IMAGING DYNAMICS COMPANY LTD.

FINANCIAL RESULTS

FOR THE THREE MONTHS ENDED MARCH 31, 2014

RELEASED May 30, 2014

NOTICE OF NO AUDITOR REVIEW OF INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The accompanying unaudited, interim consolidated financial statements for the three months ended March 31, 2014, of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for review of interim financial statements.

Management Report

To the Shareholders of Imaging Dynamics Company Ltd.

The accompanying unaudited interim consolidated financial statements for the three months ended March 31, 2014, of Imaging Dynamics Company Ltd. (the "Company") are the responsibility of Management. The unaudited interim 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.

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, accurate financial reports

Signed: *"Sidong Huang"*

Sidong Huang

President and Chief Executive Officer

Signed: *"Anna Lentz"*

Anna Lentz

Chief Financial Officer

May 30, 2014

Imaging Dynamics Company Ltd.

Consolidated Statements of Financial Position

As At	**March 31, 2014 (Unaudited)**	December 31, 2013 (Audited)
Assets		
Current Assets		
Cash and cash equivalents	**$ 573,762**	$ 1,254,763
Trade and other receivables (Note 4)	**110,744**	113,887
Inventory (Note 5)	**1,052,950**	1,075,257
Prepaid expenses and others	**89,843**	89,759
	1,827,299	2,533,666
Non-Current Assets		
Property, plant and equipment (Note 6)	**164,136**	175,754
Intangible assets (Note 7)	**155,620**	172,080
	$ 2,147,055	$ 2,881,500
Liabilities		
Current Liabilities		
Trade and other payables (Note 10)	**$ 1,633,102**	$ 1,850,120
Deferred revenue	**199,165**	347,965
Due to director (Note 9)	**100,787**	103,219
Warranty provision	**155,289**	179,718
Current portion of long-term debt (Note 8)	**1,081,529**	1,045,025
	3,169,872	3,526,047
Shareholders' deficiency		
Share capital (Note 11)	**76,345,461**	76,345,461
Share-based payments reserve (Note 12)	**6,846,778**	6,846,778
Contributed surplus (Note 13)	**4,630,094**	4,630,094
Deficit	**(88,845,150)**	(88,466,880)
	(1,022,817)	(644,547)
	$ 2,147,055	$ 2, 881,500

Going concern (Note 2)
Commitments and contingencies (Note 20)

On behalf of the Board:

Signed: ***"Sidong Huang"***
Sidong Huang, President & Chief Executive Officer

Signed: ***"Paul Lin"***
Paul Lin, Director

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

Imaging Dynamics Company Ltd.

Consolidated Statements of Operations and Comprehensive Loss

(Unaudited)

For the three months ended March 31	2014	2013
Revenues	**$ 398,412**	$ 406,642
Cost of sales	**145,958**	202,551
Gross profit	**252,454**	204,091
Expenses		
Sales and marketing (Note 21)	**199,036**	164,734
General and administrative (Note 21)	**255,227**	429,726
Production and manufacturing (Note 21)	**64,867**	83,187
Research and development (Note 21)	**13,874**	162,414
Foreign exchange loss (gain)	**48,186**	50,948
Warranty (recovery)	**(14,429)**	(5,888)
Amortization of property, plant and equipment	**11,618**	15,488
Amortization of intangible assets	**16,460**	19,315
	594,839	919,924
Loss before finance costs	**(342,385)**	(715,833)
Finance Costs		
Interest (expense)	**(36,512)**	(33,483)
Interest or other income	**627**	15
Net loss and comprehensive loss	**$ (378,270)**	$ (749,301)
Net loss per share, basic and diluted (Note 14)	**$ (0.00)**	$ (0.01)

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

Imaging Dynamics Company Ltd.

Consolidated Statements of Changes in Shareholders’ Deficiency

(Unaudited)

	Share capital	Share-based payments reserve	Contributed surplus	Warrants reserve	Deficit	Total shareholder deficiency
Balance, January 1, 2013	$ 74,389,826	$ 6,846,778	$ 4,630,094	$ -	$ (86,505,063)	$ (638,365)
Loss for the period	-	-	-	-	(749,301)	(749,301)
Balance, March 31, 2013	**$ 74,389,826**	**$ 6,846,778**	**$ 4,630,094**	**$ -**	**$ (87,254,364)**	**$ (1,387,666)**
Balance, January 1, 2014	$ 76,345,461	$ 6,846,778	$ 4,630,094	$ -	$ (88,466,880)	$ (644,547)
Loss for the period	-	-	-	-	(378,270)	(378,270)
Balance, March 31, 2014	**$ 76,345,461**	**$ 6,846,778**	**$ 4,630,094**	**$ -**	**$ (88,845,150)**	**$ (1,022,817)**

