

MDX Medical Inc.

Interim Consolidated Financial Statements

Nine months ended September 30, 2005

[Unaudited – prepared by management]

MDX MEDICAL INC.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

The accompanying unaudited financial statements of the Company have been prepared by and are the responsibility of the Company's management.

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

"Kevin Leong"

Kevin Leong
Chief Financial Officer

MDX Medical Inc.
Interim Consolidated Balance Sheets

[Unaudited – prepared by management]

	September 30 2005	December 31 2004
Assets		
Current		
Cash and equivalents	\$ 1,172,470	\$ 171,502
Receivables and prepaids	<u>33,203</u>	<u>48,377</u>
	1,205,673	219,879
Premises and equipment (Note 3)	37,452	57,505
Technology (Note 4)	<u>212,042</u>	<u>104,668</u>
	\$ <u>1,455,167</u>	\$ <u>382,052</u>
Liabilities		
Current		
Payables and accruals	\$ 85,981	\$ 183,627
Deferred Revenue	3,408	-
Current portion of capital lease obligations (Note 6)	<u>5,975</u>	<u>9,825</u>
	95,364	193,452
Capital lease obligations (Note 6)	<u>1,754</u>	<u>6,307</u>
	<u>97,118</u>	<u>199,759</u>
Shareholders' Equity		
Capital stock (Note 7)	8,544,918	7,279,705
Warrants (Note 7)	1,101,000	966,243
Unexercised stock options	198,424	184,208
Contributed Surplus (Note 7)	830,272	290,659
Deficit	<u>(9,316,565)</u>	<u>(8,538,522)</u>
	<u>1,358,049</u>	<u>182,293</u>
	\$ <u>1,455,167</u>	\$ <u>382,052</u>

Continuance of operations (Note 1)

Commitments (Note 10)

On behalf of the Board

"Paul Geyer"
 Director

"James Heppell"
 Director

See accompanying notes to the consolidated financial statements.

MDX Medical Inc.
Interim Consolidated Statements of Operations and Deficit
[Unaudited – prepared by management]

	For the nine months ended September 30		For the fiscal quarter ended September 30	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Revenue	\$ 55,337	\$ -	\$ 432	\$ -
Expenses				
Cost of sales	3,967	-	243	-
Research & development (Page 16)	140,656	659,352	23,916	259,344
General & administrative (page 16)	500,917	799,809	169,521	188,380
Marketing	63,101	68,087	11,757	33,213
Depreciation and amortization	38,491	20,354	15,904	5,907
Interest	1,767	3,802	428	1,002
Stock-based compensation (Note 7)	84,481	127,609	23,186	70,915
Total Expenses	<u>833,380</u>	<u>1,679,013</u>	<u>244,955</u>	<u>558,761</u>
Net loss	\$ <u>778,043</u>	\$ <u>1,679,013</u>	\$ <u>244,523</u>	\$ <u>558,761</u>
Loss per share	\$ <u>0.03</u>	\$ <u>0.13</u>	\$ <u>0.01</u>	\$ <u>0.03</u>
Weighted average number of common shares outstanding	<u>23,230,600</u>	<u>13,284,260</u>	<u>32,491,115</u>	<u>16,143,606</u>
Deficit, beginning of period	\$ 8,538,522	\$ 6,464,460	\$ 9,072,042	\$ 7,584,712
Net loss	<u>778,043</u>	<u>1,679,013</u>	<u>244,523</u>	<u>558,761</u>
Deficit, end of period	\$ <u>9,316,565</u>	\$ <u>8,143,473</u>	\$ <u>9,316,565</u>	\$ <u>8,143,473</u>

See accompanying notes to the consolidated financial statements.

MDX Medical Inc.
Interim Consolidated Statements of Cash Flows
[Unaudited – prepared by management]

	For the nine months ended September 30		For the fiscal quarter ended September 30	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Cash derived from (applied to)				
Operating				
Net loss	\$ (778,043)	\$ (1,679,013)	\$ (244,523)	\$ (558,761)
Depreciation and amortization	38,491	20,354	15,904	5,907
Write-off of technology	-	5,000	-	-
Stock-based compensation (Note 7)	84,481	127,609	23,186	70,915
Change in non-cash operating working capital				
Receivables and prepaids	15,174	(7,852)	5,544	(3,493)
Payables and accruals	(47,646)	(134,101)	(265,066)	(27,619)
Deferred revenue	3,408	-	(432)	-
	<u>(684,135)</u>	<u>(1,668,003)</u>	<u>(465,387)</u>	<u>(513,051)</u>
Financing				
Interest bearing advances	-	(45,234)	-	-
Units issued for cash, net of financing fees	1,819,318	2,227,247	1,548,615	-
Repayment of obligation under capital lease (Note 6)	(8,403)	(7,346)	(1,354)	(2,565)
Subscriptions receivable	-	2,500	-	-
	<u>1,810,915</u>	<u>2,177,167</u>	<u>1,547,261</u>	<u>(2,565)</u>
Investing				
Premises and equipment	-	(23,339)	-	(637)
Technology	(125,812)	(5,000)	(610)	-
	<u>(125,812)</u>	<u>(28,339)</u>	<u>(610)</u>	<u>(637)</u>
Net increase (decrease) in cash	1,000,968	480,825	1,081,264	(516,253)
Cash and equivalents				
Beginning of period	<u>171,502</u>	<u>8,216</u>	<u>91,206</u>	<u>1,005,294</u>
End of period	<u>\$ 1,172,470</u>	<u>\$ 489,041</u>	<u>\$ 1,172,470</u>	<u>\$ 489,041</u>

See accompanying notes to the consolidated financial statements.

