MEDX HEALTH CORP.

Audited Consolidated Financial Statements
For the Years Ended

December 31, 2012 and 2011
(Expressed in Canadian Dollars)

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements for MedX Health Corp. were prepared by management in accordance with International Financial Reporting Standards (IFRS). Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in Note 4 to the consolidated financial statements.

Management has established processes, which are in place to provide them sufficient knowledge to support management representations that they have exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements and (ii) the consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management as well as with the independent auditors to review the financial reporting process and the consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(signed)
Louie Canitano
President & Chief Operating Officer

(*signed)*
Gary Van Nest
Chief Financial Officer

May 15, 2013
Mississauga, Canada

parker simone LLP

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Independent Auditor's Report

To the Shareholders of
MedX Health Corp.

We have audited the accompanying consolidated financial statements of MedX Health Corp., which comprise the consolidated statements of financial position as at December 31, 2012 and 2011, and the consolidated statements of comprehensive loss, consolidated statements of cash flows and consolidated statements of changes in shareholders' deficiency 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 as issued by the International Accounting Standards Board, 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.

Auditors' Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 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 financial position of MedX Health Corp. as at December 31, 2012 and 2011, and its consolidated financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards

Emphasis of Matters

Without qualifying our opinion, the accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern. As more fully described in the notes to these consolidated financial statements, the Company has not generated net income to date and is significantly indebted. These conditions raise material uncertainties which may cast significant doubt about the Company's ability to continue as a going concern. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result from the outcome of these uncertainties.

parker simone LLP.

May 15, 2013

Licensed Public Accountants

MEDX HEALTH CORP.
Consolidated Statements of Financial Position
(Expressed in Canadian dollars)

As at,	**December 31, 2012**	December 31, 2011
ASSETS	**$**	$
CURRENT ASSETS		
Cash	**16,051**	58,705
Trade and other receivables (note 5)	**127,450**	106,504
Inventory (note 6)	**97,677**	258,878
Prepaid expenses and deposits	**11,150**	37,010
	252,328	461,097
PROPERTY, PLANT AND EQUIPMENT (note 7)	**33,158**	35,177
INTANGIBLE ASSETS (note 8)	**190,217**	265,313
	475,703	761,587
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables (note 9)	**3,985,297**	4,199,648
Deferred revenue	**-**	62,478
Demand loans (note 10)	**779,394**	779,394
Convertible debentures (note 11)	**171,118**	-
	4,935,809	5,041,520
CONVERTIBLE DEBENTURES (note 11)	**-**	218,377
	4,935,809	**5,259,897**
SHAREHOLDERS' DEFICIENCY		
CAPITAL STOCK (note 12(a))	**12,577,279**	12,150,281
EQUITY PORTION OF CONVERTIBLE DEBENTURES (note 11)	**16,906**	25,676
WARRANTS (note 12(c))	**1,388,124**	1,370,724
SHARE BASED PAYMENTS (note 12(b))	**1,171,224**	1,029,424
DEFICIT	**(19,613,639)**	(19,074,415)
	(4,460,106)	(4,498,310)
	475,703	761,587

Going concern (note 2)
Subsequent events (note 20)

Approved by the Board of Directors on May 15, 2013

(signed) Gary Van Nest, Director | (signed) Steven Guillen, Director

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

MEDX HEALTH CORP.
Consolidated Statements of Comprehensive Loss
For the years ended December 31, 2012 and 2011
(Expressed in Canadian dollars)

	December 31, 2012	December 31, 2011
	$	$
SALES	**728,286**	872,584
COST OF SALES	**299,575**	350,298
GROSS PROFIT	**428,711**	522,286
EXPENSES		
Selling, general and administrative	**1,708,366**	1,136,778
Interest accretion on convertible debentures (note 11)	**29,976**	1,054
Interest on demand loans and convertible debentures	**132,125**	110,083
Foreign exchange loss	**7,390**	59,408
Depreciation of property, plant and equipment	**8,290**	7,764
Amortization of intangible assets	**34,000**	60,563
Gain on debt settlement with common shares (note 12(a))	**(993,309)**	(76,580)
Loss on disposal of intangible assets (note 8)	**41,097**	-
Impairment of intangible assets (note 8)	**-**	91,305
	967,935	1,390,375
COMPREHENSIVE LOSS	**(539,224)**	(868,089)
Comprehensive loss per common shares - basic and fully diluted	**(0.02)**	(0.02)
Weighted average number of Common Shares outstanding - basic and fully diluted	**36,507,783**	34,975,343

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

MEDX HEALTH CORP.
Consolidated Statements of Cash Flows
For the years ended December 31, 2012 and 2011
(Expressed in Canadian dollars)