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

Imaging Dynamics Company Ltd.
Consolidated Statements of Cash Flows
(Unaudited)

For the three months ended March 31	**2014**	2013
Cash provided by (used in)		
Operating activities		
Net loss	**$ (378,270)**	$ (749,301)
Items not affecting cash		
Amortization of property, plant and equipment	**11,618**	15,488
Amortization of intangible assets	**16,460**	19,315
Loan accretion	**36,504**	33,483
Warranty	**(24,429)**	(8,888)
	(338,117)	(689,903)
Change in non-cash working capital (Note 15)	**(340,451)**	487,098
	(678,568)	(202,805)
Investing activities		
Additions to property, plant and equipment	**-**	(5,145)
	-	(5,145)
Financing activities		
Advances from director	**-**	114,478
Repayments of advances from directors	**(2,433)**	-
	(2,433)	114,478
Net decrease in cash and cash equivalents	**(681,001)**	(93,472)
Cash and cash equivalents, beginning of the period	**1,254,763**	274,986
Cash and cash equivalents, end of the period	**$ 573,762**	$ 181,514

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

1. Nature of the organization

Imaging Dynamics Company Ltd. (the “Company”) is a public company incorporated under the laws of the Province of Alberta. The Corporation is listed on the NEX, a separate board of the Toronto Stock Exchange, trading under the symbol “IDL.H”. The address of its registered office is Suite 1157 – 40th Avenue NE, Calgary, Alberta, Canada, T2E 6M9.

The Company’s technology produces digital diagnostic images. Its purpose is to replace the need for film and chemical film processing, as well as 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

The unaudited interim 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. For the period ended March 31, 2014, the Company has a significant working capital deficit of $1,342,573 (December 31, 2013 – $992,381), negative cash flows from operations of $678,568 (2013 – $202,805) and a significant loss of $378,270 (2013 – $749,301) and deficit at March 31, 2014 of $88,845,150 (December 31, 2013 – $88,466,880). The ability of the Company to continue as a going concern will depend on attaining a satisfactory revenue level, the generation of cash from operations and the ability to secure new financing arrangements and new capital, the outcome of which is uncertain.

The Company may 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 unaudited interim 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 unaudited interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounts Standards Board (“IASB”).

These unaudited interim consolidated financial statements were authorized for issuance on May 30, 2014, by the Board of Directors.

b) Basis of measurement

These unaudited interim consolidated financial statements have been prepared on an historical cost basis except as discussed in the significant accounting policies, below.

c) Functional and presentation currency

These unaudited interim consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

4. Trade and other receivables

	March 31, 2014	December 31, 2013
Trade receivables (Note 18)	**$ 97,481**	$ 95,903
GST and other	**13,263**	17,984
	$ 110,744	$ 113,887

Allowance for doubtful accounts of $693,559 (December 31, 2013 - $667,270) has been netted against trade receivables (see Note 18).

5. Inventory

During the period the Company reversed $15,202 (2013 - $nil) write-down of inventory recognized during previous years for inventory items used in products sold.

6. Property, plant and equipment

Cost	**Technical, lab and computer equip**	**Leasehold improvements**	**Office equipment**	**Tradeshow equipment**	**Total**
Balance, December 31, 2012	$ 1,967,220	$ 95,362	$ 487,225	$ 1,099,100	$ 3,648,907
Additions	-	-	5,513	-	5,513
Disposals	-	-	-	-	-
Balance, December 31, 2013	$ 1,967,220	$ 95,362	$ 492,738	$ 1,099,100	$ 3,654,420
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Balance, March 31, 2014	**$ 1,967,220**	**$ 95,362**	**$ 492,738**	**$ 1,099,100**	**$ 3,654,420**

