iSIGN Media Solutions Inc.

Condensed Consolidated Interim Financial Statements
For the Three Months Ended July 31, 2014 and 2013
(Unaudited)
Expressed in Canadian Dollars

iSIGN MEDIA SOLUTIONS INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED JULY, 31 2014 and 2013

Contents

ISIGN MEDIA SOLUTIONS INC.

Notice of no auditor review of the condensed consolidated interim financial statements

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statement have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of iSIGN Media Solutions Inc. (the "Company") have been prepared by and are the responsibility of the Company's management and approved by the Board of Directors.

The Company's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with the standards established by The Canadian Institute of Chartered Accountants, for a review of interim financial statements by an entity's auditor.

September 17, 2014

iSIGN Media Solutions Inc.
Condensed Consolidated Interim Statements of Financial Position
(Unaudited)
Expressed in Canadian Dollars

As at	[Notes]	July 31 2014	April 30 2014
Assets			
Current assets			
Cash		$ 416,269	$ 133,802
Restricted cash		17,000	17,000
Accounts receivable (net of allowance of $71,895, 2014 - $71,895)		46,745	53,075
Other receivable		983	8,252
Sales taxes recoverable		226,395	204,781
Inventories	[4]	679,398	158,756
Prepaid expenses and deposits	[5, 11.vi]	362,587	395,079
		1,749,377	970,745
Non-current assets			
Property and equipment	[6]	60,584	64,726
Intangible assets	[7]	2,022,786	1,853,909
Total assets		$ 3,832,747	$ 2,889,380
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		$ 829,125	$ 769,992
Provisions		234,203	234,203
Notes payable	[8]	1,500,000	250,000
Deferred revenue		49,533	67,920
		2,612,861	1,322,115
Non-current liabilities			
Deferred revenue		32,168	36,371
Asset retirement obligations		172,002	163,681
Total liabilities		2,817,031	1,522,167
Shareholders' equity			
Share capital	[9.a]	10,475,026	10,475,026
Warrants	[9.d]	2,991,942	2,991,942
Contributed surplus	[10]	4,709,056	4,655,473
Deficit		(17,160,308)	(16,755,228)
Total shareholders' equity		1,015,716	1,367,213
Total liabilities and shareholders' equity		$ 3,832,747	$ 2,889,380

Going Concern [Note 2]; Commitments and Contingencies [Note 15]

Approved by the board

"A. Romanov" _______________________________ Director

"B. Reilly" _______________________________ Director

The accompanying notes form an integral part of these consolidated financial statements.

iSIGN Media Solutions Inc.
Condensed Consolidated Interim Statements of Changes in Shareholders' Equity
For the Three Months Ended July 31, 2014 and July 31, 2013
(Unaudited)
Expressed in Canadian Dollars

	[Notes]	Share Capital Number	Share Capital Amount	Warrants Number	Warrants Amount	Contributed Surplus	Deficit	Total Shareholders' Equity
			$		$	$	$	$
Balance at April 30, 2013		68,098,686	8,424,098	14,213,444	3,454,266	2,604,799	(14,330,575)	152,588
Issuance of common shares with warrants	[9a.d]	9,499,999	505,200	9,499,999	2,023,500	-	-	2,528,700
Options exercised	[9.a]	40,000	9,200	-	-	-	-	9,200
Stock-based compensation	[10]	-	-	-	-	139,200	-	139,200
Comprehensive loss		-	-	-	-	-	(942,127)	(942,127)
Balance at July 31, 2013		77,638,685	8,938,498	23,713,443	5,477,766	2,743,999	(15,272,702)	1,887,561
Balance at April 30, 2014		80,563,133	10,475,026	19,566,215	2,991,942	4,655,473	(16,755,228)	1,367,213
Stock-based compensation	[10]	-	-	-	-	53,583	-	53,583
Comprehensive loss		-	-	-	-	-	(405,080)	(405,080)
Balance at July,31, 2014		80,563,133	10,475,026	19,566,215	2,991,942	4,709,056	(17,160,308)	1,015,716

The accompanying notes form an integral part of these consolidated financial statements.

