of operations.

Operating Cost Fluctuations

Although the Company believes it has prudently adopted conservative assumptions in its business planning and related cost estimations, no assurances can be given that such assumptions will prove to be accurate, and, therefore, the operating costs of the Company may prove to be higher or lower than those estimated. These estimates are influenced by the availability and pricing of third party raw materials and components required in the Company's products. The transition to higher cost US operations, which are fixed in general, increases breakeven point, which may not be fully funded by sales resulting in negative cash flow.

Fluctuations in Exchange Rates

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and the United States. The Company's functional currency is the U.S. dollar. The Company has not hedged its exposure to currency fluctuations.

Assuming that all other variables remain constant, a 10% change in the value of the Canadian dollar against the US dollar would not materially affect the loss from operations. All sales and cost of sales are in US$ with a large majority of operating expenses are also in US$.

The following is a summary of the Company's exposure to currency risk:

	December 31, 2017	December 31, 2016
	CDN	CDN
Cash	**$ 345,952**	$ 461,801
Account Receivable	**28,133**	30,703
Trade payable and accrued liabilities	**(24,386)**	(799,414)
Net statement of financial position exposure	**$ 349,700**	**$ (306,910)**

Taxation

Canadian taxation authorities may challenge expense or tax credits claimed by LED including research and development expenses and related tax credits. If Canadian tax authorities successfully challenge such expenses or the correctness of tax credit claims, LED's operating results could be adversely affected. If Canadian taxation authorities reduce the tax credit either by reducing the rate of the grant or the eligibility of some research and development expenses in the future, the Company's operating results will be adversely affected.

Worsened General Economic Conditions

The decline in the global economic environment in recent years and the continuing economic instability in certain parts of the world resulted in increasing uncertainty regarding future revenue and customer commitments, both in terms of timing and magnitude for such future sales. If the global economic climate does not recover, the Company may not generate the sales activity required to support its operations resulting in requirement for additional restructurings and erosion of its existing capital resources, which may hinder the future viability of the Company.

Additional Financing

The Company has a history of operating losses and uses cash raised in equity markets to partially fund working capital. If adequate funds are not available when required or on acceptable terms, the Company may be required to delay, scale back or terminate its product development activities and sales and marketing efforts, and may be unable to continue operations. There can be no assurance that the Company will be able to obtain the additional financial resources required to compete in its markets on favorable commercial terms or at all. Any equity offering may result in dilution to the ownership interests of shareholders and may result in dilution of the value of such interests. The availability, or lack thereof, of bank credit, additional supplier credit, or additional equity investment could adversely affect the Company's ability to meet its business objectives. Recent market events and conditions, including disruptions in the Canadian and international credit markets and other financial systems and the deterioration of the Canadian and global economic conditions, could, among other things, impede access to capital or increase the cost of capital, which would have an adverse effect on the Company's ability to fund its working capital and other capital requirements. The Company's access to additional capital may not be available on terms acceptable to the Company or at all.

Research and Development

If the Company fails to develop new products, incurs delays in developing new products, or if the product the Company develops are not successful, the Company's business could be harmed. Even if the Company does develop new products, which are accepted by its target markets, the Company cannot assure that the revenue from these products will be sufficient to justify the Company's investment in research and development.

Stock Price Volatility

The market price for the common shares of the Company fluctuates significantly, and these fluctuations tend to be exaggerated if the trading volume is low. The market price of the common shares may rise or fall in response to announcements of technological or competitive developments, acquisitions or strategic alliances by the Company or its competitors, the gain or loss by the Company of significant orders or broad market fluctuations. The Company has expanded to the OTC stock exchange in the United States and Frankfurt Stock Exchange in Germany, which may not increase future trading volume of the Company's common shares.

Product Development and Technological Change

The market for the Company's products is characterized by rapidly changing technology, evolving industry standards and frequent new product introductions. To be successful, the Company will need to enhance existing products and to introduce new products and features in response to changing standards, customer requirements, and technological innovations by others. There can be no assurance that the Company will be successful in doing this in a timely manner or at all. There can be no assurance that products or technologies developed by others will not render the Company's products obsolete or non-competitive. There is no assurance that the Company will be able to successfully develop next generation operational products. Failure to do so may have an adverse effect on the business, operating results and financial condition of the Company.

Sales and Marketing and Strategic Alliances

The Company has focused its distribution sales and marketing initiatives with a primary distributor in North America resulting in significant dependency for sales of its products on this primary distributor. If the Company is to become successful, it must continue to expand its sales and distribution channels and its marketing and technology alliances. There is no assurance the Company will be able to reach agreements with additional alliance or distribution partners on a timely basis or at all, or that these partners will devote sufficient resources to advancing the Company's interests. The Company's business, results of operation, financial condition and stock price may be materially adversely affected if any strategic partner discontinues its relationship with the Company for any reason. Additionally, the Company at times relies on the voluntary efforts of its strategic partners rather than compliance with contractual obligations, and here are at times no minimum performance requirements. Therefore, the Company cannot be certain that these relationships will be successful.

Dependence on a Small Number of Customers

The Company markets and sells its products primarily through its primary distributor relationships in North America resulting in economic dependence upon such distributors for the sales of its products. Management believes that revenue derived from current and future large customers will continue to represent a significant portion of total revenue. The inability to continue to secure and maintain a sufficient number of large contracts would have a material adverse effect on the business, financial condition, operating results and cash flows of the Company. Moreover, the success of the Company will depend in part upon its ability to obtain orders from new customers, as well as the financial condition and success of its customers and general economic conditions.

Intellectual Property Protection

The Company's ability to compete may be affected by its ability to protect its intellectual property. It relies primarily on a combination of copyright, trademark, patent and trade secret laws, confidentiality procedures and contractual provisions to protect its intellectual property. While the Company believes that its products and technologies are adequately protected against infringement, there can be no assurance of effective protection. Monitoring and identifying unauthorized use of the Company's technology is difficult, and the prohibitive cost of litigation may impair the Company's ability to prosecute any infringement. The commercial success of the Company will also depend upon its products not infringing any intellectual property rights of others and upon no claims for infringement being made against the Company. The Company believes that it is not infringing any intellectual property rights of third parties, but there can be no assurance that such infringement will not occur. Infringement claims against the Company by a third party, even if it is invalid, could have a material adverse effect on the Company because of the costs of defending against such a claim. LED may fail to protect or obtain protection of intellectual property. In addition, LED may be exposed to infringement, misappropriation or other claims by third parties, which, if determined adversely, could result in LED paying significant damage awards. LED currently uses patents, trademarks and contractual arrangements with employees to protect its intellectual property rights. LED's existing and future patents could be challenged, invalidated, circumvented or rendered unenforceable. LED's pending patent applications may not result in issued patents, or if patents are issued, such patents may not provide meaningful protection again competitors or against competitive technology. Patents afford only limited protection, and the actions that LED takes to protect intellectual property rights may not be adequate. In addition, the process of seeking patent and trademark protection can be time consuming and expensive and there can be no assurance that any future patent or trademark applications will be granted in respect of LED's technology or business.

Competition

Because of intense market competition, the Company may not succeed. Some of the Company's current and potential competitors have longer operating histories, stronger brand names and greater financial, technical, marketing and other resources than the Company. Current and potential competitors may also have existing relationships with many of the Company's prospective customers, and prospective OEM customers may be developing products for their own use that are comparable to the Company's products. In addition, the Company expects competition to persist and intensify in the future, which could adversely affect the Company's ability to increase sales. Competitors have and may in the future align themselves with one or more of several large distributors of dental products, which may include exclusive marketing arrangements making a significant portion of the market unavailable to LED.

Potential Fluctuations in Quarterly Results

The Company's quarterly operating results may vary significantly depending on factors such as the timing of new product introductions and changes in pricing policies by the Company and its competitors, market acceptance of new and enhanced versions of the Company's products and the timing of significant orders. Because the Company's operating expenses are based on anticipated revenue and a high percentage of the Company's expenses are relatively fixed in the short term, variations in the timing of recognition of revenue can cause significant fluctuations in operating results from quarter to quarter and may result in unanticipated quarterly earnings shortfalls or losses. The market price of the Company's common shares may be highly volatile in response to such quarterly fluctuations.

Dependence on Key Personnel

The Company's future success depends largely on its ability to attract and retain talented employees. The Company's future results of operations will depend in part on the ability of its officers, management and other key employees to implement and expand operational, customer support and financial control systems and to expand, train and manage its employee base. The Company's future performance will also depend to a significant extent on its ability to identify, attract, train and retain highly skilled sales, technical, marketing and management personnel. If the Company were to lose the services of any key personnel, the Company may encounter difficulties finding qualified replacement personnel. LED's success is largely attributable to the leadership, contacts and efforts of LED's chief executive officer and senior management. If LED's Chief Executive Officer or one or more of the members of the senior management cease working with the Company, and the Company is unable to engage suitable replacements on a timely and commercially viable basis, the business, operating results and financial condition of the Company may be adversely affected.

Acquisitions

The Company has, and in the future may, acquire businesses, products or technologies that it believes complement or expand its existing business. Acquisitions of this type involve a number of risks, including the possibility that the operations of the acquired business will not be profitable or that the attention of the Company's management will be diverted from the day-to-day operation of its business. An unsuccessful acquisition could reduce the Company's margins or otherwise harm its financial condition. Any acquisition could result in a dilutive issuance of equity securities, the incurrence of debt and the loss of key employees. The Company cannot ensure that any acquisitions will be successfully completed or that, if one or more acquisitions are completed, the acquired businesses, products or technologies will generate sufficient revenue to offset the associated costs of the acquisitions or other adverse effects.

