Verisante Technology, Inc

Management's Discussion and Analysis
Quarter ended September 30, 2014

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Management's Discussion and Analysis

Quarter ended September 30, 2014

The following Management Discussion and Analysis ("MD&A") for Verisante Technology, Inc. is intended to provide an overview of operations, financial performance and the current and future business environment. This MD&A, prepared as of August 13, 2014, should be read in conjunction with the Company's unaudited financial statements and accompanying notes for the quarter ended September 30, 2014 and audited consolidated financial statements and accompanying notes for the year ended December 31, 2013.

Forward looking statements

This MD&A contains forward-looking statements that are not based on historical fact, including without limitation statements containing the words "believes", "may", "plan", "will", "estimate", "continue", "anticipates", "intends", "expects", and similar expressions, including the negative of such expressions. These statements are only predictions.

Forward-looking statements and information should be considered carefully. Undue reliance should not be placed on forward-looking statements and information as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By their nature, forward-looking statements and information involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, which contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements and information will not occur and may cause actual results or events to differ materially from those anticipated in such forward-looking statements and information. This MD&A may contain forward looking statements and information concerning the potential of Verisante and the timing of market acceptance of the Company's products. It may also contain assumptions made by Verisante related to industry scope and state, production, revenue, expenses, plans, development schedules and similar.

There are factors that may cause the actual results, events or developments to be materially different from any future results, events or developments expressed or implied by such forward-looking statements and information. Verisante disclaims any obligation to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements or information contained herein to reflect future results, events or developments, except as required by law.

More information on the Company may be found through the Company's previous filings and are available on www.sedar.com

Management's Responsibility for Financial Reporting

This MD&A has been prepared in accordance with the requirements of the Canadian Securities Administrators. The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the MD&A.

Unless otherwise noted or the context otherwise indicates, "Verisante", the "Company", "we", "us" and "our" refer to Verisante Technologies, Inc. All dollar amounts in this report refer to Canadian dollars unless otherwise indicated. Disclosure of information in this report has been limited to that which management has determined to be "material", on the basis that omitting or misstating such information would influence or change a reasonable investor's decision to purchase, hold or dispose of securities in the Company

The primary objectives of the Company's MD&A are:

- To provide information regarding the Company's competitive environment or the market in which the Company operates to facilitate an informed analysis of the consolidated financial statements
- To provide an explanation of our financial statements from management's perspective
- To provide information allowing readers to assess the Company's past performance and determine whether it is likely to be reflected in future performance.

OVERVIEW

Description of Business

Verisante Technology, Inc. is a medical device company incorporated 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 detection of cancer.

Verisante has licensed the exclusive world-wide rights to a technology developed by the BC Cancer Agency and the University of British Columbia and refined and tested at the Skin Care Centre at Vancouver General Hospital, for in vivo, real-time, non-invasive skin lesion measurements for the detection of skin cancer.

The device, Verisante Aura™, can be used for the detection of all forms of skin cancer, including basal cell carcinoma, squamous cell carcinoma and melanoma.

The platform technology upon which Aura™ is based is also fully extendible to detection systems for other types of cancers. In addition to the rights for skin cancer detection, Verisante has licensed the exclusive world-wide rights to other applications that include lung, gastro-intestinal, colorectal and cervical cancers and has optioned the rights to nasopharyngeal cancer. The Verisante Core™ series of devices will focus on these types of cancers.

As part of a broader acquisition strategy to enhance the Company's intellectual property portfolio of different technologies that detect cancer, Verisante also holds the exclusive world-wide rights to a Multispectral Imaging Camera (MSI), which it licensed directly from the inventors, Dr. Haishan Zeng and Dr. Yasser Fawzy of the BC Cancer Agency, for skin cancer and oral cancer detection. In addition to MSI, the Company purchased certain rights related to white light reflectance imaging and fluorescence imaging when it purchased the ClearVu and ClearVu Elite systems and related intellectual property in 2011 through an asset purchase agreement.

The Market

Skin Cancer

Skin cancer is the most common form of cancers in the world, with the World Health Organization reporting one in every three cancers diagnosed is a skin cancer. The incidence of both non-melanoma and melanoma skin cancers have been increasing at a rate of approximately 3% per year. One in seven Canadians will develop skin cancer during their lifetime while one in five Americans will and over 3.5 million cases of skin cancer are diagnosed annually in the USA. The American Cancer Society estimates that about 76,600 new melanomas (the deadliest form of skin cancer) will be diagnosed in the United States in 2013.

Malignant melanoma has become a major health problem in the western world with disease incidence increasing faster than most other cancers. Currently, the most effective method to combat the disease is early detection. Melanoma is lethal in 85% of cases after metastasis. However, when diagnosed very early, survival rate can be as high as 99% - highlighting the need for sensitive screening and early detection.

Furthermore, treating melanoma alone costs $1.5 billion annually in the United States and advanced stage melanoma is 22 times more costly than treating early stage melanoma.

According to a report on the Economic Burden of Skin Cancer in Canada by the Canadian Partnership against cancer, the cost of skin cancer in Canada is over half a billion dollars annually with costs expected to rise to $922 billion annually by 2031.