	December 31, 2012	December 31, 2011
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Comprehensive loss	**(539,224)**	(868,089)
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	**8,290**	7,764
Amortization of intangible assets	**34,000**	60,563
Foreign exchange (gain)/loss	**(6,702)**	46,474
Gain on debt settlement with common shares	**(993,309)**	(76,580)
Impairment of intangible assets	**-**	91,305
Loss on disposal of intangible assets	**41,097**	-
Interest accretion on convertible debentures	**29,976**	1,055
Accrued interest on demand loans and convertible debentures	**132,117**	110,083
Trade debt settled with common shares (note 12(a))	**1,328,538**	124,237
Share-based payments expense	**141,800**	-
Net change in non-cash operating working capital items:		
Trade and other receivables	**(20,945)**	(61,870)
Inventory	**161,200**	(91,387)
Prepaid expenses and deposits	**25,759**	(13,196)
Bank overdraft	**-**	(8,946)
Deferred revenue	**(62,478)**	62,478
Trade payables and other payables	**(339,607)**	701,005
Cash flow (used in) from operating activities	**(59,488)**	84,896
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(6,331)**	(13,737)
Purchase of intangible assets	**-**	(260,485)
Cash flow used in investing activities	**(6,331)**	(274,222)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds on Issuance of convertible debentures	**23,165**	243,000
Cash flow from financing activities	**23,165**	243,000
NET INCREASE (DECREASE) IN CASH	**(42,654)**	53,674
Cash, beginning of period	**58,705**	5,031
CASH, END OF PERIOD	**16,051**	58,705

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

MEDX HEALTH CORP.
Consolidated Statements of Changes in Shareholders' Deficiency
For the years ended December 31, 2012 and 2011
(Expressed in Canadian dollars)

	Capital Stock						
	Number	**Amount**	**Equity portion of convertible debentures**	**Warrants**	**Share based payments**	**Deficit**	**Total**
		$	$	$	$	$	$
Balance, December 31, 2010	34,114,083	12,062,520	-	1,370,725	1,029,424	(18,206,326)	(3,743,657)
Common shares issued for debt settlement (note 12(a))	1,242,370	87,761					87,761
Equity portion of convertible debenture issuance			25,676				25,676
Comprehensive loss						(868,089)	(868,089)
Balance, December 31, 2011	35,356,453	12,150,281	25,676	1,370,725	1,029,424	(19,074,415)	(4,498,309)
Common shares issued for debt settlement (note 12(a))	3,862,693	335,228		17,399	141,800		494,427
Convertible debenture exercise	332,000	83,000					83,000
Value transfer on convertible debenture exercise		8,770	(8,770)				-
Comprehensive loss				-		(539,224)	(539,224)
Balance, December 31, 2012	**39,551,146**	**12,577,279**	**16,906**	**1,388,124**	**1,171,224**	**(19,613,639)**	**(4,460,106)**

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

1. GENERAL INFORMATION

MedX Health Corp. ("MedX" or "the Company") is incorporated under the laws of Ontario. The Company develops, manufactures and markets phototherapy devices for pain relief and tissue repair and skin cancer imaging scanners to medical equipment dealers throughout Canada, the United States of America, Europe and Asia.

The Company's shares are listed on the TSX Venture Exchange under the symbol MDX. Its head office, principal address, and registered office is located at 220 Superior Boulevard, Mississauga, Ontario.

2. GOING CONCERN

As at December 31, 2012, the Company had a working capital deficiency of $4,683,481 (2011 - $4,580,423), had accumulated losses of $19,613,639 (2011 - $19,074,415), incurred comprehensive loss for the year ended December 31, 2012 of $539,224 (2011 – $868,089) and had no proven history of earnings. All these factors cast considerable doubt on the Company's ability to continue as a going concern over the next twelve months especially if it is unable to obtain the necessary financing to facilitate revenue growth and discharge its liabilities as they come due.

The Company has $3.98 million in trade debts and $779,400 in demand loans. Due to the short-term demand nature of these debts these creditors may demand and force payment of these debts at any time. Management believes that the short-term success of the Company is heavily dependent upon its ability work with these creditors to ensure that they do not exercise their creditor rights in the foreseeable future.

The Company's short-term success also depends upon its ability raise additional equity capital to finance its operations. The ability of the Company to arrange such capital in future is depend in part upon the prevailing capital market conditions as well as the business performance of the Company. There is no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. If additional financing is raised by the issuance of shares from treasury, control of the Company may change and existing shareholders may suffer dilution. Management continues to explore further financing opportunities.

