VENTRIPOINT DIAGNOSTICS LTD.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTH PERIOD ENDED

MARCH 31, 2015

(UNAUDITED)

PREPARED BY MANAGEMENT WITHOUT REVIEW BY THE COMPANY'S AUDITORS

Ventripoint Diagnostics Ltd.

Consolidated Statements of Financial Position

Amounts in U.S. Dollars

	Note		As at March 31, 2015	As at December 31, 2014
ASSETS				
Cash and equivalents		$	88,135	148,283
Amounts receivable	4		51,425	67,216
Inventory	3(f)		55,158	54,664
Prepaid Expenses			123,099	101,220
Total current assets			317,818	371,383
Property and equipment	5		26,918	30,464
Intangible assets			21,750	21,750
Total non-current assets			48,668	52,214
Total assets		$	366,486	423,597
LIABLITIES AND SHAREHOLDERS' DEFICIT				
Accounts payable and accrued liabilities	6	$	1,196,684	1,101,238
Deferred Revenue			33,225	37,318
Current portion of debenture payable	7		598,921	484,265
Interest payable on notes and debentures			80,825	54,045
Derivative liabilities	8		506,699	578,243
Total current liabilities			2,416,355	2,255,109
Debentures and notes payable	7		238,734	232,141
Total non-current liabilities			238,734	232,141
Total liabilities		$	2,655,090	2,487,250
Shareholders' deficit				
Share capital	9		17,937,746	17,880,648
Contributed surplus	9		3,502,626	3,546,314
Deficit			(23,728,975)	(23,490,615)
Total deficit		$	(2,288,603)	(2,063,653)
Total liabilities and shareholders' deficit		$	366,486	423,597

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board:

“George Adams”
Director

“Danny Dalla-Longa”
Director

Ventripoint Diagnostics Ltd.

Consolidated Statements of Loss and Comprehensive Loss

Amounts in U.S. Dollars

	Note	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
Revenue		5,965	21,234
Cost of revenue		12,500	12,500
Gross Margin		(6,535)	8,734
Expenses			
Research and development	11	108,644	138,556
Sales and marketing	11	76,002	9,226
General and administrative	11	168,274	115,365
Total operating expenses		352,921	263,147
Loss from operations		(359,456)	(254,413)
Non-operating income (loss)			
Finance costs	13	(119,675)	(147,374)
Gain (loss) on shares for debt		-	(41,368)
Derivative liabilities revaluation adjustment	8	122,571	686
Foreign currency differences		118,200	38,165
Total non-operating income (loss)		121,096	(149,891)
Loss and comprehensive loss		(238,360)	(404,304)
Basic and diluted loss per share		0.00	0.00

See accompanying notes to the consolidated financial statements.

Ventripoint Diagnostics Ltd.

Consolidated Statements of Cash Flows

Amounts in U.S. Dollars

	Three Months Ended March 31, 2015	Three Months Ended March 31, 2014
OPERATING ACTIVITIES		
Net loss	$ (238,360)	$ (404,304)
Adjustments for items not effecting cash:		
Depreciation and amortization (Note 5 & 11)	3,547	9,048
Share-based compensation (Note 11)	13,410	27,628
Accretion of debenture and note payable (Note (a)(b)('c)(d)((f))	73,111	66,236
Issuance of share capital for interest & expenses	-	120,490
Issuance of debentures non-cash consulting services (Note 7(a))	4,263	-
Transaction costs for financing activities	7,775	-
Derivative liabilities revaluation adjustment (Note 8)	(122,571)	(686)
Loss (gain) on shares for debt	-	41,368
Foreign exchange gain or loss	(118,200)	(38,165)
	(377,026)	(178,385)
Change in non-cash working capital items:		
Amounts receivable	15,791	8,023
Prepaid expenses	45,124	7,261
Inventory	(494)	-
Accounts payable and accrued liabilities	95,446	18,063
Interest payable on notes and debentures	26,780	(26,873)
Deferred revenue	(4,093)	(29,923)
Cash used in operating activities	(198,472)	(201,834)
INVESTING ACTIVITIES		
Additions to property and equipment	(494)	-
Cash used in investing activities	(494)	-
FINANCING ACTIVITIES		
Debenture & note repayment (Note 7(f))	(19,477)	(11,396)
Issuance of debentures (Note 7(a)(b))	168,652	-
Interest paid on debentures and notes in cash (Note 7(b)(f))	(5,331)	-
Debenture issuance costs paid in cash (Note 7(a))	(21,913)	(235)
Cash provided by financing activities	121,931	(11,631)
Effect of foreign exchange on cash and equivalents	16,888	(892)
Net increase (decrease) in cash and equivalents	(60,148)	(214,357)
Cash and equivalents at beginning of period	148,283	343,547
Cash and cash equivalents at end of period	$ 88,135	$ 129,190

See accompanying notes to the consolidated financial statements.

Ventripoint Diagnostics Ltd.

Consolidated Statements of Changes in Shareholders' Equity (Deficit)

Amounts in U.S. Dollars except numbers of shares

	Number of Common Shares	**Share Capital**	**Contributed Surplus**	**Deficit**	**Total**
Balance, December 31, 2014	185,866,001	$ 17,880,648	$ 3,546,314	$(23,490,615)	$(2,063,653)
Deferred Share Units exercised (Note 9)	675,000	57,098	(57,098)		-
Share-based compensation (Note 9)	-	-	13,410	-	13,410
Loss and comprehensive loss	-	-	-	(238,360)	(238,360)
Balance, March 31, 2015	186,541,001	$ 17,937,746	$ 3,502,626	$(23,728,975)	$ (2,288,603)

	Number of Common Shares	**Share Capital**	**Contributed Surplus**	**Deficit**	**Total**
Balance, December 31, 2013	143,502,583	15,503,721	3,171,201	(21,606,386)	(2,931,464)
Shares issued on conversion of convertible debentures (Note 7(c)(d))	2,340,000	151,118			151,118
Liabilities settled with shares					
Shares issued with sale of stock (Note 9)	14,656,096	1,082,945	-	-	1,082,945
Shares issued on repayment of convertible debentures (Note 7(g))	10,000,000	748,000	-	-	748,000
Warrants issued with sale of stock (Note 9)	-	(498,449)	-	-	(498,449)
Agent and broker warrants issued in connection with sale of stock (Note 8&9)	-	(56,412)	56,412	-	-
Share issuance costs (Note 9)		(101,194)			(101,194)
Deferred Share Units issued (Note 15)	-	-	67,316	-	67,316
Share-based compensation (Note 9)	-	-	251,385	-	251,385
Stock options exercised (Note 9)	375,000	19,985	-	-	19,985
Loss and comprehensive loss	-	-	-	(1,884,229)	(1,884,229)
Balance, December 31, 2014	185,866,001	$ 17,880,648	$ 3,546,314	$(23,490,615)	$ (2,063,653)

See accompanying notes to the consolidated financial statements.

1. Corporate information

Ventripoint Diagnostics Ltd., ("Diagnostics" or the "Company") was incorporated by a Certificate of Incorporation pursuant to the provisions of the Business Corporations Act (Alberta) on May 4, 2005. Diagnostics acquired Ventripoint, Inc. ("Ventripoint", Diagnostics and Ventripoint, collectively referred to herein as the "Company" or "Companies") on September 18, 2007. Diagnostics is a public Canadian company with its shares listed on the TSX Venture Exchange ("TSXV" or the "Exchange"), trading symbol "VPT". Ventripoint was incorporated in the State of Washington in July, 2004 and commenced operations in January, 2005. Diagnostics' registered office is at Livingston Place West, Suite 1000, 250 – 2nd Avenue S.W., Calgary, Alberta, T2P 0C1 and Ventripoint's registered office is at Suite 101, 1805 136th Place NE, Bellevue, WA, USA, 98005-2331.

The Company is a medical device company engaged in the development and commercialization of diagnostic tools that monitor patients with heart disease. The system is based upon patented technology, the commercialization rights of which Ventripoint has licensed from the University of Washington.

