APTERYX IMAGING INC.
(FORMERLY LED MEDICAL DIAGNOSTICS INC.)

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED MARCH 31, 2020 AND 2019

(UNAUDITED, EXPRESSED IN U.S. DOLLARS)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice of indication that the unaudited condensed consolidated interim financial statements have not been reviewed by an auditor.

The accompanying unaudited interim condensed consolidated financial statements of the Company have been prepared by management and approved by the Audit Committee of the Board of Directors of the Company and the Board of Directors of the Company.

The Company's independent auditors have not performed a review of these unaudited condensed consolidated interim financial statements in accordance with the standards established by the Canadian Professional Accountants of Canada for a review of interim financial statements by an entity's auditors.

Dr. David Gane
Chief Executive Officer
May 27, 2020

APTERYX IMAGING INC.

Interim Condensed Consolidated Statements of Financial Position

(Unaudited and Expressed in U.S. Dollars)

as at	Notes	**March 31, 2020**	December 31, 2019
ASSETS			
Current assets			
Cash and cash equivalents		**$ 1,481,839**	$ 1,849,533
Trade and other receivables	3	**2,641,243**	2,109,677
Inventory	4	**1,061,523**	1,124,937
Prepaid expenses and deposits		**588,957**	608,088
		5,773,562	5,692,235
Non-current assets			
Property and equipment	5	**63,462**	63,227
Right-of-use lease asset	6	**301,705**	150,678
Intangible assets	7	**5,741,312**	5,950,087
Goodwill	8	**1,868,130**	1,868,130
Total assets		**13,748,171**	$13,724,357
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Trade payables and accrued liabilities	9	**2,319,103**	$ 2,503,884
Deferred revenue		**922,029**	1,086,950
Lease liability	10	**142,697**	78,900
Preferred shares	13	**278,490**	352,767
		3,662,319	4,022,501
Non-current liabilities			
Preferred shares	13	**2,017,647**	2,792,468
Derivative preferred share liability	13	**1,765,195**	3,229,201
Lease liability	10	**170,140**	82,937
Total liabilities		**7,615,301**	10,127,107
Shareholders' equity			
Share capital	15	**$ 53,094,959**	$ 51,775,609
Stock-based payment reserve	16	**3,373,198**	3,339,238
Warrants reserve	14	**112,913**	112,913
Accumulated other comprehensive income		**474,458**	474,458
Accumulated deficit		**(50,922,658)**	(52,104,968)
Total shareholders' equity		**6,132,870**	3,597,250
Total liabilities and shareholders' equity		**13,748,171**	$ 13,724,357

Nature of Operations and Going Concern (Note 1)

Commitments and Contingencies (Note 11)

Subsequent Events (Note 24)

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

Approved on behalf of the Board of Directors:

"David Gane"	*"George Reznik"*
Chief Executive Officer	Director
Dr. David Gane	George Reznik

APTERYX IMAGING INC.

Interim Condensed Consolidated Statements of Operations and Comprehensive Income (Loss)

(Unaudited and Expressed in U.S. Dollars)

For the three months ended March 31, 2020 and 2019

	Notes	**March 31, 2020**	March 31, 2019
Revenues	18	**$ 3,879,086**	$ 3,814,466
Cost of goods sold		**1,074,477**	1,232,326
		2,804,609	2,582,140
Expenses			
Sales, marketing and support	23	**1,350,215**	1,282,802
Research and development	23	**401,029**	315,557
Administration	23	**555,429**	431,067
Stock-based compensation	16	**33,960**	68,844
Depreciation and amortization	6/7/8/9	**242,806**	234,574
		2,583,439	2,332,844
Operating income (loss)		**221,170**	249,296
Other expenses/(income)			
Change in fair value of Canadian dollar denominated warrants	14	**-**	(155)
Change in fair value of derivative preferred share liability	13	**(772,374)**	433,955
Foreign exchange (gain) loss		**(390,074)**	137,773
Other non-operating expenses		**-**	(2,812)
Interest expense	12/13	**201,306**	294,529
		(961,142)	863,290
Income (loss) and comprehensive income (loss) before income taxes		**$ 1,182,312**	$ (613,994)
Income tax expense		**-**	-
Net income (loss) and comprehensive income (loss) for the period		**$ 1,182,312**	$ (613,994)
Income (Loss) per share – basic and diluted	21	**$0.03**	$ (0.02)
Weighted average number of shares outstanding – basic and diluted		**41,658,153**	38,390,081

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

(Unaudited and Expressed in U.S. Dollars)

	Number of Shares	Share Capital	Stock-based Payments Reserves	Warrants Reserve	Accumulated deficit	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Adjusted balance at January 1, 2019	**37,938,636**	**$ 50,944,234**	**$ 3,139,368**	**$ 494,287**	**($ 50,954,212)**	**$ 474,458**	**$ 4,098,135**
Adjustments to prior year income	-	-	-	-	298	-	298
Shares issued as settlement on the purchase of Apteryx	846,460	450,000	-	-	-	-	450,000
Settlement of share capital on expiry of unexercised warrants	-	381,374	-	(381,374)	-	-	-
Stock based compensation	-	-	199,870	-	-	-	199,870
Net loss and comprehensive loss for the year	-	-	-	-	(1,151,055)	-	(1,151,055)
Balance, December 31, 2019	**38,785,096**	**$ 51,775,609**	**$ 3,339,238**	**$ 112,913**	**($ 52,104,968)**	**$ 474,458**	**$ 3,597,250**
Issuance of shares on conversion of preferred shares	3,685,000	1,269,350	-	-	-	-	1,269,350
Issuance of shares as payment for AI development	166,012	50,000	-	-	-	-	50,000
Stock based compensation	-	-	33,960	-	-	-	33,960
Net loss and comprehensive loss for the year	-	-	-	-	1,182,312	-	1,182,312
Balance, March 31, 2020	**42,636,108**	**$ 53,094,959**	**$ 3,373,198**	**$ 112,913**	**($ 50,922,656)**	**$ 474,458**	**$ 6,132,870**

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

APTERYX IMAGING

APTERYX IMAGING INC.