These consolidated financial statements were prepared by management on the assumption that the Company will continue as a going concern. This assumes that it will be able to continue its operations, realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. As such, these financial statements do not include any adjustments to the recoverability and classification of recorded assets and the classification of liabilities that might be necessary in the event that the Company is unable to continue as a going concern. If the Company is unable to realize its assets and liquidate its liabilities in other than the normal course of business the amounts reported in these financial statements may differ materiality from that presented in these consolidated financial statements.

3. BASIS OF PRESENTATION

Statement of Compliance

These annual consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), effective for the reporting period ended December 31, 2012.

The policies applied in these consolidated financial statements are based on IFRS issued and outstanding as of May 15, 2013, the date these financial statements were authorized for issuance by the Board of Directors.

Basis of Presentation
These financial statements have been prepared on a historical cost basis. In addition, these financial statements have been prepared using the accrual basis of accounting.

Functional and Presentation Currency
The financial statements are presented in Canadian dollars, which is the Company's functional currency.

Recent Accounting Pronouncements
At the date of authorization of these Financial Statements, the IASB and IFRIC have issued the following new and revised Standards and Interpretations which are not yet effective for the relevant reporting periods.

The Company has not early adopted these standards, amendments and interpretations; however it is currently assessing what impact, if any, the application of these standards or amendments will have on future consolidated financial statements.

- **IFRS 9** ***'Financial Instruments: Classification and Measurement'*** – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, introduces new requirements for the classification and measurement of financial instruments.

- **IFRS 10 '*Consolidated Financial Statements'*** – effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

- **IFRS 11 '*Joint Arrangements'*** - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form.

- **IFRS 12 '*Disclosure of Interests in Other Entities'*** - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, requires the disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows

- **IFRS 13 '*Fair Value Measurement'*** - effective for annual periods beginning on or after January 1, 2013, with early adoption permitted, provides guidance on the measurement of fair value and related disclosures through a fair value hierarchy.

4. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared by management in accordance with IFRS. Outlined below are those policies considered relevant to its financial statements:

Consolidation
These consolidated financial statements include the accounts of MedX Health Corp. and its wholly-owned subsidiaries, LaserPath Therapeutics Inc., Health Care North Inc. (HCN), MedX Health Inc., MedX Electronics Inc. and 1419671 Ontario Limited (collectively "Subsidiaries"). All inter-company transactions and balances amongst the consolidated entities have been eliminated.

Income taxes
Income tax expense represents the sum of current income taxes and deferred income taxes. Current and deferred taxes are recognized in profit and loss, except to the extent that it relates to items recognized in other comprehensive loss or directly in equity. Under these circumstances, the taxes are recognized in other comprehensive loss or directly in equity.

Current income taxes
Current income tax assets and liabilities for the current and prior periods 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 current income tax assets and liabilities are measured at tax rates, which have been enacted or substantively enacted at the reporting date. Current tax assets and current tax liabilities are only offset if a legally enforceable right exists to set off the amounts, and the Company intends to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred income taxes
Deferred income taxes are provided using the asset and liability method applied to temporary differences at the date of the statement of financial position between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognized for all taxable temporary differences, except:

- Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, and carry forward of unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax losses can be utilized except:

- Where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each date of the statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each date of the statement of financial position and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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 at the date of the statement of financial position.

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 tax liabilities and the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend to either 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 assets or liabilities are expected to be settled or recovered

Related party transactions
Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. A transaction is considered to be a related party transaction when there is a transfer of resources or obligations between related parties. Related party transactions that are in the normal course of business and have commercial substance are measured at the exchange amount.

Share-based payment transactions
Employees (including directors and senior executives) of the Company receive a portion of their remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

In situations where equity instruments are issued and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at fair value of the share-based payment.

Equity settled transactions
The costs of equity settled transactions with employees are measured by reference to the fair value at the date on which they are granted.

The costs of equity settled transactions are recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("the vesting date"). The cumulative expense is recognized for equity settled transactions at each reporting date until the vesting date reflects the Company's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and the corresponding amount is represented in share option reserve.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for any modification which increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee as measured at the date of modification.

The dilutive effect of outstanding options is reflected as additional dilution in the computation of earnings per share.

Comprehensive loss per share
Loss per share and comprehensive loss per share is based on the weighted average number of common shares outstanding for the period. In a period when the Company reports a loss and comprehensive loss, the effect of potential issuances of shares under options and warrants outstanding would be anti-dilutive and, therefore basic and diluted loss and comprehensive per share are the same.

Provisions
Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

Financial instruments

Financial assets
All financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans-and-receivables or at fair value through profit or loss (“FVTPL”). Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through operations.

Financial assets classified as loans-and-receivables and held-to-maturity are measured at amortized cost.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary.

Transactions costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Financial liabilities
All financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or other-financial-liabilities.

