

Cookson Walker LLP

**Biosign Technologies Inc.
Financial Statements
December 31, 2008 and 2007**

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Cookson Walker LLP

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Auditors' Report

To the shareholders of
Biosign Technologies Inc.:

We have audited the balance sheets of **Biosign Technologies Inc.** as at December 31, 2008 and 2007 and the statements of loss, comprehensive loss and deficit and cash flows for the years ended December 31, 2008 and December 31, 2007. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for the years ended December 31, 2008 and December 31, 2007 in accordance with Canadian generally accepted accounting principles.

Chartered Accountants, Licensed Public Accountants

Toronto, Ontario
April 22, 2009

Biosign Technologies Inc.
Balance Sheets
December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Assets		
Current		
Cash and cash equivalents	\$ 1,487,522	\$ 2,117,107
Accounts receivable	13,341	9,538
Deposits and prepaid expenses	<u>45,804</u>	<u>62,653</u>
	<u>1,546,667</u>	<u>2,189,298</u>
Non-current		
Deferred charges (note 5)	273,133	160,616
Property, plant and equipment (note 6)	<u>24,165</u>	<u>20,446</u>
	<u>297,298</u>	<u>181,062</u>
	<u>\$ 1,843,965</u>	<u>\$ 2,370,360</u>
Liabilities		
Current		
Accounts payable and accrued liabilities	\$ 77,361	\$ 223,380
Convertible loan (note 7)	<u>400,000</u>	<u> </u>
	<u>477,361</u>	<u>223,380</u>
Shareholders' Equity		
Capital stock (note 8(a))	10,651,558	9,811,477
Other equity (note 8(b))	1,891,897	1,199,928
Deficit	<u>(11,176,851)</u>	<u>(8,864,425)</u>
	<u>1,366,604</u>	<u>2,146,980</u>
	<u>\$ 1,843,965</u>	<u>\$ 2,370,360</u>

"Radu Leca"

Director

"Tony LaVista"

Director

See accompanying notes to the financial statements

Biosign Technologies Inc.
Statements of Loss, Comprehensive Loss and Deficit
For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating expenses		
Salaries and benefits	\$ 1,084,693	\$ 1,217,881
Stock based compensation (notes 8(b) and (c))	329,085	782,400
Consulting and other professional fees	308,312	530,572
Occupancy	136,870	129,833
Insurance	126,637	158,617
Investor relations, exchange and securities commission filing fees	120,471	204,237
Office and general	67,475	83,358
Professional fees - legal and audit	64,330	35,184
Travel and entertainment	43,793	131,754
Research	32,726	53,948
Telecommunications	20,702	22,755
Amortization of property, plant and equipment	13,480	20,197
Directors fees	<u>8,750</u>	<u>106,958</u>
	<u>2,357,324</u>	<u>3,477,694</u>
Loss from operations	<u>(2,357,324)</u>	<u>(3,477,694)</u>
Other income (expense)		
Interest income	27,840	144,124
Foreign exchange gain (loss)	23,243	(90,598)
Investment tax credits		93,418
Interest expense (note 7)	<u>(6,185)</u>	<u> </u>
	<u>44,898</u>	<u>146,944</u>
Net loss and comprehensive loss for the year	<u>(2,312,426)</u>	<u>(3,330,750)</u>
Deficit, beginning of year	<u>(8,864,425)</u>	<u>(5,533,675)</u>
Deficit, end of year	<u>\$(11,176,851)</u>	<u>\$(8,864,425)</u>
Loss per share		
Basic and diluted	<u>\$ (0.04)</u>	<u>\$ (0.06)</u>
Weighted average number of shares outstanding		
Basic and diluted [000's]	<u>58,386</u>	<u>57,518</u>

