verisānte™

INTERIM FINANCIAL STATEMENTS

June 30, 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)

	June 30, 2015 $	December 31, 2014 $
ASSETS		
Current		
Cash	**91,164**	339,611
Inventory (Note 4)	**974,435**	1,049,863
Prepaid expenses	**256,335**	253,697
Sales taxes receivable	**14,855**	62,609
	1,336,789	1,705,780
Intangible assets and deferred development costs (Note 5)	**2,596,272**	2,988,244
Office facilities and equipment (Note 6)	**10,759**	24,351
Total Assets	**3,943,820**	4,718,375
LIABILITIES		
Current		
Accounts payable and accrued liabilities (Note 7)	**1,543,032**	1,551,571
Loan payable	**145,567**	–
Total Liabilities	**1,688,599**	1,551,571
SHAREHOLDERS' EQUITY		
Share capital (Note 9)	**17,422,124**	17,010,460
Contributed surplus	**2,462,864**	2,462,864
Warrants	**2,452,305**	2,324,438
Subscriptions received	**–**	350,000
Deficit	**(20,082,072)**	(18,980,958)
Total Shareholders' Equity	**2,255,221**	3,166,804
Total Liabilities and Shareholders' Equity	**3,943,820**	4,718,375

Commitments and contingent liabilities (Note 12)
Subsequent event (Note 14)

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 June 30, 2015 $	Three Months Ended June 30, 2014 $	**Six Months Ended June 30, 2015 $**	Six Months Ended June 30, 2014 $
Revenue	**76,179**	112,800	**76,179**	152,800
Cost of sales	**(32,986)**	(7,956)	**(32,986)**	(30,406)
Gross Profit	**43,193**	104,844	**43,193**	122,394
Expenses				
Amortization (Notes 5 and 6)	**276,804**	289,717	**550,987**	570,807
Bad debt expense recovery	**–**	(53,808)	**–**	(53,808)
General and administrative (Note 7)	**250,823**	462,522	**504,549**	1,148,034
Regulatory and trustee fees	**7,905**	20,668	**17,593**	29,546
Research and development	**251**	19,358	**6,417**	30,434
Royalties	**36,383**	42,959	**75,835**	82,411
Stock based compensation (Note 10)	**–**	5,509	**–**	35,195
Warranty expense	**–**	–	**24,514**	–
Total Expenses	**572,166**	786,925	**1,179,895**	1,842,619
Loss from Operations	**(528,973)**	(682,081)	**(1,136,702)**	(1,720,225)
Other Income (Expenses)				
Financing costs (Note 8)	**(14,858)**	–	**(14,858)**	–
Foreign exchange (loss) gain	**(8,659)**	3,348	**(11,005)**	256
Forgiveness of debt (Note 12)	**150,356**	–	**150,356**	–
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	**(402,134)**	(678,733)	**(1,101,114)**	(1,719,969)
Basic and Diluted Loss Per Common Share	**(0.00)**	(0.01)	**(0.01)**	(0.02)
Weighted Average Number of Common Shares Outstanding	**90,452,151**	81,700,315	**89,890,600**	80,431,574

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						
	Common Shares	Amount	Contributed Surplus	Warrants	Shares Subscribed	Deficit	Total Shareholders' Equity
		$	$	$	$	$	$
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	–	–	35,194	–	–	–	35,194
Net loss for the period	–	–	–	–	–	(1,719,969)	(1,719,969)
Balance, June 30, 2014	**83,698,117**	**16,715,460**	**2,316,009**	**2,324,438**	**–**	**(17,467,521)**	**3,888,386**
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)	–	–
Shares issued for settlement of debt	402,137	61,664	–	–	–	–	61,664
Fair value of warrants issued pursuant to restated license agreement	–	–	–	113,009	–	–	113,009
Fair value of warrants issued for financing costs	–	–	–	14,858	–	–	14,858
Net loss for the period	–	–	–	–	–	(1,101,114)	(1,101,114)
Balance, June 30, 2015	**90,589,143**	**17,422,124**	**2,462,864**	**2,452,305**	**–**	**(20,082,072)**	**2,255,221**