2. Basis of presentation

(a) Statement of compliance

These consolidated financial statements for years ended December 31, 2014 and 2013, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(b) Basis of measurement and going concern

These financial statements have been prepared on a historical cost basis, except for certain financial instruments, see Note 3(c). These consolidated financial statements have been prepared using IFRS that are applicable to a going concern, which contemplates the realization of assets and settlement of liabilities in the normal course of business as they come due. There is no certainty whether the Company will generate significant revenues or attain profitable operations in the near future and there can be no assurance that it will achieve profitability in the future, as it incurred a loss of $238,360 and had a negative operating cash flow of $198,472 for the three months ended March 31, 2015, and has accumulated $23,728,975 of losses as at March 31, 2015. As a result, there is a material uncertainty which creates significant doubt regarding the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent on its raising of future required capital, bringing its products to market and achieving and maintaining profitable operations. The outcome of these matters cannot be predicted at this time. These consolidated financial statements do not include any adjustments and classifications of assets and liabilities, which might be necessary should the Company be unable to continue its operations. Such adjustments could be material.

(c) Functional and presentation currency

These consolidated financial statements are presented in United States dollars, which is the Company's functional currency. This assessment is based on the determination that the parent company operated as an extension of the subsidiary.

(d) Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses.

Information about critical judgments in applying accounting policies and assumptions and estimation uncertainties that have the most significant effect on the amounts recognized in the consolidated financial statements includes the assumptions and model used to estimate share-based compensation (Note 9) and the valuation of warrants and other derivative liabilities (Note 8), the capitalization and expensing of development costs (Note 3(i)), the allocation of revenues between amounts recognized upon installation and amounts deferred and recognized over the initial warranty period, the designation of the United States dollar as the Company's functional currency (Note 2(c)), discount rates used for debentures (Note 7) and factors considered in inventory obsolescence (Note 3(f)).

Reported amounts and note disclosure reflect the anticipated measures management intends to take. Actual results could differ from those estimates. The above estimates and assumptions are reviewed regularly. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of consolidation

These consolidated financial statements include the accounts of Diagnostics and Ventripoint, its wholly-owned and controlled subsidiary. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries, including entities which the Company controls, are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements of the subsidiary are prepared for the same reporting period as the Company, using consistent accounting policies. All intercompany transactions and balances have been eliminated.

(b) Foreign currency

At the transaction date, each asset, liability, revenue and expense denominated in a foreign currency is translated into US dollars by the use of the exchange rate in effect at that date. At the year-end date, unsettled monetary assets and liabilities are translated into US dollars by using the exchange rate in effect at the year-end date and the related translation differences are recognized in profit or loss. Exchange gains and losses arising on the retranslation of available-for-sale financial assets are treated as a separate component of the change in fair value and are recognized in profit and loss.

Non-monetary assets and liabilities that are measured at historical cost are translated into US dollars by using the exchange rate in effect at the date of the initial transaction and are not subsequently restated. Non-monetary assets and liabilities that are measured at fair value or a revalued amount are translated into US dollars by using the exchange rate in effect at the date the value is determined and the related translation differences are recognized in profit or loss or other comprehensive loss consistent with where the gain or loss on the underlying non-monetary asset or liability has been recognized.

(c) Financial instruments

Financial assets

Financial assets are classified as fair value through profit or loss if they are held for trading or are designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss where the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with a documented risk management and investment strategy. Attributable transaction costs are recognized in profit or loss as incurred. Financial assets at fair value through profit and loss are measured at fair value and changes therein are recognized in profit or loss.

Cash and equivalents include balances with banks and a restricted term deposit with a maturity of three months or less.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially recognized at fair value plus transaction costs and subsequently measured at amortized cost using the effective interest rate method less any impairment losses. The Company has classified its receivables and cash and equivalents as loans and receivables.

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or when the Company has transferred its rights to receive cash flows from the asset.

Amounts in U.S. Dollars unless otherwise stated

Financial liabilities

Other financial liabilities are recognized initially at fair value plus any directly attributable transaction costs, and subsequently at amortized cost using the effective interest method. The Company has classified its accounts payable and accrued liabilities and debentures and note payable as other financial liabilities.

Financial liabilities at fair value through profit or loss include derivative financial liabilities, financial liabilities held for trading, and financial liabilities designated upon initial recognition as at fair value through profit or loss. The Company's warrants are considered to be derivative financial liabilities as they are exercisable in a currency other than the functional currency and are therefore accounted for at fair value through profit or loss.

A financial liability is derecognized when its contractual obligations are discharged, are cancelled, or expire.

(d) Share capital and contributed surplus

Common shares are classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

(e) Revenue recognition

Product with included one year warranty revenue is recognized when the terms and conditions of sale are agreed upon and when shipping, training, and installation services for the Ventripoint Medical System are complete. Extended warranty service plan revenues are deferred and recognized over the warranty period.

(f) Inventory

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. For assembled inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. No cost of inventory was recognized in the cost of revenue in the first quarters of 2014 or 2015. Of total inventory at March 31, 2015, $39,553 (December 31, 2014 - $39,059) is raw materials and $15,605 (December 31, 2014 – $15,605) is finished goods. In 2014, $62,000 of finished goods inventory, consisting of VMS units used in clinical trials, was written down due to impairment and included within research and development. Also in 2014, $35,000 of raw materials were written down to a net realizable value of $nil.

(g) Property and equipment

Recognition and measurement
Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment. Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized in profit or loss.

Depreciation
The estimated useful lives and the methods of depreciation for the current and comparative periods are as follows:

Asset	Basis
Computer and office equipment	Straight-line over 3 years
Equipment and software	Straight-line over 5 years
Furniture and fixtures	Straight-line over 3 years
Equipment deployed under collaborative agreements	Straight-line over 3 years
Leasehold improvements	Straight-line over lease term

Depreciation methods, useful lives and residual values are reviewed at each reporting period and adjusted if appropriate.

(h) Intangible assets

The Company owns intangible assets consisting of licensed patent rights. Intangible assets acquired separately are measured on initial recognition at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognized in profit or loss as incurred.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization method and amortization period of an intangible asset with a finite life is reviewed at least annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in research and development expenses.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use. The technology license is stated at cost and will be amortized over a period of 10 years, using the straight-line method, commencing upon commercialization.

(i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. These criteria will be deemed by the Company to have been met when revenue is received by the Company and a determination that it has sufficient resources to market and sell its product offerings. Upon a determination that the criteria to capitalize development expenditures have been met, the expenditure capitalized will include the cost of materials, direct labour, and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditures are expensed as incurred. Capitalized development expenditures will be measured at cost less accumulated amortization and accumulated impairment losses. No development costs have been capitalized to date.

(j) Impairment

Financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment test is performed, on an individual basis, for each material financial asset. Other individually non-material financial assets are tested as groups of financial assets with similar risk characteristics. Impairment losses are recognized in profit or loss.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against the respective financial asset. Interest on the impaired asset continues to be recognized through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount is estimated. The recoverable amount of an asset or a cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows 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 asset or cash-generating unit. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of cash inflows of other assets or cash-generating units. An impairment loss is recognized if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(k) Share-based payments

The grant-date fair value of share-based payment awards granted to employees is recognized as an employee expense, with a corresponding increase in contributed surplus, over the period that the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that met the related service and non-market performance conditions at the vesting date.

For equity-settled share-based payment transactions with non-employees, the Company measures the goods or services received, and the corresponding increase in contributed surplus, directly, at the fair value of the goods or services received, unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or services received, it measures their value by reference to the fair value of the equity instruments granted.

Deferred stock units are issued to Directors and Executive Officers on an annual basis. Upon the director or officer ceasing their duties, one common share in respect of each whole deferred share unit will be issued to the individual. The deferred stock units are recognized at fair value on the date of grant which is determined to be the fair value of a common share on the grant date.

(l) Finance costs

Finance costs comprise interest expense on borrowings, bank charges and accretion on debentures.