Financial liabilities classified as other-financial-liabilities are initially recognized at fair value less directly attributable transaction costs. After initial recognition, other-financial-liabilities are subsequently measured at amortized cost using the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Financial liabilities classified as FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as FVTPL. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive income.

The Company has elected to apply the following classifications to each of its significant categories of financial instruments:

Asset/Liability	Category	Measurement
Cash	Fair value through profit or loss	Fair value
Trade and other receivables	Loans and receivables	Amortized cost
Trade and other payables	Other financial liabilities	Amortized cost
Demand loans	Other financial liabilities	Amortized cost

Foreign currency

a. Functional and presentation currency
These consolidated financial statements are presented in Canadian dollars, which is the functional currency of MedX Health Corp. and all its wholly-owned subsidiaries. Translations required in these consolidated financial statements are in accordance with IAS 21, The Effects of Changes in Foreign Exchanges Rates.

Assets and liabilities in subsidiaries with presentation currency other than Canadian dollars are translated to the Canadian dollar (presentation currency of the consolidated entity) using the reporting period end exchange rate when non-monetary and using exchange rates at the date of transactions for non-monetary items. Revenue and expenses are translated using the exchange rates at the date of the transactions.

Foreign exchange translation differences arising from the translation of subsidiaries with functional currency other than that of the consolidated entity are reported as a separate component of shareholders' equity titled "Foreign currency translation adjustment". Foreign exchange translation differences arising from the translation of subsidiaries with function currency aligned with the consolidated entity are reported in operations as "foreign exchange gain/loss".

b. Foreign currency transactions
Foreign currency monetary assets and liabilities are translated into the entity's functional and presentation currency using the closing rate at the end of each reporting period. Non-monetary assets and liabilities are translated at the rates on the date the fair value was determined or at historical cost using the rate at the date of the transaction. Translation gains and losses are included in the statement of operations.

Revenue recognition

The Company recognizes revenue when it is realized or earned. The Company considers revenue realized or earned on the sale of goods when persuasive evidence of a sale arrangement exists, title and risk of product ownership is transferred to the customer, collection of the revenue is reasonably assured and the price is reasonably determinable. Remuneration in the form of non-monetary consideration is recognized on the basis of fair value of consideration given up or fair value of consideration received, whichever is more reliable. Provisions are established for estimated warranty costs on applicable product sales at the time revenue is recognized. Cash received in advance of meeting these revenue recognition criteria is recorded as deferred revenue. Consulting revenue is recognized as services are provided.

Inventories
Raw materials, work-in-process and finished goods inventories are stated at the lower of cost and net realizable value with cost determined on either a weighted average or first-in-first out base. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. Finished goods and work-in-process inventory costs include raw materials, direct labour and allocation of overheads. A provision for shrinkage and obsolescence is calculated based on historical experience. Management reviews the entire provision to assess whether, based on economic conditions, it is adequate.

Property, plant and equipment
Property, plant and equipment are recorded at cost net of accumulated depreciation and write-downs for impairment, if any Depreciation is calculated using the declining balance method over their estimated useful lives at the following annual rates:

Furniture and equipment	20%
Manufacturing equipment	20%
Computer equipment	30%

Intangible assets
Customer lists and patents are recorded at cost, net of accumulated amortization and write-downs for impairment. On the basis they have a finite useful life; they are amortized on a straight line basis over their estimated useful life which management generally estimates at 5 - 10 years.

Impairment of non-financial assets
At each reporting date of the statement of financial position, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is an indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the assets belong.

Recoverable amount is the higher of fair value less costs to sell 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 current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in the statement of comprehensive income/loss, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

(Expressed in Canadian Dollars)

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years.

5. TRADE AND OTHER RECEIVABLES

The following comprises trade and other receivables at December 31:

	2012	2011
	$	$
Trade receivables, net of allowances for doubtful accounts	**124,398**	100,428
Other receivables	**3,052**	6,076
	127,450	106,504

The Company's allowance for doubtful accounts at December 31, 2012 was $22,777 (2011 - $72,460). The Company held no collateral for any receivables amounts outstanding. The credit risk on these Receivables is further discussed in note 15.

