

	3 MONTHS ENDED 30-Sep-17	RESTATED 3 MONTHS ENDED 30-Sep-16	9 MONTHS ENDED 30-Sep-17	RESTATED 9 MONTHS ENDED 30-Sep-16
ASSETS				
Current assets:				
Cash	\$ 18,132	\$ 26,423	\$ 18,132	\$ 26,423
Accounts receivable	291,174	599,918	291,174	599,918
Accounts receivable - related party	78,413	6,667	78,413	6,667
Prepaid expenses and other assets	18,297	4,621	18,297	4,621
Total current assets	406,016	637,629	406,016	637,629
Contract work in-progress	54,491	59,764	54,491	59,764
Patents, less accumulated amortization	918,650	1,045,087	918,650	1,045,087
Deferred debt costs	2,726,277	1,090,676	2,726,277	1,090,676
Deferred offering costs	-	25,000	-	25,000
Security deposit	60,000	100,000	60,000	100,000
Total Assets	\$ 4,165,434	\$ 2,958,157	\$ 4,165,434	\$ 2,958,157
LIABILITIES AND STOCKHOLDERS' DEFICIT				
Current liabilities:				
Accounts payable and accrued expenses	\$ 918,195	\$ 897,932	\$ 918,195	\$ 897,932
Accounts payable - related party	77,192	702,935	77,192	702,935
Accrued interest	34,401	1,017,021	34,401	1,017,021
Accrued interest - related party	1,781,022	26,914	1,781,022	26,914
Accrued payroll	19,428	27,640	19,428	27,640
Convertible notes payable	1,420,590	1,195,949	1,420,590	1,195,949
Deferred revenue	-	1,295,509	-	1,295,509
Total current liabilities	4,250,828	5,163,900	4,250,828	5,163,900
Long-term liabilities:				
Notes payable - related party, net of debt discount	716,155	629,876	716,155	629,876
Line of credit - related party	9,197,558	3,951,600	9,197,558	3,951,600
Total long-term liabilities	9,913,713	4,581,476	9,913,713	4,581,476
Total liabilities	14,164,541	9,745,376	14,164,541	9,745,376
Commitments and contingencies				
Stockholders' deficit				
Class A preferred shares, authorized 4,000,000 shares, issued and outstanding 96 shares	2,400	2,400	2,400	2,400
Class A-2 preferred shares, authorized 1,200,000 shares, issued and outstanding 401 shares	10,030	10,030	10,030	10,030
Junior preferred shares, authorized 3,500,000 shares, issued and outstanding 117,762 shares	2,929,044	2,929,044	2,929,044	2,929,044
Common shares, authorized 310,880,000 shares, issued and outstanding 43,162,395 shares	7,274	7,274	7,274	7,274
Additional paid-in capital	35,694,166	31,959,106	35,694,166	31,959,106
Accumulated deficit	(48,639,063)	(41,692,122)	(48,639,063)	(41,692,122)
Treasury shares	(2,958)	(2,952)	(2,958)	(2,952)
Total stockholders' deficit	(9,999,107)	(6,787,219)	(9,999,107)	(6,787,219)
Total liabilities and stockholders' deficit	\$ 4,165,434	\$ 2,958,157	\$ 4,165,434	\$ 2,958,157

	3 MONTHS ENDED 30-Sep-17	RESTATED 3 MONTHS ENDED 30-Sep-16	9 MONTHS ENDED 30-Sep-17	RESTATED 9 MONTHS ENDED 30-Sep-16
Revenues	\$ 5,001	\$ 36,000	\$ 30,534	\$ 979,550
Cost of goods sold	13,734	17,381	38,254	213,569
Gross profit (loss)	(8,733)	18,619	(7,720)	765,981
Selling and general administrative expenses	891,645	1,002,349	3,174,133	2,929,426
Operating loss	(900,378)	(983,730)	(3,181,853)	(2,163,445)
Other income (expense):				
Change in warrant liability	-	-	-	(561,289)
Foreign exchange gain/loss	(10,579)	1,566	(43,333)	109,493
Interest income	-	(13,499)	-	4
Interest expense	(833,983)	(338,234)	(1,976,872)	(856,907)
Total other income (expense)	(844,562)	(350,167)	(2,020,205)	(1,308,700)
Loss before income taxes	(1,744,940)	(1,333,897)	(5,202,058)	(3,472,144)
Provision for income taxes	-	-	-	-
Net loss	\$ (1,744,940)	\$ (1,333,897)	\$ (5,202,058)	\$ (3,472,144)
EARNINGS GAIN/(LOSS) PER SHARE COMMON	\$ (0.04)	\$ (0.03)	\$ (0.12)	\$ (0.08)
COMMON SHARES OUTSTANDING (WANS)	43,161,565	43,227,727	43,193,525	43,201,659

