IMAGING DYNAMICS COMPANY LTD.

FINANCIAL RESULTS

FOR THE THREE MONTHS ENDED MARCH 31, 2017

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 months ended March 31, 2017 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
May 30, 2017

Signed: "*Eugene Woychyshyn*"

Eugene Woychyshyn

Chief Financial Officer

Imaging Dynamics Company Ltd.

Condensed Consolidated Statements of Financial Position

(unaudited, expressed in Canadian dollars)

As at			March 31, 2017		December 31, 2016
Assets	Note *		**(unaudited)**		(audited)
Current					
Cash and cash equivalents		**$**	**2,558,243**	$	7,076,719
Deposit	5		**98,635**		-
Trade and other receivables	6		**5,011,802**		4,842,506
Loan receivable	7		**1,353,808**		-
Inventory	8		**1,978,763**		2,198,902
Prepaid expenses and other			**1,246,967**		824,121
			12,248,218		14,942,248
Non-current assets					
Property, plant and equipment	9		**739,862**		714,989
Intangible assets	10		**1,661,079**		1,157,155
Total assets		**$**	**14,649,159**	$	16,814,392
Liabilities					
Current					
Trade and other payables	11 and 21	**$**	**4,416,353**	$	4,311,686
Customer deposits			**234,514**		124,787
Lease inducement			**37,732**		37,678
Warranty provision			**88,437**		81,768
Loan payable	12		**3,868,023**		3,860,035
			8,645,059		8,415,954
Long-term liabilities					
Convertible debentures	13		**17,356,252**		17,258,543
Lease inducement			**73,079**		82,449
Total liabilities			**26,074,390**		25,756,946
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		**5,507,196**		5,507,196
Accumulated other comprehensive income			**(412,379)**		(437,282)
Deficit			**(101,853,605)**		(99,346,025)
			(11,425,231)		(8,942,554)
Total liabilities and shareholders' deficiency		**$**	**14,649,159**	$	16,814,392

Going concern	2
Subsequent event	23

* The accompanying notes are an integral part of these unaudited consolidated 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 and Comprehensive Loss

(unaudited, expressed in Canadian dollars)

For the three months ended March 31,	Note*		2017		2016
Revenues		**$**	**997,804**	$	836,432
Cost of sales			**791,938**		592,238
Gross profit			**205,866**		244,194
Expenses					
Sales and marketing			**891,502**		313,034
General and administrative	19		**1,096,092**		734,484
Production and manufacturing			**-**		119,646
Research and development			**59,178**		75,406
Foreign exchange loss			**10,102**		144,637
Warranty expense (recovery)			**6,696**		6,412
Bad debt (recovery) expense			**143,235**		5,918
Depreciation of property, plant and equipment	9		**51,507**		12,155
Amortization of intangible assets	10		**28,870**		7,112
			2,287,182		1,418,804
Loss before finance costs			**(2,081,316)**		(1,174,610)
Finance costs					
Interest expense			**432,386**		213,191
Interest and other income			**(6,122)**		(1,456)
Income before taxes			**(2,507,580)**		(1,386,345)
Deferred tax recovery			**-**		(90,763)
Net loss			**(2,507,580)**		(1,295,582)
Other comprehensive income					
Items to be reclassified subsequently to income:					
Foreign currency translation loss (gain)			**(24,903)**		328,300
Comprehensive loss		**$**	**(2,482,677)**	$	(1,623,882)
Net loss per share, basic and diluted	17		**($0.04)**		($0.02)

* The accompanying notes are an integral part of these unaudited consolidated 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, 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	-	-	422,798	-	-	422,798
Foreign exchange loss on translation		-	-	-	(529,476)	-	(529,476)
Loss for the period		-	-	-	-	(5,672,660)	(5,672,660)
Balance, December 31, 2016		$78,147,450	$7,186,107	$5,507,196	($437,282)	($99,346,025)	($8,942,554)
Foreign exchange gain on translation		**-**	**-**	**-**	**24,903**	**-**	**24,903**
Loss for the period		**-**	**-**	**-**	**-**	**(2,507,580)**	**(2,507,580)**
Balance, March 31, 2017		**$78,147,450**	**$7,186,107**	**$5,507,196**	**($412,379)**	**($101,853,605)**	**($11,425,231)**

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

Imaging Dynamics Company Ltd.

