INTERIM CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2014

NOTICE OF NO AUDITOR REVIEW OF
INTERIM CONSOLIDATED FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of these interim consolidated financial statements they must be accompanied by a notice indicating that these interim consolidated financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements 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 standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

Verisante Technology Inc.
Interim Consolidated Statements of Financial Position
(Unaudited – Prepared by Management)
(expressed in Canadian dollars unless otherwise stated)

	September 30, 2014 $	December 31, 2013 $
ASSETS		
Current		
Cash	**38,345**	455,422
Accounts receivable	**–**	78,750
Inventory (Note 4)	**1,012,320**	857,069
Prepaid expenses	**255,736**	58,078
Sales taxes receivable	**53,695**	200,951
	1,360,096	1,650,270
Intangible assets and deferred development costs (Note 5)	**3,290,854**	3,683,327
Office facilities and equipment (Note 6)	**33,455**	105,269
Total Assets	**4,684,405**	5,438,866
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 7)	**1,409,551**	686,360
Total Liabilities	**1,409,551**	686,360
SHAREHOLDERS' EQUITY		
Share capital	**16,715,460**	16,054,743
Contributed surplus	**2,420,404**	2,280,815
Warrants	**2,324,438**	2,164,500
Deficit	**(18,185,448)**	(15,747,552)
Total Shareholders' Equity	**3,274,854**	4,752,506
Total Liabilities and Shareholders' Equity	**4,684,405**	5,438,866

Commitments and contingent liabilities (Note 11)

On behalf of the Board:

"Thomas Braun" *"Karen Boodram"*

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

Verisante Technology Inc.
Interim Consolidated Statements of Comprehensive Loss
(Unaudited – Prepared by Management)
(expressed in Canadian dollars unless otherwise stated)

	Three Months Ended September 30, 2014 $	Three Months Ended September 30, 2013 $	**Nine Months Ended September 30, 2014 $**	Nine Months Ended September 30, 2013 $
Revenue	**–**	440,300	**152,800**	853,300
Cost of sales	**8,494**	(187,963)	**(21,912)**	(515,660)
Gross Profit	**8,494**	252,337	**130,888**	337,640
Expenses				
Amortization (Notes 5 and 6)	**288,570**	269,681	**859,377**	783,562
Bad debt expense recovery	**(92,402)**	–	**(146,210)**	–
General and administrative (Note 7)	**377,051**	651,735	**1,525,085**	2,214,983
Regulatory and trustee fees	**(2,415)**	13,060	**27,131**	42,798
Research and development	**8,978**	8,227	**39,412**	63,264
Royalties	**40,329**	37,261	**122,740**	96,932
Stock based compensation (Note 9)	**104,394**	23,426	**139,589**	213,464
Total Expenses	**724,505**	1,003,390	**2,567,124**	3,415,003
Loss from Operations	**(716,011)**	(751,053)	**(2,436,236)**	(3,077,363)
Other Income (Expenses)				
Foreign exchange (loss) gain	**(1,916)**	–	**(1,660)**	769
Interest income	**–**	2,022	**–**	11,128
Net Loss and Comprehensive Loss for the Period	**(717,927)**	(749,031)	**(2,437,896)**	(3,065,466)
Basic and Diluted Loss Per Common Share	**(0.01)**	(0.01)	**(0.03)**	(0.04)
Weighted Average Number of Common Shares Outstanding	**81,748,117**	72,972,461	**80,959,493**	71,192,905

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

Verisante Technology Inc.
Interim Consolidated Statement of Changes in Equity
(Unaudited – Prepared by Management)
(expressed in Canadian dollars unless otherwise stated)

