

BIOSIGN TECHNOLOGIES INC.

CONSOLIDATED FINANCIAL STATEMENTS

AS AT AND FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

Unaudited

Our Auditors have not reviewed these interim consolidated financial statements.

BIOSIGN TECHNOLOGIES INC.
INTERIM CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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BIOSIGN TECHNOLOGIES INC.

INTERIM CONSOLIDATED BALANCE SHEETS

AS AT SEPTEMBER 30, 2011 AND DECEMBER 31, 2010

Unaudited

	September 30 2011	December 31 2010
	\$	\$
Assets		
Current		
Cash and cash equivalents	959,101	2,940,804
Accounts receivable	186,759	191,026
Inventory	816,182	410,077
Prepaid and other assets (note 5)	93,319	144,781
	2,055,361	3,686,688
Non-current		
Prepaid and other assets (note 5)	113,750	147,500
Intangibles (note 6)	4,555,077	5,747,884
Property and equipment (note 7)	285,865	277,895
	4,954,692	6,173,279
	7,010,053	9,859,967
Liabilities		
Current		
Accounts payable and accrued liabilities	806,985	556,249
Deferred revenue	3,000	13,354
	809,985	569,603
Shareholders' Equity		
Capital stock (note 8)	24,241,517	22,533,604
Contributed surplus	7,626,887	3,842,645
Deficit	(25,668,336)	(17,085,885)
	6,200,068	9,290,364
	7,010,053	9,859,967

Going Concern (note 1)

Commitments and Contingencies (note 10)

Subsequent Events (note 13)

APPROVED ON BEHALF OF THE BOARD:

“Steven Bloom”
Director

“Jason D. Meretsky”
Director

BIOSIGN TECHNOLOGIES INC.
INTERIM CONSOLIDATED STATEMENTS OF LOSS AND
COMPREHENSIVE LOSS
FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

	Unaudited	
	2011	2010
	\$	\$
Revenue	94,191	-
Cost of sales	43,622	-
Gross profit	50,569	-
Salaries and benefits	428,839	158,131
Consulting and other professional fees	107,204	209,943
Stock based compensation	669,244	-
Research and development	90,072	113,876
Advertising and promotion	231,976	10,360
Amortization of intangibles	543,291	153,850
Depreciation of property and equipment	34,432	5,347
Occupancy cost	121,123	45,107
Office and general	29,355	52,529
Insurance	4,174	12,967
Public company costs	82,323	85,040
Legal and audit	78,556	46,221
Travel and entertainment	53,828	24,415
Telecommunications	41,485	9,442
Operating expenses	2,515,902	927,228
Net loss and comprehensive loss	(2,465,333)	(927,228)
Loss per share - Basic and diluted	(\$0.03)	(\$0.01)
Weighted average number of shares outstanding		
Basic and diluted (000's)	86,207	76,320

BIOSIGN TECHNOLOGIES INC.
INTERIM CONSOLIDATED STATEMENTS OF LOSS AND
COMPREHENSIVE LOSS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

	Unaudited	
	2011	2010
	\$	\$
Revenue	279,639	20,000
Cost of sales	127,713	-
Gross profit	151,926	20,000
Salaries and benefits	1,750,955	512,052
Consulting and other professional fees	278,429	467,089
Stock based compensation	3,122,408	-
Research and development	363,689	215,397
Advertising and promotion	351,000	30,360
Amortization of intangibles	1,620,711	329,399
Depreciation of property and equipment	90,164	15,740
Occupancy cost	272,164	95,053
Office and general	66,542	47,309
Insurance	55,678	25,357
Public company costs	212,843	121,726
Professional fees - legal and audit	266,786	72,238
Travel and entertainment	195,249	50,354
Telecommunications	87,759	26,318
Operating expenses	8,734,377	2,008,392
Net loss and comprehensive loss	(8,582,451)	(1,988,392)
Loss per share - Basic and diluted	(\$0.10)	(\$0.03)
Weighted average number of shares outstanding		
Basic and diluted (000's)	86,207	71,138

BIOSIGN TECHNOLOGIES INC.

INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

AND YEAR ENDED DECEMBER 31, 2010

Unaudited

	Capital Stock		Contributed Surplus	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount			
		\$	\$	\$	\$
Balance January 1, 2010	69,346,782	11,867,024	2,594,527	(13,435,158)	1,026,393
Issued for cash in private placement	3,077,000	1,753,811	-	-	1,753,811
Issued for purchase of Cloud Diagnostic LLP	3,242,308	2,180,841	-	-	2,180,841
Issued for cash on exercise of warrants	847,196	385,502	-	-	385,502
Issued for cash on exercise of options	35,000	35,000	-	-	35,000
Fair value of warrants issued	-	(1,082,713)	1,082,713	-	-
Fair value of warrants exercised	-	238,064	(238,064)	-	-
Fair value of options exercised	-	22,715	(22,715)	-	-
Net loss for the period	-	-	-	(1,988,392)	(1,988,392)
Balance September 30, 2010	76,548,286	15,400,244	3,416,461	(15,423,550)	3,393,155
Issued for cash in private placement	1,840,000	2,300,000	-	-	2,300,000
Issued for purchase of assets of Healthanywhere Inc.	3,500,000	4,340,000	-	-	4,340,000
Issued for cash on exercise of warrants	1,738,206	876,334	-	-	876,334
Issued for cash on exercise of options	74,000	28,900	-	-	28,900
Fair value of warrants issued	-	(683,168)	683,168	-	-
Fair value of warrants exercised	-	249,888	(249,888)	-	-
Fair value of options exercised	-	21,406	(21,406)	-	-
Stock based compensation	-	-	14,310	-	14,310
Net loss for the period	-	-	-	(1,662,335)	(1,662,335)
Balance at December 31, 2010	83,700,492	22,533,604	3,842,645	(17,085,885)	9,290,364
Issued for cash in private placement	2,292,626	1,691,392	-	-	1,691,392
Issued for cash on exercise of warrants	949,812	637,455	-	-	637,455
Issued for cash on exercise of options	86,000	40,900	-	-	40,900
Fair value of warrants issued	-	(1,043,915)	1,043,915	-	-
Fair value of warrants exercised	-	352,887	(352,887)	-	-
Fair value of options exercised	-	29,194	(29,194)	-	-
Stock based compensation	-	-	3,122,408	-	3,122,408
Net loss for the period	-	-	-	(8,582,451)	(8,582,451)
Balance at September 30, 2011	87,028,930	24,241,517	7,626,887	(25,668,336)	6,200,068

