PYNG MEDICAL

Saving Lives in Seconds™

Report for the Three and Nine Months Ended June 30, 2015 and 2014

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PYNG MEDICAL CORP.

CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

For the Three and Nine Months Ended June 30, 2015 and 2014

NOTICE TO READER

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

The accompanying unaudited interim financial statements of Pyng Medical Corp. have been prepared by, and are the responsibility of, the Company's management. The accompanying unaudited interim financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB").

Pyng Medical Corp.'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.

PYNG MEDICAL CORP.

Condensed Interim Consolidated Statements of Financial Position

As at June 30, 2015 and September 30, 2014
(Expressed in Canadian Dollars)

ASSETS		June 30 2015		September 30 2014
Current				
Cash	$	**473,109**	$	153,224
Accounts receivable		**752,455**		469,339
Other receivable (Note 8)		**38,968**		12,889
Inventories (Note 9)		**987,627**		1,099,997
Prepaid expenses		**13,194**		70,201
Total current assets		**2,265,353**		1,805,650
Non-current				
Property and equipment (Note 10)		**61,710**		63,706
Intangible assets (Note 11)		**4,188,026**		4,334,099
Total assets	$	**6,515,089**	$	6,203,455
LIABILITIES				
Current				
Trade payables	$	**1,343,130**	$	845,626
Accrued liabilities		**546,395**		500,213
Loans payable (Note 12)		**597,540**		835,935
Convertible debentures (Note 13)		**513,851**		441,179
Total current liabilities		**3,000,916**		2,622,953
Non-current				
Loans payable (Note 12)		**157,328**		-
Total liabilities		**3,158,244**		2,622,953
EQUITY				
Equity portion of convertible debentures (Note 13)		**30,917**		30,917
Share capital (Note 14 (b))		**9,180,412**		9,180,412
Reserves (Note 14 (d))		**908,131**		878,765
Accumulated deficit		**(6,762,615)**		(6,509,592)
Total equity		**3,356,845**		3,580,502
Total liabilities and equity	$	**6,515,089**	$	6,203,455

Going concern (Note 2 (c))
Commitments (Note 17)
Subsequent events (Note 18)

Approved and authorized for issue on behalf of the Board of Directors on Aug 25, 2015	*"L.J. (Bud) Evans"*	*"Ronald Blanck"*
	Director	Director

See accompanying notes to the consolidated financial statements

PYNG MEDICAL CORP.

Condensed Interim Consolidated Statements of Comprehensive Income (Loss)

For the Three and Nine Months Ended June 30, 2015 and 2014
(Expressed in Canadian Dollars, except number of shares)

	Three Months Ended June 30 2015	Three Months Ended June 30 2014	**Nine Months Ended June 30 2015**	Nine Months Ended June 20 2014
Sales	**$ 1,974,772**	$ 947,772	**$ 5,139,375**	$ 3,951,066
Cost of goods sold	**1,079,672**	454,227	**2,731,985**	2,078,986
Gross margin	**895,100**	493,545	**2,407,390**	1,872,080
Operating expenses				
Research and product development	**39,278**	32,199	**227,452**	109,563
General and administrative	**446,995**	285,482	**1,107,071**	975,509
Sales and marketing	**253,557**	187,679	**689,566**	584,550
Amortization of property and equipment	**4,408**	4,357	**12,768**	13,071
Amortization of intangible assets	**86,432**	141,971	**259,166**	424,134
Royalties	**1,985**	1,877	**4,167**	7,299
	832,655	653,565	**2,300,190**	2,114,126
Income (loss) from operations	**62,445**	(160,020)	**107,200**	(242,046)
Interest expenses	**46,885**	51,160	**138,397**	154,513
Other finance costs	**24,224**	17,160	**72,672**	51,481
Foreign exchange (gain) loss	**(30,746)**	(46,409)	**149,154**	9,346
	40,363	21,911	**360,223**	215,340
Net income (loss) and comprehensive income (loss)	**$ 22,082**	$ (181,931)	**$ (253,023)**	$ (457,386)
Loss per share				
Basic and diluted	**$ 0.001**	$ (0.01)	**$ (0.01)**	$ (0.02)
Weighted average number of shares outstanding				
Basic and diluted	**23,587,496**	23,587,496	**23,587,496**	23,587,496

See accompanying notes to the consolidated financial statements

PYNG MEDICAL CORP.

Condensed Interim Consolidated Statements of Cash Flows

For the Three and Nine Months Ended June 30, 2015 and 2014
(Expressed in Canadian Dollars)

	Three Months Ended June 30 2015	Three Months Ended June 30 2014	Nine Months Ended June 30 2015	Nine Months Ended June 20 2014
Cash provided from (used for)				
Operating activities				
Net income (loss) for the period	**$ 22,082**	$ (181,931)	**$ (253,023)**	$ (457,386)
Items not involving cash				
Amortization of property and equipment	**4,408**	4,357	**12,768**	13,071
Amortization of intangible assets	**86,432**	141,971	**259,166**	424,134
Amortization of deferred financing costs	**16,970**	5,471	**50,910**	16,412
Accreted interest on convertible debentures	**7,254**	11,690	**21,761**	35,069
Stock-based compensation	**16,054**	2,516	**20,643**	6,841
Unrealized foreign exchange (gain) loss	**(54,141)**	(33,003)	**126,552**	31,649
	99,059	(48,929)	**238,777**	69,790
Net change in non-cash working capital items				
Accounts receivable	**(229,634)**	(74,636)	**(235,904)**	246,334
Investment tax credits receivable	**-**	-	**-**	322,073
Other receivable	**(25,798)**	28,011	**(26,079)**	283,731
Inventories	**95,130**	77,507	**244,743**	(225,123)
Prepaid expenses	**47,261**	11,975	**57,007**	25,084
Trade payables and accrued liabilities	**349,213**	22,892	**311,887**	(440,302)
Cash provided from operating activities	**335,231**	16,820	**590,432**	281,587
Financing activities				
Repayment on loans payable	**(85,382)**	(90,604)	**(318,037)**	(124,102)
Proceeds from short-term loans	**-**	-	**87,008**	-
Cash used for financing activities	**(85,382)**	(90,604)	**(231,029)**	(124,102)
Investing activities				
Additions to intangible assets	**(47,482)**	(11,474)	**(49,009)**	(320,672)
Acquisition of property and equipment	**-**	-	**(7,328)**	-
Cash used for investing activities	**(47,482)**	(11,474)	**(56,337)**	(320,672)
Effect of exchange rate changes on cash	**(8,359)**	(2,732)	**16,819**	10,781
Increase (decrease) in cash for the period	**194,008**	(87,992)	**319,885**	(152,405)
Cash, beginning of the period	**279,101**	252,114	**153,224**	316,527
Cash, end of the period	**$ 473,109**	$ 164,122	**$ 473,109**	$ 164,122
Supplemental information				
Interest paid	**44,887**	$ 48,574	**$ 132,721**	$ 148,220

See accompanying notes to the consolidated financial statements

PYNG MEDICAL CORP.

