HELIUS MEDICAL TECHNOLOGIES, INC. (FORMERLY KNOWN AS 0996445 B.C. LTD.)

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Six months ended September 30, 2014

(Expressed in United States Dollars)

(Prepared in accordance with generally accepted accounting principles
used in the United States of America (U.S. GAAP))

Helius Medical Technologies, Inc. (formerly known as 0996445 B.C. Ltd.)
Condensed Interim Consolidated Balance Sheets
(Expressed in United States Dollars)
(Unaudited)

	September 30, 2014 $	March 31, 2014 $
ASSETS		
Current assets		
Cash and cash equivalents	5,000,026	15,968
Receivables	1,589	-
Prepaid expenses	389,884	300,000
Total current assets	5,391,499	315,968
TOTAL ASSETS	5,391,499	315,968
LIABILITIES & SHAREHOLDERS' EQUITY (DEFICIENCY)		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	1,168,776	215,921
Convertible debenture (Note 4)	-	368,024
TOTAL LIABILITIES	1,168,776	583,945
SHAREHOLDERS' EQUITY (DEFICIENCY)		
Common stock (Note 5)	20,848,606	200
Additional paid-in capital (Note 5)	1,997,247	9,316,957
Accumulated other comprehensive income	312,845	-
Accumulated deficit	(18,935,975)	(9,585,134)
TOTAL STOCKHOLDERS' EQUITY (DEFICIENCY)	4,222,723	(267,977)
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY (DEFICIENCY)	5,391,499	315,968

Nature and continuance of operations (Note 1)
Commitment and contingencies (Note 7)
Subsequent events (Note 9)

These financial statements are authorized for issue by the Board of Directors on November 21, 2014. They are signed on the Company's behalf by:

"Philippe Deschamps " Director *"Savio Chiu "* Director

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

Helius Medical Technologies, Inc. (formerly known as 0996445 B.C. Ltd.)
Condensed Interim Consolidated Statements of Operations and Comprehensive Loss
(Expressed in United States Dollars)
(Unaudited)

	Three Months Ended September 30		Six Months Ended September 30	
	2014	**2013**	**2014**	**2013**
	$	**$**	**$**	**$**
Expenses				
Accreted interest expense	226	-	183,058	-
Advertising, marketing, & IR	357,956	-	404,182	-
Audit & accounting	30,836	-	41,481	-
Consulting fees	36,013	-	43,164	300
Insurance	22,287	-	29,773	-
Legal fees	344,491	625	564,425	4,175
Meals & travel	77,611	5,041	107,052	6,603
Office & general	82,744	2,810	104,171	4,270
Professional fees	1,000	-	14,125	-
Research & development	1,062,927	-	1,665,883	-
Stock-based compensation	607,786	58,804	1,121,802	115,915
Transfer agent & regulatory	43,713	-	58,973	-
Wages and salaries	100,014	-	176,705	-
Loss before other items	(2,767,604)	(67,280)	(4,514,794)	(131,263)
Other items				
Interest income	14,381	-	17,191	-
Foreign exchange loss	(412,526)	-	(412,628)	-
	(398,145)	-	(395,437)	
Net loss for the period	(3,165,749)	(67,280)	(4,910,231)	(131,263)
Other comprehensive income (loss)				
Foreign exchange on translation of subsidiaries	206,786	-	312,845	-
Comprehensive loss for the period	(2,958,963)	(67,280)	(4,597,386)	(131,263)
Basic and diluted loss per common stock	(0.05)	(0.00)	(0.09)	(0.00)
Weighted average number of common stock outstanding	63,104,788	32,070,052	51,025,119	32,070,052

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

Helius Medical Technologies, Inc. (formerly known as 0996445 B.C. Ltd.)
Condensed Interim Consolidated Statements of Stockholders' Equity (Deficiency)
Period from January 22, 2013 (inception) to September 30, 2014
(Expressed in United States Dollars)
(Unaudited)