(m) Income taxes

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

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-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 year 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) Loss per share

Basic loss per share is computed by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the reporting period. Diluted loss per share is computed similar to basic loss per share except that the weighted average shares outstanding are increased to include additional shares for the assumed exercise of stock options and warrants, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options and warrants were exercised and that the proceeds from such exercises were used to acquire common stock at the average market price during the reporting periods. The inclusion of the Company's stock options and warrants in the computation of diluted loss per share has an anti-dilutive effect and therefore they have been excluded from the calculation of diluted loss per share.

(o) Accounting standards adopted in the current year

IFRIC 21 *Levies*

IFRIC 21 sets out the accounting for an obligation to pay a levy that is not income taxes. The interpretation addresses what an obligating event is that gives rise to pay a levy and when a liability should be recognized. This IFRIC is effective for annual periods beginning on or after January 1, 2014. There was no impact on adoption of the standard.

(p) New standards and interpretations not yet applied

Standards issued but not yet effective up to the date of issuance of the Company's consolidated financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt this standard when it becomes effective. The following pronouncement is being assessed to determine its impact on the Company's results and financial position:

IFRS 9 *Financial Instruments*

‘Financial Instruments’ is part of the IASB’s wider project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. IFRS 9 retains but 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 characteristics of the financial asset. The standard is effective for annual periods beginning on or after January 1, 2018.

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 in order 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. IFRS 15 supersedes the following standards: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers and SIC-31 Revenue- Barter Transactions Involving Advertising Services. Application of the standard is mandatory for all IFRS reporters and it applies to nearly all contracts with customers: the main exceptions are leases, financial instruments and insurance contracts. This standard is effective for annual periods beginning on or after January 1, 2017.

Amounts in U.S. Dollars unless otherwise stated

4. Amounts receivable

	As at March 31, 2015	As at December 31, 2014
Trade accounts receivable	$ 40,451	$ 55,226
Goods and services taxes receivable	10,974	11,990
Total	$ 51,425	$ 67,216

5. Property and equipment

Cost:		
Balance, December 31, 2013	$	334,410
Additions		26,713
Disposals		(3,539)
Balance, December 31, 2014		357,584
Additions/Disposals		-
Balance, March 31, 2015	$	357,584
Accumulated depreciation:		
Balance, December 31, 2013	$	(304,285)
Depreciation		(24,855)
Disposals		2,020
Balance, December 31, 2014		(327,120)
Depreciation		(3,546)
Balance, March 31, 2015	$	(330,666)
Net carrying amounts:		
December 31, 2014	$	30,464
March 31, 2015	$	26,918

6. Accounts payable and accrued liabilities

	As at March 31, 2015	As at December 31, 2013
Trade and other payables	$ 790,773	$ 588,441
Accrued liabilities	405,911	472,229
Total	$ 1,196,684	$ 1,060,670

7. Debentures and notes payable

As at March 31, 2015 the Debentures and Notes Payable consist of:

Balance, December 31, 2013	**$ 1,862,820**
Issuance of short term unsecured convertible debenture, net of issuance costs (b)	36,436
Conversion of unsecured three year convertible debentures (c)	(3,178)
Conversion of unsecured two year convertibles debentures (d)	(58,995)
Note and interest settlement in cash (f)	(63,267)
Extinguishment of non-unit debenture (g)	(737,637)
Issuance of convertible debenture (g)	188,000
Settlement of convertible debenture (g)	(199,199)
Debenture and interest settlement in equity (h)	(502,670)
Foreign exchange adjustments on notes and debentures denominated in CAD	(52,631)
Accretion and interest capitalized	246,727
Balance December 31, 2014	**$ 716,406**
Issuance of unsecured short-term debentures, net of issuance costs (b)	10,571
Issuance of unsecured short-term convertible debentures, net of issuance costs (a)	115,911
Debentures and note settlement in cash (f)	(19,477)
Foreign exchange adjustments on notes and debentures denominated in CAD	(58,867)
Accretion	73,111
Balance March 31, 2015	**$ 837,655**

	As March 31, 2015	As at December 31, 2014
Current portion	$ 598,921	$ 484,265
Long-term portion	238,734	232,141
Total	$ 837,655	$ 716,406

Unsecured Short-Term Debentures

a. **Short-Term Convertible Debentures:** On March 25, 2015, the Company completed a non-brokered private placement of unsecured short-term convertible debentures for gross proceeds of CDN$250,000 (US$200,368). Of the total, CDN$162,000 (US$128,235) was issued for cash and CDN$90,000 (US$72,132) was exchanged for consulting services. The debentures mature on March 25, 2016 and may be converted by the holder at any time into common shares of the Company at a price of CDN$0.06 per common share. Interest is payable on the debentures at an annual rate equal to twelve percent (12%) paid in cash on a quarterly basis in arrears. The Short-Term Convertible Debentures may be repaid partially, or in full, by the Company to any or all of the subscribers at any time without penalty.

   No finders' fees or commissions were paid in connection with the Short-Term Convertible Debenture offering. A Director and Officer of the Company subscribed for CDN$50,000 of the debentures.

   The debentures were originally valued by deducting the fair value of the conversion feature of $70,129 and transaction costs of $17,327, for a residual value of $115,911. The derivative liabilities of the conversion feature were valued using the Black-Scholes model with the following assumptions:

Amounts in U.S. Dollars unless otherwise stated

	Warrants
Exercise price	$0.06
Time to maturity	1
Risk-free rate	0.49%
Volatility	123.47%
Dividend rate	nil

b. **Short-Term Debentures**: On December 31, 2014 the Company issued CDN$162,000 (US$139,309) in CDN$1,000 principal amounts of non-secured debentures ("Short-Term Debentures"), which mature one year from the date of issuance (the "Maturity Date"), and issued a total of 2,700,054 common share purchase warrants with an exercise price of CDN$0.06 for a period of two years. The Short-Term Debentures bear a 12% annual simple interest calculated on the principal amount, paid monthly in arrears with cash.

The Short-Term Debentures were originally valued by deducting the fair value of the warrants of CDN$112,052 (US$96,358) and transaction costs of CDN$7,576 (US$6,515), for a residual value of CDN$42,372 (US$36,436).

In January, 2015 the Company received an additional tranche of CDN$47,000 (US$40,514) of proceeds from the December 31, 2014 Debenture issuance, which, as a result of the late receipt of funds, was recorded in the financial statements in 2015. This tranche of Debentures was issued with 783,349 common share purchase warrants.

This tranche of the Short-Term Debentures were originally valued by deducting the fair value of the warrants of CDN$32,509 (US$28,023) and transaction costs of CDN$2,198 (US$1,895), for a residual value of CDN$12,293 (US$10,597). The warrants for both the December, 2014 and January, 2015 tranches were valued using the Black Scholes model with the following assumptions:

	Warrants
Exercise price	$0.06
Time to maturity	2
Risk-free rate	1.01%
Volatility	142.92%
Dividend rate	nil

The Short-Term Debentures may be repaid partially, or in full, by the Company to any or all of the subscribers at any time without penalty. An officer of the Company purchased CDN$50,000 of Short-Term Debentures under the offering. Transaction costs were recorded against the debenture and will be expensed over the life of the debenture using the effective interest rate method. These debentures have an effective interest rate of 143.5%. The securities will be subject to a four-month hold period, in accordance with applicable securities laws.