Accumulated amortization	**Technical, lab and computer equip**	**Leasehold improvements**	**Office equipment**	**Tradeshow equipment**	**Total**
Balance, December 31, 2012	$ 1,819,283	$ 95,362	$ 402,122	$ 1,099,100	$ 3,415,867
Amortization	44,381	-	18,418	-	62,799
Disposals	-	-	-	-	-
Balance, December 31, 2013	$ 1,863,664	$ 95,362	$ 420,540	$ 1,099,100	$ 3,478,666
Amortization	7,767		3,851		11,618
Disposals	-	-	-	-	-
Balance, March 31, 2014	**$ 1,871,431**	**$ 95,362**	**$ 424,391**	**$ 1,099,100**	**$ 3,490,284**

Net book value										
As at, December 31, 2013	$	103,556	$	-	$	72,198	$	-	$	175,754
As at, March 31, 2014	**$**	**95,789**	**$**	**-**	**$**	**68,347**	**$**	**-**	**$**	**164,136**

7. Intangible assets

Cost		Software		Digital X-ray technology patents /licenses		Total
Balance, December 31, 2012	$	742,882	$	391,954	$	1,134,836
Additions		-		-		-
Disposals		-		-		-
Balance, December 31, 2013	$	742,882	$	391,954	$	1,134,836
Additions		-		-		-
Disposals		-		-		-
Balance, March 31, 2014	**$**	**742,882**	**$**	**391,954**	**$**	**1,134,836**

Accumulated amortization		Software		Digital X-ray technology patents and licenses		Total
Balance, December 31, 2012	$	615,998	$	269,498	$	885,496
Amortization		38,065		39,195		77,260
Disposals		-		-		-
Balance, December 31, 2013	$	654,063	$	308,693	$	962,756
Amortization		6,661		9,799		16,460
Disposals		-		-		-
Balance, March 31, 2014	**$**	**660,724**	**$**	**318,492**	**$**	**979,216**

Net book value						
As at, December 31, 2013	$	88,819	$	83,261	$	172,080
As at, March 31, 2014	**$**	**82,158**	**$**	**73,462**	**$**	**155,620**

8. Long-term debt

On June 8, 2009 the Company established a loan with a group of shareholders for an aggregate amount of $1,000,000. This long-term debt is secured by a general security agreement that is subordinated to a first charge on the Company's assets to a Vendor. The terms of the long-term debt were amended effective June 8, 2012 as follows: a) maturity date of the long-term debt was amended to June 8, 2014; b) all rights with respect to covenants in the original long-term debt have been waived until the new maturity date of June 8, 2014; c) annual interest rate was amended to 6% from 12%; d) all interest accrued and unpaid until June 8, 2012 on the long-term debt was waived and written off; e) all other terms of the original long-term debt remain unchanged and any of the current amendments do not and shall not impact or trigger any other provision contained in the original long-term debt. Upon receipt of the new loan in June 2012, the old loan was treated as an extinguishment of debt for accounting purposes, resulting in a gain on extinguishment of debt in the amount of $167,658. The long-term debt is payable on demand on June 8, 2014. The Company is currently in discussions with the debt holders to extend the Loan maturity date until June 8, 2015.

The Company has an option to prepay the whole or any part of the outstanding long-term debt by giving thirty days notice and paying an amount equal to the long-term, debt outstanding times 1.05 plus any accrued interest thereunder as at the date of prepayment. Management has determined that the prepayment option is closely related and therefore no separation of the embedded derivative is required.

The following table shows how the unamortized accretion is netted with the long-term debt and amortized using the effective interest method.

	March 31, 2014	December 31, 2013
Long-term debt received, face value	**$ 1,000,000**	$ 1,000,000
Gain on extinguishment of debt	**(167,658)**	(167,658)
Accretion	**249,187**	212,683
Long-term debt	**$ 1,081,529**	$ 1,045,025
Current	**$ 1,081,529**	$ 1,045,025
Long-term	**-**	-
Total	**$ 1,081,529**	$ 1,045,025

9. Due to Director

A director and officer of the Company paid for expenses of $100,787 on behalf of the Company, which is included in due to director. The advance is non-interest bearing and has no fixed terms of repayment.