	Common Stock	Amount	Additional Paid-In Capital	Accumulated Deficit	Accumulated other comprehensive income (loss)	Total Shareholders' Equity (Deficiency)
		$	$	$	$	$
Balance at January 22, 2013 (Inception)	-	-	-	-	-	-
Shares issued to ANR and MPJ (Note 5)	32,070,052	8,510,000	-	-	-	8,510,000
Net loss and comprehensive loss	-	-	-	(8,517,850)	-	(8,517,850)
Balance – March 31, 2013	**32,070,052**	**8,510,000**	**-**	**(8,517,850)**	**-**	**(7,850)**
Stock-based compensation on 654,485 options granted and vested (Note 6)	-	-	173,872	-	-	173,872
Stock-based compensation on 2,300,000 options granted and vested (Note 6)	-	-	560,082	-	-	560,082
Stock-based compensation on 275,546 options granted and partially vested (Note 6)	-	-	73,202	-	-	73,202
Net loss and comprehensive loss	-	-	-	(1,067,284)	-	(1,067,284)
Balance – March 31, 2014	**32,070,052**	**8,510,000**	**807,156**	**(9,585,134)**	**-**	**(267,978)**
Stock-based compensation on 275,546 options granted and fully-vested (Note 6)	-	-	50,303	-	-	50,303
Shares issued to consultant for option exercise (Note 6)	2,300,000	611,102	(610,385)	-	-	717
Shares issued to consultant for option exercise (Note 6)	930,031	247,365	(247,075)	-	-	290
Recapitalization of Helius Medical Technologies, Inc. (Note 3)	10,000,000	4,603,500	-	(4,440,610)	-	162,890
Issuance of common stock for private placement (Note 5)	15,240,000	6,178,606	837,396	-	-	7,016,002
Share issuance cost (Note 5)	-	(482,680)	102,874	-	-	(379,806)
Equity component of convertible debenture (Note 4)	-	-	177,097	-	-	177,097
Stock-based compensation on 3,770,000 options granted (Note 6)	-	-	981,444	-	-	981,444
Conversion of convertible debenture (Note 4)	2,564,705	1,180,713	(180,254)	-	-	1,000,459
Stock-based compensation on 100,000 options granted (Note 6)	-	-	78,691	-	-	78,691
Net loss	-	-	-	(4,910,231)	-	(4,910,231)
Comprehensive loss	-	-	-	-	312,845	312,845
Balance – September 30, 2014	**63,104,788**	**20,848,606**	**1,997,247**	**(18,935,975)**	**312,845**	**4,222,723**

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

Helius Medical Technologies, Inc. (formerly known as 0996445 B.C. Ltd.)
Condensed Interim Consolidated Statements of cash flows
(Expressed in United States Dollars)
(Unaudited)

	Six Months Ended September 30	
	2014	**2013**
	$	**$**
Operating activities		
Net loss for the period	(4,910,231)	(131,263)
Adjustments for:		
Accreted interest	171,927	-
Consulting expense	-	-
Research & development	-	-
Stock-based compensation	1,121,802	115,915
Changes in non-cash working capital items:		
Receivables	(693)	-
Accounts payable	937,740	(1,690)
Prepaid expenses	(84,459)	-
Net cash used in operating activities	**(2,763,914)**	**(17,038)**
Investing activities		
Cash acquired on reverse take-over (Note 3)	23,903	-
Proceeds from bridge financing	150,000	-
Net cash provided by investing activities	**173,903**	**-**
Financing activities		
Issuance of share capital (net of share issuance costs)	6,616,051	-
Loans from shareholders	-	16,984
Convertible debenture proceeds	633,195	-
Net cash provided by financing activities	**7,249,246**	**16,984**
Foreign exchange	324,823	-
Net change in cash and cash equivalents	4,659,235	(54)
Cash and cash equivalents, beginning of the period	15,968	217
Cash and cash equivalents, end of the period	**5,000,026**	**163**
Supplemental information of cash flows		
Interest paid in cash	11,144	-
Income taxes paid in cash	-	-
	11,144	**-**

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

1. NATURE AND CONTINUANCE OF OPERATIONS

Helius Medical Technologies, Inc. (formerly known as 0996445 B.C. Ltd.) ("Helius" or t9he "Company") was incorporated in British Columbia, Canada, on March 13, 2014. The Company is engaged primarily in the medical technology industry. On May 28, 2014, the Company completed a continuation via a plan of arrangement whereby the Company moved from being a corporation governed by the British Columbia Corporations Act to a corporation governed by the Wyoming Business Corporations Act. The Company's head office is located at 41 University Drive, Suite 400, Newtown, PA, USA 18940.

