

Interim Financial Statements of

Urodynamix Technologies Ltd.

March 31, 2008

(Unaudited – Prepared by Management)

Urodynamix Technologies Ltd.

March 31, 2008

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Urodynamix Technologies Ltd.

Interim statement of operations, comprehensive loss and deficit (Unaudited - prepared by management)

	Three months ended	
	March 31	
	2008	2007
	\$	\$
Revenue	21,382	9,237
Cost of goods sold	7,728	-
Gross profit	13,654	9,237
Expenses		
General and administrative (Schedule)	328,402	234,936
Research and development (Schedule)	338,509	323,115
Stock-based compensation	84,927	83,677
Amortization of property and equipment	7,071	3,833
	758,909	645,561
Loss from operations	(745,255)	(636,324)
Other income (expenses)		
Interest expense	(1,281)	(1,051)
Interest income	24,455	17,523
	23,174	16,472
Net loss and comprehensive loss for the period	(722,081)	(619,852)
Deficit, beginning of period	(14,283,566)	(11,660,879)
Deficit, end of period	(15,005,647)	(12,280,731)
Basic and diluted loss per share	(0.01)	(0.01)
Weighted average number of common shares outstanding	81,597,893	65,676,898

Urodynamix Technologies Ltd.

Interim statement of shareholders' equity

(Unaudited - prepared by management)

	Common shares		Warrants		Contributed surplus	Total capital	Deficit	Total shareholders' equity
	Issuable, Issued and outstanding	Number	Amount	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	-	-	-	-	-	-	(619,852)	(619,852)
Warrants exercised	1,900,000	240,281	(1,900,000)	(50,281)	-	190,000	-	190,000
Stock-based compensation	-	-	-	-	83,677	83,677	-	83,677
Balance, March 31, 2007	67,086,487	11,523,176	15,053,905	463,635	1,867,591	13,854,402	(12,280,731)	1,573,671
Net loss	-	-	-	-	-	-	(2,002,835)	(2,002,835)
Warrants exercised	14,216,406	3,229,031	(14,216,406)	(437,836)	-	2,791,195	-	2,791,195
Stock options exercised	425,000	92,296	-	-	(42,796)	49,500	-	49,500
Stock-based compensation	-	-	-	-	220,869	220,869	-	220,869
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	-	-	-	-	-	-	(722,081)	(722,081)
Stock-based compensation	-	-	-	-	84,927	84,927	-	84,927
Shares issuable (Note 9(b))	250,000	58,750	-	-	-	58,750	-	58,750
Balance, March 31, 2008	81,977,893	14,903,253	-	-	2,156,390	17,059,643	(15,005,647)	2,053,996

Urodynamix Technologies Ltd.

Balance sheet

(Unaudited - prepared by management)

	March 31, 2008	December 31, 2007
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	2,165,162	3,056,277
Accounts receivable	138,185	68,069
Inventory	61,005	-
Prepays	38,592	50,124
	<u>2,402,944</u>	<u>3,174,470</u>
Property and equipment	126,953	68,039
Intangible assets (Note 9)	58,466	-
	<u>2,588,363</u>	<u>3,242,509</u>
Liabilities		
Current liabilities		
Accounts payable and accruals	306,479	418,408
Deferred revenue (Note 6)	188,284	145,339
Current portion of capital lease obligations	16,861	13,156
	<u>511,624</u>	<u>576,903</u>
Deferred tenant inducements received	12,632	14,202
Capital lease obligations	10,111	19,004
	<u>534,367</u>	<u>610,109</u>
Shareholders' equity		
Capital stock	14,844,503	14,844,503
Shares issuable	58,750	-
Contributed surplus	2,156,390	2,071,463
Deficit	(15,005,647)	(14,283,566)
	<u>2,053,996</u>	<u>2,632,400</u>
	<u>2,588,363</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 - prepared by management)