Condensed Consolidated Interim Statements of Loss and Comprehensive Loss
(Unaudited)
Expressed in Canadian Dollars

For the Three Months Ended	[Notes]	July 31 2014	July 31 2013
Revenues			
Sales		$ 5,427	$ -
Service		25,257	168,898
		30,684	168,898
Cost of sales		57,823	229,350
Gross Profit (Loss)		(27,139)	(60,452)
Expenses			
Amortization - intangible assets	[7]	38,298	130,644
Depreciation – property and equipment	[6]	4,142	9,387
General and administration		312,331	489,118
Interest		17,607	6,783
Loss on disposal of fixed assets		-	5,089
Research and development costs		-	11,550
Selling and marketing		5,563	257,004
		377,941	909,575
Loss before income tax		(405,080)	(970,027)
Recovery of income tax		-	27,900
Loss and comprehensive loss		$ (405, 080)	$ (942,127)
Loss and comprehensive loss per share (basic and diluted)	[12]	(0.005)	(0.013)
Weighted average number common shares outstanding (basic and diluted)	[12]	78,616,172	73,579,191

The accompanying notes form an integral part of these consolidated financial statements.

Condensed Consolidated Interim Statements of Cash Flows
(Unaudited)
Expressed in Canadian Dollars

For the Three Months Ended	[Notes]	July 31 2014	July 31 2013
Net (outflow) inflow of cash related to the following activities:			
Operating			
Net loss from continuing operations		$ (405,080)	$ (942,127)
Adjustments for non-cash items:			
Depreciation - property and equipment	[6]	4,142	9,387
Amortization - intangible assets	[7]	38,298	130,644
Stock-based compensation	[9.c]	53,583	139,200
Loss on disposal of property and equipment		-	5,087
Accretion interest - asset retirement obligations		8,321	6,824
Recovery of income tax		-	(27,900)
		(300,736)	(678,885)
Net change in non-cash working capital	[17]	(459,622)	(192,296)
Net cash used in operating activities		(760,358)	(871,181)
Investing			
Loan receivable from related party		-	(175,000)
Proceeds on disposal		-	50
Additions to property and equipment	[6]	-	(10,768)
Additions to intangible assets	[7]	(207,175)	-
Other asset	[5]	-	(460,000)
Net cash used in investing activities		(207,175)	(645,718)
Financing			
Issuance of common shares	[9.a.i]	-	2,528,700
Exercise of stock options	[9.a]	-	9,200
Note payable		1,250,000	-
Net cash provided by financing activities		$ 1,250,000	$ 2,537,900
Cash provided (utilized)		$ 282,467	$ 1,021,001
Cash – beginning of period		133,802	48,604
Cash – end of period		$ 416,269	$ 1,069,605

Cash is defined as unrestricted bank balances.

The accompanying notes form an integral part of these consolidated financial statements.

1. Description of Business

iSIGN Media Solutions Inc. ("iSIGN" or the "Company") was incorporated under the laws of Ontario on May 15, 2007. On April 8, 2008, the Company was listed on the TSX Venture Exchange (the "Exchange") as a Capital Pool Company as defined in the Exchange's Policy 2.4, "Capital Pool Companies". On September 3, 2009, the Company completed its Qualifying Transaction, as defined in the Exchange's policy 2.4, by acquiring all of the issued and outstanding shares of iSIGN Media Corp. ("iSIGN Media"). The Corporation's head office is located at 45A West Wilmot Street, Unit 3 in Richmond Hill, Ontario, L4B 2P2.

iSIGN licenses patented proximity marketing solutions that deliver rich-media, permission based messages to consumers within a scalable 300 foot radius, making the messages relevant and spontaneous. iSIGN's technology, contained within the Smart Antenna and Smart Player, utilizes Bluetooth® and Wi-Fi location-aware technology to deliver messaging directly to the consumers' mobile devices without the need to download an app and free of charge to the recipient; all without obtaining any private information from the recipient. Device discovery and message statistics are secure and gathered in real-time, stored and analyzed within iSIGN's back office resulting in anonymous, preferential and predictive data. The resulting business intelligence and real-time metrics, gathered by iSIGN's patented solution, delivers insights on consumer preferences that help advertisers measure their efforts and make business decisions, thus enabling advertisers and retailers to increase their ROI and customer loyalty.

iSIGN has moved from the research phase into the development phase of the product life cycle, having proven the iSIGN device technical feasibility as it moves to being available for use and sale. In addition to this, the Company has demonstrated the existence of a market for the data generated from the iSIGN technology. The Company continues to move forward in completing the development phase in order to monetize the data generated through the ongoing use of the iSIGN products.