Unsecured Convertible Debentures

The warrants issued in connection with the following Convertible Debentures have been valued for consolidated financial statement presentation using the Black-Scholes option pricing model with assumptions that are further described in Note 8. The value of the warrants issued to the Debenture holders has been reflected as a reduction of the Debenture obligation and the Debenture obligation is subject to accretion to its face value at maturity, which is expensed as additional interest over the life of the obligation. The fair value is measured at each statement of financial position date, with adjustments made to the liability and reflected in the profit and loss.

c. **Three Year Convertible Debentures:** On August 21, 2013, the Company issued CDN$300,000 in CDN$1,000 principal amounts of convertible non-secured debentures ("Convertible Debentures"), which mature three years from the date of issuance (the "Maturity Date"), and issued a total of 1,500,000 common share purchase warrants with an exercise price of CDN$0.15 for a period of three years. The Convertible Debentures bear a 12% annual simple interest calculated on the principal amount, with any accrued but unpaid interest under the Convertible Debentures due and payable on the anniversary of the Convertible Debenture in either cash or common shares (at the option of the Company) with the number of common shares being determined by using the 10 day volume-weighted average price of the common shares on the Exchange on that date that is five days prior to the anniversary date (subject to the approval of the Exchange). The annual debenture interest due on August 21, 2014 was paid in cash.

Amounts in U.S. Dollars unless otherwise stated

The debentures were originally valued by deducting the fair value of the conversion feature and the warrants of $180,125 and $81,875 respectively, and transaction costs of $1,466, for a residual value of $25,281. The derivative liabilities of the conversion feature and the warrants were valued using the Black-Scholes model with the following assumptions:

	Conversion Feature	Warrants
Exercise price	$0.10	$0.15
Time to maturity	3	3
Risk-free rate	1.35%	1.35%
Volatility	121.32%	121.32%
Dividend rate	nil	nil

The Convertible Debentures may be converted by the holder at any time following the date of issuance at a price of CDN$0.10 per common share and the Convertible Debentures may be repaid partially, or in full, by the Company to any or all of the subscribers at any time without penalty. In connection with the offering, the Company paid finder's fees of CDN$4,900 cash and issued 49,000 agent's options. Each agent's option will be exercisable at a price of CDN$0.15 per common share for a period of 18 months from the date of issuance. An officer of the Company purchased CDN$100,000 of Convertible Debentures under the offering. The effective interest rate of these debentures is 170.75%.

On January 15, 2014 and March 14, 2014, CDN$24,000 and CDN$10,000 respectively, of the August 21, 2013 issue of the three year Convertible Debentures were converted into 240,000 and 100,000 common shares valued at CDN$13,037 (US$11,878) and CDN$5,751 (US$5,240) respectively. For the two conversions together, the debenture value was reduced by CDN$3,488 (US$3,178) and the conversion feature derivative value was reduced by CAD$15,300 (US$13,940).

During the first quarter of 2015, interest expense was recognized and accrued in the amount of $6,357 was included within the balance of interest payable on notes and debentures at March 31, 2015. Accretion in the amount of $8,029 was recognized for the first quarter of 2015.

An additional CDN$500,000 tranche of three year Convertible Debentures was issued on October 22, 2013 with the issuance of 2,500,000 common share purchase warrants. The derivative liabilities of the conversion feature and the warrants were originally valued using the Black-Scholes model with the following assumptions:

	Conversion Feature	Warrants
Exercise price	$0.10	$0.15
Time to maturity	3	3
Risk-free rate	1.35%	1.35%
Volatility	122.1%	122.1%
Dividend rate	nil	nil

This calculation would have resulted in a loss on issuance of $336,694 and therefore the debentures and the derivative liabilities were recorded at their relative fair values. The discount rate used to fair value the debenture was 20.7%. The value attributed to the conversion feature, the warrants and the debenture were $224,674, $104,271 and $157,255, respectively. Transaction costs of $4,103 were recorded against the debenture and will be expensed over the life of the debenture using the effective interest rate method.

During the first quarter of 2015, interest expense was recognized and accrued in the amount of $11,950 was included within the balance of interest payable on notes and debentures at March 31, 2015. Accretion in the amount of $17,748 was recognized for the first quarter of 2015.

d. **Two Year Convertible Debentures:** On August 28, 2013 the Company completed a non-brokered private placement of CDN$500,000 of debenture units ("Units") at a price of CDN$1,000 per Unit. The Units are comprised of CDN$1,000 principal amount of convertible non-secured debentures ("Convertible Debentures"), which mature two years from the date of issuance and 5,000 common share purchase warrants with an exercise price of CDN$0.15 for a period of two years, with an acceleration clause that if the daily volume weighted average price on the TSX Venture Exchange for the common shares exceeds CDN$0.20 for 20 consecutive trading days at any time during the term then the warrants will expire within 30 days following such period.

Amounts in U.S. Dollars unless otherwise stated

The debentures were valued by calculating the fair value of the derivative liabilities of the conversion feature using the Black Scholes model and the warrants were valued using a binomial model. The following assumptions were used in the models:

	Conversion Feature	Warrants
Exercise price	$0.10	$0.15
Time to maturity	2	2
Risk-free rate	1.22%	1.22%
Volatility	131%	131%
Dividend rate	nil	nil

The value attributed to the conversion feature, the warrants and the debenture were $309,936, $32,024 and $134,690, respectively. Transaction costs of $19,389 were recorded against the debenture and will be expensed over the life of the debenture using the effective interest rate method. These debentures have an effective interest rate of 107.75%.

The Convertible Debentures bear a 12% annual simple interest calculated on the principal amount, with any accrued but unpaid interest under the Debentures due and payable on the anniversary date in either cash or common shares (at the option of the Company).

The Debentures may be converted at any time at a price of CDN$0.10 per share with the provision that if the daily volume weighted average price of the common shares for 20 consecutive trading days is at or below CDN$0.03 (“Trigger Event”) at any time during the term, the Debentures shall become immediately redeemable for cash at either the Company or the investor’s option. Following the Trigger Event the interest rate shall increase to 18% per annum. The investor may elect to put all or a portion of the Debentures back to the Company in a single or multiple elections for cash equal to CDN$1,000 per Debenture plus accrued but unpaid interest following the Trigger Event. The Company and the investor may elect to negotiate a debt for equity swap in lieu of cash payment and the Debentures may be repaid partially or in full at any time upon 30 days notice without penalty.

In connection with this offering, the Company paid finder's fees of CDN$35,000 cash and issued 350,000 agent’s options. Each agent’s option will be exercisable at a price of CDN$0.15 per common share for a period of 18 months from the date of issuance.

On March 15, 2014, CDN$200,000 of the two year convertible debenture issue was converted into 2,000,000 common shares at CDN$0.10 per share. The recorded debenture value was reduced by CDN$65,416 (US$58,995) and the conversion feature derivative value was reduced by CDN$83,200 (US$75,005). The common shares issued were valued at CDN$148,616 (US$134,000).

During the first quarter of 2015, interest expense was recognized and accrued in the amount of $7,170 was included within the balance of interest payable on notes and debentures at March 31, 2015. Accretion in the amount of $30,257 was recognized for the first quarter of 2015.

Unsecured Notes

e. **Promissory Note:** In December, 2011 the Company issued an unsecured promissory note of CDN$600,000 maturing on December 22, 2014 and bearing interest at 9% per annum. The Note was issued with one common share purchase warrant per $1 of note payable, exercisable at CDN$0.25 for a period of three years. The warrants were valued at CDN$94,180 at the date of issuance. On June 20, 2013, CDN$300,000 of the Note was refinanced as part of the secured Unit Debenture issuance (described below in 7(h)).

At the Company’s election, the annual Note interest can be settled with either cash or the issuance of common shares. During the first quarter of 2015, interest expense was recognized and accrued in the amount of CDN$7,317 (US$5,910) was included within the balance of interest payable on notes and debentures at March 31, 2015.

Amounts in U.S. Dollars unless otherwise stated

On the maturity date of December 22, 2014, the Note holder agreed to extend the maturity date to April 15, 2015, and agreed subsequently to extend the maturity date to September 15, 2015. This modification did not result in the extinguishment of the existing liability and recognition of a new liability.

