

BIOSIGN TECHNOLOGIES INC.

An Ontario Corporation
(Province or other jurisdiction of incorporation or organization)

86101 4546 RC0001
(Business Number)

230-175 Commerce Valley Drive West,
Thornhill, ON, L3T 7P6
(Address of principal executive offices and postal code)

(416) 218-9800
(Telephone Number)

Total Common Shares: 87,898,930
Issued and Outstanding
As at November 28, 2011

office@biosign.com
(Electronic Mail)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010.



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In this report, "Biosign", "we", "us", and "our" refer to Biosign Technologies Inc. "Common Stock" refers to Biosign's common stock.

We own or have rights to various copyrights, trademarks and trade names used in our business, including Cloud Diagnostics, Cloud Dx, Healthanywhere™, Health@nywhere™, UFIT®; UFIT® TEN-10 (blood pressure monitor with server controls), and UFIT® TEN-20 (blood pressure and blood glucose monitor with server controls).

Forward Looking Information

This MD&A and other written reports and releases and oral statements made from time to time by us may constitute forward-looking information within the meaning of securities laws. In some cases, forward-looking information can be identified by the use of terms such as “may”, “will”, “should”, “expect”, “plan”, “anticipate”, “believe”, “intend”, “estimate”, “predict”, “potential”, “continue” or other similar expressions concerning matters that are not based on historical facts. Forward-looking information may relate to management’s future outlook and anticipated events or results, and may include statements or information regarding the future financial position, business strategy and strategic goals, research and development activities, projected costs and capital expenditures, financial results, research and development outcomes, taxes and plans and objectives of or involving Biosign. Particularly, information regarding future sales and marketing activities, future revenues and research and development activities, expectations for regulatory approval and commercial launch of products is forward-looking information. While the Company considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

Forward looking-information is subject to certain factors, including risks and uncertainties, which could cause actual results to differ materially from what we currently expect. These factors include risks relating to the transition from research and development activities to commercial activities, market acceptance and adoption of products, dependence on key suppliers, regulatory and clinical risks, risks relating to the protection of intellectual property, risks inherent in the conduct of research and development activities, potential product liability, competition, risks posed by potential technological advances, and risks relating to fluctuations in the exchange rate between the US dollar and the Canadian dollar.

You should not place undue importance on forward-looking information and should not rely upon this information as of any other date. Biosign is under no obligation and does not undertake to update this information at any particular time, except in accordance with applicable securities laws.

Management’s Responsibility for this Report

The following discussion and analysis is the responsibility of management and should be read in conjunction with the Company’s unaudited consolidated financial statements as at and for the nine months ended September 30, 2011 and 2010 and the notes included therewith, which have been prepared in accordance with International Financial Reporting Standards (IFRS) which can be found on SEDAR (www.SEDAR.com).

This discussion and analysis was prepared by management from information available as of November 28, 2011.

General Information

Biosign is an Ontario Corporation with headquarters in Thornhill, Ontario, Canada. The company was formed on July 14, 2006, through an amalgamation under the Business Corporations Act (Ontario). The predecessor operating company was Biosign Technologies Inc., incorporated in Ontario under the Business Corporations Act (Ontario) on March 11, 2004. The Company's common shares were then listed on the Canadian National Stock Exchange under the symbol "BIO" (CNSX:BIO) until September 10, 2010, when the common shares commenced trading on the TSX Venture Exchange under the same symbol "BIO" (TSXV:BIO).

Unless otherwise indicated herein, all currency references are to Canadian dollars.

Business Address

Corporation Name	Biosign Technologies Inc.
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Corporate Data

Jurisdiction	Ontario, Canada
Formation Date	July 14, 2006
Corporation Number	1705282
Business Number	86101 4546 RC0001
CUSIP Number	09070P
Fiscal Year-End	December 31
Financial Auditor	Collins Barrow LLP

Corporate Stock Market

Exchange & Symbol	TSX Venture Exchange (TSXV:BIO)
Listing Date	September 10, 2010
Common Shares	87,898,930 – issued and outstanding as at November 28, 2011
Escrow Shares	12,209,654 at November 28, 2011
Net Shares	75,689,276
Market Cap	\$23,732,711 (November 28, 2011 - opening)
Transfer Agent	Computershare Trust Company of Canada

Industry Codes (NAICS)

51121	Software Publishers
33451	Measuring, Medical and Controlling Devices
33911	Medical Instrument Manufacturing

Quality Management

Quality Management Standard	<u>ISO 13485</u> (medical devices)
Quality Management Advisor	<u>Orion Canada</u>
Quality Management Auditor	<u>SGS</u>

Commercial Sectors

<u>Medical Devices</u>	meters, monitors, analyzers
<u>Health Informatics</u>	recorders, reporters, mentors
<u>Health Care</u>	evaluation & management applications

Board of Directors

Directors	Affiliation	Independent	Since
Jason D. Meretsky (Chairman)	Meretsky Law Firm	Yes	2011
Senator Alfonse D'Amato	Park Strategies LLC	Yes	2011
Dr. Harold S. Koplewicz	President, Child Mind Institute	Yes	2011
Steven Bloom	Kilmer Van Nostrand Co. Limited	Yes	2011

Executive Officers

Officers	Title	Since
Scott Jenkins	Chief Executive Officer	2011
Colley Clarke	Chief Financial Officer (Interim)	2011
Christian Sleight	Chief Technology Officer	2010

Business

Overview

Biosign Technologies Inc. (TSXV: BIO) is a manufacturer and vendor of medical devices and information systems. All of our products are developed, manufactured, and sold by us in conjunction with partners, based on our science and technology, to address significant needs in health monitoring and care management.

We are a leader in delivering cloud based systems for non-invasive monitoring of common health risks associated with blood pressure, life style, and medication¹. Our primary mission is to serve payer organizations worldwide as a validated global tool and informatics provider to evaluate and manage the safety and efficacy of health care delivered to individuals.

Through our expertise in metrology and informatics, we are able to design new devices and offer new services that offer non-invasive biometric information.

On June 30, 2010, Biosign acquired the assets of Cloud Diagnostics LLC (“Cloud”) of New York, New York. Pursuant to the terms of the Asset Purchase Agreement, Cloud transferred to Biosign:

- intellectual property including a fully paid-up, perpetual, global, royalty-free, assignable source-code license to its enterprise-level E-commerce platform, which is capable of handling end-user purchase and activation transactions from multiple countries, in multiple languages and currencies;
- two portfolios of key internet domain names with 355 uniform resource locator (URL) addresses containing internet search engine keywords such as *non-invasiveglucometry*, *pulsewaveanalytics*, *digitalbloodsample*, and other marketing critical pointers.
- free working capital totalling of US\$575,000.

The purchase price was satisfied by the issuance of 3,242,308 common shares of Biosign and 484,615 warrants to acquire additional common shares of Biosign. Each warrant entitles the holder to acquire one additional share at an exercise price of \$1.05 per share for a period of 24 months. As at March 31, 2011 38,462 warrants have been exercised. The Asset Purchase Agreement gives Biosign ownership of core intellectual property it requires to fulfill its business plan globally

On October 19, 2010, Biosign acquired the operating net assets of Healthanywhere Inc., including their wholly-owned New York incorporated subsidiary, Healthanywhere, Inc. This acquisition of Healthanywhere Inc. provides Biosign with 510k clearance from the U.S. Food and Drug Administration for the Healthanywhere solution, as a Class II medical device, and 8 patent applications. In addition, the Company has assumed the existing client base of Healthanywhere with deployments in Canada and the United States.

As announced on November 3, 2011, the company has shifted its near term corporate strategy from a focus on R&D associated with the commercialization of the UFIT TEN-20 non-invasive blood pressure and blood glucose meter towards cash generation activities from the sale of the UFIT TEN-10 blood pressure monitor.

¹ Parks Associates, Executive Update: Enhancing Diabetic Care through Intelligent Medical Devices, 2008.

² Based on Journal of American Medical Association (JAMA. 1998;279:1200-1205)

TSX Venture Exchange Listing

On September 10, 2010, our common shares commenced trading on the TSX Venture Exchange under the trading symbol “BIO”. As part of the company’s listing requirements, an aggregate of 20,294,424 common shares, 38,462 warrants, and 875,000 stock options of the Company controlled by Principals, as such term is defined in the Exchange’s Corporate Finance Manual, are subject to the value security escrow requirements of the Exchange, applicable to a Tier 2 issuer, and will be released from escrow as follows: 10% of the escrowed shares at the time of listing and 15% of the escrowed shares every six months thereafter. At the listing date, 76,368,090 common shares of the Company were issued and outstanding.

Products and Services

Biosign has two product lines, trademarked as UFIT and Healthanywhere.

Product Lines	Line	Description	Markets/Approvals
UFIT® Automated wrist sphygmography system with computer controls	PAD-1A	Pulse Acquisition Device	Worldwide
	TEN-10	Blood pressure monitor	EU – CE Mark CA – Health Canada License
	TEN-20	Blood pressure and blood glucose monitor	EU – CE Mark
Healthanywhere™ Remote patient monitoring application that runs on Windows® PC and Blackberry® platforms. Bluetooth-enabled medical devices connect to the application and record patient information for viewing by remote caregivers	Health at Home	Uses a touch-screen PC and Bluetooth devices to record vital signs from patients in their homes. Results are accessible from a Web-based Patient Portal, and two-way communication with the patient is available	US –FDA 510-K CA – Medical Device Establishment License
	Health on the Go	Runs on a Blackberry® smartphone. Bluetooth devices connect directly to the phone, enabling remote monitoring anywhere there’s a cell signal	
	Health Station	Runs on a Kiosk. Bluetooth devices record vital signs in the workplace or pharmacy, enabling monitoring of ambulatory patients	
	Health Assist	Runs on a Windows® touch-screen tablet, optimized for multiple	

		patients and used, for example, by visiting nurses.	
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About UFIT®

Biosign’s flagship product, labelled UFIT®, consists of a biosignal operating system that runs several measurement and analysis applications, and utilities. The core framework is a Virtual Instrumentation & Measurement Information System (“VIMIS”) that integrates the acquisition, transmission, storage, and the processing of arterial pulses into a single, re-usable platform for providing intelligent measurement services over the Internet.

