IMAGING DYNAMICS COMPANY LTD.

FINANCIAL RESULTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2016

Your Global Medical Imaging Technology Provider

Management Report

To the Shareholders of Imaging Dynamics Company Ltd.

The accompanying condensed consolidated financial statements for the three and nine months ended September 30, 2016 of Imaging Dynamics Company Ltd. (the “Company”) are the responsibility of Management. The condensed consolidated financial statements have been prepared by Management in accordance with International Financial Reporting Standards (“IFRS”) and include certain estimates that reflect Management’s best judgment. The Corporation’s auditors have not reviewed or audited these condensed consolidated financial statements.

Management is also responsible for a system of internal controls which is designed to provide reasonable assurance that the Company’s assets are safeguarded and accounting systems provide timely and accurate financial reports.

Signed: *“Yucheng Zhou”*

Yucheng Zhou

President and Chief Executive Officer
November 29, 2016

Signed: "*Eugene Woychyshyn*"

Eugene Woychyshyn

Chief Financial Officer

Imaging Dynamics Company Ltd.

Condensed Consolidated Statements of Financial Position

(expressed in Canadian dollars)

As at	note *	September 30,2016 (unaudited)	December 31, 2015 (audited)
Assets			
Current			
Cash and cash equivalents		**$ 7,227,736**	$ 10,128,633
Trade and other receivables	5	**1,770,787**	169,637
Inventory	6	**3,559,126**	205,664
Prepaid expenses and other		**1,213,732**	339,161
		13,771,381	10,843,095
Non-current assets			
Property, plant and equipment	7	**746,401**	98,816
Intangible assets	8	**639,980**	25,043
		$ 15,157,762	$ 10,966,954
Liabilities			
Current			
Trade and other payables	9	**$ 3,291,614**	$ 2,317,683
Customer deposits		**35,520**	16,290
Lease inducement		**24,305**	14,426
Warranty provision		**84,483**	156,139
Deferred financing	10	**5,891,234**	4,835,600
Loan payable	11	**1,964,984**	-
Current portion of long term-debt	12	**-**	875,000
		11,292,140	8,215,138
Long-term liabilities			
Convertible debentures	13	**11,450,337**	5,886,180
Lease inducement		**54,851**	28,852
Total liabilities		**22,797,328**	14,130,170
Shareholders' deficiency			
Share capital	14	**78,147,450**	78,147,450
Share-based payments reserve	15	**7,186,107**	7,186,107
Contributed surplus	16	**5,329,793**	5,084,398
Other comprehensive income		**(342,061)**	92,194
Deficit		**(97,960,855)**	(93,673,365)
		(7,639,566)	(3,163,216)
		$ 15,157,762	$ 10,966,954
Going concern	2		
Commitments and contingencies	23		
Subsequent event	24		

* the accompanying notes are an integral part of these financial statements

On behalf of the Board:

"Signed" Yucheng Zhou
Yucheng Zhou, Chief Executive Officer

"Signed" Paul Lin
Paul Lin, Director

Imaging Dynamics Company Ltd.

Condensed Consolidated Statements of Operations & Comprehensive Loss

(unaudited, expressed in Canadian dollars)

	note*	Three months ended September 30, 2016	2015	Nine months ended September 30, 2016	2015
Revenues		**$ 1,305,822**	$ 874,416	**$ 3,191,256**	$ 1,977,219
Cost of sales		**756,620**	486,618	**2,148,184**	1,011,495
Gross profit		**549,202**	387,798	**1,043,072**	965,724
Expenses					
Sales and marketing		**899,537**	329,041	**1,943,321**	807,420
General and administrative		**836,815**	277,816	**2,327,385**	767,710
Production and manufacturing		**63,689**	97,226	**266,037**	237,375
Research and development		**(14,097)**	3,521	**267,360**	34,472
Foreign exchange loss (gain)		**(98,569)**	2,246	**33,303**	46,102
Warranty expense (recovery)		**(76,081)**	5,700	**(68,320)**	10,915
Share-based payment	15	-	-	**-**	302,158
Bad debt (recovery)		-	-	**(25,106)**	-
Amortization of property, plant and equipment		**29,093**	8,162	**62,484**	24,485
Amortization of intangible assets		**12,315**	14,461	**21,872**	43,385
		1,652,702	738,173	**4,828,336**	2,274,022
Loss before finance costs		**(1,103,500)**	**(350,375)**	**(3,785,264)**	(1,308,298)
Finance costs					
Interest expense		**259,252**	15,124	**715,885**	44,878
Interest and other income		**(1,724)**	-	**(4,777)**	-
Gain on settlement of debt		**(118,119)**	-	**(118,119)**	(78,359)
Income before taxes		**(1,242,909)**	(365,499)	**(4,378,253)**	(1,274,817)
Provision for income taxes (recovery)		-	-	**(90,763)**	-
Net loss		**(1,242,909)**	(365,499)	**(4,287,490)**	(1,274,817)
Other comprehensive income					
Foreign currency translation loss		**(1,393)**	-	**434,255**	-
Comprehensive loss		**$ (1,241,516)**	$ (365,499)	**$ (4,721,745)**	$ (1,274,817)
Net loss per share, basic and diluted	17	**($0.02)**	$0.00	**($0.07)**	$0.00

* the accompanying notes are an integral part of these financial statements

Imaging Dynamics Company Ltd.