Interim Condensed Consolidated Statements of Cash Flows

(Unaudited and Expressed in U.S. Dollars)

For the three months ended March 31, 2020 and 2019

For the three months ended	March 31, 2020	March 31, 2019
Cash flows from operating activities		
Net income (loss) for the period	**$ 1,182,312**	$ (613,994)
Adjustments to net income (loss) for items not involving cash:		
Depreciation and amortization	**242,806**	234,574
Change in fair value of Canadian dollar denominated warrants	**-**	(155)
Change in fair value of derivative preferred share liability	**(772,374)**	433,955
Issuance of shares relating to AI development	**50,000**	-
Lease liability	**-**	(21,300)
Stock-based compensation	**33,960**	68,844
Unrealized foreign exchange (gain)/loss	**(390,073)**	137,262
Interest accretion	**196,938**	294,529
Bad debt expense	**-**	-
	543,569	533,715
Changes in working capital assets and liabilities:		
Trade and other receivables	**(531,566)**	173,759
Inventory	**63,414**	16,189
Prepaid expenses and deposits	**19,131**	55,961
Trade payables and accrued liabilities	**(184,781)**	17,791
Deferred revenue	**(164,921)**	(121,850)
	(798,723)	141,850
Interest paid	**-**	(153,759)
Cash flows provided by (used in) operating activities	**(255,154)**	521,806
Cash flows from investing activities		
Purchase of equipment	**(9,853)**	-
Cash flows used in investing activities	**(9,853)**	-
Cash flows from financing activities		
Repayment of debentures	**-**	(842,937)
Lease payments	**(27,112)**	-
Dividend payments on preferred shares	**(69,657)**	-
Cash flows provided by (used in) financing activities	**(96,769)**	(842,937)
Increase (Decrease) in cash and cash equivalents	**(361,776)**	(321,131)
Foreign exchange effect on cash and cash equivalents	**(5,918)**	33,300
Cash and cash equivalents, beginning of year	**1,849,533**	2,827,882
Cash and cash equivalents, end of year	**$ 1,481,839**	$ 2,540,051

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

1. NATURE OF OPERATIONS AND GOING CONCERN

Apteryx Imaging Inc. (the "Company"), formerly LED Medical Diagnostics Inc., 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, then changed its name to Apteryx Imaging Inc. on September 3, 2019. The Company's head office and principal address are located at 780 – 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 is listed on the TSX Venture Exchange (TSX-V) under the trading symbol XRAY.

The Company has three 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; and Apteryx, Inc. acquired on February 10, 2017, which was incorporated under the laws of Ohio state.

The interim condensed consolidated financial statements of the Company, as at, and for the three months ended March 31, 2020 and March 31, 2019 comprise the Company and its subsidiaries (together referred to as the "Company" and individually as "Company entities").

The Company has developed, and markets, a medical device under the trade name VELscope®. The device is used in the dental profession 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 imaging product line that provides dentists and oral health specialists with advanced diagnostic imaging devices including the proprietary Tuxedo intraoral sensor and a suite of imaging software solutions including XVWeb® Software as a service (SaaS) and related services. 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 dental imaging software development and software support services.

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 had negative cash flow from operations of ($255,154) and realized net comprehensive income of $1,182,313 for the three months ended March 31, 2020. As at March 31, 2020, the Company had an accumulated deficit of $50,922,658. 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 next 12-months. The following is considered in evaluating the going concern of the entity pertaining to the consolidated financial statements as at March 31, 2020:

- The Company has not achieved its revenue and cash flow objectives for its annual fiscal plans approved by the board of directors.
- The Company's current forecasted future cash flows are adequate to meet its preferred share dividend obligations 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.
- Since December 31, 2019, the consequences of the COVID-19 outspread have materially and adversely affected the supply and demand for the Company's primary products and therefore, its operating results have been negatively impacted. It is uncertain whether, and when, the Company will return to profitability and positive cash flows from operations. These uncertainties cast significant doubt on the Company's ability to continue as a going concern.

The Company's ability to continue as a going concern is dependent upon its ability 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 March 31, 2020 and as at the date of approval of these interim condensed 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.

(Unaudited and Expressed in U.S. Dollars, unless otherwise noted)

2. BASIS OF PRESENTATION

Statement of Compliance

These interim condensed consolidated financial statements, which have been approved by the Board of Directors on May 27, 2020, have been prepared in accordance in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). These interim condensed consolidated financial statements have been prepared using the historical cost basis and the same accounting policies as those disclosed in the Company's annual financial statements as at and for the year ended December 31, 2019 Accordingly, these interim condensed consolidated financial statements do not include all disclosures required for annual financial statements and should be read in conjunction with the Company's annual financial statements as at and for the year ended December 31, 2019 (which were prepared in accordance with International Financial Reporting Standards, or "IFRS").

3. TRADE AND OTHER RECEIVABLES

	March 31, 2020	December 31, 2019
Trade accounts receivable	**$ 2,599,242**	$ 2,091,356
Goods and services tax receivable	**42,001**	18,321
	$ 2,641,244	2,109,677

During the three months ended March 31, 2020, the Company has written off accounts receivable of nil (year ended December 31, 2019 - $165,056).

4. INVENTORY

	March 31, 2020	December 31, 2019
VELscope® products	**$ 495,758**	$ 307,501
Digital Imaging products	**565,764**	817,436
	$ 1,061,523	$ 1,124,937

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. 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. During the three months ended March 31, 2020, $946,660 of inventory was expensed in cost of goods sold (year ended December 31, 2019 – $4,544,438).