Condensed Interim Consolidated Statements of Changes in Equity

For the Three and Nine Months Ended June 30, 2015 and 2014
(Expressed in Canadian Dollars)

	Share Capital					
	Number of Shares Outstanding	Amount	Reserves	Equtiy Portion of Convertible Debentures	Accumulated Deficit	Total Equity
Balance as of September 30, 2013	16,942,416	8,582,355	677,366	191,825	(5,713,154)	3,738,392
Shares issued for debt	6,645,080	598,057	-	-	-	598,057
Stock-based compensation on options granted			4,326			4,326
Net loss for the period					(457,386)	(457,386)
Balance as of March 31, 2014	23,587,496	9,180,412	681,692	191,825	(6,170,540)	3,883,389
Convertible debentures matured	-	-	191,825	(191,825)	-	-
Convertible debentures amended	-	-	-	30,917	-	30,917
Stock-based compensation on options granted	-	-	5,248	-	-	5,248
Net loss for the period	-	-	-	-	(339,052)	(339,052)
Balance as of September 30, 2014	23,587,496	9,180,412	878,765	30,917	(6,509,592)	3,580,502
Stock-based compensation on options granted			20,642			20,642
Warrants issued with the convertible debt renewal			8,724			8,724
Net loss for the period					(253,023)	(253,023)
Balance as of June 30, 2015	**23,587,496**	**$ 9,180,412**	**$ 908,131**	**$ 30,917**	**$ (6,762,615)**	**$ 3,356,845**

See accompanying notes to the consolidated financial statements

1. CORPORATE INFORMATION

Pyng Medical Corp., (the "Company" or "Pyng") is a public company incorporated under the British Columbia Business Corporations Act. Pyng is a reporting issuer in British Columbia and Alberta and its shares are listed on the TSX Venture Exchange ("TSX-V") under the symbol PYT. The address of the Company's registered office is 595 Burrard Street, Suite 2600, Vancouver, B.C., Canada. and its principal place of business is located at Unit 210, 13480 Crestwood Place, Richmond, B.C., Canada.

Pyng Medical Corp. engineers and markets award-winning trauma and resuscitation products for front-line critical care personnel world-wide. Pyng's product portfolio includes innovative sternal intraosseous (sternal IO) pelvic stabilization and tourniquet devices specifically designed and customized for both the military and civilian markets. With growing markets in North America, Europe and Asia, Pyng develops user-preferred medical devices for use by hospital staff, emergency medical services and military forces worldwide.

2. BASIS OF PREPARATION

a) Statement of Compliance

These condensed interim consolidated financial statements, including comparatives, have been prepared in accordance with International Accounting Standard ("IAS") 34 – Interim Financial Reporting, which do not include all the disclosures in the annual financial statements in accordance with International Financial Reporting Standards ("IFRS"). They should be read in conjunction with the Company's consolidated financial statements for the year ended September 30, 2014. In addition, the consolidated financial statements have been prepared in accordance with the accounting policies set out in Note 3, "Significant Accounting Policies", which are based on IFRS and International Financial Reporting Interpretations Committee ("IFRIC") interpretations. The accounting policies were consistently applied to all years presented.

The financial statements were authorized for issue by the Board of Directors on August 25, 2015.

b) Basis of Measurement

These consolidated financial statements have been prepared on a historical cost basis and presented in Canadian dollars, which is also the Company's functional currency. All values are rounded to the nearest dollar, unless otherwise indicated. In addition, these consolidated financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

c) Going Concern of Operations

As at June 30, 2015, the Company has cash in the amount of $473,109 (September 30, 2014 - $153,224) and working capital deficiency of $735,563 (September 30, 2014 - $817,303). The Company reported a net income of $22,082 and net loss of $253,023 (three and nine months ended June 30, 2014 – net loss of $181,931 and $457,386) for the three and nine months ended June 30, 2015 and, as of that date, the Company's accumulated deficit was $6,762,615 (September 30, 2014 - $6,509,592).

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards applicable to a going concern, which assumes that the Company

2. BASIS OF PREPARATION (Continued)

c) Going Concern of Operation (Continued)

will be able to meet its obligations and continue its operations for the next twelve months.
The Company's ability to continue as a going concern is dependent upon its ability to achieve future profitable operations and to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they become due. The Company is currently pursuing additional debt and equity financing to fund its working capital needs. Management plans to secure the necessary financing through issuance of new debt and equity instruments, or refinancing of the current convertible debt and short-term loans. The outcome of this plan is uncertain and this may cast significant doubt on the ability of the Company to continue as a going concern. There can be no assurance that these initiatives will be successful.

d) Use of Estimates and Judgements

The presentation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and reported amounts of revenues and expenses during the period. Significant areas requiring the use of estimates include the rates of amortization for property and equipment, deferred product development costs and intellectual property rights, impairment of long-lived assets, estimates of accounts payable and accrued liabilities, the assumptions used in the determination of fair value of stock-based payments, and the determination of valuation allowance for deferred income tax assets. These estimates and judgements are further discussed in Note 6.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Consolidation

These consolidated financial statements include the accounts of the parent and its wholly-owned subsidiary, Pyng Medical USA Corp. All material inter-company transactions and balances have been eliminated on consolidation.

b) Cash and Cash Equivalents

Cash includes cash on hand and demand deposits. Cash equivalents comprise short-term, highly liquid investments that are readily convertible to known amounts of cash which are subject to insignificant risk of change and have maturities of three months or less from the date of acquisition, held for the purpose of meeting short-term cash commitments rather than for investing or other purposes. As at June 30, 2015 and September 30, 2014, the Company did not have any cash equivalents.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c) Inventories

Raw materials, work-in-progress and finished goods are measured at the lower of cost and net realizable value. The cost of the inventory is determined on a weighted average basis and includes expenditures incurred in acquiring inventory, production cost and other cost incurred in bringing them to their existing location and condition. In the case of finished goods and work in progress, the cost includes materials, labor and appropriate share of production overhead based on normal operating capacity.

The net realizable value of inventory is generally considered to be the selling price in the ordinary course of business less the estimated costs of completion and estimated costs to make the sale.

The amount of any write-down of inventories to net realizable value and all loss of inventories is recognized as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realizable value, is recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

d) Property and Equipment

Property and equipment are recorded at cost less accumulated amortization and accumulated impairment losses. Cost included expenditures that are directly attributable to the acquisition of the assets.

Property and equipment are amortized from the date of acquisition over the estimated useful lives of the assets at the following annual rates and methods:

Assets	Annual Rate	Basis
Furniture and office equipment	20%	Declining balance
Medical equipment	20%	Declining balance
Computer equipment	30%	Declining balance
Leasehold improvements	30%	Straight-line
Software	100%	Straight-line

Amortization methods, useful lives and residual values are reviewed at each fiscal year end and adjusted if appropriate.

Gains and losses on disposal of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property and are recognized in profit and loss.

e) Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The internally - generated intangible assets are initially recognized if they meet the recognition criteria.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

e) Intangible Assets (Continued)

Subsequent to the initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses.