Condensed Consolidated Statements of Cash Flows

(unaudited, expressed in Canadian dollars)

For the three months ended March 31,		**2017**	2016
Cash provided by (used in):	Note*		
Operating activities			
Net loss		**($2,507,580)**	($1,295,582)
Items not affecting cash			
Depreciation of property, plant and equipment		**51,507**	12,155
Amortization of intangible assets		**28,870**	7,112
Foreign exchange loss (gain)		**(715)**	151,100
Loan accretion and accrued interest		**18,953**	213,191
Warranty expense (recovery)		**6,696**	3,075
Deferred tax recovery		**-**	(90,763)
		(2,402,269)	(999,712)
Change in non cash working capital	18	**(1,608,845)**	(872,253)
		(4,011,114)	(1,871,965)
Investing activities			
Additions to property, plant and equipment	9	**(75,404)**	(192,597)
Additions to intangible assets	10	**(527,344)**	(8,705)
		(602,748)	(201,302)
Financing activities			
Convertible debentures, net of issue costs		**-**	10,706
		-	10,706
Effect of foreign exchange on cash		**95,386**	(497,580)
Net (decrease) increase in cash and cash equivalents		**(4,518,476)**	(2,560,141)
Cash and cash equivalents, beginning of period		**7,076,719**	10,128,633
Cash and cash equivalents, end of period		**$2,558,243**	$7,568,492

* The accompanying notes are an integral part of these unaudited consolidated 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. ("IDC Shanghai"), Ltd., IDC Healthcare (Beijing) Co., Ltd. ("IDC Beijing"), and Imaging Dynamics Company (Hong Kong) Ltd. Also refer to Note 5 and 23 on the subsidiary acquired subsequent to March 31, 2017.

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 consolidated financial statements of the Company have been prepared by Management on a going concern basis 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 March 31, 2017, the Company had positive working capital of $3,603,159 (working capital at December 31, 2016 – $6,526,294), negative cash flows from operating activities for the period of $4,011,114 (year ended December 31, 2016 – $10,418,348) and a net loss for the period of $2,507,580 (year ended December 31, 2016 – $5,672,660) and deficit at March 31, 2017 of $101,853,605 (December 31, 2016– $99,346,025). 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 $17.9 million on a net basis, and issued share capital and warrants in 2015 for net proceeds of $2.0 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 May 30, 2017. 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") in effect at January 1, 2017.

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, 2016 audited consolidated financial statements 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 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 loan receivable included in the Company's financial statements as at March 31, 2017 has been recognized at the amount expected to be received in current assets due to its short-term nature.

The Company measures the transactions in its entities using the currency of the primary economic environment in which the entity operates (functional currency). These interim 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 functional currency of the inactive subsidiaries includes CAD, US dollars and Hong Kong dollars.

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, 2016. 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, 2016.

(unaudited, expressed in Canadian dollars)

4. New Accounting Standards Adopted

The Company adopted the following standards or amendments that were effective at January 1, 2017:

IAS 7 Statement of Cash Flows

In January 2016, the IASB issued Disclosure Initiative – Amendments to IAS 7 Statement of Cash Flows, which require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. This standard is effective for annual periods beginning on or after January 1, 2017 and can be applied prospectively. This amended standard did not have a material effect on the Company.

IAS 12 Income Taxes

In January 2016, the IASB issued amendments to IAS 12 Income Taxes, clarifying the accounting for deferred tax assets for unrealized losses. Entities must consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Guidance is also provided on how to determine future taxable profits and explains the circumstances whereby taxable profit may include the recovery of some assets for more than their carrying amount. This standard is effective for periods beginning on or after January 1, 2017. Early adoption of the standard is permitted. This standard did not have a material effect on the Company.

5. Deposit

In February 2017, the Company advanced 510,000 CNY (or an equivalent of $98,635 as of March 31, 2017) pursuant to an agreement to purchase 51% of the common shares of Guangzhou Service Medical Tech. Ltd. Co. (“Guangzhou Service”), a Chinese company that will provide servicing of equipment in the medical device industry. Closing of the purchase of these common shares was subject to receipt of Chinese government approval. This was received on April 10, 2017. Following approval by the Chinese government and closing of the acquisition, the name of this subsidiary was changed to IDC (Guangzhou) Ltd.