BIOSIGN TECHNOLOGIES INC.

**INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010**

Unaudited

	2011 \$	2010 \$
Operating activities		
Net loss	(8,582,451)	(1,061,164)
Add: charges to income not involving cash		
Depreciation of property and equipment	90,164	10,393
Amortization of intangibles	1,620,711	175,549
Stock based compensation	3,122,408	-
	(3,749,168)	(875,222)
Net change in non-cash working capital balances consists of:		
Accounts receivable	4,267	38,590
Inventory	(406,105)	-
Prepaid and other assets	85,212	(288,346)
Accounts payable and accrued liabilities	250,736	(21,759)
Deferred revenue	(10,354)	-
	(3,825,412)	(1,146,737)
Cash applied in operating activities		
Financing activities		
Issue of common stock for cash net of cash fees	2,369,747	1,860,186
	2,369,747	1,860,186
Cash provided by financing activities		
Investing activity		
Deferred development costs	(427,904)	(415,298)
Net cash on acquisition of Cloud Diagnostic net assets	-	595,010
Purchase of property and equipment	(98,134)	(13,661)
	(526,038)	166,051
Cash acquired/ (applied) in investing activity		
Increase/(decrease) in cash, during the period	(1,981,703)	879,500
Cash and cash equivalents, beginning of period	2,940,804	906,018
Cash and cash equivalents, end of period	959,101	1,785,518

BIOSIGN TECHNOLOGIES INC.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

Unaudited

1. Nature of operations and going concern assumption

Nature of operations

Biosign Technologies Inc. (the “Company” or “Biosign”) is a public company traded on the TSX - Venture Exchange (“TSX-V”) under the symbol BIO and was formed via an amalgamation under the Business Corporations Act (Ontario) on July 14, 2006. The predecessor operating company was Biosign Technologies Inc. which was incorporated under the Business Corporations Act (Ontario) on March 11, 2004.

The Company develops technologies, products and initiatives to address critical problems in global health care. Biosign is committed to becoming the "world's health monitor" with a robust, integrated and portable system that provides valuable information to stakeholders. Biosign's breakthrough technology and continued innovation serve the Company's mission to make health care safe, simple, and sensible.

The principal place of business is:

230-175 Commerce Valley Drive West
Thornhill ON L3T 7P6
Canada

Going concern assumption

These financial statements have been prepared using International Financial Reporting Standards (“IFRS”) that are applicable to a going concern, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business.

The Company has yet to generate significant revenues or reach profitable operations and as such is dependent on financing activities. Management believes the Company will need funding to operate into the year 2012. Management is considering all financing alternatives and seeks to raise additional funds for operations until it achieves, and maintains, profitable operations to continue development and marketing of its technologies. This disclosure is not an offer to sell, nor a solicitation of an offer to buy the Company’s securities. While the Company is striving to achieve its plans, there is no assurance that future funding will be available or obtained on favorable terms.

As the outcome of these matters cannot be predicted at this time, there is some uncertainty regarding the Company's ability to continue as a going concern. These financial statements do not reflect adjustments in the carrying values of the Company's assets and liabilities and expenses, and the balance sheet classification used, that should be necessary should the Company be unable to continue its operations. Such adjustments could be material.

BIOSIGN TECHNOLOGIES INC.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

Unaudited

2. Basis of preparation

These consolidated financial statements have been prepared using accounting policies consistent with IFRS as issued by the International Accounting Standards Board (“IASB”) and the interpretations issued by the International Financial Reporting Interpretations Committee (“IFRIC”) that are effective or available for early adoption for accounting periods beginning on January 1, 2011. The preparation of these interim consolidated financial statements resulted in changes to the accounting policies as compared with the most recent annual consolidated financial statements at December 31, 2010, prepared under Canadian GAAP. The impact of transition from Canadian GAAP to IFRS is explained in note 4 and the principal accounting policies applied in these interim consolidated financial statements are set out below.

These interim consolidated financial statements should be read in conjunction with the Company’s Canadian GAAP annual consolidated financial statements for the year ended December 31, 2010.

These interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”) using accounting policies consistent with IFRS as issued by the International Accounting Standards Board (“IASB”) and the IFRICs that are effective or available for early adoption on January 1, 2011. These IFRS interim consolidated financial statements cover part of the period to be covered by the Company’s first annual consolidated financial statements to be prepared in accordance with IFRS for the year ending December 31, 2011. Previously, the Company prepared its annual consolidated and interim consolidated financial statements in accordance with Canadian GAAP. These interim consolidated financial statements do not include all of the information required for the full annual consolidated financial statements and should be read in conjunction with the annual consolidated financial statements of the Company for the year ended December 31, 2010.

The interim consolidated financial statements have been prepared under the historical cost convention, except for certain financial assets and financial liabilities (including derivative instruments) that are recognized at fair value through the consolidated statement of comprehensive income.

The accounting policies set out below have been applied consistently to all periods presented in these interim consolidated financial statements. They have also been applied in preparing an opening IFRS balance sheet at January 1, 2010, for the purposes of the transition to IFRS, as required by IFRS 1, First Time Adoption of International Financial Reporting Standards.

The Company has changed certain accounting policies to be consistent with IFRS, as is expected to be effective or available for early adoption on December 31, 2011, the Company’s first annual IFRS reporting date. The new IFRS policies have been described in the Summary of significant accounting policies (see note 3), and they have not resulted in any significant change to the recognition and measurement of assets, liabilities, equity, revenue and expenses with the Company’s consolidated financial statements.

BIOSIGN TECHNOLOGIES INC.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

Unaudited

2. Basis of preparation (continued)

As a result of adoption of IFRS, there was no impact on the Company's balance sheet as at September 30, 2010 and to the Company's statements of loss and comprehensive loss for the three and nine months ended September 30, 2010 and to the Company's statement of changes in equity for the nine months ended September 30, 2010. There are also no material differences between the cash flow statement presented under Canadian GAAP and that presented under IFRS for the nine months ended September 30, 2010 (see note 4).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Company's management to exercise judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where the assumptions and estimates are significant to the interim consolidated financial statements are disclosed in note 3.

The Company's Board of Directors approved these interim consolidated financial statements for issue on November 28, 2011.

3. Summary of significant accounting policies

Revenue recognition

Revenue is recognized when a written arrangement for sale is agreed with the customer that establishes a fixed and determinable sales price and/or:

- the risks and rewards of ownership of the goods have been passed to the customer upon delivery and acceptance of the goods.
- performance of the services has been fulfilled for the contracted period.
- collection is reasonably assured.

When revenues for services are paid in advance, the revenue is recognized as the service is provided. The balance of the prepayment is included in deferred revenue. Any direct costs associated with this deferred revenue are included in deferred cost of revenue.

Cash and cash equivalents

Cash and cash equivalents include cash in the bank, and highly liquid investments with maturities of less than three months or less at the time of the purchase.

Inventories

Inventories are valued at the lower of cost, determined using an average cost method, and net realizable value.

BIOSIGN TECHNOLOGIES INC.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

Unaudited

3. Summary of significant accounting policies (continued)

Intangibles

Intangibles are recorded at acquisition cost. Amortization is provided at the following rates which are formulated to charge income with the cost of the intangibles over their estimated useful lives as follows:

UFIT® web interface development	3 years straight line
UFIT® system development	3 years straight line
Cloud eCommerce platform	3 years straight line
Healthanywhere software solution	3 years straight line

Property and equipment

Property and equipment are recorded at acquisition cost. Depreciation is provided at the following rates which are formulated to charge income with the cost of the property and equipment over their estimated useful lives as follows:

Computer hardware and software	3 years straight line
Furniture and fixtures	3 years straight line
Production testing equipment and moulds	3 years straight line

Foreign currency translation

The Company's functional currency and presentation currency is the Canadian dollar ("CDN dollar"). Monetary assets and liabilities denominated in currencies other than the CDN dollar have been translated into CDN dollars at the exchange rate prevailing at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Transactions denominated in a currency other than the CDN dollar are translated at the exchange rates prevailing at the transaction dates. Exchange gains and losses are included in net income (loss) for the year.

Research and development

Research costs are expensed as incurred. Expenditures during the development phase are capitalized if the Company can demonstrate each of the following criteria: (i) the technical feasibility of completing the intangible asset so that it will be available for use or sale, (ii) its intention to complete the intangible asset and use or sell it, (iii) its ability to use or sell the intangible asset, (iv) how the intangible asset will generate probable future economic benefits, (v) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and (vi) its ability to measure reliably the expenditure attributable to the intangible asset during its development; otherwise, they are expensed as incurred.

BIOSIGN TECHNOLOGIES INC.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

Unaudited

3. Summary of significant accounting policies (continued)

Investment tax credits

The Company accrues investment tax credits for qualifying research and development costs when there is reasonable assurance that the amounts are recoverable. The Company accounts for the investment tax credits relating to research and development expenses as a deduction in the statement of loss and those relating to capital expenditures as a reduction of the cost of the assets acquired.

Income taxes

The Company follows the asset and liability method of accounting for income taxes. Under the asset and liability method, the change in the net deferred tax asset or liability is to be included in

income. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. Deferred tax assets are recorded only if such realization is probable.

Stock-based compensation plan

The Company from time to time issues stock options to employees, directors, officers and consultants as described in note 9. The Company has adopted the recommendations of IFRS 2, Share-Based Payment. Options granted are valued at the grant date using the Black-Scholes option pricing model and the value of the options is expensed at the earlier of when goods have been received or services performed, or over the vesting period. The amount recognized as an expense is adjusted to reflect the actual number of share options for which the related service and non-market vesting conditions are met.