UFIT® combines standard, branded, and our proprietary hardware, software, and algorithms to facilitate run-time quality assurance as well as rapid development and online deployment of software services. The entire architecture is seamlessly “framed” so that users may change their preferences, including service level, without the need to change the hardware or the way they use the system.

Characteristically, UFIT® relies exclusively on web-based, virtual instruments for extracting and exploiting the information contained in arterial pulses. The system can non-invasively measure multiple key vital signs, including blood pressure, mean arterial pressure, pulse rate, and pulse rate variability from a single digital signal acquired passively with an inflatable cuff at the wrist. The readings enable a wide range of services, providing valuable health information to multiple stakeholders including patients, care providers, and payers.

The measurement instruments and the related data facilities (storage, retrieval, analysis, reporting, alerting) are provided by our secured servers over the Internet.

We are committed to make UFIT® an integral part of a safe, simple, and sensible system of care.

UFIT® Device Profile:

1. **Non-Invasive** – It does not require an invasive sampling procedure;
2. **Passive** – it does not introduce energy or substance into a subject;
3. **Personal** – It is intended for non-hospitalized adults, able to operate a computer; and
4. **Patient Focused** – It is intended for use as a personal biometric device.

Key Benefits:

- replaces several traditional meters at a fraction of the cost and size
- measures multiple health metrics, using one non-invasive device
- makes new measurements to allow for deeper insights
- detects and reports adverse drug reactions
- alerts medical practitioners of the need to review diagnosis or change medication

Key Drivers:

- Assures data quality in terms of objectivity, utility, and integrity
- Maximizes clinical awareness, readiness, and effectiveness
- Optimizes quality, access, and cost of care



UFIT® PAD-1A is a personal sphygmographic monitor intended for self-testing by adults. It is an ideal tool for millions of people interested in evaluating the cardiovascular risks associated with lifestyle, disease, and medication. The UFIT® PAD is a wrist cuff that collects the data and transfers it to a client application, which then communicates with the Biosign servers where the algorithms produce the results and transmit them back to the user in real time. Separating the analytics from the data generation (measurements) allows the most current and powerful computer analysis to be available at all times to Biosign users.

In order to ensure the highest level of data objectivity, utility, and integrity, UFIT® readings are automated and the hardware self-tested (calibrated) before each reading. Device run time is approximately 60 seconds and the raw data is preserved for future measurement, quality control and audit purposes.

UFIT® TEN-10 is the first online blood pressure monitor with server controls that integrates measurement, recording, analysis, and reporting. UFIT® TEN-10 measures and monitors eight key cardio-vascular metrics, including pressure (systolic, diastolic, mean arterial), rate, rhythm, time (systolic time, diastolic time), and products (rate-pressure). After each reading, the user is advised, based on prior data, on when to take another reading. This product is approved for “automated wrist blood pressure monitors with computer controls” under ISO 9001:2008, ISO 13485-2003, Directive 93/42/EEC (“CE Mark”), and is Health Canada licensed (LN 70264).

UFIT® TEN-20 This product is approved as an “automated wrist blood pressure and blood glucose monitor with computer controls” under ISO 9001:2008, ISO 13485-2003, and Directive 93/42/EEC (“CE Mark”) which clears it for sale in 27 European countries. The Company has delayed commercial release of the UFIT® TEN-20 due to the significant resources required to prepare the product for sale.

UFIT® Rationale

The scientific method demands that we start measuring the most obvious property, progressing from general to particular interests. Accordingly, UFIT was designed to first take the pulse (UFIT PAD), proceeding from there to gather from it all the information the pulse can impart: from blood pressure (TEN-10) to future enhancements surrounding multiple biomedical measurements.

The pulse is the most palpable manifestation of the movement of an organ (blood) that obviously supports life in general (vital sign). Appearing as a viscous-fluid shock wave generated every time the heart beats, the pulse travels away from the heart at a certain rate (pulse rate), with a certain rhythm (pulse rhythm), amplitude (pulse pressure), and speed (pulse velocity). As it spreads from the heart throughout the body, the pulse is increasingly shaped by the physical

properties of the blood and its containers (vessels). Pressure, oxygen, and glucose are particularly influential in shaping the pulse.

While it has been known since the 1850's that sphygmography can be used as an objective technique to measure the cardiovascular response to events and substances, including drugs, the kind of technology required to realize such measurands has become available only recently. Our work is largely aimed at advancing sphygmography on the grounds provided by the modern standards for pulse measurement and analysis by objective techniques.

Advanced Health Monitoring Services

MODERN

Stored and processed by Biosign's data server, the user's pulse readings inform the key tasks of Measuring, Observing, Detecting, Evaluating, Reporting, and Networking ("MODERN"). This interactive, service oriented architecture allows UFIT[®] to sense and respond to clinically relevant physiological events with unprecedented fidelity, flexibility, and speed. As an example, a pulse irregularity could lead UFIT to schedule new tests, review the history, read third-party (lab, pharmacy) records, or search online data and knowledge bases for evidence pertinent to the case (clinical studies, trials, guidelines, etc.). Information about one's health status may be then fed to various "subscribers" (relatives, friends and professionals) with appropriate authentication and approval.

CHARM

UFIT[®] CHARM (Cardiovascular Hemodynamic Adverse Response to Medication) utilizes pulse wave analytics and proprietary algorithms to detect the cardiovascular response to medications. The Company continues to develop the integration layer of the VIMIS (Virtual Instrumentation & Measurement Information System) platform for retrieval of a patient's medication regimen and access to the pharmacology profile of the medications being used. This information will enable UFIT to intelligently customize and automate CHARM to take readings at the relevant intervals required to detect the response and report on the efficacy of the dosing as well as identify risks to the cardiovascular system.

Many patients experience complications from prescribed drugs. There is a range of reactions with many of them severe. These complications add significantly to the challenge of managing chronic conditions, such as heart disease and diabetes. Adverse Drug Reactions ("ADRs") are the 4th leading cause of death in the U.S. There are over 2 million serious ADRs per year, with about 100,000 deaths and an annual direct cost of \$136 billion². In addition, hospital stays, costs, and mortality rates are considerably more significant for patients with ADRs.

Despite the well-known risks associated with using prescription drugs, medication errors, and adverse drug reactions, ADRs are still poorly understood and recorded. Given these risks, Biosign's CHARM system aims to provide an objective and standardized method to monitor and report these reactions and an individual's response to treatment.

Physician and Payers Services

UFIT[®] Family of devices, as well as the Biosign informatics systems, aggregate information about individuals and groups of individuals. Because of the calibration of the devices as well as the cloud analysis and storage, we can provide real-time monitoring for individuals and groups of individual to either physicians and/or payers to allow for care based decisions. Access to the data is in compliance with all regulatory policies and procedures.

² Based on Journal of American Medical Association (JAMA. 1998;279:1200-1205)

About Healthanywhere™

Healthanywhere™ is a software-based, remote patient monitoring solution that runs on Windows® PC and Blackberry® platforms. Bluetooth-enabled medical devices connect to the HA application and record patient info for viewing by remote care-givers.

The Healthanywhere™ Solution enables health professionals to make use of the persisted information as a guide in delivering ongoing feedback to their patients, to set periodic reminders for patients to act on scheduled activities such as taking a vital measurement, and to receive notifications for events they configure such as an out-of-range vital measurement. The result is a system that meets the demand for:

- A wireless, easy-to-use, fully-automated "plug 'n play" system;
- A solution that supports individuals' independence and supports improved quality of life;
- A secure mode of communication of patient data, privacy protect, encryption;
- Real-time data for healthcare professionals to support efficient work flow and patient care;
- Individuals can view their records and see biometric changes over time; supporting lifestyle behaviour changes;
- A technology platform that supports customization and seamless integration with existing systems.

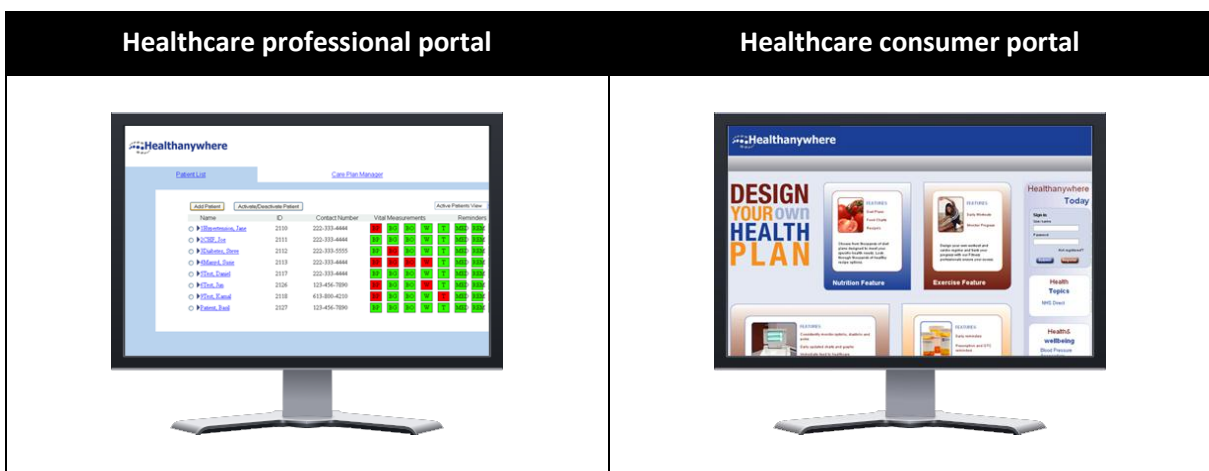
Clinical efficiencies are realized by providing healthcare professionals mobile, real-time information **anytime, anywhere**.