5. 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, 2019	**$ 601,093**	**$ 131,846**	**$ 59,681**	**$ 792,620**
Additions	11,524	19,284	-	21,684
Balance, December 31, 2019	**$ 612,617**	**$ 151,130**	**$ 59,681**	**$ 823,428**
Additions	1,931	7,922	-	9,853
Balance, March 31, 2020	**$ 614,548**	**$ 159,052**	**$ 59,681**	**$ 833,281**

(Unaudited and Expressed in U.S. Dollars, unless otherwise noted)

5. PROPERTY AND EQUIPMENT (cont'd)

Accumulated Depreciation

	Equipment	Computer Equipment	Leasehold Improvements	Total
Balance, January 1, 2019	**$ 573,884**	**$ 95,660**	**$ 59,681**	**$ 729,225**
Depreciation	8,678	22,297	-	30,975
Balance, December 31, 2019	**$ 582,562**	**$ 117,957**	**$ 59,681**	**$ 760,200**
Depreciation	2,279	7,341	-	9,620
Balance, March 31, 2020	**$ 584,841**	**$ 125,298**	**$ 59,681**	**$ 769,820**

Carrying Value

	Equipment	Computer Equipment	Leasehold Improvements	Total
Balance, December 31, 2019	$ 30,055	$ 33,173	-	$ 63,228
Balance, March 31, 2020	**$ 29,707**	**$ 33,754**	**-**	**$ 63,462**

6. RIGHT-OF-USE ASSET

The following table presents details of movement in the carrying value of the right-of-use lease asset:

	March 31, 2020
Balance, December 31, 2019	**$ 150,678**
Additions on adoption of IFRS 16	**175,439**
Depreciation	(24,412)
Balance, March 31, 2020	**$ 301,705**

On March 1, 2020, the Company entered into two new lease agreements relating to its operating premises in Vancouver, B.C. and Akron, Ohio. The Vancouver lease is for a 3-year term, through to February 28, 2023. The Akron lease is tied to the Company's existing operating premises in Akron, with a lease expiry on December 31, 2021. The future obligations for both new leases have been captured under IFRS 16 and included in the Company's balance sheet as a right-of-use lease asset, and lease liability.

7. INTANGIBLE ASSETS

The following table presents details of movement in the carrying value of the intangible assets by asset type:

Cost

	Acquired Software Technology	Customer Base	Patents	Brand	Total
Balance, January 1, 2019	$ 6,780,000	$ 960,000	$ 470,000	$ 141,000	$ 8,351,000
Additions	-	-	-	-	-
Balance, December 31, 2019	**$ 6,780,000**	**$ 960,000**	**$ 470,000**	**$ 141,000**	**$ 8,351,000**
Additions	-	-	-	-	-
Balance, March 31, 2020	**$ 6,780,000**	**$ 960,000**	**$ 470,000**	**$ 141,000**	**$ 8,351,000**

(Unaudited and Expressed in U.S. Dollars, unless otherwise noted)

7. INTANGIBLE ASSETS (cont'd)

Accumulated Amortization

	Acquired Software Technology	Customer Base	Patents	Brand	Total
Balance, January 1, 2019	$ 1,271,250	$ 180,000	$ 88,125	$ 26,438	$ 1,565,813
Amortization	678,000	96,000	47,000	14,100	835,100
Balance, December 31, 2019	**$ 1,949,250**	**$ 276,000**	**$ 135,125**	**$ 40,538**	**$ 2,400,913**
Amortization	169,500	24,000	11,750	3,525	208,775
Balance, March 31, 2020	**$ 2,118,750**	**$ 300,000**	**$ 146,875**	**$ 44,063**	**$ 2,609,688**

Carrying Value

	Acquired Software Technology	Customer Base	Patents	Brand	Total
Balance, December 31, 2019	$ 4,830,750	$ 684,000	$ 334,875	$ 100,462	$ 5,950,087
Balance, March 31, 2020	**$ 4,661,250**	**$ 660,000**	**$ 323,125**	**$ 96,937**	**$ 5,741,312**

8. GOODWILL

Goodwill represents the future economic benefits arising from the acquisition of Apteryx, Inc. that are not individually identified and separately recognised. Goodwill is carried at cost less accumulated impairment losses. Goodwill acquired with the acquisition of Apteryx primarily comprises of the expertise and reputation of the assembled workforce.

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). The acquired intangible assets acquired as part of the Apteryx acquisition are treated as one singular cash-generating unit (CGU). Any impairment to the acquired intangible assets would be applied firstly to goodwill then to each individual identified intangible asset proportionally.

An impairment loss is recognised for the amount by which the asset's (or cash-generating unit's) carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows from the cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Company's latest approved budget. Discount factors are determined and reflect current market assessments of the time value of money and Company-specific risk factors.

The Company performed the annual impairment tests of goodwill and intangible assets of Apteryx as at December 31, 2019. The impairment test performed resulted in no impairment of goodwill, or intangible assets as at December 31, 2019.

Goodwill as at March 31, 2020 is $1,868,130 (as at December 31, 2019 - $1,868,130).

9. TRADE PAYABLES AND ACCRUED LIABILITIES

	March 31, 2020	December 31, 2019
Trade payables	**$ 803,864**	$ 857,637
Accrued liabilities	**922,144**	1,032,021
State and provincial sales tax payable	**591,095**	614,227
	$ 2,319,103	$ 2,503,884

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 but unidentified warranty issues based on historical activity. To date, the Company has had no material warranty claims.

(Unaudited and Expressed in U.S. Dollars, unless otherwise noted)

10. LEASES

The Company has operating leases with respect to its operating premises in Akron, Ohio, United States; Atlanta, Georgia, United States; and Vancouver, British Columbia, Canada. With the exception of short-term leases, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability.