Intangible assets consist of deferred product development costs, website development costs, patents and intellectual property rights. Research costs are expensed as they are incurred. Product development costs are expensed as incurred except when they meet specific criteria under IFRS for capitalization. Capitalized development costs are amortized when commercial production begins, using the straight-line method over the estimated useful lives of the products (10-15 years).

Website development costs are stated at acquisition cost less accumulated amortization. Amortization is calculated over the estimated useful life of three years using the straight line method. Website hosting and maintenance costs are charged to operations as they are incurred.

Patents are recorded at cost and comprised of costs associated with preparing, filing and obtaining patents. Technology license costs are recorded at the fair value of consideration paid. Patents are amortized using the straight-line method over 10 years.

All the costs incurred to acquire patents, trademarks, and other intellectual and industrial property rights related to TPOD®, MAT®, FASTINFO and CRIC™ have been capitalized. The capitalized costs are amortized when commercial production begins using the straight-line method over the estimated useful lives of the products (15 years).

The estimated useful lives and amortization methods are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

f) Impairment of Long-lived Assets

On an annual basis and when impairment indicators arise, the Company evaluates the future recoverability of its long-lived assets, including property and equipment and intangible assets. If the changes in circumstances indicate that the carrying amount of an asset may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated. The recoverable amount is the higher of the fair value less cost to sell and the value in use. In assessing value in use, the estimated future cash flow are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. An impairment loss is recognized in net loss if carrying amount of an asset or its cash-generating unit exceed its estimated recoverable amount. Impairment loss recognized in prior periods will be reversed if there is any indications that the loss has decreased or no longer exists and the reversal of the impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognized for the assets in prior years.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Share Capital

Common shares issued by the Company are classified as equity. Costs directly attributable to the issuance of common shares, share purchase warrants and stock options are recognized as a deduction from equity, net of any related income tax effects. Proceeds from unit placements are allocated between share capital and warrants using the residual method whereby the value allocated to the shares is equal to the market price of the shares and any excess is assigned to the value of the warrants issued.

h) Share-based Payments

The Company grants stock options to directors, employees and service providers pursuant to a stock option plan described in Note 14 (d). An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee.

The fair value of options granted is recognized as an employee or consultant expense with a corresponding increase in equity. The fair value is measured at grant date and each tranche is recognized using the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. In situations where equity instruments are issued to non-employees and some or all of the goods or services received by the entity as consideration cannot be specifically identified, they are measured at the fair value of the share-based payment. Otherwise, share-based payments are measured at the fair value of goods or services received.

i) Earnings (Loss) Per Share

Basic and diluted earnings (loss) per share amounts are computed using the weighted average number of common shares outstanding during the year.

The Company uses the treasury stock method to determine the dilutive effect of stock options and other dilutive instruments. Under the treasury stock method, only instruments with exercise amounts less than market prices impact the diluted calculations. This method assumes that common shares are issued for the exercise of warrants and options and that the assumed proceeds from the exercise of warrants and options are used to purchase common shares at the average market price during the period. The difference between the number of shares assumed issued and the number of shares assumed purchased is then added to the basic weighted average number of shares outstanding to determine the fully diluted number of common shares outstanding. No shares were added to the weighted average number of common shares outstanding during the year for the dilutive effect of warrants and options as they were all anti-dilutive.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Revenue Recognition

The Company generates revenue primarily from product sales. Revenue from sales of the Company's products is recognized at the time of shipment, at which point risks and rewards over ownership and title of transfer have been passed to the customer, provided that collection of the proceeds of sale is reasonably assured.

k) Foreign Currency Translation

The Company's functional and reporting currency is the Canadian dollar. The transactions denominated in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at the date of the transaction. At each reporting date, unsettled monetary assets and liabilities denominated in foreign currencies have been translated into Canadian dollars at the rate of exchange in effect at the reporting date and the related differences are recognized in net income. Non-monetary assets and liabilities that are measured at historical cost are translated into Canadian dollars using the exchange rate in effect at the rate of the date of the initial transaction and are not subsequently restated.

The assets and liabilities of foreign operations are translated to the presentation currency at exchange rate at the reporting date. The income and expenses of foreign operations are translated to presentation currency at exchange rates at the dates of the transactions. Foreign currency differences are recognized in comprehensive income.

l) Financial Instruments

All financial assets are classified into one of the following categories based on the nature and purpose of the financial assets and are determined at the time of initial recognition.

Financial Assets at Fair Value through Profit or Loss

Financial assets are classified at fair value through profit or loss if they are held for trading or if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's risk management or investment strategy. Financial assets at fair value through profit or loss are measured at fair value and changes therein are recognized in profit or loss. The Company has classified cash and cash equivalents as financial assets at fair value through profit or loss.

Held-to-maturity Investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are initially recorded at fair value and subsequently measured at amortized cost using the effective interest method less any impairment with revenue recognized on an effective yield basis. Currently, the Company does not have any assets classified as held-to-maturity investments.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

l) Financial Instruments (Continued)

Loan and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value and subsequently at amortized cost using the effective interest method less any impairment loss. Loan and receivables are comprised of the Company's accounts receivable, and other receivables.

Available-for-sale Financial Assets

Non-derivative financial assets that do not meet the definition of loans and receivables are classified as available-for-sale financial assets. Available-for-sale investments are carried at fair value with changes in fair value recognized in other comprehensive income/loss. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss. Currently, the Company does not have any assets classified as available-for-sale financial assets.

Financial Liabilities

Financial liabilities are classified as other financial liabilities, based on the purpose for which the liabilities was incurred, and comprised of trade payables, accrued liabilities, short-term loan, and convertible debenture. These liabilities are initially recognized at fair value net of any transaction costs directly attributable to the issuance of the instrument and subsequently carried at amortized cost using the effective interest rate method.

Impairment of Financial Assets

At each annual reporting date, the Company assess whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flow of the financial asset or the group of the financial assets.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

m) Income Taxes

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

m) Income Taxes (Continued)

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current period and any adjustment to income taxes payable in respect of previous periods. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the period-end date.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

n) Investment Tax Credits

The Company is entitled to Canadian federal and provincial investment tax credits, which are earned as a percentage of eligible research and development expenditures incurred in each taxation year. Investment tax credits are accounted for as a reduction of the related expenditure for items of a current nature and a reduction of the related asset cost for items of a capital nature, provided that the Company has reasonable assurance that the tax credits will be realized.

4. ADOPTION OF NEW AND REVISED STANDARDS

The following new and revised standard issued by the IASB were adopted by the Company on October 1, 2013, and have no impact on the Company’s results of operations and financial position.

a) IFRS 10 Consolidated Financial Statements

IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

b) IFRS 11 Joint Arrangements

IFRS 11 describes the accounting for arrangement in which there is joint control by focusing on the rights and obligations of the arrangement rather than its legal form. Proportionate consolidation is not permitted for joint ventures and it requires a single method to account for interest in jointly control entities.