The Healthanywhere Solution provides for the complete continuum of care from wellness promotion to self-managed care, including monitoring of chronic diseases, such as congestive heart failure (CHF), hypertension, diabetes, asthma, and obesity.

There are two distinct subsystems in the Healthanywhere Solution – the client software runs on a Microsoft Windows platform; and the server components run on a LINUX platform hosted in a secure data centre.

The Healthanywhere Solution Client Application is a stand-alone software application which collects information from off-the-shelf Bluetooth enabled medical peripherals, such as a Blood Pressure monitor or Oximeter, though a wireless connection.

Healthanywhere™ Portals



The Healthanywhere Solution Client Application uses the Internet to route information to the HA Server via HHPS or SSL over HTTP protocols and maintains the data stack until an

acknowledgement is transmitted from the server indicating that the information has successfully captured in the server-side database. Periodically, the client application connects to the server to resynchronize with the updates set by the Healthcare Professional including Care Plan settings, reminders, and notifications via a secure connection over HTTPS.

The HCPP web application runs in any standard Web browser. HCCP enables healthcare professionals to perform program administration and vital signs monitoring. HCCP uses role based controls and patient groups to limit access to the patient data and patient care plans; only an authorized healthcare professional can access patient data within a specific group of patients. HCPP users can configure care plans based on individual patient assessments.

The Market

As a multi-faceted health monitoring system, the UFIT[®] addresses a number of key health care markets and competes with single and multi-use products in each. The Healthanywhere Solution competes in the telehealth market. Some of the key markets that Biosign is addressing with UFIT[®] and Healthanywhere are analyzed in the following section.

Non-invasive Blood Pressure (BP) Monitoring³

Background⁴

High blood pressure (HBP) is a major risk factor for heart disease and stroke, end-stage renal disease, and peripheral vascular disease. Worldwide over 400 million individuals have Cardio Vascular Disease (CVD). In the U.S., over 30% of the adult population has hypertension, affecting 65 million individuals, and at least as many have pre-hypertension. Prevalence of hypertension has been reported to be lower in the U.S. and Canada (27%) than in Europe (38–55%). While the control of HBP is improving in the U.S., almost 50% of Americans with hypertension have inadequate control and are at increased risk for cardiovascular events.

The medical, economic, and human costs of untreated and inadequately controlled high blood pressure are enormous. According to Heart Disease and Stroke Statistics—2010 Update (A Report from the American Heart Association Statistics Committee and Stroke Statistics Subcommittee), HBP cost the United States \$76.6 billion in health care services, medications, and missed days of work in 2010.

Major Trends Driving & Restraining the Market⁵

Market Drivers:

- Increasingly sedentary lifestyles and the aging baby boomer population increase the incidence of hypertension
- National initiatives developed programs, guidelines, and policies facilitate hypertension prevention, detection/awareness, treatment, and control
- Increase in requirement of equipment evaluating cardiovascular diseases
- Need of highly accurate BP monitors to substantiate the measurement of mercury devices
- Availability of easy to use, widely available and low-cost sphygmomanometers
- Integration of telemedicine and home BP monitoring equipment helps in efficient diagnosis of the medical condition

³ Frost & Sullivan, Assessment of North American and European Markets for Blood Glucose Monitoring, Blood Pressure Monitoring and Telehealth, April 8, 2011.

⁴ Ibid.

⁵ Ibid.

Market Restraints:

- Restricted reimbursement limits the use of ambulatory blood pressure monitors
- Replacement of automated units with lower-end multi-parameter devices limits growth
- Declining prices of sphygmomanometers adversely affects profitability
- Regulatory recommendations and validations criteria pressurize manufacturers
- High demand for multi-parameter monitoring equipment - ECG, temperature, BP, pulse rate - clubbed in a device

Market Forecasts⁶

The blood pressure monitor market has been growing at a steady rate with sphygmomanometers accounting for over 73 percent of the total market. Although mercury sphygmomanometers are still considered a gold standard in accuracy, due to potential health hazards their use is being discontinued. Digital sphygmomanometers are in a greater demand because of their ease-of-use and affordability, particularly in the home care market. The ambulatory blood pressure market is slowly gaining a foothold in the market space, while the highly accurate automated machines are in demand in the professional sector.

The non-invasive blood pressure monitors are used widely by physicians in clinics, in hospitals, by researchers and even by patients at home. Researchers and doctors generally prefer the mercury sphygmomanometer because of its high accuracy. However, with the rising environmental concerns they are shifting to other alternatives. The apprehensions about HBP and cardiovascular diseases have increased and this has led to an increase in the home monitoring segment. The revenue generated by the home monitoring segment is far greater than that generated by the professional segment. The share of home monitoring segment is almost 60 percent in Europe and 68 percent in North America.

Pricing & Reimbursement Trends⁷

There has been a steady decrease in the prices of sphygmomanometers. This is mainly because of the advent of Asian companies providing aneroid and digital sphygmomanometers at comparatively lower prices. With a growing number of companies importing these devices at lower prices, the decline is forecast to continue. This trend is likely to improve the in-home penetration of digital devices.

The only known blood pressure monitor to be reimbursed is ambulatory which is used in the diagnosis of white coat hypertension. The effectiveness of ambulatory blood pressure monitoring in the clinical segment is clearly underestimated and underplayed due to the high cost incurred on the patients. This device is thoroughly helpful in diagnosis and treatment of various drug therapies. An increase in reimbursement for the use ambulatory blood pressure monitoring would boost patient's willingness to check their blood pressure.

⁶ Frost & Sullivan, Assessment of North American and European Markets for Blood Glucose Monitoring, Blood Pressure Monitoring and Telehealth, April 8, 2011.

⁷ Ibid.

Telehealth Market⁸

Background

Telemedicine & Telehealth

The American Telemedicine Association (ATA) defines telemedicine as: "The use of medical information exchanged from one site to another via electronic communications to improve patients' health status". Closely associated with telemedicine is the term "telehealth," which is often used to encompass a broader definition of remote healthcare that does not always involve clinical services. Video-conferencing, transmission of still images, e-health including patient portals, remote monitoring of vital signs, continuing medical education and nursing call centers are all considered part of telemedicine and "telehealth". Telemedicine incorporates direct clinical, preventive, diagnostic, and therapeutic services and treatment; consultative and follow-up services; remote monitoring of patients; rehabilitative services; and patient education.

Remote Patient Monitoring

Remote patient monitoring (RPM) is a subset of telemedicine that includes devices and software that enable healthcare providers and educators to diagnose, consult with, monitor, treat, follow up and educate patients remotely. A technical definition of telehealth technology would include those devices and software that enable healthcare providers and educators to diagnose, consult with, monitor, treat, and educate patients and consumers remotely.

mHealth

mHealth (also written as m-health or mobile health) is a term used for the practice of medical and public health, supported by mobile devices. The term is most commonly used in reference to using mobile communication devices, such as mobile phones and embedded laptops, for health services and information.

Market Overview⁹

Telehealth is an emerging market, but the demand for these technologies is increasing at a larger scale, especially among home care agencies, disease management companies, and clinical trial groups. Aging population and chronic disease management at home for elderly population are the major drivers for the development of these technologies. The market for self-monitoring activities in treating chronic diseases is primarily focused on preventive care. Increase in awareness among health providers and payers on the financial benefits through implementing these solutions in wider scale, brings short-term ROI (return of investment) have attracted major companies to venture into technology development and acquisition over the past 10 years in the area of telehealth, RPM, saves substantial amount of cost incurred on patients in travelling to hospital/clinic/offices to check their vital physiological parameters, such as blood pressure, heart rate, blood glucose, respiration rate, and so on. The Center for Technology and Aging predicts that the U.S. healthcare system could reduce costs of nearly \$200 billion during the next 25 years through the implementation of RPM technologies.¹⁰

Today, there are certain delays to wide scale adoption of telehealth technology among prospective customers. A few notable delays are lack in availability of wide reimbursement for these technologies, low awareness levels among physicians with regard to the benefits offered by such systems, and lack of financial incentives for healthcare providers or other insurance companies.

⁸ Frost & Sullivan, Assessment of North American and European Markets for Blood Glucose Monitoring, Blood Pressure Monitoring and Telehealth, April 8, 2011.

⁹ Ibid.

¹⁰ Center for Technology and Aging, [Technologies for Remote Patient Monitoring for Older Adults](#), April 2010.

Wireless technologies are the major driving factors behind technological improvements in RPM. Numerous research groups and innovative start-ups and small businesses have embarked into developing RPM products, which are wireless (Bluetooth, Zigbee, Wi-Fi) based and low-energy consuming products.