The Black-Scholes option pricing model used by the Company to determine fair values was developed for use in estimating the fair value of freely traded options that are fully transferable and have no vesting restrictions. This model requires the use of highly subjective assumptions, including future stock price volatility and expected time until exercise. Because the Company's outstanding stock options have characteristics that are significantly different from those of traded options, and because changes in any of these assumptions can materially affect the fair value estimate, in management's opinion, the existing models may not provide a reliable single measure of the fair value of its stock options.

Impairment of long lived assets

The Company's property and equipment and intangibles with finite lives are reviewed for an indication of impairment at each balance sheet date. If indication of impairment exists, the asset's recoverable amount is estimated. The recoverable amount is the greater of the asset's fair value less costs to sell and value in use. 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

BIOSIGN TECHNOLOGIES INC.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

Unaudited

3. Summary of significant accounting policies (continued)

assessments of the time value of money and the risks specific to the asset. An impairment loss is recognized when the carrying amount of an asset, or its cash-generating unit, exceeds its recoverable amount. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Impairment losses are recognized in profit and loss for the period.

An impairment loss is reversed if there is an indication that 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.

Comprehensive income/(loss)

Other comprehensive income/(loss) consists of changes to unrealized gains and losses on available-for-sale financial assets, changes to unrealized gains and losses on the effective portion of cash flow hedges and changes to foreign currency translation adjustments of foreign operations during the period.

Comprehensive income/(loss) measures net loss for the period plus other comprehensive income (loss). Amounts reported as other comprehensive income are accumulated in a separate component of shareholders' equity as Accumulated Other Comprehensive Income.

The Company has not presented a statement of accumulated other comprehensive income as it has no other comprehensive income (loss).

Financial instruments

The Company classifies all financial instruments as held-to-maturity, available-for-sale, fair value through profit or loss ("FVTPL"), loans and receivables or other liabilities. Financial assets held-to-maturity, loans and receivables and financial liabilities other than those FVTPL, are measured at amortized cost using the effective interest method. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss). Instruments classified as FVTPL are measured at fair value with unrealized gains and losses recognized in net income (loss). Financial instruments of the Company consist of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities. The fair value of these instruments approximates their carrying amount due to their immediate or short-term maturity.

The Company has made the following classifications:

- Cash and cash equivalents are classified as FVTPL and are measured at fair value.
- Accounts receivable are classified as loans and receivables measured at amortized cost using the effective interest method; and
- Accounts payable and accrued liabilities are classified as other liabilities measured at amortized

BIOSIGN TECHNOLOGIES INC.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

Unaudited

3. Summary of significant accounting policies (continued)

- cost using the effective interest method.

Transaction costs with respect to instruments not classified as FVTPL are recognized as an adjustment to the cost of the underlying instruments, when they are recognized, and amortized using the effective interest method. Transaction costs with respect to instruments classified as FVTPL are expensed as incurred.

Additional fair value measurement disclosure includes classification of financial instrument fair values in a fair value hierarchy comprising three levels reflecting the significance of the inputs used in making the measurements which are as follows:

- Level 1:** Valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2:** Valuations based on directly or indirectly observable inputs in active markets for similar assets or liabilities, other than Level 1 prices, such as quoted interest or currency exchange rates; and
- Level 3:** Valuations based on significant inputs that are not derived from observable market data, such as discounted cash flow methodologies based on internal cash flow forecasts.

Management estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. These estimates are reviewed periodically and as adjustments become necessary, they are reported in earnings in the period in which they become known.

Key areas where management has made estimates and assumptions include: fair value of financial instruments; the useful lives of property and equipment and intangibles for amortization purposes; valuation of stock options and warrants, and valuation allowance on deferred income taxes.

BIOSIGN TECHNOLOGIES INC.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

Unaudited

4. Transition to IFRS

IFRS 1 First-time Adoption of International Financial Reporting Standards sets forth guidance for the initial adoption of IFRS. Under IFRS 1 the standards are applied retrospectively at the transitional balance sheet date with all adjustments to assets and liabilities taken to retained earnings unless certain exemptions are applied. The Company has applied the following exemptions to its opening statement of financial position dated January 1, 2010:

(a) Business Combinations

IFRS 1 indicates that a first-time adopter may elect not to apply IFRS 3 Business Combinations retrospectively to business combinations that occurred before the date of transition to IFRS. The Company has taken advantage of this election and has applied IFRS 3 to business combinations that occurred on or after January 1, 2010.

(b) Share-based payment transactions

IFRS 1 encourages, but does not require, first-time adopters to apply IFRS 2 Share-based Payment to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company did not apply IFRS 2 to awards that vested prior to January 1, 2010 as all awards were fully vested as at this date.

(c) Property and equipment and intangibles

IFRS 1 permits first-time preparers to measure selected assets at fair value and use that fair value as deemed cost of those assets in the transition date balance sheet. Biosign has chosen not to utilize this optional exemption and continue to use the cost model for its property and equipment and intangibles as of the date of transitions to IFRS.

Additionally, the Company has applied the following mandatory exception as at the transition date.

Estimates

In accordance with IFRS 1, an entity's estimates under IFRS at the date of transition to IFRS must be consistent with estimates made for the same date under previous GAAP, unless there is objective evidence that those estimates were in error. The Company's IFRS estimates as of January 1, 2010 are consistent with its Canadian GAAP estimates for the same date.

