



INTERIM FINANCIAL STATEMENTS

March 31, 2015

NOTICE OF NO AUDITOR REVIEW OF INTERIM 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 financial statements they must be accompanied by a notice indicating that these interim financial statements have not been reviewed by an auditor.

The accompanying unaudited interim 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 Statements of Financial Position
(Unaudited – Prepared by Management)
(expressed in Canadian dollars unless otherwise stated)

	March 31, 2015 \$	December 31, 2014 \$
ASSETS		
Current		
Cash	8,537	339,611
Inventory (Note 4)	1,006,173	1,049,863
Prepaid expenses	246,533	253,697
Sales taxes receivable	65,960	62,609
	1,327,203	1,705,780
Intangible assets and deferred development costs (Note 5)	2,707,672	2,988,244
Office facilities and equipment (Note 6)	17,199	24,351
Total Assets	4,052,074	4,718,375
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 7)	1,584,250	1,551,571
Total Liabilities	1,584,250	1,551,571
SHAREHOLDERS' EQUITY		
Share capital (Note 8)	17,360,460	17,010,460
Contributed surplus	2,462,864	2,462,864
Warrants	2,324,438	2,324,438
Subscriptions received	–	350,000
Deficit	(19,679,938)	(18,980,958)
Total Shareholders' Equity	2,467,824	3,166,804
Total Liabilities and Shareholders' Equity	4,052,074	4,718,375

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 financial statements

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

	Three Months Ended March 31, 2015 \$	Three Months Ended March 31, 2014 \$
Revenue	–	40,000
Cost of sales	–	(22,450)
Gross Profit	–	17,550
Expenses		
Amortization (Notes 5 and 6)	274,183	281,089
General and administrative (Note 7)	253,726	685,513
Regulatory and trustee fees	9,688	8,878
Research and development	6,166	11,076
Royalties	39,452	39,452
Stock based compensation (Note 9)	–	29,686
Warranty expense	24,514	–
Total Expenses	607,729	1,055,694
Loss from Operations	(607,729)	(1,038,144)
Other Income (Expenses)		
Foreign exchange loss	(2,346)	(3,092)
Gain on sale of equipment	400	–
Impairment of intangible assets	(65,004)	–
Write-off of inventory	(24,301)	–
Net Loss and Comprehensive Loss for the Period	(698,980)	(1,041,236)
Basic and Diluted Loss Per Common Share	(0.01)	(0.01)
Weighted Average Number of Common Shares Outstanding	89,322,808	79,137,624

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

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

	Share Capital		Contributed		Shares		Total
	Common	Amount	Surplus	Warrants	Subscribed	Deficit	Shareholders'
	Shares	\$	\$	\$	\$	\$	Equity
Balance, December 31, 2013	78,623,777	16,054,743	2,280,815	2,164,500	–	(15,747,552)	4,752,506
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	–	–	29,686	–	–	–	29,686
Net loss for the period	–	–	–	–	–	(1,041,236)	(1,041,236)
Balance, March 31, 2014	81,698,117	16,415,460	2,310,501	2,324,438	–	(16,788,788)	4,261,611
Balance, December 31, 2014	86,298,117	17,010,460	2,462,864	2,324,438	350,000	(18,980,958)	3,166,804
Shares issued for cash	3,888,889	350,000	–	–	(350,000)	–	–
Net loss for the period	–	–	–	–	–	(698,980)	(698,980)
Balance, March 31, 2015	90,187,006	17,360,460	2,462,864	2,324,438	–	(19,679,938)	2,467,824

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

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

	Three Months Ended March 31, 2015 \$	Three Months Ended March 31, 2014 \$
Cash Flows Used In Operating Activities		
Net loss for the period	(698,980)	(1,041,236)
Non-cash expenses:		
Amortization	274,183	281,089
Impairment of intangible assets	65,003	–
Stock based compensation	–	29,686
Write-off of inventory	24,301	–
Changes in operating assets and liabilities:		
Amounts receivable	–	51,965
Prepaid expenses	7,164	(205,854)
Sales taxes receivable	(3,351)	(15,192)
Inventory	19,389	(15,235)
Accounts payable and accrued liabilities	34,573	269,916
Net Cash Used in Operating Activities	(277,718)	(644,861)
Cash Flows Used In Investing Activities		
Deferred development costs	(53,356)	(171,768)
Net Cash Used in Investing Activities	(53,356)	(171,768)
Cash Flows Provided By Financing Activities		
Proceeds from subscription of common shares	–	495,635
Proceeds from the exercise of warrants	–	33,180
Share issuance costs	–	(8,160)
Net Cash Provided by Financing Activities	–	520,655
Decrease In Cash	(331,074)	(295,974)
Cash – Beginning of Period	339,611	455,422
Cash – End of Period	8,537	159,448
Supplemental Disclosures:		
Interest paid	–	–
Income tax paid	–	–

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

Notes to the Interim Financial Statements
March 31, 2015
(Unaudited – Prepared by Management)
(expressed in Canadian dollars unless otherwise stated)
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 140 – 2639 Viking Way, Richmond, British Columbia, Canada, V6V 3B7.

