INTERIM FINANCIAL STATEMENTS

March 31, 2017

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management. The Company’s independent auditor has not performed a review of these financial statements.

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

	March 31, 2017 $	December 31, 2016 $
ASSETS		
Current		
Cash	**–**	11,416
Accounts receivable	**525**	525
Inventory (Note 4)	**946,090**	946,785
Prepaid expenses	**225,610**	225,610
Sales taxes receivable	**8,156**	6,530
	1,180,381	1,190,866
Intangible assets and deferred development costs (Note 5)	**968,783**	1,137,518
Office facilities and equipment (Note 6)	**541**	688
Total Assets	**2,149,705**	2,329,072
LIABILITIES		
Current		
Bank overdraft	**80,836**	–
Accounts payable and accrued liabilities (Note 7 and 14)	**1,288,508**	1,403,341
Loans payable (Note 8)	**505,981**	320,567
Due to related parties (Note 7)	**312,987**	279,354
	2,188,312	2,003,262
Due to related parties (Note 7)	**577,071**	577,071
Total Liabilities	**2,765,383**	2,580,333
SHAREHOLDERS' DEFICIT		
Share capital (Note 9)	**17,684,511**	17,684,511
Contributed surplus	**3,472,159**	3,472,159
Warrants	**1,514,183**	1,514,183
Subscriptions received (Note 9)	**90,000**	90,000
Deficit	**(23,376,531)**	(23,012,114)
Total Shareholders' Deficit	**(615,678)**	(251,261)
Total Liabilities and Shareholders' Deficit	**2,149,705**	2,329,072

Commitments and contingent liabilities (Note 12)
Subsequent events (Note 16)

On behalf of the Board:

"Thomas Braun" *"Karen Boodram"*

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

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

	Three Months Ended March 31, 2017 $	Three Months Ended March 31, 2016 $
Revenue	**–**	15,900
Cost of sales	**–**	(417)
Gross Profit	**–**	15,483
Expenses		
Amortization (Notes 5 and 6)	**168,882**	248,831
General and administrative (Note 7)	**183,975**	155,780
Regulatory and trustee fees	**6,182**	6,170
Research and development	**222**	2,604
Royalties	**–**	398
Stock based compensation (Note 10)	**–**	20,718
Warranty expense	**695**	–
Total Expenses	**359,956**	434,501
Loss from Operations	**(359,956)**	(419,018)
Other Income (Expenses)		
Financing costs (Note 8)	**(5,414)**	–
Foreign exchange gain	**953**	6,367
Impairment of intangible assets	**–**	(22,520)
Write-off of inventory	**–**	(8,401)
Total Other Income (Expenses)	**(4,461)**	(24,554)
Net Loss and Comprehensive Loss for the Period	**(364,417)**	(443,572)
Basic and Diluted Loss Per Common Share	**(0.00)**	(0.00)
Weighted Average Number of Common Shares Outstanding	**95,655,888**	91,655,888

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

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

	Share Capital						
	Common Shares	Amount	Contributed Surplus	Warrants	Shares Subscribed	Deficit	Total Shareholders' Equity (Deficit)
		$	$	$	$	$	$
Balance, December 31, 2015	**91,655,888**	**17,534,966**	**3,241,374**	**1,673,795**	**200,000**	**(21,370,529)**	**1,279,606**
Expiry of warrants	–	–	161,072	(161,072)	–	–	–
Stock-based compensation	–	–	20,718	–	–	–	20,718
Net loss for the period	–	–	–	–	–	(443,572)	(443,572)
Balance, March 31, 2016	**91,655,888**	**17,534,966**	**3,423,164**	**1,512,723**	**200,000**	**(21,814,101)**	**856,752**
Balance, December 31, 2016	**95,655,888**	**17,684,511**	**3,472,159**	**1,514,183**	**90,000**	**(23,012,114)**	**(251,261)**
Net loss for the period	–	–	–	–	–	(364,417)	(364,417)
Balance, March 31, 2017	**95,655,888**	**17,684,511**	**3,472,159**	**1,514,183**	**90,000**	**(23,376,531)**	**(615,678)**