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)

	Six Months Ended June 30, 2015 $	Six Months Ended June 30, 2014 $
Cash Flows Used In Operating Activities		
Net loss for the period	**(1,101,114)**	(1,719,969)
Non-cash expenses:		
Amortization	**550,986**	570,807
Impairment of intangible assets	**65,004**	–
Stock based compensation	**–**	35,194
Write-off of inventory	**24,301**	–
Financing costs	**14,858**	–
Forgiveness of debt	**150,356**	–
Changes in operating assets and liabilities:		
Amounts receivable	**–**	(6,200)
Prepaid expenses	**(2,638)**	(210,398)
Sales taxes receivable	**47,754**	155,454
Inventory	**51,127**	(87,146)
Accounts payable and accrued liabilities	**(100,607)**	427,735
Net Cash Used in Operating Activities	**(299,973)**	(834,523)
Cash Flows Used In Investing Activities		
Deferred development costs	**(94,041)**	(179,510)
Net Cash Used in Investing Activities	**(94,041)**	(179,510)
Cash Flows Provided By Financing Activities		
Proceeds received from loans payable	**145,567**	–
Proceeds from subscription of common shares	**–**	795,635
Proceeds from the exercise of warrants	**–**	33,180
Share issuance costs	**–**	(8,160)
Net Cash Provided by Financing Activities	**145,567**	820,655
Decrease In Cash	**(248,447)**	(193,378)
Cash – Beginning of Period	**339,611**	455,422
Cash – End of Period	**91,164**	262,044
Supplemental Disclosures:		
Interest paid	**–**	–
Income tax paid	**–**	–

The accompanying notes are an integral part of these interim 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 140 – 2639 Viking Way, Richmond, British Columbia, Canada, V6V 3B7.

The financial statements were authorized for issue by the Board of Directors on August 31, 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 $1,101,114 during the six months ended June 30, 2015, and, as of that date the Company's accumulated deficit was $20,082,072. However, the Company has sufficient cash resources and funding obligations to meet its obligations for at least 3 months from the end of the reporting period but the Company is in the process of negotiating additional funding.

(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, IFRIC 9 and earlier versions of IFRS 9).

ii) IAS 1, *Presentation of Financial Statements* (amended).

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 June 30, 2015, the Company held $974,435 (December 31, 2014 - $1,049,863) in inventory, consisting of $685,680 (December 31, 2014 - $653,130) in raw materials and $288,755 (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	210,426	–	210,426
Balance at June 30, 2015	5,995,872	59,097	6,054,969
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	535,657	1,738	537,395
Balance at June 30, 2015	3,444,476	14,221	3,458,697
Carrying amounts			
Balance at December 31, 2014	2,941,630	46,614	2,988,244
Balance at June 30, 2015	2,551,396	44,876	2,596,272

(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 June 30, 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	2,312	7,591	1,349	2,340	–	13,592
Balance at June 30, 2015	32,740	30,113	31,322	47,151	140,718	282,044
Carrying amounts						
Balance at December 31, 2014	5,919	12,652	3,033	2,747	–	24,351
Balance at June 30, 2015	3,607	5,061	1,684	407	–	10,759

7 *Related party transactions*

At June 30, 2015, the Company is indebted to the Chief Executive Officer (“CEO”) of the Company for $281,250 (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 June 30, 2015, the Company is indebted to the Chief Financial Officer (“CFO”) of the Company for $132,249 (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 six months ended June 30, 2015, the Company incurred salary and bonuses of $125,000 (2014 - $125,000) to the CEO of the Company and $66,125 (2014 - $66,125) to the CFO of the Company.

8 *Loan payable*

On May 12, 2015, the Company entered into a Loan Agreement with a non-related third party for $145,567, which is unsecured, non-interest bearing and due 6 months from the date of receipt of funds. If the loan is not paid by the due date, the loan shall bear interest at 10%, paid quarterly. Pursuant to the loan, the Company issued 300,000 share purchase warrants with an exercise price of $0.13 and a term of 3 years from the closing date. At May 12, 2015, the warrants had a fair value of $14,858, determined using the Black-scholes option pricing model, and have been recognized as financing costs on the statement of comprehensive loss.