Product Liability and Medical Malpractice Claims

LED will be exposed to risks associated with product liability claims if the use of LED's products results in injury or property damage. Users and their patients of the VELscope® may be injured as a result of malfunctions, defects or other causes. In addition, medical malpractice claims may be brought against LED. Because of LED's limited operating history, it is difficult to predict if product liability or medical malpractice claims will be brought in the future. LED carries what it believes to be adequate product liability insurance, but LED may not have adequate resources to satisfy a judgment if a successful claim is brought. The assertion of product liability or medical malpractice claims may also significantly damage LED's reputation.

Future Share Sales

If the Company's shareholders sell substantial amounts of the Company's common shares, the market price of the Company's common shares could decrease.

Management of Growth

The Company's future results of operations will depend in part on the ability of its officers and other key employees to implement and expand operational, customer support and financial control systems and to expand, train and manage its employee base. The Company's future performance will also depend to a significant extent on its ability to identify, attract, train and retain highly skilled sales, technical, marketing and management personnel.

DISCLOSURE CONTROLS AND PROCEDURES

In connection with National Instrument 52-109 (Certificate of Disclosure in Issuer's Annual and Interim Filings) ("NI 52-109"), the Chief Executive Officer and Chief Financial Officer of the Company have filed a Venture Issuer Basic Certificate with respect to the financial information contained in the consolidated financial statements for the year ended December 31, 2017 and this MD&A (together, the "Annual Filings").

In contrast to the full certificate under NI 52-109, the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures and internal control over financial reporting, as defined in NI 52-109. For further information, the reader should refer to the Venture Issuer Basic Certificates filed by the Company with the Interim Filings on SEDAR at www.sedar.com.

Independent Auditor's Report

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To the Shareholders of
LED Medical Diagnostics Inc.

We have audited the accompanying consolidated financial statements of LED Medical Diagnostics Inc. (the "Company"), which comprise the consolidated statements of financial position as at December 31, 2017 and December 31, 2016 and the consolidated statements of operations and comprehensive loss, consolidated statement of changes in equity and consolidated statement of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of LED Medical Diagnostics Inc. as at December 31, 2017 and December 31, 2016 and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Emphasis of matter

Without modifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company incurred a net and comprehensive loss of $2,495,015 and negative cash flows from operations of $4,432,082 for the year ended December 31, 2017. As at December 31, 2017, the Company had an accumulated deficit of $51,781,389. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Grant Thornton LLP

Vancouver, Canada
April 27, 2018

Chartered Professional Accountants

LED MEDICAL DIAGNOSTICS INC.

Consolidated Statements of Financial Position
(Expressed in U.S. Dollars)

	Notes		**December 31, 2017**		December 31, 2016
Assets					
Current assets					
Cash		**$**	**2,425,468**	$	874,567
Trade and other receivables	5		**1,578,371**		799,339
Inventory	6		**778,939**		535,951
Prepaid expenses and deposits	7		**433,272**		190,577
Total current assets			**5,216,050**		2,400,434
Non-current assets					
Prepaid expenses and deposits	7		**-**		93,100
Property and equipment	8		**152,497**		176,374
Intangible assets	9		**7,620,287**		-
Goodwill	10		**1,868,130**		-
		$	**14,856,964**	$	2,669,908
Liabilities and shareholders' equity					
Current liabilities					
Trade payables and accrued liabilities	11	**$**	**2,191,815**	$	3,534,972
Deferred revenue			**892,570**		309,531
Debenture	13		**2,152,841**		665,373
Deferred consideration on acquisition	4		**1,200,000**		-
Total current liabilities			**6,437,226**		4,509,876
Non-current liabilities					
Debenture	13		**3,718,452**		1,958,169
Warrants	15		**1,372,122**		-
Lease liability			**61,011**		89,855
Deferred consideration on acquisition	4		**450,000**		-
Total liabilities			**12,038,811**		6,557,900
Shareholders' equity					
Share capital	16		**50,944,234**		40,933,332
Stock-based payment reserve	17		**2,799,476**		2,171,196
Warrants reserve	15		**381,374**		1,819,396
Accumulated other comprehensive income			**474,458**		474,458
Deficit			**(51,781,389)**		(49,286,374)
			2,818,153		(3,887,992)
		$	**14,856,964**	$	2,669,908

Nature of Operations and Going Concern (Note 1)

Lease Obligations and Commitments (Note 12)

Subsequent Events (Note 25)

The accompanying notes are an integral part of these consolidated financial statements

Approved on behalf of the Board of Directors:

"David Gane" ____________________Chief Executive Officer
Dr. David Gane

"James Topham" ____________________Director
James Topham

LED MEDICAL DIAGNOSTICS INC.
Consolidated Statements of Operations and Comprehensive Loss
(Expressed in U.S. Dollars)
For the years ended December 31, 2017 and 2016

	Notes		December 31, 2017		December 31, 2016
Revenues		**$**	**12,688,752**	$	10,168,896
Cost of goods sold			**5,520,050**		7,690,130
			7,168,702		2,478,766
Expenses					
Sales and marketing	24		**4,855,988**		4,742,093
Research and development	24		**1,039,827**		132,097
Administration	24		**2,861,091**		2,150,282
Stock-based compensation	17		**628,280**		220,148
Depreciation and amortization	8		**841,588**		348,612
			10,226,774		7,593,232
Operating loss			**(3,058,072)**		(5,114,466)
Other (income)/expenses					
Change in fair value of Canadian dollar denominated warrants	15		**(1,593,244)**		-
Foreign exchange (gain) loss			**439,145**		(22,353)
Interest			**591,042**		281,160
			(563,057)		258,807
Net loss before income taxes			**(2,495,015)**		(5,373,273)
Income tax recovery	21		-		
Net loss and comprehensive loss for the year		$	**(2,495,015)**	$	(5,373,273)
Loss per share – basic and diluted	23	**$**	**(0.08)**	$	(0.47)
Weighted average number of shares outstanding – basic and diluted			**31,668,318**		11,312,962

The accompanying notes are an integral part of these consolidated financial statements

LEDMD
LED MEDICAL DIAGNOSTICS INC.

LED MEDICAL DIAGNOSTICS INC.

Consolidated Statements of Changes in Shareholders' Equity (Deficiency)
(Expressed in U.S. Dollars)
For the years ended December 31, 2017 and 2016

	Number of Shares	Share Capital	Stock-based Payments Reserves	Warrants Reserve	Deficit	Accumulated Other Comprehensive Income	Total Shareholders' Equity (Deficiency)
Balance, January 1, 2016	**112,319,063**	**$36,135,128**	**$1,912,668**	**$6,537,724**	**($43,913,101)**	**$474,458**	**$1,146,877**
Shares issued with debenture financing	3,759,453	79,876	-	-	-	-	79,876
Settlement of share capital upon expiry of unexercised warrants	-	4,718,328	-	(4,718,328)	-	-	-
Issuance of share on exercise of DSU	350,000	-	-	-	-	-	-
Stock based compensation	-	-	220,148	-	-	-	220,148
Stock-based compensation classified as consulting expense	-	-	38,380	-	-	-	38,380
Net loss comprehensive loss for the year	-	-	-	-	(5,373,273)	-	(5,373,273)
Balance, December 31, 2016	**116,428,516**	**$40,933,332**	**$2,171,196**	**$1,819,396**	**($49,286,374)**	**$474,458**	**($3,887,992)**
Shares issued pursuant to private placement	220,711,540	10,085,814	-	-	-	-	10,085,814
Share issuance costs	-	(724,288)	-	-	-	-	(724,288)
Subscriber warrants issued pursuant to private placement	-	(2,965,366)	-	-	-	-	(2,965,366)
Finder Warrants issued pursuant to private placement	-	(356,386)	-	356,386	-	-	-
Shares issued with debenture financing	8,147,916	88,768	-	-	-	-	88,768
Finder warrants issued with debenture financing	-	-	-	24,988	-	-	24,988
Shares issued as settlement on the purchase of Apteryx	33,858,400	2,062,964	-	-	-	-	2,062,964
Share Consolidation (10 to 1)	(341,231,736)	-	-	-	-	-	-
Settlement of share capital upon expiry of unexercised warrants	-	1,819,396	-	(1,819,396)	-	-	-
Stock based compensation	-	-	628,280	-	-	-	628,280
Net loss comprehensive loss for the year	-	-	-	-	(2,495,015)	-	(2,495,015)
Balance, December 31, 2017	**$37,914,636**	**$50,944,234**	**$2,799,476**	**$381,374**	**$(51,781,389)**	**$474,458**	**$2,818,153**

The accompanying notes are an integral part of these consolidated financial statements

LED MEDICAL DIAGNOSTICS INC.
Consolidated Statements of Cash Flow
(Expressed in U.S. Dollars)
For the years ended December 31, 2017 and 2016

		December 31, 2017		December 31, 2016
Cash flows from operating activities				
Net loss for the year	**$**	**(2,495,015)**	$	(5,373,273)
Adjustments to net loss for items not involving cash:				
Depreciation and amortization		**841,588**		315,500
Change in fair value of Canadian dollar denominated warrants		**(1,593,244)**		-
Lease liability		**(28,843)**		2,444
Stock-based compensation		**628,280**		258,528
Unrealized foreign exchange loss		**260,680**		2,690
Amortization of intellectual property		**-**		10,751
Fair value accretion		**39,742**		-
Bad debt reserve		**102,898**		38,905
		(2,243,914)		(4,744,455)
Changes in working capital assets and liabilities:				
Trade and other receivables		**(397,297)**		727,610
Inventory		**(242,988)**		4,866,236
Prepaid expenses and deposits		**(146,023)**		288,504
Trade payables and accrued liabilities		**(1,564,445)**		(3,150,747)
Deferred revenue		**230,857**		(436,711)
Changes in working capital assets and liabilities		**(2,119,896)**		2,294,892
Interest paid		**(68,272)**		-
Cash flows used in operating activities		**(4,432,082)**		(2,449,563)
Cash flows from investing activities				
Purchase of Apteryx, net of cash acquired		**(6,521,800)**		**-**
Purchase of equipment		**(25,842)**		(117,668)
Cash flows used in investing activities		**(6,547,642)**		(117,668)
Cash flows from financing activities				
Issuance of units, net of issuance costs		**9,450,294**		79,876
Proceeds from debenture issuance		**3,341,011**		1,377,203
Cash flows provided by financing activities		**12,791,305**		1,457,079
Increase (Decrease) in cash		**1,811,581**		(1,110,152)
Foreign exchange effect on cash		**(260,680)**		(2,690)
Cash, beginning of year		**874,567**		1,987,409
Cash, end of year	**$**	**2,425,468**	$	874,567

The accompanying notes are an integral part of these consolidated financial statements

1. NATURE OF OPERATIONS AND GOING CONCERN

LED Medical Diagnostics Inc. ("LED" or the "Company") was incorporated under the British Columbia Business Corporations Act on July 17, 2002 as 651192 B.C. Ltd. and changed its name to LED Medical Diagnostics Inc. on August 20, 2003. The Company's head office, principal address and records office are located at 810 – 580 Hornby Street, British Columbia, Canada, V6C 3B6. The registered and records office is located at 2500 – 700 West Georgia Street, Vancouver, B.C. V7Y 1B3.