Growth in remote monitoring market is assured by the various initiatives taken by the governments across regions. In Europe, various research programs and pilot projects are directly or indirectly funded by the government, giving the impetus needed for the market development. In the U.S., the government recently allocated around \$20 billion as part of its economic stimulus package to improve the adoption of telehealth or RPM technologies among its providers.¹¹

Major Trends Driving & Restraining the Market

Market Drivers:

- Aging population due to baby boomers, along with rise of life expectancy, increases need to connect healthcare to less mobile patients
- The recent release of positive large study results by the VHA (formerly Voluntary Hospitals of America) promotes growth in the U.S.
- A strong focus on cost savings and efficiencies bode well in the current economic climate growing the market
- Increased implementation of successful payment strategies fosters market growth
- Increasing incidence of cardiac disease and other chronic diseases capable of being monitored remotely drives market
- Continuing rapid advances in technology encourage market growth
- Fewer nurses and hospital beds along with pressure for cost containment further need for remote monitoring services
- Deployment of various European programs for assisted living, improving the investments and funding into telehealth market

Market Restraints:

- The continuing need for definitive cost savings study results hold back the market
- The growing number of emerging solutions present in the market convolute the market
- Lack of direct reimbursement greatly restrains the market
- High costs of systems are curbing wider adoption rate and the growth rate
- Customer dissatisfaction with the technical performance of devices depresses growth
- Lack of common standards makes the regulatory environment unfavorable for growth

¹¹ Healthcare projects creating health IT jobs?, <http://www.mobilehealthwatch.com/blog/healthcare-projects-creating-health-it-jobs>, The Mobility Blog by John Farrell.

Market Forecasts for Remote Patient Monitoring Market¹²

The North American remote patient monitoring (RPM) market includes Home Healthcare and Disease Management Monitoring. The home healthcare market developed from the provision of medical services, such as in-house nursing and retirement homes. During the natural evolution of these services, many home health agencies have turned to RPM systems to help improve patient outcomes while reducing cost. Disease management systems are patient management systems for use with non-hospitalized patients with a specific disease state. Each product or service is typically customized to treat a specific disease, requiring various monitoring products necessary for that condition. Similar to home health monitoring, these systems typically consist of a monitoring device, a telemonitoring interface that translates and transmits the information, and a central server and database where the data is processed for review. In addition to vital signs monitoring, these services also provide features to help patients to adhere to simple prescriptions and recommended lifestyle changes. In contrast to the home healthcare system, in a disease management system patients are typically in contact with their healthcare professionals through telephone or Internet rather than in-person visits. Also, these systems are commonly sold into more of the healthcare professional, physician environment.

Both the home healthcare and the disease management markets stand out among patient monitoring markets. While most patient monitoring markets are very mature and established, these remote monitoring markets are among the few emergent market spaces and have seen quite a bit of attention as a result.

While there are several distinct characteristics between the home healthcare and disease management markets, there has been an increasing amount of overlap between the two as the remote monitoring space evolves into a more complete population management solution. Growing number of home healthcare providers are looking toward disease management companies as potential distributors for their systems or even as direct clients who would utilize their platform. They still exist as separate markets, but where a home healthcare provider ends and the disease management begins is becoming less defined. Over the forecast period, this overlapping is likely to grow, along with an increasing competitive presence that forces this generally fragmented market to consolidate. Many of these smaller, well-represented companies are going to really feel this competitive burden, forcing many of these companies to partner or merge in order to increase their chances of surviving this potentially turbulent time.

The current growth in these markets is largely due to continuing advancements of remote monitoring technology along with the implementation of successful payment strategies. Since there is no direct reimbursement for remote monitoring, participants must find alternative methods for payment.

The European RPM market (composed of Germany, France, UK, Spain and Italy) is in the early stages of development, featuring low awareness levels and limited competition. The market is clustered with many device suppliers and service providers. Many charity and welfare organizations also form part of the value chain, as they offer services pertinent to telehealth solutions.

¹² Frost & Sullivan, Assessment of North American and European Markets for Blood Glucose Monitoring, Blood Pressure Monitoring and Telehealth, April 8, 2011.

Pricing & Reimbursement Trends¹³

As market competition has and will continue to increase, prices have dropped rapidly, and are expected to continue to drop over the entire forecast period especially in the base year and following years. As the competitive landscape really starts to take form in this emerging market, price is becoming a critical factor and is dropping accordingly. While system purchases still take place, leasing options have gained more popularity in recent years since falling prices and technology advancements quickly render a system out-dated.

Remote patient monitoring does not have direct Medicare reimbursement, and the difficulty of doing so is largely due to the complexity of the monitoring service. These services are more of a platform rather than a simple service and typically are very diverse as a result. Nevertheless, reimbursement is desired by market participants, as their typical patients are over 65 and are commonly covered by Medicare. Many believed that large-scale studies could prove the cost effectiveness of these services leading to real progress toward direct Medicare reimbursement. At present, it seems very unlikely that any significant progress will be made toward direct reimbursement in the next two to five years. As a result, market participants are forced to seek alternative payment strategies, and while some of these have proven successful, the huge billion dollar market potential this space possesses is unlikely to be reached without some form of direct reimbursement. One of the more successful models is the pay-for-performance model. As the name implies, payment is dependent on performance of the service. For example, if a patient is re-hospitalized during the home healthcare monitoring, the agency would receive less payment for their services. In addition, there are other ways to get directly reimbursed for home healthcare monitoring, and one such example is payment for post-episodic care after the patient is discharged from the hospital.

There has been a consistent push by home healthcare advocates in Washington for additional policy support in these matters, but most of them in the past have met with failure. However, there are a few specific remote monitoring applications that, under current CMS regulations, can be reimbursed due to several amendments and refinements of Medicare reimbursement over the past ten years. Current policies date back to the Balanced Budget Act (BBA) of 1997 which contained provisions mandating Medicare reimbursement for certain telemedicine practices and funded several telemedicine demonstration projects. Medicare began accepting claims in 1999, but this was seen as very restrictive in nature and not accurately conveying the complexity of the telemedicine market. Congress continues to redefine telemedicine reimbursement with the passage of bills slowly expanding the coverage of telemedicine. Currently, Medicare divides telemedicine services into three areas: remote patient face-to-face services seen via live video conferencing, non face-to-face services that can be conducted either through live video conferencing or via store-and-forward telecommunication services, and home telehealth services.

For face-to-face services, reimbursement is limited according to the type of service provided, geographic location, type of institution delivering the service, and type of health care provider. The current allowed originating sites include: office of a physician or practitioner, hospitals, critical access hospitals, rural health clinics, and federally qualified health centers. Non face-to-face services are not generally considered telehealth services and are treated as on-site visits. Finally, with the most relevant of these areas, the home telehealth services, they are considered outside the scope of coverage and are not reimbursable. However, it is explicitly stated that there is nothing to preclude a home health agency from utilizing these technologies. In the end it results in a situation that is not overly positive for most home healthcare providers that wish to use

¹³ Frost & Sullivan, Assessment of North American and European Markets for Blood Glucose Monitoring, Blood Pressure Monitoring and Telehealth, April 8, 2011.

remote monitoring and other types of telemedicine technologies. Even for physicians who are a primary target of these current reimbursement policies, many do not stand to benefit as they receive their reimbursement through state Medicaid programs which have their own rules altogether.

Most of the third party payers today are more worried about quantitative care rather than a qualitative patient care, to support reimbursement. Sporadic studies have shown that limited reimbursement for home monitoring solutions is due to lack of documentation showing that RPM devices are cost-effective and offer improved benefits. Over the past years, companies such as Philips, GE, and Robert Bosch Healthcare conducted large-scale clinical studies, however, the benefits, of which were not clearly understood best by healthcare providers and health institutions. Unlike other medical technologies where reimbursement is decided by a respective CPT (Common Procedure Terminology) code, there are no specific codes for telehealth. Thus, there is a general trend when customers recognize EHR (Electronic Health Record) as a promising tool; they also find telehealth to offer additional benefits to their practice. This reimbursement for EHR is found to indirectly benefits telehealth. In the U.S., the total number of General Practitioners (GPs) accepting web-visits or e-visits is increasing, but most of the providers still follow teleconsultations for chronic disease management for elderly people. In Germany, a majority of GPs receive reimbursement for telephone consultations after initial examination in the physician's office. However, for telemonitoring program, only GPs who participate in specific programs get benefitted.

Sales and Marketing

Biosign's focused target markets for UFIT[®] are in the English speaking organizations worldwide. We are pursuing regulatory approval to have the right to sell the UFIT Family to the majority of the English speaking markets. To date the European Union ("EU") has approved the UFIT TEN-10 for sale. Canada has the UFIT TEN-10 approved as well. We focus on payer lead initiatives worldwide where the pulse and blood pressure monitoring capabilities of the UFIT TEN-10 can be an important factor in total patient care.

Biosign's Healthanywhere Solution is focused on the Home Healthcare Market through small to mid-size providers in Canada and the United States. Recent changes in the regulatory market in Canada precludes additional sales of the HA Solution in Canada. The Company, however, will continue to sell in the U.S.

The Company uses a combination of direct sales and distribution agreements, both geographically and industry focused, for its entry into the market.

Direct Sales

Biosign's direct sales strategy is targeted at major payers and care management organizations through a direct business to business (B-2-B) engagement. Our system deploys UFIT devices for a fixed price/day/condition fee under the sponsorship of payer organization. Real time dashboard to monitor the lives under management can be made available to the physicians and payers for a fixed price/patient/day fee.

We have a core sales organization for our products to be sold to payer organizations and support their routes to market. We utilize common sales techniques, including sales executives who develop specialized total payer solutions which involve individual physicians, messaging, professional workshops, infield pilots, seminars, public relations, web training, and other methods.

Distribution Agreements:

Biosign has entered into the following distribution arrangements for geographic and industry specific sales:

- Swiss-based dynamiCARE AG to distribute Biosign products in Switzerland, Germany, France and Austria, with options to expand to other EU countries.
- An exclusive Master Distribution Agreement with Dubai-based ALQAEM International to distribute Biosign products in over a dozen countries in the Middle East and Northern Africa.
- DLF Solutions Inc. (DLF), for the Canadian market
- BioAnalytics Inc., targeting the Canadian dental market.