	Share Capital						
	Common Shares	Amount	Contributed Surplus	Warrants	Shares Subscribed	Deficit	Total Shareholders' Equity
		$	$	$	$	$	$
Balance, December 31, 2012	**66,572,232**	**12,357,722**	**2,210,378**	**2,305,207**	**10,800**	**(10,851,440)**	**6,032,667**
Unites issued for cash	2,357,500	736,506	–	206,494	–	–	943,000
Share issuance costs	–	(129,806)	–	16,934	–	–	(112,872)
Shares issued pursuant to the exercise of stock options	525,000	358,078	(190,078)	–	–	–	168,000
Shares issued pursuant to the exercise of warrants	3,497,729	2,056,914	–	(606,078)	(10,800)	–	1,440,036
Stock based compensation	–	–	213,464	–	–	–	213,464
Net loss for the period	–	–	–	–	–	(3,065,466)	(3,065,466)
Balance, September 30, 2013	**72,952,461**	**15,379,414**	**2,233,764**	**1,922,557**	–	**(13,916,906)**	**5,618,829**
Balance, December 31, 2013	**78,623,777**	**16,054,743**	**2,280,815**	**2,164,500**	**–**	**(15,747,552)**	**4,752,506**
Shares issued for cash	2,000,000	300,000	–	–	–	–	300,000
Units issued for cash	2,915,500	338,356	–	157,279	–	–	495,635
Share issuance costs	–	(20,220)	–	12,060	–	–	(8,160)
Shares issued pursuant to the exercise of warrants	158,840	42,581	–	(9,401)	–	–	33,180
Stock based compensation	–	–	139,589	–	–	–	139,589
Net loss for the period	–	–	–	–	–	(2,437,896)	(2,437,896)
Balance, September 30, 2014	**83,698,117**	**16,715,460**	**2,420,404**	**2,324,438**	–	**(18,185,448)**	**3,274,854**

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

Verisante Technology Inc.
Interim Consolidated Statements of Cash Flows
(Unaudited – Prepared by Management)
(expressed in Canadian dollars unless otherwise stated)

	Nine Months Ended September 30, 2014 $	Nine Months Ended September 30, 2013 $
Cash Flows Used In Operating Activities		
Net loss for the period	**(2,437,896)**	(3,065,466)
Non-cash expenses:		
Amortization	**859,377**	783,562
Stock based compensation	**139,589**	213,464
Changes in operating assets and liabilities:		
Amounts receivable	**78,750**	(668,200)
Prepaid expenses	**(197,658)**	(4,367)
Sales taxes receivable	**147,256**	28,697
Interest receivable	**–**	5,214
Inventory	**(155,251)**	(131,055)
Accounts payable and accrued liabilities	**550,050**	(48,897)
Net Cash Used in Operating Activities	**(1,015,783)**	(2,887,048)
Cash Flows Used In Investing Activities		
Deferred development costs	**(221,949)**	(887,457)
Office facilities and equipment	**–**	(17,601)
Short term investments	**–**	1,021,424
Net Cash (Used in) Provided by Investing Activities	**(221,949)**	116,366
Cash Flows Provided By Financing Activities		
Proceeds from issuance of common shares	**795,635**	943,000
Proceeds from the exercise of options	**–**	168,000
Proceeds from the exercise of warrants	**33,180**	1,439,007
Share issuance costs	**(8,160)**	(111,843)
Net Cash Provided by Financing Activities	**820,655**	2,438,164
Decrease In Cash	**(417,077)**	(332,518)
Cash – Beginning of Period	**455,422**	620,763
Cash – End of Period	**38,345**	288,245
Supplemental Disclosures:		
Interest paid	**–**	–
Income tax paid	**–**	–

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

1 Corporate information

Verisante Technology, Inc. (the “Company”, “Verisante”) was incorporated pursuant to the provisions of the British Columbia Business Corporations Act on March 7, 2006, and is a medical device company committed to commercializing innovative systems for the early detection of cancer. The Company was incorporated under the Canadian Business Corporations Act as T-Ray Science, Inc. in March 2006 to bring together a team of high level academic researchers, medical device industry experts and corporate finance professionals to execute a targeted product strategy focused on the early detection of cancer. Since inception, the Company has been developing a skin cancer detector based on Terahertz technology out of the University of Waterloo. In connection with the R&D on a skin cancer device, the Company built a catalogue of Terahertz chips to be used as sources and detectors within a spectrometer. The Company began selling some of these chips to Universities and other research institutions in 2009.

In July 2010, the Company entered into a licensing agreement with the BC Cancer Agency to commercialize a skin cancer detector based on Raman Spectroscopy. The device, called the Verisante Aura™ can be used in the early detection of all forms of skin cancer, including basal cell and squamous cell carcinoma and melanoma. The Verisante Core™ device is based on the same platform technology as the Aura™ and can be used in the early detection of lung, cervical, gastrointestinal and colo-rectal cancers.