SKIN CANCER FACTS

- Strikes 1 in 5 in the U.S.
- Most common form of cancer
- 40-50% of Americans who live to 65 expected to get non melanoma skin cancer
- Melanoma kills one person every hour in the US.
- Melanoma is the no. 1 cancer killer of women 25-30
- Incidence of melanoma rising faster than any other type of cancer

Current Methods for Diagnosing Skin Cancer

Currently, primary diagnosis of skin cancer is by dermatologists or general practitioners with varying levels of experience, and full body examinations are seldom conducted.

The definitive diagnosis ultimately requires excision of the suspect lesion, an sometimes undesirable, and in many cases impractical solution, especially in individuals with many suspect lesions. According to a paper by Welch, et al. based on SEER data from the National Cancer Institute, US physicians typically biopsy more than 40 suspicious lesions to find one melanoma.

Consequently, there is a need for a device that can assist medical professionals to rapidly screen and distinguish skin cancer from other more benign lesions. Such a device will be valuable not only to dermatologists, but also to general practitioners who are responsible for flagging suspicious lesions and referring patients to dermatologists for follow up.

Other Cancers

Lung Cancer

It is estimated that more than 21,000 Canadians will die this year from lung cancer, while according to the National Cancer Institute, in the United States the estimated number of new cases of lung cancer is expected to be 228,190 and estimated deaths to be 159,480. Lung cancer is the leading cause of cancer related deaths in both men and women and lung cancer recently surpassed heart disease as the leading cause of smoking-related mortality. More people die from lung cancer than breast cancer, colorectal cancer and prostate cancer combined.

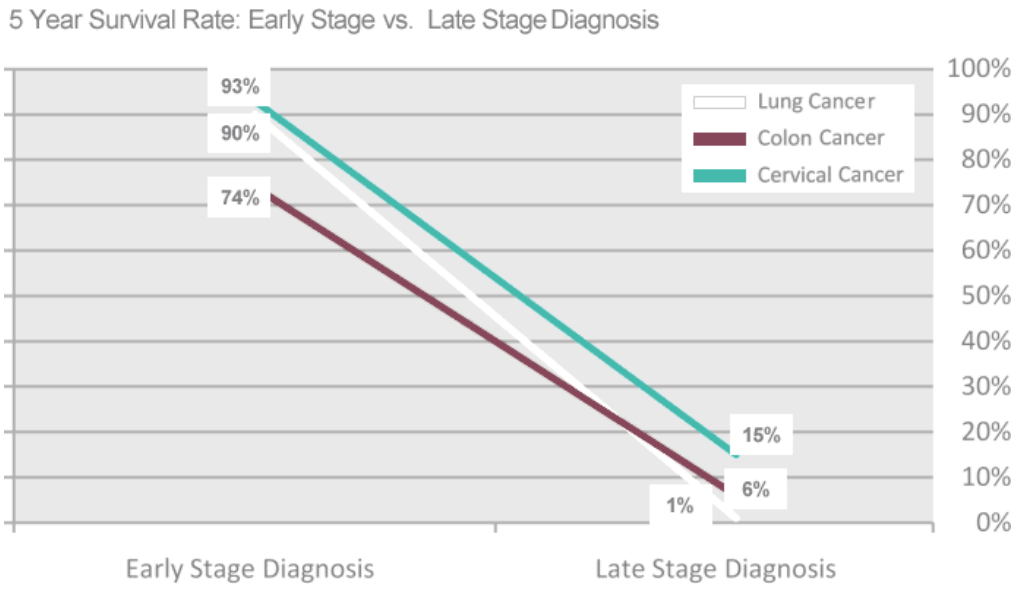
Colorectal Cancer

Colorectal cancer is the second-leading cause of cancer death in Canada and the third most common cancer in the United States as well as the second leading cancer killer. Every year in the United States there are more than 100,000 new cases of colon cancer and 40,000 new cases of rectal cancer. Over 50,000 deaths are expected to occur as a result of colorectal cancer this year.

Cervical Cancer

Worldwide, cervical cancer is the fifth most common cancer in women with approximately 500,000 cases diagnosed each year. In less developed countries, this type of cancer is the second most common in women and accounts for up to 300,000 annual deaths. Although the average age of diagnosis is 50, women as young as 17 may develop cervical cancer.

The following table shows the 5 year survival rate for lung, colon and cervical cancer for early stage versus late stage diagnosis:



PRODUCT PORTFOLIO

Verisante Aura™

Verisante Aura™ is a spectroscopy system designed to aid in the detection of skin cancer. This system provides valuable information about the chemical composition of the skin quickly and non-invasively. Aura™ scans for different spectral markers in under a second, providing immediate, accurate results.

Jointly developed by the BC Cancer Agency and the University of British Columbia, and tested at the Skin Care Centre at Vancouver General Hospital, this patent protected technology has already been used in a human clinical study spanning six years on approximately 1,000 lesions.

Skin cancer is currently diagnosed based on visual examination by a clinician, followed by a biopsy of suspicious lesions. Previous research has shown that the accuracy of clinicians in correctly diagnosing skin cancer is highly variable and dependent upon the level of formal training and experience of the clinician. Biopsy ratios (the number of non-melanoma lesions that undergo biopsy for each confirmed melanoma) can range from 58:1 to 21:1, for new versus experienced general practitioners, and could be as high as 200:1 if all atypical pigmented lesions were to be biopsied to rule out melanoma.