On June 13, 2014, the Company completed its acquisition of 100% of the issued and outstanding shares of Neurohabilitation Corporation ("Neuro") and changed its name to Helius Medical Technologies, Inc. to better reflect its new business. Neuro was incorporated in Delaware, USA, on January 22, 2013. The transaction was recorded as a reverse acquisition ("RTO"), as the control of the Company was acquired by the former shareholders of Neuro. Although legally Helius is regarded as the parent or continuing company, Neuro is treated as the accounting acquirer under U.S. GAAP. Consequently, the Company is deemed to be a continuation of Neuro and Helius is deemed to have been acquired in consideration for its issued and outstanding shares prior to the RTO.

The Company also has a wholly owned subsidiary, 0995162 B.C. Ltd, which was incorporated on February 27, 2014.

The Company is listed on the Canadian Securities Exchange (the "CSE") and began trading on June 23, 2014, under the ticker symbol "HSM".

The financial information is presented in United States Dollars. The functional currency of the Company is the Canadian Dollar and the functional currency for Neuro is the United States Dollars.

The Company has experienced recurring losses since inception and, as of September 30, 2014, the Company has working capital of $4,222,723 (March 31, 2014 – ($267,977)) and an accumulated deficit of $18,935,975 (March 31, 2014 - $9,585,134). Until the Company generates a level of revenue to support its cost structure, the Company expects to continue to incur substantial operating losses and net cash outflows. While the Company had cash and cash equivalents of $5,000,026 as of September 30, 2014 (March 31, 2014 - $15,968), management does not believe these resources will be sufficient to meet the Company's operating and capital needs through 2015. This material uncertainty gives rise to substantial doubt about the Company's ability to continue as a going concern.

The Company intends to fund ongoing activities by utilizing current cash and cash equivalents and by raising additional capital though equity or debt financings. There can be no assurance that the Company will be successful in raising additional capital or that such capital, if available, will be on terms that are acceptable to the Company. If the Company is unable to raise sufficient additional capital, the Company may be compelled to reduce the scope of its operations and planned capital expenditure or sell certain assets, including intellectual property assets.

The accompanying financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the liabilities in the normal course of business. Even if the Company is able to raise additional capital, the Company may never become profitable, or if the Company does attain profitable operations, the Company may not be able to sustain profitability and positive cash flows on a recurring basis.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Company's condensed interim consolidated financial statements have been presented in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") and the rules and regulations of the Securities and Exchange Commission ("SEC") that are published at the time of preparation and that are effective or available on September 30, 2014. The Company believes that all necessary adjustments, which consisted only of normal recurring items, have been included in the accompanying financial statements to present fairly the results of the interim periods. These condensed interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended March 31, 2014.

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Significant estimates include valuation of non-monetary transactions, compensation for shares issued for services, and valuation of options and warrants. Actual outcomes could differ from these estimates. Financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and the revision affects both the current and future periods.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash at banks and on hand, and short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. The Short-term investments are readily redeemable term deposits held at the bank and are recorded at fair value. As at September 30, 2014, the short-term investments include $4,010,958 of principal and $1,589 of interest. The sole short-term investment denominated in Canadian funds has an annual yield of 1.28%. The remaining seven short-term investments denominated in US funds have an annual yield of 0.25% each.

Patents

Costs related to patent development, filing, and maintenance are expensed as incurred since the underlying technology associated with these assets is purchased or incurred in connection with our research and development efforts and the future realizable value cannot be determined.

Concentrations of Credit Risk

The financial instrument which potentially subjects the Company to concentration of credit risk is cash and cash equivalents. The Company maintains cash and cash equivalents in bank accounts that, at times, may exceed federally insured limits. As at September 30, 2014, the Company has exceeded the federally insured limit. The Company has not experienced any losses in such amounts and believes it is not exposed to any significant risks on its cash and cash equivalents in bank accounts.

Foreign Exchange Risk

The Company incur some operating expenses and had an equity financing in Canadian dollars which are subject to foreign currency fluctuations. The fluctuation of the Canadian dollar in relation to the US dollar will have an impact upon the profitability of the Company and may also affect the value of the Company's assets and the amount of shareholders' equity. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks. A 10% change in currency will have an impact of $306,062 on net assets and $174,832 on net loss.

Research and Development

Research and development costs are expensed as incurred. These costs include business development, and consulting and legal services.