The Company has developed, and markets, a medical device under the trade name VELscope®. The device is used in the dental industry to help identify oral soft tissue abnormalities including those which may be cancerous or precancerous and to help define appropriate margins for surgical excision. The Company also features its Digital division that provides dentists and oral health specialists with advanced diagnostic imaging products and software.

On February 10, 2017, the Company acquired 100% of the common shares of Apteryx, Inc. ("Apteryx"). Apteryx is a custom software development company located in Akron, Ohio specializing in medical and dental image processing, data encryption and security, database, data conversion and distributed systems.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future.

The Company incurred a net and comprehensive loss of $2,495,015 and has negative cash flow from operations of $4,432,082 for the year ended December 31, 2017. As at December 31, 2017, the Company had an accumulated deficit of $51,781,389. Management assesses the Company's ability to continue as a going concern at each reporting date, using all quantitative and qualitative information available. Material uncertainties have been identified which may cast significant doubt upon the Company's ability to continue as a going concern. This assessment, by its nature, relies on estimates of future cash flows and other future events, whose subsequent changes would materially impact the validity of such an assessment.

In assessing whether the going concern assumption was appropriate, management considered all relevant information available about the future, which was at least, but not limited to, the 12-month period from the date of this report. The following is considered in evaluating the going concern of the entity pertaining to the financial statements as at December 31, 2017:

- The Company has US$5.9 million of debentures and unpaid interest outstanding at December 31, 2017 of which US$2.2 million is payable over the next 12 months and another US$1.2 million due in early 2019.
- The Company also has US$1.65 million in deferred cash consideration for the Apteryx acquisition outstanding at December 31, 2017 of which US$1.2 million is due within the next 12 months. The final payment of $450,000 is due February 10, 2019 and can be either cash or share consideration at the Company's discretion.
- The Company has a history of operating losses since inception and not achieving its revenue and cash flow objectives for its annual fiscal plans approved by the board of directors.
- The Company's forecasted future cash flows are not adequate to meet its debenture, deferred consideration and interest payment obligation over the next 12 months.
- The Company has relied on equity and debt financings to fund its operating losses. Although the Company has a good track record for raising financing there is no guarantee it will be successful in its efforts to raise additional financing or if financing is available, that it will be on terms that are acceptable to the Company.

The Company's ability to continue as a going concern is dependent upon its ability to renegotiate debt repayment terms, raise adequate financing and achieve significant improvements in operating results in the future.

The assessment of the Company's ability to execute its strategy and fund future working capital requirements involves significant judgement. Estimates and assumptions regarding future operating costs, revenue and profitability levels and general business and customer conditions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. As at December 31, 2017 and as at the date of approval of these consolidated financial statements, the outcome of these activities is unknown and subject to considerable uncertainty. These consolidated financial statements do not include any adjustments that might result from the outcome of these uncertainties or if such adjustments would be material.

2. BASIS OF PRESENTATION

These consolidated financial statements of the Company, approved by the Board of Directors on April 27, 2018, have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These consolidated financial statements have been prepared on the historical cost basis unless otherwise specified in the accounting policies (Note 3). The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

The Company generates revenue from the sale of goods as well as professional service contracts, subscriptions to cloud based software, perpetual software license fees, and related maintenance and service fees.

The Company recognizes revenue from sales of goods when it has transferred to the buyer the significant risks and rewards of ownership, it has no longer retained continuing managerial involvement to the degree usually associated with ownership nor has effective control over the goods sold, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company, and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

The Company recognizes revenue from the sale of software licenses upon the transfer of title to the customer, so long as persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collectability is reasonably assured. Delivery of software licenses, is generally determined to have occurred when the customer downloads the software from the store and is provided the software product key code. The Company uses the residual method to recognize revenue on delivered elements when a license agreement includes one or more elements to be delivered at a future date if evidence of the fair value of all undelivered elements exists. If an undelivered element for the arrangement exists under the license arrangement, revenue related to the undelivered element is deferred based on vendor-specific objective evidence ("VSOE") of the fair value of the undelivered element. If VSOE of fair value does not exist for all undelivered elements, all revenue is deferred until sufficient evidence exists or as elements are delivered.

The Company's multiple-element sales arrangements include arrangements where software licenses and the associated support and maintenance are sold together. The Company has established VSOE of the fair value of the undelivered support and maintenance element based on the contracted price for renewal as listed for sale on the Company's website. The Company's multiple-element sales arrangements generally include rights for the customer to renew support after the bundled term ends. These rights are irrevocable to the customer's benefit, are for specified prices, are consistent with the initial price in the original multiple-element sales arrangement, and the customer is not subject to any economic or other penalty for failure to renew. When the Company's contract with customers include multiple deliverables, consideration received is applied to separate components based on the applicable revenue recognition criteria.

Subscription and support revenues are recognized ratably over the contract terms beginning on the commencement date of each contract, which is the date our service is made available to customers. Amounts that have been invoiced are recorded in accounts receivable and in deferred revenue or revenue, depending on whether the revenue recognition criteria have been met.

Business combinations

The Company applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interest issued. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition related costs are expensed as incurred.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Principles of consolidation

Subsidiaries are entities controlled by LED. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Control is achieved when the Company is exposed to, or has the rights to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is obtained and continue to be consolidated until the date that control ceases. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries listed in the following table:

Name of Subsidiary	Country of Incorporation	Ownership Interest	
		December 31, 2017	December 31, 2016
LED Dental Inc.	Canada	100%	100%
LED Dental (U.S.) Ltd.	USA	100%	100%
Apteryx, Inc.	USA	100%	-
Essentia Genetics Corp.(inactive)	Canada	100%	100%

Determination of functional currency

The consolidated financial statements are presented in U.S. dollars. The functional currency of each of the Company's operating entities is determined using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in U.S. dollars which is the functional and presentation currency of the parent. The functional currencies of the subsidiaries are as follows:

Name of Subsidiary	Functional Currency ($)
LED Dental Inc.	U.S.
LED Dental (U.S.) Ltd.	U.S.
Apteryx, Inc.	U.S.
Essentia Genetics Corp. (inactive)	U.S.

Foreign currency translation

Foreign currency denominated transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined. Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of operations in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

Financial instruments

The Company classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets and financial liabilities. The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition. All of the Company's financial assets are classified as loans and receivables.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets are classified at fair value through profit or loss when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortized cost. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current asset

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within twelve months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. Unrealized gains and losses are recognized in other comprehensive income, except for foreign exchange gains and losses associated with monetary available-for-sale financial assets and impairment losses which are recorded in profit or loss.

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortized cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within twelve months after the end of the reporting period.

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not suitable to be classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments and are subsequently measured at fair value. Unrealized gains and losses are recognized in other comprehensive income, except for foreign exchange gains and losses associated with monetary available-for-sale financial assets and impairment losses which are recorded in profit or loss.

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortized cost.

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Company commits to purchase the asset.

Financial assets are derecognized when the rights to receive cash flows from the instruments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

At each reporting date, the Company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant and prolonged decline in the value of the instrument is considered to determine whether impairment has arisen.

Cash and cash equivalents

Cash equivalents include highly liquid Canadian dollar denominated guaranteed investment certificates which are readily convertible to contracted amounts of cash without penalty.

Property and equipment

Property and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statement of operations and comprehensive loss during the financial period in which they are incurred. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized in profit or loss.

Depreciation is calculated on a straight-line method to write off the cost of the assets over their estimated useful lives. The depreciation rates applicable to each category of equipment are as follows:

Office equipment	5 years	straight-line method
Computer equipment	3 years	straight-line method
Manufacturing tooling	2 years	straight-line method
Leasehold improvements	term of lease	straight-line method
Demo equipment	1-3 years	straight-line method

Intangible assets

Intangible assets, whether purchased or self-created, are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the Company and the cost of the asset can be measured reliably.

Amortization of intangible assets is calculated on a straight-line method to write off the cost of the assets over their estimated useful lives. The amortization rates applicable to each category of equipment are as follows:

Acquired software technology	10 years	straight-line method
Customer base	10 years	straight-line method
Patents & patent applications	10 years	straight-line method
Trademarks, copy right, brand	10 years	straight-line method

The depreciation method and estimates of useful lives ascribed to these other identifiable intangible assets are reviewed at least each financial year end and if necessary, adjusted on a prospective basis.

Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognized. Goodwill is carried at cost less accumulated impairment losses. Refer to note 10 for a description of impairment testing procedures.