The financial statements were authorized for issue by the Board of Directors on May 29, 2015.

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, 2014, 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, 2014.

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.

Going concern of operations

The Company prepares its financial statements 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 is not generating enough revenue from operations to cover the operating expenses. The Company incurred a net loss of \$698,980 during the three months ended March 31, 2015, and, as of that date the Company's accumulated deficit was \$19,679,938. However, the Company has sufficient cash resources and funding obligations to meet its obligations for at least 2 months from the end of the reporting quarter, and the Company is in the process of negotiating additional funding.

Notes to the Interim Financial Statements
March 31, 2015
(Unaudited – Prepared by Management)
(expressed in Canadian dollars unless otherwise stated)
2 Basis of presentation (continued)
Going concern of operations (continued)

As the Company is a startup stage, the recoverability of the operations costs incurred to date is dependent upon the obtaining of 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, 2015 or later periods.

The following new IFRSs that have not been early adopted in these financial statements will not have a material effect on the Company's future results and financial position:

- i) IFRS 9, *Financial Instruments* (New; to replace IAS 39 and IFRIC 9)
- ii) Annual Improvements to IFRSs 2012 – 2014 Cycle, including IFRS 7, *Financial Instruments: Disclosures* and IAS 34, *Interim Financial Reporting*

Other accounting standards or amendments to existing accounting standards that have been issued but have future effective dates are either not applicable or are not expected to have a significant impact on the Company's financial statements.

4 Inventory

At March 31, 2015, the Company held \$1,006,173 (December 31, 2014 - \$1,049,863) in inventory, consisting of \$658,042 (December 31, 2014 - \$653,130) in raw materials and \$348,131 (December 31, 2014 - \$396,733) 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, 2014	5,785,446	59,097	5,844,543
Development costs for the period	51,462	–	51,462
Balance at March 31, 2015	5,836,908	59,097	5,896,005
Depreciation and impairment losses			
Balance at December 31, 2014	2,843,816	12,483	2,856,299
Impairment	65,003	–	65,003
Depreciation for the period	266,162	869	267,031
Balance at March 31, 2015	3,174,981	13,352	3,188,333
Carrying amounts			
Balance at December 31, 2014	2,941,630	46,614	2,988,244
Balance at March 31, 2015	2,661,927	45,745	2,707,672

Notes to the Interim Financial Statements
March 31, 2015
(Unaudited – Prepared by Management)
(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, 2014	36,347	35,174	33,006	47,558	140,718	292,803
Additions	–	–	–	–	–	–
Balance at March 31, 2015	36,347	35,174	33,006	47,558	140,718	292,803
Depreciation and impairment losses						
Balance at December 31, 2014	30,428	22,522	29,973	44,811	140,718	268,452
Depreciation for the period	1,338	3,796	675	1,343	–	7,152
Balance at March 31, 2015	31,766	26,318	30,648	46,154	140,718	275,604
Carrying amounts						
Balance at December 31, 2014	5,919	12,652	3,033	2,747	–	24,351
Balance at March 31, 2015	4,581	8,856	2,358	1,404	–	17,199

7 Related party transactions

At March 31, 2015, the Company is indebted to the Chief Executive Officer (“CEO”) of the Company for \$229,167 (December 31, 2014 - \$187,500) for accrued salary. The balance has been included in accounts payable and accrued liabilities, is unsecured, non interest-bearing and due on demand.

At March 31, 2015, the Company is indebted to the Chief Financial Officer (“CFO”) of the Company for \$110,207 (December 31, 2014 - \$88,166) for accrued salary. The balance has been included in accounts payable and accrued liabilities, is unsecured, non interest-bearing and due on demand.

During the three months ended March 31, 2015, the Company incurred salary and bonuses of \$62,500 (2014 - \$62,500) to the CEO of the Company and \$33,062 (2014 - \$33,062) to the CFO of the Company.