Income Taxes

The Company has adopted ASC 740, "*Income Taxes*", which requires the Company to recognize deferred tax liabilities and assets for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns using the liability method. Under this method, deferred tax liabilities and assets are determined based on the temporary differences between the financial statements and tax bases of assets and liabilities using enacted tax rates in effect in the year in which the differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date. In addition, a valuation

allowance is established to reduce any deferred tax asset for which it is determined that it is more likely than not that some portion of the deferred tax asset will not be realized.

Stock-Based Compensation

The Company applies the fair value method of accounting for all stock option awards, whereby the Company recognizes a compensation expense for all stock options awarded to employees, officers and consultants based on the fair value of the options on the date of grant, which is determined using the Black Scholes option pricing model. The options are expensed over the vesting period of the options.

Foreign Exchange

The Company's functional currency is the Canadian Dollar as this is the principal currency of the economic environment in which the Company operates. The presentation currency is the United States Dollar.

Assets and liabilities of the Company are translated into U.S. dollars at the exchange rate at the balance sheet date, equity accounts are translated at historical exchange rate and revenues and expenses are translated by using the average exchange rate. Translation adjustments are reported as cumulative translation adjustment and are shown as a separate component of other comprehensive income (loss) in the statements of stockholders' equity (deficiency).

Neuro's reporting and functional currency is the United States dollar as this is the principal currency of the economic environment in which Neuro operates.

Net Loss Per Common Stock

Basic net earnings (loss) per share is computed by dividing net earnings (loss) available to common stockholders by the weighted average number of outstanding common stock for the period, without consideration for common stock equivalents. Diluted net loss per share is computed by dividing the net earnings (loss) attributable to common stockholders by the weighted average number of common stock equivalents outstanding for the period determined using the treasury-stock method and the if-converted method, as applicable. As at September 30, 2014, there were 3,870,000 options (March 31, 2014 – 3,230,031) outstanding and 8,444,400 warrants (March 31, 2014 – nil) outstanding which have not been included in the weighted average common stock outstanding as these were anti-dilutive.

Fair Value of Financial Assets and Liabilities

All financial assets and financial liabilities are initially recorded at fair value and designated upon inception into one of the following categories: held-to-maturity, available-for-sale, loans and receivables or at held for trading.

Financial assets classified as held for trading are measured at fair value with unrealized gains and losses recognized through profit and loss. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Held-to-maturity instruments, loans and receivables and other financial liabilities and loss are measured at amortized cost using the effective interest rate method.

The Company's financial instruments consist primarily of cash and cash equivalents, accounts payable and accrued liabilities, and convertible debenture.

The Company has implemented the following classifications for its financial instruments:

a) Cash and cash equivalents has been classified as held for trading;
b) Receivables has been classified as loans and receivables; and
c) Accounts payable and accrued liabilities and convertible debenture have been classified as other financial liabilities.

ASC 820 establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. ASC 820 prioritizes the inputs into three levels that may be used to measure fair value;

Level 1- Quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable; and

Level 3 – Unobservable inputs that are supported by little or no market activity, therefore requiring an entity to develop its own assumptions about the assumptions that market participants would use in pricing.

Cash and cash equivalents are measured using Level 1 inputs.

Recent Accounting Pronouncements

The Company has adopted Accounting Standards Update (ASU) No. 2014-10, *Development Stage Entities (Topic 915): Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation*. The amendments in this ASU remove all incremental financial reporting requirements from U.S. GAAP for development stage entities, including the removal of Topic 915, *Development Stage Entities*, from the FASB *Accounting Standards Codification™*.

A development stage entity is one that devotes substantially all of its efforts to establishing a new business and for which: (*a*) planned principal operations have not commenced; or (*b*) planned principal operations have commenced, but have produced no significant revenue. For example, many start-ups or even long-lived organizations that have not yet begun their principal operations or do not have significant revenue would be identified as development stage entities.

For public business entities, the presentation and disclosure requirements in Topic 915 will no longer be required for the first annual period beginning after December 15, 2014. The revised consolidation standards are effective one year later, in annual periods beginning after December 15, 2015. Early adoption is permitted.

The Company has chosen to adopt the provisions of the ASU, hence all of the past development stage disclosures and presentations have been eliminated.

