

Interim Financial Statements of

Urodynamix Technologies Ltd.

March 31, 2009

(Unaudited)

Urodynamix Technologies Ltd.

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Investment Information:

Shares Listed: TSX-V:URO

Common shares authorized: Unlimited

Common shares outstanding as at:

December 31, 2007 81,727,893

December 31, 2008 107,227,893

March 31, 2009 107,227,893

Urodynamix Technologies Ltd.

March 31, 2009

Table of contents

Statement of operations, comprehensive loss and deficit	2
Statement of shareholders' equity	3
Balance sheet	4
Statement of cash flows.....	5
Notes to the financial statements	6-12
Schedule of general and administrative expenses and research and development expenses.....	13

Urodynamix Technologies Ltd.

Interim statement of operations and comprehensive loss

Quarter ended March 31, 2009 and 2008

(Unaudited - prepared by management)

	Three months ended	
	March 31	
	2009	2008
	\$	\$
Revenue	271,281	21,382
Cost of goods sold	170,583	7,728
Gross profit	100,698	13,654
Expenses		
General and administrative (Schedule)	310,509	328,402
Sales and marketing (Schedule)	112,111	-
Research and development (Schedule)	276,454	338,509
Stock-based compensation	52,457	84,927
Amortization of property and equipment	7,322	7,071
	758,853	758,909
Loss from operations	(658,155)	(745,255)
Other income (expenses)		
Interest expense	(1,382)	(1,281)
Interest income	4,299	24,455
	2,917	23,174
Net loss and comprehensive loss for the period	(655,238)	(722,081)
Basic and diluted loss per share	\$ (0.01)	\$ (0.01)
Weighted average number of basic and diluted common shares outstanding	107,097,893	81,597,893

Urodynamix Technologies Ltd.

Statement of shareholders' equity

Quarter ended March 31, 2009 and 2008

(Unaudited - prepared by management)

	Common shares		Contributed surplus	Total capital and contributed surplus	Deficit	Total shareholders' equity
	<u>Issuable, Issued and outstanding</u>					
	Number	Amount				
		\$	\$	\$	\$	\$
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 issued	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
Net loss	-	-	-	-	(2,705,951)	(2,705,951)
Stock-based compensation	-	-	213,629	213,629	-	213,629
Shares issued for cash pursuant to private placement, net of costs	25,000,000	2,466,260	-	2,466,260	-	2,466,260
Shares issued	250,000	48,750	-	48,750	-	48,750
Balance, December 31, 2008	107,227,893	17,418,263	2,370,019	19,788,282	(17,711,598)	2,076,684
Net loss	-	-	-	-	(655,238)	(655,238)
Stock-based compensation	-	-	52,457	52,457	-	52,457
Balance, March 31, 2009	107,227,893	17,418,263	2,422,476	19,840,739	(18,366,836)	1,473,903

Urodynamix Technologies Ltd.

Balance sheet

(Unaudited - prepared by management)

	March 31, 2009	December 31, 2008
	\$	\$
Assets		
Current assets		
Cash and cash equivalents (Note 5(b))	1,005,641	1,762,794
Restricted cash (Note 5 (c))	500,000	500,000
Accounts receivable	344,297	108,116
Inventory	263,497	78,772
Prepays	86,972	84,107
	<u>2,200,407</u>	<u>2,533,789</u>
Property and equipment	172,028	173,946
	<u>2,372,435</u>	<u>2,707,735</u>
Liabilities		
Current liabilities		
Accounts payable and accruals	688,475	454,867
Deferred revenue (Note 6)	197,031	159,884
Current portion of capital lease obligations (Note 9)	11,129	12,277
	<u>896,635</u>	<u>627,028</u>
Capital lease obligations	1,897	4,023
	<u>898,532</u>	<u>631,051</u>
Shareholders' equity		
Capital stock	17,418,263	17,418,263
Contributed surplus	2,422,476	2,317,064
Deficit	(18,366,836)	(17,658,643)
	<u>1,473,903</u>	<u>2,076,684</u>
	<u>2,372,435</u>	<u>2,707,735</u>

Continuing operations (Note 1)

Commitments (Note 11)

Contingency (Note 12)

Approved by the Directors

"Paul Geyer"

Paul Geyer, Director

"James Heppell"

James Heppell, Director

Urodynamix Technologies Ltd.