Results which were published in March 2012 in *Cancer Research*, a peer reviewed journal of the American Association of Cancer Research showed that when using Aura™ to diagnose melanoma versus benign pigmented lesions, at a sensitivity of 99 per cent and a specificity of 15 per cent, the biopsy ratio would be 5.6:1 and with a sensitivity of 90 percent and a specificity of 68 per cent, the biopsy ratio can be as low as 2.3:1. At a sensitivity of 95 per cent and a specificity of 44 per cent, the biopsy ratio could decrease to 3.8:1. When using Aura™ to diagnose skin cancer and pre-cancerous lesions versus benign lesions, at a sensitivity of 99 per cent and a specificity of 17 per cent, Aura™ has a biopsy ratio of 1.03:1.

Sensitivity and specificity are statistical measures of performance. Sensitivity measures the proportion of actual positives which are correctly identified as such, while specificity measures the proportion of negatives which are correctly identified as such.

This diagnostic tool has the ability to greatly aid healthcare professionals, delivering significant clinical impact and lowering healthcare costs through improved patient outcomes and

reduced wait times.

Aura™ can help to automate the current process of diagnosis, allowing rapid scanning of the 20 – 40 skin lesions on "at risk" individuals and eliminating wait times to see a dermatologist, as scans may be accomplished quickly by trained technicians or assistants. Aura™ can decrease patient wait times, thereby increasing the standard of care; while also decreasing healthcare costs by helping to detect skin cancer in its early, most easily treatable stages.

The Verisante product development team is led by pioneers in the field of cancer imaging. In addition, the Company is proud to have world renowned experts in early cancer detection involved with our technical and medical team.

Aura™ has been approved for sale in Canada, Europe and Australia at this time.

Revenue Model

Aura™ devices are sold on a per unit basis, with pricing dependent on negotiations with Distributors. The device also require the use of a disposable tip that must be replaced after each patient for health/sanitary reasons. Thus, in addition to revenue from initial sales of the device, the Company will also have a recurring revenue stream.

Verisante Core™

The platform technology behind Verisante Aura™ is fully extendible to detection systems for other cancers.

Verisante Core™ uses an endoscopic attachment to aid in the detection of lung, colon, cervical, and other cancers. This original, proprietary technology will help to save lives by enabling the diagnosis and treatment of these diseases.

There are currently independent studies underway at the BC Cancer Agency the Core™ technology for the detection of lung and colon cancers. These independent studies are 100% funded by both government granting agencies and NGOs and are being conducted by the BC Cancer Agency. The Corporation anticipates that after Aura™, our second product to market will be the Core™ for lung cancer detection.

The lung cancer clinical trials conducted at the BC Cancer Agency and led by Dr. Stephen Lam have recently been concluded and the statistical analysis of the results is currently underway. Raman spectra have been collected from more than 300 malignant and benign lesions.

The current study builds on the initial success of the pilot study using an improved Raman system. The pilot study was able to obtain clear in vivo Raman spectra in one second and pre-neoplastic lesions were detected with a sensitivity of 96 percent and a specificity of 91 percent.

A colonoscopy Raman probe has also been successfully developed by Dr. Zeng's team at the BC Cancer Agency. A clinical study led by Dr. Isabella Tai for colon cancer is now being conducted by the BC Cancer Agency. So far, measurements on two patients have confirmed the functionality of the probe and the quality of the acquired Raman spectra.

The company also entered into a collaboration for a study on nasopharyngeal cancer in China with Fujian University Normal University (the "University") and the BC Cancer Agency. The University will be using a nasopharyngeal endoscopic laser Raman system in a study to detect cancerous lesions in the nasopharynx (the upper part of the throat behind the nose). Verisante provided the University with a ClearVu Elite fluorescence endoscopy system, while Dr. Haishan Zeng of the BC Cancer Agency, developed the nasopharyngeal endoscopic Raman probe. Both the fluorescence imaging system and the Raman spectroscopy probe will be used in the detection and analysis of spectral data collected on patients in China at the Fujian Provincial Tumor Hospital.

Multispectral Imaging Camera

The Company has completed a second phase prototype of a rapid Multispectral Imaging camera ("MSI") system for skin cancer detection.

The MSI device is intended to assist medical professionals in the detection of all major forms of skin cancer. The device takes images of suspicious lesions with more than a dozen different wavelengths of light to capture real-time spectral images in a fraction of a second. These spectral images contain unique information about suspected skin lesions such as tissue oxygenation ratios, hemoglobin levels, melanin levels, scatter sizes, and other parameters.

The prototype system is currently undergoing laboratory testing at the BC Cancer Agency Research Centre prior to starting in vivo data collection for training the predictive algorithm for the device.

The MSI camera is intended to be a low cost, hand held, portable device that connects to a laptop computer via USB cable to assist in the detection of skin cancer and will be a notable addition to our existing product line. The company will also explore the possibility of combining the MSI camera with the existing Aura device to determine if the two different technologies produce higher accuracy when results are combined since they are measuring different parameters.