9 *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 six months ended June 30, 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.
- On May 1, 2015, the Company issued 402,137 shares for settlement of debt of $61,664.

(expressed in Canadian dollars unless otherwise stated)

9 Share Capital (continued)

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.

10 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 June 30, 2015, and December 31, 2014, and the changes for the periods then ended:

	June 30, 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 June 30, 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	2.67
0.26 – 0.30	785,000	785,000	0.21
0.52 – 0.75	904,570	904,570	2.06
	4,254,570	4,254,570	2.09

Stock-based compensation expense is determined using the Black-Scholes option pricing model. During the six months ended June 30, 2015, the Company recognized stock-based compensation expense of $nil (2014 - $35,194) in contributed surplus, which will be applied to share capital upon exercise. The weighted average fair value of the options granted during the six months ended June 30, 2015, was $nil (2014 - $0.12). Weighted average assumptions used in calculating the fair value of stock-based compensation expense are as follows:

	2015	2014
Risk-free rate	–	1.31%
Dividend yield	–	0%
Volatility factor of the expected market price of the Company's common shares	–	95%
Weighted average expected life of the options (years)	–	4.02

There were no stock options exercised during the six months ended June 30, 2014 or 2015.

(expressed in Canadian dollars unless otherwise stated)

10 Stock options and warrants (continued)

Share purchase warrants

The following table summarizes information about the warrants at June 30, 2015, and December 31, 2014, and the changes for the period then ended:

	June 30, 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	2,054,771	0.10	2,963,500	0.25
Exercised	–	–	(158,840)	0.21
Expired	(2,508,500)	0.60	–	–
Cancelled	(1,614,771)	0.25		
Warrants outstanding – End of period	10,904,899	0.22	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 June 30, 2015:

Exercise price $	Expiry date	Warrants outstanding	Weighted average remaining contracted life (years)
0.25	November 8, 2015	5,786,628	0.36
0.25	March 18, 2016	2,963,500	0.72
0.66	June 1, 2016	100,000	0.92
0.13	May 12, 2018	300,000	2.87
0.10	June 21, 2020	1,754,771	4.98
		10,904,899	1.27

11 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.

(expressed in Canadian dollars unless otherwise stated)

12 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 22, 2015, the Company terminated the Licensing Agreement and entered into an Amended and Restated Licensing Agreement with the BCCA ("Restated Agreement"). Pursuant to the Restated Agreement, the Company will pay BCCA a royalty of 2.5% of revenue and 50% of the sublicensing revenue ("Earned Royalties"). In addition, with a deemed start date of June 17, 2014, the minimum annual royalty was amended to equal the Earned Royalties during the first three years of the agreement, to equal the greater of $12,500 or the Earned Royalties after the fourth year, to equal the greater of $25,000 or the Earned Royalties after the fifth year, and to equal the greater of $50,000 or the Earned Royalties after the sixth year and after. In addition, BCCA agreed to waive $150,356 of accrued royalties due under the original Licensing Agreement, which has been recognized as a forgiveness of debt on the statement of comprehensive loss. The Company also cancelled 1,614,771 warrants originally received by BCCA pursuant to the Licensing Agreement, and re-issued 1,754,771 warrants with an exercise price of $0.10 per share, exercisable for a term of 5 years from the date of the agreement. The Company recognized the fair value of $113,009 as intangible assets, representing the excess of the fair value of the new warrants over the fair value of the old warrants valued immediately before the cancellation date. The term of the agreement is the later of June 17, 2034 or the expiry of the last patent licensed under the agreement.

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.

12 Commitments and contingent liabilities (continued)

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.

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 June 30, 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 $75,208 (Euro 54,063). This amount has been included in accounts payable and accrued liabilities at June 30, 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.

13 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 June 30, 2015, 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, June 30, 2015 $
Cash	91,164	–	–	91,164
	91,164	–	–	91,164

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.

13 *Financial instruments (continued)*

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.

14 *Subsequent event*

On July 9, 2015, the Company completed a private placement of 916,745 shares at $0.11 per share for proceeds of $100,842.