MDX Medical Inc.

Notes to the Consolidated Financial Statements

September 30, 2005 and 2004

1. Operations and going concern

MDX Medical Inc. ("the Company") is focused on commercializing medical imaging systems for the diagnosis and treatment of cancer and other life-threatening diseases.

The Company's business strategy is to acquire promising imaging technologies that have reached the "proof of feasibility" or later stages of product development, complete the final stages of commercialization, obtain the required regulatory approvals and pursue strategic marketing partners.

These consolidated 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 can be available on favourable terms, if at all.

2. Summary of significant accounting policies

Basis of presentation

These consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles for interim financial statements and accordingly, certain information and note disclosures normally included in annual financial statements prepared in accordance with Canadian generally accepted accounting principles have been omitted. These financial statements have been prepared using the same accounting policies and methods of application as the audited consolidated financial statements of the Company for the year ended December 31, 2004.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's estimates.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and short term, highly liquid investments that are readily convertible to known amounts of cash within ninety days of deposit.

Premises and equipment

Equipment is recorded at cost less accumulated depreciation. Depreciation is provided for on the declining balance method using the following annual rates:

Office furniture and equipment	20%
Computer and laboratory equipment	30%
Computer software	100%

Leasehold improvements are amortized on the straight-line basis over the term of the lease.

MDX Medical Inc.
Notes to the Consolidated Financial Statements
September 30, 2005 and 2004

2. Summary of significant accounting policies (Continued)

Technology

Intangible assets are recorded at cost. Cost is amortized over the estimated useful life of the asset unless that life is determined to be indefinite. Intangible assets not subject to amortization are tested for impairment on at least an annual basis. If the fair value of the intangible asset is determined to be less than the carrying amount, an impairment loss is recognized in the amount of that difference. Intangible assets subject to amortization are reviewed for impairment in accordance with the provisions applying to long-lived assets.

Product development costs include costs of materials and service contracts incurred by the Company which are directly attributable to the development of the NIRS and AVID technologies. Such costs incurred prior to the establishment of technological and financial feasibility of the product being developed are expensed as incurred. Development costs are capitalized when technological and financial feasibility is established.

To the extent that estimated future cash flows from product development, less estimated future cash outflows, is less than the carrying amount of capitalized development costs, an impairment loss is recognized.

Research costs are expensed as incurred.

Impairment of Long Lived Assets

The Company reviews for the impairment of long lived assets whenever changes in circumstances indicate that the carrying amount of an asset may not be recoverable from expected future cash flows. The assessment of recoverability is made based on projected undiscounted future net cash flows that are directly associated with the asset's use and eventual disposition. The amount of the impairment, if any, is measured as the difference between the carrying value and the fair value of the impaired assets and is presented as an impairment loss in the current period.

Stock option plan

All stock-based awards made to employees and non-employees are measured and recognized using the fair value based method. The Company adopted the fair value based method of accounting for awards issued to employees for the fiscal year beginning January 1, 2003 on a prospective basis. The change in accounting policy in 2003 did not result in any adjustment to the Company's opening deficit balance.

Government assistance

Any government assistance received by the Company is recorded as a reduction to the associated expense or equipment.

Share issue costs

Professional, consulting and regulatory fees as well as other costs directly attributable to financing transactions are deferred as deferred financing costs until the transactions are completed. Share issue costs are charged to capital stock when the related shares are issued. Costs relating to financing transactions that are not completed are charged to operations.

MDX Medical Inc.
Notes to the Consolidated Financial Statements
September 30, 2005 and 2004

2. Summary of significant accounting policies (Continued)

Future income taxes

The Company follows the asset and liability method of the accounting for income taxes. Future income taxes are provided for temporary differences between the tax basis of an asset and liability and its reported amount in the financial statements that will result in taxable or deductible amounts in future periods. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Future tax assets and liabilities are not recorded when it is not likely that the future benefit will not be realized.

Financial instruments

The Company has various financial instruments including cash, receivables, payables and accruals, interest bearing advances and capital leases. It was not practicable to determine the fair value of the advances as there are no specified terms of repayment. The carrying value of all other financial instruments approximates their fair value.

Revenue Recognition

The Company recognizes revenue from the sale of software licenses when persuasive evidence of an arrangement exists, the product has been delivered, collection of the resulting receivable is reasonably assured and the fee is fixed and determinable. The Company relies on contracts and purchase orders as evidence of an arrangement. Delivery is completed when a master copy of the software is shipped to or downloaded by the customer. Management assesses collection based on a number of factors, including past transaction history with the customer and the credit-worthiness of the customer. The Company generally does not request collateral from customers. If the Company determines that collection of a sale is not reasonably assured, it defers the sale and recognizes revenue at the time collection becomes reasonably assured. The Company assesses whether the fee is fixed and determinable at the outset of the arrangement based on the payment terms associated with the transaction.

The Company uses the residual method to allocate the consideration for a software revenue arrangement which includes software and ongoing customer support. Under the residual method the amount of consideration allocated to the delivered item (software) equals the total arrangement consideration less the fair value of the undelivered item (ongoing customer support).