3. REVERSE TAKE-OVER

On June 13, 2014 the Company completed a reverse take-over transaction where the Company acquired 100% of the issued and outstanding shares of Neuro. In exchange, the Company issued a total of 35,300,083 shares to the shareholders of Neuro of which merged with a wholly-owned subsidiary of the Company, HMT Mergersub, for the purpose of the three-corner amalgamation. As a result, the former Neuro shareholders became majority owners of the outstanding shares of the Company upon completion of the transaction. The transaction is considered to a capital transaction and the difference between the purchase price and the net assets acquired is charged directly to equity. The incremental management and administrative costs in relation to the RTO were expensed. In connection with the reverse take-over, the Company advanced Neuro an unsecured loan in the amount of $150,000 (the "Bridge Loan"). The Bridge Loan was for a term of one year commencing on May 30, 2014, and was payable in a lump sum at the end of the term. The Bridge Loan bears interest at a rate of 8% per annum.

In connection to the completion of the RTO, Helius completed a private placement of 15,240,000 units at CAD $0.50 per unit. Each unit consisted of one common stock of Helius and one half of a warrant exercisable at CAD $1.00 for twenty-four months.

The purchase price was determined based on the fair value of the shares exchanged which was $4,603,500. The net assets acquired of Helius were as follows:

Cash and cash equivalents	$	23,904
Receivables		151,644
Prepaids		5,970
Accounts payable and accrued liabilities		(18,628)
	$	162,890

The net charge of $4,440,610 was charged directly to the opening accumulated deficit.

4. CONVERTIBLE DEBENTURE

On February 19, 2014, the Company entered into a securities purchase agreement where the Company agreed to sell and issue a note with annual simple interest at 8% (the "Debenture"). A total of $1,000,100 in principal had been received. The Debenture matured on the earliest of (i) February 28, 2015 or such later date as agreed (ii) the closing of a transaction involving a change in control of the Company or (iii) the date of the closing of the Company's qualified financing being an aggregate amount of at least $2,000,000.

Upon completion of a qualified financing, the Debenture would automatically convert into equity securities of the Company at a price per share equal to 85% of the price per share of the qualified financing. If a qualified financing did not occur on or before the maturity date, at the option of the Company's board of directors, the outstanding balance of the Debenture would be converted into the Company's equity securities at a conversion price per common stock determined using a valuation of $8.5 million and the number of shares outstanding at that date.

In the event of a change in control of the Company, the Company would pay the outstanding amount and an amount equal to 50% of the outstanding principal amount of the Debenture in cancellation of the Debenture.

The contingent conversion on completion of a qualified financing gave rise to a potential contingent beneficial conversion feature which would be calculated and adjusted if necessary on settlement of the contingency. There were no other beneficial conversion features or significant items that should be accounted for separately.

On June 4, 2014, the Company entered into an amendment letter for the Debenture. Pursuant to the amendment letter, if any qualified financing being an aggregate amount of at least $2,000,000 occurred in Neuro or its affiliates, the principal amount of the Debenture would be automatically converted into common stock of the Company at a price per share equal to CAD $0.425. To clarify, upon conversion of the Debenture, the Company would issue a total of 2,564,705 common stock and pay $11,131 in cash with respect to the accrued and unpaid interest outstanding.

Upon closing of the RTO, the Company recorded a beneficial conversion feature of $192,353 determined using the intrinsic method. Concurrently, the Debenture was converted into 2,564,705 common stock of Helius with a fair value of $1,180,713. Accreted interest of $180,254 was expensed upon conversion of the Debenture.

As at September 30, 2014, the outstanding balance is $nil (September 30, 2013 - $nil). $11,131 of interest was paid on July 31, 2014.

5. COMMON STOCK

Authorized:

Unlimited Class A common stock without par value

Prior to the RTO

The numbers of securities below reflect the exchange ratio pursuant to the reverse take-over transaction (Note 3) retrospectively.

On January 22, 2013, Neuro issued a total of 16,035,026 shares to Advanced NeuroRehabilitation LLC for cash proceeds of $5,000 and an exclusive license right to Advanced NeuroRehabilitation's patent pending technology and knowhow valued at $4.25 million per an independent valuation report. The Company recorded the $4.25 million exclusive license right as research and development expense per the Company's accounting policy.
On January 22, 2013, the Company also issued a total of 16,035,026 shares to MPJ Healthcare LLC for cash proceeds of $5,000. In addition, the Company recorded $4.25 million of stock based compensation expense.
On May 1, 2014, 2,300,000 options were exercised for 2,300,000 common stock for total proceeds of $717. Fair value of $610,385 was reallocated from additional paid-in capital to common stock.