Condensed Consolidated Statements of Changes in Shareholders' Deficiency

(unaudited, expressed in Canadian dollars)

	note*	Share Capital	Share-based payments reserve	Contributed surplus	Accumulated Other Comprehensive Income	Deficit	Total Shareholders' Deficiency
Balance, January 1, 2015		$76,345,461	$6,846,778	$4,630,094	$ -	($89,845,112)	($2,022,779)
Issued for cash - private placement (net of issue costs)	14	1,801,989	-	-	-	-	1,801,989
Warrants	14	-	-	187,570	-	-	187,570
Stock based payments	15	-	339,329	-	-	-	339,329
Convertible debentures (net of deferred tax)	13	-	-	266,734	-	-	266,734
Foreign exchange gain on translation		-	-		92,194	-	92,194
Loss for the year		-	-	-	-	(3,828,253)	(3,828,253)
Balance December 31, 2015		**78,147,450**	**7,186,107**	**5,084,398**	**92,194**	**(93,673,365)**	**(3,163,216)**
Convertible debentures (net of deferred tax)	13	**-**	**-**	**245,395**	**-**	**-**	**245,395**
Foreign exchange gain (loss) on translation		**-**	**-**	**-**	**(434,255)**	**-**	**(434,255)**
Loss for the year		**-**	**-**	**-**	**-**	**(4,287,490)**	**(4,287,490)**
Balance September 30, 2016		**$78,147,450**	**$7,186,107**	**$5,329,793**	**($342,061)**	**($97,960,855)**	**($7,639,566)**

* the accompanying notes are an integral part of these financial statements

Imaging Dynamics Company Ltd.

Condensed Consolidated Statements of Cash Flows

(unaudited, expressed in Canadian dollars)

	note*	Three months ended September 30, 2016	2015	Nine months ended September 30, 2016	2015
Cash provided by (used in):					
Operating activities					
Net loss		**($1,242,909)**	($365,499)	**($4,287,490)**	($1,274,817)
Items not affecting cash					
Amortization of property,					
plant and equipment		**29,093**	8,162	**62,484**	24,485
Amortization of intangible assets		**12,315**	14,462	**21,872**	43,376
Foreign exchange loss (gain)		**(40,840)**	-	**137,893**	-
Gain on extinguishment of debt		**-**	-	**-**	(78,359)
Loan accretion and accrued interest		**(134,342)**	15,123	**322,291**	44,876
Share based payments		**-**	-	**-**	302,158
Warranty provisions		**(76,080)**	5,700	**(71,656)**	10,915
Deferred tax recovery		**-**	-	**(90,763)**	-
		(1,452,763)	(322,052)	**(3,905,369)**	(927,366)
Change in non cash working capital	18	**(2,581,948)**	(144,354)	**(4,951,490)**	(812,948)
		(4,034,711)	(466,406)	**(8,856,859)**	(1,740,314)
Investing activities					
Additions to property, plant					
and equipment	7	**(220,961)**	(2,655)	**(718,998)**	(2,655)
Additions to intangible assets	8	**(474,335)**	-	**(636,809)**	-
Proceeds on disposition of					
property, plant and equipment		**8,929**	-	**8,929**	-
		(686,367)	(2,655)	**(1,346,878)**	(2,655)
Financing activities					
Issuance of common shares					
net of issue costs		**-**	-	**-**	1,801,990
Convertible debentures					
net of issue costs		**-**	6,219,085	**5,721,306**	6,219,085
Loan payable		**1,964,984**	-	**1,964,984**	-
Deferred financing		**5,891,234**	-	**1,055,634**	-
Warrants reserve		**-**	-	**-**	187,570
Repayment of long-term debt		**-**	-	**(875,000)**	(120,000)
Advance from director		**-**	9	**-**	(98,570)
		7,856,218	6,219,094	**7,866,924**	7,990,075
Effect of foreign exchange on cash		**56,437**	-	**(564,084)**	-
Net increase (decrease) in					
cash and cash equivalents		**3,191,577**	5,750,033	**(2,900,897)**	6,247,106
Cash and cash equivalents,					
beginning of period		**4,036,159**	762,385	**10,128,633**	265,312
Cash and cash equivalents,					
end of period		**$7,227,736**	$6,512,418	**$7,227,736**	$6,512,418

* the accompanying notes are an integral part of these financial statements

1. Nature of the organization

Imaging Dynamics Company Ltd. (the "Company" or "IDC") is a public company incorporated under the laws of the Province of Alberta. The Corporation is listed on the TSX Venture Stock Exchange ("TSXV"), trading under the symbol "IDL". The address of its registered office is #130, 3510 29th Street NE, Calgary, Alberta, Canada, T1Y 7E5.