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

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

	Three Months Ended March 31, 2017 $	Three Months Ended March 31, 2016 $
Cash Flows Used in Operating Activities		
Net loss for the period	**(364,417)**	(443,572)
Non-cash expenses:		
Amortization	**168,882**	248,831
Financing costs	**5,414**	–
Impairment of intangible assets	**–**	22,520
Stock based compensation	**–**	20,718
Write-off of inventory	**–**	8,401
Changes in operating assets and liabilities:		
Amounts receivable	**–**	5,399
Prepaid expenses	**–**	(4,174)
Sales taxes receivable	**(1,626)**	(887)
Inventory	**695**	182
Accounts payable and accrued liabilities	**(102,868)**	(82,674)
Due to related parties	**33,633**	55,526
Net Cash Used in Operating Activities	**(260,287)**	(169,730)
Cash Flows Used in Investing Activities		
Deferred development costs	**(11,965)**	(6,662)
Purchase of property and equipment	**–**	(1,179)
Net Cash Used in Investing Activities	**(11,965)**	(7,841)
Cash Flows Provided by Financing Activities		
Bank overdraft	**92,252**	(6,478)
Proceeds received from loans payable, net of debt issue costs	**180,000**	100,000
Proceeds received from related party loans payable	**–**	96,625
Net Cash Provided by Financing Activities	**272,252**	190,147
Increase in Cash	**–**	12,576
Cash – Beginning of Period	**–**	–
Cash – End of Period	**–**	12,576
Supplemental Disclosures:		
Interest paid	**–**	–
Income tax paid	**–**	–

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

1 Corporate information

Verisante Technology, Inc. (the "Company", "Verisante") was incorporated pursuant to the provisions of the British Columbia Business Corporations Act on March 7, 2006, and is a medical device company committed to commercializing innovative systems for the early detection of cancer. The Company was incorporated under the Canadian Business Corporations Act as T-Ray Science, Inc. in March 2006 to bring together a team of high level academic researchers, medical device industry experts and corporate finance professionals to execute a targeted product strategy focused on the early detection of cancer. Since inception, the Company has been developing a skin cancer detector based on Terahertz technology out of the University of Waterloo. In connection with the R&D on a skin cancer device, the Company built a catalogue of Terahertz chips to be used as sources and detectors within a spectrometer. The Company began selling some of these chips to Universities and other research institutions in 2009.

In July 2010, the Company entered into a licensing agreement with the BC Cancer Agency to commercialize a skin cancer detector based on Raman Spectroscopy. The device, called the Verisante Aura™ can be used in the early detection of all forms of skin cancer, including basal cell and squamous cell carcinoma and melanoma. The Verisante Core™ device is based on the same platform technology as the Aura™ and can be used in the early detection of lung, cervical, gastrointestinal and colo-rectal cancers.

As a result of the Company's commitment to commercializing the technology licensed from the BC Cancer Agency, management changed the Company's name to reflect this shift in focus. Effective January 17, 2011, the Company changed its name from T-Ray Science, Inc. to Verisante Technology, Inc. and all Waterloo operations, including research and chip sales, were wound down by the end of January 2011 in order to shift resources to the commercialization of the Verisante Aura™ and Verisante Core™ devices.

On May 26, 2011, the Company entered into an Asset Purchase Agreement with Perceptronix Medical Inc., in which the Company purchased all rights to the ClearVu and ClearVu Elite endoscopy systems for early lung cancer detection.

The Company's registered office is suite 140 – 2639 Viking Way, Richmond, British Columbia, Canada, V6V 3B7.

The financial statements were authorized for issue by the Board of Directors on May 29, 2017.

2 Basis of presentation

Statement of compliance

These interim consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*. The interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2016, which have been prepared in accordance with IFRS as issued by the IASB.

The Company uses the same accounting policies and methods of computation as in the annual consolidated financial statements for the year ended December 31, 2016.

Basis of measurement

The interim financial statements have been prepared on a historical cost basis and are presented in Canadian dollars, which is also the Company's functional currency.

The preparation of interim financial statements in compliance with IFRS requires management to make certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements include the determination of impairment on financial and non-financial assets, the valuation of future income tax assets, the fair value of share-based payments, and determining whether contingent assets or liabilities exist.

2 *Basis of presentation (continued)*

Going concern of operations

The Company reported a loss of $364,417, has an accumulated deficit of $23,376,531 and has a working capital deficiency of $1,007,931. Due to these conditions, there is a material uncertainty on the Company's ability to continue as a going concern. The key risks to the Company's sustainability are the ability to increase cash flows through common share equity raises, obtain additional debt financing, and increase revenues. As of March 31, 2017, the Company does not have sufficient cash resources to meet its obligations for the next 12 months.