Competition

As we move into the monitoring market, we become competition to long established large medical device companies and medical device divisions of international conglomerates. This competition can be expected to become more intense as the demand for test and measurement systems increases. Some competitors have vast clinical, regulatory, and marketing resources. . Many of these companies have commercial arrangements with other companies in the industry to supplement their own research capabilities.

The introduction of new products or processes by competitors may result in price reductions or product replacements. However, we believe our competitive position is enhanced by our prior research effort in pulse waveform analysis and securing our intellectual property, leading to the development of new products and manufacturing methods. Other factors that should help us meet competitive responses include: value added services which can be deployed to support our installed product base, minimal need for customer service, and continued awareness of the advantages of a non-invasive device to the users and to the prescribers of our products as well as to the health care community in general, including payers.

Over the longer term, our abilities to successfully market current products, expand their usage and bring new products to the marketplace will depend on many factors, including but not limited to the safety and effectiveness of the products, regulatory agencies' approvals of new products and indications, the degree of intellectual property protection afforded to particular products, and the effect of the increasing role of governments as major purchasers of medical devices.

Blood Pressure Competitive Analysis & Market Share¹⁴

The arrival of Asian manufacturers in the sphygmomanometers segment (aneroid and digital products in particular) has increased the competition among local manufacturers. In this segment, the market is highly price-sensitive. In the ambulatory and automated categories, specialized companies dominate the market. The blood pressure monitor market in general is very competitive. There are over 40 manufacturers in Europe and 50 in North America that are active in this highly fragmented market. Market turnover generated by the home care segment is higher than that achieved by the professional sector.

Some of the top companies in terms of market share are HealthGuard International, Computerized Screening Inc., Welch Allyn, Omron Healthcare, A&D Medical, Spacelabs Medical, SunTech Medical Instruments, Datascope Inc., and Philips Medical Systems.

¹⁴ Frost & Sullivan, Assessment of North American and European Markets for Blood Glucose Monitoring, Blood Pressure Monitoring and Telehealth, April 8, 2011.

Telehealth Market¹⁵

The competition in this market is medium, with presence of some global players and few regional players. The industry is fragmented, with many small players offering proprietary systems and larger players (e.g. Intel, GE Healthcare) not yet dominating the market.

A greater than average number of companies in this market were originally outside of the healthcare space, with a venture in the remote monitoring world being their first foray into the world of healthcare. As expected given the complexity of this market, this has led a number of problems facing these entering companies, and their record of success has been mixed at best. Some companies have found measures of success upon entering this market such as Honeywell's acquisition of Hommed. Others, like Kodak were not so lucky, entering and exiting the market in a matter of a few short years. While each company's success is varied, this issue has had an overall negative affect on the remote monitoring market as a whole. All of these issues cumulate into this complex remote monitoring market and thus mirror the cutting edge challenges and issues facing healthcare systems across the world.

One of the biggest challenges for new entrants is the price sensitivity of the market. The end-users are reluctant to invest into such technology, so there is a demand to adopt competitive pricing.

Standard design guidelines are poised to play key role in the growing competition of new entrants in this market, who clearly define a scope to focus in their own areas of core competency. For example, Zephyr Technology, a Maryland based developer of BioHarness BT, has taken remote monitoring to never explored, but high demand market namely, Defense, Sports training and Academic Research. Zephyr Technology's core competency is more prominent as it recently attracted substantial amount of interest for strategic investment from major companies like Motorola (for first responder market), Qualcomm (in the eHealth space) and the U.S. Department of Defense (for defense market). This will ultimately lead to reduction of high-entry barriers and will lead to improved health quality at low cost. Today, many healthcare giants find it feasible to acquire new technology or a company to innovate a particular technology from scratch. It has been theoretically verified that the total amount invested in innovating a particular technology is more compared to acquiring a new technology. This mode of acquisition would definitely bring high synergies in the form of reducing market entry time, overcoming regulatory barriers and incorporating a competitive brand name to this innovative technology.

Remote Patient Monitoring Market¹⁶

An increasing number of major companies have taken an interest in this growing space. Most notable of these is Phillips Medical's entry into the market via several acquisitions and a continued focus on the remote monitoring markets along with Bosch. Consolidation such as this is expected to continue in this market in years to come. Several other large companies such as Cisco and IBM have become involved in the home healthcare and disease management markets through organizations such as the Continua Alliance and other company alliances. Also, there has been increasing collaboration between home healthcare and disease management companies, blurring the lines where one market begins and another ends.

¹⁵ Ibid.

¹⁶ Frost & Sullivan, Assessment of North American and European Markets for Blood Glucose Monitoring, Blood Pressure Monitoring and Telehealth, April 8, 2011.

Regulatory Approvals

In December 2005, Biosign obtained certification from the International Organization for Standardization for the UFIT®. Specifically, ISO 13485:2003 provides a model for quality assurance in design, development, production, installation and servicing and is an international standard designed to provide medical device suppliers with a common approach to applying a Quality Management System. This international standard addresses most Canadian, European, and U.S. requirements for medical device regulatory purposes. All our products are built in compliance with ISO 13485:2003.

UFIT® TEN-10 is cleared for sale in the European Union, Canada, and other countries accepting CE Mark and Health Canada approvals.

UFIT® TEN-20 is cleared for sale in the European Union and other countries accepting CE Mark. The Company has decided not to release the product commercially until it has had more development.

Healthanywhere™ has FDA 510K clearance, with the device classification 870.2910, DRG, Physiological Transmitter and Receiver ISO 13485:2003 certification.

We continuously assess the opportunities and the barriers to marketing our products in other markets. To this end, we engaged consulting firms to help us formulate strategies for submissions to regulatory agencies in the countries of interest.

Products in Development

Our product development efforts cover a wide range of measurement and monitoring facilities, including heart, lung, and stress response problems.

One product will extend UFIT® TEN-20 capability with ECG and pulse oximetry, using the same framework.

On July 13, 2010, we entered in a technical collaboration with McMaster University to develop a framework for providing trusted health information services. Subsequent to the end of the quarter the Company notified McMaster that it will not be extending the agreement and has inquired about a mutual termination of this arrangement.

Manufacturing and Support

We are currently analyzing our manufacturing options for the PAD 1a as we have sufficient inventories to supply our existing and near future customer base.

Through a Server Hosting Agreement entered with Dell Inc., we have access to Dell's server farms throughout the world to process and store data.

Proprietary Technology

Our intellectual property consists largely of proprietary algorithms that reside on secure servers as software applications and utilities. Our proprietary hardware unit cannot operate without permission from the server, which validates the unit before each use. This run-time check prevents the use of defective devices or of knocked-off hardware devices.

We are exploring patents on inventions originating from our research and development activities and will also rely on trade secrets for certain intellectual property protections. The mathematical nature of our products discounts patenting as a necessary and desirable form of protection.

We have eight (8) patents pending, in Canada and the United States, related to our Healthanywhere Solution and its proprietary remote care offerings.

We have obtained licenses, as required, from various parties that we deem to be necessary or desirable for the manufacture, use, or sale of our products. These user licenses are non-exclusive and generally require us to pay fees to the parties on usage.

The Healthanywhere Solution consists largely of proprietary source code for extracting clinically-relevant information from measurement data according to standards. This code resides on secure servers as software applications and utilities. Our proprietary software cannot operate without permission from the server, which validates the unit before each use.

Our trademarks, UFIT[®] and Healthanywhere[™] are considered to be of material importance. They are covered by registrations or pending applications for registration in Canada, European Union, United States and in other countries.

Government Regulation

Regulation by governmental authorities in Canada and other countries is a significant factor in the manufacture and marketing of our products and in ongoing research and product development activities. All of our key products require regulatory approval by governmental agencies prior to commercialization. In particular, our products are subject to rigorous testing and other premarket approval requirements by national regulatory authorities. Various statutes and regulations also govern or influence the manufacturing, safety, labeling, storage, record keeping, and marketing of such products. The lengthy process of seeking these approvals, and the subsequent compliance with applicable statutes and regulations, require the expenditure of substantial resources. Any failure by us to obtain, or any delay in obtaining, regulatory approvals could materially adversely affect our business.

Among the conditions for market approval is the requirement that the prospective manufacturer's management procedures conform on an ongoing basis with a certifiable quality management system (QMS). In complying with the QMS, manufacturers must continue to expend time, money and effort in the area of production and quality control to ensure full compliance. After being licensed, manufacturers are subject to periodic audits. Any determination by the auditor of quality related deficiencies could materially adversely affect our business.

The requirements that we must satisfy to obtain regulatory approval by national governmental agencies prior to commercialization of our products in any country can be very costly and uncertain.

We are not subject to laws and regulations relating to safe laboratory practices, the experimental use of animals and the use and disposal of hazardous or potentially hazardous substances.

The levels of revenues and profitability of medical device companies may be affected by the continuing efforts of government and third party payers to contain or reduce the costs of health care through various means. In addition, sales of our products are dependent in part on the availability of reimbursement to the consumer from third party payers, such as government and private insurance plans. Third party payers are increasingly challenging the benefits of using devices and the prices charged for products and services. We cannot assure you that any of our products will be considered cost effective and that reimbursement to the consumer will be available or will be sufficient to allow us to sell our products competitively and profitably.

Research and Development

A significant portion of our operating expenses relates to the R&D of products incurred either by us alone or under contracts. Our R&D efforts have been the sole source of our products. We intend to maintain our strong commitment to R&D as an essential component of our product development effort.