See accompanying notes to the financial statements

Biosign Technologies Inc.
Statements of Cash Flows
For the Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Operating activities		
Net loss for the year	\$ (2,312,426)	\$ (3,330,750)
Items not requiring an outlay of cash:		
Amortization of property, plant and equipment	13,480	20,197
Interest on conversion of Convertible loan (note 7)	2,500	
Stock based compensation (note 8(b) and (c))	<u>329,085</u>	<u>782,400</u>
	<u>(1,967,361)</u>	<u>(2,528,153)</u>
Net change in non-cash working capital balances consists of:		
Accounts receivable	(3,803)	(4,928)
Deposits and prepaid expenses	16,849	30,643
Investment tax credits receivable		232,964
Deferred charges (note 5)	(112,517)	(160,616)
Accounts payable and accrued liabilities	<u>(146,019)</u>	<u>40,210</u>
	<u>(245,490)</u>	<u>138,273</u>
Cash applied in operating activities	<u>(2,212,851)</u>	<u>(2,389,880)</u>
Financing activities		
Issuance of common stock for cash, net of fees	1,100,464	44,267
Convertible loan (note 7)	<u>500,000</u>	
Cash provided by financing activities	<u>1,600,464</u>	<u>44,267</u>
Investing activities		
Purchase of property, plant & equipment	<u>(17,198)</u>	<u>(8,995)</u>
Cash applied in investing activities	<u>(17,198)</u>	<u>(8,995)</u>
Decrease in cash during the year	(629,585)	(2,354,608)
Cash and cash equivalents, beginning of year	<u>2,117,107</u>	<u>4,471,715</u>
Cash and cash equivalents, end of year	<u>\$ 1,487,522</u>	<u>\$ 2,117,107</u>
Supplemental cash flow information:		
Interest paid	\$ 2,503	\$ 470
Interest received	\$ 27,840	\$ 144,124

See accompanying notes to the financial statements

Biosign Technologies Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007

1. Nature of operations and going concern assumption

Nature of operations

Biosign Technologies Inc. (the "Company" or "Biosign") is a public company traded on the Canadian Trading and Quotation System Inc. exchange under the symbol BIOS and was formed via an amalgamation under the Business Corporations Act (Ontario) on July 14, 2006. The predecessor operating company was Biosign Technologies Inc., which was incorporated under the Business Corporations Act (Ontario) on March 11, 2004.

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

Going concern assumption

These financial statements have been prepared using Canadian generally accepted accounting principles ("GAAP") that are applicable to a going concern, which contemplates that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The use of these principles may not be appropriate because at December 31, 2008 there was doubt that the Company will be able to continue as a going concern without raising additional financial resources.

The Company has yet to generate revenues or reach profitable operations. During 2008 the Company reduced overhead costs to ensure they had adequate resources to continue operations throughout the year. In the year ended December 31, 2008, the Company raised in total \$1,202,964, net of fees, through the sale of units. Each unit is comprised of one common share and one common share purchase warrant, as described in Note 8.

Management believes that this funding provides sufficient capital to operate through the first three quarters of 2009. Management is considering all financing alternatives and seeks to raise additional funds for operations until it achieves, and maintains, profitable operations to continue development and marketing of its technologies. This disclosure is not an offer to sell, nor a solicitation of an offer to buy the Company's securities. While the Company is striving to achieve its plans, there is no assurance that future funding will be available or obtained on favourable terms.

As the outcome of these matters cannot be predicted at this time there is some uncertainty regarding the Company's ability to continue as a going concern. These financial statements have been prepared on a going concern basis, which presumes the realization of assets and discharge of liabilities in the normal course of business for the foreseeable future. These financial statements do not reflect adjustments in the carrying values of the Company's assets and liabilities, expenses, and the balance sheet classification used, that would be necessary should the Company be unable to continue its operations. Such adjustments could be material.

Biosign Technologies Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007

2. Changes in accounting policies

Capital Disclosures

Effective January 1, 2008 the Company adopted CICA Handbook Section 1535 "Capital Disclosures". This Section establishes standards for disclosing information about an entity's capital and how it is managed in order that a user of the financial statements may evaluate the entity's objectives, policies and processes for managing capital. The new disclosures required are included in note 13.

General Standards on Financial Statement Presentation

Effective January 1, 2008 the Company adopted CICA Handbook Section 1400 "General Standards on Financial Statement Presentation" This section has been amended to include requirements to assess an entity's ability to continue as a going concern and disclose any material uncertainties that cast doubt on its ability to continue as a going concern. The new disclosures required are included in note 1.

Comprehensive Income

Effective January 1, 2007, the Company adopted CICA Handbook Section 1530 "Comprehensive Income". Comprehensive income (loss) is the change in shareholders' equity during a period from transactions and events from sources other than the Company's shareholders. In accordance with this new standard, the Company is required to report a statement of comprehensive income (loss) and a new category, accumulated other comprehensive income (loss), and is required to be added to the shareholders' equity section on the balance sheet. The components of accumulated other comprehensive income (loss) may include unrealized gains and losses on financial assets classified as available-for-sale, foreign currency gains and losses on the net investment in self-sustaining foreign operations and changes in fair market value of derivative instruments designated as cash flow hedges, all net of income taxes. As the Company has no items of other comprehensive income (loss), net loss is equivalent to comprehensive loss and the Company has not reported a separate statement of comprehensive loss.