These condensed consolidated financial statements consolidate the accounts of the Company and its wholly-owned subsidiaries: IDC USA, Inc., 1370509 Alberta Inc., Shanghai IDC Healthcare Co., Ltd. (formerly known as IDC International Digital Medical Device Co., Ltd.), IDC Healthcare (Beijing) Co., Ltd. (formerly known as IDC International Medical Equipment (Beijing) Ltd.), and Imaging Dynamics Company (Hong Kong) Ltd.

The Company's technology produces digital diagnostic images. Its purpose is to replace the need for film and chemical film processing, as well as reduce the storage and retrieval costs normally associated with traditional X-ray technology. The Company provides an environmentally friendly solution for producing diagnostic images compared to traditional analog imaging.

2. Going concern

These condensed consolidated financial statements of the Company have been prepared by Management in accordance with International Financial Reporting Standards ("IFRS") applicable to a going concern which assumes that the Company will realize the carrying value of its assets and satisfy its obligations as they become due in the normal course of operations. As of September 30, 2016, the Company had positive working capital of $2,479,241 (working capital at December 31, 2015– $2,627,957), negative cash flows from operating activities for the nine months of $8,856,859 (year ended December 31, 2015– $2,812,463) and a net loss for the nine months of $4,287,490 (year ended December 31, 2015– $3,828,253) and deficit at September 30, 2016 of $97,960,855 (December 31, 2015– $93,673,365). The ability of the Company to continue as a going concern will depend on attaining a satisfactory revenue level, the generation of cash from operating activities, and the ability to secure additional new financing arrangements and new capital, the outcome of which is uncertain.

During 2016 and 2015, the Company raised convertible debentures of $10.8 million on a net basis, and issued share capital and warrants in 2015 for net proceeds of $2.0 million. Note 24 to these unaudited financial statements describes a further non-brokered issue of convertible debentures with gross proceeds of $6 million. The Company will seek to raise additional capital through equity markets, debt markets or other innovative financing arrangements, including partnership or licensing arrangements that may be available for continued operations. However, the disclosed uncertainties may cast significant doubt on the Company's ability to continue as a going concern. Although, in the opinion of management, the use of the going concern assumption is appropriate, there can be no assurance that any steps management is taking will be successful. These consolidated financial statements do not reflect adjustments in the carrying values of the assets and liabilities, revenues, expenses and the balance sheet classifications that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

3. Basis of preparation

a) Statement of compliance

These condensed consolidated financial statements ("interim financial statements") were authorized for issuance by the Board of Directors on November 29, 2016. The Company prepared these interim financial statements in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34") using accounting policies consistent with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), and the interpretations of the International Financial Reporting Standards Interpretations Committee ("IFRIC").

The interim financial statements do not include all information and disclosures normally provided in annual financial statements and should be read in conjunction with the Company's year ended December 31, 2015 audited consolidated financial statements, as well as the Company's interim consolidated statements for the six months ended June 30, 2016, available at www.sedar.com. The Company has prepared these interim financial statements using the same accounting policies and critical accounting estimates applied in the Company's year ended audited consolidated financial statements.

b) Basis of measurement

These interim unaudited consolidated financial statements have been prepared on a historical cost basis except as discussed in the significant accounting policies in the Company's year ended audited consolidated financial statements.

The Company measures the transactions in its entities using the currency of the primary economic environment in which the entity operates (functional currency). These consolidated financial statements are presented in Canadian dollars (CAD) which is the functional currency of the parent entity. The functional currency of the Chinese subsidiaries is the Renminbi ("CNY").

The interim financial statements have, in management's opinion, been properly prepared using careful judgment and reasonable limits of materiality. These interim financial statements are prepared within the framework of the same significant accounting policies, critical judgments, accounting estimates, and methods of computation as the consolidated financial statements for the fiscal year ended December 31, 2015. The interim financial statement note disclosures do not include all of those required by IFRS applicable to annual financial statements. Accordingly, the interim financial statements should be read in conjunction with the consolidated financial statements and notes thereto as at and for the year ended December 31, 2015.

(unaudited, expressed in Canadian dollars)

4. New Accounting Standards Adopted

The Company adopted the following standards or amendments that were effective at January 1, 2016:

IAS 1 Presentation of Financial Statements

In December 2014, the IASB issued narrow-focus amendments to IAS 1 Presentation of Financial Statements to clarify existing requirements relating to materiality, order of notes, subtotals, accounting policies and disaggregation. Retrospective application of this standard was effective for fiscal years beginning on or after January 1, 2016. This amended standard did not have a material effect on the Company.

5. Trade and other receivables

	note	**September 30, 2016**	December 31, 2015
Trade receivables	21	**$1,764,264**	$168,548
GST and other		**6,523**	1,089
		$1,770,787	$169,637

Allowance for doubtful accounts of $194,638 (year ended December 31, 2015 - $235,267) has been netted against trade receivables (see Note 21).