ClearVu and ClearVu Elite

Verisante owns all the rights to the ClearVu and ClearVu Elite endoscopy systems for early lung cancer detection through an asset purchase agreement entered into in 2011. The acquisition included a portfolio of 12 international patents, right to 5 additional patents jointly owned with the BC Cancer Agency, trade marks, data from a multi-site global clinical study, 5 ClearVu Elite Research Systems, one ClearVu bench prototype and other bronchoscopic and research related equipment for the detection of lung cancer.

The ClearVu™ system is a simultaneous white light and fluorescence real time video accessory which is used with a fiberoptic bronchoscope for lung cancer examinations. The ClearVu Elite™ has the addition of real time reflectance and fluorescence spectral analysis to assess the malignancy potential of suspicious lesions. An international multi-site clinical study involving bronchoscopies for lung cancer detection on 467 patients, and approximately 700 biopsies, was completed in 2007 with the ClearVu Elite™ system with encouraging results. The technology is complementary to the Verisante Core™ which uses rapid Raman spectral analysis for the detection of lung cancer.

Intellectual Property

The following table represents a summary of the Company's product portfolio and intellectual property:

Product Name	**Patents/IP**		
	Patent Name	Patent No. and Issue date or Application Number	Ownership
Aura™ and Core™	Apparatus and methods relating to high speed Raman spectroscopy	US 6,486,948 Issued: 26/11/2002	Exclusively licensed by Verisante
	In vivo raman endoscopic probe and methods of use	US 7,383,077 Issued:03/06/2008	Exclusively licensed by Verisante
	Apparatus and Methods for Characterization of Lung Tissue by Raman Spectroscopy	CA2786740 CN201180006587.1 EP11734310.3 IL220789 US13/521,218 IN 1716/MUMNP/2012 JP2012-549220 Pending, filed 21/01/2011	Exclusively licensed by Verisante
	Apparatus and Methods for In Vivo Tissue Characterization by Raman Spectroscopy	US13/516,715 CN201080062397.7 CA2784294 AU2010333666 EP10836883.8 IL220280 IN 1514/MUMNP/2012 RU2012128959 BR112012014789-7 JP2012543423 Pending, filed 17/12/2010	Exclusively licensed by Verisante
	Multimodal Detection of Tissue Abnormalities Based on Raman and Background Fluorescence Spectroscopy	US13/671,483 Pending, filed: 7/11/2012 CA2547460 Pending, filed 26/11/2004	Exclusively licensed by Verisante

	Integrated spectral probe for Raman, Reflectance and Fluorescence Spectral Measurements	US61/764,899 Pending, filed: 14/02/2013	Exclusively licensed by Verisante
Multispectral Imaging	Rapid multispectral imaging methods and apparatus and applications for cancer detection and localizations	IN 2319/MUMNP/2012 AU2011229113 US13/635,682 EP11755609.2 RU201214382 IL221986 JP2012-557365 CA2793449 BR112012023287-8 CN201180024411 Pending, filed: 17/03/2011	Exclusively licensed by Verisante
ClearVu and ClearVu Elite	Methods and apparatus for fluorescence and reflectance imaging and spectroscopy and for contemporaneous measurements of electromagnetic radiation with multiple measuring devices	US 6,826,424 Issued: 30/11/2004	Owned by Verisante via asset purchase
	Methods and apparatus for fluorescence and reflectance imaging and spectroscopy and for contemporaneous measurements of electromagnetic radiation with multiple measuring devices	US 6,898,458 Issued: 24/05/2005	Owned by Verisante via asset purchase
	Imaging methods for fluorescence and reflectance imaging and spectroscopy and for contemporaneous measurements of electromagnetic radiation with multiple measuring devices	US 7,115,841 Issued: 03/10/2006	Owned by Verisante via asset purchase

	Imaging systems for fluorescence and reflectance imaging and spectroscopy and for contemporaneous measurements of electromagnetic radiation with multiple measuring devices	US 7,190,452 Issued: 13/03/2007	Owned by Verisante via asset purchase
	Image detection apparatus for fluorescence and reflectance imaging and spectroscopy and for contemporaneous measurements of electromagnetic radiation with multiple measuring devices	US 7,253,894 Issued: 07/08/2007	Owned by Verisante via asset purchase
	Methods and apparatus for fluorescence and reflectance imaging and spectroscopy and for contemporaneous measurements of electromagnetic radiation with multiple measuring devices	JP4499354 Issued: 07/07/2010	Owned by Verisante via asset purchase
	Method and apparatus for measuring cancerous changes from reflectance spectral measurements obtained during endoscopic imaging	EP1845837B1 Issued: 29/05/2013	Owned by Verisante via asset purchase
	Method and apparatus for measuring cancerous changes from reflectance spectral measurements obtained during endoscopic imaging	CA2595213 CN101137322 JP2008528064 Pending, filed 20/01/2006	Owned by Verisante via asset purchase

Regulatory Status

The Corporation's first product, Verisante Aura™ is approved for sale in Canada, Europe and Australia. The Corporation is pursuing approval for Aura™ in Mexico and Brazil and also US FDA approval. The timeframe on any additional approvals depends on the specific regulatory bodies in each jurisdiction.