As a result of the Company’s commitment to commercializing the technology licensed from the BC Cancer Agency, management changed the Company’s name to reflect this shift in focus. Effective January 17, 2011, the Company changed its name from T-Ray Science, Inc. to Verisante Technology, Inc. and all Waterloo operations, including research and chip sales, were wound down by the end of January 2011 in order to shift resources to the commercialization of the Verisante Aura™ and Verisante Core™ devices.

On May 26, 2011, the Company entered into an Asset Purchase Agreement with Perceptronix Medical Inc., in which the Company purchased all rights to the ClearVu and ClearVu Elite endoscopy systems for early lung cancer detection.

On June 1, 2011, the Company entered into an agreement to license the exclusive world-wide rights for a novel rapid multi-spectral imaging cancer detection technology.

The Company’s registered office is suite 306 – 2309 West 41st Avenue, Vancouver, British Columbia, Canada, V6M 2A3.

The financial statements were authorized for issue by the Board of Directors on November 26, 2014.

2 Basis of presentation

Statement of compliance

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. The interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2013, which have been prepared in accordance with IFRS as issued by the IASB.

The Company uses the same accounting policies and methods of computation as in the annual consolidated financial statements for the year ended December 31, 2013.

Basis of measurement

The interim consolidated financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, which is also the Company’s functional currency.

The preparation of interim consolidated financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements include the determination of impairment on financial and non-financial assets, the valuation of future income tax assets, the fair value of share-based payments, and determining whether contingent assets or liabilities exist.

(expressed in Canadian dollars unless otherwise stated)

2 *Basis of presentation (continued)*

Going concern of operations

The Company operates on a going concern basis which contemplates that it will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Company has incurred significant net losses and negative cash flows from operations in prior years. The Company incurred a net loss of $2,437,896 during the nine months ended September 30, 2014, and, as of that date the Company's deficit was $18,185,448. The ability of the Company to continue as a going concern is dependent on obtaining the financing necessary to continue operations and, ultimately, on attaining profitable operations. The Company has funded such losses with external debt, share issuances, government grants and working capital.

These financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, the amount and classification of liabilities and the reported revenue and expenses that would be necessary should the Company be unable to continue as a going concern.

3 *Standards, amendments and interpretations not yet effective*

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for annual periods beginning after January 1, 2014 or later periods.

Management has considered that the following amendments, revisions and new IFRSs might not have a material effect on the Company's future disclosure, results and financial position:

i) IFRS 9, *Financial Instruments* (New in 2010; to replace IAS 39 and IFRIC 9)

4 *Inventory*

At September 30, 2014, the Company held $1,012,320 (December 31, 2013 - $857,069) in inventory, consisting of $650,662 (December 31, 2013 - $680,322) in raw materials and $361,658 (December 31, 2013 - $176,747) in finished goods.

5 *Intangible assets and deferred development costs*

Intangible assets and deferred development costs are comprised of the following:

	Acquired technology and patents $	Licenses $	Total $
Cost			
Balance at December 31, 2013	5,431,715	59,097	5,490,812
Development costs for the period	395,091	–	395,091
Balance at September 30, 2014	5,826,806	59,097	5,885,903
Depreciation and impairment losses			
Balance at December 31, 2013	1,798,479	9,006	1,807,485
Depreciation for the period	784,956	2,608	787,564
Balance at September 30, 2014	2,583,435	11,614	2,595,049
Carrying amounts			
Balance at December 31, 2013	3,633,236	50,091	3,683,327
Balance at September 30, 2014	3,243,371	47,483	3,290,854

(expressed in Canadian dollars unless otherwise stated)

6 Office facilities and equipment

	Computer hardware $	Software $	R&D equipment $	Office furniture $	Leasehold improvements $	Total $
Cost						
Balance at December 31, 2013	36,347	35,174	33,006	47,558	140,718	292,803
Additions	–	–	–	–	–	–
Balance at September 30, 2014	36,347	35,174	33,006	47,558	140,718	292,803
Depreciation and impairment losses						
Balance at December 31, 2013	24,239	6,310	25,193	31,980	99,812	187,534
Depreciation for the period	4,808	12,229	4,106	9,765	40,906	71,814
Balance at September 30, 2014	29,047	18,539	29,299	41,745	140,718	259,348
Carrying amounts						
Balance at December 31, 2013	12,108	28,864	7,813	15,578	40,906	105,269
Balance at September 30, 2014	7,300	16,635	3,707	5,813	–	33,455

7 Related party transactions

At September 30, 2014, the Company is indebted to the Chief Executive Officer (“CEO”) of the Company for $155,000 (December 31, 2013 - $nil) for salary and a loan to the Company. The balance has been included in accounts payable and accrued liabilities, is unsecured, non interest-bearing and due on demand.