On March 1, 2020, the Company entered into two new lease agreements relating to its operating premises in Vancouver, B.C. and Akron, Ohio. The Vancouver lease is for a 3-year term, through to February 28, 2023. The Akron lease is tied to the Company's existing operating premises in Akron, with a lease expiry on December 31, 2021.

The Company has applied a recognition exemption to the short-term lease of office space in Atlanta, Georgia, United States. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred.

Below is a summary of the activity related to the Company's lease liabilities:

	March 31, 2020	December 31, 2019
Maturity Analysis – contractual undiscounted cash flows		
Less than one year	$ 161,299	$ 153,623
One to three years	215,347	85,200
Total undiscounted lease liabilities	**376,646**	**$ 238,823**
Lease liabilities included in Consolidated Statements of Financial Position	**$ 312,837**	**$ 161,837**
Current	142,697	78,900
Non-current	170,140	82,937

The following is a reconciliation of total operating lease commitments at March 31, 2020 to the lease liabilities recognized at December 31, 2019:

Total operating lease commitments disclosed at March 31, 2020	**$ 376,646**
Recognition exemptions for leases with remaining lease term of less than 12 months	(45,090)
Discounted using incremental borrowing rate	(18,719)
Total lease liabilities recognized under IFRS 16 at March 31, 2020	**$ 312,837**

Total lease expense recognized for the three months ended March 31, 2020 is $26,392 (three months ended March 31, 2020 - $30,185).

11. COMMITMENTS AND CONTINGENCIES

a) The Company has operating leases with respect to its premises in Vancouver, British Columbia, Canada; Akron, Ohio, United States; and Atlanta, Georgia, United States. The aggregate of minimum lease payments as at March 31, 2020:

2020		161,299
2021		156,510
2022		50,387
2023		8,450
Total future minimum lease payments	**$**	**376,646**

11. COMMITMENTS AND CONTINGENCIES (cont'd)

b) The Company entered into an agreement with the British Columbia Cancer Agency to pay royalties at a rate of 0.75% of VELscope® sales until June 24, 2018. As this agreement concluded on June 24, 2018, the Company has not accrued any royalties during the three months ended March 31, 2020 (year ended December 31, 2019 - nil). As at March 31, 2020, total royalties accrued but not paid was $23,832 (December 31, 2018 – $25,956), which are classified as a component of accrued liabilities.

c) The Company warrants that its software and hardware products will operate substantially in conformity with product documentation and that the products will be free from defect. 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.

d) The Company may be subject to a variety of claims and lawsuits that arise from time to time in the ordinary course of business. Although management currently believes that resolving claims against the Company, individually or in aggregate, will not have a material adverse impact on the Company's financial position, results of operations, or cash flows, these matters are subject to inherent uncertainties and management's view of these matters may change in the future. To date, there are no claims or lawsuits outstanding.

12. DEBENTURES

On February 10, 2017 (the "closing 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. On February 10, 2019, the Company repaid these senior secured debentures with a principal amount of CDN$1,150,000 (US$866,108) plus accrued interest owed to this date totaling CDN$15,717 (US$11,837). There are no further remaining obligations in relation to the February 10, 2017 debenture.

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. On October 30, 2019, the Company repaid these senior secured debentures with a principal amount of CDN$2,500,000 (US$1,896,440) plus accrued interest owed to this date totaling CDN$25,000 (US$18,964). There are no further remaining obligations in relation to the October 30, 2017 debenture.

13. PREFERRED SHARES

On September 4, 2018, the Company closed a brokered private placement financing (the "Financing") through the issuance of 12,005,553 Preferred Shares (the "Preferred Shares") at a price of CDN$0.45 per preferred share for aggregate gross proceeds to the Company of CDN$5,402,499 (US$4,098,216). Each Preferred Share holder is entitled to receive cumulative annual dividends equal to $0.0225 per share (5%), payable in arrears quarterly in cash until maturity, which may be increased to an annual dividend of $CDN0.054 (12%) under certain circumstances. Each preferred share is convertible into common shares of the Company at the holder's option on a one-for-one basis, and at the Company's option in certain circumstances. The Preferred Shares will mature five years from the closing at which time each Preferred Share will be redeemed by the Company for CDN$0.45 plus any unpaid dividends.

In addition, the Company has issued 8,147,071 Preferred Shares on the same terms as the Financing in exchange for CDN$3,666,182 (US$2,781,084) of the Company's outstanding senior secured debentures, including accrued interest thereon, on a dollar-for-dollar basis at a price of CDN$0.45 per Preferred Share (the "Debenture Exchange"). No gain or loss was recognized on extinguishment of the debentures.

The Company agreed to pay a cash commission to the Agents acting on behalf of the Company for the Financing of 6% of the gross proceeds of the offering, 3% of the gross proceeds exchanged under the Debenture Exchange and 604,579 non-transferrable broker warrants (the "Broker's Warrants") equal to 3% of the aggregate number of Preferred Shares issued in connection with the Financing and Debenture Exchange. Each Broker Warrant entitles the holder to acquire one common share in the capital of the

Company for a period of 24 months from the closing date at an exercise price of CDN$0.45 per share.

(Unaudited and Expressed in U.S. Dollars, unless otherwise noted)

13. PREFERRED SHARES (cont'd)

Certain related parties of the Company (director and officer) acquired 170,000 Preferred Shares in a concurrent non-brokered direct private placement at a price of CDN$0.45 per preferred share for aggregate gross proceeds of CDN$76,500 (US$58,031).