10. Trade and other payables

	March 31, 2014	December 31, 2013
Trade payables	**$ 1,439,638**	$ 1,579,064
Other payables and accruals (Note 18)	**193,464**	271,056
Trade and other payables	**$ 1,633,102**	$ 1,850,120

11. Share capital

a) Authorized
An unlimited number of common shares
An unlimited number of non-voting redeemable preferred shares

b) Issued and outstanding

	March 31 , 2014		December 31, 2013	
	Number of shares	Amount	Number of shares	Amount
Beginning of period	194,288,356	$ 76,345,461	608,441,782	$ 74,389,826
Issued for cash (pre-consolidation)	-	-	300,000,000	1,380,000
Cancelled due to 5:1 conversion	-	-	(726,753,426)	-
Share issue costs	-	-	-	(54,365)
Issued for cash (post-consolidation)	-	-	12,600,000	630,000
End of period	194,288,356	$ 76,345,461	194,288,356	$ 76,345,461

12. Share-based payments reserve

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

	March 31, 2014	December 31, 2013
Beginning of the period	$ 6,846,778	$ 6,846,778
Share-based payments expense	-	-
End of period	$ 6,846,778	$ 6,846,778

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 5 years. Options generally vest over three to five years.

As at March 31, 2014, 17,545,016 (December 31, 2013 – 17,470,716, adjusted for 5:1 share consolidation) remained in reserve. Under the Stock Option Plan, the following options (adjusted for 5:1 share consolidation) were granted by the Company and are outstanding as at the dates shown in the following chart.

	March 31, 2014		December 31, 2013	
	Number of options	**Weighted average exercise price**	Number of options	Weighted average exercise price
Beginning of period	1,958,120	$ 0.03	40,326,100	$ 0.03
Forfeited (pre-consolidation)	-	-	(29,528,000)	$ 0.03
Cancelled due to 5:1 conversion	-	-	(8,638,480)	$ 0.03
Forfeited (post-consolidation)	(74,300)	$ 0.11	(201,500)	$ 0.11
End of period	1,958,120	$ 0.12	1,958,120	$ 0.12
Options exercisable at end of period	1,883,820	$ 0.12	1,958,120	$ 0.12

The following table summarizes information about the Company's Stock Option Plan as at March 31, 2014:

	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 0.05	1,790,000	42.5	$ 0.10	1,790,000	$ 0.10
0.06 to 0.10	85,500	17.7	$ 0.31	85,500	$ 0.31
0.11 to 0.57	8,320	2.0	$ 0.55	8,320	$ 0.55
	1,883,820	43.5	$ 0.11	1,883,820	$ 0.11

The following table summarizes information about the Company's Stock Option Plan as at December 31, 2013:

	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 0.05	1,832,000	45.5	$ 0.10	1,832,000	$ 0.10
0.06 to 0.10	86,500	20.7	$ 0.31	86,500	$ 0.31
0.11 to 0.57	39,620	2.7	$ 0.55	39,620	$ 0.55
	1,958,120	43.5	$ 0.12	1,958,120	$ 0.12

The follow table summarizes the assumptions used in the Black-Scholes option-pricing model for purposes of the option calculations:

	2014	2013
Dividend yield	-	-
Expected volatility	-	-
Risk free interest rate	-	-
Forfeiture rate	-	-
Expected life (years)	-	-
Weighted average fair value of options	-	-

13. Contributed surplus

The following table presents the reconciliation of contributed surplus with respect to expired warrants:

	March 31, 2014	December 31, 2013
Beginning of period	**$ 4,630,094**	$ 4,630,094
Expired warrants	-	-
End of period	**$ 4,630,094**	$ 4,630,094

14. Per share amounts

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

	2014	2013
Net loss	**$ (378,270)**	$ (749,301)
Weighted average number of common shares outstanding:		
Basic (post-consolidation)	**194,288,356**	121,688,356
Impact of stock options and warrants assumed exercised	-	-
Diluted	**194,288,356**	121,688,356
Per share amounts		
Basic and diluted	**$ (0.00)**	$ (0.01)

In calculating diluted common share amounts for the period ended March 31, 2014, the Company excluded 1,883,820 outstanding options (December 31, 2013 – 1,958,120 (post-consolidation)) because the exercise price was greater than the average market price of its common shares in that year.

15. Supplementary information

Change in non-cash working capital:

	2014	2013
Trade and other receivables	$ 3,143	$ 3,462
Inventory	22,307	11,571
Prepaid expenses and other	(84)	(10,716)
Trade and other payables	(217,017)	318,105
Deferred revenue	(148,800)	164,676
	$ (340,451)	$ (487,098)
Other information:		
Interest paid	$ -	$ -

16. Related party transactions

(a) During the period, the Company incurred legal costs in the amount of $15,159 (2013 - $60,328) to a law firm in which an officer is a partner, of which $236,097 (December 31, 2013 - $220,180) is included in trade and other payables. These costs have been included in general and administrative expenses on the consolidated statement of operations.