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 three months ended March 31, 2015:

- On January 20, 2015, the Company completed a private placement of 3,888,889 shares at a price of \$0.09 per share for gross proceeds of \$350,000, which was included in subscriptions received at December 31, 2014.

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.

Notes to the Interim Financial Statements
March 31, 2015
(Unaudited – Prepared by Management)
(expressed in Canadian dollars unless otherwise stated)
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 March 31, 2015, and December 31, 2014, and the changes for the periods then ended:

	March 31, 2015		December 31, 2014	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Options outstanding – Beginning of period	5,264,570	0.36	4,689,570	0.36
Granted	–	–	1,825,000	0.15
Cancelled / Expired	(1,010,000)	0.34	(1,250,000)	0.36
Options outstanding – End of period	4,254,570	0.28	5,264,570	0.29
Options exercisable – End of period	4,254,570	0.28	5,264,570	0.29

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

The following table summarizes information about stock options outstanding and exercisable at March 31, 2015:

Range of Exercise Prices \$	Options outstanding	Options Exercisable	Weighted average remaining contracted life (years)
0.12 – 0.25	2,565,000	2,565,000	2.92
0.26 – 0.30	785,000	785,000	0.46
0.52 – 0.75	904,570	904,570	2.31
	4,254,570	4,254,570	2.34

Stock-based compensation expense is determined using the Black-Scholes option pricing model. During the year ended March 31, 2015, the Company recognized stock-based compensation expense of \$nil (2014 - \$29,686) in contributed surplus, which will be applied to share capital upon exercise. The weighted average fair value of the options granted during the three months ended March 31, 2015, was \$nil (2014 - \$0.11). Weighted average assumptions used in calculating the fair value of stock-based compensation expense are as follows:

	2015	2014
Risk-free rate	–	1.21%
Dividend yield	–	0%
Volatility factor of the expected market price of the Company's common shares	–	94%
Weighted average expected life of the options (years)	–	3.54

There were no stock options exercised during the three months ended March 31, 2014 or 2015.

Notes to the Interim Financial Statements
March 31, 2015
(Unaudited – Prepared by Management)
(expressed in Canadian dollars unless otherwise stated)
9 Stock options and warrants (continued)
Share purchase warrants

The following table summarizes information about the warrants at March 31, 2015, and December 31, 2014, and the changes for the period then ended:

	March 31, 2015		December 31, 2014	
	Number of warrants	Weighted average exercise price \$	Number of warrants	Weighted average exercise price \$
Warrants outstanding – Beginning of period	12,973,399	0.32	10,168,739	0.34
Issued	–	–	2,963,500	0.25
Exercised	–	–	(158,840)	0.21
Warrants outstanding – End of period	12,973,399	0.32	12,973,399	0.32

The Company's warrants are exercisable only for common shares. The following table summarizes information about warrants outstanding and exercisable at March 31, 2015:

Exercise Price \$	Expiry date	Warrants outstanding	Weighted average remaining contracted life (years)
0.60	May 17, 2015	2,508,500	0.13
0.25	July 14, 2015	1,554,771	0.29
0.25	November 8, 2015	5,786,628	0.61
0.18	November 16, 2015	60,000	0.63
0.25	March 18, 2016	2,963,500	0.97
0.66	June 1, 2016	100,000	1.17
		12,973,399	0.56

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.

Notes to the Interim Financial Statements
March 31, 2015
(Unaudited – Prepared by Management)
(expressed in Canadian dollars unless otherwise stated)
11 Commitments and contingent liabilities

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).

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 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.

Notes to the Interim Financial Statements
March 31, 2015
(Unaudited – Prepared by Management)
(expressed in Canadian dollars unless otherwise stated)
11 Commitments and contingent liabilities (continued)
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 financial statements.

At March 31, 2015, the Company is involved in a lawsuit with RWTH Aachen University over a dispute with a licensing agreement, in which RWTH Aachen was awarded summary judgment of \$73,651 (Euro 54,063). This amount has been included in accounts payable and accrued liabilities at March 31, 2015. The Company anticipates it will be able to settle the judgment equitably in due course, and does not believe the amount will have a material impact on the Company's operations.

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 March 31, 2015, as follows:

	Fair Value Measurements Using			Balance, March 31, 2015
	Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
	\$	\$	\$	\$
Cash	8,537	–	–	8,537
	8,537	–	–	8,537

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

Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash, 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 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 also has vendors which charge fees in Canadian and U.S. 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.