At September 30, 2014, the Company is indebted to the Chief Financial Officer (“CFO”) of the Company for $66,125 (December 31, 2013 - $nil) for salary. The balance has been included in accounts payable and accrued liabilities, is unsecured, non interest-bearing and due on demand.

During the nine months ended September 30, 2014, the Company incurred salary and bonuses of $187,500 (2013 - $187,500) to the CEO of the Company and $99,188 (2013 - $99,188) to the CFO of the Company.

During the nine months ended September 30, 2014, the Company recognized $102,400 (2013 - $196,913) of stock-based compensation for officers and directors of the Company.

(expressed in Canadian dollars unless otherwise stated)

8 *Share capital*

Common shares

The Company is authorized to issue an unlimited number of common shares without par value.

All of the authorized unlimited common shares are of the same class and, once issued, rank equally as to dividends, if and when declared by the Board of Directors, voting powers (one vote per share) and participation in assets upon dissolution or winding-up.

Issued during the nine months ended September 30, 2014:

- On March 18, 2014, the Company completed a private placement of 2,915,500 units ("Units") at a price of $0.17 per Unit for gross proceeds of $495,635. Each Unit consists of one common share and one common share purchase warrant, each warrant entitling the holder to acquire a common share at $0.25 per share for a period of two years from the date of issuance. Cash proceeds from the private placement of $338,356 and $157,279 were allocated to the common shares and warrants issued in the private placement, respectively, based on their relative fair values at the closing date of the private placement. In connection with the private placement, the Company paid share issuance costs of $8,160 and issued 48,000 warrants to the finders with a fair value of $3,793. Each finder's warrant entitles the holder to acquire a common share at $0.25 per share for a period of two years from the date of issuance.
- On June 26, 2014, the Company completed a private placement of 2,000,000 shares at a price of $0.15 per share for gross proceeds of $300,000.
- During the nine months ended September 30, 2014, the Company issued 158,840 common shares pursuant to the exercise of warrants for proceeds of $33,180. The fair value of the warrants of $9,401 was reclassified from warrants into share capital upon exercise.

Preferred shares

The Company is authorized to issue an unlimited number of Class A preferred shares and Class B preferred shares.

The preferred shares shall have certain rights, privileges, restrictions and conditions as determined by the Board of Directors. No preferred shares have been issued since the Company's inception.

9 *Stock options and warrants*

The Company has a stock option plan that provides for the issuance of options to its directors, officers and employees. The maximum number of outstanding options must be no more than 6,617,468 options at any point in time. The term of the options must be no longer than 10 years and the directors determine the vesting period.

The following table summarizes information about the options at September 30, 2014 and December 31, 2013, and the changes for the periods then ended:

	September 30, 2014		December 31, 2013	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Options outstanding – Beginning of period	4,689,570	0.36	4,814,570	0.36
Granted	1,375,000	0.16	600,000	0.48
Exercised	–	–	(525,000)	0.32
Cancelled / Expired	(1,250,000)	0.36	(200,000)	0.64
Options outstanding – End of period	4,814,570	0.31	4,689,570	0.37
Options exercisable – End of period	4,739,570	0.31	4,614,570	0.36

The Company's stock options are exercisable only for common shares.

(expressed in Canadian dollars unless otherwise stated)

9 Stock options and warrants (continued)

The following table summarizes information about stock options outstanding and exercisable at September 30, 2014:

Range of Exercise Prices $	Options outstanding	Options Exercisable	Weighted average remaining contracted life (years)
0.19 – 0.25	2,727,500	2,652,500	2.93
0.26 – 0.30	897,500	897,500	0.89
0.52 – 0.75	1,189,570	1,189,570	2.81
	4,814,570	4,739,570	2.52

Stock-based compensation expense is determined using the Black-Scholes option pricing model. During the period ended September 30, 2014, the Company recognized stock-based compensation expense of $139,589 (2013 - $213,464) in contributed surplus, which will be applied to share capital upon exercise. The weighted average fair value of the options granted during the period ended September 30, 2014, was $0.11 (2013 - $0.09). Weighted average assumptions used in calculating the fair value of stock-based compensation expense are as follows:

	2014	2013
Risk-free rate	**1.42%**	1.10%
Dividend yield	**0%**	0%
Volatility factor of the expected market price of the Company's common shares	**96%**	65%
Weighted average expected life of the options (years)	**4.57**	1.75

There were no stock options exercised during the period ended September 30, 2014. The weighted average common share price at the date of exercise of options during the period ended September 30, 2013 was $0.56 per share.