Interim statement of cash flows

Quarter ended March 31, 2009 and 2008

(Unaudited - prepared by management)

	Three months ended	
	March 31	
	2009	2008
	\$	\$
Operating activities		
Net loss	(655,238)	(722,081)
Items not involving cash		
Amortization of property and equipment	7,322	7,071
Amortization of deferred revenue	(9,141)	(6,545)
Amortization of tenant inducement	-	(1,570)
Stock-based compensation	52,457	84,927
	(604,600)	(638,198)
Change in non-cash working capital		
Accounts receivable	(236,181)	(70,116)
Inventory	(184,725)	(61,005)
Prepays	(2,865)	11,532
Accounts payable and accruals	233,608	(111,929)
Deferred revenue	46,288	49,490
Cash used in operating activities	(748,475)	(820,226)
Investing activities		
Purchase of property and equipment	(5,404)	(65,701)
Cash used in investing activities	(5,404)	(65,701)
Financing activities		
Repayment of capital lease obligations	(3,274)	(5,188)
Cash provided by financing activities	(3,274)	(5,188)
Net increase (decrease) in cash and cash equivalents	(757,153)	(891,115)
Cash and cash equivalents, beginning of year	1,762,794	3,056,277
Cash and cash equivalents, end of year	1,005,641	2,165,162
Cash and cash equivalents are comprised of		
Cash	155,641	65,162
Cash equivalents	850,000	2,100,000
	1,005,641	2,165,162
Supplemental cash flow information:		
Interest paid	1,382	1,281
Taxes paid	-	-

Urodynamix Technologies Ltd.

Notes to the interim financial statements

For the three months ended March 31, 2009

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 and negative cash flows from operations in every period since inception as it is currently developing technology on a long-term basis with uncertain prospects, and has no significant source of revenue. For the period ended March 31, 2009, the Company incurred an operating loss of \$655,238 (2008 - \$772,081) and negative cash flow from operations of \$748,475 (2008 - \$820,226). As of March 31, 2009 the Company had an accumulated deficit of \$18,366,836.

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 to generate continued financial support in the form of share issuances. The Company plans to issue additional securities to fund the continued development of the technology; however, there can be no assurance that 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, 2008, 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, 2008. 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 3064, *Goodwill and Intangible Assets*.

(a) 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 has adopted the standards as of 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 adoption of the Section did not have a material impact on the financial statements of the Company.

Urodynamix Technologies Ltd.

Notes to the interim financial statements

For the three months ended March 31, 2009

3. Changes in accounting policies (continued)

(b) 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 shares or issue debt (secured, unsecured, convertible and/or other types of available debt instruments).

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:

<i>Financial Assets and Liabilities</i>	March 31, 2009	December 31, 2008
Financial Assets		
Held for trading, measured at fair value		
Cash and cash equivalents	\$ 1,005,641	\$ 1,762,794
Restricted cash	500,000	500,000
Loans and receivables, measured at amortized cost	328,887	108,116
Financial Liabilities		
Other liabilities, measured at amortized cost		
Accounts payable and accrued liabilities	\$ 688,475	\$ 454,867
Capital lease obligations	13,667	16,300

Due to the short term nature of loans and receivables, accounts payable and accrued liabilities their fair value approximates amortized cost. The Company had no held-to-maturity or available-for-sale financial instruments at March 31, 2009 or at December 31, 2008.

Urodynamix Technologies Ltd.

Notes to the interim financial statements

For the three months ended March 31, 2009

5. Financial Instruments (continued)

(b) Cash equivalents

At March 31, 2009, the Company held \$850,000 in guaranteed investment certificates (GIC) returning a variable rate of interest. The weighted average interest rate on the GIC is 1.07% per annum (2008: 3.77% per annum). The GIC has a maturity date of one year and are cashable at any time for face value plus accrued interest.

(c) Restricted cash

Under the terms of the \$2,500,000 financing completed November 5, 2008, \$500,000 of the subscription proceeds were deposited in escrow, to be held by a third party, until the approval by the Company's shareholders of BC Advantage Funds being a control person. In order for the funds to be released to the Company, the TSX Venture Exchange requires that shareholders of the Corporation approve BC Advantage Funds becoming a control person of the Corporation. The Company has covenanted to submit the matter to shareholders for approval at its next AGM, May 28, 2009. The restricted cash balance at March 31, 2009 was \$500,000.

The Company has exposure to the following risks from its use of financial instruments: credit, interest rate, currency and liquidity risk. The Company reviews its risk management framework on a quarterly basis and makes adjustments as necessary.

Credit risk

The Company's financial instruments that are exposed to concentrations of credit risk consist of cash and cash equivalents and accounts receivable. Cash and cash equivalents are in place with a major Canadian financial institution.