	Three months ended	
	March 31	
	2008	2007
	\$	\$
Operating activities		
Net loss	(722,081)	(619,852)
Items not involving cash		
Amortization of property and equipment	7,071	3,833
Amortization of deferred revenue	(6,545)	(9,237)
Non-cash tenant inducement	(1,570)	1,116
Stock-based compensation	84,927	83,677
	(638,198)	(540,463)
Change in non-cash working capital		
Receivables	(70,116)	(44,543)
Inventory	(61,005)	-
Prepays	11,532	8,659
Payables and accruals	(111,929)	(15,297)
Deferred revenue	49,490	43,671
	(820,226)	(547,973)
Investing activities		
Property and equipment	(65,701)	(5,520)
	(65,701)	(5,520)
Financing activities		
Shares and units issued for cash, net of financing fees	-	190,000
Repayment of capital lease obligations	(5,188)	(3,997)
	(5,188)	186,003
Net increase in cash and cash equivalents	(891,115)	(367,490)
Cash and cash equivalents, beginning of period	3,056,277	2,063,784
Cash and cash equivalents, end of period	2,165,162	1,696,294
Cash and cash equivalents are comprised of		
Cash	65,162	196,294
Cash equivalents	2,100,000	1,500,000
	2,165,162	1,696,294

Supplemental cash flow information (Note 9)

Urodynamix Technologies Ltd.

Notes to the interim financial statements

For the three months ended March 31, 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

During the quarter, 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.

Urodynamix Technologies Ltd.

Notes to the interim financial statements

For the three months ended March 31, 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 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.

Urodynamix Technologies Ltd.

Notes to the interim financial statements

For the three months ended March 31, 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.

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: deficit; capital stock; and cash and cash equivalents.

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, issue new debt (secured, unsecured, convertible and/or other types of available debt instruments), acquire or dispose of assets, or adjust the amount of cash and short-term investment balances.

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

5. Financial Instruments

(a) *Financial Instruments*

The Company has classified financial instruments as follows:

	March 31, 2008	December 31, 2007
Financial Assets		
Cash and cash equivalents	\$ 2,165,162	\$ 3,056,277
Financial Liabilities		
<i>Other liabilities, measured at amortized cost</i>		
Accounts payable and accrued liabilities	\$ 306,479	\$ 418,408

The Company had no held-to-maturity financial instruments at March 31, 2008 or at December 31, 2007.

Urodynamix Technologies Ltd.

Notes to the interim financial statements

For the three months ended March 31, 2008

5. Financial Instruments (continued)

(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 3.77% per annum (2007: 4.09% per annum). The GIC has a maturity date of one year, 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 requires the distributor to make a payment of US\$50,000 to Urodynamix. 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 March 31, 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.

8. Related party transactions

- (a) During the quarter ended March 31, 2008, the Company incurred consulting fees of \$34,462 (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.

Urodynamix Technologies Ltd.

Notes to the interim financial statements

For the three months ended March 31, 2008

9. Supplementary cash flow information

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

	2008	2007
	\$	\$
Cash paid for		
Interest	1,281	1,051

(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.

Urodynamix Technologies Ltd.

Interim schedule of general and administrative expenses and research and development expenses (Unaudited - prepared by management)

	Three months ended	
	March 31	
	2008	2007
	\$	\$
General and administrative expenses		
Wages	195,992	160,346
Other	76,459	31,679
Professional fees	13,494	5,622
Rent	20,033	19,664
Investor relations	8,174	4,697
Consulting	14,250	12,928
	328,402	234,936
Research and development expenses		
Wages	195,044	113,846
Trials	35,454	116,827
Other	78,614	88,169
Consulting	29,397	44,767
Research funding	-	(40,494)
	338,509	323,115

URODYNAMIX TECHNOLOGIES LTD

Management's Discussion and Analysis of Financial Condition and Results of Operations for the Three months ended March 31, 2008

March 31, 2008

The following discussion and analysis (MD&A) should be read in conjunction with the unaudited interim financial statements and notes for the three months ended March 31, 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 May 5, 2008.