The Company is currently closing on a convertible debenture financing for $4,000,000 from a private investor subsequent to the year end date, the final terms of which are subject to approval from the TSX Venture Exchange. The funds will be used to assist with meeting the Company's business goals including its revenue sharing sales program for its Aura device and to retire its outstanding accounts payable. Management anticipates that the Company will start receiving the funds during the second quarter in tranches of up to $500,000 and shall finalize closing once all funds are received. The going concern capability of the Company is dependent upon receiving this financing to ensure there are sufficient resources to continue operations.

The Company is dependent upon this debt financing to restart its Aura device revenue sharing sales program and fund marketing efforts, sales support, and service efforts to ensure the program is successful. If the Company is not successful with the Aura device revenue sharing sales program it will be unable to generate revenues and cash flows.

The directors of the Company believe the current plans and strategies will result in the Company achieving sufficient cash flows to continue operating into the future and on that basis, the directors have maintained the going concern assumption in the preparation of these interim financial statements.

These interim financial statements do not reflect any adjustments to the carrying values of assets and liabilities that would be necessary if the Company were unable to achieve profitable operations or obtain adequate financing.

3 *Standards, amendments and interpretations not yet effective*

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for annual periods beginning after January 1, 2018, or later periods.

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

i) IFRS 9, *Financial Instruments* (New; to replace IAS 39, IFRIC 9 and earlier versions of IFRS 9).

ii) IFRS 15, *Revenue from Contracts with Customers* (New; to replace IAS 18, IAS 11 and a number of revenue-related interpretations).

iii) IFRS 16, Leases (New; to replace IAS 17).

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

4 *Inventory*

At March 31, 2017, the Company held $946,090 (December 31, 2016 - $946,785) in inventory, consisting of $593,113 (December 31, 2016 - $593,808) in raw materials and $352,977 (December 31, 2016 - $352,977) in finished goods.

(expressed in Canadian dollars unless otherwise stated)

5 *Intangible assets and deferred development costs*

Intangible assets and deferred development costs are comprised of the following:

	Acquired technology and patents $	Licenses $	Total $
Cost			
Balance at December 31, 2016	6,090,282	59,097	6,149,379
Development costs for the period	–	–	–
Balance at March 31, 2017	6,090,282	59,097	6,149,379
Depreciation and impairment losses			
Balance at December 31, 2016	4,952,764	59,097	5,011,861
Depreciation for the period	168,735	–	168,735
Balance at March 31, 2017	5,121,499	59,097	5,180,596
Carrying amounts			
Balance at December 31, 2016	1,137,518	–	1,137,518
Balance at March 31, 2017	968,783	–	968,783

6 *Office facilities and equipment*

	Computer hardware $	Software $	R&D equipment $	Office furniture $	Leasehold improvements $	Total $
Cost						
Balance at December 31, 2016	36,347	36,353	33,006	47,558	140,718	293,982
Write-off of equipment	(5,033)	–	–	(1,422)	–	(6,455)
Balance at March 31, 2017	31,314	36,353	33,006	46,136	140,718	287,527
Depreciation and impairment losses						
Balance at December 31, 2016	36,347	35,665	33,006	47,558	140,718	293,294
Depreciation for the period	–	147	–	–	–	147
Write-off of equipment	(5,033)	–	–	(1,422)	–	(6,455)
Balance at March 31, 2017	31,314	35,665	33,006	46,136	140,718	286,986
Carrying amounts						
Balance at December 31, 2016	–	688	–	–	–	688
Balance at March 31, 2017	–	541	–	–	–	541

7 Related party transactions

At March 31, 2017, the Company is indebted to the Chief Executive Officer ("CEO") of the Company for $568,782 (December 31, 2016 - $537,532) for accrued salary and expenses paid on behalf of the Company. The balance is unsecured and non-interest bearing. On April 28, 2016, the CEO of the Company agreed to defer payment of a portion of the amount owing of $406,250 until April 28, 2017. On August 1, 2016, the CEO of the Company agreed to further defer payment of this amount until January 1, 2018. On May 1, 2017, the CEO of the Company agreed to further defer payment of this amount until January 1, 2019.

At March 31, 2017, the Company is indebted to the Chief Financial Officer ("CFO") of the Company for $213,526 (December 31, 2016 - $213,526) for accrued salary. The balance is unsecured and non-interest bearing. On April 28, 2016, the CFO of the Company agreed to defer payment of a portion of the amount owing of $170,821 until April 28, 2017. On August 1, 2016, the CFO of the Company agreed to further defer payment of this amount until January 1, 2018. On May 1, 2017, the CEO of the Company agreed to further defer payment of this amount until January 1, 2019.