6. Inventory

	September 30, 2016	December 31, 2015
Inventory net of allowance for obsolescence	**$3,559,126**	$205,684

During the period ended September 30, 2016, the Company recorded a provision for inventory obsolescence of $24,906 (year ended December 31, 2015 - $ 549,913).

(unaudited, expressed in Canadian dollars)

7. Property, plant and equipment

Cost	Technical, lab and computer equipment	Leasehold improvements	Office equipment	Tradeshow equipment	Total
Balance, December 31, 2014	$1,967,220	$95,362	$492,738	$1,099,100	$3,654,420
Additions	-	-	6,463	-	6,463
Balance, December 31, 2015	1,967,220	95,362	499,201	1,099,100	3,660,883
Additions	160,451	486,891	71,656	-	718,998
Disposals	(9,237)	(95,362)	(8,404)	-	(113,003)
Balance September 30, 2016	**$2,118,434**	**$486,891**	**$562,453**	**$1,099,100**	**$4,266,878**
Accumulated amortization					
Balance, December 31, 2014	$1,894,729	$95,362	$434,619	$1,099,100	$3,523,810
Amortization	21,748	-	16,509	-	38,257
Balance, December 31, 2015	1,916,477	95,362	451,128	1,099,100	3,562,067
Amortization	27,496	20,330	14,658	-	62,484
Disposals	(308)	(95,362)	(8,404)	-	(104,074)
Balance September 30, 2016	**$1,943,665**	**$20,330**	**$457,382**	**$1,099,100**	**$3,520,477**
Net book value as at:					
December 31, 2015	$50,743	$ -	$48,073	$ -	$98,816
September 30, 2016	**$174,769**	**$466,561**	**$105,071**	**$ -**	**$746,401**

(unaudited, expressed in Canadian dollars)

8. Intangible assets

Cost	Software	Digital X-ray technology patents and licenses	Total
Balance, December 31, 2014 and 2015	$742,882	$391,964	$1,134,846
Additions	259,829	376,980	636,809
Balance, September 30, 2016	**$1,002,711**	**$768,944**	**$1,771,655**
Accumulated amortization			
Balance December 31, 2014	$680,710	$347,888	$1,028,598
Amortization	42,009	39,196	81,205
Balance December 31, 2015	722,719	387,084	1,109,803
Amortization	16,992	4,880	21,872
Balance September 30, 2016	**$739,711**	**$391,964**	**$1,131,675**
Net book value as at:			
December 31, 2015	$20,163	$4,880	$25,043
September 30, 2016	**$263,000**	**$376,980**	**$639,980**

9. Trade and other payables

	September 30, 2016	December 31, 2015
Trade payables	**$2,772,076**	$1,853,793
Interest payable	**237,544**	94,262
Other payables and accruals	**281,994**	369,628
Trade and other payables	**$3,291,614**	$2,317,683

(unaudited, expressed in Canadian dollars)

10. Deferred financing

The Company received $5,891,234 in September 2016 in advance of closing of a Convertible Debenture financing and has recorded this amount as deferred financing in the Consolidated Statement of Financial Position as at September 30, 2016. The debenture issue closed on October 7, 2016 (Note 24).

The Company received $4,835,600 in 2015 in advance of closing of a Convertible Debenture financing and has recorded this amount as deferred financing in the Consolidated Statement of Financial Position as at December 31, 2015. The debenture issue closed on January 22, 2016 (Note 13).

11. Loan payable

In September 2016, the Company established a short-term loan payable with a private corporation controlled by a director of the Company. The balance of this loan at September 30, 2016 was $1,964,984. This 10,000,000 CNY denominated loan bears interest at 7% per annum. Principal and interest payments are due on maturity scheduled for August 24, 2017.

12. Long-term debt

The following table shows how the unamortized accretion is netted with the loan and amortized using the effective interest method.

	September 30, 2016	December 31, 2015
Long-term debt, face value	**$875,000**	$1,120,000
Repaid in the period	**(875,000)**	(245,000)
Long-term debt	**-**	875,000
Current portion	**-**	875,000
Net long-term debt	**$ -**	$ -

On June 8, 2009, the Company established a loan payable with a group of shareholders for an aggregate amount of $1,000,000. This loan was secured by a general security agreement that is subordinated to a first charge on the Company’s assets to a vendor. The loan payable was repaid in full in the period.

The long-term debt was secured by a second charge to the group of shareholders. This second charge was released by the group of shareholders as of January 21, 2016, but still includes financing statements which will continue to be used to protect all other security interests granted by the Company to members of the group of shareholders.

(unaudited, expressed in Canadian dollars)

13. Convertible Debentures

	September 30, 2016	December 31, 2015
Convertible debentures, face value	**$12,000,000**	$6,250,000
Equity portion of debentures	**(701,547)**	(365,389)
Amortization of discount	**211,492**	32,484
Issue costs	**(59,608)**	(30,915)
Balance, convertible debentures	**$11,450,337**	$5,886,180

All per share amounts have been adjusted for a 5 to 1 consolidation that took place in June 2016 (see note 14).

a) On September 28, 2015, the Company completed a non-brokered private placement financing of unsecured Convertible Debentures for gross proceeds of $6,250,000 in principal amount. The Convertible Debentures have a maturity date of September 28, 2018, bear interest at a rate of 6.0% per year payable annually, and are convertible into common shares of the Company at the holder's option at a conversion price of $0.10 per common share for a period of three years on or before September 28, 2018.