The clinical study for lung cancer using Verisante Core™ has been completed and a statistical analysis and scientific article will be completed to report the results. Verisante intends to pursue regulatory approval in Canada for the Core™ device for lung cancer after the results of the statistical analysis have been published in a peer reviewed journal.

Early stage clinical studies are also underway for colon and nasopharyngeal cancers using the Core™ technology.

With the completed of a prototype MSI device, the Company anticipates being collecting data to train the algorithm the system uses to extract data from the captured images by the end of the year.

The ClearVu and ClearVu elite prototype systems are complete and available for sale for research purposes.

COMPETITION

The Company's first product to market is Aura™ for the detection of skin cancer, and Verisante has identified several companies in the field of visualization and assessment of skin lesions that may provide direct or indirect competition to Aura™, as they provide devices to aid dermatologists in differentially diagnosing melanoma. These include:

- Caliber Imaging & Diagnostics (formerly Lucid Inc.) is a public US corporation (OTC: LCDX) headquartered in Rochester, New York. Their product, Vivascope, is a confocal imaging device that has been approved by the FDA for sale in the US. Vivascope is a device that images lesions for the detection of melanoma and other skin cancers. The images are then analysed by a pathologist for diagnosis. Vivascope is approved for sale in the USA and Europe.

- SciBase AB is a private Swedish corporation with a device known as the SciBase Electrical Impedance Spectrometer, or "SEIS" used to determine the malignancy of a mole. SciBase is currently engaged in a clinical study with the device. The product has not been approved by the FDA for sale in the USA.

- MELA Sciences is a US public corporation (NASDAQ: MELA) headquartered in Irvington, New York. Their product is MelaFind®, which uses multispectral dermoscopy and computerized diagnostic algorithms for the detection of melanoma. MELA Sciences has conducted a pivotal clinical study of the MelaFind® device. MelaFind® has been approved for sale in the USA and Europe.

Verisante's main competitive advantages relative to the competitors in the field include:

- detection of melanoma, squamous cell carcinoma, basal cell carcinoma and actinic keratosis and not just melanoma;
- platform technology that can be used to detect other cancers, including lung, colorectal and cervical cancers using an endoscopic probe;
- small probe can be used on difficult to reach areas;
- produces a result in under a second;
- Aura™ is approved for use in Canada, Europe and Australia by all medical professionals and not just dermatologists.

RISKS AND UNCERTAINTIES

The Company has incurred operating losses of $716,011 for the quarter ended September 30, 2014 ($751,053 in 2013), a loss of $2,567,124 for the nine months ended September 30, 2014 ($3,415,003 in 2013) and has a net loss of $716,011 ($749,031 in 2013) for the three months ending September 30, 2014 and a net loss of $2,436,236 for the nine months ending September 30, 2014. The Company's ability to continue as a going concern is dependent on the profitable commercialization of its products or obtaining additional debt or equity financing to fund ongoing operations until profitability is achieved.

At September 30, 2014, the Company held cash, accounts receivables and sales taxes receivable of $92,040. Verisante has since raised an additional $350,000 in a private placement financing and expects these funds to be able to sustain operations until additional financing can be achieved. However given the Company's limited operating history, it is difficult to predict how the business will develop or its future operating results. There is no certainty of future profitability, and results of operations in future periods cannot be predicted based on results of operations in past periods. Generally, the securities of the Company should be considered a speculative investment.

Verisante is subject to risks and uncertainties associated with operation in the medical device industry and as a company engaged in development, regulatory, production and commercialization activity. The Company cannot anticipate or prevent all of the potential risks to its success, nor predict the impact of any such risk. To the extent possible, management implements strategies aimed at reducing or mitigating risks and uncertainties associated with its business.

Operating risks related to the Company and its business include, but are not limited to:

- Market acceptance of the Company's technology and products;
- The Company's ability to obtain and enforce timely patent protection of its technology and products;
- The Company's ability to develop, manufacture and commercialize its products competitively and cost effectively and according to regulatory standards of a variety of jurisdictions;
- The Company's ability to manage its competitive environment and impact of technological change and/or product obsolescence;
- The Company's ability to continue to raise capital to finance operations;
- The Company's ability to obtain regulatory approvals for its products;
- The Company's ability to attract and retain key personnel, effectively manage growth, and successfully integrate newly acquired businesses or technologies;
- The volatility of the Company's share price;
- Fluctuations in quarterly financial results;

- Unanticipated expenses or changes in business strategy;
- The impact of negative publicity;
- The impact of acts of god or other unforeseeable events, natural or human-caused which may cause interruptions, delays, shutdowns or damage at manufacturing facilities; and
- The dependence on suppliers to deliver components in a timely manner which may impair manufacturing or impact product sales.

Q3 HIGHLIGHTS AND EVENTS

During the quarter ended September 30, 2014, the Company achieved the following:

- Welcomed two distinguished United States based dermatologists to the Company's advisory Board in preparation for filing for approval to market and sell Aura™ in the US;
- Presented at the 2nd Global Life Sciences Conference in Warsaw;
- Announced a change in Directors;

STRATEGIC UPDATE AND SUBSEQUENT EVENTS

Subsequent to September 30, 2014, Verisante renegotiated a Letter of Intent between the Company and strategic partner in the People's Republic of China, which terms were previously announced on June 25, 2014.