At March 31, 2017, the Company is indebted to a Director of the Company for $105,564 (December 31, 2016 - $108,569) for consulting fees. The balance has been included in accounts payable and accrued liabilities, is unsecured, non-interest bearing and due on demand.

On February 4, 2016, the Company entered into a promissory note with the CEO of the Company for $93,978, which is unsecured, bears interest at 10% per annum, and is due on demand. At March 31, 2017, the Company owed accrued interest of $10,840 (December 31, 2016 - $8,523) on the promissory note.

On March 1, 2016, the Company entered into a promissory note with the CEO of the Company for $2,647, which is unsecured, bears interest at 10% per annum, and is due on demand. At March 31, 2017, the Company owed accrued interest of $286 (December 31, 2016 - $221) on the promissory note.

During the three months ended March 31, 2017, the Company incurred salary and bonuses of $31,250 (2016 - $31,250) to the CEO of the Company and $16,531 (2016 - $16,531) to the CFO of the Company.

During the three months ended March 31, 2017, the Company incurred consulting fees of $nil (2016 - $6,000) to a Director of the Company which have been recognized as development costs and included in intangible assets.

8 Loans payable

On May 12, 2015, the Company entered into a Loan Agreement with a non-related third party for $145,567, which is unsecured, non-interest bearing and due 6 months from the date of receipt of funds. If the loan is not paid by the due date, the loan shall bear interest at 10%, paid quarterly. Pursuant to the loan, the Company issued 300,000 share purchase warrants with an exercise price of $0.13 per share and a term of 3 years from the closing date. At May 12, 2015, the warrants had a fair value of $14,858, determined using the Black-scholes option pricing model, and have been recognized as financing costs on the statement of comprehensive loss. At March 31, 2017, the Company recognized accrued interest of $20,139 (December 31, 2016 - $1,954), which is included in accounts payable and accrued liabilities.

On March 9, 2016, the Company entered into a Loan Agreement with a non-related third party for $100,000, which is unsecured, bears interest at 12% per annum, and is due on August 9, 2016. At March 31, 2017, the Company recognized accrued interest of $12,723 (December 31, 2016 - $9,764), which is included in accounts payable and accrued liabilities.

On May 18, 2016, the Company entered into a Loan Agreement with a non-related third party for $40,000, which is unsecured, bears interest at 12% per annum, and is due on November 20, 2016. At March 31, 2017, the Company recognized accrued interest of $4,169 (December 31, 2016 - $2,985), which is included in accounts payable and accrued liabilities.

On December 10, 2016, the Company entered into a Loan Agreement with a non-related third party for $35,000, which is unsecured, bears interest at 12% per annum, and is due on June 30, 2017. At March 31, 2017, the Company recognized accrued interest of $1,277 (December 31, 2016 - $242), which is included in accounts payable and accrued liabilities.

On February 10, 2017, the Company entered into a Loan Agreement with a non-related third party for $200,000, which is unsecured, bears interest at 12% per annum, and is due on August 10, 2017. At March 31, 2017, the Company recognized accrued interest of $3,222, which is included in accounts payable and accrued liabilities. Pursuant to the loan, the Company incurred finders' fees of $20,000 which have been netted against the carrying value of the debt and are being amortized over the term of the loan.

(expressed in Canadian dollars unless otherwise stated)

9 *Share capital*

Common shares

The Company is authorized to issue an unlimited number of common shares without par value.

All of the authorized unlimited common shares are of the same class and, once issued, rank equally as to dividends, if and when declared by the Board of Directors, voting powers (one vote per share) and participation in assets upon dissolution or winding-up.

At March 31, 2017, the Company received subscriptions of $90,000 for 1,800,000 common shares at $0.05 per share, which has been included in subscriptions received.

Preferred shares

The Company is authorized to issue an unlimited number of Class A preferred shares and Class B preferred shares.

The preferred shares shall have certain rights, privileges, restrictions and conditions as determined by the Board of Directors. No preferred shares have been issued since the Company's inception.

10 *Stock options and warrants*

The Company has a stock option plan that provides for the issuance of options to its directors, officers and employees. The maximum number of outstanding options must be no more than 6,617,468 options at any point in time. The term of the options must be no longer than 10 years and the directors determine the vesting period.