The warrants originally issued in connection with the Promissory Note have been valued for consolidated financial statement presentation using the Black-Scholes option pricing model with assumptions that are further described in Note 8. The value of the warrants issued to the Note holders was reflected as a reduction of the Note obligations and the Note obligation was subject to accretion, which was expensed as additional interest over the life of the obligation. The fair value of the warrants was measured at each statement of financial position date, with adjustments made to the derivative liability and reflected in the profit and loss. The Note was fully accreted at its original maturity date of December 22, 2014 therefore no accretion was recognized in the first quarter of 2015.

f. **Retention Bonus Promissory Note:** The Company entered into an agreement in October, 2010 with a Company officer to pay a retention bonus. The bonus vested monthly through to March, 2015 based on continuing employment and the liability was accrued for as a Provision for Retention Bonus. In the event that the officer is terminated without cause, or the officer's employment status is reduced, all unpaid and unvested amounts become immediately due and payable. As of April 1, 2013 the officer changed from full-time to part-time status and the entire bonus amount of $112,500 became due and payable. An agreement was reached to convert the amount due to a promissory note at 9% interest from April 1 to June 30, 2013, and 12% interest thereafter. This debenture was originally recorded at its fair value of $95,050. The remaining $17,450 was considered a contribution of capital and was recorded against research and development expense. The contributed capital value is subject to accretion, which is expensed as additional interest over the life of the obligation. Combined monthly principal and interest payments are as follows:

Monthly Payment Schedule - Principal and Interest		
July - October 2013	$	2,600
November 2013-January 2015		5,272
February 2015 - June 2015		7,992

The fair value was determined using a discount rate of 20.7%, which is also the effective interest rate. Principal and interest payments in the amount of $21,255 were made in accordance with the repayment schedule during the first quarter of 2015. At March 31, 2015 the outstanding accreted value of the Retention Bonus Promissory Note was $20,401.

Interest and accretion expense in the amount of $1,148 and $630 respectively were recognized during the three month period ended March 31, 2015.

Secured Debentures

During 2014 all secured debentures were paid out and the security was extinguished.

The Secured Convertible Debentures were secured by a general security agreement against substantially all of the assets of the Company's wholly-owned subsidiary, Ventripoint Inc., including its intellectual property, as a first charge.

All Debentures were recorded in the statement of financial position net of their pro rata share of issuance costs, which are expensed using the effective interest method over the term of the Debentures.

In addition, the Secured Non-Unit and Unit Debenture holders were to be paid, pro rata, 20% of the gross revenues received by Ventripoint (net of any third party billings, such as shipping or taxes) (the "Revenue Payments") at the end of each calendar quarter from sales of the Ventripoint Medical System (VMS™) machines until the Debentures were retired. The Revenue Payments would have been deducted from the principal required to be paid on the maturity date of the Debentures.

g. **Non-Unit Debenture – amended to Non-Unit Convertible Debenture**: On May 18, 2013, the Company issued a US$748,000 12% non-convertible, secured debenture which matures on July 18, 2014. This debenture was recorded at its fair value of $683,742, less issuance costs of $22,669. The capital discount rate used in the present value calculation was 20.7%. The remainder is considered a contribution of capital and was recorded to contributed surplus. The contributed capital value was subject to accretion, which was expensed as additional interest over the life of the obligation. The effective interest rate on this loan is 23.65%. This debenture was used to refinance CDN$761,712 of a CDN$861,712 three year, 8% secured debenture at maturity, after the repayment of CDN$100,000 in cash. Any accrued but unpaid interest on the Non-Unit Debenture was due and payable on December 1st of each year and on the maturity date. The December 1, 2013 interest in the amount of $48,692 was paid through the issuance of 1,034,146 common shares on February 14, 2014, the number of common shares being determined by using the preceding 10 day volume-weighted average price of the common shares on the TSXV Exchange prior to December 1, 2013.

On May 27th, 2014 the Company announced that it had come to an agreement with the debenture holder to amend the terms of the $748,000 Non-Unit Debenture so that it is convertible into 10,000,000 common shares of the Company at a price of USD$0.0748 per common share (Non-Unit Convertible Debenture). In addition, the maturity date of the Non-Unit Debenture was extended from July 18, 2014 to February 27, 2015. The Company paid a one-time fee of $25,000 to the debenture holder to affect these amendments. As the modification of terms resulted in an extinguishment of the old liability, a loss on extinguishment was recognized in the amount of $24,148 which was the difference between the carrying value on modification date of $737,657 and the fair value of the shares and new instrument issued on modification date of $736,805 plus the transaction fees of $25,000.

The shares issued on the modification date were valued at $394,220 and the compound financial instrument issued on the modification date was valued at $342,585.

The new instrument issued was determined to be a compound financial instrument as it was convertible into shares of the Company. The conversion of the second tranche of the debenture was only to occur as long as the Company could arrange a private sale of the shares subsequent to conversion. The private sale to the debenture holder was to result in a cash payment of $200,000. If the private sale was not arranged by September 30, 2014, the Company would have to repay the $348,000 in addition to a $100,000 cash penalty. As the Company was required to make a $200,000 payment by September 30, 2014, the fair value of the liability component of the compound financial instrument was $188,000, determined to be the present value of the $200,000 discounted at the market rate of 20.7% from modification date to September 30, 2014. The residual of $154,585 went to equity.

Upon the issuance of the second tranche of shares on September 15, 2014, the new liability with a carrying amount of $199,195 was derecognized and an equivalent amount of equity was recognized.

h. **Unit Debentures**: On June 21, 2013, the Company issued an aggregate of 500 units ("Units") for gross proceeds of US$500,000, which was used in part to refinance CDN$300,000 of Promissory Notes (see Note 7(e)). An additional 50 Units were issued on July 26, 2013 for proceeds of USD$50,000. Each Unit consists of US$1,100 principal amount of non-convertible secured debentures which mature three years from the date of issuance, and 2,000 common shares in the capital of the Company, for a total of 1,100,000 common shares issued. Each Unit Debenture is subject to a 10% capital discount premium to the subscriber such that for every US$1,000 Unit Debenture acquired, the Company shall owe on the maturity date an amount equal to US$1,100. The Unit Debentures bear interest at a rate of 12% per annum which shall be calculated on the initial Unit Debenture proceeds provided to the Company. If the Company prepays all of the outstanding principal on any of the Unit Debentures prior to the second anniversary date, the Company is also required to pay any accrued interest and make an additional payment to the debenture holders equal to one year’s interest (the "Additional Interest Payment").

The value of both the capital discount and the value ascribed to the common shares issued with the Unit Debentures were originally recorded as a reduction in the Unit Debenture obligation on the statement of financial position of $74,803. The Unit Debenture obligation was subject to accretion, which was expensed as additional interest over the life of the obligation. On issuance the Unit Debenture was valued with reference to comparable debentures in the marketplace and the difference between the proceeds and the Debenture valuation was allocated to the value of the common shares issued. The capital discount rate used in the present value calculations was 20.7%. The effective interest rate on the unit debentures is 21.65%.

Any accrued but unpaid interest on the Unit Debentures shall be due and payable on December 1st of each calendar year, either in cash or in common shares at the Company’s option, with the number of common shares being determined by using the preceding 10 day volume-weighted average price of the common shares on the Exchange. All subsequent interest payments shall be made in cash.

As part of the Private Placement of Units on June 20, 2014 (see Note 9 – *Share Transactions 2014*) the Unit Debentures, their accrued interest and the additional interest payment were fully paid with the issuance of 8,310,440 Units for the principal with a carrying value of $502,670 and 1,359,890 Units for the accrued and bonus interest of $33,000 and $66,000 respectively. Each Unit is comprised of one common share and one half of one common share purchase warrant. Each full warrant is exercisable into one additional common share at an exercise price of CDN$0.12 until June 20, 2016. The value of the Units issued totaled CDN$773,626 (US$714,545) and as a result a loss on settlement of $112,875 was recognized.

8. Derivative Liabilities and Warrants

Warrants are issued in connection with private placements of Common Shares, Convertible Debentures and Promissory Notes with an exercise price in Canadian dollars, which is different than the functional currency of the Company (US dollars). As a result, the warrants are treated as a derivative financial liability and the fair value movement during the period is recognized in profit or loss (however, warrants issued to agents and brokers are classified as share based payments and are therefore not accounted for as liabilities and are not subject to re-measurement at each statement of financial position date). The Company also issues convertible debentures and the conversion feature is considered a derivative liability and measured in accordance with the above.