The Company provides credit to its customers in the normal course of operations. The Company's credit risk review includes performing credit evaluations of the financial condition of its significant customers. For the period ended March 31, 2009, the Company sold its products through three distributors and as a result its trade receivable balance, at period end, was comprised of amounts due from Laborie Medical Technologies Inc and Medical Measurements Systems B.V.

Foreign currency risk

The Company's financial results are reported in Canadian dollars. The Company's earns revenue and sublicense fees and incurs certain expenses in United States dollars, and as such, is exposed to currency risk due to fluctuations in exchange rates of the Canadian dollar relative to the US dollar. The Company does not undertake significant hedging activities to reduce its exposure to this risk.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company currently settles all of its financial obligations out of cash and cash equivalents. The ability to do so relies on the Company maintaining sufficient cash and cash equivalents in excess of anticipated needs. 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. The Company plans to issue additional securities to fund its operations however there can be no assurance that such funds will be available.

Urodynamix Technologies Ltd.

Notes to the interim financial statements

For the three months ended March 31, 2009

6. Capital stock

(a) *Authorized unlimited number of common shares, without par value*

	March 31, 2009	March 31, 2008
Outstanding, end of period	107,227,893	81,977,893

(b) *Shares held in escrow*

At March 31, 2009, 130,000 (2008 - 130,000) performance based shares were held in escrow. These shares may be released from escrow based on achievement of certain cumulative cash flow criteria. These shares are subject to cancellation on December 1, 2010 if not released from escrow before that date.

(c) *Stock options*

The Company adopted a rolling stock option plan (the "Plan"), approved by the Company's stockholders on June 7, 2006, and subsequently approved by the TSX Venture Exchange, which reserves for issuance under the Plan options to purchase a maximum of 10% of the issued and outstanding shares of the Company. Options granted vest over a minimum period of 18 months and a maximum period of five years, in equal installments on a quarterly, semi-annual or annual basis.

A summary of stock option activity follows:

	Three months ended March 31,			
	2009		2008	
	Options to purchase common shares	Weighted average exercise price	Options to purchase common shares	Weighted average exercise price
Outstanding, beginning of period	7,625,500	\$ 0.17	6,718,500	\$ 0.16
Granted	-	-	626,000	0.23
Cancelled	(412,000)	0.25	-	-
Outstanding, at end of period	7,213,500	\$ 0.16	7,344,500	\$ 0.17
Exercisable, end of period	6,285,417	\$ 0.17	4,774,250	\$ 0.16

During the period ended March 31, 2009, the Company recorded \$52,457 (2008 - \$84,927) of compensation expense related to vested stock options and the amortized portion of stock options granted which have not yet vested. The Company used the Black-Scholes option pricing model to estimate the fair value of the options at each grant date using the following weighted average assumptions:

Urodynamix Technologies Ltd.

Notes to the interim financial statements

For the three months ended March 31, 2009

6. Capital stock (continued)

(d) Contributed surplus

	March 31, 2009	March 31, 2008
	\$	\$
Opening, beginning of period	2,370,019	2,071,463
Stock compensation expense	52,457	84,927
Balance, end of period	<u>2,422,476</u>	<u>2,156,390</u>

7. Deferred Revenue

	<u>Cost</u>	<u>March 31, 2009 Accumulated Amortization</u>	<u>Net Book Value</u>
URO-NIRS distribution agreement (i)	\$ 103,875	\$ 17,750	\$ 86,125
AVID product sublicense (ii)	125,937	61,219	64,718
Suntek Medical Systems (iii)	<u>46,188</u>	<u>-</u>	<u>46,188</u>
	<u>\$ 276,000</u>	<u>\$ 78,972</u>	<u>\$ 197,031</u>
		<u>December 31 2008</u>	
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
URO-NIRS distribution agreement	\$ 103,875	\$ 13,954	\$ 89,919
AVID product sublicense	<u>125,937</u>	<u>55,972</u>	<u>69,965</u>
	<u>\$ 229,812</u>	<u>\$ 69,926</u>	<u>\$ 159,884</u>

- (i) On October 22, 2007, the Company signed a seven-year Distribution Agreement with Laborie Medical Corp. ("Laborie"). The Agreement granted Laborie non-exclusive sales, marketing and distribution rights for the Company's URO-NIRS Bladder Monitor in North America and Europe, and exclusive sales, marketing and distribution rights in South America, the Middle East and Asia.