The following table summarizes information about the options at March 31, 2017, and December 31, 2016, and the changes for the periods then ended:

	March 31, 2017		December 31, 2016	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Options outstanding – Beginning of period	2,154,570	0.24	2,654,570	0.30
Granted	–	–	1,100,000	0.05
Cancelled / Expired	(69,570)	0.64	(1,600,000)	0.21
Options outstanding – End of period	2,085,000	0.23	2,154,570	0.24
Options exercisable – End of period	2,085,000	0.23	2,154,570	0.24

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

The following table summarizes information about stock options outstanding and exercisable at March 31, 2017:

Range of Exercise Prices $	Options outstanding	Options Exercisable	Weighted average remaining contracted life (years)
0.05 – 0.14	1,550,000	1,550,000	2.52
0.53 – 0.64	535,000	535,000	0.74
	2,085,000	2,085,000	2.07

(expressed in Canadian dollars unless otherwise stated)

10 Stock options and warrants (continued)

Stock-based compensation expense is determined using the Black-Scholes option pricing model. During the three months ended March 31, 2017, the Company recognized stock-based compensation expense of $nil (2016 - $20,718) in contributed surplus, which will be reclassified to share capital if exercised. The weighted average fair value of each option granted during the three months ended March 31, 2017, was $nil (2016 - $0.02). Weighted average assumptions used in calculating the fair value of stock-based compensation expense are as follows:

	2017	2016
Risk-free rate	–	0.54%
Dividend yield	–	0%
Volatility factor of the expected market price of the Company's common shares	–	136%
Weighted average expected life of the options (years)	–	0.67

There were no stock options exercised during the three months ended March 31, 2017, or 2016.

Share purchase warrants

The following table summarizes information about the warrants at March 31, 2017, and December 31, 2016, and the changes for the periods then ended:

	March 31, 2017		**December 31, 2016**	
	Number of warrants	**Weighted average exercise price $**	**Number of warrants**	**Weighted average exercise price $**
Warrants outstanding – Beginning of period	6,054,771	0.09	5,118,271	0.20
Issued	–	–	4,000,000	0.08
Expired	–	–	(3,063,500)	0.26
Warrants outstanding – End of period	6,054,771	0.09	6,054,771	0.09

The Company's warrants are exercisable only for common shares. The following table summarizes information about warrants outstanding and exercisable at March 31, 2017:

Exercise price $	**Expiry date**	**Warrants outstanding**	**Weighted average remaining contracted life (years)**
0.08	December 28, 2017	4,000,000	0.75
0.13	May 12, 2018	300,000	1.12
0.10	June 21, 2020	1,754,771	3.23
		6,054,771	1.48

(expressed in Canadian dollars unless otherwise stated)

11 Management of capital

The Company manages its cash, common shares, stock options and warrants as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its technology and products and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Company does not have any externally imposed capital requirements to which it is subject.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash. In order to maximize ongoing development efforts, the Company does not pay out dividends. The Company's investment policy is to keep its cash treasury on deposit in an interest bearing Canadian chartered bank account. The Company will require capital resources to carry its research and development plans and operations through its current operating period.

12 Commitments and contingent liabilities

Effective July 14, 2010, the Company entered into a Licensing Agreement with the BC Cancer Agency ("BCCA"). On September 30, 2010, the Company entered into a First Amendment to the Licensing Agreement with the BCCA (the "Amendment"). Pursuant to the Amendment, the minimum annual royalty was amended to equal the greater of $80,000 or the Earned Royalties during the first three years of the agreement, and to equal the greater of $160,000 or the Earned Royalties after the first three years. In addition to the original milestone payments, the Company must also pay $120,000 upon first jurisdictional regulatory approval for sale in third clinical application.

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

On June 1, 2011, the Company entered into a licensing agreement to license the exclusive world-wide rights for a novel rapid multi-spectral imaging cancer detection technology in consideration for $10,875 and 100,000 common share purchase warrants with a fair value of $48,995. Each full warrant entitles the holder to acquire one common share at a price of $0.66 per share for a period of five years from the date of issuance. The Company will also pay the inventors on an annual basis the lessor of a system royalty or a running royalty as follows:

Term	System Royalty	Running Royalty
Year 1 – 5	2% of net sales of the licensed products	$200 per system
Year 6 – 8	1.5% of net sales of the licensed products	$150 per system
Each year thereafter	1% of net sales of the licensed products	$100 per system

In addition, the Company has the right to grant sublicenses of its right under this licensing agreement. The Company will pay the inventors fifty percent (50%) of all sublicense income received by the Company. Any payments by the Company that are not paid on or before the date such payments are due under this Agreement shall bear interest, to the extent permitted by law, at two percentage points above the prime rate of interest as reported by the Bank of Canada on the date payment is due.