2. Going Concern

While these consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, certain adverse conditions and events cast substantial doubt upon the validity of this assumption. As at July 31, 2014, the Company has incurred significant losses since its inception in the amount of $17,160,308 (April 30, 2014 - $16,755,228). As at July 31, 2014, the Company reported a working capital deficiency of $863,484 (April 30, 2014 - $351,370).

The Company's ability to continue as a going concern will depend on management's ability to successfully execute its business plan and to raise capital through equity or debt financing until such time as the Company can support its activities through its own cash flow.

If the going concern assumption were not appropriate for these consolidated financial statements, adjustments would be necessary to the carrying values of assets and liabilities, the reported loss and comprehensive loss and the statement of financial position classifications used. The financial statement items most likely to be subject to adjustment would be inventories and intangible assets.

3. Basis of Presentation

Basis of Presentation and Measurement
These unaudited condensed interim consolidated financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting and the Interpretations Committee ("IFRIC"). These unaudited condensed interim consolidated financial statements have been prepared on a historical basis using the accrual basis of accounting except for available-for-sale financial assets. The policies applied in these consolidated financial statements are based on IFRS and IFRIC policies issued and effective as of September 17, 2014.

3. Basis of Presentation – continued

These unaudited condensed interim consolidated financial statements should be read in conjunction with the Company's annual consolidated financial statements for the years ended April 30, 2014 and April 30, 2013 which have been prepared in accordance with IFRS as issued by the IASB. The accounting policies and methods adopted are consistent with those disclosed in Note 4 to the Company's consolidated financial statements for the years ended April 30, 2014 and April 30, 2013.

These condensed consolidated interim financial statements of the Company for the three months ended July 31, 2014 and July 31, 2013, were approved and authorized for issue by the Board of Directors on September 17, 2014.

Basis of Measurement
These consolidated financial statements have been prepared on the basis of historical costs, except for the financial instruments which are measured at fair value through profit or loss.

In addition, these consolidated financial statements have been prepared using the accrual basis of accounting except for cash flow information.

Critical accounting estimates and judgments
The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the group's accounting policies. Areas of critical accounting estimates and judgments that have the most significant effect on the amounts recognized in the unaudited condensed interim consolidated financial statements are disclosed in note 3 of the Company's consolidated financial statements as at and for the years ended April 30, 2014 and April 30, 2013.

Functional and Presentation Currency
These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

Principles of Consolidation
The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, iSIGN Media Corp., iSIGN Media Network Corp. and Pinpoint Commerce Inc. The Company has no interest in special purpose entities.

Subsidiaries are entities that are controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the period are included in the consolidated financial statements of loss and comprehensive loss from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Intra-group balances and transactions, and any unrealized gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

4. Inventories

		Amount
Balance April 30, 2013	$	104,062
Purchases		59,744
Transferred to property and equipment		(1,580)
Transferred to sales and marketing		(2,206)
Transferred to cost of sales		(1,264)
Balance April 30, 2014	$	158,756
Purchases		469,276
Transferred to property and equipment		-
Transferred to sales and marketing		-
Transferred to cost of sales		(3,983)
Balance July 31, 2014	$	624,049

The Company's inventories consist of purchased Smart Antennas and digital players and screens.

5. Prepaid Expense

Included in prepaid expense as at July 31, 2014, is an amount of $310,000 (April 30, 2014 - $310,000) related to a contract the Company entered into and paid for in May 2013. The contract is a two year Consulting Agreement with a private corporation controlled by an individual who also controls a corporation which participated in the Company's private placement (Note 9 a.iii). The controlling individual is considered to be an Insider of the Company, by reason of ownership of common shares in excess of 10% of the Company's outstanding common shares (Note 11 vi).

The contracted consulting services relate to the Company's continued development of smart antenna and smart player technology, which are being developed for the Company's next generation of data metrics gathering capabilities.