Below is an aggregate of the preferred share transactions:

	Preferred shares issued	CDN$
Brokered private placement of preferred shares at CDN$0.45 per share	12,005,553	$ 5,402,499
Preferred shares exchanged for debentures at CDN$0.45 per share	8,147,071	3,666,182
Non-brokered placement to related parties at CDN$0.45 per share	170,000	76,500
Total	**20,322,624**	**$ 9,145,181**

The terms of the preferred share agreement are inclusive of a dividend escalation clause which may increase the annual dividend payable from 5% to 12% based on failure to comply with two covenants. The two covenants relate to the achievement of a minimum annual EBITDA balance and if the Company does not achieve the minimum annual EBITDA balance, the Company must maintain a minimum cash balance. The covenants are in effect each year until maturity in 2023. For the 2018 year, the Company did not comply with the minimum EBITDA covenant due to transaction costs associated with closing of the Financing and Debenture Exchange, however the Company did comply with the minimum cash balance covenant for 2018 and as such there was no impact on the annual dividend rate payable for the subsequent 2019 year. For the 2019 year, the Company complied with the minimum EBITDA covenant and the minimum cash balance covenant and as such there is no escalation to the annual dividend rate for the subsequent 2020 year. The current cash obligations for the preferred shares is a 5% annual dividend, paid quarterly in arrears, at the discretion of the Company's board of directors, otherwise if not paid in cash, accrued until paid. As at March 31, 2020 all quarterly interest has been paid in cash and accrued interest at March 31, 2020 is $0.

As these Preferred Shares consist of a defined fixed maturity period, are convertible into common shares at their maturity and have predetermined periodic dividend obligations, they hold certain characteristics of a debt instrument and have therefore been classified as a liability in the consolidated financial statements of the Company. On the basis of Preferred Shares being classified as a liability under IFRS, the dividends paid have been classified as interest for the periods ended March 31, 2020 and December 31, 2019.

The above noted terms of the Preferred Share agreement give rise to an embedded derivative liability relating to the conversion of preferred shares to common shares. The embedded derivative liability arises due the conversion taking place at a fixed Canadian dollar ($CDN) redemption rate, while the Company maintains a USD functional currency.

The embedded derivative liability component has been separately measured at fair value as at December 31, 2018 and subsequently re-measured at each subsequent quarter, whereby related changes in fair value are recorded as a gain or loss in the consolidated statement of operations and comprehensive loss, as detailed below. There are two components of the derivative liability which have had their fair values determined separately using a Monte Carlo simulation model and a Black-Scholes model (see Note 20).

The remainder of the preferred share liability balance, net of the embedded derivative component, was initially recorded at fair value at the date of the transaction on September 4, 2018. Subsequent to inception, the preferred share liability is accreted to face value using an effective annual interest rate of 29.88%.

Transaction costs associated with the brokered preferred share issuance amounted to CDN $766,797 (US$581,675) and have been allocated pro rata between the derivative liability and the preferred share liability. Transaction costs allocated to the derivative liability were immediately expensed. Transaction costs allocated to the preferred share liability are accreted over a period equivalent to the maturity period of the Preferred Shares, being five years from the date of closing (September 4, 2023).

On January 20, 2020, there was a conversion of 3,350,000 preferred shares to common shares at an exercise price of CDN$0.45, as per the terms of the preferred share agreement. On January 27, 2020 there was a further conversion of 335,000 preferred shares to common shares at a price of CDN$0.45. The remaining balance of preferred shares following these conversions is 16,637,624.

(Unaudited and Expressed in U.S. Dollars, unless otherwise noted)

13. PREFERRED SHARES (cont'd)

A summary of the preferred share liability for the three months ended March 31, 2020 is as follows (in USD):

	March 31, 2020
Balance as at December 31, 2019	**$ 3,145,235**
Preferred shares converted to common shares	**(767,609)**
Interest Accretion	**197,770**
Dividends Paid	**(73,158)**
Foreign Exchange (Gain) / Loss	**(206,100)**
Total at March 31, 2020	**$ 2,296,138**

A summary of the derivative liability for the three months ended March 31, 2020 is as follows (in USD):

	March 31, 2020
Balance as at December 31, 2019	**$ 3,229,201**
Preferred shares converted to common shares	**(501,741)**
Revaluation Gain / (Loss)	**(772,374)**
Foreign Exchange (Gain) / Loss	**(189,891)**
Total at March 31, 2020	**$ 1,765,195**

For the three months ended March 31, 2020 and year ended December 31, 2019, the fair value of the derivative liability relating to the conversion feature without the forced conversion was calculated using a Black-Scholes model. Key inputs and assumptions used in the model at March 31, 2020 and December 31, 2019 is summarized below:

Valuation Date	**March 31, 2020**	**December 31, 2019**
Principal amount	CDN$ 7,486,931	CDN$ 9,145,181
Preferred shares outstanding	16,637,624	20,322,624
Share price, valuation date	0.30	0.365
Volatility	89.22%	92.83%
Risk-free rate	0.52%	1.69%
Conversion price	CDN$0.45	CDN$0.45
Term to maturity	3.428 years	3.678 years

For the three months ended March 31, 2020 and year ended December 31, 2019, the fair value of the derivative liability component relating to the forced conversion option was calculated using a Monte Carlo simulation model ("Monte Carlo Model"). This derivative has been classified as Level 3 in the fair value hierarchy. Key inputs and assumptions used in the model at March 31, 2020 and December 31, 2019 is summarized below:

Valuation Date	**March 31, 2020**	**December 31, 2019**
Principal amount	CDN$ 7,486,931	CDN$ 9,145,181
Preferred shares outstanding	16,637,624	20,322,624
Share price, valuation date	0.30	0.365
Volatility	89.22%	92.83%
Risk-free rate	0.52%	1.69%
Conversion price	CDN$0.45	CDN$0.45
Forced conversion price	CDN$1.50	CDN$1.50
Term to maturity	3.428 years	3.678 years

(Unaudited and Expressed in U.S. Dollars, unless otherwise noted)

13. PREFERRED SHARES (cont'd)

A summary of the interest and revaluation gain/(loss) recorded in the consolidated statement of operations and comprehensive loss components is as follows (in USD):

	Three months ended March 31, 2020
Dividend Cash Interest Expense	$ 73,158
Preferred Share Accretion Interest Expense	$ 124,612
Total interest expense in period	$ 197,770
(Gain) / Loss on revaluation of derivative liabilities	$ 772,374

14. WARRANTS

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 11,035,583 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 twelve months ended December 31, 2019 was $155 (twelve months ended December 31, 2018 - $1,371,967). The Subscriber Warrants expired on February 10, 2019.