The Company's software products are fully functional upon delivery and implementation and do not require significant modification or alteration.

Revenues related to ongoing customer support and product upgrades are recognized on a straight-line basis over the life of the contract, which is typically 12 months. Product license fees and support and upgrades revenues that have been prepaid but do not yet qualify for recognition under the Company's revenue recognition policy are reflected as deferred revenue on the Company's consolidated balance sheet.

Hardware revenue, net of trade discounts and allowances, is recognized upon shipment when all significant contractual obligations have been satisfied and collection is reasonably assured

MDX Medical Inc.
Notes to the Consolidated Financial Statements
September 30, 2005 and 2004

2. Summary of significant accounting policies (Continued)

Loss per share

Loss per share is calculated using the weighted average number of common shares outstanding. The Company uses the treasury stock method to calculate fully diluted earnings per share. Under this method, all options whose average exercise price is less than or equal to the average share price for the year are assumed to be exercised and all convertible securities are assumed to be converted at the average share price during the period. Also under this standard, certain shares that are considered contingently issuable, such as escrowed shares subject to release based on performance criteria, are excluded from the calculation of weighted average common shares outstanding. Diluted per share amounts are not presented in fiscal 2005 and 2004 as the effect of outstanding options and warrants is anti-dilutive.

3. Premises and equipment

			<u>September 30</u> <u>2005</u>	<u>December 31</u> <u>2004</u>
	<u>Cost</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net</u> <u>Book Value</u>	<u>Net</u> <u>Book Value</u>
Office furniture and equipment	\$ 59,280	\$ 48,906	\$ 10,374	\$ 18,663
Computer equipment and software	40,537	27,916	12,621	16,284
Computer and laboratory equipment under capital lease	48,462	34,005	14,457	18,642
Leasehold improvements	12,316	12,316	-	3,916
	<u>\$ 160,595</u>	<u>\$ 123,143</u>	<u>\$ 37,452</u>	<u>\$ 57,505</u>

4. Technology

			<u>September 30</u> <u>2005</u>	<u>December 31</u> <u>2004</u>
	<u>Cost</u>	<u>Accumulated</u> <u>Amortization</u>	<u>Net</u> <u>Book Value</u>	<u>Net</u> <u>Book Value</u>
AVID System	\$ 110,615	\$ 18,438	\$ 92,177	\$ 99,906
NIRS Technology	119,865	-	119,865	-
	<u>\$ 230,480</u>	<u>\$ 18,438</u>	<u>\$ 212,042</u>	<u>\$ 99,906</u>

The AVID System is an IMRT (Intensity Modulated Radiation Therapy) Dosimetry Verification System, which assists medical physicists with the quality assurance function associated with verification of IMRT patient treatment plans.

The NIRS (Near InfraRed Spectrophotometry) Technology is a non-invasive diagnostic medical device that will be used for the diagnosis and assessment of bladder disease. The terms of the NIRS license agreement with UBC requires MDX to pay an initial license fee of \$100,000 (half of which was paid by the issuance of common shares of the Company (note 7)), a royalty on future revenue, reimbursement of accumulated patent costs, an annual maintenance fee of \$2,000 and milestone payments of up to 1,000,000 shares of MDX related to regulatory approvals and sales targets.

MDX Medical Inc.
Notes to the Consolidated Financial Statements
September 30, 2005 and 2004

5. Interest bearing advances

In respect of loans received in 2003, the Company issued 14,845 bonus share warrants to a director and unrelated parties on February 2, 2004. These warrants were exercisable for one common share of the Company at \$0.28 for a period of two years. The warrants have been recorded as a financing cost at an estimate of their fair value of \$2,600 on the date of their issuance (Note 7).

The fair value of these warrants has been estimated using the Black-Scholes option pricing model using the following assumptions: a risk-free interest rate of 2.60%, a dividend yield of 0%, an expected volatility of 129% and expected warrant life of two years.

6. Capital lease obligations

The Company leases computers and office equipment with minimum lease payments as follows:

2005	\$	1,781
2006		5,939
2007		<u>1,136</u>
		8,856
Less: interest at 20%		<u>1,127</u>
		7,729
Less: current portion		<u>5,975</u>
	\$	<u>1,754</u>

MDX Medical Inc.
Notes to the Consolidated Financial Statements
September 30, 2005 and 2004