The Convertible Debentures are compound financial instruments consisting of the debt instrument and an equity component feature. The debt instrument was recorded at amortized cost using the effective interest method at an annual discount rate of 8.28% over the 3 year life of the debentures. The gross proceeds of $6,250,000 were allocated between the debt instrument for $5,884,611 and to the equity component for $365,389.

b) On January 22, 2016, the Company completed a non-brokered private placement financing of secured Convertible Debentures for gross proceeds of $5,750,000 in principal amount. The Convertible Debentures have a maturity date of January 22, 2019, bear interest at a rate of 6.0% per year payable annually, and are convertible into common shares of the Company at the holder's option at a conversion price of $0.15 per common share for a period of three years on or before January 22, 2019.

The Convertible Debentures are compound financial instruments consisting of the debt instrument and the equity component feature. The debt instrument was recorded at amortized cost using the effective interest method at an annual discount rate of 8.28% over the life of the debenture of 3 years. The gross proceeds of $5,750,000 were allocated between the debt instrument for $5,413,842 and to the equity component for $336,158.

(unaudited, expressed in Canadian dollars)

14. Share capital

a) Authorized:

An unlimited number of common shares
An unlimited number of non-voting redeemable preferred shares

b) Issued and outstanding:

	Nine months ended September 30, 2016		Year ended December 31, 2015	
	Number of shares	**Amount**	Number of shares	Amount
Balance, beginning of the year	**294,288,356**	**$78,147,450**	194,288,356	$76,345,461
Adjust for 5:1 consolidation	**(235,430,700)**	**-**	-	-
Issued for cash	**-**	**-**	100,000,000	1,812,430
Share issue costs	**-**	**-**	-	(10,441)
Balance, end of period	**58,857,656**	**$78,147,450**	294,288,356	$78,147,450

i. On February 26, 2015, the Company completed a non-brokered private placement equity financing for 100,000,000 (20,000,000 post consolidation) common shares of the Company at a price of $0.02 ($0.10 post consolidation) per share for gross proceeds of $2,000,000. Each common share subscribed for is entitled to a one-half (1/2) share purchase warrant at a price of $0.05 ($0.25 post consolidation) per share for a period of two years.

ii. In connection with the private placement of 100,000,000 (20,000,000 post consolidation) common shares, a total of 50,000,000 (10,000,000 post consolidation) warrants were issued to the subscribers. As a result, $1,812,430 of the gross proceeds of the private placement was allocated to the common shares and $187,570 to the share purchase warrants. The fair value of the warrants was calculated using the Black-Scholes pricing model with the following assumptions: (i) dividend yield of 0%, (ii) expected volatility of 100.00%, (iii) risk free rate of 0.60%, and (iv) an expected life of 1.5 years. The warrants entitle the holder to purchase common shares of the Company at a price of $0.25 ($0.05 pre-consolidation) per share up to February 23, 2017.

iii. At a Special Meeting on February 29, 2016 the shareholders approved the Board of Directors to effect, a consolidation (or reverse stock split) of the outstanding Common Shares (the “Share Consolidation”), at a consolidation ratio of one (1) for five (5), (being one (1) post-consolidation common share for every five (5) pre-consolidation common shares). The Share Consolidation was completed on June 29, 2016 and as a result there were 58,857,656 common shares outstanding at June 30, 2016.

(unaudited, expressed in Canadian dollars)

15. Share-based payments reserve

The Company has established a share-based compensation plan for its directors, officers, employees, consultants and other key personnel ("Stock Option Plan"). Under the Stock Option Plan, the Company may grant up to 10% of the issued and outstanding common shares of the Company. The exercise price of each option is determined by the market price of the Company's stock on the date of the grant and an option's maximum term is five years.

During 2015, the Company granted 3,400,000 (17,000,000 pre-consolidation) stock options on May 5, 2015, at a price of $0.25 ($0.05 pre-consolidation) per share under the stock option plan. The stock options are exercisable into common shares at a price of $0.25 ($0.05 pre-consolidation) per common share for a term of five years from the date of grant. The fair value of the stock options granted was $302,158 and was calculated using the Black-Scholes option pricing model with the following assumptions: (i) dividend yield of 0%; (ii) expected volatility of 287.83%; (iii) risk free rate of 1.07%; (iv) an expected life of 5 years; and (v) a forfeiture rate of 0%.