4. ADOPTION OF NEW AND REVISED STANDARDS (Continued)

c) IFRS 12 Disclosure of Interest in Other Entities

IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangement, associates, special purpose vehicles and other off balance sheet vehicles. This standard enables users of financial statements to evaluate the nature and risks associated with an entity's interest in other entities and the effects of those interests on its financial performance.

d) IFRS 13 Fair Value Measurement

IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS.

e) IFRS 7 Financial Instruments – Asset and Liability Offsetting

The IASB issued amendments to IFRS 7, "Financial Instruments: Disclosure", which clarify the requirements for offsetting financial instruments to help investors and other financial statements users to better assess the effect of offsetting arrangements on a company's financial position.

5. FUTURE ACCOUNTING PRONOUNCEMENTS

The International Accounting Standards Board ("IASB") and the IFRS Interpretations Committee continuously issue certain new standards and interpretations. The following standards have been issued but not effective until the annual period beginning on or after October 1, 2014. The Company has not adopted the following standards and is in the process of evaluating the impact that these standards will have on the financial statements:

a) IFRS 9 Financial Instruments

IFRS 9 Financial Instrument is part of the IASB's wider project of replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristic of the financial assets. This standard is effective for annual periods beginning on or after January 1, 2018. The Company is in the process of evaluating the impact that these standards will have on the financial statements.

b) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes principles for reporting the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. It provides a single model for an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. This standard is effective for annual periods beginning on or after January 1, 2017. The Company is in the process of evaluating the impact that these standards will have on the financial statements.

5. FUTURE ACCOUNTING PRONOUNCEMENTS (Continued)

c) Amendments to IAS 19 Defined Benefit Plans: Employee Contribution

The amendments to IAS 19 apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service. The amendments are effective for annual periods beginning on or after July 1, 2014. The Company does not expect the adoption of this standard to have significant impacts on the consolidated financial statements.

d) IFRIC 21 Levies

IFRIC 21 sets out the accounting for a liability to pay a levy to a government. The standard is effective for annual periods beginning on or after January 1, 2014. The Company does not expect the adoption of this standard to have significant impacts on the consolidated financial statements.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses for the periods reported. These estimates are reviewed periodically and, as adjustments become necessary, they are reported in operations in the period in which they become known.

We have identified the following as critical accounting estimates, which are defined as those that are reflective of significant judgments and uncertainties. These estimates are the most pervasive and important to the presentation of our financial condition and results of operations and could potentially result in materially different results under different assumptions and conditions.

a) Revenue Recognition

Revenue from sales of the Company’s products is recognized at the time of shipment, at which point risks and rewards over ownership and title of transfer have been passed to the customer, provided that collection of the proceeds of sale is reasonably assured.

b) Research and Development Costs

All product development costs that meet the specific criteria of capitalization under IFRS have been capitalized. The accumulated capitalized costs are being amortized using the straight-line method over the estimated remaining useful life of the product.

The unamortized deferred product development costs are reviewed annually and should the review indicate that the basis of amortization requires modification, the change will be applied prospectively.

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

c) Patents

Patents are recorded at cost and comprised of costs associated with preparing, filing and obtaining patents. Technology license costs are recorded at the fair value of consideration paid.

Patents are amortized using the straight-line method over 10 years. The amounts shown for patents do not necessarily reflect present or future values and the ultimate amount recoverable will be dependent upon the successful development and commercialization of products based on these rights. If management determines that such costs exceed estimated net recoverable value based on future cash flows, the excess of such costs is charged to operations.

d) Intellectual Property Rights

All the costs incurred to acquire patents, trademarks, and other intellectual and industrial property rights related to TPOD®, MAT®, FASTINFO and CRIC™ have been capitalized and amortized using the straight-line method over 15 years when the commercial production begins.

e) Property and Equipment

Property and equipment are recorded at cost less amortization provided for over the estimated useful lives of the assets at the following annual rates and methods:

Assets	Annual Rate	Basis
Furniture and office equipment	20%	Declining balance
Medical equipment	20%	Declining balance
Computer equipment	30%	Declining balance
Leasehold improvements	30%	Straight-line
Software	100%	Straight-line

f) Impairment of Long-lived Assets

On an annual basis and when impairment indicators arise, the Company evaluates the future recoverability of its long-lived assets, including deferred product development costs, property and equipment, website development costs, patents and intellectual property rights. If the changes in circumstances indicate that the carrying amount of an asset may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated. The recoverable amount is the higher of the fair value less cost to sell and the value in use. In assessing value in use, the estimated future cash flow are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the assets. An impairment loss is recognized in net loss if carrying amount of an asset or its cash-generating unit exceed its estimated recoverable amount.

g) Stock-based Payments

The fair value is measured at grant date, and each tranche is recognized using the graded vesting method over the period during which the options vest. The fair value of the options granted is measured using the Black-Scholes option pricing model taking into account the terms and

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

g) Stock-based Payments (Continued)

conditions upon which the options were granted. At each financial position reporting date, the amount recognized as an expense is adjusted to reflect the actual number of share options that are expected to vest. This estimate requires determining the most appropriate inputs to the valuation model including the estimated dividend yield, expected volatility, the risk-free interest rate and the expected lives of the share purchase options.

h) Income Taxes

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Recognition of deferred tax assets for unused tax losses, tax credits and deductible temporary differences is restricted to those instances where it is probable that future taxable profit will be available against which the deferred tax asset can be utilized. At the end of each reporting period, the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

7. FINANCIAL INSTRUMENTS AND RISKS

As at June 30, 2015 and 2014, the Company's financial instruments recognized on the statement of financial position consist of cash and cash equivalents, accounts receivable, other receivables, trade payables, accrued liabilities, loans payable and convertible debentures.

Determination of Fair Value

The fair value of the Company's cash, accounts receivable, other receivables, trade payables, accrued liabilities and loan payable approximate the carrying amounts due to their short-term nature. The fair value of the liability component of the convertible debenture was estimated by discounting future cash flow at the current market interest rates for agreements covering similar investments. Based on the quoted interest rates for borrowings of companies of similar level risk, in management's estimation, the carrying value of the liability component of the convertible debenture approximates fair value.

Fair Value Hierarchy

Financial instruments that are measured subsequent to initial recognition at fair value are grouped in level 1 to 3 based on the degree to which the fair value is observable.

Level 1 – observable inputs such as quoted price in active markets;

7. FINANCIAL INSTRUMENTS AND RISKS (Continued)

Level 2 – inputs, other than the quoted market prices in active markets, which are observable, either directly or indirectly;
Level 3 – unobservable inputs for the assets or liabilities in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The Company determines the fair values of its financial instruments based on Level 1 inputs.