BIOSIGN TECHNOLOGIES INC.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

Unaudited

4. Transition to IFRS (continued)

The Canadian GAAP statement of Equity has been reconciled to IFRS as at September 30, 2010 as follows:

	Canadian GAAP	Effect of transition to IFRS	IFRS
Assets			
Current Assets	1,139,261	-	1,139,261
Non-current	2,415,654	-	2,415,654
	3,554,915	-	3,554,915
Liabilities			
Current	161,760	-	161,760
Shareholders' Equity			
Capital Stock	15,400,244	-	15,400,244
Contributed surplus	3,416,461	-	3,416,461
Deficit	(15,423,550)	-	(15,423,550)
	3,393,155	-	3,393,155
	3,554,915	-	3,554,915

The Canadian GAAP statement of comprehensive income has been reconciled to IFRS for the periods ended September 30, 2010 as follows:

	Canadian GAAP	Effect of transition to IFRS	IFRS	Canadian GAAP	Effect of transition to IFRS	IFRS
	Three months ended September 30, 2010			Nine months ended September 30, 2010		
Revenue	-	-	-	20,000	-	20,000
Cost of revenue	-	-	-	-	-	-
Gross margin	-	-	-	20,000	-	20,000
Operating expenses	927,228	-	927,228	2,008,392	-	2,008,392
Net loss and comprehensive loss	(927,228)	-	(927,228)	(1,988,392)	-	(1,988,392)

BIOSIGN TECHNOLOGIES INC.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

Unaudited

5. Prepaid and other assets

	September 30 2011	December 31 2010
AIM Autosport (i)	158,750	192,500
Prepaid rent	21,834	22,488
Supplier deposits	-	39,000
Prepaid insurance	8,348	14,478
Other	18,137	23,815
	207,069	292,281
Less: long-term portion of AIM Autosport	113,750	147,500
Current portion of prepaid and other assets	93,319	144,781

- (i) On May 18, 2010, Biosign announced a 5 year \$225,000 technical partnership with AIM Autosport (“AIM”) with the stated goals of enhancing driver performance and safety in the motor sport industry. Under the partnership, Biosign’s UFIT® health monitoring system will be used initially to address fitness and health evaluation issues. AIM will also market and create brand awareness for Biosign. The cost of the technical and marketing partnership is being amortized over the agreement’s 5 year life.

BIOSIGN TECHNOLOGIES INC.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

Unaudited

6. Intangibles

The deferred UFIT[®] web interface costs represent the costs incurred with respect to the development of UFIT[®] web interface for end users. The costs were incurred in 2008 and have been fully amortized as of September 30, 2011.

During the period ended September 30, 2011, Biosign has incurred costs with respect to its UFIT[®] system development in the amount of \$240,705. Amortization of these costs commenced April 1, 2011. Beginning July 1, 2011 the next phase of UFIT[®] system development commenced with incurred costs in the period of \$202,199.

In management's estimate there is no impairment in the value of these costs.

Intangibles as at September 30, 2011 consisted of the following:

	UFIT [®] web interface development	UFIT [®] system development	Cloud eCommerce platform	Healthanywhere software solution	Total
Cost	\$	\$	\$	\$	\$
Balance as at January 1, 2010	260,374	-	-	-	260,374
Additions					
Intangibles acquired	-	910,735	1,585,831	3,782,218	6,278,784
Balance as at December 31, 2010	260,374	910,735	1,585,831	3,782,218	6,539,158
Additions					
Intangibles acquired	-	427,904	-	-	427,904
Balance as at September 30, 2011	260,374	1,338,639	1,585,831	3,782,218	6,967,062
Accumulated amortization					
Balance as at January 1, 2010	86,791	-	-	-	86,791
Additions					
Amortization for the period	86,791	-	396,458	221,234	704,483
Balance as at December 31, 2010	173,582	-	396,458	221,234	791,274
Additions					
Amortization for the period	86,792	191,907	396,458	945,554	1,620,711
Balance as at September 30, 2011	260,374	191,907	792,916	1,166,788	2,411,985
Carrying Amounts					
As at January 1, 2010	173,583	-	-	-	173,583
As at December 31, 2010	86,792	910,735	1,189,373	3,560,984	5,747,884
As at September 30, 2011	-	1,146,732	792,915	2,615,430	4,555,077

BIOSIGN TECHNOLOGIES INC.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

Unaudited

7. Property and Equipment

Property and equipment as at September 30, 2011 consisted of the following:

	Computer hardware and software	Furniture and fixtures	Production testing equipment and moulds	Total
Cost	\$	\$	\$	\$
Balance as at January 1, 2010	107,319	14,905	12,759	134,983
Additions				
Assets acquired	126,857	29,819	122,787	279,463
Balance as at December 31, 2010	234,176	44,724	135,546	414,446
Additions				
Assets acquired	35,061	48,872	14,201	98,134
Balance as at September 30, 2011	269,237	93,596	149,747	512,580
Accumulated amortization				
Balance as at January 1, 2010	80,591	14,905	4,253	99,749
Additions				
Depreciation for the period	24,500	1,657	10,645	36,802
Balance as at December 31, 2010	105,091	16,562	14,898	136,551
Additions				
Depreciation for the period	46,359	7,483	36,322	90,164
Balance as at September 30, 2011	151,450	24,045	51,220	226,715
Carrying Amounts				
As at January 1, 2010	26,728	-	8,506	35,234
As at December 31, 2010	129,085	28,162	120,648	277,895
As at September 30, 2011	117,787	69,551	98,527	285,865