Biosign Technologies Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007

2. Changes in accounting policies (continued)

Financial Instruments

Effective January 1, 2007, the Company adopted CICA Handbook Section 3855 "Financial Instruments – Recognition and Measurement" and Section 3861 "Financial Instruments – Disclosure and Presentation". The new disclosures required are included in note 12.

In accordance with these standards, the Company now classifies all financial instruments as held-to-maturity, available-for-sale, held-for-trading, loans and receivables or other liabilities. Financial assets held-to-maturity, loans and receivables and financial liabilities other than those held-for-trading, 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 held-for-trading are measured at fair value with unrealized gains and losses recognized in the net income (loss). Financial instruments of the Company consist of cash and cash equivalents, other current assets, 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 held-for-trading and are measured at fair value. Gains and losses related to periodic revaluation are recorded in net income (loss);
- Other current assets are classified as loans and receivables and are initially measured at fair value and subsequently at amortized cost using the effective interest method; and
- Accounts payable and accrued liabilities are classified as other liabilities and are initially measured at fair value and subsequently at amortized cost using the effective interest method.

Transaction costs with respect to instruments not classified as held-for-trading 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 held-for-trading are expensed as incurred.

3. Summary of significant accounting policies

Cash and cash equivalents

Cash and cash equivalents include investments with maturities less than one year at the time of the investment. The Company is subject to investment risk on investments that it makes with excess cash. Investment risk is mitigated by restricting investments to investment grade quality instruments of BBB or better or R1 low or better in the case of commercial paper. The yield on these investments is approximately 3.2% (2007 – 4.4%). Cash and cash equivalents are classified as held-for-trading securities and are carried at cost plus accrued income and have realizable values that approximate the carrying values.

Biosign Technologies Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007

3. Summary of significant accounting policies (continued)

Property, plant and equipment

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

Computer hardware	3 years straight line
Furniture and fixtures	3 years straight line

Foreign currency translation

Monetary assets and liabilities denominated in currencies other than the Canadian dollar ("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 loss for the year.

Research and development

Research costs are expensed as incurred. Development costs that meet specific criteria related to technical, market and financial feasibility are deferred and amortized over their useful lives. All development costs incurred to date have been expensed.

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 future tax asset or liability is to be included in income. Future 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. Future tax assets are recorded only if they are likely to be realized.

Biosign Technologies Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007

3. Summary of significant accounting policies (continued)

Stock-based compensation plan

The Company from time to time issues stock options to employees, directors, officers and consultants as described in Note 8(c). The Company has adopted the recommendations of Section 3870 of The Canadian Institute of Chartered Accountants' Handbook, "*Stock-Based Compensation and Other Stock-Based Payments*". 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 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.

Management estimates

The preparation of financial statements in accordance with Canadian GAAP 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 certain assets; accounting for amortization; notes payable; stock-based compensation; and income taxes.

Biosign Technologies Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007

4. Future accounting pronouncements

International Financial Reporting Standards

In February 2008, the Canadian Accounting Standards Board confirmed the changeover from Canadian GAAP to International Financial Reporting Standards ("IFRS") as the basis for financial reporting for all publicly accountable enterprises by January 1, 2011. Commencing in fiscal 2010, the Company will need to prepare accounts in accordance with Canadian GAAP and IFRS in order to have comparative financial statements upon full implementation of IFRS in 2011. The Company is currently evaluating the accounting policy differences between Canadian GAAP and IFRS. The financial reporting impact of the transition to IFRS has not yet been fully determined.

Goodwill and Intangible Assets

CICA Handbook Section 3064, Goodwill and Intangible Assets, replaces Section 3062, Goodwill and Other Intangible Assets and Section 3450, Research and Development Costs. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. This section also addresses when an internally developed intangible asset meets the criteria for recognition as an asset. This standard is effective for the Company for annual financial statements beginning on January 1, 2009. The Company does not expect the adoption of this standard to have a material impact on its financial statements.