On May 11, 2014, 930,031 options were exercised for 930,031 common stock for proceeds of $290. Fair value of $247,075 was reallocated from additional paid-in capital to common stock.

After the RTO

Upon completion of the RTO, the Company issued a total of 35,300,083 common stock to the shareholders of Neuro. (Note 3)

In connection to the RTO, the Company closed a non-brokered private placement (the "Private Placement") at CAD $0.50 per unit of 15,240,000 units raising CAD $7.62 million on May 30, 2014. Each unit consists of one common stock of the Company and one half of a warrant of the Company where one full warrant is exercisable for 2 years at CAD $1.00 into one common stock. The fair value of the warrants issued was determined using the Black Scholes model and the Company used the relative fair value method to allocate $837,396 of the gross proceeds to Additional Paid-in Capital to account for the warrants issued.

The Company issued 2,564,705 common stock for conversion of the Debenture. (Note 4)

As at September 30, 2014, the Company has 63,104,788 shares issued and outstanding and 28,863,048 common stock held in escrow. All of the common stock in escrow will be released at a rate of 15% every six months.

6. STOCK OPTIONS

The numbers of securities below reflect the exchange ratio pursuant to the reverse take-over transaction (Note 3) retrospectively.

The Company has a stock option plan whereby the Company is authorized to grant options, performance share awards, or monetary payments based on the value of the stock to independent contractors enabling them to acquire up to a maximum of 12,108,016 common stock of the Company. Vesting and the term of an option is determined at the discretion of the Board of Directors of the Company.

On April 1, 2013, the Company granted a consultant company, 930,031 options for 10 years upon completion of certain services in accordance with a consulting agreement to lead the design and manufacturing program of the Company's technology. On December 4, 2013, 40,816 options vested. On May 11, 2014, all options were vested and exercised into 930,031 common stock.

On October 30, 2013, the Company granted 2,300,000 options exercisable for 10 years to a consultant company for strategic business advisory which are to vest upon completion of two milestones. On February 11, 2014, 1,150,000 options were vested upon completion of the first of the two milestones. On April 28, 2014, the remaining 1,150,000 options were vested upon completion of the second milestone. On May 1, 2014, all 2,300,000 options were exercised for 2,300,000 shares of Neuro.
On June 19, 2014, the Company granted 3,520,000 options to directors, officers, and consultants exercisable at CAD $0.60 for 5 years. One third of these options vested immediately upon granting. The remaining two thirds of the options will vest on June 19, 2015, and June 19, 2016 respectively.

On June 20, 2014, the Company granted 250,000 options to an IR consultant exercisable at CAD $0.60 for 5 years. 12.5% of these options vested immediately upon granting. The remaining 87.5% will vest at a rate of 12.5% every three months beginning September 20, 2014.

On July 14, 2014 the Company granted 100,000 options to a consultant exercisable at CAD $2.52 for 3 years. 25% of these options vested immediately upon granting. The remaining options will vest at a rate of 25% on September 30, 2014, December 31, 2014, and March 31, 2015, respectively.

As of September 30, 2014, the Company recognized a total of $1,121,802 in stock based compensation.

The continuity of stock options for the period ended September 30, 2014 is as follows:

	Number of options		Options Outstanding Weighted Average Exercise Price (CAD)
Balance, March 31, 2014	3,230,031	$	0.00
Granted	3,870,000	$	0.65
Exercised	(3,230,031)	$	0.00
Balance, September 30, 2014	3,870,000	$	0.65

The options outstanding and exercisable at September 30, 2014 are as follows:

	Options outstanding remaining contractual life			Options exercisable		
Number of shares	(years)		Exercise Price	Number of shares exercisable		Exercise Price
3,520,000	4.72	$	CAD 0.60	1,173,337	$	CAD 0.60
250,000	4.72	$	CAD 0.60	62,500	$	CAD 0.60
100,000	2.79	$	CAD 2.52	50,000	$	CAD 2.52

The Company used the Black Scholes option pricing model to estimate the fair value of the options as the fair value of the services provided could not be reliably calculated. The following assumptions were used:

		September 30, 2014	March 31, 2014
Risk-free interest rate (%)		1.43 – 1.49	1.45 – 1.65
Dividend yield (%)		-	-
Expected volatility (%)		114.21 – 117.24	84.17 – 116.82
Expected option life (years)		3.25 – 5.00	4.33 – 5.00
Fair value per option granted (CAD)	$	0.3380 – 0.3997	4.2555 – 4.2599
Far value per option of unvested options (CAD)	$	0.3380 – 0.3977	4.2555 – 4.2599

The Black Scholes option pricing model was developed for use in estimating the fair value of share options that have no vesting provisions and are fully transferable. Also, option-pricing models require the use of estimates and assumptions including the expected volatility. The Company uses expected volatility rates which are based upon the average volatility rates of other companies in the same industry, due to the Company's limited history. The Company based the current stock price on the value per shares issued to date. Changes in the underlying assumptions can materially affect the fair value estimates.