BIOSIGN TECHNOLOGIES INC.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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8. Shareholders' Equity

Capital stock consists of:

Authorized – An unlimited number of common shares

Issued and paid

	Number	Amount \$
Balance at December 31, 2009	69,346,782	11,867,024
Issued for cash in private placement (less: cash fees of \$246,239) (i) & (ii)	4,917,000	4,053,811
Issued for purchase of Cloud Diagnostic LLP	3,242,308	2,180,841
Issued for purchase of assets of Healthanywhere Inc.	3,500,000	4,340,000
Issued for cash on exercise of warrants (iii)	2,585,402	1,749,788
Issued for cash on exercise of options (iv)	109,000	108,021
Less: Fair value of warrants issued ((i), (ii))	-	(1,765,881)
Balance at December 31, 2010	83,700,492	22,533,604
Issued for cash in private placement (less: cash fees of \$142,708) (vii)	2,292,626	1,691,392
Issued for cash on exercise of warrants (v)	949,812	990,342
Issued for cash on exercise of options (vi)	86,000	70,094
Less: Fair value of warrants issued (vii)	-	(1,043,915)
Balance at September 30, 2011	87,028,930	24,241,517

- (i) On April 22, 2010, the Company announced the successful closing of a brokered private placement, for gross proceeds of \$2,000,050, through the issuance of 3,077,000 units, at a price of \$0.65 per unit. Each unit is comprised of one common share and one half a common share purchase warrant. Each of the 1,538,500 whole warrants, which in total were valued at \$931,829, will entitle the holder to purchase one common share of the Company, at a price of \$0.95, for a 24 month period from the closing date.

The Company has paid a cash commission of \$160,000, 8% of the gross proceeds, to the Agents involved in the placement and also reimbursed one of the Agents for \$86,239 in fees and expenses incurred in connection with the placement.

BIOSIGN TECHNOLOGIES INC.

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8. Shareholders' Equity (continued)

The Agents also received 246,160 compensation warrants, valued at \$150,884, to acquire common shares of the company, equal to 8% of the number of common shares sold under the brokered private placement. Each of these warrants is exercisable at \$0.65 per common share for a period of 18 months from the date of closing.

- (ii) In November, 2010, the Company announced the successful closing of a non-brokered private placement, for gross proceeds of \$2,300,000, through the issuance of 1,840,000 units, at a price of \$1.25 per unit. Each unit is comprised of one common share and one half a common share purchase warrant. Each of the 920,000 whole warrants, which in total were valued at \$560,464, will entitle the holder to purchase one common share of the Company, at a price of \$2.25, for a 24 month period from the closing date. There were no fees or expenses incurred in connection with the offering.
- (iii) During the year ended December 31, 2010, 2,585,402 warrants, with a value of \$487,952, were exercised for cash proceeds of \$1,261,836.
- (iv) During the year ended December 31, 2010, 109,000 stock options, with a value of \$44,121, were exercised for cash proceeds of \$63,900.
- (v) During the period ended September 30, 2011, 949,812 warrants, with a value of \$352,887, were exercised for cash proceeds of \$637,455.
- (vi) During the period ended September 30, 2011, 86,000 stock options, with a value of \$29,194, were exercised for cash proceeds of \$40,900.
- (vii) On July 28, 2011, the Company announced the successful closing of a brokered private placement, for gross proceeds of \$1,834,101, through the issuance of 2,292,626 units, at a price of \$0.80 per unit. Each unit is comprised of one common share and one common share purchase warrant. Each of the 2,292,626 whole warrants, which in total were valued at \$953,445, will entitle the holder to purchase one common share of the Company, at a price of \$1.00, for a 12 month period from the closing date.

The Company has paid a cash commission of \$114,458, 8% of the gross proceeds, to the Agents involved in the placement and also reimbursed one of the Agents for \$28,250 in fees and expenses incurred in connection with the placement.

The Agents also received 190,764 compensation warrants, valued at \$90,470, to acquire common shares of the company at a price of \$0.80, for a 12 month period from the closing date, equal to 8% of the number of common shares sold under the brokered private placement.

BIOSIGN TECHNOLOGIES INC.

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8. Shareholders' Equity (continued)

Escrow

On September 10, 2010, the Company's shares were listed for trading on the TSX.V. In conjunction with the listing and pursuant to an escrow agreement dated August 30, 2010, the common shares held by insiders and some other shareholders of the Company became subject to restrictions in which the shares may not be transferred, assigned or otherwise dealt without the consent of the relevant regulatory body having jurisdiction thereon.

In addition, the escrow agreement also covers stock options and warrants which give the holders rights to purchase 820,000 and 38,462 shares respectively. If these securities are exercised during the escrow period, the resulting shares would be subject to the same escrow restrictions.

The escrowed common shares and common share equivalents which are currently outstanding and subject to time-based release criteria are as detailed below:

Total common shares and common share equivalents subject to escrow	20,349,424
Released September 10, 2010 (10%)	2,034,942
Released March 10, 2011 (15%)	3,052,414
Released September 10, 2011 (15%)	3,052,414

Common shares and common share equivalents held in escrow at September 30, 2011	12,209,654
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Timing of future releases	
March 10, 2012 (15%)	3,052,414
September 10, 2012 (15%)	3,052,414
March 10, 2013 (15%)	3,052,414
September 10, 2013 (15%)	3,052,412

Stock Options

The Company has established a stock option plan for its officers, directors, employees and consultants whereby options to a maximum of 10% of the issued and outstanding common shares of the Company may be granted, subject to certain terms and conditions. Options granted under the plan will have an exercise price of not less than the greater of the closing price of the Company's shares as reported by on (a) the trading day prior to the date of grant of the stock options; and (b) the date of grant of the stock options.