6. Property and Equipment

	Interactive Media Devices	Furniture and Fixtures	Computer Equipment	Vehicle	Digital Signage Equipment	Leasehold Improvements	Total
	$	$	$	$	$	$	$
Cost							
Balance April 30, 2013	139,767	31,080	45,565	12,951	632,425	8,733	870,521
Transfer from inventory	1,580	-	-	-	-	-	1,580
Impairment	(51,203)	-	-	-	-	-	(51,203)
Additions	-	-	793	-	15,835	-	16,628
Disposals	-	-	-	(12,951)	-	-	(12,951)
Balance April 30, 2014	90,144	31,080	46,358	-	648,260	8,733	824,575
Additions	-	-	-	-	-	-	-
Transfer from inventory	-	-	-	-	-	-	-
Impairment	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Balance July 31, 2014	90,144	31,080	46,358	-	648,260	8,733	824,575
Accumulated amortization							
Balance April 30, 2013	52,314	3,772	21,452	7,396	632,425	728	718,087
Depreciation	26,315	5,421	12,670	417	3,006	1,746	49,575
Disposals	-	-	-	(7,813)	-	-	(7,813)
Balance April 30, 2014	78,629	9,193	34,122	-	635,431	2,474	759,849
Depreciation	863	548	917	-	1,377	437	4,142
Disposals	-	-	-	-	-	-	-
Balance July 31, 2014	79,492	9,741	35,039	-	636,808	2,911	763,991
Net book value							
Balance April 30, 2014	11,515	21,887	12,236	-	12,829	6,259	64,726
Balance July 31, 2014	10,652	21,339	11,319	-	11,452	5,822	60,584

7. Intangible Assets

	Technology Development Costs	Data Development Costs	Patents	Trademarks	Digital Signage Contracts POS Data	Deferred Share-based Payment (i)	Total
	$	$	$	$	$	$	$
Cost							
Balance April 30, 2013	237,851	-	10,010	1,350	1,380,000	750,000	2,379,211
Additions	419,550	716,907	40,850	-	-	-	1,177,307
Disposals	-	-	-	-	-	-	-
Impairment	-	-	-	-	(380,902)	-	(380,902)
Balance April 30, 2014	657,401	716,907	50,860	1,350	999,098	750,000	3,175,616
Additions	60,679	133,497	12,999	-	-	-	207,175
Impairment	-	-	-	-	-	-	-
Balance July 31, 2014	718,080	850,404	63,859	1,350	999,098	750,000	3,382,791
Accumulated amortization							
Balance April 30, 2013	37,026	-	2,009	510	642,969	168,750	851,264
Amortization	(37,026)	-	500	840	356,129	150,000	470,443
Balance April 30, 2014	-	-	2,509	1,350	999,098	318,750	1,321,707
Amortization	-	-	798	-	-	37,500	38,298
Balance July 31, 2014	-	-	3,307	1,350	999,098	356,250	1,360,005
Net book value							
Balance April 30, 2014	657,401	716,907	48,351	-	-	431,250	1,853,909
Balance July 31, 2014	718,080	850,404	60,552	-	-	393,750	2,022,786

i) The deferred stock-based payment reflects the fair value of 3,000,000 warrants issued on March 21, 2012 in the connection with the VPAN Agreement with Mac's Convenience Stores Inc. and Couche-Tard Inc. (Note 9 d).

8. Notes Payable

On July 25, 2014, the Company and Korona Group Inc, agreed to sign a new demand promissory note payable to Korona Group Inc, in the amount of $600,000 that would constitute full payment of advances and payment to amounts owing to QDAC Inc., plus related interest. The note carries interest at 8% and is convertible for three months from the date of issue into units consisting of one common shares of the Company at a price payable of $0.25 per share and one common share purchase warrant, which is exercisable into one common share of the Company for a period of two years at an exercise price of $0.50 per warrant.

8. Notes Payable – continued

On July 25, 2014, the Company entered into demand promissory notes in the amount of $900,000 that carry interest at 8% per annum and are convertible for three months from the date of issue into units consisting of one common share of the company at a price payable of $0.25 per share and one common share purchase warrant, which is exercisable into one common share of the Company for a period of two years at an exercise price of $0.50 per warrant.

9. Share Capital

a. Common Shares

Common shares issued

	[Notes]	Number	Amount
Balance April 30, 2013		68,098,686	$ 8,424,098
Issuance in a private placement	[i]	9,499,999	1,852,500
Exercise of options	[ii]	40,000	9,200
Issued in exchange for royalty payments	[iii]	2,924,448	511,778
Cost of share issuances			(322,550)
Balance April 30, 2014 and July 31, 2014		80,563,133	$ 10,475,026