(b) During the period, the Company incurred a total of $24,313 (2013 - $26,469) for professional services payable to a private corporation controlled by an officer of the Company, of which $6,759 (December 31, 2013 - $1,575) is included in trade and other payables. These costs have been included in general and administrative expenses on the consolidated statement of operations.

(c) During the period, the Company incurred a total of $10,000 (2013 - $nil) for professional services payable to a private corporation controlled by a director and officer of the Company, of which $5,250 (December 31, 2013 - $10,500) is included in trade and other payables. These costs have been included in general and administrative expenses on the consolidated statement of operations.

(d) As discussed in Note 9 above, a director and officer of the Company paid for expenses of $100,787 on behalf of the Company, which is included in due to director. The advance is non-interest bearing and has no fixed terms of repayment.

(e) Key management personnel compensation - The Company has determined that the key management personnel of the Company consists of its officers and directors. The compensation included in general and administrative expenses and share-based payments relating to key management personnel for the year was $83,455 (2013 - $80,769).

17. 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.

	March 31, 2014	December 31, 2013
Long-term debt	**$ 1,081,529**	$ 1,045,025
Shareholders' deficiency	**(1,022,817)**	(644,547)
Capital	**$ 58,712**	$ 400,478

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. The Company's long-term debt contains general security restrictions over cash and cash equivalents and has debt covenants, which were all waived effective June 8, 2012 as described in Note 8.

The Company is currently reviewing its capital resources requirement to ensure they are sufficient to carry its development plans and operations through the next fiscal year (see Note 2).

18. Financial risk management

The Company is exposed to a variety of financial risks by virtue of its activities, including 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. This Company identifies and evaluates financial risks in close cooperation with other management personnel.

The Company is charged with the responsibility of establishing controls and procedures to ensure that financial risks are mitigated to acceptable levels.

Fair value of financial instruments

	March 31, 2014		December 31, 2013	
	Carrying value	**Fair value**	Carrying value	Fair value
Financial assets				
Cash and cash equivalents	**$ 573,762**	**$ 573,762**	$ 1,254,763	$ 1,254,763
Trade and other receivables	**110,744**	**110,744**	95,903	95,903
	$ 684,506	**$ 684,506**	$ 1,350,666	$ 1,350,666
Financial liabilities				
Long-term debt	**$ 1,081,529**	**$ 1,081,529**	$ 1,045,025	$ 1,045,025
Trade and other payables	**1,633,102**	**1,633,102**	1,850,120	1,850,120
Due to director	**100,787**	**100,787**	103,219	103,219
	$ 2,815,418	**$ 2,815,418**	$ 2,998,364	$ 2,998,364

The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables and due to director approximate fair value due to the short term nature of these instruments. The fair value of the long-term debt is calculated by discounting future debt service payments using an estimated market rate of interest.

Financial assets and financial liabilities measured at fair value in the statement of financial position are grouped into three Levels of a 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.

Long-term debt with carrying value and fair value of $1,081,529 is classified as Level 2. The initial fair value of the long-term debt was determined based on an estimated market interest rate of 16%. Management determined the interest rate considering the previous interest rate of the long-term debt, the credit risk of the Company and interest rate on loans of other public companies.

Currency risk

The Company operates internationally and is exposed to foreign exchange risk from various currencies, primarily US dollars. 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, 2014 and December 31, 2013, there were no foreign exchange contracts outstanding.

At March 31, 2014, the Company is exposed to currency risk through the following assets and liabilities denominated in other currencies:

	US Dollars	Euros	HK Dollar
Cash and cash equivalents	$ 274,415	€ 1,070	HK$ -
Trade receivables	74,870	-	-
Trade payables	(893,493)	-	(148,233)
	$ (544,208)	€ 1,070	HK$ (148,233)

At December 31, 2013, the Company is exposed to currency risk through the following assets and liabilities denominated in other currencies:

	US Dollars	Euros	HK Dollar	Swedish Krona
Cash and cash equivalents	$ 668,619	€ 1,070	HK$ 213	SEK -
Trade receivables	85,597	-	-	-
Trade payables	(1,038,863)	-	(43,930)	-
	$ (284,647)	€ 1,070	HK$ (43,717)	SEK -

Based on the above net exposures as at March 31, 2014 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 $62,811 (three months ended March 31, 2013 - $90,997) in the Company’s net loss.

