

Interim Financial Statements of

Urodynamix Technologies Ltd.

June 30, 2008

(Unaudited)

Urodynamix Technologies Ltd.

June 30, 2008

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Urodynamix Technologies Ltd.

Interim statement of operations, comprehensive loss and deficit (Unaudited)

	Three months ended		Six months ended	
	June 30		June 30	
	2008	2007	2008	2007
	\$	\$	\$	\$
Revenue	72,871	5,679	94,253	14,916
Cost of goods sold	35,131	-	42,859	-
Gross profit	37,740	5,679	51,394	14,916
Expenses				
General and administrative (Schedule)	382,053	306,598	710,455	541,534
Research and development (Schedule)	429,481	248,947	767,990	572,062
Stock-based compensation	75,858	99,447	160,785	183,124
Amortization of property and equipment	8,006	3,987	15,077	7,820
	895,398	658,979	1,654,307	1,304,540
Loss from operations	(857,658)	(653,300)	(1,602,913)	(1,289,624)
Other income (expenses)				
Interest expense	(1,047)	(1,942)	(2,328)	(2,993)
Interest income	12,305	14,066	36,760	31,589
	11,258	12,124	34,432	28,596
Net loss and comprehensive loss for the period	(846,400)	(641,176)	(1,568,481)	(1,261,028)
Deficit, beginning of period	(15,005,647)	(12,280,731)	(14,283,566)	(11,660,879)
Deficit, end of period	(15,852,047)	(12,921,907)	(15,852,047)	(12,921,907)
Basic and diluted loss per share	(0.01)	(0.01)	(0.02)	(0.02)
Weighted average number of basic and diluted common shares outstanding	81,828,662	67,423,417	81,713,278	66,554,982

Urodynamix Technologies Ltd.

Interim statement of shareholders' equity

(Unaudited)

	Common shares		Warrants		Contributed surplus	Total capital	Deficit	Total shareholders' equity
	Issuable, Issued and outstanding	Amount	Issued and outstanding	Amount				
	Number	\$	Number	\$	\$	\$	\$	\$
Balance, December 31, 2006	65,186,487	11,282,895	16,953,905	513,916	1,783,914	13,580,725	(11,660,879)	1,919,846
Net loss	-	-	-	-	-	-	(1,261,028)	(1,261,028)
Warrants exercised	2,724,600	393,817	(2,724,600)	(74,569)	-	319,248	-	319,248
Stock-based compensation	-	-	-	-	183,124	183,124	-	183,124
Balance, June 30, 2007	67,911,087	11,676,712	14,229,305	439,347	1,967,038	14,083,097	(12,921,907)	1,161,190
Net loss	-	-	-	-	-	-	(1,361,659)	(1,361,659)
Warrants exercised	13,391,806	3,075,495	(13,391,806)	(413,548)	-	2,661,947	-	2,661,947
Stock options exercised	425,000	92,296	-	-	(42,796)	49,500	-	49,500
Stock-based compensation	-	-	-	-	121,422	121,422	-	121,422
Expiration of warrants	-	-	(837,499)	(25,799)	25,799	-	-	-
Balance, December 31, 2007	81,727,893	14,844,503	-	-	2,071,463	16,915,966	(14,283,566)	2,632,400
Net loss	-	-	-	-	-	-	(1,568,481)	(1,568,481)
Stock-based compensation	-	-	-	-	160,785	160,785	-	160,785
Shares issued (Note 9(b))	250,000	58,750	-	-	-	58,750	-	58,750
Balance, June 30, 2008	81,977,893	14,903,253	-	-	2,232,248	17,135,501	(15,852,047)	1,283,454

Urodynamix Technologies Ltd.