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 of the capital of the Company 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. The Finders' Warrants expired on February 10, 2019.

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 into one common share of the capital of the Company 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. The Finders' Warrants expired on February 10, 2019.

On October 30, 2017, the Company issued 88,800 finder's warrants to arm's length brokers as part of a debenture financing. Each Finders' Warrant is non-transferrable and exercisable into one common share of the capital of the Company 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 expired on October 30, 2019.

On September 4, 2018, the Company issued 604,579 finder's warrants to arm's length brokers as part of a preferred share financing. Each Finders' Warrant is non-transferrable and exercisable into one common share of the capital of the Company at an exercise price of CDN$0.45 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$112,913.

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

(Unaudited and Expressed in U.S. Dollars, unless otherwise noted)

14. WARRANTS (cont'd)

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

	March 31, 2020		December 31, 2019	
	Number of Warrants	**Weighted Average Exercise Price**	Number of Warrants	Weighted Average Exercise Price
		(CDN$)		(CDN$)
Warrants outstanding, beginning of period	604,579	0.45	13,090,448	0.97
Issued	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	(12,485,869)	1.00
Warrants outstanding & exercisable, end of period	**604,579**	**0.45**	604,579	0.45

The following table summarizes information about the Company's warrants outstanding at March 31, 2020:

	Warrants Outstanding		**Warrants Exercisable**	
Exercise Prices	**Number Outstanding**	**Weighted Average Remaining Term (Years)**	**Number Exercisable**	**Weighted Average Remaining Term (Years)**
CDN$0.45	604,579	0.43	604,579	0.43
	604,579	**0.43**	**604,579**	**0.43**

The following table summarizes information about the Company's warrants outstanding at December 31, 2019:

	Warrants Outstanding		**Warrants Exercisable**	
Exercise Prices	**Number Outstanding**	**Weighted Average Remaining Term (Years)**	**Number Exercisable**	**Weighted Average Remaining Term (Years)**
CDN$0.45	604,579	0.68	604,579	0.68
	604,579	**0.68**	**604,579**	**0.68**

15. SHARE CAPITAL

Authorized share capital
Unlimited number of common shares without par value.

	Number of Common Shares	**Amount**
Outstanding, January 1, 2019	**37,938,636**	**$ 50,944,234**
Shares issued as settlement on the purchase of Apteryx	846,460	450,000
Settlement of share capital upon expiry of unexercised warrants	-	381,374
Outstanding, December 31, 2019	**38,785,096**	**$ 51,775,608**
Issuance of shares on Conversion of preferred shares	3,685,000	381,374
Issuance of shares as payment for AI development	166,012	1,269,350
Outstanding, March 31, 2020	**42,636,108**	**$ 53,426,332**

On February 10, 2019, the Company issued 846,460 common shares of the Company at CDN$0.70, representing USD$450,000 of value, as part of the deferred consideration for the acquisition of Apteryx, Inc.

(Unaudited and Expressed in U.S. Dollars, unless otherwise noted)

16. 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.
A summary of the Company's outstanding share options is presented below:

	Outstanding options	
	Number of Options (Post Consolidation)	**Weighted Average Exercise Price in (CDN$)**
Outstanding, January 1, 2019	**3,443,650**	**$ 0.96**
Options granted	460,000	0.38
Options forfeited	(236.219)	1.12
Options expired	(80,000)	1.30
Outstanding, December 31, 2019	**3,587,431**	**$ 0.87**
Options granted	-	-
Options forfeited	(40,882)	0.67
Options expired	-	-
Outstanding, March 31, 2020	**3,546,549**	**$ 0.87**

On August 28, 2019, the Company granted a total of 460,000 stock options exercisable at CDN $0.38 per share in accordance with its stock option plan to director, officers, consultants and employees. The options are for a term of 5 years and one third vesting immediately, one third vesting at year one grant date and one third vesting at year two grant date.

The options outstanding at March 31, 2020 have an exercise price in the range of CDN$0.38 to $4.90 (December 31, 2019 – CDN$0.38 to $4.90) and a weighted average contractual life of 2.57 years (December 31, 2019 – 2.82 years). The amount of options exercisable at the end of March 31, 2020 was 2,279,899 (December 31, 2019 – 2,300,781). The weighted average exercise price of the options exercisable as at March 31, 2020 was $0.98.

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
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
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
May 8, 2018	$0.38	$0.42	Nil	106.09%	1.90%	5 years
August 28, 2019	$0.38	$0.38	Nil	83.83%	1.39%	5 years

For the three months ended March 31, 2020, the Company recognized $33,960 of stock-based compensation expense (for the three months ended March 31, 2019 – $68,844). Forfeiture rate is estimated based upon prior year forfeitures as a percentage of the total amount of options issued.