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 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 remotely disable the equipment (in cases where an end user has not paid), not provide any 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 March 31, 2014, the Company recognized an allowance for doubtful accounts of $693,559 (December 31, 2013 - $667,270). The bad debt provision as at March 31, 2014 is net of amounts collected from amounts previously provided for.

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 March 31, 2014 and December 31, 2013 is represented as follows:

	March 31, 2014	December 31, 2013
Not past due	**$ 33,953**	$ 18,910
Past due 31 – 180 days	**79,130**	47,782
Past due 181 – 365 days	**7,909**	7,902
Over 366 days	**683,311**	688,579
	804,303	763,173
Allowance for doubtful accounts	**(693,559)**	(667,270)
	$ 110,744	$ 95,903

Three customers represented 53% of revenue during 2014 compared to one customer representing 48% during 2013. These customers represented more than 10% of revenue in either year.

Two vendors represented 29% of purchases during 2014 compared to two vendors representing 36% during 2013. These vendors represented more than 10% of purchases in either year.

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 out of cash. In order to meet its financial liabilities, the Company relies on collecting its trade and other receivable 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 March 31, 2014:

Financial liabilities and commitments	**< Year**	**> Year**
Long-term debt	$ 1,000,000	$ -
Trade and other payables	1,633,102	-
	$ 2,633,102	**$ -**

The following are the contractual maturities of financial liabilities and other commitments as at December 31, 2013:

Financial liabilities and commitments	**< Year**	**> Year**
Long-term debt	$ 1,000,000	$ -
Trade and other payables	1,850,120	-
	$ 2,850,120	**$ -**

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.

19. 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 five sales geographic areas within one operating segment consisting of Asia-Pacific, Canada, Europe, Middle East and Africa ("EMEA") & South Asia ("SA"), Latin America and the United States. These regions are organized to manage sales and distribution channels and are not maintained or managed as operating regions.

The Company sells through dealers, distributors and OEM partners globally and predominantly through OEM partners in Asia-Pacific.

Segmented revenues are as follows:

2014	**Asia Pacific**	**Canada**	**EMEA & SA**	**Latin America**	**United States**	**Total**
Revenues, net	**$ 159,498**	**$ 1,603**	**$ 753**	**$ -**	**$ 236,558**	**$ 398,412**

2013	Asia Pacific	Canada	EMEA & SA	Latin America	United States	Total
Revenues, net	$ 219,006	$ 5,751	$ 5,292	$ 14,487	$ 162,106	$ 406,642

All of the property, plant and equipment is located in Canada and Hong Kong.

20. Commitments and contingencies

a) The Company is committed to the following payments:

	Facility	Auto / Equipment	Total
2014	$ 117,350	$ 7,835	$ 125,185
2015	74,957	-	74,957
	$ 192,307	**$ 7,835**	**$ 200,142**

b) Bank guarantee for US$148,700 was issued on July 24, 2007 in relation to an international tender contract. The bank guarantee originally expired on December 31, 2010, was renewed twice and currently expires on March 7, 2016 on completion of the performance as per the terms of the contract.

c) A general security agreement has been issued by the Company to a vendor who has a first charge on the assets of the Company and the long-term debt is secured by a second charge to the group of shareholders (see Note 6). The Vendor has signed a forbearance agreement with the Company and has agreed not to enforce its security rights for the amount payable to them (included in trade and other payables) in exchange for a payment plan which will pay down the balance owing to the Vendor by September 13, 2013. As per this forbearance agreement if this payment plan is complied with in full by the Company, then the Vendor has agreed to waive $314,245. This amount is currently included in the trade and other payables at March 31, 2014 which will only be reversed and recognized after the final payment is completed. The Company is currently in default of this forbearance agreement and is working with the vendor to remedy its default.

21. Expenses by nature

	2014	2013
Sales and marketing	**$ 199,036**	$ 164,734
General and administrative	**255,227**	429,726
Production and manufacturing	**64,867**	83,187
Research and development	**13,874**	162,414
	$ 533,004	$ 840,061

	2014	2013
Employee related costs	**$ 249,967**	$ 355,007
Travel and related costs	**38,244**	55,648
Professional fees	**69,472**	174,989
Facility and related costs	**57,635**	66,829
Communications	**7,177**	12,980
Administrative costs	**66,812**	90,652
Marketing costs	**9,355**	14,243
Research costs	**20,405**	43,072
Insurance costs	**13,937**	26,641
	$ 533,004	$ 840,061