Share purchase warrants

The following table summarizes information about the warrants at September 30, 2014 and December 31, 2013, and the changes for the period then ended:

	September 30, 2014		December 31, 2013	
	Number of warrants	Weighted average exercise price $	Number of warrants	Weighted average exercise price $
Warrants outstanding – Beginning of period	10,168,739	0.34	11,900,625	0.62
Issued	2,963,500	0.25	8,558,968	0.35
Exercised	(158,840)	0.21	(3,622,729)	0.41
Expired	–	–	(6,668,125)	0.50
Warrants outstanding – End of period	12,973,399	0.32	10,168,739	0.34

The Company’s warrants are exercisable only for common shares. The following table summarizes information about warrants outstanding and exercisable at September 30, 2014:

Exercise Price $	Expiry date	Warrants outstanding	Weighted average remaining contracted life (years)
0.60	May 17, 2015	2,508,500	0.63
0.25	July 14, 2015	1,554,771	0.79
0.25	November 8, 2015	5,786,628	1.11
0.18	November 16, 2015	60,000	1.13
0.25	March 18, 2016	2,963,500	1.47
0.66	June 1, 2016	100,000	1.67
		12,973,399	1.06

(expressed in Canadian dollars unless otherwise stated)

10 Management of capital

The Company manages its cash, common shares, stock options and warrants as capital. 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 of its technology and products and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Company does not have any externally imposed capital requirements to which it is subject.

The Company manages the capital structure and makes adjustments to it 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 shares, issue debt, acquire or dispose of assets or adjust the amount of cash.

In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury on deposit in an interest bearing Canadian chartered bank account.

The Company will require capital resources to carry its research and development plans and operations through its current operating period.

11 Commitments and contingent liabilities

The Company had commitments under long-term lease agreements for office and two manufacturing spaces, which expired August 31, 2014, April 1, 2014 and April 1, 2014, respectively. The Company is currently on a month-to-month basis for the office and two manufacturing spaces.

Effective July 14, 2010, the Company entered into a Licensing Agreement with the BC Cancer Agency ("BCCA"). On September 30, 2010, the Company entered into a First Amendment to the Licensing Agreement with the BCCA (the "Amendment"). Pursuant to the Amendment, the minimum annual royalty was amended to equal the greater of $80,000 or the Earned Royalties during the first three years of the agreement, and to equal the greater of $160,000 or the Earned Royalties after the first three years. In addition to the original milestone payments, the Company must also pay $120,000 upon first jurisdictional regulatory approval for sale in third clinical application.

On June 1, 2011, the Company entered into a licensing agreement to license the exclusive world-wide rights for a novel rapid multi-spectral imaging cancer detection technology in consideration for $10,875 and 100,000 common share purchase warrants with a fair value of $48,995. Each full warrant entitles the holder to acquire one common share at a price of $0.66 per share for a period of five years from the date of issuance. The Company will also pay the inventors on an annual basis the lessor of a system royalty or a running royalty as follows:

Term	System Royalty	Running Royalty
Year 1 – 5	2% of net sales of the licensed products	$200 per system
Year 6 – 8	1.5% of net sales of the licensed products	$150 per system
Each year thereafter	1% of net sales of the licensed products	$100 per system

In addition, the Company has the right to grant sublicenses of its right under this licensing agreement. The Company will pay the inventors fifty percent (50%) of all sublicense income received by the Company. Any payments by the Company that are not paid on or before the date such payments are due under this Agreement shall bear interest, to the extent permitted by law, at two percentage points above the prime rate of interest as reported by the Bank of Canada on the date payment is due.

On May 26, 2011, the Company entered into an Asset Purchase Agreement (the "Agreement") with Perceptronix Medical Inc. ("PMI"), in which the Company purchased all rights to the ClearVu™ and ClearVu Elite™ endoscopy systems for early lung cancer detection developed by PMI in consideration for $200,000. Pursuant to a prior commitment entered into by PMI, the Company must deliver a ClearVu Elite™ system to the Research Institute of Oncology of the Ministry of Health and Social Development of the Russian Federation upon receiving a request from the Russian Federation (which request has, to date, not been received).