(b) **Share Purchase Warrants**

The Company closed its Private Placement at CAD $0.50 per unit of 15,240,000 units raising CAD $7.62 million on May 30, 2014. Each unit consists of one common stock of the Company and one half of a warrant of the Company where one full warrant is exercisable for 2 years at CAD $1.00 into one common stock. In connection to the Private Placement, the Company issued 824,400 finder's warrants exercisable at CAD $1.00 for 2 years. The fair value of the warrants issued as units is $950,895 (CAD $1,032,795). The fair value of the finders' warrants is $102,870. Both fair values were determined by using the Black Scholes model based on the following assumptions:

		September 30, 2014
Risk-free interest rate (%)		1.48
Dividend yield (%)		-
Expected volatility (%)		83.79
Expected option life (years)		1.67
Fair value (CAD)	$	0.1355

The continuity of warrants for the period ended September 30, 2014 is as follows:

	Number of warrants		Warrants Outstanding Weighted Average Exercise Price
Balance, March 31, 2014	-	$	-
Granted	8,444,400	$	CAD 1.00
Balance, September 30, 2014	8,444,400	$	CAD 1.00

The warrants outstanding and exercisable at September 30, 2014 are as follows:

Number of warrants outstanding	Exercise Price	Expiry Date
7,620,000	CAD$1.00	May 30, 2016
824,400	CAD$1.00	May 30, 2016

7. COMMITMENTS AND CONTINGENCIES

(a) The Company entered into a sub-license agreement with Advanced NeuroRehabilitation LLC for an exclusive right on Advanced NeuroRehabilitation LLC's patent pending technology, claims and knowhow. In addition to the issuance of 16,035,026 shares (Note 5), the Company agreed to pay a 4% royalty on net revenue on the sales of devices covered by the patent-pending technology and services related to the therapy or use of devices covered by the patent-pending technology.

(b) The Company entered into a commercial development-to-supply program with Ximedia where Ximedia will design, develop and produce PoNS product solution suitable for clinical trial and commercial sale. Under the program, the Company is responsible for ensuring the device is in compliance from the legal and regulatory standpoint. The agreed budget for phase 1B of development is $499,000; phase 2 is $1,065,000; Phase 3 and 4 is $1,389,000 and 2nd software development cycle is $586,000, of which $1,716,000 was expensed as research and development since inception to September 30, 2014. The estimated duration of the project is 10 months. Invoices are to be issued monthly for work in progress. The Company can cancel the project at anytime with a written notice at least 30 days prior to the intended date of cancellation. As of September 30, 2014, the Company recorded a prepaid of $300,000 to Ximedica which will be applied at the end of the project.

(c) The Company entered into an employment contract with the CEO of the Company with an annual salary of $250,000 until any qualified investments in the Company reaches $5 million, at which time the salary is increased to $300,000 annually. Upon closing of the Private Placement, the CEO's salary increased to $300,000 annually. The CEO's salary increased to $400,000 annually effective September 1, 2014.

(d) On January 30, 2013, the Company entered into an independent contractor agreement with Clinvue where Clinvue is to lead the design and manufacturing program of PoNS™. The estimated remaining costs to be incurred in the future under the contract are $100,000 and will be paid in cash. As at September 30, 2014, the Company incurred $nil in research and development expenses related to services performed by Clinvue.