7. Capital stock

	<u>Common Shares</u>		<u>Warrants</u>	
	<u>Number</u>	<u>Amount</u>	<u>Number</u>	<u>Amount</u>
Authorized:				
50,000,000 common shares without par value				
Issued:				
Balance, December 31, 2003	8,269,818	\$ 5,751,741	5,232,437	\$ 401,385
(a) Issued for cash pursuant to a short form offering (net of costs of \$176,452)	3,333,334	583,448	1,666,667	150,100
Issued as agent's warrants	-	-	500,000	45,000
Issued as corporate finance fee	200,000	36,000	100,000	9,000
(b) Issued for cash pursuant to a private Placement (net of costs of \$30,259)	4,053,333	848,820	4,053,333	393,507
Issued as corporate finance fee	212,121	44,421	212,121	20,593
Issued on exercise of warrants	25,000	4,692	(25,000)	(942)
Issued on exercise of options	68,750	10,583	-	-
Issued as bonus for loans	-	-	14,845	2,600
Expiration of warrants	-	-	(128,000)	(55,000)
Balance, December 31, 2004	16,162,356	\$ 7,279,705	11,626,403	\$ 966,243
(c) Issued for cash pursuant to a private Placement (net of costs of \$12,947)	3,707,000	166,978	3,707,000	98,100
(d) Issued for cash pursuant to a private Placement (net of costs of \$184,410)	23,000,000	1,033,947	23,000,000	479,834
Issued as agent's warrants	-	-	1,291,000	26,933
Issued as corporate finance fee	107,000	5,668	107,000	2,233
Issued as partial consideration for initial license fee to UBC (Note 4)	714,286	50,000	-	-
Issued on exercise of options	56,250	10,495	-	-
Cancellation of escrow shares	(37,500)	(1,875)	-	-
Expiration of warrants	-	-	(6,687,104)	(472,343)
Balance, September 30, 2005	43,709,392	\$ 8,544,918	33,044,299	\$ 1,101,000

- (a) On January 30, 2004 the Company completed a short form offering of 3,333,334 units at \$0.30 per unit. Each unit consisted of one common share and one-half non-transferable share purchase warrant. One whole warrant entitles the holder to acquire an additional common share at \$0.45 until July 29, 2005.

The agent in the short form offering received a 10% cash commission, a \$7,500 administration fee and a corporate finance fee of 200,000 units having the same terms as the units offered. The agent also received an agent's warrant to purchase 500,000 additional shares at \$0.30 per share.

- (b) On June 4, 2004 the Company issued 4,053,333 units at \$ 0.33 per unit pursuant to a private placement. Each unit consisted of one common share and one non-transferable share purchase warrant. One warrant is exercisable for an additional common share at an exercise price of \$0.45 in the first year and \$0.55 during the second year of the term.

A \$ 5,000 administration fee and 212,121 units representing a finder's fee were paid in connection with this private placement. The Company also incurred costs related to this private placement of \$25,259.

- (c) On March 11, 2005, the Company issued 3,707,000 units at \$ 0.075 per unit pursuant to a non-brokered private placement. Each unit consisted of one common share and one non-transferable share purchase warrant. One warrant is exercisable for an additional common share at an exercise price of \$0.10 for a period of two years from the date of closing.

MDX Medical Inc.
Notes to the Consolidated Financial Statements
September 30, 2005 and 2004

7. Capital stock (Continued)

- (d) On August 12, 2005, the Company issued 23,000,000 units at \$ 0.075 per unit pursuant to a brokered private placement. Each unit consisted of one common share and one non-transferable share purchase warrant. One warrant is exercisable for an additional common share at an exercise price of \$0.125 per share in the first year and \$0.20 per share in the second year. MDX may give notice that the exercise period of the warrants will be reduced to 30 days if (i) any time during the first year, excluding the hold period, the Company's daily weighted average trading price exceeds \$0.20 per share for 20 consecutive trading days and the average daily volume of trading exceeds 150,000 shares during that 20 day period; or (ii) any time during the second year the Company's daily weighted average trading price exceeds \$0.30 per share for 20 consecutive trading days and the average daily volume exceeds 100,000 shares during that 20 day period.

The agents received an 8% cash commission on the gross proceeds of the offering (commission rate was reduced for certain purchasers). The agents also received a \$15,000 corporate finance fee, one-half of which was paid through the issuance of 107,000 units. In addition, the agents were issued 1,291,000 agents' warrants entitling the holder to purchase one common share of MDX at a price of \$0.075 per share during the first year and \$0.08625 per share during the second year.

The proceeds from units issued have been allocated to the shares and warrants on the basis of their estimated relative fair values. The fair values of the shares and warrants issued have been estimated using the Black-Scholes option pricing model using the following assumptions:

	<u>2005</u>	<u>2004</u>
Risk-free rate of return	3.01%	2.60%
Dividend yield	Nil	Nil
Expected volatility	115%	129%
Expected warrant life	2 years	2 years

The costs of issuing units have been allocated entirely to the shares issued.

Shares held in escrow

At September 30, 2005, 130,000 (2004: 167,500) performance-based shares are held in escrow. These shares may be released from escrow based on achievement of cumulative cashflow criteria. These shares are subject to cancellation on December 1, 2010 if not released from escrow before that date.

Stock options

The Company adopted a stock option plan (the "Plan"), approved by the Company's stockholders on June 10, 2005, which reserves for issuance under the Plan options to purchase 3,985,121 common shares.