Research and development costs

Research costs are expensed as incurred. Development costs are expensed as incurred unless the specific criteria for deferral and amortization have been met. To date, the Company has not capitalized any development costs.

Impairment of non-financial assets, goodwill and intangible assets

The carrying amount of the Company's non-financial assets (which include property and equipment and patents, intellectual property and intangibles with definite life) is reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit ("CGU") exceeds its recoverable amount. Impairment losses are recognized in the statement of operations.

The carrying amount of the Company's indefinite life assets (which include Brand and Goodwill) is tested for impairment annually or more frequently if events or changes in circumstances indicate that the assets may be impaired. The assessment of indefinite life is reviewed each period to determine whether the indefinite life assumption continues to be supportable. If deemed unsupportable, the change in the useful life from indefinite to finite life is made and amortization recognized on a prospective basis. An impairment loss is recognized when the carrying amount of an asset or its CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss for the period.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The recoverable amount of assets is the greater of an asset's fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses for each CGU reduce first the carrying amount of any goodwill allocated to that CGU. Any remaining impairment loss is charged pro rata to the other assets in the CGU. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognized may no longer exist.

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. An impairment loss with respect to goodwill is never reversed.

Equity

Share capital represents the value of the shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital.

From time to time the Company issues units consisting of common shares and common share purchase warrants. The Company estimates the fair value of the warrants based on the Black-Scholes valuation model. The residual difference, if any, between the unit price and the fair value of each warrant represents the fair value attributable to each common share. Share issue costs, which includes commissions, facilitation payments, professional fees and regulatory fees, are charged directly to share capital.

Reversal of impairment loss

An impairment loss is only reversed if there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the recoverable amount, however, not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognized in previous years. Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment.

Deferred revenue

The Company defers revenue and costs relating to sales if there is a right to return or if transfer of ownership has not occurred as of the reporting date. In these cases, revenue is recognized upon the maturation of the right to return or ownership has been completed. Additionally, the Company has an annual support program and the revenue is recognized over the term of the support agreement.

Leases

Leases of equipment where substantially all the risks and benefits incidental to the ownership of the asset are transferred to the Company are classified as finance leases.

Finance leases are capitalized by recording an asset and a liability at the lower of the fair value of the leased equipment or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives and the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Income taxes

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date, in the countries where the Company operates and generates taxable income.

Current income tax relating to items recognized directly in other comprehensive income or equity is recognized in other comprehensive income or equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and is reduced only to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority, or if relate to different taxable entities, the entities intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Changes in the expected operating results, enacted tax rates, legislation or regulations, and the Company's interpretations of income tax legislation will result in adjustments to the expectations of future timing difference reversals and may require material deferred tax adjustments.

Stock-based payments

The Company operates an employee stock option plan. Historically, stock-based payments to employees have been measured at the fair value of the instruments issued and amortized over the vesting periods. Stock-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the stock-based payment reserve. The fair value of options is determined using the Black–Scholes option pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

The Black-Scholes option pricing model was developed for use in estimating the fair value of stock options and compensatory warrants that have no vesting provisions and are fully transferable. Also, option-pricing models require the use of estimates and assumptions including the expected volatility. Changes in the underlying assumptions can materially affect the fair value estimates.

The Company has a Deferred Share Unit Plan ("DSU Plan") for the company's directors, executive officers and service providers. The Company recognizes compensation expense for Deferred Share Units ("DSUs") based on the market price of the Company's stock. A DSU is convertible to shares only, and are valued by reference to the fair value of the equity instruments granted. All of the Company DSUs are equity-settled instruments (See Note 18).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Warrants

All warrants granted are valued using the fair value method which is determined by the Black-Scholes option pricing model with assumptions for risk free interest rates, dividend yields, volatility factors and an expected life of the warrants. Warrants issued in other than functional currency are accounted for as derivatives liabilities at fair value and revalued every period with the change being recorded as income or expense.

Warrants issued to brokers as a finders' fee are treated as stock-based payment and netted against equity or debt depending on the financing arranged by the broker and are not revalued every period.

Changes in the underlying assumptions can materially affect the fair value estimates.

Research and development tax credits

Research and development tax credits are accounted for using the cost reduction method. Accordingly, tax credits are recorded as a reduction of the related expenses or the capitalized costs when recoverability is reasonably assured.

Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its common shares. Basic EPS is calculated by dividing the profit or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period, adjusted for its own shares held. Diluted EPS is determined by adjusting the profit attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for its own shares held, for the effects of all dilutive potential common shares. Dilutive EPS has not been calculated as the Company is in a net loss position for the periods resulting in an anti-dilutive quantification.

Significant accounting judgments, estimates and assumptions

The preparation of financial statements in conformity with IFRS requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

The estimates used in determining the recorded amounts in these consolidated financial statements include the following:

Allowance for doubtful accounts

Management uses its best estimate of expected returns to estimate a sales return provision. If a reasonable estimate cannot be made, the Company defers revenue and costs relating to the sales at the time the goods are shipped.

Impairment of long-lived assets, goodwill, patents and intellectual property

The determination of intellectual property impairment requires significant estimates and assumptions to determine the recoverable amount of an asset and/or CGU, wherein the recoverable amount is the higher of fair value less costs of disposal and value in use. The value in use method involves estimating the net present value of future cash flows derived from the use of the asset and/or CGU, discounted at an appropriate rate.

The estimates of future cash flows require a number of key assumptions about future business performance. These assumptions and estimates are primarily based on the relevant business' historical experience and economic trends. These key estimates include the future revenue levels and operating expenses. The estimates are subject to a number of factors and it is possible that actual results could vary materially from management's estimates. Significant changes in the key assumptions utilized in the estimate of future cash flows could result in an impairment loss or reversal of an impairment loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Estimated useful lives of long-lived assets

Judgment is used to determine the components of an asset and the component's useful life and is based on an analysis of all pertinent factors including, but not limited to, the expected use of the asset and in the case of an intangible asset, contractual provisions that enable renewal or extension of the asset's legal or contractual life without substantial cost, and renewal history. If the estimated useful lives were incorrect, this could result in an increase or decrease in the annual amortization expense, and future impairment charges or recoveries.

Equity-settled stock-based compensation

The Company estimates the cost of equity-settled stock-based compensation using the Black-Scholes option pricing model. The model takes into account an estimate of the expected life of the option, the current price of the underlying common share, the expected volatility, an estimate of future dividends on the underlying common share, the risk-free rate of return expected for an instrument with a term equal to the expected life of the option, and the expected forfeiture rate.

Warranty provision

The Company estimates warranty expense based on historical records, taking into account the likelihood of a warranty issue, estimated costs of warranty repair and total units in the market. The Company records a liability in respect of estimated future warranty costs. The actual cost that the Company may incur and the timing of the repairs to be carried out may differ significantly from the estimated accrual.

Provisions and Contingencies

Provisions are liabilities with uncertain timing or amounts, if, in the opinion of management, it is both likely that a future event will confirm that a liability had been incurred at the date of the financial statements and the amount can be reasonably estimated. Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material. In cases where it is not possible to determine whether such a liability has occurred, or to reasonably estimate the amount of loss until the performance of some future event, no accrual is made until that time. In the ordinary course of business, the Company may be party to legal proceedings which include claims for monetary damages asserted against the Company and its subsidiaries. The adequacy of provisions is regularly assessed as new information becomes available.

Any reimbursement that the Company is virtually certain to collect from a third party with respect to the obligation is recognized as a separate asset. However, this asset may not exceed the amount of the related provision.

The judgments used in applying the Company's significant accounting policies include the following:

Determination of cash-generating units ("CGUs")

The Company's assets are grouped into cash-generating units ("CGUs") based on their ability to generate separate identifiable cash flows. The determination of CGUs involves an assessment regarding the interdependency of cash inflows, and the Company's organizational structure.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

New Standards and Interpretations Not Yet Effective

Standards issued but not yet effective up to the date of issuance of the Company's consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company is currently assessing the impact of the following standards on the consolidated financial statements and intends to adopt these standards when they become effective.

IFRS 9 – Financial Instruments

IFRS 9 - Financial Instruments replaces the current IAS 39 Financial Instruments Recognition and Measurement. The standard introduces new requirements for classifying and measuring financial assets and liabilities. The Company will start the application of IFRS 9 in the financial statements effective from January 1, 2018. The Company has not yet evaluated the impact on the financial statements.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 – Revenue from Contracts with Customers replaces all existing revenue requirements in IFRS and applies to all revenue arising from contracts with customers. The standard outlines the principles an entity must apply to measure and recognize revenue. The core principle is that an entity will recognize revenue at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 will be applied using a five-step model:

1) Identify the contract(s) with a customer;
2) Identify the performance obligations in the contract;
3) Determine the transaction price;
4) Allocate the transaction price to the performance obligations in the contract; and
5) Recognize revenue when (or as) the entity satisfies a performance obligation

The standard also specifies how to account for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. The Company will start the application of IFRS 15 in the financial statements effective from January 1, 2018.

IFRS 16 – Leases

IFRS 16 – Leases will replace IAS 17 Leases. The new standard specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset has a low value. The standard was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019. The Company is currently evaluating the impact of the adoption of this standard on its consolidated financial statements.

(Expressed in U.S. Dollars)

4. ACQUISITION OF APTERYX

On February 10, 2017, the Company acquired 100% of the common shares of Apteryx, Inc ("Apteryx") for aggregate consideration of US$10,700,326. The fair value of the total consideration paid was US$10,660,584.

The Company accounted for the acquisition using the acquisition method and the results of Apteryx's operations have been included in the consolidated financial statement from the date of the acquisition.

Goodwill acquired with Apteryx primarily comprises the expertise and reputation of the assembled workforce.