Under the terms of the new Letter of Intent, Verisante will enter into a Definitive Agreement to sublicense the world-wide rights to develop and commercialize the Core™ Raman technology with the ClearVu™ endoscopic camera system for the detection of lung cancer, and the China marketing rights for other Core™ series products (subject to existing agreements) into an LLC Company in China (the "LLC").

Verisante will receive a 30% equity stake in the LLC, and the parties agree to list the LLC onto the Chinese OTC market as soon as the LLC meets listing standards, with the longer term goal of upgrading the LLC onto the ChiNext Tire of the Shenzhen Stock Exchange.

The Company also announced it has submitted documents to the FDA to begin the process of FDA regulatory approval or clearance to sell Aura™ in the United States, completed a private placement of $350,000 and presented at the 2nd Emerging Medical Technologies Summit in San Francisco.

SELECTED QUARTERLY FINANCIAL INFORMATION

This section analyzes any significant changes in the quarterly financial statements of the Company.

There are a number of factors contributing to quarterly variations between the comparative periods disclosed in Table 1 below, the most significant of which is that the Company began manufacturing operations and recognizing revenues from the first sales of Aura™, its skin cancer detection device. Prior to December 2012, the Company was largely in the transitioning phase from pure development to transfer to manufacturing.

Additional explanations for certain significant changes in the table below are as follows:

- Increase in general and administrative expenses in the quarterly periods in 2013 were largely due to an increase manufacturing operations, which resulted in hiring additional manufacturing personnel, leasing additional office and warehouse space and increases in Regulatory Affairs and Quality Assurance expenses. The Company is looking to decrease general and administrative costs going forward by consolidating operations to focus on revenue generating activities.

- During the quarterly periods in 2013 losses for each quarter increased as a result of the increased operating expenses

- During the quarter ending June 30, 2013 the Company began recognizing revenues from sales for the first time since the Company's inception.

The unaudited financial statements and the accompanying notes for the three and nine month period ended September 30, 2014 (the "Financial Statements") are incorporated by reference herein and form an integral part of Management's Discussion and Analysis. The Financial Statements can be found on www.sedar.com. All financial information is reported in Canadian dollars unless otherwise noted.

Table 1 presents two years of comparative selected quarterly results.

Selected Quarterly Results

Table 1	Q3 '14 $	Q2 '14 $	Q1 14 $	Q4 13 $	Q3 13 $	Q2 13 $	Q1 13 $	Q4 '12 $
	(IFRS)	*(IFRS)*	*(IFRS)*	*(IFRS)*	*(IFRS)*	*(IFRS)*	*(IFRS)*	*(IFRS)*
Revenue	-	27,500	40,000	(78,000)	440,300	178,000	235,000	-
Research & development	8,978	19,358	11,076	45,310	8,227	19,134	35,903	51,534
Deferred Research & development	42,439	7,742	171,768	176,532	(47,645)	298,045	637,057	309,951
General & administrative	377,051	462,522	600,212	765,404	651,735	811,783	751,465	745,612
Loss for the period	717,927	678,733	1,041,236	1,830,646	749,031	1,139,845	1,176,590	1,355,842
Loss per share	0.01	0.01	0.01	0.02	0.01	0.02	0.02	0.02
Working capital	(49,455)	363,167	649,744	963,910	1,768,093	2,181,546	2,042,669	2,052,321
Total assets	4,684,405	5,130,401	5,150,479	5,438,866	6,112,505	6,646,301	6,831,065	6,826,346
Long-term liabilities	-	-	-	-	-	-	-	-
Capital stock	16,715,460	16,715,460	16,415,460	16,054,743	15,379,414	15,378,386	14,376,353	12,357,722
Shares outstanding	83,698	83,698	81,698	78,624	72,952	72,952	70,047	66,572

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Revenues

Revenues are from the direct sale of an Aura™ device. The Company normally recognizes revenue when units are shipped, however, as a result of challenges in collecting on some accounts receivables, the Company now recognizes revenue only once the substantial risk of collecting has been minimized. The Company will also require certain customers to pay a deposit or make payment in full on any future orders before devices are shipped.

The terms of sale of Aura™ devices is EXWorks the Company's manufacturing warehouse and payment terms of net 30 days. The revenues above represent the sale of one VRS research unit and the rental of one Aura™ device.

Expenses

Total expenses for the three months ended September 30, 2014 was $724,505 as compared to $1,003,390 for the same period in 2013. Expenses for the nine months ended September 30, 2014 was $2,436,236, compared to $3,415,003 for the same period 2013, representing a decrease of $978,767, or 29%. The decrease in expenses for the nine months ending September 30from 2014 to 2013 is mainly attributed to a substantial decrease in general and administrative expenses.

Salaries decreased by $150,195, or 20%, over the nine months ending September 30, 2014 ($605,960) as compared to the same period in 2013 ($756,155). Professional Fees (which include Investor Relations fees) decreased by $244,591, or 38% over the nine months ending September 30, 2014 as compared to the same period in 2013. Audit and accounting fees increased marginally (by $2,580) during the nine months ending September 30, 2014 as compared to the same period in 2013.

In connection with the Company's consolidation of operations, engineering and manufacturing space, rent decreased by $52,041 in the nine month period ending September 30, 2014 over 2013.