The Company has used a binomial model and the Black-Sholes option pricing model to determine the fair value of the derivative liability at inception and at each period end. The following table summarizes the changes in the derivative liability during the three month period ended March 31, 2015 and the year ended December 31, 2014:

Derivative Liabilities

Balance, December 31, 2013	**534,523**
Warrants issued with sale of Common Shares (Note 9)	498,449
Warrants issued with Debentures (Note 7(b))	96,358
Conversion of debentures (Note 7(c)(d))	(88,945)
Foreign exchange adjustment	(68,991)
Derivative revaluation adjustment	(393,151)
Balance, December 31, 2014	**578,243**
Warrants issued with Debentures (Note 7(b))	25,710
Conversion Features (Note 7(a))	69,200
Foreign exchange adjustment	(43,883)
Derivative revaluation adjustment	(122,571)
Balance, March 31, 2015	**506,699**

Transactions in which warrants were issued - 2015

In January, 2015 the Company received an additional tranche of proceeds from the December 31, 2014 Debenture issuance (Note 7(b)), which, as a result of the late receipt of funds, was recorded in the financial statements in 2015. This tranche of Debentures was issued with 783,349 common share purchase warrants, valued at CDN$32,509 (US$28,023) using the Black Scholes model with the assumptions outlined immediately below (December 31, 2014 Debenture issue).

Transactions in which warrants were issued - 2014

As part of the Short-Term Debenture issuance on December 31, 2014 (Note 7(b)) the Company issued 2,700,054 common share purchase warrants with an exercise price of CDN$0.06 for a period of two years. The warrants were valued at CDN$112,052 (US$96,358).

The warrants for both the December, 2014 and January, 2015 tranches were valued using the Black Scholes model with the following assumptions:

Amounts in U.S. Dollars unless otherwise stated

	Warrants
Exercise price	$0.06
Time to maturity	2
Risk-free rate	1.01%
Volatility	142.92%
Dividend rate	nil

As part of the private placement in June of 2014 (Note 9), 12,788,213 warrants were issued and were valued at CDN$539,663 (US$498,449) using the Black-Scholes model and the agent's warrants were valued at CDN$61,076 (US$56,412) by adding the value of the underlying warrants issued with the Units (Unit warrants), adjusted to the agent's warrant life, plus the agent's warrants for Units valued as warrants for shares only. All were valued using the Black-Scholes model on the grant date using the following assumptions:

	Agent's Warrants	**Common Share Warrants**
Exercise price	$0.08	$0.12
Time to maturity	1.5	2.0
Risk-free rate	1.14%	1.14%
Volatility	142.92%	142.92.0%
Dividend rate	nil	nil

Warrants Outstanding

Changes in the number of warrants outstanding during the three months ended March 31, 2015 and the year ended December 31, 2014 were as follows (CDN$):

	Quarter ended March 31, 2014		**Year ended December 31, 2014**	
	Number of Warrants	**Weighted average exercise price**	**Number of Warrants**	**Weighted average exercise price**
Balance, January 1	28,156,255	$0.13	33,972,668	$0.21
Granted	783,349	$0.06	16,588,755	$0.11
Expired	(3,324,000)	$0.25	(22,405,168)	$0.25
Balance, Period End	**25,615,604**	**$0.13**	**28,156,255**	**$0.13**

The following table reflects warrants outstanding and exercisable at March 31, 2015 (CDN$):

Grant Price		**Warrants Outstanding**			**Warrants Exercisable**		
High	Low	Quantity	Remaining Contractual Life	Weighted Average Exercise Price	Quantity	Remaining Contractual Life	Weighted Average Exercise Price
$0.06	$0.09	4,583,891	1.51	$0.06	4,583,891	1.51	$0.06
$0.10	$0.14	12,788,213	1.22	$0.12	12,788,213	1.22	$0.12
$0.15	$0.15	8,243,500	0.86	$0.15	8,243,500	0.86	$0.15
		25,615,604	**1.16**	**$0.12**	**25,615,604**	**1.16**	**$0.12**

The fair value of the warrants and conversion options at the dates of the statement of financial position of re-measurement were based on using a binomial model and the Black-Sholes option pricing model with the following weighted average assumptions:

Amounts in U.S. Dollars unless otherwise stated

	March 31, 2015	December 31, 2014
Expected time to maturity	1.26	1.30
Risk free interest rate	0.49 %	1.01 %
Dividend yield	nil	nil
Expected volatility	130.89 %	113.81-142.92%

9. Share Capital

The Company has authorized share capital of an unlimited number of common shares without nominal or par value and an unlimited number of preferred shares without nominal or par value. No preferred shares have been issued. Common shareholders are entitled to receive dividends as declared by the Company at its discretion and are entitled to one vote per share at the Company's annual general meeting.

Share transactions –2015

On March 27, 2015, the Company issued 675,000 Common Shares upon the exercise of Deferred Share Units by a Director who resigned from the Board of Directors on March 25, 2015. These DSU's were expensed at each grant date from 2012 through 2014 for a total expensed of $57,098 (CDN$71,242), and were measured at the five-day volume weighted average trading price of the Company's common shares on the day prior to the day the Units were granted. Under the terms of the Company's Deferred Share Unit Plan, holders of DSUs may redeem each DSU for one common share upon the termination of their services to the Company, at no cost to the holder. At the exercise date the amount originally expensed and booked to Contributed Surplus was transferred to Share Capital.

Share transactions –2014

On June 20, 2014, the Company completed a private placement ("Private Placement") of 25,576,426 Units ("Units") at $0.08 per unit for gross proceeds of CDN$2,046,074. Of the total, 14,656,096 Units were issued for cash of CDN$1,172,448 (US$1,082,945), 1,250,000 Units were issued in exchange for consulting services valued at CDN$100,000 (US$92,363), and 9,670,330 Units were issued to settle debt and accrued interest with a carrying value of US$601,670 for Units valued at US$714,545 (CDN$773,626) resulting in a loss on settlement of US$112,875 (Note 7(h)). Each Unit is comprised of one common share and one half of one common share purchase warrant for a total of 12,788,213 warrants issued. Each full purchase warrant is exercisable into one additional common share at an exercise price of CDN$0.12 until June 20, 2016.

The Private Placement was approximately 33% non-brokered and 67% brokered, with D&D Securities Inc. acting as the agent of the Company in the brokered portion of the Private Placement. The Company paid aggregate cash commissions of CDN$88,039 plus 1,100,488 agent's warrants, each exercisable to purchase one Unit at a price of CDN$0.08. The agent's warrants will expire 18 months from the closing date of the Private Placement.

The common shares, warrants and agent's warrants acquired by the subscribers were subject to a hold period of four months plus one day and could not be traded until October 21, 2014 except as permitted by applicable securities legislation and the rules of the TSX Venture Exchange.

In July, 2013 the Company and its landlord reached an agreement wherein rent expense of $18,345 payable for August through October, 2013 will be due in November and payable, at the option of the Company, in cash or common shares, subject to TSXV approval. The number of shares to be paid was based upon a formula relating to the average share price during the month of October. In November an application for approval for the issuance of 186,579 common shares valued at $12,726 (CDN$13,060) was submitted to the TSXV Exchange and the shares were subsequently issued on February 14, 2014. A gain on issuance of $6,180 was recognized included within Loss on exchange of shares for debt on the consolidated statement of loss and comprehensive loss.

Weighted average number of shares

The weighted average number of shares for the quarter ended March 31, 2015 was 185,896,338 (year ended December 31, 2014 – 166,232,958). The Company has not adjusted its weighted average number of shares outstanding for the purpose of calculating the diluted loss per share as any adjustment related to stock options or warrants would be anti-dilutive.