The allocation of the purchase price of the net identifiable assets based on their estimated fair values at the date of acquisition is as follows:

ASSETS		
Cash	$	465,562
Accounts receivable		484,633
Prepaid expenses		3,571
Property & equipment		61,156
Acquired software technology		6,780,000
Customer base		960,000
Patents		470,000
Brand		141,000
	$	9,365,922
LIABILITIES		
Accounts payable & accrued liabilities		221,286
Deferred Revenue		352,182
	$	573,468
Total identifiable net assets	$	8,792,454
Goodwill on acquisition		1,868,130
Purchase consideration	**$**	**10,660,584**

The accounts receivable and prepaid expense fair value was equal to its contractual value, and all amounts were expected to be collected, as applicable.

The Company acquired the following in property, plant and equipment:

Furniture and fixtures	$	11,064
Equipment		50,092
	$	**61,156**

The Company incurred acquisition costs of $365,125, which were expensed through the statement of income under professional fees expense in the year they occurred. This amount was comprised of due diligence, filing, legal and accounting costs.

(Expressed in U.S. Dollars)

4. ACQUISITION OF APTERYX (cont'd)

The fair value of the purchase consideration is comprised of the following:

Cash	$	6,987,362
Deferred Consideration		1,610,258
Common shares 3,385,840 with a value of $0.80 CND per share ($2,708,672 CND)		2,062,964
Total consideration paid	**$**	**10,660,584**

The Company paid US$6,987,362 in cash and issued 3,385,840 common shares of the Company to the seller at CDN$0.80, representing US$2,062,964 of value. An additional US$1.2 million of the purchase price will be paid in cash tranches over 18 months. The final payment of US$450,000 will be paid in common shares of the Company or in cash at the Company's option, 24 months from closing. Deferred consideration is recorded at fair market value by calculating the present value of the cash flow.

The Company closed a series of financings related to the acquisition for gross proceeds of approximately CDN$14.4 million. The Company completed a private placement of 22,071,154 equity units of the Company (the "Equity Units") for gross proceeds of approximately CDN$13.3 million. (refer to Note 16). The Company also issued senior secured debentures with a principal amount of CDN$1,150,000 maturing 24 months from the closing date. The debenture is attached with a 12% coupon and 2,443,750 common shares of the Company. (refer to Note 13).

5. TRADE AND OTHER RECEIVABLES

		December 31, 2017		December 31, 2016
Trade accounts receivable	**$**	**1,557,714**	$	764,601
Goods and services tax receivable		**20,657**		34,738
	$	**1,578,371**	$	799,339

During the year ended December 31, 2017, the Company has written off accounts receivable of $Nil (December 31, 2016 - $38,904).

6. INVENTORY

		December 31, 2017		December 31, 2016
VELscope	**$**	**142,822**	$	309,278
Digital products		**636,117**		226,673
	$	**778,939**	$	535,951

Inventory is valued at the lower of cost and net realizable value. Cost includes the costs of purchases net of vendor allowances. The Company estimates net realizable value as the amount at which inventories are expected to be sold. Inventories are carried at lower of cost or net realizable value. When the cost of inventories is estimated to be unrecoverable due to obsolescence, damage or declining selling prices, the write-down of inventories is recognized as an expense. Storage and shipping costs, indirect administrative overhead and certain selling costs related to inventories are expensed in the period that these costs are incurred.

(Expressed in U.S. Dollars)

7. DEPOSIT

In 2014, the Company entered into an eight-year lease agreement for premises in Atlanta, Georgia. A requirement of the agreement was for a letter of credit to be issued to the lessor in the amount of $280,000. If the Company is in breach of the terms and conditions of the agreement, the lessor is entitled to the funds being held. The restricted cash was reduced by $120,000 in March 2016, and $90,000 in September 2016. These funds have been returned to the Company with the remaining balance being held until the duration of the agreement is complete. As of December 31, 2017, the Company has complied with the terms and conditions of the agreement and the letter of credit has been reduced to $70,000.

8. PROPERTY AND EQUIPMENT

The following table presents details of movement in the carrying value of property and equipment by asset type:

Cost

	Equipment	Computer Equipment	Leasehold Improvements	Total
Balance, January 1, 2016	**$ 635,426**	**$ 57,994**	**$ 58,706**	**$ 752,126**
Additions	103,784	13,884	-	117,668
Disposals	(175,759)	(10,097)	-	(185,856)
Balance, December 31, 2016	**$ 563,451**	**$ 61,781**	**$ 58,706**	**$ 683,938**
Additions	9,581	15,286	975	25,842
Additions from acquisition	11,063	50,093	-	61,156
Disposals	-	-	-	-
Balance, December 31, 2017	**$ 584,095**	**$ 127,160**	**$ 59,681**	**$ 770,936**

Accumulated Depreciation

	Equipment	Computer Equipment	Leasehold Improvements	Total
Balance, January 1, 2016	**$ 343,981**	**$ 27,361**	**$ 6,578**	**$ 377,920**
Depreciation	286,508	21,034	7,958	315,500
Disposals	(175,759)	(10,097)	-	(185,856)
Balance, December 31, 2016	**$ 454,730**	**$ 38,298**	**$ 14,536**	**$ 507,564**
Depreciation	71,426	31,453	7,996	110,875
Disposals	-	-	-	-
Balance, December 31, 2017	**$ 526,156**	**$ 69,751**	**$ 22,532**	**$ 618,439**

Carrying Value

	Equipment	Computer Equipment	Leasehold Improvements	Total
Balance, December 31, 2017	**$ 57,939**	**$ 57,409**	**$ 37,149**	**$ 152,497**
Balance, December 31, 2016	**$ 108,721**	**$ 23,483**	**$ 44,170**	**$ 176,374**

(Expressed in U.S. Dollars)

9. INTANGIBLE ASSETS

The following table presents details of movement in the carrying value of property and equipment by asset type:

Cost

	Acquired Software Technology	Customer Base	Patents	Brand	Total
Balance, January 1, 2017	$ -	$ -	$ -	$ -	$ -
Additions from acquisition	6,780,000	960,000	470,000	141,000	8,351,000
Balance, December 31, 2017	**$ 6,780,000**	**$ 960,000**	**$ 470,000**	**$ 141,000**	**$ 8,351,000**

Accumulated Amortization

	Acquired Software Technology	Customer Base	Patents	Brand	Total
Balance, January 1, 2017	$ -	$ -	$ -	$ -	$ -
Amortization	593,250	84,000	41,125	12,338	730,713
Balance, December 31, 2017	**$ 593,250**	**$ 84,000**	**$ 41,125**	**$ 12,338**	**$ 730,713**

Carrying Value

	Acquired Software Technology	Customer Base	Patents	Brand	Total
Balance, December 31, 2017	**$ 6,186,750**	**$ 876,000**	**$ 428,875**	**$ 128,662**	**$ 7,620,287**
Balance, December 31, 2016	$ -	$ -	$ -	$ -	$ -

For the purpose of the annual impairment testing, Brand is allocated to Apteryx, the CGU in which Brand belongs. The Company assesses Brand and Goodwill together as part of the annual impairment test for Apteryx. The impairment test performed resulted in no impairment of intangible assets as at December 31, 2017.

10. GOODWILL

	Goodwill
Balance, December 31, 2016	$ -
Acquired through business combination	1,868,130
Balance, December 31, 2017	**$ 1,868,130**

Goodwill acquired with Apteryx primarily comprises of the expertise and reputation of the assembled workforce.

The Company performed the annual impairment tests of goodwill and intangible assets Apteryx as at December 31, 2017. The impairment test performed resulted in no impairment of goodwill, or intangible assets as at December 31, 2017.

(Expressed in U.S. Dollars)

11. TRADE PAYABLES AND ACCRUED LIABILITIES

	December 31, 2017	December 31, 2016
Trade payables	**$ 761,710**	$ 2,564,502
Accrued liabilities	**947,998**	591,225
State and provincial sales tax payable	**482,107**	379,245
	$ 2,191,815	$ 3,534,972

The Company warrants that its products will operate substantially in conformity with product documentation. The Company accrues for known warranty issues if a loss is probable and can be reasonably estimated and accrues for estimated incurred but unidentified warranty issues based on historical activity. To date, the Company has had no material warranty claims.

12. LEASE OBLIGATIONS AND COMMITMENTS

a) The Company has operating leases with respect to its operating premises in Vancouver, B.C., and Atlanta, Georgia. Future minimum lease payments as at December 31, 2017 are as follows:

2018	262,548
2019	258,040
2020	258,040
2021	258,040
2022 and thereafter	23,100
Total future minimum lease payments	**$ 1,059,768**

b) The Company pays royalties at a rate of 0.75% of VELscope sales to the British Columbia Cancer Agency. During the year ended December 31, 2017, the Company accrued royalties of $8,109. (December 31, 2016- $12,717). As at December 31, 2017, total royalties accrued but not paid was $20,840 (December 31, 2016 – $12,731), which are classified as a component of accrued liabilities.

c) On August 1, 2014, the Company entered into a one-year consulting agreement ending July 31, 2015 with the former CEO of the Company whereby the former CEO would be paid CDN$295,000 annually and will receive royalties of 2% of all VELscope sales until January 1, 2018. The Company accrued royalties of $21,452 during the year ended December 31, 2017 (December 31, 2016 - $33,911), made payments of $5,620 and has a total of $50,500 accrued but not paid as of December 31, 2017 (December 31, 2016 - $63,325).

d) The Company may be subject to a variety of claims and suits that arise from time to time in the ordinary course of business. These matters are subject to inherent uncertainties. To date, the Company is aware of one claim for unpaid services plus interest. Subsequent to December 31, 2017, the claim was settled for a sum of CDN$75,000 (US$59,651) which has been accrued at December 31, 2017.