i. During November 2013, the Company completed a private placement of 9,499,999 shares and 9,499,999 whole warrants, at a price of $0.30 for proceeds of $2,850,000 (common share fair value of $1,852,500 and warrant fair value of $997,500) less the cost of issuance for a net cash flow of $2,527,450.
ii. During the year ended April 30, 2014, 40,000 stock options were exercised, for proceeds of $9,200.
iii. In January 2012, the Company signed a five year Virtual Private Advertising Network Agreement ("VPAN Agreement") with Mac's Convenience Stores Inc. and Couche-Tard Inc. ("Couche-Tard") with an effective date of December 16, 2011. The VPAN Agreement granted Couche-Tard the right to exchange either 100% or 50% of its royalty rights into either 2,924,448 or 1,462,224 common shares respectively. In March 2014, Couche-Tard exercised its right to receive 2,924,448 shares in exchange for its full royalty rights for the entire five year agreement. The Company has calculated this exchange based on the share price at the date of Couche-Tard's exercise notice (common share value of $511,778, no warrants); the transaction resulted in a gain on settlement of debt of $426,592.

b. Compensation Based Options

On December 16, 2013, the shareholders of the Company ratified a Stock Option Plan (the "Plan") which is administered by the directors of the Company. Under the Plan, the Company may grant to directors, officers, employees and consultants options to purchase shares of the Company. The Plan provides for the issuance of stock options to acquire up to 10% of the Company's issued and outstanding common shares. The Plan is a rolling plan such that the number of shares reserved for issuance will increase as the Company's issued and outstanding common shares increases. Options granted under the Plan are exercisable for a period up to five years, as determined by the Board, from the date of the grant. The exercise price of the options shall be determined by the Board at the time of the grant, but shall not be less than the Discounted Market Price as set by the TSX Venture Exchange Policy 1.1 as amended from time to time. The options are subject to several vesting periods as outlined in the Plan.

9. Share Capital – continued

b. Compensation Based Options - continued

The granting of options is subject to the following conditions: (a) not more than 10% of the outstanding issue of the shares may be reserved for the granting of options to insiders; (b) not more than 10% of the outstanding issue of the shares may be reserved for the granting of options to insiders or issued to insiders within any one year period; (c) not more than 5% of the issued and outstanding common shares may be granted to any one individual in a one year period; (d) not more than 2% of the issued and outstanding common shares may be granted to any one consultant in any one year period; and (e) not more than an aggregate 2% of the issued and outstanding issued and outstanding common shares may be granted to an employee conducting investor relations activities in any one year period.

c. Stock Options

A summary of the stock options outstanding and exercisable under the plan as of July 31, 2014 and April 30, 2014 and changes during the periods are as follows:

	[Notes]	Options	Weighted Price
Options outstanding at April 30, 2013		$ 4,628,333	$ 0.290
Granted		5,975,000	0.201
Exercised	[13.a.ii]	(40,000)	0.230
Cancelled		(2,675,000)	0.295
Options outstanding at April 30, 2014		$ 7,888,333	$ 0.290
Granted		250,000	0.235
Exercised	[13.a.v]	-	-
Cancelled		(150,000)	0.250
Options outstanding at July 31, 2014		$ 7,988,333	$ 0.220

		Options	Weighted Price
Options exercisable at April 30, 2013		$ 3,765,829	$ 0.30
Vested during the period		2,979,172	0.22
Cancelled during the period		(2,162,499)	0.30
Exercised during the year	[13.a.ii]	(40,000)	0.23
Options exercisable at April 30, 2014		$ 4,542,502	$ 0.25
Vested during the period		250,001	0.22
Cancelled		(150,000)	0.25
Exercised during the period	[13.a.v]	-	-
Options exercisable at July 31, 2014		$ 4,642,503	$ 0.25

9. Share Capital - continued

c. Stock Options - continued

The following table summarizes additional disclosures on the stock options outstanding at July 31, 2014:

	Options Outstanding		Options Exercisable				
Exercise Price	Number Outstanding	Remaining Average Life (Mths)	Number Outstanding	Remaining Average Life (Mths)	Fair Value at Time of Issue Not Yet Expired	Expensed to 31-July-14	Not Expensed at 31-July-14
$ 0.250	250,000	2.0	250,000	2.0	$ 20,500	$ 20,500	$ -
0.250	293,333	6.5	293,333	6.5	78,540	78,540	-
0.285	80,000	18.0	80,000	181.0	22,720	22,720	-
0.250	2350,000	20.0	250,000	20.0	89,600	89,600	-
0.400	250,000	21.0	250,000	21.0	97,250	97,250	-
0.450	200,000	21.5	200,000	21.5	87,800	87,800	-
0.350	50,000	27.0	50,000	27.0	16,450	16,450	-
0.310	100,000	28.0	100,000	28.0	28,400	28,400	-
0.230	290,000	29.5	290,000	29.5	144,500	144,500	-
0.205	500,000	47.5	166,667	47.5	102,000	68,000	34,000
0.150	1,500,000	52.0	500,001	52.0	240,000	80,000	160,000
0.200	2,575,000	52.5	1,287,500	53.5	473,800	236,900	236,900
0.195	50,000	55.0	16,667	55.0	9,750	3,250	6,500
0.235	100,000	56.0	33,334	56.0	23,400	7,800	15,600
0.260	1,250,000	56.0	625,000	56.0	317,500	158,750	158,750
0.235	250,000	60.0	83,334	60.0	58,750	19,583	39,167
	7,988,333		4,642,503		$ 1,810,960	$ 1,160,043	$ 650,917