Results of Operations

Quarterly Financial Information

Net Loss

The net loss for the quarter ended March 31, 2008, was \$722,081 or \$0.01 per share as compared with a net loss of \$619,852 or \$0.01 per share for the comparative period in 2007.

Revenues

Revenues were \$21,382 for the quarter ended March 31, 2008, compared with \$9,237 for the comparative period in 2007. During the first quarter of 2008, the Company completed the first commercial shipment of Tetra™ Bladder Monitor Systems to its distribution partner, Laborie Medical Technologies. This initial shipment will allow Laborie to place Tetra™ systems at marketing trial sites in advance of the full Tetra product launch activities at the American Urological Association (AUA) Annual Meeting in May 2008. Shipment of product to end-users by Laborie is expected to commence in the second quarter of 2008.

R&D Expenses

R&D Expenses were \$338,509 for the quarter ended March 31, 2008, compared with \$323,115 for the comparative period in 2007. With several development projects ongoing, R&D headcount has increased to nine staff at March 31, 2008 as compared to five staff at March 31, 2007. The increase in wages was offset by a decrease in the consulting fees paid to part-time contractors. Trials costs were lower as the testing of the Company's URO-NIRS product was completed in the fourth quarter of 2007. Similarly, research funding in the first quarter of 2008 was nil as the development of the URO-NIRS product completed in 2007.

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

	<u>2008</u>	<u>2007</u>
Wages	\$ 195,044	\$ 113,846
Trials	35,454	116,827
Other	78,614	88,169
Consulting	29,397	44,767
Research Funding	-	(40,494)
	<u>\$ 338,509</u>	<u>\$ 323,115</u>

General and Corporate Administrative Expenses

General and Administrative Expenses were \$328,402 for the quarter ended March 31, 2008, compared with \$234,936 for the comparative period in 2007. The major causes of the increase in G&A are additional headcount for manufacturing and more travel for business development discussions and clinical site visits.

Amounts by major sub-category are as follows:

	<u>2008</u>	<u>2007</u>
Wages	\$ 195,992	\$ 160,346
Other	76,459	31,679
Professional fees	13,494	5,622
Rent	20,033	19,664
Investor Relations	8,174	4,697
Consulting	<u>14,250</u>	<u>12,928</u>
	<u>\$ 328,402</u>	<u>\$ 234,936</u>

Depreciation and Amortization

Amortization expense relates to the amortization of capital and intangible assets. For the quarter ended March 31, 2008, total amortization expense was \$7,071 compared with \$3,833 for the comparative period in 2007. The increase in amortization is due to the purchase of manufacturing equipment required for the production of the URO-NIRS product.

Related Parties

During the three months ended March 31, 2008, the Company incurred consulting fees of \$34,462 (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 March 31, 2008, the Company had cash and cash equivalents of \$2,165,162 and working capital of \$1,891,320. 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 was \$820,226 for the three months ended March 31, 2008 compared with \$547,973 for the comparative period 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 \$65,701 for the three months ended March 31, 2008 compared with \$5,520 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 quarter of 2008.

There was no cash provided by the issuance of new shares during the three months ended March 31, 2008 as compared to \$190,000 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 May 5, 2008 there were 81,977,893 shares outstanding. There were 7,324,500 common shares reserved for issuance upon the exercise of stock options outstanding under the Stock Option Plan. Also at May 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 quarter, 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 quarter ended March 31, 2008 and the previous eight quarters of 2007 and 2006. Information as at and for all

Quarter Ended 2008	March 31	June 30	September 30	December 31
	\$	\$	\$	\$
Revenue	21,382	n/a	n/a	n/a
Loss	722,081	n/a	n/a	n/a
Loss per common share	(0.01)	n/a	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

MARCH 31, 2008

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DIRECTORS AND OFFICERS

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:	81,727,893
Escrow:	130,000
Options:	7,344,500
Warrants:	Nil

SOLICITOR

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AUDITORS

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LISTING

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Trading Symbol: URO.V
CUSIP #: 91727