13. DEBENTURE

On July 22, 2015 (the "closing date"), the Company issued senior secured debentures with a principal amount of CDN$1,100,000 (US$827,365) maturing 12 months from the closing date. The debenture is attached with a 10% coupon and 65,450 common share purchase warrants of the Company at an exercise price of US$2.80. These warrants are exercisable at any time up to and including one year from the closing date. Transaction costs associated with this issuance were CDN$55,055 (US$38,392) and have been netted against the debenture proceeds received. Subsequent to the expiry of the original term and on October 7, 2016 (the "extension date"), the Company extended the terms by five years and increased the interest from 10% to 13%. The first year of interest totaling US$99,452 has been accrued and is payable at maturity 5 years from the extension date. The Company issued 65,481 common shares of the Company as consideration for the amendments. Accrued interest from the extension date to December 31, 2017 is US$140,588.

(Expressed in U.S. Dollars)

13. DEBENTURE (cont'd)

On September 25, 2015 (the "closing date"), the Company issued senior secured debentures with a principal amount of US$500,000 maturing 12 months from the closing date. The debenture is attached with a 10% coupon and 35,715 common share purchase warrants of the Company at an exercise price of US$2.80. These warrants are exercisable at any time up to and including one year from the closing date. Transaction costs associated with this issuance were US$10,020 and have been netted against the debenture proceeds received. Subsequent to the expiry of the original term and on October 7, 2016 (the "extension date"), the Company extended the terms by five years and increased the interest rate from 10% to 13%. The first year of interest totaling US$60,694 has been accrued and is payable at maturity 5 years from the extension date. The Company issued 40,464 common shares of the Company as consideration for the amendments. Accrued interest from the extension date to December 31, 2017 is US$80,347.

On July 6, 2016 (the "closing date"), the Company issued senior secured debentures with a principal amount of CDN$385,000 (US$296,885) maturing 12 months from the closing date. The debenture is attached with a 13% coupon and 25,000 common shares of the Company. Transaction costs associated with this issuance were CDN$28,952 (US$20,556) and have been netted against the debenture proceeds received. Subsequent to the expiry of the original term and on July 7, 2017 (the "extension date"), the Company extended the terms until February 10, 2019 and decreased the interest rate from 13% to 12%. The first year of interest totaling US$39,805 has been accrued and is payable at maturity on February 10, 2019. The Company issued 39,167 common shares of the Company as consideration for the amendments. Accrued interest from the extension date to December 31, 2017 is US$17,443.

On October 7, 2016 (the "closing date"), the Company issued senior secured debenture with a principal amount of CDN$500,000 (US$380,875) maturing 24 months from the closing date. The debenture is attached with a 12% coupon and 75,000 common shares of the Company. Transaction costs associated with this issuance were CDN$48,340 (US$36,825) and have been netted against the debenture proceeds received. Accrued interest at December 31, 2017 is US$59,651.

On December 22, 2016 (the "closing date"), the Company issued senior secured debenture with a principal amount of CDN$800,000 (US$594,960) maturing 24 months from the closing date. The debenture is attached with a 12% coupon and 170,000 common shares of the Company. Transaction costs associated with this issuance were CDN$81,548 (US$60,647) and have been netted against the debenture proceeds received. Accrued interest at December 31, 2017 is US$78,474.

On February 10, 2017 (the "close date"), the Company issued senior secured debentures with a principal amount of CDN$1,150,000 (US$875,857) maturing 24 months from the closing date. The debenture is attached with a 12% coupon and 244,375 common shares of the Company. The Company issued 35,200 finder's warrants (the "Finder's Warrants") to arm's length finders. Transaction costs associated with this issuance were CDN$35,288 (US$26,876) and have been netted against the debenture proceeds received. Accrued interest at December 31, 2017 is US$27,439.

On October 30, 2017 (the "closing date"), the Company issued second secured debentures with a principal amount of CDN$2,500,000 (US$1,938,690), maturing 24 months from the closing date. The debenture is attached with a 12% coupon and 531,250 common shares of the Company. The Company also issued 88,800 finder's warrants (the "Finder's Warrants") to arm's length brokers. Each Finder's Warrant is non-transferrable and exercisable at an exercise price of CDN$1.00 at any time up to and including the date which is 24 months from the closing date. Transaction costs associated with this issuance were CDN $232,032(US$179,935) and have been netted against the debenture proceeds received. Accrued interest at December 31, 2017 is US$41,093.

14. RELATED PARTY TRANSACTIONS

Related parties include key management, the Board of Directors, close family members and enterprises which are controlled by these individuals as well as certain persons performing similar functions.

During the year ended December 31, 2017 and 2016, the Company paid or accrued the following compensation expenses to key personnel of the Company:

	December 31, 2017	December 31, 2016
Short-term compensation	**$ 915,948**	$ 802,221
Stock-based payments	**$ 297,101**	$ 187,548

(Expressed in U.S. Dollars)

15. WARRANTS

On November 30, 2017, the Company completed the consolidation of its common shares on the basis of 10 pre-consolidation common shares for 1 post-consolidation common share. As a result, all outstanding warrant information presented has been retroactively adjusted on a 10 to 1 basis.

On February 10, 2017, the Company completed a private placement of equity units consisting of one common share and one-half of one common share warrant (the "Subscribers' Warrants"). The Company issued 11,035,553 Subscriber's Warrants with each warrant entitling the holder to acquire one common share at an exercise price of CDN$1.00 for a period of 24 months. The Subscriber Warrants were valued at fair market value using the Black-Sholes pricing model at a value of US$2,965,366 and accounted for on the balance sheet as a derivative liability. The Subscriber Warrants are revalued every period with the change being recorded as income or expense. The mark to market adjustment for the Subscriber Warrants for the year ended December 31, 2017 was $1,593,244 (December 31, 2016 - $NIL).

The Company also issued 1,326,286 finder's warrants (the "Finders' Warrants") to an arm's length finder as part of the private placement. Each Finders' Warrants is non-transferable and exercisable into one common share at an exercise price of CDN$1.00 for a period of 24 months. The Finders' Warrants were valued at fair market value using the Black-Scholes pricing model at a value of US$356,386.

On February 10. 2017, the Company issued 35,200 finder's warrants to arm's length finders as part of a debenture financing. Each Finder's Warrant is non-transferrable and exercisable at an exercise price of CDN$1.00 for a period of 24 months from the closing date. The fair value of the Finder's Warrants was calculated using the Black-Scholes pricing model and was valued at US$7,426.

On October 30, 2017, the Company issue issued 88,800 finder's warrants to arm's length brokers a debenture financing. Each Finders' Warrant is non-transferrable and exercisable at an exercise price of CDN$1.00 for a period of 24 months from the closing date. The fair value of the Finder's Warrants was calculated using the Black-Scholes pricing model and was valued at US$17,562.

The Finders' Warrants were treated as stock-based payment and recorded in equity.

The following table summarizes the warrant liability attributable to Canadian dollar denominated warrant transactions that occurred during the periods ended:

	December 31, 2017		December 31, 2016	
	Number of Warrants	**Weighted Average Exercise Price**	Number of Warrants	Weighted Average Exercise Price
		(CDN$)		(CDN$)
Warrants outstanding, beginning of year	-	-	-	-
Issued	12,485,839	1.00	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
Warrants outstanding, end of period	**12,485,839**	**1.00**	**-**	**-**
Warrants exercisable, end of period	**12,485,839**	**1.00**	**-**	**-**

(Expressed in U.S. Dollars)

15. WARRANTS (cont'd)

The following table summarizes the US dollar denominated warrant transactions that occurred during the periods ended:

	December 31, 2017		December 31, 2016	
	Number of Warrants	**Weighted Average Exercise Price**	Number of Warrants	Weighted Average Exercise Price
		(US$)		(US$)
Warrants outstanding, beginning of period	1,724,260	3.60	3,402,613	3.60
Issued	-	-	-	-
Exercised	-	-	-	-
Expired	(1,724,260)	3.60	(1,678,353)	4.90
Warrants outstanding, end of period	**-**	**-**	**1,724,260**	**3.60**
Warrants exercisable, end of period	**-**	**-**	**1,724,260**	**3.60**

The following table summarizes information about the Company's warrants outstanding at December 31, 2017:

	Warrants Outstanding		**Warrants Exercisable**	
Exercise Prices	**Number Outstanding**	**Weighted Average Remaining Term (Years)**	**Number Exercisable**	**Weighted Average Remaining Term (Years)**
CDN$1.00	12,485,839	1.16	12,485,839	1.16
	12,485,839	**1.16**	**12,485,839**	**1.16**

The following table summarizes information about the Company's warrants outstanding at December 31, 2016:

	Warrants Outstanding		**Warrants Exercisable**	
Exercise Prices	**Number Outstanding**	**Weighted Average Remaining Term (Years)**	**Number Exercisable**	**Weighted Average Remaining Term (Years)**
US$2.00	657,360	1.15	657,360	1.15
US$2.50	1,066,900	0.40	1,066,900	0.40
	1,724,260	**0.69**	**1,724,260**	**0.69**

16. SHARE CAPITAL

On November 30, 2017, the Company completed the consolidation of its common shares on the basis of 10 pre-consolidation common shares for 1 post-consolidation common share. As a result, all outstanding common share, option and deferred share unit information presented has been retroactively adjusted on a 10 to 1 basis.