During the three months ended July 31, 2014 the Company recognized $53,583 in stock-based compensation expense to directors, employees and consultants (2013 - $139,200) under general and administrative expenses. The fair value of each option granted has been estimated at the date of grant using the Black-Scholes option pricing model with the following assumptions: risk free interest rate 1.52% (2013 – 1.65%); expected dividend yield of $Nil (2013 - $Nil); estimated volatility of 498.3% (2013 – 494.3%) and an expected option life of two and a half years (2013 – two and a half years).

9. Share Capital - continued

d. Warrants

	[Notes]	Warrants Number		Amount
Balance April 30, 2013		14,213,444	$	3,454,266
Issuance in a private placement	[13.a.i]	9,499,999		997,500
Expiry of warrants	[13.d.i]	(4,147,228)		(1,459,824)
Balance April 30, 2014 and July 31, 2014		19,566,215	$	2,991,942

i. During the year ended April 30, 2014, 4,147,228 warrants valued at $1,459,824 expired without being exercised and were transferred to contributed surplus.

The following tables summarize information about stock warrants outstanding at April 30, 2014 and July 31, 2014:

Issued		Number		Weighted Average Exercise Price	Expiry Date
15-Jan-10		5,000,000	$	0.45	14-Jan-15
26-Nov-10		50,000		0.30	25-Aug-15
30-Nov-10		502,600		0.30	25-Aug-15
30-Dec-10		664,950		0.30	25-Aug-15
23-Mar-12	[Note 7.i]	3,000,000		0.50	23-Mar-17
27-Mar-13		848,666		0.45	27-Mar-15
07-Nov-13		9,499,999		0.45	07-Nov-15
		19,566,215	$	0.45	

Summary:

Number of Warrants Outstanding		Weighted Average Exercise Price	Weighted Average Remaining Life (months)
1,217,550	$	0.30	12.0
5,000,000		0.45	5.5
3,000,000		0.50	44.0
848,666		0.45	8.0
9,499,999		0.45	19.5
19,566,215	$	0.45	

10. Contributed Surplus

Contributed surplus resulted from the following:

	[Notes]		Amount
Balance at April 30, 2013		$	2,604,799
Amounts resulting from stock-based compensation			590,850
Ascribed value of exercised warrants	[9.d.i]		1,459,824
Balance at April 30, 2014		$	4,655,473
Amounts resulting from stock-based compensation	[9.c]		53,583
Balance at July 31, 2014		$	4,709,056

11. Related Party Transactions and Balances

All related party transactions are in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by both parties. In the normal course of operations, the Company:

i. Pays the monthly fees of the Chief Executive Officer to a company owned by him. During the three months ended July 31, 2014, the Company paid fees totaling $49,050 (2013 – $49,050). During the three months ended July 31, 2014, $14,715 (2013- $Nil) of these fees were capitalized to Data Development Costs and $9,810 (2013 – $Nil) were capitalized to Patents. The amount outstanding in trade accounts payable at July 31, 2014 was $Nil (2013 - $Nil). In the event of termination of this agreement for any reason other than just cause, a penalty of $180,000 would be owing. In addition, the Company accrued a monthly salary directly to the CEO for his services in connection with its US operations based out of the Company's office in Florida USA of $6,000 per month amounting to $19,469 for the three months ended July 31, 2014 (2013 - $15,589). At July 31, 2014, $80,636 is unpaid and included in accounts payable and accrued liabilities (2013 - $$Nil).

ii. Pays the monthly fees of the Project and Business Development Manager to a company owned by a person related to the Chief Executive Officer. During the three months ended July 31, 2014 the Company expensed fees totaling $Nil (2013 - $9,000). The amount outstanding in trade accounts payable at April 30, 2014 was $2,730 (2013 - $3,000).