(Unaudited and Expressed in U.S. Dollars, unless otherwise noted)

17. DEFERRED SHARE UNITS

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

DSU activity is presented below:

	Number of DSUs	Weighted Average Exercised Price
Outstanding, January 1, 2019	**12,000**	**2.50**
Granted	-	-
Exercised	-	-
Outstanding, December 31, 2019	**12,000**	**2.50**
Granted	-	-
Exercised	-	-
Outstanding, March 31, 2020	**12,000**	**2.50**

All DSUs are exercisable as of March 31, 2020. The contractual life is dependent upon service provided to the Company. During the three months ended March 31, 2020 no DSUs were granted or exercised. During the three months ended March 31,2020 the Company recorded an expense of $Nil (2019 - $Nil).

18. SEGMENTED INFORMATION

The Company operates primarily in a single geographical segment, being North America. The North American segment makes up over 98% of the Company's revenues. The Company operates two commercial segments related to the development and commercialization of dental devices & related software. All of the Company's assets are retained in the North American segment.

The Company's two operating segments are 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.

The Hardware operating segment represents the Company's VELscope® Vx oral assessment device, Tuxedo intraoral sensor and intraoral camera, along with related consumable products and support services. The Software operating segment includes Apteryx's digital imaging software product line and customer support services.

Revenue for each operating segment for the three months ended March 31, 2020 and March 31, 2019 is summarized as follows

	Three months ended March 31, 2020	Three months ended March 31, 2019
Hardware	**$ 1,732,625**	$ 2,252,873
Software & Services	**2,146,461**	1,561,593
Total	**$ 3,879,086**	$ 3,814,466

The Company had no customers that represent 10% or more of the total revenue for the three months ended March 31, 2020 and 2019.

(Unaudited and Expressed in U.S. Dollars, unless otherwise noted)

19. 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 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.

The capital of the Company consists of the following items, net of cash:

	March 31, 2020	December 31, 2019
Shareholder's equity	6,132,870	$ 3,597,250
Preferred shares	2,296,137	3,145,235
Derivative preferred share liability	1,765,195	3,229,201
	10,194,202	**$ 9,971,686**
Less: Cash and cash equivalents	(1,481,839)	(1,849,533)
	8,712,363	**$ 8,122,153**

20. 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:

	March 31, 2020	December 31, 2019
Amortized cost:		
Cash and cash equivalents	$ 1,481,839	$ 1,849,533
Trade and other receivables	2,641,243	2,091,356
	$ 4,123,082	**$ 3,940,889**

(Unaudited and Expressed in U.S. Dollars, unless otherwise noted)

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

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

	March 31, 2020	December 31, 2019
FVPTL:		
Warrants	$ -	$ -
Derivative preferred share liability	1,765,195	3,229,201
	$ 1,765,195	**$ 3,229,201**

	March 31, 2020	December 31, 2019
Other financial liabilities:		
Trades payable and accrued liabilities	$ 2,319,103	$ 1,889,658
Preferred shares	2,296,137	3,145,235
Lease liability	312,837	161,837
	2,828,077	**$ 5,196,730**

<u>Fair value</u>

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

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.

The following table sets forth the Company's financial assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy as at March 31, 2020 and December 31, 2019. As required by IFRS 13, assets and liabilities are classified in their entirety on the lowest level of input that is significant to the fair value measurement.

	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value at March 31, 2020
Derivative preferred share liability	-	-	$ 1,765,195	$ 1,765,195
Total	**-**	**-**	**$ 1,765,195**	**$ 1,765,195**

	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Fair value at December 31, 2019
Derivative preferred share liability	-	-	$ 3,229,201	$ 3,229,201
Total	**-**	**-**	**$ 3,229,201**	**$ 3,229,201**

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 and as such this financial instrument is categorized as Level 2 in the fair value hierarchy. There were no transfers between Level 1, 2 and 3 in 2019 or 2020.

(Unaudited and Expressed in U.S. Dollars, unless otherwise noted)

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

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 or service.

The Company applies the IFRS 9 simplified model of recognizing lifetime expected credit losses for all trade receivables. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due with trade receivables with an invoice date more than 365 days considered to be doubtful. At March 31, 2020, any accounts receivable due beyond one year have been provided for in the allowance for doubtful accounts.

As at March 31, 2020 and December 31, 2019, the Company's exposure to credit risk for these financial instruments was as follows:

	March 31, 2020	December 31, 2019
Cash and cash equivalents	$ 1,481,839	$ 1,849,533
Trade and other receivables	2,641,243	2,091,356
	$ 4,123,082	**$ 3,940,889**

Trade and other receivables balances of $2,599,242 as at March 31, 2020 (December 31, 2019 - $2,091,356) were aged as follows in the below table. It does not include goods and services tax receivable of $42,001 as at March 31, 2020 (December 31, 2019– $18,321).

	March 31, 2020	December 31, 2019
Current	$ 1,679,484	$ 1,371,479
31-60 days	257,025	327,885
Over 60 days	662,734	391,992
	$ 2,599,242	**$ 2,091,356**

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 March 31, 2020 are listed below. Refer to Note 10 for other contractual maturities, lease obligations and commitments that are not included in the table below.

Trade payables were aged as follows as at March 31, 2020 and December 31, 2019, respectively and do not include accrued liabilities and state and provincial sales tax payable. All trade payables are current liabilities:

	March 31, 2020	December 31, 2019
Current	$ 804,371	$ 846,346
31-60 days	1,493	1,418
Over 60 days	-	9,873
	$ 805,864	**$ 857,637**

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

The following is an analysis of the contractual maturities of the Company's non-derivative accrued liabilities at March 31, 2020:

	Within One Year	Between One and Five years
Trade payables and accrued liabilities	$ 2,319,103	$ -
Deferred revenue	922,029	-
Lease Liability	142,697	170,140
Preferred Shares	278,490	2,017,647
	$ 3,662,319	**$ 2,187,787**

The following is an analysis of the contractual maturities of the Company's non-derivative accrued liabilities at December 31, 2019:

	Within One Year	Between One and Five years
Trade payables and accrued liabilities	$ 1,576,953	$ -
Deferred revenue	899,701	-
Debentures	2,558,248	-
Preferred Shares	335,127	2,168,917
Deferred consideration on acquisition	450,000	-
	$ 5,820,029	**$ 2,168,917**

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 and preferred shares that pay interest. There is no interest rate risk associated with the debentures and preferred shares 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 March 31, 2020, the Company had not entered into any derivative contracts to manage this risk.