Licensed technology developed by outside parties is an additional source of potential products.

Human Resources

As of September 30, 2011, we had 23 full-time employees. As of November 28, 2011 we have 11 full-time employees. Subsequent to the end of the quarter, the Company laid off and terminated employees as part of a cost cutting measure.

Environment

We seek to comply with all applicable statutory and administrative requirements concerning environmental quality. As our business poses no specific environmental concerns, expenditures for compliance with environmental laws have not had, and are not expected to have, a material effect on our capital expenditures, results of operation, financial position or competitive position.

Properties

Our primary facilities are located in Thornhill and Mississauga, Ontario, where we occupy leased suites for our research, development, marketing, and administrative activities. We have made and continue to make workplace improvements to accommodate our growth.

Our proprietary hardware product, the UFIT PAD-1A, was produced through a contract manufacturing agreement with a manufacturing facility in China. As previously stated the Company is assessing potential manufacturers for future production. Logistic arrangements are handled through direct shipments to key distributors and through a storage and material handling facility in Richmond Hill, Ontario.

Legal Proceedings

- 1) We, together with our former President, Radu Leca, are a party to a legal proceeding brought by Avro Capital Corp. (“Avro”) in the Supreme Court of British Columbia. In its claim, Avro alleges it agreed in July 2008 to provide comprehensive business development services, including funding and listing on certain exchanges for Biosign in consideration for a monthly cash retainer, share options, commissions and warrants. Avro claims, among other things, that it was not fully paid and did not receive the options, commissions and warrants as agreed. Management believes the claim to be without merit, has filed a response to the claim and intends to defend it vigorously. Based upon the nature of the claims made and the information available to date to us and our counsel through investigations and otherwise at this time, we believe the likelihood of loss or gain is not determinable at this time.

Otherwise, we are not involved in lawsuits, as either a plaintiff or defendant, nor in administrative proceedings relating to our intellectual property.

Strategy for Growth and Shareholder Value Creation

Our growth strategy and shareholder value creation efforts are centred on identifying emerging opportunities, executing marketing strategies that enable us to rapidly obtain critical mass, and building lasting relationships with customers.

Generally, we aim at increasing the discounted value of all future cash flows through value-based marketing. Specifically, we focus on building intangible assets that increase the net present value of our long-term cash-flow.

Revenue Model

Our products share the same cloud, interactive framework (see the “Products” section). This allows us to quickly adapt to demand without incurring significant customization costs. This versatility also allows the Company to add new information based offerings.

- **Selling our Products or Services** – providing needed and trusted products and services is our first revenue model.

Service Subscriptions – Patients: we will be offering our UFIT devices as part of a subscription service package which will be available for a fixed cost/day/condition (BP is mandatory) each additional condition is at the same fixed rate with unlimited daily use of the system through payer. Termination will result in return of the UFIT or a termination Fee.

Providers: we will be offering a subscription service package which will be available for a fixed cost/day/patient available through the payers as a dashboard.

Providers: we will be offering a subscription service package which will be available for a fixed cost/day/patient as a daily data file or dashboard.

- **Affiliate Sales** – we will sell our products and/or services through selected parties on commissions as a discount off list pricing.
- **Marketing** – The focus will be to provide awareness and consideration to payers, providers, consumers, collaborators, press and investors. Following the web site launch, sales and marketing collateral will be developed to engage key stakeholders on demonstrating the economics and quality of care benefits
- Combinations and variations are supported by the UFIT[®] framework, which allows users to access the most current medical condition analysis algorithms as well as future analytics.

The recurring revenue model is a traditional model in our segment; the logistics and cost for delivering monthly billing of daily services are greatly reduced in our model v. current models due to online operation and absence of consumables. We believe that this model will allow for better margins than ordinarily achieved by medical device companies.

Results

The following discussion and analysis provides information that we believe is relevant to an assessment and understanding of our results of operation and financial condition for the nine months ended September 30, 2011. Our financial statements are stated in Canadian Dollars and are prepared in accordance with International Financial Reporting Standards (IFRS).

Results of Operation for Biosign for the Nine Months ended September 30, 2011 Compared to the Nine Months ended September 30, 2010

Revenue and Gross Margins

Revenue and gross margins for the nine months ended September 30, 2011 were \$279,639 and \$151,926, respectively, compared to \$20,000 and NIL respectively for the nine months ended September 30, 2010. All revenue for the 2011 period related to sales and services from Healthanywhere, which was acquired on October 19, 2010.

Operating Expenses

During the nine months ended September 30, 2011, the Company had operating expenses of \$8,734,377 as compared to operating expenses of \$2,008,392 during the nine months ended September 30, 2010, an increase of \$6,725,985 or approximately 334.9%. The increase in operating expenses experienced by the Company was primarily attributable to \$3,122,408 of stock based compensation expenses in the first three quarters of fiscal 2011, costs related to the amortization of intangible assets in the amount of \$1,620,711 as compared to \$329,399 in the first three quarters of fiscal 2010, increase in salaries and benefits due to the commercialization of the UFIT® as at April 1, 2011 in the amount of \$1,750,905 as compared to \$512,052 in the first three quarters of fiscal 2010 and the staff and operating expenses of Healthanywhere.

Net Loss

The Company had a net loss of \$8,582,451 for the nine months ended September 30, 2011, as compared to a net loss of \$1,988,392 for the nine months ended September 30, 2010, a change of \$6,594,059 or approximately 331.6%.

Liquidity and Capital Resources

As at September 30, 2011, we had \$1,245,376 in working capital, compared to \$3,117,085 as at December 31, 2010. To date we have had limited revenues and the revenues generated from our expected business operations may not be sufficient to fund our operations or planned growth. We will likely require additional capital to continue to operate our business, and to further expand our business. We may be unable to obtain the additional capital required. Our inability to generate capital or raise additional funds when required will have a negative impact on our operations, business development and financial results.

The following discussion outlines the state of our liquidity and capital resources as of September 30, 2011:

Total Current Assets & Total Assets

Our unaudited balance sheet reflects that: i) as of September 30, 2011, we have total current assets of \$2,055,361 as compared to total current assets of \$3,686,688 at December 31, 2010, a decrease of \$1,631,327, or approximately 44.2%; and ii) as of September 30, 2011, we have total assets of \$7,010,053 compared to total assets of \$9,859,967 as of December 31, 2010, a decrease of \$2,849,914, or approximately 28.9%. The decrease in the Company's total current assets and total assets at September 30, 2011 from December 31, 2010 was primarily attributable to:

- Cash generated through the sale of stock units during the first three quarters of 2011, in the amount of \$2,369,747.
- Increase in intangible assets related to the development of the Company's UFIT[®] products and services, and
- Acquisition of product and services manufacturing and testing equipment and related parts for the initial production of UFIT[®] products.
- Increase in inventories to ready the Company for commercialization.

Cash

As of September 30, 2011, our unaudited balance sheet reflects that we have cash of \$959,101, as compared to \$2,940,804 at December 31, 2010, a decrease of \$1,981,703 or approximately 67.4%. The decrease in the Company's cash at September 30, 2011 from December 31, 2010 was primarily attributable to the Company's cash utilized for operating and investing activities of \$3,825,412 and \$526,038 respectively offset by financing activities which generated \$2,369,747 during the nine months ended September 30, 2011.

Total Current Liabilities

Our unaudited balance sheet reflects that as of September 30, 2011, we have current and total liabilities of \$809,985 as compared to total current and total liabilities of \$569,603 at December 31, 2010, an increase of \$240,382, or approximately 42.2%

Cash Flow for Biosign for the Nine Months ended September 30, 2011 as Compared to the Nine Months ended September 30, 2010

Operating Activities

During the nine months ended September 30, 2011, the net cash used by the Company in operating activities was \$3,825,412 as compared to net cash used in operating activities of \$1,146,737 during the nine months ended September 30, 2010, an increase of \$2,678,675. The increase in our net cash used in operating activities was primarily attributable to an increase in net loss.

Investing Activities

During the nine months ended September 30, 2011, the net cash used by the Company in investing activities was \$526,038 as compared to net cash acquired in investing activities of \$166,051 during the nine month period ended September 30, 2010, an increase of \$692,089. The investing activities during the nine months ended September 30, 2011 were related to the intangible assets acquired and created from development of the UFIT[®] products and services along with the acquisition of fixed assets to support the development and commercialization of the products.

Financing Activities

During the nine months ended September 30, 2011, the net cash provided by financing activities was \$2,369,747 as compared to net cash generated by financing activities of \$1,860,186 during the nine months ended September 30, 2010, an increase of \$509,561. The funds acquired in 2011 relate to a brokered private placement in July 2011, the exercise of warrants and options during the period.

Off-Balance Sheet Arrangements

We have no material off-balance sheet arrangements.