6. Trade and other receivables

	note	**March 31, 2017**	December 31, 2016
Trade receivables	21	**$4,978,905**	$4,830,685
GST and other		**32,897**	11,821
		$5,011,802	$4,842,506

Allowance for doubtful accounts of $341,154 (December 31, 2016 - $199,098) has been netted against trade receivables (see Note 21).

7. Loan receivable

During the three month period ended March 31, 2017, the Company advanced 8,000,000 CNY to an unrelated third party supplier and 1,000,000 CNY was subsequently repaid, leaving a balance of 7,000,000 CNY, or an equivalent of $1,353,808, outstanding as at March 31, 2017. This CNY denominated short term advance bears interest at 7% per annum. 3,000,000 CNY of this amount and associated interest was paid in May 2017 and the remaining 4,000,000 CNY and associated interest is due on June 30, 2017.

(unaudited, expressed in Canadian dollars)

8. Inventory

	March 31, 2017	December 31, 2016
Inventory net of allowance for obsolescence	**$1,978,763**	$2,198,902

Included in inventory is $956,842 (2016 - $1,182,196) of purchased components and $1,021,921 (2016 - $1,016,706) of finished goods. During the three month period ended March 31, 2017, the Company recorded a provision for inventory obsolescence of $17,833 (year ended December 31, 2016 - $24,906).

9. Property, plant and equipment

Cost	**Technical, lab and computer equipment**	**Leasehold improvements**	**Office equipment**	**Tradeshow equipment**	**Total**
Balance, December 31, 2015	$1,967,220	$95,362	$499,201	$1,099,100	$3,660,883
Additions	125,625	527,929	73,367	5,975	732,896
Disposals	(9,237)	(95,362)	(8,404)	-	(113,003)
Foreign exchange	6,409	(5,203)	(1,350)	-	(144)
Balance, December 31, 2016	2,090,017	522,726	562,814	1,105,075	4,280,632
Additions	(143)	75,287	260	-	75,404
Disposals	4,563	-	(11,976)	-	(7,413)
Foreign exchange	655	-	33	-	688
Balance, March 31, 2017	**$2,095,092**	**$598,013**	**$551,131**	**$1,105,075**	**$4,349,311**
Accumulated depreciation					
Balance, December 31, 2015	$1,916,477	$95,362	$451,128	$1,099,100	$3,562,067
Depreciation	42,404	44,593	20,668	249	107,914
Disposals	(308)	(95,362)	(8,404)	-	(104,074)
Foreign exchange	(90)	(150)	(24)		(264)
Balance, December 31, 2016	1,958,483	44,443	463,368	1,099,349	3,565,643
Depreciation	15,752	29,572	5,810	373	51,507
Disposals	-	-	(7,413)	-	(7,413)
Foreign exchange	(612)	-	324		(288)
Balance, March 31, 2017	**$1,973,623**	**$74,015**	**$462,089**	**$1,099,722**	**$3,609,449**
Net book value as at:					
December 31, 2016	$131,534	$478,283	$99,446	$5,726	$714,989
March 31, 2017	**$121,469**	**$523,998**	**$89,042**	**$5,353**	**$739,862**

(unaudited, expressed in Canadian dollars)

10. Intangible assets

Cost	Software	Digital X-ray technology patents, development, and licenses	Total
Balance, December 31, 2015	$742,882	$391,964	$1,134,846
Additions	54,919	1,166,361	1,221,280
Foreign exchange	(1,502)	(26,313)	(27,815)
Balance, December 31, 2016	$796,299	$1,532,012	$2,328,311
Additions	690	526,654	527,344
Foreign exchange	113	5,337	5,450
Balance, March 31, 2017	**$797,102**	**$2,064,003**	**$2,861,105**
Accumulated amortization			
Balance December 31, 2015	722,719	387,084	1,109,803
Amortization	31,265	30,373	61,638
Foreign exchange	(338)	53	(285)
Balance, December 31, 2016	$753,646	$417,510	$1,171,156
Amortization	13,627	15,243	28,870
Balance, March 31, 2017	**$767,273**	**$432,753**	**$1,200,026**
Net book value as at:			
December 31, 2016	$42,653	$1,114,502	$1,157,155
March 31, 2017	**$29,829**	**$1,631,250**	**$1,661,079**