Foreign Currency risk

Although substantially all of the Company's revenues are received in U.S. dollars, the Company incurs operating costs primarily attributable to its services business and has outstanding trade and other payables denominated in Canadian dollars and other foreign currencies. Fluctuations in the exchange rates between these currencies could have a material effect on the business, financial condition and results of operations. The Company maintains certain assets, inclusive of a portion of its treasury investments, in Canadian dollars which are translated to its U.S. dollar functional currency resulting in an unrealized foreign exchange gain or loss. The Company has not hedged its exposure to currency fluctuations.

With all other variables remaining constant, assuming a 10% weakening of the Canadian dollar versus the U.S. dollar would have an impact on the amounts shown in the table below. An assumed 10% strengthening of the Canadian dollar versus the U.S. dollar would have had an equal but opposite effect on the amounts shown below:

	March 31, 2020 CDN$	December 31, 2019 CDN$
Cash and cash equivalents	$ 187,059	$ 380,289
Trade and other receivables	24,788	38,955
Trade payable and accrued liabilities	(274,597)	(200,311)
Net statement of financial position exposure	**$ (62,750)**	**$ 218,933**

(Unaudited and Expressed in U.S. Dollars, unless otherwise noted)

21. NET INCOME (LOSS) PER SHARE

The reconciliation of basic and diluted net income (loss) per share was as follows:

	March 31, 2020	**December 31, 2019**
Net income (loss) for the year attributable to shareholders	$ 1,182,313	($1,151,055)
Weighted average number of shares outstanding (basic and diluted)	41,658,153	38,687,695
Net income (loss) per share (basic and diluted)	$ 0.03	($0.03)

22. 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.

The remuneration of directors and key management of the Company for three months ended March 31, 2020 and March 31, 2019 are as follows:

	March 31, 2020	March 31, 2019
Short-term compensation	**$ 228,193**	$ 132,177
Stock-based payments	**$ 19,197**	$ 55,806
Total	**$ 247,390**	$ 187,983

In June 2019, there was a change in the board of directors and corporate management team which increased the short-term compensation for the three months ended March 31, 2020 in comparison to the corresponding 2019 period.

During 2019, the Company entered into a marketing consulting arrangement with a third-party company controlled by one of the Company's directors. Payments made under this consulting agreement have been included in the related parties' short-term compensation for the three months ended March 31, 2020.

In early 2020, the Company appointed an additional director to its board, who also commenced an Executive Chair position which increased the short-term compensation in comparison to the corresponding 2019 period.

23. EMPLOYEE COMPENSATION AND DEPRECIATION AND AMORTIZATION

For the three months ended March 31, 2020, the Company has incurred $1,612,027 of employee benefits (three months ended March 31, 2019 - $1,488,818) and depreciation and amortization of $218,394 (three months ended March 31, 2019 - $234,574). Employee compensation include wages, commissions, bonuses, payroll taxes and employee benefits.

24. SUBSEQUENT EVENTS

Since March 31, 2020, the spread of COVID-19 has severely impacted many local economies around the globe. In many countries, including Canada, businesses are being forced to cease or limit operations for long or indefinite periods of time. Measures taken to contain the spread of the virus, including travel bans, quarantines, social distancing, and closures of non-essential services have triggered significant disruptions to businesses worldwide, resulting in an economic slowdown. Global stock markets have also experienced great volatility and a significant weakening. Governments and central banks have responded with monetary and fiscal interventions to stabilize economic conditions.

The Company has determined that these events are non-adjusting events. Accordingly, the financial position and results of operations as of and for the year ended March 31, 2020 have not been adjusted to reflect their impact. The duration and impact of the COVID-19 pandemic, as well as the effectiveness of government and central bank responses, remains unclear at this time. It is not possible to reliably estimate the duration and severity of these consequences, as well as their impact on the financial position and results of the Company for future periods.

On May 5, 2020, the Company announced the completion of a new secured financing agreement with National Bank of Canada, securing an operating line of credit up to a maximum of CDN $3.5 million and a credit card facility up to a maximum of CDN$150,000. The Facility is secured by assets of Apteryx Imaging and its US subsidiaries. The proceeds of the Facility will be used for general corporate and working capital purposes.

On May 6, 2020, Apteryx Inc. announced receipt of financing under the Paycheck Protection Program (PPP) with a principal amount of USD$824,000. This program was created as a part of the Coronavirus Aid, Relief and Economic Security (CARES) Act and is administered by the U.S. Small Business Administration. The loan has a term of two years at an interest rate of 1% per annum with a deferral of payments for the initial six months of the loan. Proceeds of the loan will be used for eligible business purposes as required by the CARES Act. Under the ACT, recipients of the PPP loans may apply for forgiveness of all or a portion of the funds granted under the loan with any amount not forgiven to be subject to monthly payments of the principal and interest following the initial six-month deferral. There can be no assurance that any or all of the proceeds of the loan will be forgiven, whether as a result of legislative or administrative requirements, political considerations or otherwise. Accordingly, some or all of the proceeds of the loan may be required to be repaid.

On May 13, 2020, the Company issued 218,984 common shares at a price of CDN$0.32 per share, equivalent to USD$50,000 of value. This share issuance is in relation to the Company's partnership with 4th IR AG, for the development of cloud-based AI solutions to be integrated with the Company's existing software portfolio.