A summary of stock option activity during the nine months ended September 30, 2005 is as follows:

	<u>2005</u>
Outstanding, beginning of year	2,095,500
Granted	-
Exercised	(56,250)
Cancelled	<u>(686,750)</u>
Outstanding, end of period	<u>1,352,500</u>

MDX Medical Inc.
Notes to the Consolidated Financial Statements
September 30, 2005 and 2004

7. Capital stock (Continued)

The following table summarizes stock options outstanding and exercisable at September 30, 2005:

<u>Number Outstanding</u>	<u>Average Remaining Contractual Life (In Years)</u>	<u>Weighted Average Exercise Price Per Share</u>
550,000	2.6	\$0.10
137,500	3.0	0.26
425,000	3.5	0.30
7,500	3.8	0.31
<u>232,500</u>	<u>4.0</u>	<u>0.19</u>
<u>1,352,500</u>	<u>3.2</u>	<u>\$0.19</u>
 <u>Number Exercisable</u>	 <u>Average Remaining Contractual Life (In Years)</u>	 <u>Weighted Average Exercise Price Per Share</u>
 <u>1,136,250</u>	 <u>3.1</u>	 <u>\$0.19</u>

During the nine months ended September 30, 2005, the Company recorded \$84,481 (2004 – \$127,609) of compensation expense related to the vested stock options granted to employees and consultants. 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:

	<u>2005</u>
Risk-free rate of return	3.85%
Dividend yield	Nil
Expected volatility	126%
Expected option life	5 years

MDX Medical Inc.
Notes to the Consolidated Financial Statements
September 30, 2005 and 2004

7. Capital stock (Continued)

Warrants

A summary of share warrant activity during the nine months ended September 30, 2005 is as follows:

	<u>2005</u>
Outstanding, beginning of year	11,626,403
Issued	28,105,000
Exercised	-
Expired	<u>(6,687,104)</u>
Outstanding, end of period	<u>33,044,299</u>

The following table summarizes information concerning warrants outstanding and exercisable at September 30, 2005:

Number Outstanding and Exercisable	Average Remaining Contractual Life (In Years)	Weighted Average Exercise Price Per Share
390,500	0.1	0.40
268,500	0.2	0.40
14,845	0.2	0.28
4,265,454	0.7	0.55
3,707,000	1.4	0.10
23,107,000	1.9	0.15
<u>1,291,000</u>	<u>1.9</u>	<u>0.15</u>
<u>33,044,299</u>	<u>1.6</u>	<u>\$0.20</u>

Contributed Surplus

Balance, December 31, 2003	\$ 199,880
Options cancelled	35,779
Expiration of warrants	<u>55,000</u>
Balance, December 31, 2004	290,659
Options cancelled	65,395
Escrow shares cancelled	1,875
Expiration of warrants	<u>472,343</u>
Balance, September 30, 2005	<u>\$ 830,272</u>

MDX Medical Inc.
Notes to the Consolidated Financial Statements
September 30, 2005 and 2004

8. Income taxes

Income tax expense recorded in these consolidated financial statements differs from the amount that would be computed by applying federal and provincial statutory income tax rates to loss before income taxes.

	<u>September</u> <u>30</u> <u>2005</u>	<u>December 31</u> <u>2004</u>
Loss before income taxes	\$ (788,043)	\$ (2,074,062)
Expected tax recovery at combined federal and provincial rates of 35.62% (2004: 35.62%)	\$ (280,701)	\$ (738,781)
Stock-based compensation	30,092	61,826
Financing fees	(15,519)	(22,004)
Other	10,717	7,406
Change in valuation allowance	<u>255,411</u>	<u>691,553</u>
Income tax provision	\$ <u>Nil</u>	\$ <u>Nil</u>

Future income tax assets consists of the following temporary differences:

	<u>September</u> <u>30</u> <u>2005</u>	<u>December 31</u> <u>2004</u>
Loss carry forwards	\$ 1,595,000	\$ 1,354,000
Capital assets	202,000	233,000
Financing fees	127,000	72,000
Other	145,000	100,000
Valuation allowance	<u>(2,069,000)</u>	<u>(1,759,000)</u>
	\$ <u>Nil</u>	\$ <u>Nil</u>

The Company has operating losses totalling \$4,476,000 available to offset future taxable income. These operating losses expire as follows:

2006	\$ 110,000
2007	152,000
2008	317,000
2009	315,000
2010	931,000
2011	483,000
2014	1,451,000
2015	<u>717,000</u>
	\$ <u>4,476,000</u>

MDX Medical Inc.

Notes to the Consolidated Financial Statements

September 30, 2005 and 2004

9. Related party transactions

In addition to interest bearing advances referred to in Note 5, the Company had the following transactions with related parties during the periods ended September 30, 2005 and 2004:

- (a) Incurred technological consulting fees of \$nil (2004 - \$10,117) for services provided by a former director (Dr. James Robar). At September 30, 2005, Nil (2004: \$nil) relating to such services is included in payables and accruals.
- (b) Incurred accounting fees of \$nil (2004: \$12,000) for services provided by a former director (Kenneth Phillippe). At September 30, 2005, \$nil (2004: \$nil) relating to such services is included in payables and accruals.
- (c) Incurred consulting fees of \$nil (2004 - \$67,500) related to administrative services due to a company controlled by a former officer and director (Linda Allison). At September 30, 2005, \$nil (2004: \$nil) relating to such services is included in payables and accruals.
- (d) Incurred corporate administrative fees of \$nil (2004: \$17,510) to a company controlled by a former officer (Dianne Szigety). At September 30, 2005, \$nil (2004: \$nil) relating to such services is included in payables and accruals.
- (e) Incurred consulting fees of \$105,300 (2004: \$48,200) for services provided by a company controlled by a director (Barry Allen). At September 30, 2005, \$nil (2004: Nil) relating to such services is included in payables and accruals.

These related party transactions were recorded at the exchange amount, which is the amount established and agreed to between the related parties. On a continuing basis, the Company expects to incur related party fees for services provided by Barry Allen only.