Financial Risk

The Company is exposed in varying degrees of financial instrument related risks. The Board of Directors approves and monitors the risk management process. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility. The type of risk exposure and the way in which such exposure is managed is provided as follows:

a) Credit Risk

The Company's exposure to credit risk related to accounts receivable arises from the possibility that a customer does not fulfil its obligation. This is minimized through certain credit evaluation procedures and limits on the amount of credit extended as deemed necessary. The customer credit evaluations are conducted based on trade references, and periodic review of customers' payment patterns to ensure irregularities are addressed promptly. The Company does not require collateral for financial instruments subject to credit risk. The maximum exposure to credit risk is the net carrying value of accounts receivable. The Company also acquires accounts receivable insurance coverage to mitigate collection risks.

Credit risk also arises from cash with banks and financial institutions. This risk is limited because the counterparties are mainly Canadian banks with high credit rating. To minimize the risk, cash has been deposited in major financial institutions in Canada (subject to deposit insurance up to $100,000).

The Company's credit risk for accounts receivable is concentrated, as the Company presently derives a substantial amount of its revenues from one distributor which contributed approximately 48% (three months ended June 30, 2014 - 42%) of revenues for the three months ended June 30, 2015. The sales are made to the distributor under a distributorship agreement. The non-renewal or cancellation of the contract could have a material adverse short-term impact on the Company.

Amounts owing from one distributor comprised 54% (September 30, 2014 - 56%) of the accounts receivable balance as at June 30, 2015.

b) Foreign Exchange Risk

The Company uses the Canadian dollar as its reporting currency for these consolidated financial statements. The Company's certain revenues and expenses are denominated in U.S. dollars, giving rise to the exposure to market risks from changes in foreign exchange rates. The Company is exposed to foreign currency fluctuation on its cash, accounts receivable, accounts payable, accrued liabilities and loan payables. If the Canadian dollar appreciated one percent

7. FINANCIAL INSTRUMENTS AND RISKS (Continued)

b) Foreign Exchange Risk (Continued)

against U.S. dollar, with all other variables remain constant, the net income would have been increased by approximately $7,048 (three months ended June 30, 2014 – $9,146). If the Canadian dollar depreciated one percent against U.S. dollar, there would be an equal and opposite impact on net loss.

During the first three quarters of fiscal 2015, the Company entered into foreign currency forward contracts to protect itself against foreign exchange rate fluctuations. The Company’s objective is to manage and control the anticipated future cash flows. The Company does not utilize derivative instruments for trading or speculative purposes.

The forward foreign exchange contracts primarily require the Company to sell U.S dollars for Canadian dollars at contractual rates. As at June 30, 2015, all the forward contracts the Company entered into were settled.

c) Liquidity Risk

Liquidity risk is the risk the Company may not be able to meet its contractual obligations and financial liabilities as they become due. The Company is exposed to liquidity risk as its continued operations are dependent upon the Company realizing its accounts receivable and the ability to issue debt and equity instruments to satisfy its liabilities as they become due.

The Company controls liquidity risk by management of working capital, cash flow and availability of borrowing facilities. The Company has a planning and budgeting process in place to manage the funds required to ensure the Company has the appropriate liquidity to meet its operating and growth objectives. As at June 30, 2015, the Company had cash of $473,109 (September 30, 2014 - $153,224) and working capital deficiency of $735,563 (September 30, 2014 – $817,303).

The Company has been actively pursuing new financing to meet its working capital needs. Management plans to secure the necessary financing through issuance of new debt and equity instruments or refinance of the current convertible debt and short-term loan instruments. During this year, the Company closed a shares for debt transaction for a short-term loan and issued a promissory note to its major manufacturing partner to improve its working capital position. On November 3, 2014, the Company closed the renewal and amendment process for the convertible debentures, which were issued on August 10, 2009 and matured on August 8, 2014 (Note 13). In addition, the Company restructured the promissory note and the payment terms were extended by 12 months to September 30, 2016 (Note 12 (b)).

The following is an analysis of the contractual maturities of the Company’s financial liabilities as at June 30, 2015:

(Expressed in Canadian Dollars)

7. FINANCIAL INSTRUMENTS AND RISKS (Continued)

c) Liquidity Risk (Continued)

	Due by period						
	Total	**<1 year**	**1-2 year**	**2-3 year**	**3-4 year**	**4-5 year**	**>5 year**
Trade payables and accrued liabilities	$ **1,889,525**	$ 1,889,525	$ -	$ -	$ -	$ -	$ -
Loan payables	**754,868**	597,540	157,328	-	-	-	-
Convertible debentures	**513,851**	513,851	-	-	-	-	-
Operating lease	**29,863**	27,551	2,312	-	-	-	-
Product development	**533**	533	-	-	-	-	-
	$ 3,188,640	**$ 3,029,000**	**$ 159,640**	**$ -**	**$ -**	**$ -**	**$ -**

d) Interest Rate Risk

Loans payable and convertible debentures are subject to interest rate risk as the required cash flow to service the debt will fluctuate as a result of the changing prime interest rate. The Company has estimated that one percent increase or decrease in the prime rate would have caused a net income decreased or increase by approximately $1,321 (three months ended June 30, 2014 - $1,359).

8. OTHER RECEIVABLE

		June 30, 2015		September 30, 2014
GST receivable		**38,968**		12,889
	$	**38,968**	$	12,889

9. INVENTORIES

		June 30, 2015		September 30, 2014
Raw materials and work in progress	**$**	**320,158**	$	319,145
Inventory in transit		**-**		89,496
Finished goods		**667,469**		691,356
	$	**987,627**	$	1,099,997

10. PROPERTY AND EQUIPMENT

	Furniture and office equipment	Medical equipment	Computer equipment	Leasehold improvements	Software	Total
Cost						
At September 30, 2014	179,150	314,387	122,816	108,190	221,210	945,753
Additions		3,001	6,060			9,061
At June 30, 2015	**$ 179,150**	**$ 317,388**	**$ 128,876**	**$ 108,190**	**$ 221,210**	**$ 954,814**

(Expressed in Canadian Dollars)

10. PROPERTY AND EQUIPMENT (Continued)

	Furniture and office equipment	Medical equipment	Computer equipment	Leasehold improvements	Software	Total
Accumulated amortization						
At September 30, 2014	152,038	294,866	105,743	108,190	221,210	882,047
Additions	4,060	2,928	4,069	-	-	11,057
At June 30, 2015	**$ 156,098**	**$ 297,794**	**$ 109,812**	**$ 108,190**	**$ 221,210**	**$ 893,104**

	Furniture and office equipment	Medical equipment	Computer equipment	Leasehold improvements	Software	Total
Net carrying value						
At September 30, 2014	$ 27,112	$ 19,522	$ 17,073	$ -	$ -	$ 63,706
At June 30, 2015	**$ 23,052**	**$ 19,594**	**$ 19,064**	**$ -**	**$ -**	**$ 61,710**

11. INTANGIBLE ASSETS

	Deferred product development costs	Website development costs	Patents	Intellectual Property Rights	Total
Cost					
At September 30, 2014	8,041,701	65,089	695,562	2,576,889	11,379,241
Additions	105,528	150	9,125	-	114,803
At June 30, 2015	**$ 8,147,229**	**$ 65,239**	**$ 704,687**	**$ 2,576,889**	**$ 11,494,044**