Pursuant to the Distribution Agreement, Laborie paid the Company an upfront licensing fee of US\$50,000. On March 5, 2008, Laborie 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 the Company'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 the Company 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. Laborie is to provide limited funding of up to US\$300,000 for four individual clinical trials to be carried out by the Company as part of the two companies' effort to develop a marketable product.

Urodynamix Technologies Ltd.

Notes to the interim financial statements

For the three months ended March 31, 2009

- (ii) On May 15, 2006, the Company completed a sublicense agreement with a Japanese company ("the Sublicensee"), in respect to further development and marketing of the previously developed "AVID" technology. Terms of the agreement included an initial

7. Deferred Revenue (continued)

licencing fee of US\$120,000 and ongoing royalty payments at a rate of 5% on the Sublicensee's sales derived from the technology.

- (iii) On March 31, 2009, the Company received \$46,288, representing a 50% deposit, from Suntek Medical Systems. The remaining balance of \$46,288 is due upon receipt of Korean FDA approval and prior to shipment, expected by the Company in the second quarter of fiscal 2009.

8. Concentration of Credit Risk

As of March 31, 2009, the Company had three distributors for its recently developed URO-NIRS technology. For the foreseeable future the majority of the Company's revenues will be derived from its distributors.

9. Related party transactions

During the three months ended March 31, 2009, the Company incurred consulting fees of \$5,613 (2008 - \$34,462) for technical services provided by one director.

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

10. Capital lease obligations

The Company leases certain equipment and software with minimum lease payments as follows:

2009	\$	11,945
2010		1,355
2012		791
2013		-
		<u>14,091</u>
Less: interest at average rate of 12% per annum		<u>(2,962)</u>
		11,129
Less: current portion		<u>(11,129)</u>
	\$	<u>-</u>

11. Commitments

The Company is committed to payments, with respect to an agreement to lease its office premises. Future minimum payments including operating costs required under the lease are as follows:

2009	\$	152,507
2010		206,745
2011		155,059
2012		-
		<u>514,311</u>

Urodynamix Technologies Ltd.

Notes to the interim financial statements

For the three months ended March 31, 2009

12. Contingency

As at March 31, 2009, the Company has \$170,000 accrued for fiscal 2008 bonuses that were earned and accrued in fiscal 2008 but for which payment will only be made when it has been approved by the Company's board of directors.

13. Subsequent Events

On April 28, 2009 the Company announced that it had received approval for a non-refundable financial contribution of up to \$322,000 from the National Research Council of Canada Industrial Research Assistance Program (NRC-IRAP). The funding will be used to accelerate the development and commercialization of the URO NIRS technology that is expected to improve the efficacy of minimally invasive treatments for benign prostatic hypertrophy (BPH).

On May 13, 2009 the Company announced that it had granted 2,000,000 share options to employees. The stock options were offered in conformance with TSX Venture Exchange regulations as incentive compensation and have a term of five years and an exercise price of \$0.11 per share. Following the issuance of these options, the Company has outstanding 107,227,893 common shares and 9,213,500 incentive stock options. The company's Stock Option Plan allows the Board to issue the equivalent of up to 10% of the issued and outstanding share capital of the company on a rolling basis and was approved at the company's last Annual General Meeting held on June 9, 2008.

Urodynamix Technologies Ltd.

Schedule of selling, general and administrative expenses and
research and development expenses,
Quarter ended March 31, 2009 and 2008
(Unaudited - prepared by management)

	Three months ended	
	March 31	
	2009	2008
	\$	\$
General and administrative expenses		
Wages	163,105	195,992
Rent	50,410	20,033
Other	49,536	76,459
Travel	33,639	-
Professional fees	12,528	13,494
Investor relations	1,291	8,174
Consulting	-	14,250
	310,509	328,402
Selling and marketing expenses		
Wages	70,994	-
Travel	22,894	-
Other	18,223	-
	112,111	-
Research and development expenses		
Wages	228,782	195,044
Other	19,770	65,137
Travel	14,518	13,477
Patent related fees	14,659	-
Consulting	10,348	29,397
Trials	-	35,454
Research funding	(11,623)	-
	276,454	338,509

Management's Discussion & Analysis

Urodynamix Technologies Ltd.

For the three months ended March 31, 2009



Management's Discussion and Analysis of Financial Condition and Results of Operations for the Three months ended March 31, 2009

March 31, 2009

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, 2009 as well as the audited financial statements and notes for the year ended December 31, 2008. 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 15, 2008.

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.

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.