10. Commitments

The Company leases its premises and has entered into operating leases on equipment until 2005. Minimum future rent payable for premises and equipment is as follows:

	<u>Basic Rent</u>	<u>Equipment</u>
2005	\$ -	\$ 1,593
2006	32,364	-
2007	39,556	-
2008	43,152	-
2009	39,556	-
2010	35,960	-

MDX Medical Inc.

Nine months ended September 30, 2005 and 2004

Schedules of Research and Development Expenses

	<u>2005</u>	<u>2004</u>
Wages	\$ 97,174	\$ 345,752
Consulting	40,764	279,385
Other	<u>2,178</u>	<u>34,215</u>
	<u>\$ 140,656</u>	<u>\$ 659,352</u>

Schedules of General and Administrative Expenses

	<u>2005</u>	<u>2004</u>
Wages	\$ 208,354	\$ 239,536
Consulting	116,320	116,680
Professional fees	30,845	93,373
Investor relations	23,384	154,025
Other	<u>122,014</u>	<u>196,195</u>
	<u>\$ 500,917</u>	<u>\$ 799,809</u>

MDX MEDICAL INC.

Management's Discussion and Analysis of Financial Condition and Results of Operations for the Nine months Ended September 30, 2005

September 30, 2005

The following discussion and analysis should be read in conjunction with the unaudited financial statements and notes for the nine months ended September 30, 2005 accompanying this report. All financial information is prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") and is expressed in Canadian dollars. The interim unaudited consolidated financial statements for the three month period and nine month period ended September 30, 2005 have not been reviewed by the Company's auditor.

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.

Overview

MDX Medical Inc. is a medical technology company located in Vancouver, British Columbia and listed on the TSX Venture Exchange (symbol: MDX). MDX Medical Inc.'s focus is on the commercialization of novel, innovative and leading edge medical device technologies for improved diagnosis and treatment of prominent health disorders. The Company's business strategy is to acquire and commercialize high potential technologies that have reached the "proof of feasibility" or later stages of product development.

The Company currently has two technologies in its portfolio at different stages of commercialization.

AVID System

The Company completed the development of its first medical technology in early 2005, the AVID (Advanced Verification of Integral Dose) Dosimetry Verification System ("AVID System"), which is used by medical physicists in the quality assurance and verification of patient treatment plans for IMRT (Intensity Modulated Radiation Therapy). IMRT "shapes" the radiation beam in three dimensions so that it conforms precisely to the shape of the diseased tissue and also modulates the beam intensity to deliver a lethal dose to the target tissue, while minimizing damage to surrounding healthy tissues. A product such as AVID is required to perform the necessary step of verifying the accuracy and efficacy of the proposed treatments plan prior to delivery to the patients.

The AVID System consists of two components: the AVID Phantom and the AVID Image Analysis Software. The AVID Phantom is a medical device constructed of special "tissue-equivalent" materials that mimic the radiation absorption and scattering properties of human tissues. The AVID Phantom will be used to serve as a "proxy" for a patient by recording the proposed radiation treatment plan prior to treating a patient with IMRT. The phantom contains an array of films or other radiation detection devices that can record detailed information on the radiation dose and distribution delivered by the proposed IMRT treatment plan. The information from the films or other radiation detectors, as well as information from the IMRT treatment planning software, is then transferred to the AVID Image Analysis Software. Medical physicists analyze this information to determine if the actual radiation delivered matches the proposed patient treatment plan.

The AVID Phantom is a “universal” phantom that can be used for radiation dosimetry verifications for most anatomical sites in the body.

The AVID Image Analysis software provides image visualization and analysis tools to allow medical physicists to interpret the information on the films or from other radiation detectors that were used in the AVID Phantom, including conducting a variety of mathematical analyses on this dosimetry information. The software performs a variety of image processing functions that permit the medical physicist to identify and measure differences between the proposed patient treatment plan and the actual radiation delivered to the phantom. This dosimetry information is used by the medical physicist to verify the IMRT treatment plan before treating the patient. Verification of treatment plans is a required procedure prior to treating patients with IMRT.

MDX recorded its first revenue from the commercial sale of AVID products in the second quarter of 2005. The Company will focus its marketing efforts on AVID software and has commenced a telemarketing lead generation program. MDX staff will pursue qualified leads and work through the customer’s purchasing process.

NIRS Urodynamics

In May 2005, the Company completed a definitive License Agreement with The University of British Columbia (UBC) for an innovative diagnostic technology developed at Vancouver General Hospital. The technology currently in development, using near-infrared spectrophotometry (NIRS), provides non-invasive diagnosis of diseases of the bladder and diagnostic testing for patients who experience urinary incontinence (UI) and bladder dysfunction. The terms of the agreement grant MDX Medical exclusive, global rights to develop, manufacture and market the technology.

UI is a widespread condition with severe economic and psychosocial impact. The World Health Organization estimates that the worldwide direct and indirect costs of UI exceeds \$16 billion annually, and affects over 200 million people worldwide. UI most often affects middle-aged women, long-term care residents, and those with spinal cord injuries. The condition is a particular problem in the developing world where childbirth complications leave many women with damaged bladders.

Pressure urodynamics is the current standard of care for diagnosing various bladder diseases. It is a highly invasive procedure which involves simultaneous urethral and rectal catheterization and direct observation of voiding. As a result, the data is compromised by the unnatural setting and urethral catheter interfering with voiding. The direct costs are significant since a technician trained in safe catheterization is required in addition to the urologist.