Balance sheet (Unaudited)

	June 30 2008	December 31, 2007
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	1,359,010	3,056,277
Accounts receivable	131,141	68,069
Inventory	124,211	-
Prepays	32,477	50,124
	<u>1,646,839</u>	<u>3,174,470</u>
Property and equipment	124,705	68,039
Intangible assets (Note 9)	57,614	-
	<u>1,829,158</u>	<u>3,242,509</u>
Liabilities		
Current liabilities		
Accounts payable and accruals	333,947	418,408
Deferred revenue (Note 6)	179,143	145,339
Current portion of capital lease obligations	14,369	13,156
	<u>527,459</u>	<u>576,903</u>
Deferred tenant inducements received	11,062	14,202
Capital lease obligations	7,183	19,004
	<u>545,704</u>	<u>610,109</u>
Shareholders' equity		
Capital stock	14,903,253	14,844,503
Contributed surplus	2,232,248	2,071,463
Deficit	(15,852,047)	(14,283,566)
	<u>1,283,454</u>	<u>2,632,400</u>
	<u>1,829,158</u>	<u>3,242,509</u>

Continuing operations (Note 1)

Approved by the Directors

Paul Geyer, Director

James Heppell, Director

Urodynamix Technologies Ltd.

Interim statement of cash flows

(Unaudited)

	Three months ended		Six months ended	
	June 30		June 30	
	2008	2007	2008	2007
	\$	\$	\$	\$
Operating activities				
Net loss	(846,400)	(641,176)	(1,568,481)	(1,261,028)
Items not involving cash				
Amortization of property and equipment	8,006	3,987	15,077	7,820
Amortization of deferred revenue	(9,141)	(5,679)	(15,686)	(14,916)
Non-cash tenant inducement	(1,570)	(1,572)	(3,140)	(456)
Stock-based compensation	75,858	99,447	160,785	183,124
	(773,247)	(544,993)	(1,411,445)	(1,085,456)
Change in non-cash working capital				
Accounts receivable	7,044	30,206	(63,072)	(14,337)
Inventory	(63,206)	-	(124,211)	-
Prepays	6,115	19,000	17,647	27,659
Accounts payable and accruals	27,468	(7,499)	(84,461)	(22,796)
Deferred revenue	-	54,385	49,490	98,056
	(795,826)	(448,901)	(1,616,052)	(996,874)
Investing activities				
Property and equipment	(4,906)	(2,085)	(70,607)	(7,605)
	(4,906)	(2,085)	(70,607)	(7,605)
Financing activities				
Shares and units issued for cash, net of financi	-	129,248	-	319,248
Repayment of capital lease obligations	(5,420)	(5,012)	(10,608)	(9,009)
	(5,420)	124,236	(10,608)	310,239
Net decrease in cash and cash equivalents	(806,152)	(326,750)	(1,697,267)	(694,240)
Cash and cash equivalents, beginning of period	2,165,162	1,696,294	3,056,277	2,063,784
Cash and cash equivalents, end of period	1,359,010	1,369,544	1,359,010	1,369,544
Cash and cash equivalents are comprised of				
Cash	59,010	169,544	59,010	169,544
Cash equivalents	1,300,000	1,200,000	1,300,000	1,200,000
	1,359,010	1,369,544	1,359,010	1,369,544

Supplemental cash flow information (Note 9)

Urodynamix Technologies Ltd.

Notes to the interim financial statements

For the six months ended June 30, 2008

1. Continuing Operations

Urodynamix Technologies Ltd. (the "Company") is engaged in the development of non-invasive medical technology and diagnostic devices based on near-infrared spectroscopy ("NIRS"). The Company is focused on developing and commercializing breakthrough diagnostic technology for urological disorders such as urinary incontinence and related critical care applications including compartment syndrome.

The Company's common shares trade under the symbol "URO" on the TSX Venture Exchange.

The Company has a history of operating losses, is currently developing technology on a long-term basis with uncertain prospects, and has no significant source of revenue.

These financial statements have been prepared on the basis that the Company will continue as a going concern, which assumes the realization of assets and the settlement of liabilities in the normal course of business. The appropriateness of the going concern assumption is dependent upon the Company's ability to generate future profitable operations and/or generate continued financial support in the form of share issuances. The Company plans to issue more securities at such time as it believes additional capital could be obtained on favourable terms; however, there can be no assurance that such funds will be available on favourable terms, if at all.

These financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue operations.

2. Basis of presentation

These interim unaudited financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles. These accounting principles are consistent with those outlined in the annual audited financial statements of the Company for the year ended December 31, 2007, with the exception of the changes disclosed in note 3. These interim financial statements do not include all disclosures normally provided in annual financial statements and should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2007. In Management's opinion, the unaudited financial information includes all adjustments necessary to present fairly such information. Interim results are not necessarily indicative of the results expected for the fiscal year.

3. Changes in accounting policies

The Company has adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1400, *General Standards of Financial Statement Presentation*, Handbook Section 1535, *Capital Disclosures*, Handbook Section 3031, *Inventories*, Handbook Section 3862, *Financial Instruments – Disclosures*, and Handbook Section 3863, *Financial Instruments – Presentation*.

(a) *Handbook Section 1400, General Standards of Financial Statement Presentation*

In June 2007, the CICA amended Section 1400, "General Standards of Financial Statement Presentation" to change the guidance related to management's responsibility to assess the ability of the entity to continue as a going concern. Management is required to make an assessment of an entity's ability to continue as a going concern and should take into account all available information about the future, which is at least but not limited to 12 months from the balance sheet date. Disclosure is required of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. The amendments to Section 1400 apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The adoption of this standard had no impact on the Company's presentation of its financial position or results of operations as at June 30, 2008 and for the six-month period then ended.

Urodynamix Technologies Ltd.

Notes to the interim financial statements

For the six months ended June 30, 2008

3. Changes in accounting policies (continued)

(b) *Handbook Section 1535, Capital Disclosures*

Section 1535 requires the disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

For new disclosures refer to note 4. The adoption of Section 1535 did not have an impact on the Company's financial results or position.

(c) *Handbook Section 3031, Inventories*

Under the new section, inventories are required to be measured at the "lower of cost and net realizable value", which is different from the previous guidance of the "lower of cost and market". Costs such as storage costs and administrative overhead that do not contribute to bringing inventories to their present location and condition are specifically excluded from the cost of inventories and expensed in the period. The new standard also requires additional disclosures including the accounting policies used in measuring inventories, the carrying amount of the inventories, amounts recognized as an expense during the period, write-downs and the amount of any reversal of any write-downs recognized as a reduction in expenses.

The Company values inventories at the lower of cost and net realizable value. Costs include the cost of purchase net of vendor allowances and other costs, such as transportation, that are directly incurred to bring inventories to their present location and condition. Inventories are written down to net realizable value when the cost of inventories is not estimated to be recoverable due to obsolescence, damage or declining selling prices. When circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in retail selling price, the amount of the write-down previously recorded is reversed. Storage costs, indirect administrative overhead and certain selling costs related to inventories are expensed in the period these costs are incurred.

(d) *Handbook Section 3862 and 3863, Financial Instruments – Disclosure and Presentation*

Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements and carrying forward unchanged its presentation requirements for financial instruments. Sections 3862 and 3863 place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The adoption of these standards did not have an impact on the classification and valuation of financial instruments. The new disclosures resulting from adoption of these standards are included in note 5.

Urodynamix Technologies Ltd.

Notes to the interim financial statements

For the six months ended June 30, 2008

3. Changes in accounting policies (continued)

(e) *Handbook Section 3064, Goodwill and Intangible Assets*

In February 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets", replacing Section 3062, "Goodwill and Other Intangible Assets" and Section 3450, "Research and development costs". The Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008.

Accordingly, the Company will adopt the standards for its fiscal year beginning January 1, 2009. The new standard establishes the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. The Company does not expect that the adoption of this Section will have a material impact on its financial statements.

(f) *International Financial Reporting Standards*

In February 2008, the Canadian Accounting Standards Board confirmed that the use of International Financial Reporting Standards ("IFRS") would be required for Canadian publicly accountable enterprises for years beginning on or after January 1, 2011. The Company has not yet begun to evaluate the impact of adopting IFRS.