At December 31, 2012, the analysis of trade receivables that were past due but not impaired is as follows:

	2012	2011
	$	$
Current (< 30 days)	**8,174**	14,223
31-60 days	**19,068**	25,322
61-90 days	**61,440**	3,589
> 90 days	**35,716**	5,600
	124,398	100,428

6. INVENTORY

The following comprises inventory at December 31:

	2012	2011
	$	$
Finished goods	**56,861**	107,593
Work-in-process	**-**	5,023
Raw materials	**40,817**	146,262
	97,678	258,878

During the year ended December 31, 2012, an inventory impairment charge of $6,375 (2011 - $8,866) was recognized in cost of goods sold as presented in the statements of operations and comprehensive loss. The amount of inventories recognized as an expense in the years ended December 31, 2012 and 2011 is equal to cost of good sold

(Expressed in Canadian Dollars)

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7. PROPERTY, PLANT AND EQUIPMENT

Cost

	Furniture	Manufacturing equipment	Computers
Balance, December 31, 2010	84,948	29,530	51,092
Additions	238	12,950	808
Balance, December 31, 2011	85,186	42,480	51,900
Additions	-	-	6,331
Balance, December 31, 2012	**85,186**	**42,480**	**58,231**

Accumulated depreciation

	Furniture	Manufacturing equipment	Computers
Balance, December 31, 2010	63,198	25,892	47,252
Depreciation	4,535	2,203	1,489
Balance, December 31, 2011	67,733	27,915	48,741
Depreciation	3,542	2,913	1,895
Balance, December 31, 2012	**71,275**	**30,828**	**50,636**

Carrying Value

	Furniture	Manufacturing equipment	Computers	Total
Balance at December 31, 2011	17,453	14,565	3,159	35,177
Balance at December 31, 2012	**13,911**	**11,652**	**7,595**	**33,158**

8. INTANGIBLE ASSETS

Acquisition of SIAscopy Assets:

Effective June 15, 2011, MedX has purchased from Biocompatibles UK Ltd. ("the Seller"), the worldwide SIAscopy™ assets, which includes MoleMate and related technologies, used by physicians to help gather extra information about their patients' suspicious moles and lesions, helping physicians and patients to come to a more informed decision about diagnosis and removal.

MedX acquired the assets, including all the patents, trademarks, manufacturing procedures, software, inventory, and equipment, as well as existing distribution, supply and other contracts previously entered into by the Seller, in Canada, the UK, Australia, New Zealand, Poland, and the US.

The consideration consisted of:

a) £154,755; and
b) a royalty equal to 10% of all turnover generated by the MedX group from the sale of products or services or other revenue or consideration of any kind realized from the use or sale of the SIAscopy Assets*;*

(Expressed in Canadian Dollars)

The purchase price equation is as follows:

Purchase Price:	£154,755	
At an exchange rate of Cdn$1.60 to £1		$ 247,608

Allocated as follows:

Inventory:	$ 70,907	
Intangibles	$176,701	
Total:		$ 247,608

No value was assigned to the future royalty stream as it could not be reasonably estimated. MedX has, as at December 31, 2012, paid £87,760 towards this purchase price and £66,995 is included in trade and other payables.

The SIAscopy Asset royalty payments are due and payable quarterly, within 30 days of each quarter end. To the auditors' report date of May 15, 2013, MedX has not made any royalty payments and as such is in default of the agreement. The Seller has recourse by way of requiring MedX to assign all or any of the assets acquired as part of the original agreement for consideration of £1. No default notice had been served to the auditors' report date.

At December 31, 2012, management assessed the remaining useful life of the SIAscopy assets at 8 years.

Intangible assets activity for the years ended December 31, 2012 and 2011 is as follows:

Cost	**Patents and Trademarks**
Balance, December 31, 2010	189,861
Additions	260,485
Balance, December 31, 2011	450,346
Additions	-
Disposals	(41,097)
Balance, December 31, 2012	**409,249**

Accumulated amortization	**Patents and Trademarks**
Balance, December 31, 2010	33,165
Impairment	91,305
Amortization	60,563
Balance, December 31, 2011	185,033
Amortization	34,000
Balance, December 31, 2012	**219,033**

Carrying Value	
Balance at December 31, 2011	265,313
Balance at December 31, 2012	**190,216**

(Expressed in Canadian Dollars)

9. TRADE AND OTHER PAYABLES

Trade and other payables are principally comprised of amounts outstanding for trade purchases relating to general and administrative expenses, consulting fees, professional fees, payroll and withholdings, and interest. The usual credit period taken for trade purchases is between 30 to 60 days. Trade and other payables at December 31 comprise the following:

	2012	2011
	$	$
Consulting fees	**273,297**	457,153
Professional fees	**388,558**	349,309
Accrued interest	**449,182**	322,042
Payroll	**808,459**	1,357,602
Payroll withholdings	**460,753**	414,056
Sales Tax	**86,795**	90,662
Other trade payables	**1,420,753**	1,111,324
Other accrued liabilities	**97,500**	97,500
	3,985,297	4,199,648

10. DEMAND LOANS

a) In 2008 an offspring of a Company director provided MedX with a demand loan in the amount of $29,000. The loan is unsecured and bears interest at prime plus 6%. No principal or interest payments were made in the years ended December 31, 2012 and 2011. Interest expense for 2012 was $2,610 (2011 - $2,610).

b) In 2008, a company associated with a Company director provided MedX with a demand loan in the amount of $250,000. The loan is unsecured and bears interest at 10%. No principal or interest payments were made in the years ended December 31, 2012 and 2011. Interest expense for 2012 was $25,000 (2011 - $25,000).

c) MedX has an outstanding demand loan balance of $500,000 from a loan originating in 2005. This loan is from a group of lenders, bears interest at 14% and is secured by the Company's assets. No principal or interest payments were made in the years ended December 31, 2012 and 2011. Interest expense for 2012 was $70,000 (2011 - $70,000).