Adjusted for the aforementioned consolidation as at September 30, 2016, 4,031,367 common shares (December 31, 2015 – 2,124,067) remain in reserve. Under the Stock Option Plan, the following options are outstanding as at the dates shown as follows:

	September 30, 2016		December 31, 2015	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Balance, beginning of the year	**18,808,500**	**$0.06**	1,833,500	$0.11
Adjust for 5:1 consolidation	**(15,046,800)**	**$0.25**	-	-
Issued in the period	**-**		17,000,000	$0.05
Cancelled / expired in the period	**(1,907,300)**	**$0.32**	(25,000)	$0.07
Balance, end of period	**1,854,400**	**$0.26**	18,808,500	$0.06
Options exercisable at the end of the period	**1,854,400**	**$0.26**	18,808,500	$0.06

The following table presents the reconciliation of share-based payments reserve with respect to share-based compensation:

	September 30, 2016	December 31, 2015
Balance, beginning of the year	**$7,186,107**	$6,846,778
Issued in the period	**-**	339,329
Balance, end of period	**$7,186,107**	$7,186,107

(unaudited, expressed in Canadian dollars)

15. Share-based payments reserve *(continued)*

Stock Option Plan

The following table summarizes information of the Company's Stock Option Plan as at September 30, 2016:

	Options outstanding			Options exercisable	
Range of exercise price in dollars	Number outstanding	Weighted average remaining contractual life (months)	Weighted average exercise price	Number of options	Weighted average exercise price
up to $0.25	1,800,000	43.8	$0.25	1,800,000	$0.25
$0.30 to $0.50	54,400	12.0	$0.50	54,400	$0.50
	1,854,400	42.9	$0.26	1,854,400	$0.26

The following table summarizes information of the Company's Stock Option Plan as at December 31, 2015. All numbers have been adjusted for the 5:1 consolidation completed in June 2016:

	Options outstanding			Options exercisable	
Range of exercise price in dollars	Number outstanding	Weighted average remaining contractual life (months)	Weighted average exercise price	Number of options	Weighted average exercise price
up to $.25	3,749,600	49.9	$0.10	3,749,600	$0.10
$.30 to $.50	12,100	0.2	$1.50	17,100	$1.50
	3,761,700	49.8	$0.30	3,766,700	$0.55

There were no share-based payments incurred as a result of stock options grants in the period ended September 30, 2016.

16. Contributed surplus

The following table presents the reconciliation of contributed surplus with respect to warrants and convertible debentures:

	note	September 30, 2016	December 31, 2015
Balance, beginning of year		$5,084,398	$4,630,094
Warrants issued in the period	14(b)	-	187,570
Convertible debenture issued		245,395	266,734
Balance, contributed surplus		$5,329,793	$5,084,398

(unaudited, expressed in Canadian dollars)

17. Per share amounts

The following table presents the reconciliation between basic and diluted loss per share:

	For the three months ended September 30,		For the nine months ended September 30,	
	2016	2015*	**2016**	2015*
Net loss for the period	**($1,242,909)**	($365,499)	**($4,287,490)**	($1,274,817)
Weighted average number of common shares outstanding	**58,857,656**	58,857,656	**58,857,656**	54,681,847
Basic and diluted loss per share	**($0.02)**	$(0.01)	**($0.07)**	($0.02)

* adjusted for 5:1 consolidation completed June 29, 2016

** In calculating diluted common share numbers for the period ended September 30, 2016, the Company excluded 1,854,400 outstanding options (September 30, 2015 – 3,761,700*), 10,000,000 (September 30, 2015 – 10,000,000) warrants and 100,833,333 (September 30, 2015 - 62,500,000) shares issuable on conversion of Convertible Debentures because they were anti-dilutive.

18. Supplementary information

Change in non-cash working capital:

	For the three months ended September 30,		For the nine months ended September 30,	
	2016	2015	**2016**	2015
Trade and other receivables	**($526,017)**	($366,871)	**($1,852,418)**	($406,328)
Inventory	**(2,442,032)**	95,113	**(3,353,462)**	83,869
Prepaid and other expenses	**1,022,409**	(158,864)	**(874,571)**	(195,726)
Trade and other payables	**(620,490)**	268,323	**1,073,853**	(278,187)
Deferred revenue	**-**	17,945	**-**	(16,576)
Deposits	**(25,688)**	-	**19,230**	-
Lease inducement	**9,870**	-	**35,878**	-
	($2,581,948)	($144,354)	**($4,951,490)**	($812,948)

(unaudited, expressed in Canadian dollars)

19. Related party transactions

The following costs were paid to related parties that are included in general and administrative expenses on the consolidated statements of operations and comprehensive loss for the nine months ended September 30, 2016:

a) The Company incurred legal costs in the amount of $24,809 (2015 – $15,415) to a lawyer who is an officer of the Company, of which $18,822 (2015 – $3,113) is included in trade and other payables.

b) The Company incurred a total of $nil (2015 – $45,000) for professional services payable to a private corporation controlled by a former officer of the Company.

c) The Company incurred a rental expense of $268,377 (2015 - $nil) paid to a company controlled by a director of the Company.

d) Officers and a private corporation controlled by an officer of the Company provided $9,305,000 of the total $12,000,000 principal of Convertible Debentures financing raised in 2015 and 2016. The Company incurred 6% coupon interest expense of $407,031 (2015 - $3,082) on the portion of these Convertible Debentures held by the related parties, of which $131,689 (2015 - $3,082) is included in trade and other payables. The terms of these transactions with those related parties were the same as those with arms-length participants.

e) Key management personnel compensation - the Company considers the key management personnel of the Company to be its officers and directors. The compensation included in general and administrative expenses relating to key management personnel for the first nine months of 2016 was as follows:

For the nine months ended September 30,	**2016**	2015
Salaries / compensation	**$135,833**	$235,318
Stock based compensation	**-**	302,158
Total for the period	**$135,833**	$537,476

(unaudited, expressed in Canadian dollars)

20. Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development and sales of its digital imaging products and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk.