4. Managing Capital

The Company's objectives, when managing capital, are to safeguard cash as well as maintain financial liquidity and flexibility in order to preserve its ability to meet financial obligations and deploy capital to grow its businesses.

In the definition of capital the Company includes, as disclosed on its balance sheet: shareholders' equity.

The Company's financial strategy is designed to maintain a flexible capital structure consistent with the objectives stated above and to respond to business growth opportunities and changes in economic conditions. In order to maintain or adjust its capital structure, the Company may issue new shares or issue new debt (secured, unsecured, convertible and/or other types of available debt instruments).

The Company is not subject to any externally imposed capital requirements.

Urodynamix Technologies Ltd.

Notes to the interim financial statements

For the six months ended June 30, 2008

5. Financial Instruments

(a) *Financial Instruments*

The Company has classified financial instruments as follows:

	June 30, 2008	December 31, 2007
Financial Assets		
Cash and cash equivalents	\$ 1,359,010	\$ 3,056,277
Accounts receivable	131,141	68,069
Financial Liabilities		
<i>Other liabilities, measured at amortized cost</i>		
Accounts payable and accrued liabilities	\$ 333,947	\$ 418,408
Capital lease obligations	7,183	19,004

The Company had no held-to-maturity or available-for-sale financial instruments at June 30, 2008 or at December 31, 2007.

(b) *Cash equivalents*

The Company holds guaranteed investment certificates (GIC) returning a variable rate of interest. The weighted average interest rate on the GIC is 3.37% per annum (2007: 4.09% per annum). The GIC has a maturity date of one year and are cashable at any time for face value plus accrued interest.

6. Deferred Revenue

On March 5, 2008, the Company's distribution partner obtained 510(k) clearance from the U.S. Food and Drug Administration ("FDA") to market their urodynamics equipment with the Tetra™ Bladder Monitor System which is based on Urodynamix's near infrared spectroscopy ("NIRS") technology. Under the terms of the Distribution Agreement, the receipt of FDA clearance triggered a payment of US\$50,000 to Urodynamix by the distributor. Furthermore, with the receipt of FDA clearance prior to March 31, 2008, a refundable license fee provision was nullified. An additional payment of US\$50,000 may be earned by the Company upon the distributor commencing commercial sales into certain foreign markets.

7. Concentration of Credit Risk

As of June 30, 2008, the Company has one distributor for its recently developed URO-NIRS product. Until additional distributors are contracted, the majority of the Company's revenues will come from this distributor.

Urodynamix Technologies Ltd.

Notes to the interim financial statements

For the six months ended June 30, 2008

8. Related party transactions

- (a) During the six months ended June 30, 2008, the Company incurred consulting fees of \$47,980 (2007 - \$12,550) for technical services provided by two directors.
- (b) During 2007, a total of 887,000 warrants at an exercise price of \$0.20 and 333,000 warrants at an exercise price of \$0.10 were exercised by directors and companies controlled by or related to directors, for total proceeds of \$210,700.
- (c) During 2007, a total of 183,000 warrants at an exercise price of \$0.20 were exercised by officers for total proceeds of \$36,600.
- (d) During 2007, a total of 3,333,000 warrants at an exercise price of \$0.20 were exercised by a company having a significant share position in the Company for total proceeds of \$666,600.

These transactions were recorded at the exchange amount, which is the amount established and agreed to between the related parties.

9. Supplementary cash flow information

- (a) Cash paid for income taxes and interest is summarized as follows:

	Six months	
	2008	2007
	\$	\$
Cash paid for		
Interest	2,328	2,993
Income taxes	-	-

- (b) Significant non-cash transactions occurring during the 2008 and 2007 years were as follows:

On March 5, 2008, the Company's distribution partner obtained 510(k) clearance from the U.S. Food and Drug Administration ("FDA") to market their urodynamics equipment with the Tetra™ Bladder Monitor System for non-invasive bladder testing. Under the terms of its license agreement with the University of British Columbia ("UBC"), the receipt of FDA clearance requires a milestone payment of 250,000 common shares of the Company to UBC. The fair market value of the Company's shares on March 5, 2008 was \$0.235 per share or \$58,750, which has been recorded in intangible assets, less amortization of \$1,136.