11. Trade and other payables

As at	March 31, 2017	December 31, 2016
Trade payables	**$3,482,910**	$2,995,016
Interest payable	**522,848**	815,009
Other payables and accruals	**410,595**	501,661
Trade and other payables	**$4,416,353**	$4,311,686

(unaudited, expressed in Canadian dollars)

12. Loan payable

In August 2016, the Company established a short-term loan payable with a private corporation controlled by a director of the Company. Under this loan, the Company received advances of 10,000,000 CNY in August 2016 and a further 10,000,000 CNY in December 2016, a total of 20,000,000 CNY or an equivalent of $3,868,023. This CNY denominated loan bears interest at 7% per annum. $1,934,012 (10,000,000 CNY) of principal is due on August 24, 2017 and the associated interest payments are due quarterly. The remaining loan principal of $1,934,011 (10,000,000 CNY) is due on December 1, 2017 and the associated interest payments are due quarterly.

13. Convertible Debentures

As at	March 31, 2017	December 31, 2016
Convertible debentures, face value		
September 28, 2015 offering	**$ 6,250,000**	**$ 6,250,000**
January 22, 2016 offering	**5,750,000**	**5,750,000**
October 7, 2016 offering	**6,000,000**	**6,000,000**
	$18,000,000	**$18,000,000**
Equity portion of debentures	**(944,564)**	**(944,564)**
Amortization of discount	**407,621**	**309,912**
Issue costs	**(106,805)**	**(106,805)**
Balance, convertible debentures	**$17,356,252**	**$17,258,543**

During 2015 and 2016, the Company completed the following non-brokered private placement financings of convertible debentures. The convertible debentures are compound financial instruments consisting of the debt instrument and an equity feature.

a) On September 28, 2015, the Company completed a convertible debentures financing 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 debt instrument was recorded at amortized cost using the effective interest method at an annual discount rate of 8.28% over the three 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 convertible debentures financing 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, 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, and are secured by a first charge against the assets of the Company. 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)

13. Convertible Debentures (Continued)

c) On October 7, 2016, the Company completed a convertible debentures financing for gross proceeds of $6,000,000 in principal amount. The convertible debentures have a maturity date of October 7, 2018, bear interest at a rate of 6.0% per year payable annually, are convertible into common shares of the Company at the holder's option at a conversion price of $0.125 per common share for a period of two years on or before October 7, 2018, and are secured by a first charge against the assets of the Company. 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 2 years. The gross proceeds of $6,000,000 were allocated between the debt instrument for $5,756,983 and to the equity component for $243,017.

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

14. Share capital

a) Authorized:

An unlimited number of common shares

An unlimited number of non-voting redeemable preferred shares

b) Issued and outstanding:

	Three months ended March 31, 2017		Year ended December 31, 2016	
	Number of shares	**Amount**	Number of shares	Amount
Balance, beginning of the year	**58,857,656**	**$78,147,450**	294,288,356	$78,147,450
Adjust for 5:1 consolidation (i)	**-**	**-**	(235,430,700)	-
Balance, end of year	**58,857,656**	**$78,147,450**	58,857,656	$78,147,450

i. 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 and forward.

(unaudited, expressed in Canadian dollars)

15. Share-based payments

The Company has established a share-based compensation plan for its directors, officers, employees, consultants and other key personnel (the "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.

There were no stock options granted in the year ended December 31, 2016 or in the three month period ended March 31, 2017.

As at March 31, 2017, 4,131,366 common shares (December 31, 2016 – 4,131,366) remain in reserve. Under the Stock Option Plan, the following options are outstanding as at the dates shown as follows:

	March 31, 2017		December 31, 2016	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Balance, beginning of the year	**1,754,400**	**$0.26**	18,808,500	$0.06
Adjust for 5:1 consolidation	**-**		(15,046,800)	
Issued in the period	**-**		-	
Cancelled / expired in the year	**-**		(2,007,300)	$0.33
Balance, end of year	**1,754,400**	**$0.26**	1,754,400	$0.26
Options exercisable at the end of the year	**1,754,400**	**$0.26**	1,754,400	$0.26

Since December 31, 2015, the share-based payments reserve with respect to share-based compensation is $7,186,507.