Overview

UroDynamix Technologies Ltd. (UroDynamix) is a Canadian medical device company that develops and commercializes non-invasive medical devices based on proprietary applications of near-infrared spectroscopy (NIRS) for the diagnosis of urological diseases and conditions, including:

- Urinary incontinence (UI) and Lower urinary tract symptoms (LUTS)
- Benign prostatic hyperplasia (BPH)
- Prostate cancer
- Erectile dysfunction (ED)
- Intra-abdominal hypertension (IAH) and abdominal compartment syndrome (ACS)

Results of Operations

Quarterly Financial Information

Net Loss

The net loss for the quarter ended March 31, 2009, was \$655,238 or \$0.01 per share as compared with a net loss of \$722,081 or \$0.01 per share for the comparative period in 2008. The decrease in the net loss is primarily the result of \$100,698 of gross margin earned in the period. Operating expenses at \$758,853 were equal to the same period of the prior year with increases in the current period's sales and marketing expenses, to support product introduction, being offset by decreases in research and development and administrative expenses, reflecting the higher level of development and commercialization work completed in the same period of the prior year.

Revenues and Gross Margin

Revenues were \$271,281 for the quarter ended March 31, 2009, compared with \$21,382 for the comparative period in 2008. During the first quarter of 2009, the Company completed its first commercial shipment of the URO NIRS 2000 to its distribution partner Medical Measurement Systems B.V. The initial shipment will be used to introduce the product the European market following its launch at the annual EUA in Stockholm, Sweden in the quarter. Gross margin for the period declined from 63.9%, in the same period of the prior year, to 37.1% reflecting first time production run expenses and lower introductory pricing on the URO NIRS 2000 sales in the current period. Management expects that as sales volumes increase and the sales mix trends towards the sale of consumables that the margin percentage will increase.

General and Administrative Expenses

General and administrative Expenses were \$310,509 for the quarter ended March 31, 2009, compared with \$328,402 for the comparative period in 2008 with increases in rent expense being offset by lower wages, the result of decreased headcount. Lower consulting costs reflect the integration of the investor relations to an in house function compared to the same period last year when the function was performed by contract.

Amounts by major sub-category are as follows:

	<u>2008</u>	<u>2007</u>
Wages	\$ 163,105	\$ 195,992
Rent	50,410	20,033
Other	49,536	76,459
Professional fees	12,528	13,494
Investor Relations	1,291	8,174
Consulting	-	14,250
	<u>\$ 310,509</u>	<u>\$ 328,402</u>

Sales and Marketing Expenses

Sales and marketing were \$112,111 for the quarter ended March 31, 2009, compared with \$Nil for the comparative period in 2008. The Company added business development and internal sales and marketing resources during the second quarter of the prior year to support product introduction and market development activities.

Amounts by major sub-category are as follows:

	<u>2008</u>	<u>2007</u>
Wages	\$ 70,994	-
Travel	22,894	-
Other	18,223	-
	<u>\$ 112,111</u>	<u>\$ -</u>

R&D Expenses

The Company has several NIRS development projects ongoing including:

- Urinary incontinence (UI)
- Lower urinary tract symptoms (LUTS)
- Prostate cancer and benign prostatic hyperplasia (BPH)
- Erectile dysfunction (ED)

R&D Expenses were \$276,454 for the quarter ended March 31, 2009, compared with \$338,509 for the comparative period in 2008. The decrease in current period R&D expenses is primarily attributable to there being no active research trials in the current period compared to the same period last year when the Company was conducting a trial at the University of Calgary for abdominal compartment syndrome (ACS). R&D headcount has increased to ten staff at March 31, 2009 as compared to nine staff at March 31, 2008 with the increase in wages being offset by a decrease in the consulting fees paid to part-time contractors.

Research funding in the first quarter of 2009 at \$11,623, compared to nil for the same period of the prior year, represents the final payment from IRAP for the development of a prostrate sensor.

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

	<u>2008</u>	<u>2007</u>
Wages	\$ 228,782	\$ 195,044
Other	19,770	65,137
Travel	14,518	13,477
Patent related fees	14,659	-
Consulting	10,348	29,397
Trials	-	35,454
Research Funding	<u>(11,623)</u>	<u>-</u>
	<u>\$ 276,454</u>	<u>\$ 338,509</u>

Depreciation and Amortization

Amortization expense relates to the amortization of capital and intangible assets. For the quarter ended March 31, 2009, total amortization expense was \$7,322 compared with \$7,071 for the comparative period in 2008. The increase in amortization is due to the purchase of manufacturing equipment required for the production of the URO-NIRS product.