Summary of Financial Results

Income Statement Items	Nine months ended September 30, 2011 (unaudited)	Nine months ended September 30, 2010 (unaudited)
Revenues	\$279,639	20,000
Cost of sales	(\$127,713)	Nil
Operating expenses	(\$8,734,377)	(\$2,008,392)
Net and comprehensive loss	(\$8,582,451)	(\$1,988,392)
Weighted average number of shares outstanding, 000's , basic and diluted	86,207	71,138
Loss per common share	(\$0.10)	(\$0.03)

Balance Sheet Items – as at	September 30, 2011 (unaudited)	December 31, 2010 (audited under Canadian GAAP)
Assets		
Cash and cash equivalents	\$959,101	\$2,940,804
Other current assets	\$1,096,260	\$745,884
Intangible	\$4,555,077	\$5,747,884
Property & Equipment	\$285,865	\$277,895
Other long term assets	\$113,750	\$147,500
Total Assets	\$7,010,053	\$9,859,967
Liabilities		
Current liabilities	\$809,985	\$569,603
Shareholder's Equity		
Share Capital	\$24,241,517	\$22,533,604
Contributed Surplus	\$7,626,887	\$3,842,645
Retained Deficit	(\$25,668,336)	(\$17,085,885)
Total Liabilities and Shareholders' Equity	\$7,010,053	\$9,859,967

Quarterly Results

	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010
Revenue	\$94,191	\$98,721	\$86,726	\$63,914
Cost of sales	(\$43,622)	(\$38,629)	(\$45,462)	(\$31,540)
Operating Expenses	(\$2,515,902)	(\$2,903,659)	(\$3,314,816)	(\$1,694,709)
Net loss and Comprehensive Loss	(\$2,465,333)	(\$2,843,567)	(\$3,273,552)	(\$1,662,335)
Loss per common share, basic and fully diluted	(\$0.03)	(\$0.03)	(\$0.04)	(\$0.02)

	September 30, 2010	June 30, 2010	March 31, 2010	December 31, 2009
Revenue	Nil	60,648	Nil	\$2,592
	Nil	Nil	Nil	Nil
Operating Expenses	(\$927,228)	(568,275)	(\$553,537)	(\$986,319)
Net loss and Comprehensive Loss	(\$927,228)	(\$507,627)	(\$553,537)	(\$983,727)
Loss per common share, basic and fully diluted	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.02)

Critical Accounting Policies and Estimates

Our consolidated financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”). The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting years. Significant estimates are generally made in connection with the calculation of revenues, inventory and research and development expenses, as well as in determining the allowance for doubtful accounts, valuation allowance for future income tax assets, the useful lives of property, plant and equipment and intangible assets with finite lives, the valuation of intangible assets and goodwill, the fair value of stock options and warrants granted, employee future benefits and certain accrued liabilities. We base our estimates on historical experience, where relevant, and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ from those estimates.

The following section summarizes our critical accounting policies and other policies that require the most significant judgment and estimates in the preparation of our consolidated financial statements.

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.

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 test 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.

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 deficit 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 they are probable to be realized.

Stock-based compensation plan

The Company from time to time issues stock options to employees, directors, officers and consultants as described in Note 8. The Company has adopted the recommendations of Section 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 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, amounts 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 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 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.

Transition to International Financial Reporting Standards

The Company is presenting these interim statements under IFRS as such the Company's accounting policies had to be reviewed and adjusted to conform with the new regulations. IFRS 1 First-time Adoption of IFRS sets forth guidance for the initial adoption of IFRS. Under IFRS 1 the standards are applied retrospectively at the transitional statement of financial position 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 to 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 transition 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.

Risk Factors

There are a number of risks associated with our business. **Biosign's Common Shares should be considered highly speculative** due to the nature of the Company's business and the present stage of its development.

In evaluating the Company and its business, shareholders should carefully consider the following risk factors. **These risk factors are not a definitive list of all risk factors associated with Biosign or in connection with its operations.**

Technology companies in the commercialization stage are subject to a number of risks and uncertainties that are inherent to the development of any new technology. General business risks include, among other things, uncertainty in product development and related clinical trials and studies, the regulatory environment including delays or denial of approval to market products, the impact of technological change and competing technologies, the ability to protect and enforce intellectual property assets, the availability of capital to finance continued and new product development, the ability to secure strategic collaborators and reliance on these collaborators for the development, regulatory approval, testing, manufacturing and commercialization of products and the risk of product liability claims. In addition, market prices for securities of medical technology companies are generally volatile, and may or may not move in a manner consistent with the progress being made by such company.

To the extent possible, Biosign's management pursues and implements strategies to reduce or mitigate the risks and uncertainties associated with its business. You should carefully consider the risks described below, together with all of the other information included in this Management Discussion and Analysis, including the financial statements and the related notes, before you decide whether to invest in our common stock. Our business, operating results and financial condition could be harmed by any of the following risks. The trading price of our common stock could decline due to any of these risks, and you could lose all or part of your investment.

An investment in the securities of Biosign is speculative due to the proposed nature of Biosign's business and the present stage of Biosign's development. Consequently, an investment in Biosign will be subject to certain risks and investors should not invest in securities of the Company unless they can afford to lose their entire investment. In addition investors should consider the following risk factors in assessing the investment merits of such securities and the business of Biosign.

RISKS RELATED TO BIOSIGN'S FINANCIAL CONDITION AND OPERATIONS

WE WILL NEED ADDITIONAL FINANCING.

From inception to September 30, 2011, our aggregate net loss is approximately \$25.6 million. Our cash position at September 30, 2011 is \$959,101. To continue as a going concern, we have issued equity securities, and will be required to secure debt or additional equity capital in the future to continue operations. Our history of substantial operating losses could also severely limit our ability to raise additional financing. In the event we are unable to raise debt or additional equity financing, or otherwise improve our liquidity position, we will not be able to continue as a going concern.

THE SUCCESSFUL DEVELOPMENT OF NEW MEDICAL DEVICES IS HIGHLY UNCERTAIN.

Successful product development is highly uncertain and is dependent on numerous factors, many of which are beyond our control. Products that appear promising during development may fail to reach the market for several reasons including:

- Due to the complexity in the development of a non-invasive glucose solution the Company may not be able to release a commercially viable product for glucose measurement.
- Beta testing and market pilots showing the product to be less accurate than desired or to have high rates of errors.
- Failure to receive the necessary regulatory approvals or delay in receiving such approvals.

- Manufacturing costs or other factors that make the product uneconomical.
- The proprietary rights of others and their competing products and technologies that may prevent the product from being commercialized.
- Success in premarket studies does not ensure that the product will perform at the same level in the field, especially for products like ours designed for general use.
- Test and pilot results are frequently susceptible to varying interpretations that may delay, limit or prevent regulatory approvals or market adoption.

WE MAY BE UNABLE TO OBTAIN OR MAINTAIN REGULATORY APPROVALS FOR OUR PRODUCTS

Our industry is subject to stringent regulation with respect to safety and efficacy. We cannot be sure that we can obtain necessary regulatory approvals on a timely basis, if at all, for any of the products we are developing or that we can maintain necessary regulatory approvals for our existing products, and all of the following could have a material adverse effect on our business:

- Significant delays in obtaining or failing to obtain required approvals.
- Loss of, or changes to, previously obtained approvals.
- Failure to comply with existing or future regulatory requirements.

It is possible that the current regulatory framework could change or additional regulations could arise at any stage, which may affect our ability to obtain or maintain approval of our products. Canadian and foreign regulations regarding the manufacture and sale of health care products and diagnostic devices are subject to future change. Biosign cannot predict what material impact, if any, these changes might have on its business. Future changes in regulations or enforcement policies could impose more stringent requirements on Biosign, compliance with which could adversely affect its business. These changes may relax some requirements, which could prove beneficial to Biosign's competitors and thus adversely affect its business. In addition, these regulations depend heavily on administrative interpretations. There is no assurance that future interpretations made by any regulatory authorities, with possible retroactive effect, will not adversely affect Biosign's business, financial condition and results of operations.

In addition, regulatory agencies subject a marketed product, its manufacturer, and the manufacturer's facilities to ongoing regulatory requirements. Regulatory agencies may also require expensive post-approval studies.

Any adverse effects associated with Biosign's products must also be reported to regulatory authorities. If new data are developed, previously unknown adverse experiences with a product occur, deficiencies in Biosign's manufacturing facilities are discovered, or it fails to comply with applicable post-market regulatory requirements, a regulatory agency may impose restrictions on that product or on Biosign including the requirement to withdraw the product from the market, close the facility, suspend manufacturing, change the product's label or pay substantial fines.

Even if the Company is successful in developing a commercially viable product for glucose measurement, the Company may not be able to obtain the regulatory approvals in the North American market. The current regulatory guidelines have all glucometers in an invasive category. New guidelines would be needed for non-invasive glucose measuring devices to be approved.

BIOSIGN FACES SUBSTANTIAL COMPETITION AND MAY NOT BE ABLE TO COMPETE EFFECTIVELY.

We face intense competition worldwide from a number of biomedical equipment and supplies companies. These companies offer a variety of competitive products and services. Many of these companies have greater financial resources and production, marketing, manufacturing, engineering and other capabilities than us. We face actual and potential competition not only from these established companies, but also from start-up companies that are developing and marketing new commercial products and services. New product and service offerings and enhancements by our competitors could cause a decline in our sales or loss of market acceptance of our systems. New offerings could also make our systems, services or technologies obsolete or non-competitive. In addition, we are experiencing significant price competition and we expect that competition will intensify.

WE HAVE NO EXPERIENCE IN MARKETING AND SELLING OUR PRODUCTS.

In order to achieve commercial success for our approved products, Biosign will have to develop an effective marketing and sales force or enter into further arrangements with third parties to market and sell our products. If Biosign develops its own marketing and sales capabilities, we will be competing with other companies that currently have experienced and well-funded marketing and sales operations. To the extent that Biosign enters into co-promotion or other marketing and sales arrangements with other companies, any revenues received will be dependent on the efforts of others, and Biosign does not know whether these efforts will be successful. Failure to develop a direct sales and marketing force or enter into appropriate arrangements with other companies to market and sell its products will reduce Biosign's ability to generate revenues.

WE DO NOT HAVE THE CUSTOMER BASE OR OTHER RESOURCES OF MORE ESTABLISHED COMPANIES, WHICH MAKES IT DIFFICULT FOR US TO ADDRESS THE LIQUIDITY AND OTHER CHALLENGES THAT WE FACE.