10. Subsequent Events

Subsequent to June 30, 2008, the Company sub-leased larger office spaces to accommodate the growth in headcount and need for additional lab space. The sub-lease commences August 1, 2008 and expires on September 30, 2011. Monthly payments over the 39 month term will be approximately \$16,400.

Urodynamix Technologies Ltd.

Interim schedule of general and administrative expenses and research and development expenses (Unaudited)

	Three months ended		Six months ended	
	June 30		June 30	
	2008	2007	2008	2007
	\$	\$	\$	\$
General and administrative expenses				
Wages	208,225	160,459	404,217	320,805
Other	53,580	55,929	95,633	83,839
Travel	42,309	17,799	76,715	21,568
Professional fees	33,527	25,293	47,021	30,915
Rent	20,032	19,664	40,065	39,328
Investor relations	16,130	12,342	24,304	17,039
Consulting	8,250	15,112	22,500	28,040
	<u>382,053</u>	<u>306,598</u>	<u>710,455</u>	<u>541,534</u>
Research and development expenses				
Wages	221,535	157,523	416,579	271,369
Trials	112,866	44,140	148,320	160,967
Other	40,731	39,233	94,012	114,316
Patent related fees	47,413	22,490	72,746	35,576
Consulting	21,002	34,420	50,399	79,187
Research funding	(14,066)	(48,859)	(14,066)	(89,353)
	<u>429,481</u>	<u>248,947</u>	<u>767,990</u>	<u>572,062</u>



Management's Discussion and Analysis of Financial Condition and Results of Operations for the Three and Six months ended June 30, 2008

June 30, 2008

The following discussion and analysis (MD&A) should be read in conjunction with the unaudited interim financial statements and notes for the three and six months ended June 30, 2008 as well as the audited financial statements and notes for the year ended December 31, 2007. All financial information is prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") and is expressed in Canadian dollars. Additional information relating to the Company can be found on the SEDAR website at www.sedar.com. This MD&A is dated August 5, 2008.

Results of Operations

Quarterly Financial Information

Net Loss

The net loss for the three and six month periods ended June 30, 2008 was \$846,400 (\$0.01 per share) and \$1,568,481 (\$0.02 per share) respectively as compared with a net loss of \$641,176 (\$0.01 per share) and \$1,261,028 (\$0.02 per share) for the comparative periods in 2007.

Revenues

Revenues for the three and six month periods ended June 30, 2008 was \$72,871 and \$94,253 respectively as compared with revenues of \$5,679 and \$14,916 for the comparative periods in 2007. During the second quarter of 2008, the Company's distribution partner, Laborie Medical Technologies, officially launched the Tetra™ Bladder Monitor Systems at the American Urological Association (AUA) Annual Meeting in May 2008. The increase in revenue for the quarter is due to Laborie ordering Tetra™ systems to commence its rollout of the new technology to key opinion leaders following the AUA meeting.

R&D Expenses

R&D Expenses for the three and six month periods ended June 30, 2008 were \$429,481 and \$767,990 respectively as compared with R&D Expenses of \$248,947 and \$572,062 for the comparative periods in 2007. With several development projects ongoing, R&D headcount has increased to ten staff at June 30, 2008 as compared to six staff at June 30, 2007. The increase in wages was offset partially by a decrease in the consulting fees paid to part-time contractors. Trial costs were lower as the testing of the Company's URO-NIRS acute care product was completed in the fourth quarter of 2007; however, trial costs increased for development projects related to the trans-urethral microwave device and the URO-NIRS primary care device. Research funding is lower in 2008 as funding for new projects was approved in the second quarter of 2008 whereas research funding was earned for the full six months of 2007 related to the development of the URO-NIRS product completed in 2007.