iii. Paid the monthly fees of the former Chief Financial Officer to a company controlled by him. During the three months ended July 31, 2014, the Company expensed fees totaling $Nil (2013 - $6,000). The amount outstanding in trade accounts payable at July 31, 2014 was $Nil (2013 - $2,260).

iv. Engaged a law firm to provide legal services to the Company of which one of the partners in the law firm is a former director and secretary of the Company. During the three months ended July 31, 2014, the Company expensed legal fees and disbursements totaling $Nil (2013 - $12,517). The amount outstanding in trade accounts payable at July 31, 2014 was $8,156 (2013 - $5,618).

v. Paid the monthly fees of the current Chief Financial Officer to a company controlled by him. During the three months ended July 31, 2014, the Company expensed fees totaling $9,000 (2013 - $Nil). The amount outstanding in trade accounts payable at July 31, 2014 was $Nil (2013 - $Nil).

vi. During the three months ended July 31, 2013, entered into and paid a $460,000 contract for technical services with a private corporation controlled by an individual who also controls a corporation that participated in the Company's private placement (notes 5 and 9 a.i). The controlling individual is considered to be an insider of the Company due to ownership in excess of 10% of the common shares of the Company.

vii. On July 25, 2014, the Company issued a demand promissory note in the amount of $600,000 to a shareholder of the Company that rolled in the secured promissory note issued in February 2014 in the amount of $250,000, as well as advances received and development invoices paid on our behalf during the three months ended July 31 ,2014.(Note 8)

viii. Pays directors fees and included in accounts payable and accrued liabilities are unpaid directors fees of $130,380 (2013 – $Nil).

11. Related Party Transactions and Balances – continued

ix. Contracted with QDAC Inc., a company under the significant influence of an insider of the Company, to undertake technology development and product manufacture. During the three months ended July 31, 2014, the Company purchased $209,000 of technology development (capitalized to Technology Development Costs) and $524,625 for the purchase of Smart Antenna inventory. The amount of $285,661 is included in accounts payable and accrued liabilities at July 31, 2014.

12. Loss per Share

Basic loss per share is calculated on the basis of the weighted average number of common shares outstanding for the period, which, for the three month period ended July 31, 2014, amounted to 78,616,172 (July 31, 2013 – 73,579,191). For the periods presented, all stock options and warrants are anti-dilutive, therefore diluted loss per share is equal to the basic loss per share.

The following instruments have been excluded from the diluted earnings per share as these instruments are anti-dilutive:

	For the three months ended July 31,	
	2014	**2013**
Stock options	7,988,333	4,838,332
Warrants	19,566,215	23,713,443
	27,554,548	28,551,775

13. Financial Instruments and Risk Management

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable and willing parties who are under no compulsion to act. When the independent prices are not available, fair values are determined using valuation techniques that refer to observable market data. These techniques include comparisons with similar instruments where market observable prices exist, discounted cash flow analysis, and other valuation techniques commonly used by market participants.

Fair value

The Company uses the following methods and assumptions to estimate the fair value of each class of financial instruments:

i. The carrying amounts of cash, restricted cash, accounts receivable, other receivables, accounts payable and accrued liabilities and note payable approximate fair value due to the short-term maturity of these financial instruments.
ii. Cash and restricted cash have been valued using a level 1 fair value hierarchy. The Company's other financial instruments are level 2 in the fair value hierarchy.

Credit risk

Credit risk is the risk of financial loss associated with the counterparty's inability to fulfill its payment obligations in accordance with the terms and conditions of its contract with the Company. Credit risk arises from cash and deposits with banks as well as credit exposure to outstanding receivables.

13. Financial Instruments and Risk Management – continued

Credit risk – continued

The Company's credit risk arises primarily from the Company's trade receivable. The carrying amount of financial assets represents the maximum credit exposure to the Company. The Company's exposure to trade credit risk as at July 31, 2014 was $46,745 (April 30, 2014 - $53,075) net of allowances.

The Company may also have credit risk relating to cash and restricted cash, of $416,269 and $17,000, respectively, which it manages by dealing with highly rated financial institutions.