(expressed in Canadian dollars unless otherwise stated)

11 Commitments and contingent liabilities (continued)

On February 2, 2013, the Company entered into a purchase obligation for $499,500 relating to the purchase of parts for the manufacture of the first 100 Aura devices. To date, the Company has completed the purchase of parts from StarFish Product Engineering Inc. ("StarFish") for 21 Aura devices and in March 2014 prepaid for an additional 40 units, which StarFish has agreed would complete the Company's purchase obligation.

On May 29, 2014, the Company entered into a non-binding letter of intent with Astoria Capital SA ("Astoria") to sublicense and, in turn, finance the development and commercialization of the Company's cancer detection technology for the upper gastrointestinal system. Under the letter of intent, the Company and Astoria plan to form a Polish joint-stock company, Verisante Technology Europe S.A. ("VTE"). Astoria will receive 70% of the total equity in VTE and the Company will receive 25% of the total equity in VTE for assistance in management and commercialization of the technology. 5% of the shares will be reserved for management and supervisory board members appointed by the Company. Under the terms of the letter of intent, the Company will sublicense to VTE the worldwide exclusive technology rights for the technology. VTE will pay the Company a 3% royalty on instruments sold and the Company will act as the contract developer and manufacture of devices for VTE. VTE will also pay the Company a development fee of $1,000,000 upon regulatory approval of a device for the upper gastrointestinal system in Europe. In addition, VTE will provide financing for up to $2,500,000 for development and commercialization of the technology, including regulatory costs. Astoria will be responsible for raising any additional equity capital required to support development and commercialization of the technology.

Contingent liabilities

In the ordinary course of business, the Company may be contingently liable for litigation and claims with customers, suppliers and former employees. On an ongoing basis, the Company assesses the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable costs and losses and a determination of the provision required, if any, for these contingencies is made after analysis of each individual issue. The Company has provided for no amount in respect of contingent liabilities in the consolidated financial statements.

12 Financial Instruments

Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's statement of financial position as at September 30, 2014, as follows:

	Fair Value Measurements Using			
	Quoted prices in active markets for identical instruments (Level 1) $	Significant other observable inputs (Level 2) $	Significant unobservable inputs (Level 3) $	Balance, September 30, 2014 $
Cash	38,345	–	–	38,345
	38,345	–	–	38,345

The fair values of other financial instruments, which include accounts receivable, inventory and accounts payable and accrued liabilities approximate their carrying values due to the relatively short-term maturity of these instruments.

12 Financial Instruments

Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash, accounts receivable, and sales taxes receivable. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The Company's sales taxes receivable are with the government of Canada in the form of sales tax, and therefore the credit risk is minimal.

The Company's credit risk for accounts receivable is concentrated, as 100% of its sales during the period were to three customer. Most sales' payment terms are set in accordance with industry practice. Some of the Company's customers are distributors for a given territory and are privately-held enterprises. Adverse changes in a customer's financial position could cause the Company to limit or discontinue conducting business with that customer, require the Company to assume more credit risk relating to that customer's future purchases or result in uncollectible accounts receivable from that customer. Such changes could have a material adverse effect on business, results of operations, financial condition and cash flows.

The carrying amount of financial assets represents the maximum credit exposure.

Foreign Exchange Rate Risk

The Company operates in Canada and its cash is held in Canada in Canadian dollars. The Company's sales to foreign distributors are incurred in Canadian dollars. The Company does not use derivative instruments to hedge exposure to foreign exchange rate risk. However, management of the Company believes there is no significant exposure to foreign currency fluctuations.

Interest Rate Risk

The Company's cash may contain highly liquid investments that earn interest at market rates. The Company manages its interest rate risk by maximizing the interest earned on excess funds while maintaining the liquidity necessary to fund daily operations. Fluctuations in market interest rates do not have a significant impact on the Company's results of operations due to the short term to maturity of the investments held.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising debt or equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

13 Subsequent Event

On October 15, 2014, the Company completed a private placement of 2,500,000 common shares at $0.14 per share for gross proceeds of $350,000. A finder's fee of 6% cash and 4% common shares was paid in connection with this private placement.