	Deferred product development costs	Website development costs	Patents	Intellectual Property Rights	Total
Accumulated amortization and impairment loss					
At September 30, 2014	4,689,047	58,624	434,231	1,863,240	7,045,142
Additions	164,268	1,711	41,402	53,495	260,876
At June 30, 2015	**$ 4,853,315**	**$ 60,335**	**$ 475,633**	**$ 1,916,735**	**$ 7,306,018**

	Deferred product development costs	Website development costs	Patents	Intellectual Property Rights	Total
Net carrying value					
At September 30, 2014	$ 3,352,654	$ 6,465	$ 261,331	$ 713,649	$ 4,334,099
At June 30, 2015	**$ 3,293,914**	**$ 4,904**	**$ 229,054**	**$ 660,154**	**$ 4,188,026**

(Expressed in Canadian Dollars)

12. LOANS PAYABLE

		June 30, 2015		September 30, 2014
Short-term loans totalling US$58,337, interest at 11% per annum, unsecured and no equity component attached, both interest and principal are due on August 25, 2015.		**72,863**		61,922
Promissory note totalling US$75,000 with a term of fifteen months, interest at 11% per annum, unsecured and no equity component attached, only interest payment for the first three months and monthly blended payment started from February 2015 to January 2016 per the repayment schedule.		**54,644**		-
Promissory note with principal balance of US$502,290 as at June 30, 2015 (the total principal will increase to US$1,000,000 with the new product development costs to be incurred. As of June 30, 2015, the total principal increased to US$999,573), general security agreement and no equity component. Interest increased from 12% to 15% per annum starting January 2015, monthly blended payment started from October 2013 and the final payment was extended to September 2016 per the repayment schedule.		**627,361**		774,013
Total	**$**	**754,868**	$	835,935
0-12 months		**597,540**		835,935
13-24 months		**157,328**		-
	$	**754,868**	$	835,935

a) On February 26, 2014, the Company rolled over the remaining unpaid interest on the MDR loan in the total amount of $65,483 (US$52,428) into a new loan, which was accrued but not converted into common shares with the Shares for Debt Transaction closed on October 2, 2013. The loan carries interest of 11% per annum and the term was six months. Since then, the loan was renewed with the principal and interest accrued to date under the same term every six months upon maturity. The latest renewal was signed on February 25, 2015 with the principal and interest accrued totalling $72,863 (US$58,337). The due date was August 25, 2015. As at June 30, 2015, accrued interest of $2,723 (US$2,180) was reported under accrued liabilities.

b) On November 14, 2013, the Company issued a promissory note dated October 1, 2013 and related general security agreement dated October 31, 2013 with its strategic manufacturing partner. The note has a principal sum of US$1,000,000, which includes various accounts payable of $748,754 (US$599,483), interest accrued on past due invoices of $105,359 (US$84,355) and estimated costs related to new product development costs of $394,886 (US$316,162). As at June 30, 2015, the total of $394,353 (US$315,735) new product development costs were incurred as part of the note principal.

12. LOANS PAYABLE (Continued)

Minimum monthly payments, which include principal and interest, are required to be paid on the last day of each month as follows:

- October – December 2013 - US$10,000 per month.
- January – March 2014 - US$20,000 per month.
- April – June 2014 - US$37,000 per month.
- July – December 2014 - US$57,000 per month.
- January – September 2015 - US$67,000 per month.
- September 30, 2015 – A balloon payment of all remaining principal and interest, if not paid earlier, will be due and payable.

As part of the Note, the Company had committed to paying out the past due invoices on product development costs totalling US$252,867 within three months from October to December 2013 as follows:

- October 2013 – US$25,000.
- November 2013 – US$125,000.
- December 2013 – US$102,867.

As at December 31, 2014, the Company paid the past due invoices and the minimum monthly payment as disclosed above. On January 12, 2015, the Company reached an agreement with its strategic manufacturing partner and amended the term and repayment schedule of the promissory note. The note holder agreed to extend the term by 12 months to September 30, 2016 and the interest rate increased to 15% per annum starting January 1, 2015. Minimum monthly payments were revised as follows:

- January 2015 – April 2015 - US$20,000 per month.
- May 2015 – July 2015 - US$25,000 per month.
- August 2015 – October 2015 - US$30,000 per month.
- November 2015 – January 2016 - US$35,000 per month.
- February 2016 – April 2016 - US$40,000 per month.
- May 2016 – August 2016 – US$45,000 per month
- September 2016 – US$38,569

The amount of US$20,000 per month was paid from January to April 2015 and US$25000 per month was paid from May to June 2015 as per the revised payment schedule. The principal balance decreased to $627,361 (US$502,290) as at June 30, 2015.

Based on the agreement, the Company is required to maintain the trade payable balance with the note holder in current status. As at June 30, 2015, the Company was not fully in compliance with this requirement but no formal default notice was received from the note holder.

c) On November 7, 2014, the Company issued a promissory note to one director with principal of US$75,000. The note carries interest of 11% per annum, is unsecured and has no equity component attached. The note has a term of fifteen months and will be fully paid back by January 31, 2016. Pursuant to the note, only interest payment was paid by the Company for the first three months. For the remaining twelve months, the blended monthly payment is being made by

12. LOANS PAYABLE (Continued)

the end of each month, which include principal of US$6,250 and interest calculated for each month. As at June 30, 2015, the principal balance decreased to $54,644 (US$43,750).

13. CONVERTIBLE DEBENTURES

		June 30, 2015		September 30, 2014
Convertible debentures issued	**$**	**530,000**	$	530,000
Equity portion of convertible debentures		**(30,917)**		(30,917)
		499,083		499,083
Deferred financing costs (net of amortization)		**(11,313)**		(62,224)
Interest accretion		**26,081**		4,320
Debt portion of convertible debentures	**$**	**513,851**	$	441,179

The Company classified the convertible debentures into debt and equity components based on the residual method. The liability component is calculated as the present value of the principal and interest, discounted at a rate approximating the interest rate that was estimated would have been applicable to non-convertible debt at the time the debt was issued. This portion of the convertible debt is accreted over its term to the full face value using the effective interest rate method. The equity element of the convertible debt comprises the value of the conversion option, being the difference between the face value of the convertible debt and the liability component. Upon maturity, the equity component was reclassified to reserves.

On August 10, 2009, the Company issued convertible debentures in the amount of $545,000, which were due and payable on August 8, 2014. The amount of $495,000 out of $545,000 was issued to directors and officers of the Company or the entities controlled by them. The debentures were convertible into common shares of the Company at $0.20 per share. The Company issued 2,725,000 common share purchase warrants at $0.001 per warrant as part of the convertible debt financing agreement. Each warrant was exercisable to purchase one common share of the Company at $0.22 per share until the date the loan is repaid or no later than August 10, 2014.

Interest on the debentures is calculated at prime plus 10% per annum. The interest is payable quarterly in Canadian dollars. The debentures are secured by all assets of the Company.