5. Deferred charges

At December 31, 2008 Biosign has incurred costs of \$260,374 (2007 - \$153,629) with respect to the development of its UFIT® web interface for end users. As the website and portal are not yet in use the costs incurred to December 31, 2008 have been recorded as deferred charges. On activation the costs will be treated as a capital asset and amortized into income over its estimated useful life.

In addition the Company has incurred costs of \$12,759 (2007 - \$6,987) with respect to manufacturing test moulds to be used in the production of the UFIT® hardware at December 31, 2008 which will be treated as a capital asset and amortized into the cost of goods sold over the estimated useful life.

Biosign Technologies Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007

6. Property, plant and equipment

Property, plant and equipment as at December 31, 2008 consist of the following:

	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>
Computer hardware	\$ 89,848	\$ 66,337	\$ 23,511
Furniture and fixtures	<u>14,905</u>	<u>14,251</u>	<u>654</u>
	<u>\$ 104,753</u>	<u>\$ 80,588</u>	<u>\$ 24,165</u>

Property, plant and equipment as at December 31, 2007 consist of the following:

	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>
Computer hardware	\$ 73,556	\$ 53,110	\$ 20,446
Furniture and fixtures	<u>14,000</u>	<u>14,000</u>	<u> </u>
	<u>\$ 87,556</u>	<u>\$ 67,110</u>	<u>\$ 20,446</u>

7. Convertible Loan

The convertible loan consisted of advances totalling \$500,000 bearing interest at 6% per annum, with principal and accrued interest convertible to common shares of the Company. The loan was convertible into common shares at the option of the Company, at a price of \$0.25 per share and common share purchase warrants at an exercise price on \$0.50 per share. On December 28, 2008, \$100,000 plus \$2,500 in interest was converted into 410,000 common shares of the Company (note 8a)). The balance of the loan, being \$400,000, was repaid January 2, 2009.

Biosign Technologies Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007

8. Shareholders' equity

a) Share capital issued and outstanding

Capital stock consists of:

Authorized - An unlimited number of common shares.

	<u>Number</u>	<u>Amount</u>
Balance at December 31, 2006	57,497,373	\$ 9,767,210
Issued July, for cash on exercise of agent warrants	<u>44,267</u>	<u>44,267</u>
Balance at December 31, 2007	57,541,640	9,811,477
Issued August, for cash (less fees of \$54,655)	1,500,000	470,345
Issued November, for cash (less fees of \$24,470)	767,142	244,030
Issued December, for cash (less fees of \$25,910)	1,620,000	379,090
Issued subsequent to December 31, 2008 on conversion of loan December, 2008 (note 7)	410,000	102,500
Issued subsequent to December 31, 2008, for cash received in December, 2008	20,000	7,000
Less: fair value of agent warrants (2,287,142 shares)		(124,814)
Less: fair value of agent warrants (1,620,000 shares)		(190,770)
Less: fair value of agent warrants (74,000 shares)		(12,080)
Less: fair value of agent warrants (75,000 shares)		<u>(35,220)</u>
Balance at December 31, 2008	<u>61,858,782</u>	<u>\$ 10,651,558</u>

Common shares held in Escrow:

Pursuant to an escrow agreement dated July 17, 2006 the common shares held by insiders and some other shareholders of the Company are subject to an escrow agreement under which the shares may not be transferred, assigned or otherwise dealt with without the consent of the relevant regulatory body having jurisdiction thereon. As of December 31, 2008 there were 12,153,505 common shares held in escrow. The escrowed shares are subject to time-based release criteria as detailed below:

Total common shares subject to escrow	40,511,667
Released August 21, 2006 (10%)	4,051,166
Released February 21, 2007 (15%)	6,076,749
Released August 21, 2007 (15%)	6,076,749
Released February 21, 2008 (15%)	6,076,749
Released August 21, 2008 (15%)	<u>6,076,749</u>

Common shares held in escrow at December 31, 2008 **12,153,505**

Escrow release schedule	
February 21, 2009 (15%)	6,076,749
August 21, 2009 (15%)	<u>6,076,756</u>
	<u>12,153,505</u>

Biosign Technologies Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007

8. Shareholders' equity (continued)

b) Other Equity

Other Equity is comprised of the following:

Balance at December 31, 2006	\$ 417,528
Stock based compensation	<u>782,400</u>
Balance at December 31, 2007	1,199,928
Stock based compensation	329,085
Agent warrants issued for cash (2,287,142 shares)	124,814
Agent warrants issued for cash (1,620,000 shares)	190,770
Agent warrants issued for cash (74,000 shares)	12,080
Agent warrants issued for cash (75,000 shares)	<u>35,220</u>
Balance at December 31, 2008	<u>\$ 1,891,897</u>

c) Stock options

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

Options granted under the plan will generally vest over a three-year period and may be exercised in whole or in part at any time as follows: 33% on or after the first anniversary of the grant date, 67% on or after the second anniversary of the grant date, and 100% on or after the third anniversary of the grant date. Options will have a maximum expiry date which is on the tenth anniversary of the grant date. Any option not exercised prior to the expiry date will become null and void. During the year the Company suspended the stock option plan.

Biosign Technologies Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007

8. Shareholders' equity (continued)

c) Stock options (continued)

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

	<u>Number</u>	<u>Weighted average exercise price</u>
Outstanding, December 31, 2006	3,335,000	\$ 1.00
Cancelled - January 31, 2007	(20,000)	1.00
Granted - April 30, 2007	50,000	1.00
Granted - June 25, 2007	150,000	1.20
Cancelled - June 25, 2007	(150,000)	1.00
Granted - July 1, 2007	300,000	2.03
Cancelled - July 1, 2007	(65,000)	1.00
Cancelled - August 27, 2007	(50,000)	1.00
Cancelled - September 29, 2007	(35,000)	1.00
Granted - November 1, 2007	30,000	1.00
Granted - December 20, 2007	<u>92,000</u>	<u>1.00</u>
Outstanding, December 31, 2007	3,637,000	1.09
Cancelled – March 1, 2008	(300,000)	2.03
Cancelled – May 8, 2008	(150,000)	1.20
Cancelled – June 4, 2008	(180,000)	1.00
Cancelled – June 20, 2008	(600,000)	1.00
Cancelled – September 30, 2008	(30,000)	1.00
Cancelled – September 30, 2008	(50,000)	1.00
Cancelled – September 30, 2008	(25,000)	1.00
Cancelled – November 24, 2008	<u>(150,000)</u>	<u>1.00</u>
Outstanding, December 31, 2008	<u>2,152,000</u>	<u>\$ 1.00</u>

Biosign Technologies Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007

8. Shareholders' equity (continued)

c) Stock options (continued)

The following table summarizes information about the stock options outstanding at December 31, 2008:

Number <u>outstanding</u>	Average remaining <u>contractual years</u>	Number <u>vested</u>	Exercise <u>price</u>
<u>2,152,000</u>	<u>5.30</u>	<u>1,545,666</u>	<u>\$ 1.00</u>

The fair value of stock options granted is determined using the Black-Scholes stock option pricing model and is expensed at the earlier of when goods have been received or services performed, or over the vesting period. The Company used the following assumptions for the purposes of recording stock compensation expense:

	<u>2008</u>	<u>2007</u>
Fair value of stock options granted during the year	\$	\$ 265,886
Weighted average assumptions:		
Risk-free rate	%	4.3 %
Dividend yield	%	0.0 %
Volatility	%	88 %
Expected option life		3.0 years

d) Agent warrants

The Company issued agent warrants pursuant to its private placement offerings. The non-transferable Broker warrants entitle the holder, on exercise to purchase one common share of the Company.

The following table summarizes information about the agent warrants outstanding at December 31, 2008:

Number <u>outstanding</u>	Average remaining <u>contractual years</u>	Exercise <u>price</u>
<u>4,056,142</u>	<u>1.52</u>	<u>\$ 0.89</u>

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

	<u>2008</u>	<u>2007</u>
Fair value of agent warrants granted during the year	\$ 362,884	\$
Weighted average assumptions		
Risk-free rate	2.3 %	%
Dividend yield	0.0 %	%
Volatility	174 %	%
Average expected life	1.5 years	

Biosign Technologies Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007

9. Related party transactions

Each independent director of the Company is entitled to an annual fee, prorated for the number of months the director was a member of the board, of \$20,000 for being a member of the Board of Directors, \$10,000 for being a member of the Audit Committee, and \$5,000 for being a member of the Compensation Committee. In addition, the directors were reimbursed for any out-of-pocket expenses reasonably incurred while performing their duties.