(unaudited, expressed in Canadian dollars)

15. Share-based payments *(continued)*

Stock option plan

The following table summarizes information of the Company's Stock Option Plan as at March 31, 2017:

	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	1,700,000	37.7	$0.25	1,700,000	$0.25
$0.30 to $0.50	54,400	5.9	$0.50	54,400	$0.50
	1,754,400	36.8	$0.26	1,754,400	$0.26

The following table summarizes information of the Company's Stock Option Plan as at December 31, 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	1,700,000	40.7	$0.25	1,700,000	$0.25
$0.30 to $0.50	54,400	8.9	$0.50	54,400	$0.50
	1,754,400	39.8	$0.26	1,754,400	$0.26

16. Contributed surplus

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

	March 31, 2017	**December 31, 2016**
Balance, beginning of period	**$5,507,196**	**$5,084,398**
Convertible debenture issued (net of tax)	**-**	**422,798**
Balance,end of period	**$5,507,196**	**$5,507,196**

(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 March 31,	**2017**	2016 *
Net loss for the period	**($2,507,580)**	($1,295,582)
Weighted average number of common shares outstanding	**58,857,656**	58,857,656
Basic and diluted loss per share	**($0.04)**	($0.02)

In calculating diluted common share numbers for the three month period ended March 31, 2017, the Company excluded 1,754,400 outstanding options (2016 – 1,854,500*), nil (2016 – 10,000,000) warrants and 148,833,333 (2016 – 100,833,333) shares issuable on conversion of convertible debentures because they were anti-dilutive. On February 23, 2017, 10,000,000 of stock warrants expired.

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

18. Supplementary information

Change in non-cash working capital:

For the three months ended March 31,	**2017**	2016
Deposit	**($98,635)**	$ -
Trade and other receivables	**(244,506)**	(756,440)
Loan receivable	**(1,353,808)**	-
Inventory	**220,139**	(94,792)
Prepaid expenses and other	**(422,846)**	50,273
Trade and other payables	**190,427**	(116,009)
Customer deposits	**109,727**	8,583
Lease inducement	**(9,316)**	36,132
Warranty provision	**(27)**	-
	($1,608,845)	($872,253)

(unaudited, expressed in Canadian dollars)

19. Related party transactions

The following transactions were entered into with related parties during the three month period ended March 31, 2017:

a) The Company incurred legal costs in the amount of $nil (2016 – $8,160) to a lawyer who is an officer of the Company, of which $nil (2016 – $4,204) is included in trade and other payables.

b) The Company incurred a rental expense of $115,610 (2016 - $21,429) paid to a company controlled by a director of the Company and a total of $222,326 (2016 - $nil) is included in trade and other payables.

c) Officers and a private corporation controlled by an officer of the Company provided $10,683,754 of the total $18,000,000 principal of convertible debentures financing raised in 2015 and 2016. The Company incurred 6% coupon interest expense of $158,029 (2016 - $140,622) on the portion of these Convertible Debentures held by the related parties, of which $262,611 (2016 - $227,973) 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.

d) Key management personnel compensation - the Company considers the key management personnel of the Company to be its officers and directors. The compensation included in the consolidated statement of operations and comprehensive loss relating to key management personnel for the three months ended March 31, 2017 and 2016 was as follows:

For the three months ended March 31,	**2017**	2016
Salaries / compensation	**$166,077**	$47,500
Share-based compensation	**-**	-
Total for the period	**$166,077**	$47,500

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:

As at	**March 31, 2017**	**December 31, 2016**
Convertible debentures	**$17,356,252**	$17,258,543
Shareholders' deficiency	**(11,425,231)**	(8,942,554)
	$5,931,021	$8,315,989

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 loan payable approximate fair value due to the short-term nature of these instruments. The fair value of the 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 consolidated 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 CNY. 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 March 31, 2017 and December 31, 2016, there were no foreign exchange contracts outstanding.

(unaudited, expressed in Canadian dollars)

21. Financial risk management *(continued)*

At March 31, 2017, the Company is exposed to currency risk through the following assets and liabilities denominated in other currencies:

	US Dollars ($)	CNY (¥)
Cash and equivalents	273,521	5,724,369
Trade accounts and loans receivable	343,006	31,496,074
Trade accounts and loans payable	(273,486)	(39,689,702)
	343,041	(2,469,259)

At December 31, 2016, the Company is exposed to currency risk through the following assets and liabilities denominated in other currencies:

	US Dollars ($)	CNY (¥)
Cash and equivalents	940,854	15,477,796
Trade accounts receivable	141,137	23,745,584
Trade accounts and loans payable	(97,653)	(36,070,155)
	984,338	3,153,225

Based on the above net exposures as at March 31, 2017 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 $2,000 (year ended December 31, 2016 - $579,000) in the Company's net loss for the period.