Liquidity risk

Liquidity risk is the risk that the Company will experience difficulty in meeting its obligations that are associated with financial liabilities. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet financial obligations when they fall due, from its funding sources, such as equity and debt issuances. The Company continues to actively pursue new equity financing to ensure that it will have funds available to meet liabilities when they fall due. The following table represents the Company's financial liabilities identified by type and future contractual dates of payment:

	Total	Under 1 Year	1 – 3 Years	After 3 Years
Trade accounts payable and accrued liabilities	$ 829,125	$ 829,125	$ -	$ -
Notes payable	1,500,000	1,500,000	-	-
Operating leases	233,495	116,186	117,309	
Consulting fees	112,740	90,555	22,185	
	$ 2,675,360	$ 2,535,866	$ 139,494	$ -

14. Subsequent Events

i. In August 2014, 1,217,550 warrants issued November 10, 26 and December 30, 2010 and due to expire on August 25, 2014, were extended to August 25, 2015 conditional on the exercise of $US 50,000 worth of warrants. On September 9, 2014, 181,516 warrants were exercised and converted into common shares.
ii. On May 16, 2014, the Company was granted a US Patent for its method and system for out-of-home proximity marketing and for delivering market awareness information.

15. Commitments and Contingencies

Rental and operating leases and consulting fees

The Company currently has lease arrangements for the rental of its offices in Richmond Hill, Ontario, Canada and Clearwater, Florida, United States, as well as a vehicle lease. The Company has also entered into consulting agreements. The minimum annual lease payments under annual rental, operating leases exclusive of operating costs and consulting fees, are as follows:

15. Commitments and Contingencies – continued

Rental and operating leases and consulting fees – continued

		Amount
Fiscal 2015	$	140,186
Fiscal 2016		69,725
Fiscal 2017		34,822
Fiscal 2018		12,762
Fiscal 2019		-
	$	257,495

Contingencies and provisions

From time to time, the Company enters into software licensing agreements and distribution agreements with a client/business partners whereby the Company has agreed to indemnify the counterparties for liabilities that may arise during the terms of the agreements. The maximum amount of any potential future payment cannot be reasonably estimated.

On December 8, 2010, iSIGN Network entered into a Local Advertising Representation Agreement with a company controlled by former shareholders. The agreement engaged MxN Media Technology Group Inc. to act as its agent for the sale of local ads to be displayed on the Mac's Milk digital signage network. The Company has the option to terminate the agreement at any time on 30 days written notice and conditional on payment of a break fee calculated as a percentage of revenues. The minimum break fee is $250,000.

In the ordinary course of business the Company and its subsidiaries are involved in legal claims and counter claims, as defendants or plaintiffs. The Company has evaluated its legal actions and has estimated potential settlements and legal costs based on the current information and have accrued a provision based on management's estimate of potential outcomes. It is management's opinion that any additional liability to the Company that may arise from these matters will not have a material effect upon the operating results, financial position or cash flows of the Company.

In the ordinary course of business the Company estimates provisions for: (i) future obligations to install equipment that has no scheduled installation date; and, (ii) open-tickets for contractual maintenance obligations on the Mac's digital signage network.

16. Capital Management

The Company has adopted a financial concept of capital whereby capital is considered to be synonymous with the net assets or equity of the Company. When managing its capital the Company seeks to ensure it has sufficient liquidity to pursue its strategy for organic growth in combination with strategic acquisitions, in order to provide competitive returns for its shareholders.

The total of its shareholders' equity was as follows:

	As at July 31, 2014		As at April 30, 2014
$	1,015,716	$	1,367,213

16. Capital Management – continued

The Company manages its capital structure and makes adjustments to it in light of general economic conditions and the risk characteristics of the underlying assets and the Company's working capital requirements. In order to maintain or adjust the capital structure, the Company, upon approval from its Board of Directors, may issue long-term debt, convertible debentures, issue shares, repurchase shares through a normal course issuer bid and pay dividends. The Board of Directors reviews and approves any material transactions not in the ordinary course of business which may include various acquisition proposals, as well as capital and operating budgets. The Company is not subject to any externally imposed capital requirements.

17. Net Change in Non-Cash Working Capital

	For the three months ended July 31	
	2014	**2013**
Net change in non-cash working capital balances:		
Accounts receivable	$ 6,330	$ (30,701)
Other receivable	7,269	98,912
Sales taxes recoverable	(21,614)	(65,154)
Inventories	(520,642)	-
Prepaid expenses and deposits	32,492)	(45,526)
Accounts payable and accrued liabilities	59,133	(168,434)
Provisions	-	39,899
Deferred revenue	(22,590)	(21,292)
	$ (459,622)	$ 192,296