By comparison MDX’s licensed technology, NIRS urodynamics, is a non-invasive device integrating an external control unit and optical sensor that is placed on the abdomen over the site of the bladder. The painless exam uses energy from light (NIRS) to gather data about bladder health and function. The Company believes that NIRS urodynamics will deliver the same critical data currently measured with the dual catheter procedure. NIRS works by emitting near-infrared light into the tissue, and recording the light received at a detector optode fixed to the skin. Different constituents of tissue, such as oxygen-carrying blood cells, absorb light differently, accordingly the difference can be measured and analyzed to monitor changes in oxygen levels and blood supply which can be analyzed to derive urodynamics.

MDX management believes the NIRS Urodynamics device will be a straightforward, low-cost and non-invasive diagnostic device. If the NIRS Urodynamics device achieves widespread adoption, sales potential could be very significant for several reasons:

- the availability of a non-invasive diagnostic device should significantly decrease the number of patients (up to 60%) who decline invasive urodynamics workup and as the test gains broader acceptance it has the potential to become standard of care for regular diagnosis and monitoring of disease in over 200 million affected worldwide;
- UI can be treated successfully in over 80% of cases, if properly diagnosed.
- bladder conditions are generally age-related, thus the aging “baby-boom’ will increase the population group likely to encounter bladder issues;

- NIRS urodynamics employs broadly accepted, safe, non-invasive and easy to use optical-sensing technology, thus easing the adoption of a new diagnostic device by doctors
- New applications may be created to address unmet clinical needs in obstetrics, pediatrics and long-term care

The first US provisional patent application “Spectrophotometric Technique for Patient Monitoring of Bladder Oxygenation” was filed October 15, 2003. Research and further refinement of the technique, data analysis and development of specialized equipment continued, including human trials, and a second provisional patent application “Methods and Apparatus for Urodynamic Analysis” was filed in Canada and in the United States July 7, 2004. These provisional applications were subsequently combined, along with additional human clinical data, in a PCT application filed October 14, 2004. As research progresses, the Company intends to file additional patent applications to further strengthen the NIRS Urodynamics patent portfolio.

MDX management estimates a period of two years for the various steps necessary prior to commercialization such as completion of product design, clinical trials and FDA approval.

To the extent possible, management endeavors to implement strategies aimed at reducing or mitigating the risks and uncertainties associated with the Company’s business. Operating risks include (i) market acceptance of the Company’s technology and products, (ii) the Company’s ability to obtain and enforce timely patent protection of its technology and products, (iii) the Company’s ability to manufacture its products cost effectively; (iv) the competitive environment and impact of technological change, and (v) the continued availability of capital to finance the Company’s activities.

Critical Accounting Policies and Estimates

The attached consolidated 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 favorable terms; however, there can be no assurance that such funds can be available on favorable terms, if at all.

These consolidated financial statements are prepared in accordance with accounting principles generally accepted in Canada and include the accounts of the Company and its wholly-owned subsidiary, Voyager Innovations Inc.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management’s estimates.

Revenue Recognition

The Company recognizes revenue from the sale of software licenses when persuasive evidence of an arrangement exists, the product has been delivered, collection of the resulting receivable is reasonably assured and the fee is fixed and determinable. The Company relies on contracts and purchase orders as evidence of an arrangement. Delivery is completed when a master copy of the software is shipped to or downloaded by the customer. Management assesses collection based on a number of factors, including past transaction history with the customer and the credit-worthiness of the customer. The Company generally does not request collateral from customers. If the Company determines that collection of a sale is not reasonably assured, it defers the sale and recognizes revenue at the time collection becomes reasonably assured. The Company assesses whether the fee is fixed and determinable at the outset of the arrangement based on the payment terms associated with the transaction.

The Company uses the residual method to allocate the consideration for a software revenue arrangement which includes software and ongoing customer support. Under the residual method the amount of consideration allocated to the delivered item (software) equals the total arrangement consideration less the fair value of the undelivered item (ongoing customer support).

The Company's software products are fully functional upon delivery and implementation and do not require significant modification or alteration.

Revenues related to ongoing customer support and product upgrades are recognized on a straight-line basis over the life of the contract, which is typically 12 months. Product license fees and support and upgrades revenues that have been prepaid but do not yet qualify for recognition under the Company's revenue recognition policy are reflected as deferred revenue on the Company's consolidated balance sheet.

Hardware revenue, net of trade discounts and allowances, is recognized upon shipment when all significant contractual obligations have been satisfied and collection is reasonably assured

Premises and Equipment

Equipment is recorded at cost less accumulated depreciation. Depreciation is provided for on the declining balance method using the following annual rates:

Office furniture and equipment	20%
Computer and laboratory equipment	30%
Computer software	100%

Leasehold improvements are amortized on the straight-line basis over the term of the lease.

Technology

Intangible assets are recorded at cost. Cost is amortized over the estimated useful life of the asset unless that life is determined to be indefinite. Intangible assets not subject to amortization are tested for impairment on at least an annual basis. If the fair value of the intangible asset is determined to be less than the carrying amount, an impairment loss is recognized in the amount of that difference. Intangible assets subject to amortization are reviewed for impairment in accordance with the provisions applying to long-lived assets.