On May 26, 2011, the Company entered into an Asset Purchase Agreement (the "Agreement") with Perceptronix Medical Inc. ("PMI"), in which the Company purchased all rights to the ClearVu™ and ClearVu Elite™ endoscopy systems for early lung cancer detection developed by PMI in consideration for $200,000. Pursuant to a prior commitment entered into by PMI, the Company must deliver a ClearVu Elite™ system to the Research Institute of Oncology of the Ministry of Health and Social Development of the Russian Federation upon receiving a request from the Russian Federation (which request has, to date, not been received).

12 *Commitments and contingent liabilities (continued)*

Contingent liabilities

In the ordinary course of business, the Company may be contingently liable for litigation and claims with customers, suppliers and former employees. On an ongoing basis, the Company assesses the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable costs and losses and a determination of the provision required, if any, for these contingencies is made after analysis of each individual issue. The Company has provided for no amount in respect of contingent liabilities in the financial statements.

At March 31, 2017, the Company is involved in a lawsuit with RWTH Aachen University over a dispute with a licensing agreement, in which RWTH Aachen was awarded summary judgment of $85,813. During the year ended December 31, 2015, the Company paid $40,079 towards the outstanding balance of the judgement. The remaining balance of $45,734 has been included in accounts payable and accrued liabilities at March 31, 2017, and December 31, 2016. The Company anticipates it will be able to settle the judgment equitably in due course, and does not believe the amount will have a material impact on the Company's operations.

13 *Financial instruments*

Fair Values

Assets and liabilities measured at fair value on a recurring basis were presented on the Company's statement of financial position as at March 31, 2017, as follows:

	Fair Value Measurements Using			
	Quoted prices in active markets for identical instruments (Level 1) $	Significant other observable inputs (Level 2) $	Significant unobservable inputs (Level 3) $	Balance, March 31, 2017 $
Bank overdraft	(80,836)	–	–	(80,836)
	(80,836)	–	–	(80,836)

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

Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash, accounts receivable and sales taxes receivable. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The Company's sales taxes receivable are with the government of Canada in the form of sales tax, and therefore the credit risk is minimal. Most sales' payment terms are set in accordance with industry practice. Some of the Company's customers are distributors for a given territory and are privately-held enterprises. Adverse changes in a customer's financial position could cause the Company to limit or discontinue conducting business with that customer, require the Company to assume more credit risk relating to that customer's future purchases or result in uncollectible accounts receivable from that customer. Such changes could have a material adverse effect on business, results of operations, financial condition and cash flows. The carrying amount of financial assets represents the maximum credit exposure.

Foreign Exchange Rate Risk

The Company operates in Canada and its cash is held in Canada in Canadian dollars. The Company's sales to foreign distributors are incurred in Canadian dollars. The Company also has vendors which charge fees in Canadian and U.S. dollars. The Company does not use derivative instruments to hedge exposure to foreign exchange rate risk. However, management of the Company believes there is no significant exposure to foreign currency fluctuations.

Interest Rate Risk

The Company's cash may contain highly liquid investments that earn interest at market rates. The Company manages its interest rate risk by maximizing the interest earned on excess funds while maintaining the liquidity necessary to fund daily operations. Fluctuations in market interest rates do not have a significant impact on the Company's results of operations due to the short term to maturity of the investments held.

(expressed in Canadian dollars unless otherwise stated)

13 Financial instruments (continued)

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising debt or equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

14 Accounts payable and accrued liabilities

At March 31, 2017, and December 31, 2016, accounts payable and accrued liabilities consist of the following amounts:

	March 31, 2017 $	December 31, 2016 $
Trade payable	**1,174,993**	1,283,991
Accruals	**112,899**	112,410
Payroll withholdings	**616**	6,940
	1,288,508	1,403,341

15 Subsequent event

The Company entered into a convertible debenture agreement on April 26, 2017 with a non-related party for $4,000,000 bearing interest at 9% per annum. Interest is payable in quarterly installments and the loan is due on May 25, 2020. The holder has the right to convert a portion, or all, of the outstanding principal into common shares of the Company at conversion prices ranging from $0.13 to $0.20 per share at anytime on or before the date of the repayment in full of the certificate. The final terms of the financing shall be subject to approval from the TSX Venture Exchange.