We have not developed an installed base for our UFIT or Healthanywhere product lines nor the kind of close relationships with a broad base of customers of a type enjoyed by larger, more developed companies, which would provide a base of financial performance from which to launch strategic initiatives and withstand any downturn in business. In addition, we have not built up the level of capital often enjoyed by more established companies, so we face serious challenges in financing our continued operations. We may not be able to successfully address these risks.

WE RELY ON THIRD PARTY COLLABORATORS, MANUFACTURERS AND SUPPLIERS AND ANY FAILURE OF OR INTERRUPTION IN THE MANUFACTURING, SERVICES OR PRODUCTS PROVIDED BY THESE THIRD PARTIES COULD HARM OUR BUSINESS.

We enter into various arrangements with third parties to enable, support, or accelerate research, development, clinical testing, regulatory approval, manufacturing, and marketing for the commercialization of our products. Those collaborators are important to our profitability and we may have little or no control over the outcome of such collaborations.

We rely on third-party manufacturers for the manufacture and repair of our products. In addition, certain components and assemblies necessary for the manufacture of our systems are obtained from a sole supplier or a limited group of suppliers.

Our reliance on third-party manufacturers and suppliers involves risks. We have experienced and continue to experience an inability to obtain, or to receive in a timely manner, an adequate supply of finished products and required components and assemblies. This inability has been due to a variety of factors, including, in some cases, our financial condition. As a result of our reliance on these third parties, we have reduced control over the price, timely delivery, reliability and quality of finished products and components. Any failure by us, or our contract manufacturers to repair, maintain, manufacture, assemble and ship systems and meet customer demands on a timely and cost-effective basis could damage relationships with customers and have a material adverse effect on our business, financial condition and results of operations.

OUR BUSINESS DEPENDS ON THE ACCEPTANCE OF OUR PRODUCTS AND SERVICES, AND IT IS UNCERTAIN WHETHER THE MARKET WILL ACCEPT AND DEMAND OUR PRODUCTS AND SERVICES AT LEVELS NECESSARY FOR SUCCESS.

Our future operating results depend upon the continued growth and increased availability and acceptance of our products in the U.S. and internationally. The volume and variety of products or the markets for and acceptance of our products may not continue to grow as expected. The growth of these products may also fail to create anticipated demand for our products. Predicting which segments of these markets will develop and at what rate these markets will grow is difficult.

IF WE FAIL TO KEEP PACE WITH RAPIDLY CHANGING TECHNOLOGIES, WE COULD LOSE CUSTOMERS AND OUR SALES MAY DECLINE.

The medical device industry is characterized by rapidly changing technologies, evolving industry standards, frequent new product and service introductions and changing customer demands. The introduction of new products and services embodying new technologies and the emergence of new industry standards and practices can render our existing products and services obsolete and unmarketable. Our future success will depend on our ability to internally develop, source or license leading technologies to enhance our existing products and services, to develop new products and services that address the changing demands of our customers, and to respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis. Because of our current financial condition, we may experience difficulties that could delay or prevent the successful design, development, introduction or marketing of new products and services. Any new products, services or enhancement that we develop will need to meet the requirements of our current and prospective customers and may not achieve significant market acceptance.

DUE TO OUR INTERNATIONAL SALES AND OPERATIONS, WE ARE EXPOSED TO BUSINESS, POLITICAL, REGULATORY, OPERATIONAL, FINANCIAL AND ECONOMIC RISKS, ANY OF WHICH COULD INCREASE OUR COSTS AND HINDER OUR GROWTH.

A material portion of our anticipated sales are to international markets, especially in the European Common Market, the Middle East, and Northern Africa. As a result, we face business, political, regulatory, operational, financial and economic risks that are often more volatile than those commonly experienced in Canada. Due to political and economic instability in new markets, economic, political and foreign currency fluctuations may be even more volatile than conditions in developed countries. These weaknesses could adversely affect demand for our products.

WE FACE RISKS ASSOCIATED WITH CURRENCY EXCHANGE RATE FLUCTUATIONS.

Because a material portion of our sales are made to customers located outside of Canada, a large portion of our revenues are denominated in foreign currencies. Our international sales will often be denominated in Euros or United States dollars. Conducting business in currencies other than Canadian dollars subjects us to fluctuations in currency exchange rates that could have a negative impact on our reported operating results. Fluctuations in the value of the Canadian dollar relative to other currencies impact our revenues, cost of revenues and operating margins and result in foreign currency translation gains and losses. For example, a decrease in the value of US dollars or Euros relative to Canadian dollars, if not hedged, will result in an exchange loss for us if we have Euro or US dollar denominated sales. Conversely, an increase in the value of Euro and US dollars will result in increased margins for us on Euro or US dollar denominated sales as our functional currency is in Canadian dollars. For international sales that we would require to be Canadian dollar-denominated, such a decrease in the value of foreign currencies could make our systems less price-competitive if competitors choose to price in other currencies and could adversely affect our financial condition. Although we may implement hedging strategies to mitigate this risk, these strategies may not eliminate our exposure to foreign exchange rate fluctuations and involve costs and risks of their own, such as ongoing management time and expertise, external costs to implement the strategy and potential accounting implications.

OUR BUSINESS AND GROWTH MAY SUFFER IF WE ARE UNABLE TO HIRE AND RETAIN KEY PERSONNEL WHO ARE IN HIGH DEMAND.

We depend on the continued contributions of our senior management and other key personnel. The loss of

the services of these executives, or any of our key personnel could harm our business. We do not maintain key person life insurance policies on any of our executive officers. Competition for senior management in our industry is intense and we may not be able to retain our senior management or attract and retain new personnel in the future. Volatility or lack of performance in our stock price may also affect our ability to attract and retain our key personnel. Our future success also depends on our ability to identify, attract and retain highly skilled technical, managerial, finance and marketing personnel. Qualified individuals are in high demand, and we may incur significant costs to attract them. If we are unable to attract or retain the personnel we need to succeed, our business may suffer.

THIRD PARTIES MAY SUE US FOR INTELLECTUAL PROPERTY INFRINGEMENT THAT, IF SUCCESSFUL, COULD REQUIRE US TO PAY SIGNIFICANT DAMAGE AWARDS OR LICENSING FEES.

We cannot be certain that we do not and will not infringe the intellectual property rights of others. We may be subject to legal proceedings and claims in the ordinary course of our business and third parties may sue us for intellectual property infringement or initiate proceedings to invalidate our intellectual property. Any intellectual property claims, whether or not meritorious, could result in costly litigation and could divert management resources and attention. Moreover, should we be found liable for infringement, we may be required to enter into licensing agreements (if available on acceptable terms or at all), pay damages or limit or curtail our product or service offerings. Moreover, we may need to redesign some of our products to avoid future infringement liability. Any of the foregoing could prevent us from competing effectively and harm our business and results of operations.

WE MAY INCUR MATERIAL PRODUCT LIABILITY COSTS FOR WHICH WE MAY NOT BE ABLE TO OBTAIN ADEQUATE INSURANCE COVERAGE.

Medical devices involve the risk of product liability claims and associated adverse publicity. The testing and marketing of medical products entail an inherent risk of product liability. Medical product liability exposures could be very large and pose a material risk. Our business may be materially and adversely affected by a successful product liability claim in excess of any insurance coverage that we may have.

Claims may be made by consumers, healthcare providers, third party strategic collaborators or others selling Biosign's products. There can be no assurance that Biosign will be able to obtain or maintain sufficient and affordable insurance coverage for any of these claims. Without sufficient coverage, any claim, any threat of such a claim or any product withdrawal could seriously harm our business.

RISK RELATING TO CAPITAL MARKETS AND BIOSIGN COMMON STOCK

OUR STOCK PRICE HAS BEEN, AND MAY CONTINUE TO BE, VOLATILE AND THINLY TRADED.

Our common stock currently trades on the TSX – Venture Exchange. Our common stock may continue to be thinly traded and the market price of our common stock may experience significant volatility. In recent years, the stock market in general, and the market for shares of small capitalization technology stocks in particular, have experienced extreme price fluctuations. These fluctuations have often negatively affected small cap companies such as ours, and may impact our ability to raise equity capital in periods of liquidity crunch. Companies with liquidity problems also often experience downward stock price volatility. We believe that factors such as announcements of developments related to our business (including any financings or any resolution of liabilities), announcements of technological innovations or new products or enhancements by us or our competitors, developments in the emerging countries' economies, sales by competitors, sales of significant volumes of our common stock into the public market, developments in our relationships with customers, partners, lenders, distributors and suppliers, shortfalls or changes in revenues, gross margins, earnings or losses or other financial results that differ from analysts' expectations, regulatory developments, fluctuations in results of operations could and have caused the price of our common stock to fluctuate widely. The market price of our common stock may continue to experience significant fluctuations in the future, including fluctuations that are unrelated to our performance, and our stockholders may not be able to resell shares of our common stock at or above the price paid for those shares.

FUTURE SALES OF OUR CONVERTIBLE SECURITIES IN THE PUBLIC MARKET COULD LOWER BIOSIGN' STOCK PRICE AND ADVERSELY AFFECT ITS ABILITY TO RAISE ADDITIONAL CAPITAL IN SUBSEQUENT FINANCINGS.

As of September 30, 2011, we had issued and outstanding warrants and employee stock options, convertible into 13,671,706 shares of our common stock. In the event of conversion or exercise of any of these convertible securities, future sales of Biosign common stock or the perception that future sales will occur could have a significant negative effect on the market price of Biosign common stock. If the market price of Biosign common stock continues to fluctuate, Biosign may not be able to conduct additional financings in the future on acceptable terms or at all, and its ability to raise additional capital will be significantly limited.