In the management of capital, the Company includes the components of shareholders' deficiency and the long-term debt which consists of the following:

	September 30, 2016	December 31, 2015
Convertible debentures	**$11,450,337**	$5,886,180
Shareholders' deficiency	**(7,639,566)**	(3,163,216)
	$3,810,771	$2,722,964

The Company manages the capital structure and makes adjustments in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new equity or issue new debt.

21. Financial risk management

The Company is exposed to a variety of financial risks by virtue of its activities, including fair value risk, currency risk, credit risk, interest rate risk and liquidity risk. The overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on financial performance.

Risk management is supervised by the Chief Executive Officer under the direction and guidance from the Company's Board of Directors. The Company identifies and evaluates financial risks in close cooperation with other management personnel. Management is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated to acceptable levels.

Fair value risk:

Fair value of financial instruments:

The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables, current portion of long-term debt, deferred financing and due to director approximate fair value due to the short-term nature of these instruments. The fair value of the

(unaudited, expressed in Canadian dollars)

21. Financial risk management *(continued)*

convertible debenture is calculated by discounting future debt service payments using an estimated market rate of interest.

Any financial assets and financial liabilities measured at fair value (currently there are none) in the statement of financial position are grouped into three levels of fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3: unobservable inputs for the asset or liability.

Currency risk

The Company operates internationally and is exposed to foreign exchange risk from various currencies, primarily US Dollars and Chinese Renminbi. Foreign exchange risk arises from the purchase and sale transactions as well as financial assets and liabilities denominated in foreign currencies.

A significant change in the currency exchange rates between the Canadian dollar relative to the other currencies could have an effect on the Company's results of operations, financial position or cash flows. Foreign exchange contracts are only entered into for purposes of managing foreign exchange risk and not for speculative purposes. As at September 30, 2016 and December 31, 2015, there were no foreign exchange contracts outstanding.

At September 30, 2016, the Company is exposed to currency risk through the following assets and liabilities denominated in other currencies:

	US Dollars ($)	CNY (¥)
Cash and equivalents	979,647	6,642,835
Trade accounts receivable	69,480	8,391,024
Trade accounts payable	(377,551)	(10,608,354)
	671,576	4,425,505

(unaudited, expressed in Canadian dollars)

21. Financial risk management *(continued)*

At December 31, 2015, the Company is exposed to currency risk through the following assets and liabilities denominated in other currencies:

	US Dollars ($)	HK Dollars	CNY (¥)
Cash and equivalents	5,726,783	-	2,574,082
Trade accounts receivable	255,577	-	178,057
Trade accounts payable	(884,597)	(108,911)	(2,721,359)
	5,097,763	(108,911)	30,780

Based on the above net exposures as at September 30, 2016 and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against other currencies would result in an increase or decrease of approximately $175,051 (for the year ended December 31, 2015 - $704,242) in the Company's net loss for the period.

Credit risk

Credit risk is the risk of a financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligation. The Company manages credit risk by maintaining bank accounts with Tier 1 banks. Any short-term investment, included in cash and cash equivalents would be composed of financial instruments issued by Canadian banks. The Company's receivables consist of trade receivables from the sale of the product. Trade receivables include amounts receivable for normal terms and extended terms, which are generally made to credit worthy purchasers. The Company uses an indirect distribution strategy whereby substantially all of the Company's revenues are earned through dealers, distributors and original equipment manufacturing ("OEM") partners.

Most of the Company's distribution partners have income streams from various sources and have an established history of providing goods and services to the health care industry. The Company does not usually sell to the end user and as such has limited recourse in collecting any delinquent balances. In cases where collection is in question, the Company has the ability to withhold warranty support or warranty parts to a dealer that has not paid, remove the dealer as a qualified Company dealer, as well as any and all legal recourse measures. Historically, the Company has experienced collection issues with its customers. Accordingly, the Company views credit risks on these amounts as low and as normal course of business. However, the Company's new standard policy is to collect payments in advance, greatly reducing this credit risk. At September 30, 2016, the Company recognized an allowance for doubtful accounts of $194,638 (December 31, 2015 - $235,267). The bad debt provision as at September 30, 2016 is net of amounts collected from amounts for which provisions had previously been recorded.

(unaudited, expressed in Canadian dollars)

21. Financial risk management *(continued)*

The carrying amount of trade and other receivables and cash and cash equivalents represents the maximum credit exposure. The Company does have an allowance for doubtful accounts and monitors collectability on an on-going basis to determine whether amounts receivable are a concern.