As of the maturity date, there were no convertible debt holders exercising these conversion rights. The principal of $15,000 and interest accrued to the maturity date were paid to one 2009 Note holder. On August 8, 2014, The Company announced the proposal to amend the maturity date and revise the price at which the principal of the 2009 Notes was convertible into common shares of the Company.

On November 3, 2014, the Company completed amendments to the terms of certain previously issued secured convertible notes dated August 10, 2009 in the aggregate principal amount of $530,000.The Company amended the maturity date of the 2009 Notes from August 8, 2014 to August 8, 2015 and revised the price at which the principal of the 2009 Notes is convertible into common shares of the Company from $0.20 per common share to $0.06 per common share.

(Expressed in Canadian Dollars)

13. CONVERTIBLE DEBENTURES (Continued)

In consideration of the foregoing amendments, each holder of an amended 2009 Note was issued one non-transferrable common share purchase warrant for every $0.06 of the principal amount of their notes. The warrants will have an exercise price of $0.065 per warrant and a term of one year.

The warrants and the 2009 Notes was subject to a hold period of four months from the date of issuance in accordance with the rules and policies of the TSX-V and applicable Canadian Securities laws. The creation of any “control persons” (as defined in the policies of the TSX-V) as a result of the foregoing transactions was subject to TSX-V approval.

14. SHARE CAPITAL

a) Authorized

100,000,000 common shares without par value.

b) Issued and Outstanding

Total common shares issued and outstanding as at June 30, 2015 were 23,587,496 at $9,180,412 (September 30, 2014 – 23,587,496 and $9,180,412).

On October 2, 2013, the Company closed the Shares for Debt Transaction and issued a total of 6,645,080 common shares at a price of $0.09 per common share to MDR in settlement of the debt owing by the Company to MDR in the amount of $598,057 (US$588,118), as disclosed in Note 15 (b).

c) Warrants

A summary of warrant activities for the quarter ended June 30, 2015 is as follows:

	June 30, 2015			September 30, 2014		
	Number of Warrants		**Weighted Average Exercise Price**	Number of Warrants		Weighted Average Exercise Price
Outstanding, beginning of the period	**1,455,625**	**$**	**0.105**	4,180,625	$	0.180
Issued	**8,833,331**		**0.065**	-		-
Expired	**-**		**-**	(2,725,000)	$	0.220
Outstanding, end of the period	**10,288,956**	**$**	**0.071**	1,455,625	$	0.105

On November 3, 2014, the Company closed the amendments to the terms of certain previously issued secured convertible notes dated August 10, 2009 in the aggregate principal amount of $530,000 (Note 13). In consideration of the foregoing amendments, each holder of an amended 2009 Note was issued one non-transferrable common share purchase warrant for every $0.06 of the principal amount of their notes. The warrants have an exercise price of $0.065 per warrant and a term of one year and are subject to a hold period of four months from the date of issuance in accordance with the rules and policies of the TSX-V and applicable Canadian Securities laws.

As at June 30, 2015, the following warrants were outstanding:

(Expressed in Canadian Dollars)

14. SHARE CAPITAL (Continued)

c) Warrants (Continued)

Number of Warrants		Exercise Price	Expiring Date
1,455,625	$	0.113	19-Jul-16
8,833,331	$	0.065	8-Aug-15
10,288,956			

As at June 30, 2015, the weighted average remaining contractual life of the warrants was 0.168 years (September 30, 2014 – 1.803 years).

d) Stock Options

The Company has a rolling stock option plan, which follows the policies of the TSX Venture Exchange ("TSX-V") regarding stock option awards granted to employees, directors and consultants. The stock option plan allows a maximum of 10% of the issued shares to be reserved for issuance under the plan. The Company's stock options vest as follows: 1/3 six months after the date of grant, 1/3 twelve months after the date of grant, and 1/3 eighteen months after the date of grant, except as approved by the Board on individual grants for specific purposes.

On January 21, 2014, the Company granted 150,000 options and on July 1, 2014, 150,000 options to purchase common shares of the Company to directors in accordance with the Company's stock option plan. The options expire four years from the date of grant and have an exercise price of $0.06 and $0.065 per common share respectively. One-third of the options granted vest every six months for a period of 18 months.

On April 22 and May 26, 2015, the Company granted options of 310,000 and 338,000 respectively to directors and officers with the exercise price $0.05 per share to purchase common shares in accordance with the Company's stock option plan. The options vested immediately and expire four years from the date of grant.

As at June 30, 2015, a total of 1,528,000 (September 30, 2014 – 1,045,000) stock options have been granted out of the 2,358,750 (September 30, 2014 – 2,358,750) pool under this plan, with the balance of 830,750 (September 30, 2014 – 1,313,750) stock options available to grant.

A summary of stock option activities for the years presented is as follows:

	June 30, 2015			September 30, 2014		
	Number of Options		**Weighted Average Exercise Price**	Number of Options		Weighted Average Exercise Price
Outstanding, beginning of the period	**1,045,000**	**$**	**0.11**	745,000	$	0.17
Granted	**648,000**		**0.05**	300,000		0.10
Expired	**(165,000)**		**0.19**	-		-
Outstanding, end of the period	**1,528,000**	**$**	**0.08**	1,045,000	$	0.11

As at June 30, 2015, the following stock options were outstanding:

(Expressed in Canadian Dollars)

14. SHARE CAPITAL (Continued)

d) Stock Options (Continued)

Options Outstanding				Options Exercisable
Number of Options		**Exercise Price**	**Expiring Date**	**Number of Options**
450,000	$	0.10	22-Aug-16	450,000
130,000	$	0.10	1-Jul-17	86,667
150,000	$	0.06	21-Jan-18	100,000
150,000	$	0.07	1-Jul-18	50,000
310,000	$	0.05	22-Apr-19	310,000
338,000	$	0.05	26-May-19	338,000
1,528,000				**1,334,667**

As at June 30, 2015, the weighted average remaining contractual life of the stock options was 2.691 years (September 30, 2014 – 2.276 years).

As at June 30, 2015, 1,334,667 (September 30, 2014 – 746,667) stock options were vested and exercisable, and stock based compensation of $16,054 (three months ended June 30, 2014 - $2,516) were expensed during the quarter.

15. RELATED PARTY TRANSACTIONS

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

a) Compensation of Key Management Personnel

Key management personnel are persons responsible for planning, directing and controlling the activities of the Company. The Company considers all directors and officers of the Company to be key management personnel. The compensation of key management for the three months ended June 30, 2015 and 2014 were as follows:

		Three Months Ended June 30, 2015		Three Months Ended June 30, 2014
Short-term employee benefits	**$**	**156,436**	$	110,562
Director fees		**31,750**		30,750
Share-based payments		**16,054**		2,516
	$	**204,240**	$	143,828

The short-term employee benefits included management fees of $54,831 (three months ended June 30, 2014 - $51,346) incurred to a director and a company controlled by an officer. As at June 30, 2015, a balance of $11,079 (September 30, 2014 - $2,660) was outstanding and reported under trade payables for the services rendered in June 2015.