(Expressed in U.S. Dollars)

16. SHARE CAPITAL (cont'd)

Authorized share capital

Unlimited number of common shares without par value

	Number of Common Shares (Post Consolidation)		Amount
Outstanding, January 1, 2016	**11,231,906**	**$**	**36,135,128**
Shares issued with debenture financing	375,945		79,876
Settlement of share capital upon expiry of unexercised warrants	-		4,718,328
Issuance of shares on exercise of DSU	35,000		-
Outstanding, December 31, 2016	**11,642,851**	**$**	**40,933,332**
Shares issued pursuant to private placement	22,071,154		10,085,814
Share issuance costs	-		(724,288)
Subscriber warrants issued pursuant to private placement	-		(2,965,366)
Finder warrants issued pursuant to private placement	-		(356,386)
Shares issued as settlement on the purchase of Apteryx	3,385,840		2,062,964
Shares issued with debenture financing	814,792		88,768
Settlement of share capital upon expiry of unexercised warrants	-		1,819,396
Rounding adjustment due to share consolidation	(1)		
Outstanding, December 31, 2017	**37,914,636**	**$**	**50,944,234**

On February 10, 2017, the Company completed a private placement of 22,071,154 equity units (the "Equity Units') at an issue price of CDN$0.60 per unit for total gross proceeds of approximately CDN$13.2 million (US$10.1 million). The Equity Units comprised of one common share and one-half of one common share purchase warrant (the "Subscribers' Warrants") with each warrant entitling the holder to acquire one common share at an exercise price of CDN$1.00 for a period of 24 months. Additionally, the Company issued 1,326,286 finder's warrants (the "Finders' Warrants") to an arm's length finder. (Refer to note 15). The company paid the issuance costs of CDN$950,988 (US$724,286) relating to legal, finders' and regulatory fees.

The Company also issued shares and finder's warrants as part of the debenture financing (refer to Note 13) and as part of the settlement to purchase Apteryx Inc. (refer to Note 4).

17. STOCK-BASED PAYMENTS

Commencing in 2005, the Company has granted, by way of directors' resolutions, share options to directors, officers, employees and other service providers at the exercise price set out at the grant date. The Company has a rolling incentive stock option plan. Under the terms of the Company's stock option plan, the Board of Directors may grant options to directors, officers, employees, consultants and service providers equal to 10% of issued and outstanding common shares of the Company from time to time on a rolling basis. The plan provides for the granting of options at the closing price of the Company's stock on the day prior to the grant date. The option plan states that the Board of Directors are the administrators of the plan with defined vesting period for options granted.

(Expressed in U.S. Dollars)

17. STOCK-BASED PAYMENTS (cont'd)

A summary of the Company's outstanding share options is presented below:

	Outstanding options	
	Number of Common Shares (Post Consolidation)	Weighted Average Exercise Price in (CDN$)
Outstanding, January 1, 2016	**716,000**	**$ 3.90**
Options granted	377,500	1.80
Options forfeited	(218,333)	2.60
Options expired	(325,100)	4.60
Outstanding, December 31, 2016	**550,067**	**$ 2.50**
Options granted	2,930,000	0.91
Options forfeited	(210,565)	1.36
Options Expired	(32,500)	3.52
Outstanding, December 31, 2017	**3,237,002**	**$ 1.12**

On April 10, 2017 and May 31, 2017, the Company granted a total of 2,930,000 stock options exercisable at a range of CDN$0.90 to CDN$1.00 per share in accordance with its stock option plan to directors, officers, consultants and employees. The options are for a term of up to 5 years and generally vest over a three-year period.

The options outstanding at December 31, 2017 have an exercises price in the range of CDN$0.90 to $4.90 (2016 – CDN$0.18 to $0.49 pre-consolidation) and a weighted average contractual life of 4.10 years (2016 – 5.53 years). The amount of options exercisable at the end of 2017 was 758,66 (2016 – 387,100).

The following table illustrates the assumptions of the option pricing models:

Grant Date of Share Options	Share Price in CDN$	Exercise Price	Annual Dividend Yield of Share Options	Volatility	Risk-Free Interest Rate	Expected Life of the Share Options
January 27, 2015	$2.70	$2.80	Nil	113.22%	0.51%	8 years
February 26, 2015	$2.40	$2.50	Nil	112.22%	0.51%	5 years
February 5, 2016	$1.70	$1.80	Nil	108.56%	0.38%	8 years
May 25, 2016	$1.30	$1.80	Nil	107.90%	0.63%	3 years
May 25, 2016	$1.30	$1.80	Nil	107.90%	0.63%	2 years
April 10, 2017	$0.80	$1.00	Nil	108.56%	0.76%	2 years
April 10, 2017	$0.80	$1.00	Nil	108.56%	0.76%	5 years
April 10, 2017	$0.80	$0.90	Nil	108.56%	0.76%	5 years
May 31, 2017	$0.80	$0.90	Nil	108.56%	0.69%	5 years

For the year ended December 31, 2017, the Company recognized $628,280, of stock-based compensation expense (2016 – $258,529). Forfeiture rate is estimated based upon prior year forfeitures as a percentage of the total amount of options issued.

(Expressed in U.S. Dollars)

18. DEFERRED SHARE UNITS

The Company has a DSU Plan for the company's directors, executive officers and service providers ("eligible person").

DSU activity is presented below:

	Number of DSUs	Weighted Average exercised price
Outstanding, December 31, 2016	**36,000**	**2.50**
Granted	-	-
Exercised	-	-
Outstanding, December 31, 2017	**36,000**	**2.50**

All DSUs are exercisable as of December 31, 2017. The contractual life is dependent upon service provided to the Company. Options expire on December 15 of the 1st calendar year after service is terminated. During the year ended December 31, 2017, the Company recorded an expense of $Nil (2016 – $Nil).

19. SEGMENTED INFORMATION

The Company operates in a single geographical segment, being North America, and a single reporting segment, the development and commercialization of medical devices based on its proprietary imaging platform to aid in the detection and treatment of disease in human tissues. The North American segment makes up over 98% of the Company's sales. In addition, the Company provides dental and oral health specialists with advanced diagnostic imaging products and software.

The Company's operating segment is reported in a manner consistent with the internal reporting provided to the Chief Executive Officer ("CEO"). The CEO is considered the chief operating decision-maker ("CODM") and has the authority for resource allocation and is responsible for assessing the Company's performance.

20. CAPITAL DISCLOSURES

The Company's objectives for managing capital are:

- To maintain financial strength and to protect its ability to meet its on-going liabilities;
- To safeguard the Company's ability to continue as a going concern in order to pursue further development of medical devices so that it can provide adequate returns for shareholders and benefits for other stakeholders;
- To fund capital projects for facilitation of business expansion provided there is sufficient liquidity of capital to enable the internal financing;
- To maximize returns for shareholders over the long-term; and
- To maintain a capital base so as to maintain investor, creditor and market confidence.

The Company considers the items included in shareholders' equity (deficiency) and debt as capital. The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares or return capital to shareholders. The Company is not subject to externally imposed capital requirements. There were no changes to the approach to capital management during the year.

(Expressed in U.S. Dollars)

20. CAPITAL DISCLOSURES (cont'd)

The capital of the Company consists of the consolidated equity and debentures, net of cash:

	December 31, 2017	December 31, 2016
Equity/Deficiency	**$ 2,818,153**	$ (3,887,992)
Debentures	**5,871,293**	2,623,542
	8,689,446	(1,264,450)
Less: Cash	**(2,425,468)**	(874,567)
	$ 6,263,978	$ (2,139,017)

21. INCOME TAXES

Income tax expense differs from the amount that would be computed by applying the federal and provincial statutory income tax rates of 26% (December 31, 2016 – 26%) to loss before income taxes due to the following:

	December 31, 2017	December 31, 2016
Net loss before income taxes	**$ (2,495,015)**	$ (5,373,273)
Tax recovery at applicable rates	**(877,000)**	(1,397,051)
Non-deductible items and other	**142,000**	68,697
Temporary differences not recognized	**1,318,000**	(564,896)
Foreign currency translation	**425,765**	(135,294)
Opening deferred income tax adjustment	**(684,765)**	2,028,544
Share issue costs	**(324,000)**	
Income tax recovery	**$ -**	$ -

The deferred tax assets have not been recognized in these consolidated financial statements, as management does not consider it more likely than not those assets will be realized in the carry forward period.

The composition of the Company's deferred tax assets as at December 31, 2017 and 2016 is as follows

	December 31, 2017	December 31, 2016
Deferred tax assets in relation to:		
Non-capital losses carry forward	**$ 10,224,000**	$ 8,482,876
SR&ED pool	**335,052**	313,760
Patents and intellectual property	**145,000**	146,147
Property and equipment	**75,000**	201,543
Reserves	**54,000**	
Share issue costs	**340,000**	85,546
Deferred tax assets not recognized	**$ 11,173,052**	$ 9,229,872

(Expressed in U.S. Dollars)

21. INCOME TAXES (cont'd)

As at December 31, 2017, the Company has net operating loss carry forwards for Canadian purposes aggregating US$25,321,708.
These losses may be carried forward to apply against future income for tax purposes and will expire, if not utilized as follows:

2026	$ 1,332,573
2027	1,973,745
2028	2,229,734
2029	2,864,934
2030	3,226,110
2031	935,506
2032	1,446,412
2033	2,078,341
2034	3,910,255
2035	1,335,398
2036	2,310,041
2036	1,678,659
Net operating loss carry forwards	**$ 25,321,708**

The Company also has $ 1,288,660 (CDN$1,620,257) of discretionary deductions relating to its research and development activities. These deductions can be carried forward indefinitely.

At December 31, 2017, the Company also has loss carry forwards for U.S. income tax purposes totalling $11,668,354. These losses may be carried forward to apply against future income for tax purposes and will expire, if not utilized as follows:

2034	$ 1,118,138
2035	3,560,990
2036	4,325,720
2037	2,663,506
Net operating loss carry forwards	**$ 11,668,354**

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

<u>Classification of financial instruments</u>

Financial assets included in the statement of financial position are as follows:

	December 31, 2017	December 31, 2016
Loans and receivables		
Cash	$ 2,425,468	$ 874,567
Trade and receivables	1,578,371	799,339
	$ 4,003,839	$ 1,673,906

(Expressed in U.S. Dollars)

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

Financial liabilities included in the statement of financial position are as follows:

	December 31, 2017	December 31, 2016
Derivative liability at fair value through profit or loss:		
Warrants	$ 1,372,122	-
	$ 1,372,122	-

	December 31, 2017	December 31, 2016
Other financial liabilities:		
Trades payable and accrued liabilities	$ 2,191,815	$ 3,534,972
Deferred revenues	892,570	309,531
Debenture	5,871,293	2,623,542
Deferred consideration on acquisition	1,650,000	-
	$ 10,605,678	$ 6,468,045

Fair value

Due to the short-term nature of cash, trade and other receivables, trade payables and accrued liabilities and deferred revenue, their fair values approximate their carrying amounts.