R&D Expenses (continued)

R&D expenses by major sub-category are as follows:

	<u>Six Months</u>	
	<u>2008</u>	<u>2007</u>
Wages	\$ 416,579	\$ 271,369
Trials	148,320	160,967
Other	94,012	114,316
Patent related fees	72,746	35,576
Consulting	50,399	79,187
Research Funding	<u>(14,066)</u>	<u>(89,353)</u>
	\$ <u>767,990</u>	\$ <u>572,062</u>

General and Administrative Expenses

General and Administrative Expenses ("G&A") for the three and six month periods ended June 30, 2008 were \$382,053 and \$710,455 respectively as compared with G&A of \$306,598 and \$541,534 for the comparative periods in 2007. The major causes of the increase in G&A are additional headcount, additional corporate tax consulting, and more travel for business development discussions and clinical site visits.

Amounts by major sub-category are as follows:

	<u>Six Months</u>	
	<u>2008</u>	<u>2007</u>
Wages	\$ 404,217	\$ 320,805
Other	95,633	83,839
Travel	76,715	21,568
Professional fees	47,021	30,915
Rent	40,065	39,328
Investor Relations	24,304	17,039
Consulting	<u>22,500</u>	<u>28,040</u>
	\$ <u>710,455</u>	\$ <u>541,534</u>

Depreciation and Amortization

Amortization expense relates to the amortization of capital assets. For the three and six month periods ended June 30, 2008, total amortization expense was \$8,006 and \$15,077 respectively as compared with total amortization expense of \$3,987 and \$7,820 for the comparative periods in 2007. The increase in amortization is due to the purchase of manufacturing equipment required for the production of the URO-NIRS acute care product.

Related Parties

During the six months ended June 30, 2008, the Company incurred consulting fees of \$47,980 (2007 year - \$12,550) for technical services provided by two directors.

During the 2007 year, a total of 887,000 warrants at an exercise price of \$0.20 and 333,000 warrants at an exercise price of \$0.10 were exercised by directors and companies controlled by or related to directors, for total proceeds of \$210,700.

During the 2007 year, a total of 183,000 warrants at an exercise price of \$0.20 were exercised by officers for total proceeds of \$36,600.

During the 2007 year, a total of 3,333,000 warrants at an exercise price of \$0.20 were exercised by a company having a significant share position in the Company for total proceeds of \$666,600.

These transactions were recorded at the exchange amount, which is the amount established and agreed to between the related parties.

Liquidity and Capital Resources

Since its inception, Urodynamix Technologies Ltd. has financed R&D activities, operations and capital expenditures primarily from public and private equity financing and various government grants and repayable loans. Until the Company receives substantial revenue from product sales, it plans to issue more securities at such time as it believes additional capital could be obtained on favorable terms. However, there can be no assurance that such funds can be available on favorable terms, if at all.

As at June 30, 2008, the Company had cash and cash equivalents of \$1,359,010 and working capital of \$1,119,380. This compares with cash and cash equivalents of \$3,056,277 and a working capital position of \$2,597,567 at December 31, 2007.

Cash used in operating activities for the three and six month periods ended June 30, 2008 were \$795,826 and \$1,616,052 respectively as compared with \$448,901 and \$996,874 for the comparative periods in 2007. The increase in cash used in operations is due principally to the higher number of development projects in the current quarter. As a result, the Company has incurred increased costs for prototype design and assembly, clinical trials and R&D headcount. The transition of the URO-NIRS product from development to manufacturing contributed to higher costs as numerous regulatory certifications were required. The Company has also increased travel to support distribution and business development activities.

Cash used for investing activities was \$70,607 for the six months ended June 30, 2008 compared with \$7,605 for the comparative period in 2007. The transition to manufacturing for the URO-NIRS product required the Company to invest in manufacturing molds and equipment during the first half of 2008.