Related Party Transactions

During the three months ended March 31, 2009, the Company incurred consulting fees of \$5,613 (2008 year - \$34,462) for technical services provided by one director.

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. However, there can be no assurance that such funds can be available on favorable terms, if at all.

As at March 31, 2009, the Company had cash and cash equivalents of \$1,505,641, including \$500,000 of restricted cash, and working capital of \$1,295,160. This compares with cash and cash equivalents of \$2,262,794 and a working capital position of \$1,891,320 at December 31, 2008.

Under the terms of the \$2,500,000 financing completed November 5, 2008, \$500,000 of the subscription proceeds were deposited in escrow, to be held by a third party, until the approval by the Company's shareholders of BC Advantage Funds being a control person. In order for the funds to be released to the Company, the TSX Venture Exchange requires that shareholders of the Corporation

approve BC Advantage Funds becoming a control person of the Corporation. The Company has covenanted to submit the matter to shareholders for approval at its next AGM, May 28, 2009. The restricted cash balance at March 31, 2009 was \$500,000.

Cash used in operating activities was \$748,475 for the three months ended March 31, 2009 compared with \$820,226 for the comparative period in 2008. The decrease in cash used in operations is due primarily to the gross margin generated on sales and changes in working capital resulting from the commercialization and sale of the URO NIRS 2000. While activities in the same period of the prior year were focused on prototype design and assembly, clinical trials and R&D headcount, the focus in the current period was on manufacturing the URO NIRS 2000 and business and market development to support the product introduction and sale.

Accounts receivable increased from \$108,116 at December 31, 2008 to \$344,297 at March 31, 2009 due to the sale of URO NIRS 2000 product. Inventory levels rose from \$78,772 at December 31, 2008 to \$263,497 due to the build-up of URO NIRS 2000 finished product. Prepaid expenses increased slightly to \$86,972 at March 31, 2009 and consist mainly of deposits and prepaid insurance premiums. Accounts payable increased from \$454,867 at December 31, 2008 to \$688,475 at March 31, 2009 due primarily to inventory build costs related to the URO NIRS 2000. Deferred revenue increased from \$159,884 at December 31, 2008 to \$197,031 at March 31, 2009 due to the receipt of \$46,288 from Suntek Systems as a deposit on their order, expected to be shipped in the second quarter of fiscal 2009.

Cash used for investing activities was \$5,404 for the three months ended March 31, 2009, compared with \$65,701 for the comparative period in 2008, and was primarily related to computer equipment and tooling. Investment in tooling and equipment related to the manufacturing of the URO-NIRS 2000 product is now significantly complete.

There was no cash provided by the issuance of new shares during the three months ended March 31, 2009 and March 31, 2008.

Management believes that cash flows from operations and funds on hand will 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. 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 15, 2009 there were 107,227,893 common shares outstanding. There were 7,213,500 common shares reserved for issuance upon the exercise of stock options outstanding under the Company's Stock Option Plan and 130,000 performance shares were held in escrow. The performance 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.

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. 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, 2008, 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, 2008. 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 3064, Goodwill and Intangible Assets.

(a) 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 has adopted 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 adoption of this Section will not have a material impact on the financial statements of the Company.

(b) 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.

Summary of Quarterly Results

The following table sets out selected quarterly information for the quarter ended March 31, 2009 and the previous eight quarters of 2008 and 2007.

Quarter Ended 2009	March 31	June 30	September 30	December 31
	\$	\$	\$	\$
Revenue	271,281	n/a	n/a	n/a
Loss	(655,238)	n/a	n/a	n/a
Loss per common share	(0.01)	n/a	n/a	n/a
Quarter Ended 2008	March 31	June 30	September 30	December 31
	\$	\$	\$	\$
Revenue	21,382	72,871	33,498	61,142
Loss	(722,081)	(846,400)	(723,360)	(1,136,191)
Loss per common share	(0.01)	(0.01)	(0.01)	(0.01)
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)

CORPORATE DATA

MARCH 31, 2009

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DIRECTORS AND OFFICERS

Barry J. Allen	Chairman & Chief Executive Officer
Jonathan Jackson	Chief Financial Officer
Dr. Luya Li	Vice-President, Technology
Greg Gauthier	Vice-President, Business Development
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:	107,227,893
Escrow:	130,000
Options:	7,213,500
Warrants:	Nil

SOLICITOR

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LISTING

TSX Venture Exchange
Trading Symbol: URO.V
CUSIP #: 91727