Options granted under the plan will generally vest over a three year period and may be exercised in whole or in part at any time as follows: 33% on or after the first anniversary of the grant date, 67% on or after the second anniversary of the grant date, and 100% on or after the third anniversary of the grant date. Options will have a maximum expiry date which is on the tenth anniversary of the grant

BIOSIGN TECHNOLOGIES INC.

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Unaudited

8. Shareholders' Equity (continued)

date. Any option not exercised prior to the expiry date will become null and void. All options granted prior to January 1, 2010 were fully vested. 7,398,500 options were granted in the period ending September 30, 2011.

Changes in the number of stock options, with their weighted average exercise price, are summarized below:

	Number of Options	Weighted Average Exercise Price \$
Balance – December 31, 2009	1,817,000	0.90
<u>Exercised during 2010</u>	<u>(109,000)</u>	<u>0.59</u>
Balance – December 31, 2010	1,708,000	0.93
Granted	7,398,500	1.23
Exercised during 2011	(86,000)	0.48
Forfeited	(1,500,000)	1.35
Balance – September 30, 2011	<u>7,520,500</u>	<u>1.15</u>

The following table summarizes information about the stock options outstanding at September 30, 2011:

Exercise Price	Number of Options		Remaining Contractual Life
	Outstanding	Vested	
\$ 1.00	1,002,000	1,002,000	4.86 years
0.18	90,000	90,000	7.89 years
1.50	3,003,000	2,915,125	4.30 years
2.25	10,500	5,250	4.30 years
0.92	3,115,000	489,375	4.71 years
0.74	300,000	150,000	4.95 years
Total	<u>7,520,500</u>	<u>4,651,750</u>	
Average	<u>\$ 1.15</u>		<u>4.62 years</u>

BIOSIGN TECHNOLOGIES INC.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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8. Shareholders' Equity (continued)

The fair value of stock options granted in 2011 was determined using the Black-Scholes stock option pricing model and is expensed over the vesting period. The Company used the following weighted average assumptions:

	January 2011 Option Award	January 2011 Option Award	June 2011 Option Award	September 2011 Option Award
Exercise Price	\$1.50	\$2.25	\$0.92	\$0.74
Dividend yield	0 %	0 %	0 %	0 %
Expected volatility	92 %	92 %	137 %	120 %
Risk-free interest rate	1.20 %	1.20 %	1.20 %	1.20 %
Share price	\$1.54	\$1.54	\$0.92	\$0.74
Expected life (years)	2.00	2.00	2.00	2.00
Weighted average grant date fair value	\$0.7663	\$0.60585	\$0.6165	\$0.3373

Warrants

In 2011, the Company issued warrants pursuant to its private placement offering. In 2010, the Company issued warrants pursuant to its private placement offerings and pursuant to the acquisition of Cloud Diagnostic LLP. The non-transferable warrants entitle the holder, on exercise to purchase one common share of the Company.

	Number	Amount
Balance – December 31, 2009	6,710,892	\$ 816,493
Issued	3,189,280	1,765,881
Expired	(2,287,142)	-
Exercised	(2,585,402)	(487,952)
Balance – December 31, 2010	5,027,628	2,094,422
Issued	2,483,390	1,043,915
Expired	(410,000)	-
Exercised	(949,812)	(352,887)
Balance – September 30, 2011	6,151,206	\$ 2,785,450

BIOSIGN TECHNOLOGIES INC.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

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8. Shareholders' Equity (continued)

The following table summarizes information about the warrants outstanding at September 30, 2011:

	Exercise Price	Number Outstanding	Remaining Contractual Life
	\$ 0.40	1,177,500	0.02 years
	0.65	60,258	0.56 years
	0.95	1,063,900	0.56 years
	1.05	446,158	0.74 years
	2.25	920,000	1.17 years
	1.00	2,292,626	0.83 years
	0.80	190,764	0.83 years
Total		6,151,206	
Weighted Average	\$ 1.05		0.86 years

The fair value of the warrants issued during the year is determined using the Black-Scholes stock option pricing model and was treated as a reduction in capital stock and an increase in other equity. The Company used the following weighted average assumptions for determining the fair value of the warrants:

	April 22, 2010 Financing	Post- April 22, 2010 Issuances	July 28, 2011 Financing
Dividend yield	0 %	0 %	0 %
Expected volatility	268 %	92 %	142 %
Risk-free interest rate	1.89 %	1.20 %	1.20 %
Expected life (years)	2.00	2.00	2.00
Weighted average grant date fair value	\$ 0.605	\$ 0.446	\$ 0.4159

BIOSIGN TECHNOLOGIES INC.

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

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9. Related Party Transactions

Each independent director of the Company is entitled to an annual fee, prorated for the number of months the director was a member of the board, of \$20,000 for being a member of the Board of Directors, \$10,000 for being a member of the Audit Committee, and \$5,000 for being a member of the Compensation Committee. In addition, the directors were reimbursed for any out-of-pocket expenses reasonably incurred while performing their duties. For the period after February 2008, the independent directors have agreed to waive their fees. In January 2011, June 2011 and September 2011, directors of the company were granted 525,000, 1,115,000 and 300,000 options of the company respectively. Stock based compensation in the amount of \$1,176,182 has been recorded for the nine months ended September 30, 2011 with respect to these option grants.