(e) On February 1, 2013, the Company entered into a Master Cooperative Research and Development Agreement (CRADA) with the US Army Medical Material Agency (USAMMA) and the US Army Medical Material Development Activity (USAMMDA) pursuant to which USAMMA and USAMMDA on behalf of the US Government agrees to cooperate with the Company in research and development of PoNS™ assisted physical therapy for the treatment of soldiers with balance and gait disorder. The agreement automatically expires on December 31, 2015 unless modified in writing by the parties. US Army Medical Research and Material Command (USAMRMC) will be the sponsor of the regulatory application for the PoNS™ technology until the application is cleared or approved by the FDA, at which point USAMRMC will transfer such clearance or approval to the Company. After transfer of the regulatory application to the Company and in the event that the Company is not willing or able to commercialize the technology within two years from the expiration of this CRADA, the Company will transfer possession, ownership and sponsorship/holdership of the regulation application, regulatory correspondence and supporting regulatory information related technology to USAMRMC and grant the U.S.

Government a non-exclusive, irrevocable license to any patent, copyright, data rights, proprietary information or regulatory information for the U.S. Government to commercialize the technology.

(f) On June 10, 2014, the Company entered into an advisory services agreement with Baron Global Financial Canada Ltd. ("Baron") whereby Baron would provide exclusive corporate advisory services to the Company for a monthly fee of CAD $12,500 plus applicable taxes starting on July 1, 2014, for a period of 12 months.

(g) On June 20, 2014, the Company entered into a consulting agreement with Sproatt Mountain Ventures Inc. ("Sproatt") whereby Sproatt will provide investor relations services to increase market awareness of the Company. The Company will pay Sproatt a fee of CAD $12,000 per month plus applicable taxes and grant options entitling Sproatt to purchase 250,000 common stock at CAD $0.60 per share exercisable until June 20, 2019. The Sproatt options shall vest over 24 months, with one quarter of the options vesting at the end of each three month period from the date of grant.

(h) On July 14, 2014, the Company entered into a consulting agreement with Dr. Brian Bapty whereby Dr. Bapty would provide consulting services to the Company for a monthly fee of CAD $6,000 plus applicable taxes. The Company also issued to Dr. Bapty 100,000 stock options exercisable at CAD $2.52 for 3 years.

(i) On July 15, 2014, the Company entered into a consulting agreement with the Montreal NeuroFeedback Centre ("Neurofeedback") whereby Neurofeedback will assist with all aspects of a pilot cilincal trial of the PoNSTM device for a period of 12 months. Neurofeedback will charge CAD $100,000 over the 12 month period

8. RELATED PARTY TRANSACTIONS

For the period ended September 30, 2014, the Company was a party to the following related party transactions not disclosed elsewhere in these financial statements:

During the period ended September 30, 2014, the Company paid $150,000 (September 30, 2013 - $nil) as wages to the CEO of the Company.

During the period ended September 30, 2014, the Company paid $6,875 (September 30, 2013 - $nil) in consulting fees to a former director of the Company.

During the period ended September 30, 2014, the Company paid $6,050 (September 30, 2013 - $nil) in consulting fees to a director of the Company.

During the period ended September 30, 2014, the Company paid $34,418 (September 30, 2013 - $nil) to a company acting as the Company's corporate advisor and Chief Financial Officer.

During the period ended September 30, 2014, the Company recorded $473,297 (September 30, 2013 - $nil) in stock based compensation for officers and directors of the Company.

See also Notes 3, 5 and 7.

9. SUBSEQUENT EVENTS

Effective on November 19, 2014, the Company signed a distribution agreement with Altair LLC, a Russian medical distribution company. The distribution agreement provides that Altair LLC shall be responsible for taking all necessary steps and incurring all incidental costs required to register the PoNS^{TM} device for patient use within the territories, including performing any clinical studies and any other actions required to obtain government and regulatory approvals in order to distribute and sell the PoNS^{TM} device in such territories. The territories include the following countries: Russia, Armenia, Georgia, Kyrgyzstan, Moldova, Azerbaijan, Belarus, Kazakhstan, Tajikistan, Turkmenistan, Uzbekistan, Estonia, Lithuania, and Latvia.

Upon Altair LLC receiving the necessary government and regulatory approvals, it shall purchase the PoNS™ device from Neuro according to a volume-adjusted price schedule. A mid-single digit royalty will also be payable and applied to net product sales. To maintain the agreement, certain minimum annual order thresholds, based on approved treatment indications, must be achieved.

The Company has evaluated subsequent events through the issuance date of the financial statements. The Company is not aware of any additional significant subsequent events that occurred subsequent to the balance sheet date, but prior to the date of issuance that would have a material impact on the Company's financial statements.

10. COMPARATIVE INFORMATION

Certain comparative information has been reclassified to conform with the presentation adopted in the current period.