Aging of trade receivables as at September 30, 2016 and December 31, 2015 is represented as follows:

As at	**September 30, 2016**	December 31, 2015
Not past due	**$1,503,537**	$103,835
Past due 31 - 180 days	**193,455**	213,937
Past due 181 - 365 days	**-**	-
Over 365 days	**261,910**	86,043
	1,958,902	403,815
Allowance for doubtful accounts	**(194,638)**	(235,267)
	$1,764,264	$168,548

	For the nine months ended September 30, 2016	For the year ended December 31, 2015
Opening balance	**$235,267**	$687,758
Bad debt expense	**5,918**	194,382
Recoveries (write offs)	**(31,024)**	(412,168)
Foreign exchange	**(15,523)**	(234,705)
Closing balance	**$194,638**	$235,267

Economic Dependence

Three customers represented 60% of the total revenue during the period ended September 30, 2016 as compared to one customer representing 48% during the year ended December 31, 2015.

Four vendors represented 72% of purchases during the six months ended September 30, 2016 compared to two vendors representing 51% during the year ended December 31, 2015.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Financial assets and liabilities with variable interest rates expose the Company to cash flow interest rate risk. The risk related to the Company's long-term debt is limited due to the fixed interest rate.

(unaudited, expressed in Canadian dollars)

21. Financial risk management *(continued)*

The risk that the Company will realize a loss as a result of a decline in the fair value of any short-term investments included in cash and cash equivalents is limited due to the short-term nature of the assets.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they become due (see Note 2). The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company.

The Company currently settles its financial obligations with cash. In order to meet its financial liabilities, the Company relies on collecting its trade and other receivables in a timely manner, sale of inventory and by maintaining sufficient cash in excess of anticipated needs.

The following are the contractual maturities of financial liabilities and other commitments as at September 30, 2016:

Financial liabilities and commitments	**< One Year**	**> One Year**
Convertible debentures	**-**	**$11,450,337**
Trade and other payables	**$3,291,614**	
Deferred financing	**$5,891,234**	
Loan payable	**$1,964,984**	
Total	**$11,147,832**	**$11,450,337**

The following are the contractual maturities of financial liabilities and other commitments as at December 31, 2015:

Financial liabilities and commitments	< One Year	> One Year
Long-term debt	$875,000	-
Convertible debentures		$5,886,180
Deferred financing	4,835,600	-
Trade and other payables	2,317,683	-
Total	$8,028,283	$5,886,180

It is the Company's intention to meet these obligations through the collection of trade and other receivables, sale of inventory and the receipt of future progress payments on amounts not yet invoiced, as well as looking for other external financing sources.

(unaudited, expressed in Canadian dollars)

22. Segmented information

The Company determines its operating segments based on internal information regularly reviewed by management to allocate resources and assess performance. The Company is organized into two sales geographic areas consisting of China and the Americas. These regions are organized to manage sales and distribution channels and are not currently maintained or managed as operating regions.

The Company sells primarily through dealers, distributors and OEM partners.

Segmented revenues for the periods ending September 30, 2016 and 2015 are as follows:

	China	Americas	Total
Three months ended September 30,			
2016	**$1,152,424**	**$153,398**	**$1,305,822**
2015	$471,543	$402,873	$874,416
Nine months ended September 30,			
2016	**$2,642,127**	**$549,129**	**$3,191,256**
2015	$1,057,173	$920,046	$1,977,219

23. Commitments and contingencies

a) The Company is committed to the following payments:

	Facility Canada	Facility China	Automobile	Total
2016	$ 71,217	$ 192,226	$ 1,937	$ 265,380
2017	296,371	768,904	3,873	1,069,147
2018	307,872	375,484	3,873	687,229
2019	316,498	45,325	-	361,824
2020	325,124	-	-	325,124
Beyond 2020	493,437	-	-	493,437
	$ 1,810,520	$ 1,381,939	$ 9,683	$ 3,202,142

b) During 2016 and 2015 the company settled legal claims against it with former suppliers. In August 2016, the Company settled all claims with a vendor resulting in a gain on settlement of $118,119 for the nine months ended September 30, 2016. At the same time the general security agreement was removed by the supplier.

Also the Company successfully resolved a claim in May 2015 resulting in a gain on settlement of debt of $78,359 in the year ended December 31, 2015.

24. Subsequent event

On August 11, 2016, the Company announced a non-brokered private placement financing of secured convertible debentures for gross proceeds of up to $6,000,000. The convertible debentures will mature two years from the date of issue, accrue interest at a rate of 6.0% per year, payable annually on the anniversary date of the closing date and are convertible into common shares of the Company at the holder's option at a price of $0.125 per common share for a period of two years from the closing of the offering. The financing closed on October 7, 2016.

The Company received $5,891,234 in September 2016 in advance of closing of this Convertible Debenture financing and has recorded this amount as deferred financing in the Consolidated Statement of Financial Position as at September 30, 2016. (Note 10)