The fair value of the Company's debenture and accrued interest payable is estimated by a discounted cash flow model based on market rate of interest existing at the end of the reporting period. Management believes that there has been no significant change in market interest rate since the inception of the debenture and as such the fair value of the debenture approximates the carrying value given that an immaterial amount of transaction cost was allocated to the debenture at inception.

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 – Inputs that are not based on observable market data.

Details of the Company's debentures and information about the fair value hierarchy as at December 31, 2017 are as follows:

	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value at December 31, 2017
Debenture	-	$ 4,129,245	$ 1,742,048	$ 5,871,293
Total	-	**$ 4,129,245**	**$ 1,742,048**	**$ 5,871,293**

(Expressed in U.S. Dollars)

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

Details of the Company's warrants and information about the fair value hierarchy as at December 31, 2016 are as follows:

	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value at December 31, 2016
Debenture	-	$ 2,623,542	-	$ 2,623,542
Total	**-**	**$ 2,623,542**	**-**	**$ 2,623,542**

The Company measures warrants using the Black-Scholes method, which utilizes the risk-free rate and the stock price volatility to estimate the fair value of warrants. The effects of non-observable inputs are not significant for CDN denominated warrants. There were no transfers between Level 1 and 2 in 2017 or 2016.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risks arising from its cash and receivables. The Company manages credit risk by placing cash with major Canadian and U.S. financial institutions. With respect to receivables, the Company performs ongoing credit evaluations of its customers' financial condition.

The Company monitors collectability of receivables on an on-going basis to determine credit risk. In order to mitigate credit risk, the Company offers credit terms to established customers. Other customers are required to pay in advance or by credit card, prior to shipping of the product. At December 31, 2017, any accounts receivable due beyond one year have been provided for in the allowance for doubtful accounts.

As at December 31, 2017 and December 31, 2016, the Company's exposure to credit risk for these financial instruments was as follows:

	December 31, 2017	December 31, 2016
Cash	$ 2,425,468	$ 874,567
Trade and Other Receivables	1,578,371	799,339
	$ 4,003,839	$ 1,673,906

Trade and other receivable balances of $1,578,371 as at December 31, 2017 (December 31, 2016 - $799,339) were aged as follows in the below table. It does not include goods and services tax receivable of $20,657 as at December 31, 2017 (December 31, 2016 – $34,738).

	December 31, 2017	December 31, 2016
Current	$ 1,075,602	$ 540,537
31-60 days	184,460	72,646
Over 60 days	297,652	142,075
	$ 1,557,714	$ 755,258

(Expressed in U.S. Dollars)

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company has a planning and budgeting process in place to help determine the funds required to support the Company's normal operating requirements on an ongoing basis. The Company manages its liquidity risk associated with its financial liabilities through the use of cash flow generated from operations, and the issuance of additional equity primarily through private placements, as required to meet the payment requirements of maturing financial liabilities.

The contractual maturities of the Company's trade payables as at December 31, 2017 are listed below. Refer to the Note 12 for other contractual maturities, lease obligations and commitments that are not included in the table below.

Trade payables were aged as follows as at December 31, 2017 and December 31, 2016, respectively and do not include accrued liabilities, warranty provision and state and provincial sales tax payable. All trade payables are current liabilities:

	December 31, 2017	December 31, 2016
Current	$ 440,118	$ 221,101
31-60 days	34,752	164,082
Over 60 days	286,840	2,179,319
	$ 761,710	$ 2,564,502

The following is an analysis of the contractual maturities of the Company's non-derivative accrued liabilities at December 31, 2017:

	Within One Year	**Between One and Five years**
Trade payables and accrued liabilities	$ 2,191,815	$ -
Deferred revenue	892,570	-
Debenture	2,152,841	3,718,452
Deferred consideration on acquisition	1,200,000	450,000
	$ 6,437,226	$ 4,168,452

The following is an analysis of the contractual maturities of the Company's non-derivative liabilities at December 31, 2016:

	Within One Year	**Between One and Five Years**
Trade payables and accrued liabilities	$ 3,534,972	$ -
Deferred revenue	309,531	-
Debenture	665,373	1,958,169
	$ 4,509,876	$ 1,958,169

(Expressed in U.S. Dollars)

22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (cont'd)

The ability of the Company to make the aforementioned payment requirements related to maturing financial liabilities in the near term is dependent on the ability to obtain a line of credit and other debt instruments and the timing of cash flows from operations. The ability to obtain additional financing is dependent on continued access to debt and/or equity markets which may not be available on acceptable terms. In the event that debt or equity capital is not available on acceptable terms, the Company may need to explore other strategic alternatives.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk is limited to the portion of the Company's cash held in bank accounts that earn interest and debentures that pay interest. There is no interest rate risk associated with the debentures as they carry a fixed rate of interest.

Due to the limited and short-term nature of these financial instruments, fluctuations in the interest rates will not have a significant impact on their fair value. As at December 31, 2017, the Company had not entered into any derivative contracts to manage this risk.

Currency risk

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and the United States. The Company's functional currency is the U.S. dollar. The Company has not hedged its exposure to currency fluctuations.

The following is a summary of the Company's exposure to currency risk:

	December 31, 2017	December 31, 2016
	CDN$	CDN$
Cash	$ 345,952	$ 461,801
Trade receivables	28,133	30,703
Trade payable and accrued liabilities	(24,386)	(799,414)
Net statement of financial position exposure	**$ 349,699**	**$ (306,910)**

Assuming that all other variables remain constant, a 10% change in the value of the Canadian dollar against the U.S. dollar would not materially affect the loss from operations.

23. EARNINGS PER SHARE

Profit attributable to ordinary shareholders (basic and diluted)

Earnings per share is calculated using Net Income (Loss)/Average Shares Outstanding.

	December 31, 2017	December 31, 2016
Loss for the year attributable to shareholders	$ 2,495,015	$ 5,373,273
Loss attributable to ordinary shareholders (basic and diluted)	**$ 2,495,015**	$ 5,373,273
Loss per share – basic and diluted	**$(0.08)**	$(0.47)
Weighted average number of shares outstanding (basic and diluted)	**31,668,318**	11,312,962

24. EMPLOYEE BENEFITS AND DEPRECIATION

The Company has incurred $ 5,355,362 (2016 – $ 4,693,901) of employee benefits and depreciation and amortization of $841,588 (2016 – $326,252). Employee benefits include wages, commissions, payroll taxes, stock-based payments and employee benefits.

25. SUBSEQUENT EVENTS

On April 24, 2018, the Company entered into an amending agreement (the "Amending Agreement") which extends the terms of the February 10, 2017 Apteryx purchase agreement (the "Purchase Agreement"). In the Purchase Agreement, a holdback payment of $500,000 was due on February 10, 2018 and a deferred cash payment of $300,000 was due on March 10, 2018. The Amending Agreement states the Company will pay $450,000 of the holdback payment which consists of $277,778 already paid plus an additional payment of $172,222 on May 17, 2018. The remaining $50,000 on the holdback payment and the $300,000 deferred cash payment have been extended to November 10, 2019 and will bear interest at 12% per annum paid in arrears quarterly commencing May 17, 2018. The remaining deferred payments of $400,000 on August 10, 2018 and $450,000, payable in shares or cash at the Company's option, on February 10, 2019 are unchanged from the Purchase Agreement. As of April 27, 2018, the Company is compliant with the payment terms of the Amending Agreeme

Directors and Officers

Name and Residence	Position with the Corporation	Principal Occupation	Director / Officer Since[1]
Darryl Yea[2] British Columbia, Canada	Director	President and Director of Investco Capital Management	November 21, 2011[2]
Dr. David Gane [3] British Columbia, Canada	Director and Officer	President and CEO of the Company	October 4, 2013[3]
Lamar Roberts [4] Atlanta, Georgia, US	Director and Officer	President LED Dental Ltd.	October 24, 2013[4]
Joel Leetzow [5] Alberta, Canada	Director	President, CEO of Cortex Business Solutions	August 22, 2017[5]
Stephen Sweeney [5] New Jersey, US	Director	Founder of Next Media Group	August 22, 2017[5]
James Topham [6] British Columbia, Canada	Director	Director, Technology Companies	January 2, 2018[6]

Notes:

(1) Each director is elected at the Corporation's annual meeting of shareholders to serve until the next annual meeting or until a successor is elected or appointed, unless such director resigns or is removed earlier.

(2) Appointed Director on November 21, 2011.

(3) Appointed Director on August 28, 2014.

(4) Appointed Vice President of Sales and Marketing of the Company on October 24, 2013, as Executive Vice President on November 27, 2015 and as President of the Company's US subsidiary, LED Dental Ltd. on February 25, 2014 and a Director on August 26, 2014.

(5) Appointed Director on August 22, 2017.

(6) Appointed Director on January 2, 2018.

Corporate Information

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USA, 44308

Registrar and Transfer Agent
Computershare Investor Services Inc.

Independent Auditors
Grant Thornton LLP
Vancouver, BC

Legal Counsel
Farris, Vaughan, Wills & Murphy LLP
Vancouver, BC

Stock Listing
The common shares of LED Medical Diagnostics Inc.
are listed on the TSX Venture Exchange

Symbol: LMD