In October 2012, a memorandum of agreement was reached between the Company and the lender noted in (b) and (c) above. Under the memorandum, the lenders agreed to accept common shares from treasury as full and final settlement of their debt, including accrued interest. These settlement transactions had yet to close as at the auditors' report date of May 15, 2013.

11. CONVERTIBLE DEBENTURES

In November 2011, the Company issued $243,000 in convertible redeemable debentures, of which $83,000 were issued to the Company CEO and the balance of $160,000 issued to Company directors. The debentures have a coupon interest rate of 10% with interest payable semi-annually on May 31 and November 30 and mature November 30, 2013. The debentures can be converted into common share of the Company at the option of the holder at $0.10/share to November 30, 2012 and at $0.25/share thereafter to maturity. The notes have been discounted by $25,676, which represents the value assigned to the conversion feature, recorded as equity, to yield an effective interest rate of 17%. The carrying value of the note will be accreted upwards at each reporting period end based on the initial discount recognized.

On December 5, 2012, the $83,000 debentures held by the CEO were converted to 332,000 common shares. Accordingly, the associated conversion value of $8,770 initially recognized as a separate component of equity was reclassified within equity as capital stock.

On May 8, 2012, the Company issued a $23,165 convertible redeemable debenture with an interest rate of 10%, which matured on June 8, 2012. The debentures can be converted into common share of the Company at the option of the holder at market price less a 10% discount, on a per share basis. The debenture also comprised 200,000 common share purchase warrants, exercisable at $0.25/share, expiring in 18 months from the date of issuance. See note 12(c) relating to the valuation of these warrants. The loan is secured by the assets of the Company. No principal or interest payments were made during the year ended December 31, 2012.

Interest expense for the debentures was $25,200 (2011 - $17,500) and interest accretion expense was $29,976 ($1,054).

12. CAPITAL STOCK

a) Common Shares

The Company's authorized share capital consists of an unlimited number of common shares without par value.

During the year ended December 31, 2012, the Company issued 3,862,693 common shares to settle debt obligations of $1,328,538. Of the total issuance, 3,473,963 common shares were issued to related parties to settle debt obligations of $1,289,665. Certain of these issuances did not contemplate common share settlement at the time of initial arrangement and therefore require the shares to be measured at their market trading price on the date of issuance. As the market price of the shares issued was on average below the agreed upon settlement share price, the Company reported a gain on debt settlement of $993,309.

During the year ended December 31, 2011, the Company issued 1,242,470 common shares to settle debt obligations of $124,237. Of the total issuance, 468,019 common shares were issued to related parties to settle debt obligations of $46,802. Certain of these issuances did not contemplate common share settlement at the time of initial arrangement and therefore require the shares to be measured at their market trading price on the date of issuance. As the market price of the shares issued was on average below the agreed upon settlement share price, the Company reported a gain on debt settlement of $76,580.

(Expressed in Canadian Dollars)

b) Stock Options

The Company has a stock option plan in place under which the board of directors may grant options to acquire common shares of the Company to qualified directors, officers and employees and other service providers. The stock options vest according to the provisions of the underlying directors' resolution approving the issuance and have a maximum life of five years. The maximum number of common shares that may be reserved for issuance under the plan shall not exceed 5,076,332 of the fully diluted number of common shares outstanding. As at December 31, 2012, the Company had 123,332 options available for issuance.

	December 31, 2012		December 31, 2011	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Outstanding, beginning of year	**2,603,000**	**0.20**	3,053,000	0.31
Granted	**2,475,000**	**0.10**	-	-
Options exercised	**-**	**-**	-	-
Expired/forfeited	**(125,000)**	**(1.00)**	(450,000)	(0.97)
Outstanding, end of year	**4,953,000**	**0.13**	2,603,000	0.20
Exercisable, end of year	**4,953,000**		2,603,000	

The following table provides information about outstanding stock options at December 31, 2012:

Range of Exercise Prices	No. of Options outstanding	Weighted average remaining life (years)	Weighted average exercise price $	No. of options currently exercisable
$0.10	4,250,000	3.4	0.10	4,250,000
$0.30	560,000	0.24	0.30	560,000
$0.33	143,000	0.31	0.33	143,000
	4,953,000	**2.95**	**0.13**	**4,953,000**

On November 27, 2012, 2,475,000 stock options were issued, exercisable at $0.10/common share to November 27, 2017 and vested immediately. The fair value of $141,800 was determined using the Black-Scholes option pricing model based on the following assumptions: risk-free interest rate of 1.26%; expected volatility of 242%; expected life of 3 years; and expected dividend yield of 0%. Out the total amount of stock options issued, 1,575,000 were issued to related parties and to officers/directors of the Company.