Foreign exchange differences resulting from converting the subsidiaries' financial statements from their functional currencies to the Canadian dollar are recorded in OCI. As of March 31, 2017, 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 $358,000 (year ended December 31, 2016 - $490,000) in the Company's OCI 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 trade and other 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 OEM partners.

(unaudited, expressed in Canadian dollars)

21. Financial risk management *(continued)*

Many 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.

In the Asian medical device industry, it is a local industry practice that companies, especially state-owned and small private companies, do not normally pay vendors based on advance payment credit terms. Vendors often do not charge interest for late payments. Many Asian companies structure and make payments to vendors based on their cash flow. As a result, it is common in the Asian medical device industry for receivables to be overdue for over one year. Given these extended payment terms, there is further credit risk that could result in an increase to uncollectible accounts in the future. As of March 31, 2017, the Company has a large amount of receivables from Chinese customers that are included in the past due 181 – 365 days category and are not considered impaired. As of March 31, 2017, trade accounts receivable includes $2,959,161 owing from two customers representing individually over 10% each of the outstanding accounts receivable. In addition, it is the Company's policy to calculate a bad debt provision on receivables greater than 180 days based on historical accounts receivable write-offs. During the three month period ended March 31, 2017, the Company increased its allowance for doubtful accounts by $143,235 (year ended December 31, 2016 - $5,918). As a result, the Company currently believes its allowance for doubtful accounts is adequate, but continues to monitor its outstanding receivables.

At March 31, 2017, the Company has a total allowance for doubtful accounts of $341,154 (December 31, 2016 - $199,098).

The carrying amount of trade and other receivables and cash and cash equivalents represents the maximum credit exposure.

Aging of trade receivables as at March 31, 2017 and December 31, 2016 is represented as follows:

	March 31, 2017	December 31, 2016
Not past due	**$96,737**	$260,525
Past due 31 - 180 days	**3,097,152**	4,512,058
Past due 181 - 365 days	**1,800,337**	-
Over 365 days	**325,832**	257,200
	5,320,058	5,029,783
Allowance for doubtful accounts	**(341,154)**	(199,098)
	$4,978,904	$4,830,685

(unaudited, expressed in Canadian dollars)

21. Financial risk management *(continued)*

The movement in the Company's allowance for doubtful accounts is as follows:

	March 31, 2017	December 31, 2016
Opening balance	**$199,098**	$235,267
Bad debt expense	**143,235**	5,918
Recoveries	**-**	(31,024)
Foreign exchange	**(1,179)**	(11,063)
Closing balance	**$341,154**	$199,098

Economic Dependence

One customer represented 72% of the total revenue during the three month period ended March 31, 2017 as compared to four customers representing 62% during the year ended December 31, 2016.

One vendor represented 71% of purchases during the three month period ended March 31, 2017 compared to two vendors representing 52% during the year ended December 31, 2016.

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.

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.

(unaudited, expressed in Canadian dollars)

21. Financial risk management *(continued)*

The following are the contractual maturities of financial liabilities and other commitments as at March 31, 2017:

Financial liabilities and commitments	**< One Year**	**> One Year**
Convertible debentures	**-**	**$17,356,252**
Trade and other payables	**$4,416,353**	
Loan payable	**$3,868,023**	
Total	**$8,284,376**	**$17,356,252**

The following are the contractual maturities of financial liabilities and other commitments as at December 31, 2016:

Financial liabilities and commitments	< One Year	> One Year
Convertible debentures	-	$17,258,543
Trade and other payables	$4,311,686	
Loan payable	$3,860,035	
Total	$8,171,721	$17,258,543

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.

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 three month periods ended March 31, 2017 and 2016 are as follows:

	China	Americas	Total
2017	**$711,311**	**$286,493**	**$997,804**
2016	$586,786	$249,646	$836,432

23. Subsequent event

On April 10, 2017, the Company closed on the acquisition of 51% of the common shares of Guangzhou Service Medical Tech. Ltd. Co. ("Guangzhou Service"), a Chinese company that will provide servicing of equipment in the medical device industry. The name of this subsidiary was changed to IDC (Guangzhou) Ltd. See Note 5.