There was no cash provided by the issuance of new shares during the six months ended June 30, 2008 as compared to \$319,248 in 2007. New share issuances in 2007 represents proceeds primarily from the exercise of warrants priced at \$0.10 or \$0.20 per warrant that would have otherwise expired during the third quarter of 2007.

Management believes that cash flows from operations and funds on hand may be insufficient to fund its cash requirements through the next 12 months. Accordingly, the Company plans to issue more securities at such time as it believes additional capital could be obtained on favorable terms. However, there can be no assurance that such funds can be available on favorable terms, if at all.

Outstanding Share and Warrant Data

The authorized share capital of Urodynamix Technologies Ltd. is unlimited. At August 5, 2008 there were 81,977,893 shares outstanding. There were 7,524,500 common shares reserved for issuance upon the exercise of stock options outstanding under the Stock Option Plan. Also at August 5, 2008, 130,000 performance shares were held in escrow. These shares may be released from escrow on the achievement of cumulative cashflow criteria and are subject to cancellation on December 1, 2010 if not released from escrow before that date.

Forward-Looking Statements

Certain statements contained in this document constitute "forward-looking statements". When used in this document, the words "may", "would", "could", "will", "intend", "plan", "propose", "anticipate", "believe", "forecast", "estimate", "expect" and similar expressions, as they relate to the Company or its management, are intended to identify forward-looking statements. Such statements reflect the Company's current views with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. The Company does not intend, and does not assume any

obligation, to update any such factors or to publicly announce the result of any revisions to any of the forward-looking statements contained herein to reflect future results, events or developments.

Critical Accounting Policies and Estimates

The interim unaudited financial statements of the Company have been prepared on the basis that the Company will continue as a going concern, which assumes the realization of assets and the settlement of liabilities in the normal course of business. The appropriateness of the going concern assumption is dependent upon the Company's ability to generate future profitable operations and/or generate continued financial support in the form of share issuances. The Company plans to issue more securities at such time as it believes additional capital could be obtained on favorable terms; however, there can be no assurance that such funds can be available on favorable terms, if at all.

These interim unaudited financial statements do not include any adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue operations.

These interim unaudited financial statements are prepared in accordance with Canadian generally accepted accounting principles.

Basis of Presentation

These interim unaudited financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles. These accounting principles are consistent with those outlined in the annual audited financial statements of the Company for the year ended December 31, 2007, with the exception of the changes disclosed in note 3. These interim financial statements do not include all disclosures normally provided in annual financial statements and should be read in conjunction with the Company's audited financial statements for the year ended December 31, 2007. In Management's opinion, the unaudited financial information includes all adjustments necessary to present fairly such information. Interim results are not necessarily indicative of the results expected for the fiscal year.

Changes in accounting policies

During the six months ended June 30, 2008, the Company has adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1400, General Standards of Financial Statement Presentation, Handbook Section 1535, Capital Disclosures, Handbook Section 3031, Inventories, Handbook Section 3862, Financial Instruments – Disclosures, and Handbook Section 3863, Financial Instruments – Presentation.

(a) Handbook Section 1400, General Standards of Financial Statement Presentation

In June 2007, the CICA amended Section 1400, "General Standards of Financial Statement Presentation" to change the guidance related to management's responsibility to assess the ability of the entity to continue as a going concern. Management is required to make an assessment of an entity's ability to continue as a going concern and should take into account all available information about the future, which is at least but not limited to 12 months from the balance sheet date. Disclosure is required of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern. The amendments to Section 1400 apply to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. The adoption of this standard had no impact on the Company's presentation of its financial position or results of operations as at March 31, 2008 and for the three-month period then ended.

(b) Handbook Section 1535, Capital Disclosures

Section 1535 requires the disclosure of both qualitative and quantitative information that enables users of financial statements to evaluate (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

For new disclosures refer to note 4. The adoption of Section 1535 did not have an impact on the Company's financial results or position.