(Expressed in Canadian Dollars)

c) Warrants

Comprised in the May 8, 2012, convertible debenture issue (see note 11) was 200,000 common share purchase warrants exercisable at $0.25/share, expiring in 18 months from the date of issuance. The fair value of $17,400 was determined using the Black-Scholes option pricing model based on the following assumptions: risk-free interest rate of 1.23%; expected volatility of 293%; expected life of 1 year; and expected dividend yield of 0%.

13. RELATED PARTY TRANSACTIONS AND KEY MANAGEMENT COMPENSATION

The Company defines its key management personnel as the President and Chief Operating Officer, Chief Executive Officer and the Board of Directors. For the year ended December 31, 2012, key management compensation consisted of salary of $461,200 (2011 - $441,000) and share based payments valued at $90,200 (2011 -$nil).

See notes 10, 11, 12(a) and 12(b) for related party transaction disclosure relating to demand loans, convertible debentures, debt settlement with common share consideration and stock options issuances respectively.

For the years ended December 31, 2012 and 2011, the Company carried out, the following transactions with certain officers and directors.

	Nature of Transaction	2012	2011
Sinalta Investments Ltd.	Consulting services	59,000	36,000
Sim & McBurney	Legal services	2,158	5,798

At December 31, 2012, included is trade and other payables is $919,000 due to officers and directors of the Company.

14. INCOME TAXES

As at December 31, 2012, the Company and its subsidiaries have non-capital losses which are available to reduce future years' taxable income. The potential income tax benefits associated with these losses have not been recorded in the accounts due to the uncertainty of the Company's being able to utilize them. The approximate amounts and expiry dates of these non-capital loss carry forwards are as follows:

2015	1,335,425
2016	1,129,884
2017	1,728,920
2018	2,173,688
2019	1,947,070
2020	566,416
2021	419,414
2022	239,885
	$9,540,702

15. FINANCIAL INSTRUMENTS RISK MANAGEMENT

The carrying value of financial instruments at December 31 is summarized as follows

	2012	2011
Financial Assets		
FVTPL		
Cash	16,051	58,705
Loans and Receivables		
Trade receivables	127,450	106,504
Financial Liabilities		
Other financial liabilities		
Trade and other payables	3,985,297	4,199,648
Demand loans	779,394	779,394

Fair Values of Financial Assets and Liabilities

The Company must maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The Company primarily apples the market approach for recurring fair value measurements. The three input levels used by the Company to measure fair value are the following:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The fair value of cash, trade and other receivables, trade and other payables and demand loans approximate their respective carrying values because of the short-term or demand nature of those instruments. Given the respective designations, cash is the only financial instrument carried at fair value and has been categorized as level 1 in the fair value hierarchy.

A summary of the Company's risk exposures as it relates to financial instruments is as follows:

i) Foreign exchange risk

A foreign exchange risk arises from the Company holdings in US dollars in cash, trade receivables and trade payables. The Company also holds trade receivables and trade payables in Euros and Pound Sterling. The following table details the Company's holdings in foreign currencies translated to Canadian Dollars at the balance sheet date, and the adjustment in Canadian Dollars that would be required for a 10% change in the foreign currency rate.

(Expressed in Canadian Dollars)

	US Dollars	**Balance Sheet Date Cdn. Dollar Value**	**Effect of 10% change on Foreign Exchange Rate**
		December 31, 2012	
Cash and cash equivalents -US	4,778	4,636	464
Trade receivables -US	59,280	58,953	5,895
Trade payables - US	155,294	154,398	15,440
Total	371,290	369,396	36,939

	Euros	**Balance Sheet Date Cdn. Dollar Value**	**10% Foreign Exchange Effect**
		December 31, 2012	
Trade receivables - Euro	2,830	3,712	371
Trade payables - Euro	71,953	94,388	9,439
Total	74,783	98,100	9,810