Amounts in U.S. Dollars unless otherwise stated

Nature and purpose of Contributed Surplus

The reserves recorded in equity on the Company's statement of financial position include 'Contributed Surplus' and 'Deficit'. 'Contributed Surplus' is used to recognize the value of stock option grants and share purchase warrants prior to exercise. 'Deficit' is used to record the Company's change in deficit from earnings from year to year.

Stock Option Plan

The Company has adopted an incentive stock option plan in accordance with the policies of the TSXV Exchange (the "Stock Option Plan") which provides that the Board of Directors of the Company may from time to time, at its discretion, grant to directors, officers, employees and consultants of the Company non-transferable options to purchase common shares, provided that the number of common shares reserved for issuance under the Stock Option Plan shall not exceed ten percent (10%) of the issued and outstanding common shares. In addition, the number of common shares reserved for issuance in any one period to any one optionee shall not exceed five percent (5%) of the issued and outstanding common shares and the number of common shares reserved for issuance to any one consultant will not exceed two percent (2%) of the issued and outstanding common shares. The Board of Directors determines the price per common share and the number of common shares which may be allotted to each director, officer, employee and consultant and all other terms and conditions of the option, subject to the rules of the TSXV.

On November 24, 2014, a consultant was granted 375,000 stock options in payment for investor relations consulting services. The value of the options were determined based on the fair value of the equity instruments granted as the fair value of the services received could not be determined reliably. The options were exercisable at CDN$0.06 per common share until November 24, 2017. These options were subsequently exercised and 375,000 common shares were issued for proceeds of $19,985 (CDN$22,500) on November 27, 2014. The transaction was non-cash as the consultant was owed $22,500 by the Company, and the Company and the consultant agreed to settle the amounts net.

On September 18, 2014, the Company granted 870,000 stock options to employees of the Company and 2,500,000 options to certain officers of the Company. Vesting is immediate for 2,250,000 options and quarterly over three years for 1,120,000 options. All options are exercisable at $0.08 per share until the fifth anniversary date of the grant.

The Company granted 50,000 stock options to a consultant on February 19, 2014. The options vested immediately, have an exercise price of CDN$0.15 per common share and expire three years from the date of grant.

Changes in the number of options outstanding during the quarter ended March 31, 2015 and the year ended December 31, 2014 were as follows (CDN$):

	Quarter ended March 31, 2015		Year ended December 31, 2014	
	Number of Options	**Weighted Average Exercise Price**	**Number of Options**	**Weighted Average Exercise Price**
Balance, January 1	11,403,506	$0.11	9,222,673	$0.13
Granted	-		3,795,000	$0.08
Exercised	-		(375,000)	$0.06
Cancelled/forfeited/expired	(290,000)	$0.11	(1,239,167)	$0.15
Balance, Period End	**11,113,506**	**$0.11**	**11,403,506**	**$0.11**

Amounts in U.S. Dollars unless otherwise stated

The following table reflects stock options outstanding and exercisable at March 31, 2015 (CDN$):

Grant Price		Options Outstanding			Options Exercisable		
			Weighted Average Remaining Contractual Life	Weighted Average Exercise Price		Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
High	Low	Quantity			Quantity		
$0.08	$0.11	7,635,000	3.37	$0.09	5,878,335	3.20	$0.09
$0.12	$0.14	1,425,000	5.06	$0.12	1,350,000	5.19	$0.12
$0.15	$0.20	1,772,500	1.44	$0.17	1,766,250	1.44	$0.17
$0.21	$0.29	281,006	0.68	$0.25	281,006	0.68	$0.25
		11,113,506	**3.21**	**$0.11**	**9,275,591**	**3.08**	**$0.12**

Share-based compensation expense was determined based on the fair value of the options at the date of measurement using the Black-Scholes option pricing model with the following weighted average assumptions:

	March 31, 2015	March 31, 2014
Expected option life	3.64 years	3.62 years
Risk free interest rate	1.45 %	1.56 %
Expected forfeiture rate	6.0 %	6.0 %
Dividend yield	nil	nil
Expected volatility	130.82 %	114.3%

The Black-Scholes model used by the Company to calculate option values was developed to estimate the fair value of freely tradable, fully transferable options without vesting restrictions, which significantly differs from the Company's stock option awards. This model also requires four highly subjective assumptions, including future stock price volatility and average option life, which greatly affect the calculated values.

The risk-free interest rate is based primarily on the implied yield on a Canadian Government zero-coupon issue with a remaining term equal to the expected term of the option. The volatility is based solely on historical volatility equal to the expected life of the option. The life of the options is estimated considering the vesting period at the grant date, the life of the option and expectations of early exercise. The forfeiture rate is an estimate based on historical evidence and future expectations. The dividend yield was excluded from the calculation since it is the present policy of the Company to retain all earnings to finance operations and future growth.

10. Income taxes

Income taxes are calculated at year end only. The provision for income taxes varies from the amount that would be computed by applying the expected tax rate to income (loss) before income taxes. The principle reasons for differences between such "expected" income tax expense and the amount actually recorded are as follows for the years ended December 31, 2014 and 2013:

		2014		2013
Loss before income taxes	$	(1,884,229)	$	(1,549,000)
Statutory income tax rate		34.00%		34.00%
Expected tax recovery	$	(640,638)	$	(526,660)
Non-deductible expenses		153,389		139,051
Differences due to foreign jurisdiction and foreign exchange		5,823		(105,413)
Change due to warrant revaluation		(98,288)		(456,879)
Other		(31,101)		16,920
Change in unrecognized deferred tax assets		610,815		932,981
Income tax provision (recovery)	$	-	$	-

Amounts in U.S. Dollars unless otherwise stated

The statutory income tax rate represented is the U.S. statutory tax rate. The operations of the Company are mainly in the U.S. and therefore this rate would provide a more meaningful representation of the tax consequences. The statutory tax rate remains unchanged at 34.00%.

Unrecognized deferred tax assets

Deferred tax assets have not been recognized in respect of the following deductible temporary differences:

	2014	2013
Share issuance costs	$ 59,386	$ 85,207
Non-capital losses	7,207,230	6,583,774
Eligible capital expenditures	20,888	22,460
Inventory	-	60,520
Economic performance	343,743	290,030
Other	50,281	28,722
Unrecognized deferred tax assets	$ 7,681,528	$ 7,070,713

At December 31, 2014, the Company had Canadian tax losses of $7.6M (2013 - $6.7M) that will expire between 2015 and 2034, and U.S. tax losses of approximately $15.6M (2013 - $14.5M) which will expire between 2025 and 2034.

11. Statement of loss and comprehensive loss supplementary information

Components of operating expenses for the three months ended March 31, 2015 and 2014 were as follows:

Research and Development

	2015	2014
Research and development	$ 106,900	$ 124,052
Share-based compensation	603	7,461
Depreciation and amortization of property and equipment	1,141	7,043
Total	$ 108,644	$ 138,556

Sales and Marketing

	2015	2014
Marketing	$ 74,324	$ 8,992
Share-based compensation	361	-
Depreciation and amortization of property and equipment	1,317	234
Total	$ 76,002	$ 9,226

General and Administrative

	2015	2014
General and administrative	$ 154,741	$ 93,427
Share-based compensation	12,446	20,167
Depreciation and amortization of property and equipment	1,088	1,770
Total	$ 168,275	$ 115,365

12. Personnel costs

Personnel costs for the three months ended March 31, 2015 and 2014 were as follows:

	2015	2014
Salaries, fees and short-term benefits	$ 172,740	$ 173,086
Share-based compensation	13,410	27,628
Total personnel expenses	$ 186,150	$ 200,714

Amounts in U.S. Dollars unless otherwise stated

13. Finance costs

Finance costs for the three months ended March 31, 2015 and 2014 were as follows:

	2015	2014
Bank charges and other	$ 758	$ 670
Transaction costs	7,775	-
Accretion on notes and debentures	73,111	80,468
Interest on notes and debentures	38,032	66,236
Total finance costs	$ 119,675	$ 147,375

14. Commitments

The Company has the following contractual obligations as of March 31, 2015:

	2015	2016	2017	Total
Premises Lease	$26,248	$17,730	$0	$43,978
University of Washington Technology License Minimum Annual Royalty	75,000	50,000	50,000	175,000
Total contractual commitments for the period	$101,248	$67,730	$50,000	$218,978

In April, 2014 the Company reached an agreement with the University of Washington for a revised payment schedule wherein the payment of the $75,000 2013 minimum annual royalty due in February, 2014, would be made in three installments of $25,000 each in May and September of 2014 and February, 2015. As of March 31, 2015, the third installment was still outstanding.