Table 2 details general and administrative costs as presented in Table 1.

General and Administrative

Table 2	**September 30, 2014 (IFRS) $**	**September 30, 2013 (IFRS) $**
Salaries	605,960	756,155
Professional and investor relations fees	401,738	646,329
Legal fees	3,160	6,598
Audit and accounting fees	21,375	18,795
Travel	53,015	120,158
Rent	77,833	129,874
Promotional costs	82,123	160,721

Regulatory and quality assurance	100,455	146,269
General office	179,426	230,084
Total	1,525,085	2,214,983

Royalties

The Company accrued $40,329 in royalties under the Licensing Agreement with the BC Cancer Agency during the three months ended September 30, 2014, compared to $37,261 in 2013. As the Company begins generating significant sales from Aura™ devices, it expects royalty payments increase significantly.

Intangible assets

Intangible assets are stated at cost less accumulated amortization and are comprised of licenses, patents and acquired technology. Acquired technology consists of the cost of filing patents for in-house developed technology. Licenses include licenses or agreements that the Company has negotiated with third parties for use of third parties' technology.

Patents comprise trademarks, internally developed patents, as well as individual patents or portfolios of patents acquired from third parties. Costs capitalized and subsequently amortized include all costs necessary to acquire intellectual property, such as patents and trademarks, as well as legal defense costs arising out of the assertion of any Company-owned patents.

Intangible assets are amortized as follows:

Acquired technology	Straight-line over 2 to 5 years except for acquired in-process research and development costs which is expensed immediately as research and development
Licenses	Straight line over the life of the license (ranging 5 to 17 years)
Patents	Straight-line over 17 years or over estimated useful life

Share capital

The Company's authorized capital includes an unlimited number of common shares; an unlimited number of Class A preferred shares, and an unlimited number of Class B preferred shares.

As of September 30, 2014 the Company had 83,698,117 common shares outstanding and no preferred shares outstanding.

Stock based compensation

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 10% of the total

issued and outstanding shares 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 year 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 year	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	4,614,570	0.37

Amounts receivable

These are accounts receivable and amounts due incurred in the regular course of business.

Sales taxes receivable

All sales taxes receivable are from GST.

Inventory

When research and development results in a commercially viable product and the Company has undertaken steps to produce products available for sale, such parts and related costs are deferred as inventory. Inventory represents raw materials, work in process and finished goods.

Office facilities and equipment

The Company deferred costs in relation to computers, software and the development of research and development equipment.

Accounts payable and accrued liabilities

All accounts payable are trade payables incurred in the normal course of business.

Contributed surplus

Contributed surplus represents the cumulative cost of contributed services, options issued and not exercised, warrants issued for services and not exercised, and share based payment award.

Liquidity and Capital Resources

The Company finances it operations and capital expenditures through equity financings. At September 30, 2014, the Company had cash, accounts receivables and sales taxes receivable of $92,040.

At September 30, 2014, the Company had a working capital deficiency of $49,455 compared to a working capital of $963,910 at December 31, 2013.

Cash used in operations was $1,105,783 for the nine months ended September 30, 2014, as compared to $2,887,048 for the same period in 2013. The decrease in cash usage in 2014 as compared to 2013 is primarily the result of the Company's efforts to streamline and consolidate operations, minimize expenses and there was no purchasing for inventory in 2014.

Net cash provided used in investing activities was $221,949 for the nine months ended September 30, 2014 as compared to net cash provided by investing activities of $116,366 for the same period in 2013. At September 30, 2014, the Company held $3,290,854 in intangible assets and deferred development costs as compared to $3,683,327 at December 31, 2013.

Net cash provided by financing activities was $820,655 for the nine months ended September 30, 2014, compared to cash provided of $2,438,164 for the same period in 2013. The cash from financing activities in 2014 is attributable proceeds from the issuance of common shares and the exercise of warrants while the cash from financing activities in 2013 was from proceeds from the issuance of common shares, and from warrant and stock option exercises.

Financing and Cash Flow

As Verisante continues to have negative operating cash flow, it may be necessary for the Company to raise additional equity or debt if it cannot achieve positive cash flow. There is no assurance that the additional equity or debt will be available on terms acceptable to the Company.

Commitments, Long-term Liabilities and Other Transactions

The Company has no long-term debt commitments, capital lease obligations, purchase obligations or off–balance sheet transactions.

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.

Proposed Transactions

The Company is not party to any transaction requiring additional disclosure.

Controls and Procedures

Disclosure of Controls and Procedures

Disclosure controls and procedures are designed to provide reasonable assurance that all relevant information is gathered and reported on a timely basis to senior management, so that appropriate decisions can be made regarding public disclosure. As at the end of the period covered by this MD&A, management evaluated the effectiveness of the Company's disclosure controls and procedures as required by Canadian securities law.

Based on that evaluation, management has concluded that, as of the end of the period covered by this MD&A, the disclosure controls and procedures were designed to provide reasonable assurance that information required to be disclosed in the Company's annual filings and interim filings (as such terms are defined under Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings) and other reports filed or submitted under Canadian securities laws is recorded, processed, summarized and reported within the time periods specified by those laws, and that material information is accumulated and communicated to management as appropriate to allow timely decisions regarding required disclosure. However, as a result of control weaknesses noted below, management has concluded that the disclosure controls are not effective.