	Pound Sterling	**Balance Sheet Date Cdn. Dollar Value**	**10% Foreign Exchange Effect**
		December 31, 2012	
Trade receivables – GBP	35,000	56,606	5,661
Trade payables - GBP	96,801	156,573	15,657
	131,801	213,179	21,318

ii) Interest rate risk

Some of the loans payable bear interest at a fixed rate, and the balance of the loans bear interest based on bank prime rate. The loans based on bank prime rate are subject to interest rate price risk resulting from changes in fair value from market fluctuations in interest rates. A 1% change in interest rates would affect the Company's interest expense by approximately $290 in the statement of operations. At present, no financial contracts are in place to offset interest rate risk nor are any contemplated.

iii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due or can do so only at excessive cost. The Company has significant financial liabilities outstanding including trade and other payables and demand loans payable. The Company is exposed to the risk that it may not have sufficient liquid assets to meet its commitments associated with these financial liabilities.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risking damage to the Company's reputation. To the extent that the Company does not believe it has sufficient liquidity to meet these obligations, management will consider securing additional funds through debt or equity transactions. The Company manages its liquidity risk by continuously monitoring forecast and actual cash flows from operations. In recent years, additional loans from directors/shareholders have provided the necessary liquidity as required.

iv) Credit risk

Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The Company is exposed to credit risk on the following financial assets:

a. Cash – cash is held with major Canadian banks and therefore the risk of loss is minimal.
b. Trade receivables – the Company is exposed to credit risk as the amounts due are unsecured.

The Company has adopted a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment terms and conditions are offered. The Company's exposure to credit risk with its customers is influenced mainly by the individual characteristics of each customer. When available, the Company reviews credit bureau ratings, bank accounts and financial information for each new customer.

At December 31, 2012, the Company's two largest customer balance in trade receivables represented 87% of the total balance. These balances were collected subsequent to yearend

16. CAPITAL MANAGEMENT

The Company defines its managed capital as the total of shareholders' deficiency including capital stock, equity portion of convertible debentures, warrants, share-based payments and deficit. As at December 31, 2012, total managed capital was $(4,512,363), compared to $(4,517,945) as at December 31, 2011.The Company's objectives when managing capital are:

i) To maintain balance sheet strength, ensuring the Company's strategic objectives are met, while retaining an appropriate amount of leverage;

ii) And, to provide an appropriate return to shareholders relative to the risk of the Company's underlying assets.

The Company manages its capital structure within guidelines approved by the Board of Directors. The Company makes adjustments to its capital structure based on changes in economic conditions and Company's planned requirements. The Company has the ability to adjust its capital structure by issuing new equity or debt, selling assets to reduce debt, controlling the amount it distributes to shareholders, and making adjustments to its capital expenditure program.

There were no changes in the Company's approach to capital management during the year ended December 31, 2012. The Company is not subject to externally imposed capital restrictions

17. CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

i) Trade Receivables

The Company provides bad debt provisions based on past experience in collecting receivables.

ii) Inventory

Raw materials and work-in-process inventories are stated at the lower of cost and net replacement cost, while finished goods inventories are valued at the lower of cost and net realizable value. Net realizable value in particular involves estimates, including estimates of the future expected sales volumes of products.

iii) Intangible Assets

The Company's intangible assets relate primarily to patents and trademarks on its Siascopy products. The carrying value is reviewed at least annually, and adjusted if appropriate based on its estimated recoverable amount. In 2012, the Company reported a loss of $41,097 in relation to the disposal of patents which were allowed to laspe.

iv) Going Concern

Certain conditions indicate that there could be substantial doubt about the Company's ability to continue as a going concern. See Note 2 for critical assumptions.

v) Convertible Debentures

The Company issues convertible debentures and significant judgment is made by management in determining the discount rate used in fair value calculation of the equity component.

18. PROVISIONS

Claims have been made against the Company in the normal course of its operating activities. In November 2010, the Company received notification from a former employee disputing amounts due relating to his position as Chief Technology Officer. In December 2011, the Company received a notification from a vendor disputing amounts due in the normal course of operations. The Company has filed a counterclaim for breach of contract. In January 2013, the company received notification from demand loan providers in respect of loans owing plus interest. Although the outcome of these claims cannot be determined with certainty, management estimates that any potential payments resulting from their outcomes are not likely to have a substantial negative impact on the Company's results and financial position.

19. RECLASSIFIACTIONS

Certain prior year comparative figures have been reclassified to conform with the presentation standard adopted in the current year. These reclassifications had no impact on previously reported net loss or deficit.

20. SUBSEQUENT EVENTS

In March 2013, 1,794,365 common shares were issued, at a price of $0.05573 per share to a consultant as payment for fiscal and advisory services received during the period of the consultancy agreement.

On May 1, 2013 the Company received $150,000 and issued a promissory note payable. The note is to be repaid on June 30, 2013 and bears interest at 10% per annum on the principal amount outstanding.