Also, in April, 2014, the Company entered into a lease for office and manufacturing space for 26 months beginning May 1, 2014. Total cash base rent for the 26 month lease term is $69,538, as the first two months were free.

15. Related parties

The key management personnel of the Company are the Directors, the President and Chief Executive Officer, the Chief Financial Officer and Vice President. Compensation for key management personnel of the Company for three month periods ended March 31, 2015 and 2014 was as follows:

	2015	2014
Salaries, fees and short-term benefits	$ 106,949	$ 122,313
Share-based compensation	16,131	29,319
Note interest	3,665	2,685
Total key management personnel expenses	$ 126,745	$ 154,317

Executive officers and directors participate in the stock option plan and the deferred share unit plan. Certain officers may participate in the Company’s health plan. Directors generally receive annual and meeting fees for their services, however, in 2015 and 2014 the Directors took no cash compensation. As at March 31, 2015 the key management personnel control 4.34% of the voting shares of the Company.

Management also held $79,086 in the Three Year Convertible Debentures (Note 7(c)), $39,543 of the Short-Term Debentures (Note 7(b)), and in March, 2015 purchased $39,543 of the Short-Term Convertible Debentures (Note 7(a)).

On September 18, 2014, the Company granted 2,500,000 stock options to certain officers of the Company. 1,500,000 of the options vest immediately and 1,000,000 options vest quarterly over three years. All options are exercisable at CDN$0.08 per share until the fifth anniversary date of the grant.

On December 4, 2014 a new Director was appointed to the Board of Directors, and was granted 225,000 Deferred Share Units ("DSUs") under the terms of the Company's Deferred Share Unit Plan for Directors and Executive Officers. As well, on September 18, 2014, 900,000 Deferred Share Units were awarded to three directors. DSUs are measured at fair value on the date of grant. Under the terms of the Company's Deferred Share Unit Plan, holders of DSUs may redeem each DSU for one common share upon the termination of their services to the Company, at no cost to the holder. At March 31, 2015, there were 2,625,000 DSUs outstanding.

16. Capital disclosures

The Company's objective in managing capital is to safeguard its ability to continue as a going concern and to sustain future development of the business. In the management of capital, the Company includes shareholders' equity, excluding accumulated other comprehensive loss. The Company's objective is met by retaining adequate equity to provide for the possibility that cash flows from assets will not be sufficient to meet future cash flow requirements. In order to maintain or adjust its capital structure, the Company may issue new shares. The Board of Directors does not establish quantitative return on capital criteria for management. The Company is not subject to any externally imposed capital requirements and the Company's overall strategy with respect to capital management remains unchanged from the year ended December 31, 2014.

17. Financial instruments

The Company's financial instruments consist of cash and equivalents, amounts receivable, accounts payables and accrued liabilities, debentures and note payable and derivative liabilities. Cash and equivalents and accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities and debentures and notes payable are classified as other financial liabilities, which are also measured at amortized cost. Derivative financial liabilities are measured at fair value.

IFRS 13 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The Hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly (ie, as prices) or indirectly (ie. Derived from prices); and

Level 3: Inputs that are not based on observable market data.

The Company measures its derivative liabilities at fair value through profit or loss and has determined this valuation to be a level 2 valuation as it is based on inputs that are observable.

The Company's financial instruments are exposed to certain financial risks, including credit risk, liquidity risk and market risk.

(a) Credit risk:

Credit risk is the risk of financial loss to the Company if counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and equivalents, and amounts receivable. The carrying amount of the financial assets represents the maximum credit exposure.

The Company limits its exposure to credit risk on cash and equivalents by placing these financial instruments with high-credit quality financial institutions and only investing in liquid, investment grade securities.

The Company has a number of individual customers and no one customer represents a concentration of credit risk.

The carrying amount of amounts receivable is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss within operating expenses. When a receivable balance is considered uncollectible it is written off against the allowance. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss. Within the amounts receivable, all amounts receivable are considered to be collectible. The carrying amount of financial assets represents the maximum credit exposure.

The maximum exposure to credit risk as at March 31, 2015 and December 31, 2014 was:

	March 31, 2015	December 31, 2014
Cash and equivalents	$ 88,135	$ 148,283
Amounts receivable	51,425	67,216
Total	$ 139,560	$ 215,499

(b) *Liquidity risk*:

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages its liquidity risk by monitoring forecasted and actual cash flows, as well as anticipated investing and financial activities. The majority of the Company's financial liabilities are due within 90 days. The Company has long-term financial liabilities reflected on its statement of financial position and in Note 7 of these consolidated financial statements.

The following table sets out contractual maturities (representing undiscounted contractual cash flows) of financial liabilities outstanding at March 31, 2015:

	2015			2016		
	Q2	Q3	Q4	Q1/Q2	Q3/Q4	Total
Accounts payable and accrued liabilities	1,180,595	0	0	12,500	0	1,193,095
Debentures and notes payable	20,401	474,516	165,290	197,715	605,799	1,463,720
Interest payable on notes and debentures	1,048	69,827	20,801	0	0	91,676
Total	1,202,044	544,343	186,090	210,215	605,799	2,748,491

The contractual maturities of commitments at period end are included in Note 14.

(c) *Market risk:*

Market risk is the risk that changes in market prices, such as foreign currency exchange rates and interest rates will affect the Company's income or the value of the financial instruments held.

(*d*) *Foreign currency risk:*

The majority of the Company's purchases are made in U.S. dollars. None of the Company's VMS equipment sales in 2014 were denominated in foreign currencies, though 64% of the warranty service revenue in Q1 2015 (Q1 2014 – 100%) is denominated in either Euros, GBP or CHF. A significant portion of the Company's capital and debt transactions are denominated in Canadian dollars and the Company maintains a portion of its cash and equivalents in Canadian dollars. Foreign currency risk reflects the risk that the Company's earnings will be impacted by fluctuations in exchange rates.

With all other variables held constant, a 10% point increase in the value of the Canadian dollar relative to the U.S. dollar would have increased the non-operating loss due to foreign currency differences by approximately $14,600 for the quarter ended March 31, 2015 (March 31, 2014 - $10,000). There would be an equal and opposite impact on the net loss with a 10% point decrease in the value of the Canadian dollar relative to the U.S. dollar.

The objective of the Company's foreign exchange risk management activities is to minimize transaction exposures and the resulting volatility of the Company's earnings. The Company manages this risk by pricing sales in U.S. dollars, and by reducing the exposure of liabilities denominated in Canadian dollars with Canadian dollar denominated monetary assets. The Company has not entered into any forward foreign exchange contracts.

Amounts in U.S. Dollars unless otherwise stated

The Company was exposed to currency risk as at March 31, 2015 and December 31, 2014 as follows:

	2015 CDN$	**2014 CDN$**
Cash and equivalents	108,460	127,104
Amounts receivable	13,875	13,943
Accounts payable and accrued liabilities	585,244	448,170
Principal and interest due on debentures and promissory notes	1,135,574	849,573

18. Subsequent events

In April, 2015 the Promissory Note Holder (Note 7(e)) agreed to extend the maturity of the Note to September 15, 2015.

On May 11, 2015 an Officer and Director exercised 100,000 common stock options at CDN$0.08 per share for proceeds of CDN$8,000. The same Officer exercised an additional 250,000 stock options at CDN$0.08 on May 27, 2015 for proceeds to the Company of CDN$20,000.