	3 MONTHS ENDED 30-Sep-17	RESTATED 3 MONTHS ENDED 30-Sep-16	9 MONTHS ENDED 30-Sep-17	RESTATED 9 MONTHS ENDED 30-Sep-16
Cash flows from operating activities				
Net loss	\$ (1,744,940)	\$ (1,333,898)	\$ (5,202,058)	\$ (2,684,464)
Adjustments to reconcile net loss to net cash used in operating activities:				
Amortization of patent costs	26,755	26,464	79,974	79,392
Amortization of debt discount	590,147	196,452	1,364,969	492,927
Stock-based compensation expense	86,842	123,276	388,316	388,946
Issuance of treasury stock for services	-	-	10,000	-
Issuance of warrants for services	-	-	-	13,283
Change in warrant liability	-	-	-	561,289
Write-off of deferred offering costs	-	-	25,000	-
Bad debt expense	-	-	196,480	-
Changes in operating assets and liabilities:				
Accounts receivable	(37,734)	(599,919)	(12,735)	-
Accounts receivable - related party	16,666	851,498	(61,746)	(1,186,221)
Prepaid expenses	2,411	(13,010)	18,545	51,090
Contract work in-progress	20,000	5,274	-	15,820
Security deposit	-	-	40,000	-
Accounts payable and accrued expenses	6,268	(169,670)	10,285	271,964
Accounts payable - related party	77,012	65,175	318,483	(570,440)
Accrued interest	1,891	139,894	5,610	358,352
Accrued interest - related party	241,945	1,890	606,293	5,630
Accrued payroll	(11,183)	1,308	(4,878)	6,963
Deferred revenue	32,734	(67,579)	161,081	(8,211)
Net cash used in operating activities	<u>(691,186)</u>	<u>(772,845)</u>	<u>(2,056,381)</u>	<u>(2,203,680)</u>
Cash flows from financing activities				
Proceeds received from line of credit with related party	670,999	762,600	2,066,500	1,612,600
Proceeds received from issuance of treasury stock	-	-	-	267,717
Purchases of treasury stock	(351)	(5,933)	(16,403)	(37,239)
Payment of deferred offering costs	-	-	-	(25,000)
Net cash provided by financing activities	<u>670,648</u>	<u>756,667</u>	<u>2,050,097</u>	<u>1,818,078</u>
Net increase (decrease) in cash	(20,538)	(16,177)	(6,284)	(385,601)
Cash at beginning of period	38,670	42,600	24,416	412,025
Cash at end of period	<u>\$ 18,132</u>	<u>\$ 26,423</u>	<u>\$ 18,132</u>	<u>\$ 26,423</u>
Supplemental Schedule of Non-cash Financing Activities:				
Reclassification of warrant liability to equity upon amendment of outstanding warrant agreements	\$ -	\$ 8,150,536	\$ -	\$ 8,150,536
Drawdown on LOC with related party to extinguish accounts payable to related party	\$ -	\$ -	\$ 1,178,958	\$ -
Issuance of warrants for line of credit with related party	\$ -	\$ 367,827	\$ 1,230,000	\$ 367,827.00
Cash paid for interest	\$ -	\$ -	\$ -	\$ -
Cash paid for income taxes	\$ -	\$ -	\$ -	\$ -