Management Control over Financial Reporting

Management of the Company is responsible for designing internal controls over financial reporting, or causing them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with International Financial Reporting Standards.

As a result of the Company's assessment of the design of its internal controls over financial reporting, discussed below, the Company's management has concluded that there is only a remote likelihood that a material misstatement would not be prevented or detected. Management and the board of directors

work to mitigate the risk of a material misstatement in financial reporting; however, there can be no assurance that this risk can be reduced to less than a remote likelihood of a material misstatement.

The Company has identified potential control deficiencies within its accounting and financial function and its financial information systems over segregation of duties. Specifically, certain duties may not be properly segregated due to the small number of individuals employed in this area. However, management has concluded that considering the employees involved and the control procedures in place, including management and Audit Committee oversight, risks associated with such lack of segregation are not significant enough to justify the expense associated with adding a number of employees to clearly segregate duties. Management is aware that in -house expertise to deal with complex taxation, accounting and reporting issues may not be sufficient. The Company utilizes, and will continue to utilize, outside assistance and advice on new accounting pronouncements and complex accounting and reporting issues, which is common with companies of a similar size. In addition, the information technology function is currently handled in-house, but the Company is supported by third party professionals to implement some program changes and system upgrades. Management is of the opinion that none of these control deficiencies has resulted in a material misstatement to the financial statements.

As the Company grows, management plans to further expand the number of individuals involved in the accounting function. At the present time, the Chief Executive Officer, and Chief Financial Officer oversee all material transactions and related accounting records. In addition, the Audit Committee reviews the financial statements and key risks of the Company and queries management about significant transactions on a quarterly basis.

Critical Accounting policies and estimates

The preparation of the consolidated financial statements in conformity with International Financial Reporting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities at the date of the financial statements as well as the reported amount of revenues and expenses and related disclosures of the reporting periods. The reported amounts and note disclosures are determined using management's best estimates based on assumptions that reflect the most probable set of economic conditions and planned course of action. Actual results could differ from those estimates used in the preparation of the financial statements.

Significant judgments made by management in the process of applying accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements include the application of the going concern assessment and the determination of useful lives of patents and licenses.

Significant areas requiring the use of management estimates relate to the assessment for impairment and useful lives of intangible assets, determination of fair value of the warrants and shares issued in relation to a public equity offering, estimation of accrued liabilities and determination of the fair value of share-based compensation. Management believes that the estimates and assumptions are reasonable based upon information available at the time that these estimates and assumptions were made.

The Company's financial statements have been prepared under the assumption that the Company will continue as a going concern 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.

Intangible Assets

The Company's intangible assets are comprised of acquired technology, patents and licenses. The cost of the Company's intangible assets is amortized on a straight-line basis over the estimated useful life ranging from 15 to 17 years. Factors considered in estimating the useful life of intangible assets include the expected use of the asset by the Company, legal, regulatory and contractual provisions that may limit the useful life, and the effects of competition. Costs incurred to establish and maintain patents for intellectual property developed internally are expensed in the period incurred.

The Company reviews the carrying value of long-lived assets for impairment at least annually or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In accordance with IFRS, these evaluations consist of comparing each asset's carrying value with the estimated discounted future net cash flows expected to be generated by the asset. Impairment is considered to exist if the total estimated future discounted cash flows are less than the carrying amount of the assets. The resulting impairment loss is measured and recorded based on the difference between future discounted cash flows and book value. In accordance with IFRS if, subsequent to impairment, an asset's discounted future net cash flows exceeds its book value, the impairment previously recognized can be reversed. However, the asset's book value cannot exceed what its amortized book value would have been had the impairment not been recognized.

Research and Development Costs

Research and development costs are expensed as incurred unless they meet IFRS criteria for deferral and amortization. Costs are assessed to determine if they have met the relevant criteria for deferral and amortization at each reporting date.

Share-based Compensation

The Company uses the fair-value based method of accounting for share-based compensation for all awards of shares and share options granted. Under the fair value based method, share-based awards to employees are measured at the fair value of the equity instrument issued as of the grant date using the Black-Scholes model and estimated forfeitures. The application of this pricing model requires management to estimate several variables, including the period for which the instrument is expected to be outstanding, price volatility of the Company's stock over the relevant timeframe, the determination of a relevant risk free interest rate, assumption regarding the Company's future dividend rate policy and estimate of the number of awards that will vest. Changes in one or more assumptions could materially impact the value derived for these equity instruments.

At each reporting date, the Company reassesses its estimates of the number of awards that are expected to vest and recognizes the impact of any revision in income.

FUTURE ACCOUNTING PRONOUNCEMENTS

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning after January 1, 2012 or later periods.
The following amendments, revisions and new IFRSs that have not been early adopted in these financial statements, will not have an effect on the Company's future results and financial position:

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

ii) IFRS 10, *Consolidated Financial Statements* (Amendments)

iii) IFRS 12, *Disclosure of Interests in Other Entities* (Amendments)

iv) IAS 27, *Separate Financial Statements* (Amendments)

v) IAS 32, *Financial Instruments: Presentation* (Amendments)