Executive compensation for the nine months ended September 30, 2011 totaled \$532,429, (2010 - \$391,643) in salaries, fees and benefits and \$1,820,953 (2010 - \$NIL) in stock based compensation.

For the nine months ended September 30, 2011, no directors' fees have been recorded nor have there been any other related party transactions for the period (2010 - \$NIL).

10. Commitments and Contingencies

- 1) On July 13, 2010, Biosign announced a technical collaboration with McMaster University which will use Biosign technology to benchmark a framework for providing health information services. Biosign will provide \$1,000,000 in funds and in-kind contributions over a period ending September 30, 2014. Biosign technology, products and expertise will be used in several projects, involving teams from McMaster's Departments of Computing and Software, and Psychology, Neuroscience and Behaviour. Tools and methods developed under this collaboration will be used by Biosign to satisfy regulatory and market expectations while improving key business performance metrics, such as time-to-market and break-even point.

As part of the collaboration, Biosign will pay \$350,000 in cash to McMaster, in 5 equal quarterly installments commencing in the third quarter of 2010. As of September 30, 2011, the Company has recorded \$350,000 as a liability for this collaboration.

On or before September 30, 2011, Biosign will review the collaboration agreement with McMaster and determine whether to continue to support the arrangement for the remaining three years. If the program is not continued Biosign will not be required to provide any further funding over the initial \$350,000. The Company has notified McMaster that it will not continue to support the arrangement for the remaining three years.

- 2) The Company is contractually committed to a premises lease with a third party landlord until August 31, 2017. Base rent is due in the amount of approximately \$15,900 per month with a base rent free period for five months for a total commitment in 2011 of \$15,900 and a yearly commitment of \$190,800 thereafter.

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10. Commitments and Contingencies (continued)

- 3) The Company is contractually committed to a premises lease with a third party landlord until February 26, 2014. Base rent is due in the amount of approximately \$7,600 per month. Annual commitments are \$22,800 for the balance of 2011 and \$91,200, \$91,200 and \$15,200 for the years 2012 through 2014 respectively.
- 4) The Company is a defendant in a claim brought by a former consultant alleging, among other things, breach of contract. Management believes the claim to be without merit, has filed a response to the claim and intends to defend it vigorously. Due to the preliminary stage of this claim, the likelihood of loss or gain is not determinable at this time.

11. Financial Instruments

The Company has policies relating to the identification, measurement, monitoring, mitigating and controlling of risks associated with financial instruments. The key risks related to financial instruments are credit risk, liquidity risk and market risk (currency, interest rate and equity). The following sections describe how the company mitigates each of these risks.

Credit risk

Credit risk refers to the risk of financial loss from the failure of a counterparty/debtor to honour its obligation to the entity. Amounts receivable consist of amounts owing from customers for products and services rendered less than 90 days prior to the year-end and government refunds for refundable tax payments.

Liquidity risk

Liquidity risk relates to the risk the Company will encounter difficulty in meeting obligations associated with financial liabilities. The financial liabilities on its balance sheet consist of accounts payable and accrued liabilities. Management closely monitors cash flow requirements to ensure that it has sufficient cash on demand to meet operational and financial obligations. See note 1.

Market risk

Market risk is the risk that changes in market prices, foreign exchange rates, and interest rates will affect the Company's net earnings or the value of financial instruments. These risks are generally outside the control of the Company. The objective of the Company is to mitigate market risk exposures within acceptable limits, while maximizing returns. The Company has not entered into any contracts to mitigate these risks to date but may consider these options as part of their risk management strategy.

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11. Financial Instruments (continued)

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign currency exchange rates. As the majority of the Company's instruments are denominated in Canadian dollars, the Company does not currently have significant exposure to currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changing interest rates. The Company has no significant financial instruments outstanding and therefore is not exposed to interest rate risk.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Company does not have any investments in marketable securities and therefore is not exposed to price risk.

The fair value of cash and cash equivalents constitute Level 2 measurements within the fair value hierarchy.

12. Capital Disclosures

The Company's objectives when managing capital are:

- to safeguard the Company's ability to continue as a going concern, to continue to provide returns for shareholders and benefits for other stakeholders, and;
- to provide an adequate return to shareholders commensurate with the level of risk associated with a development stage company.

The Company sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the number of shares issued, sell assets, enter into mergers and acquisitions, acquire debt or enter into some other form of financing facility.

Capital comprises all components of equity (i.e. common shares, contributed surplus, and deficit accumulated during development stage) other than amounts in accumulated other comprehensive income relating to cash flow hedges. The Company does not have any externally imposed capital requirements.

BIOSIGN TECHNOLOGIES INC.

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13. Subsequent Events

- 1) During the period from October 1, 2011 to November 28, 2011, 870,000 common stock purchase warrants were exercised for proceeds of \$348,000.
- 2) On November 11, 2011 and November 14, 2011 750,000 and 525,000 stock options were issued respectively to Directors, Officers and Employees of the Company at an exercise price of \$0.385 and \$0.395 respectively.

14. Comparative figures

Certain comparative figures have been reclassified to conform with the current year's financial statement presentation.