(c) Handbook Section 3031, Inventories

Under the new section, inventories are required to be measured at the "lower of cost and net realizable value", which is different from the existing guidance of the "lower of cost and market". Costs such as storage costs and administrative overhead that do not contribute to bringing inventories to their present location and condition are specifically excluded from the cost of inventories and expensed in the period. The new standard also requires additional disclosures including the accounting policies used in measuring inventories, the carrying amount of the inventories, amounts recognized as an expense during the period, write-downs and the amount of any reversal of any write-downs recognized as a reduction in expenses.

The Company values inventories at the lower of cost and net realizable value. Costs include the cost of purchase net of vendor allowances and other costs, such as transportation, that are directly incurred to bring inventories to their present location and condition. Inventories are written down to net realizable value when the cost of inventories is not estimated to be recoverable due to obsolescence, damage or declining selling prices. When circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in retail selling price, the amount of the write-down previously recorded is reversed. Storage costs, indirect administrative overhead and certain selling costs related to inventories are expensed in the period these costs are incurred.

(d) Handbook Section 3862 and 3863, Financial Instruments – Disclosure and Presentation

Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements and carrying forward unchanged its presentation requirements for financial instruments. Sections 3862 and 3863 place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The adoption of these standards did not have an impact on the classification and valuation of financial instruments. The new disclosures resulting from adoption of these standards are included in note 5.

(e) Handbook Section 3064, Goodwill and Intangible Assets

In February 2008, the CICA issued Section 3064, "Goodwill and Intangible Assets", replacing Section 3062, "Goodwill and Other Intangible Assets" and Section 3450, "Research and development costs". The Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008.

Accordingly, the Company will adopt the standards for its fiscal year beginning January 1, 2009. The new standard establishes the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. The Company does not expect that the adoption of this Section will have a material impact on its financial statements.

Risk Factors

An investment in our common shares involves a high degree of risk. You should carefully consider the specific factors described in our Annual Information Form filed on SEDAR, together with the cautionary statement under the caption "Forward – Looking Statements" in the beginning of this Report and the other information included in this report, before purchasing our common shares. The risks described in our Annual Information Form are not the only ones that we face. Additional risks that are not yet known to us or that we currently think are immaterial could also impair our business, financial condition or results of operations. If any of the following risks actually occurs, our business, financial condition or results of operations could be adversely affected. In such case, the trading price of our common shares could decline, and you may lose all or part of your investment.

Summary of Quarterly Results

The following table sets out selected quarterly information for the quarters ended June 30, 2008 and the previous eight quarters of 2007 and 2006. Information as at and for the:

Quarter Ended 2008	March 31 \$	June 30 \$	September 30 \$	December 31 \$
Revenue	21,382	72,871	n/a	n/a
Loss	722,081	846,400	n/a	n/a
Loss per common share	(0.01)	(0.01)	n/a	n/a
Quarter Ended 2007	March 31 \$	June 30 \$	September 30 \$	December 31 \$
Revenue	9,237	5,679	5,631	5,247
Loss	619,852	641,176	628,561	733,098
Loss per common share	(0.01)	(0.01)	(0.01)	(0.01)
Quarter Ended 2006	March 31 \$	June 30 \$	September 30 \$	December 31 \$
Revenue	432	4,628	6,726	379
Loss	366,957	383,771	380,618	765,898
Loss per common share	(0.01)	(0.01)	(0.01)	(0.01)

CORPORATE DATA

JUNE 30, 2008

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Barry J. Allen	Chairman & Chief Executive Officer
Kevin Leong	Chief Financial Officer
Dr. Luya Li	Vice-President, Technology
Paul Geyer	Director
Dr. David Goodkin	Director
James Heppell	Director
Pierre Leduc	Director
Dr. Zeid Mohamedali	Director
Tanner Philp	Corporate Secretary

CAPITALIZATION

Authorized:	Unlimited
Issued:	81,977,893
Escrow:	130,000
Options:	7,524,500
Warrants:	Nil

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