As at June 30, 2015, director fees of $147,750 (September 30, 2014 - $125,000) were outstanding and included in accrued liabilities.

15. RELATED PARTY TRANSACTIONS (Continued)

b) Short-term Loans and Shares for Debt Transaction

During fiscal 2012, the Company secured several short-term loans totalling US$545,000 from its largest shareholder, MDR Specialty Corporation ("MDR"), to fund product development costs. All of the loans carried interest at 11% per annum, were unsecured and did not include an equity component. During fiscal 2013, the loans were renewed for several times and the interest rate increased to 18% per annum (see Note 14 (a)).

On April 29, 2013, the Company reached an agreement with MDR to convert the loan into common shares. After the approval of disinterested shareholders and the TSX Venture Exchange ("TSX-V"), the Company closed the Shares for Debt Transaction on October 2, 2013, and issued a total of 6,645,080 common shares at a price of $0.09 per common share to MDR in settlement of the debt owing by the Company to MDR in the amount of $598,057 (US$588,118). All securities issued in connection with the Shares for Debt Transaction were subject to a statutory hold period of four months plus a day from the date of issuance in accordance with applicable securities law legislation.

MDR and Excelera Corporation ("Excelera") are wholly-owned subsidiaries of Venuity Corporation. A director of the Company is the co-founder and Chief Executive Officer of Venuity Corporation, and owns 80% of the shares of Venuity Corporation. Following the completion of the Shares for Debt Transaction, MDR owns and controls 6,645,080 common shares of the Company, being approximately 28.17% of the 23,587,496 common shares of the Company currently issued and outstanding. MDR and Excelera together own 9,645,080 common shares, 40.89% of the total issued and outstanding common shares of the Company.

On February 26, 2014, the Company rolled over the unpaid interest in the total amount of $65,483 (US$52,428) into a new loan, which was accrued but not converted into common shares with the private placement closed on October 2, 2013. The loan carries interest of 11% per annum and the term was six months. Since then, the loan was renewed with the principal and interest accrued to date under the same terms every six months upon maturity. The latest renewal was on February 25, 2015 with the principal and interest accrued totalling $72,863 (US$58,337) (Note 12 (a)). The due date was August 25, 2015. As at June 30, 2015, accrued interest of $2,723 (US$2,180) was reported under accrued liabilities.

c) Warehouse Service Agreement

On December 24, 2012, the Company entered into a one year service agreement with MDR effective January 1, 2013. Pursuant to the agreement, MDR agrees to provide third party warehouse service for the Company at MDR's warehouse facility in Virginia, USA. The standard service fee is US$5,000 per quarter. The agreement has been renewed on an annual basis with same terms. During the third quarter fiscal 2015, service fees of $6,245 (US$5,000) (three months ended June 30, 2014 - $5,335 (US$5,000)) were incurred and $40,593 (US$32,500) was outstanding as at June 30, 2015. In addition, an amount of $29,600 (US$23,699) (September 30, 2014 - $7,104 (US$6,343)) was owed to MDR as at June 30, 2015 for the pass-through shipping cost advanced by MDR to the couriers.

(Expressed in Canadian Dollars)

15. RELATED PARTY TRANSACTIONS (Continued)

d) Promissory Note

On November 7, 2014, the Company issued a promissory note to one director with principal of US$75,000 (Note 12 (c)). The note carries interest of 11% per annum, is unsecured and has no equity component attached. The note has a term of fifteen months and will be fully paid back by January 31, 2016. Pursuant to the note, only interest payments were paid by the Company for the first three months. For the remaining twelve months, the blended monthly payments will be made by the end of each month, which include principal of US$6,250 and interest calculated for each month.

16. SEGMENTED INFORMATION

The Company's operations are in Canada and U.S.A. and it operates in one industry segment. Sales by geographic region are as follows:

	Three Months Ended June 30, 2015			Three Months Ended June 30, 2014		
	Percentage		**Amount**	Percentage		Amount
U.S.A.	**59%**	**$**	**1,156,585**	66%	$	970,885
Other	**41%**		**818,187**	34%		495,507
	100%	**$**	**1,974,772**	100%	$	1,466,392

17. COMMITMENTS

a) Operating Lease

The Company originally signed a one-year operating lease on its Richmond office starting from August 1, 2012 which expired on July 31, 2014. The Company was required to pay base rent of $1,975 per month. This lease was renewed for two years commencing August 1, 2014 and expires on July 31, 2016, which requires the Company to pay monthly base rent of $2,119 for the first year and $2,312 for the second year.

b) Product Development

In May 2011, the Company entered into a strategic relationship with Donatelle Plastics Inc. ("Donatelle"), a medical device development and manufacturing company in Minnesota, USA. The Company entered into this relationship to leverage Donatelle's capabilities in product development and manufacturing as part of its efforts in bringing new products to the market. As at June 30, 2015, new product development costs in the amount of US$2,202,161 had been incurred and the balance of US$427 is anticipated to be incurred in the fourth quarter of fiscal 2015.

c) Legal Settlement

On December 8, 2014, the Company received a legal letter from a lawyer engaged by a Pyng distributor in Europe with regards to the termination of the distribution agreement which the

17. COMMITMENTS (Continued)

c) Legal Settlement (Continued)

Company initiated on December 2, 2014. On April 30, 2015, the Company reached an agreement with the distributor to settle the claim. Pursuant to the settlement agreement, the Company was required to pay a total amount of €35,617 to the distributor, which included the lump sum payment €25,500 to terminate all the agreements, reimbursement of proceeding costs €800 and unpaid service fees claimed €9,317. The Company paid out the settlement payment as per the agreement and completed the settlement process during this quarter.

18. SUBSEQUENT EVENTS

a) On July 1, 2015, the Company granted a total of 315,000 options to directors and officers to purchase common shares of the Company in accordance with the current stock option plan. The options vest immediately, expire on July 1, 2019 and have an exercise price of $0.05 per common share.

b) On August 10, 2015, the Company completed amendments to the terms the terms of certain previously issued secured convertible notes in the aggregate principal amount of $530,000 (the "2014 Notes"). The Company amended the maturity date of the 2014 Notes from August 8, 2015 to August 8, 2016 and revised the price at which the principal of the 2014 Notes are convertible into common shares of the Company from $0.06 per common share to $0.05 per common share. Each holder of an amended 2014 Notes was issued one non-transferable common share purchase warrant (each, a "Warrant") for every $0.05 of the principal amount of their notes. The Warrants have an exercise price of $0.05 per Warrant and a term of one year.

c) On Aug 11, 2015, The Company closed a shares for debt transaction with certain of its directors pursuant to which the Company issued 2,125,000 common shares to settle the outstanding director fees of an aggregate amount of $106,250 (approximately one common share for each $0.05 of debt owed). All securities issued pursuant to this shares for debt transaction are subject to a hold period of four months which will expire on December 12, 2015.