Effective in February 2008, the Company stopped payments to the directors to preserve cash. The liability for the fees was recognized through the second quarter of 2008. For the period after February 2008, the directors have agreed to waive their fees. The liability for the fees was reversed, resulting in a reduction in the expenses for the year to date.

10. Commitments

The Company is committed to a premises lease with a third party landlord and the lease has been extended to June 30, 2009. Rent is due in the amount of approximately \$10,000 per month plus taxes for the period January 1, 2009 to June 30, 2009.

Biosign Technologies Inc.
Notes to the Financial Statements
For the Years Ended December 31, 2008 and 2007

11. Income tax

The Company's future tax asset, based on an expected enacted combined federal and provincial tax rate of 29% (2007 - 36.12%) is as follows:

	<u>2008</u>	<u>2007</u>
Non-capital losses for tax purposes, carried forward	\$ 8,559,000	\$ 6,573,000
Scientific research and experimental development expenses	648,000	648,000
Difference between federal and provincial Scientific research and experimental development expenses	297,000	
Timing differences between the book and tax values of assets and liabilities	<u>277,000</u>	<u>302,000</u>
	<u>9,781,000</u>	<u>7,523,000</u>
Future tax asset	2,778,000	2,717,000
Federal investment tax credits	83,500	83,500
Valuation allowance	<u>(2,861,500)</u>	<u>(2,800,500)</u>
Net future tax asset	<u>\$ _____</u>	<u>\$ _____</u>

At December 31, 2008 the Company had net operating losses available to be carried forward of approximately \$8,559,000 for income tax purposes that expire in the period 2013 to 2028. The cumulative deferred scientific research and experimental development expenses total approximately \$648,000 (2007 - \$648,000). These expenses may be carried forward indefinitely. The Company has accumulated federal scientific research and experimental development tax credits amounting to approximately \$83,500 (2007 - \$83,500) that expire in 2016. These credits may be used to reduce federal income tax payable in future years.

For financial reporting purposes no net future tax asset has been recognized in respect of this carryforward as the likelihood of future taxable income cannot be reasonably assessed.

A reconciliation between the Company's statutory and effective tax rates is presented below:

	<u>2008</u>	<u>2007</u>
	<u>%</u>	<u>%</u>
Statutory tax rate	33.50	36.12
Impact of expenses not deductible for tax purposes	(5.79)	(9.76)
Unrecognized benefit of current year's tax loss	<u>(27.71)</u>	<u>(26.36)</u>
	<u>_____</u>	<u>_____</u>

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12. Financial instruments risk management

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

Credit risk

Credit risk refers to the risk of financial loss from the failure of a counterparty/debtor to honour its obligation to the entity. A pronounced and sustained economic downturn could result in defaults or downgrades that could lead to increased provisions related to the Company's financial assets.

The Company manages the credit risk of its investments by setting composition guidelines to ensure that the portfolio consists of quality assets with limited concentrations in similar industry sectors or within a single entity. The portfolio is monitored continuously and reviewed regularly with the Board of Directors.

Asset quality

The following table shows the quality of the portfolio by credit rating:

	<u>2008</u>	<u>2007</u>
R1 High	<u>\$ 312,586</u>	<u>\$ 1,311,132</u>

Liquidity risk

Liquidity risk is the risk that the entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages this risk by appropriately matching asset and liability cash flows.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market factors. Market factors include three types of risks: currency risk, interest rate risk and equity risk.

Currency risk

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

Interest rate risk

Interest rate risk is the risk of financial loss arising from changing interest rates. This risk arises when asset and liability cash flows are not closely matched as this may result in the need to sell assets or reinvest excess cash flows under unfavourable interest environments. The Company manages the matching of assets and liabilities with the assistance of investment counsel.

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12. Financial instruments risk management (continued)

Market risk (continued)

Equity risk

Equity risk is the uncertainty associated with the valuation of assets arising from changes in equity markets. To mitigate equity risk, the Company has investment policy guidelines in place that provide for prudent investment in equity markets within clearly defined limits.

13. Capital Disclosures

The Company's objectives when managing capital are:

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

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

Capital comprises all components of equity (i.e. common shares, contributed surplus, and deficit accumulated during development stage) other than amounts in accumulated other comprehensive income relating to cash flow hedges.

14. Comparative figures

Certain balances for the prior year have been regrouped to conform with the financial statement presentation adopted in the current year.