Product development costs include costs of materials and service contracts incurred by the Company which are directly attributable to the development of the NIRS and AVID technologies. Such costs incurred prior to the establishment of technological and financial feasibility of the product being developed are expensed as incurred. Development costs are capitalized when technological and financial feasibility is established.

To the extent that estimated future cash flows from product development, less estimated future cash outflows, is less than the carrying amount of capitalized development costs, an impairment loss is recognized.

Research costs are expensed as incurred.

Impairment of Long lived assets

The Company reviews for the impairment of long lived assets whenever changes in circumstances indicate that the carrying amount of an asset may not be recoverable from expected future cash flows. The assessment of recoverability is made based on projected undiscounted future net cash flows that are directly associated with the asset's use and eventual disposition. The amount of the impairment, if any, is measured as the difference between the carrying value and the fair value of the impaired assets and is presented as an impairment loss in the current period.

Stock option plan

All stock-based awards made to employees and non-employees are measured and recognized using the fair value based method. The Company adopted the fair value based method of accounting for awards issued to employees for the fiscal year beginning January 1, 2003 on a prospective basis. The change in accounting policy in 2003 did not result in any adjustment to the Company's opening deficit balance.

Government assistance

Any government assistance received by the Company is recorded as a reduction to the associated expense or capital amount.

Share issue costs

Professional, consulting and regulatory fees as well as other costs directly attributable to financing transactions are deferred until the transactions are completed. Share issue costs are charged to capital stock when the related shares are issued. Costs relating to financing transactions that are not completed are charged to operations.

Future income taxes

The Company follows the asset and liability method of the accounting for income taxes. Future income taxes are provided for temporary differences between the tax basis of an asset and liability and its reported amount in the financial statements that will result in taxable or deductible amounts in future periods. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Future tax assets and liabilities are not recorded when it is not likely that the future benefit will not be realized.

Financial instruments

The Company has various financial instruments including cash, receivables, payables and accruals, interest bearing advances and capital leases. It was not practicable to determine the fair value of the advances as there are no specified terms of repayment. The carrying value of all other financial instruments approximates their fair value.

Loss per share

Loss per share is calculated using the weighted average number of common shares outstanding. The Company uses the treasury stock method to calculate fully diluted earnings per share. Under this method, all options whose average exercise price is less than or equal to the average share price for the year are assumed to be exercised and all convertible securities are assumed to be converted at the average share price during the period. Also under this standard, certain shares that are considered contingently issuable, such as escrowed shares subject to release based on performance criteria, are excluded from the calculation of weighted average common shares outstanding. Diluted per share amounts are not presented in fiscal 2003 and 2004 as the effect of outstanding options and warrants is anti-dilutive.

Outstanding Share Data

The authorized share capital of MDX Medical Inc. is unlimited. At September 30, 2005 there were 43,709,392 shares outstanding (December 31, 2004: 16,162,356). There are 33,044,299 common shares reserved for issuance upon the exercise of common share purchase warrants (December 31, 2004: 11,626,403) and 1,352,500 common shares reserved for issuance upon the exercise of stock options currently outstanding under the Stock Option Plan (December 31, 2004: 2,095,500). Also at September 30, 2005, 130,000 (December 31, 2004: 167,500) performance shares are held in escrow. These shares may be released from escrow on the approval of the achievement of cumulative cashflow criteria and are subject to cancellation on December 1, 2010 if not released from escrow before that date.

Results of Operations

Net Loss

The consolidated net loss for the nine months ended September 30, 2005, was \$778,043 or \$0.03 per share as compared with a net loss of \$1,679,013 or \$0.13 per share for the comparative period in 2004.

Revenues

MDX recorded its first revenue from the commercial sale of AVID products in 2005. Revenue for the nine months ended September 30, 2005, was \$55,337. Revenue for the three months ended September 30, 2005 was \$432 which represented recognition of deferred AVID software maintenance revenue. The AVID product line is sold as a fully integrated system of hardware and software or separately as an AVID software license or as AVID phantom hardware. Cost of goods sold includes manufacturing and shipping costs for the AVID hardware. The cost of goods for sales of the AVID software license is nominal as the software is either downloaded or mailed on a CD to the customer. Gross margin for sales of the AVID product line will vary widely depending on the mix of AVID products sold.

R&D Expenses

R&D Expenses were \$140,656 for the nine months ended September 30, 2005, compared with \$659,352 for the comparative period in 2004. The decrease from the comparative period is due to AVID System development being completed in early 2005. Specifically, decreases related to less headcount and minimal consulting fees for engineering design and technical expertise.

The Company expects that AVID R&D expenditures will be reduced substantially as the Company focuses its efforts on the sales and marketing of the AVID product line.

R&D expenditures will increase in the third quarter of 2005 as development of the Company's recently licensed technology, NIRS for bladder use, is started. The estimated time for development of this project is approximately two years.

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

	<u>September</u> <u>30</u> <u>2005</u>	<u>September</u> <u>30</u> <u>2004</u>
Wages	\$ 97,174	\$ 345,752
Consulting and Prototyping	40,764	279,385
Other	<u>2,178</u>	<u>34,215</u>
	<u>\$ 140,656</u>	<u>\$ 659,352</u>

General and Corporate Administrative Expenses

General and Administrative Expenses were \$500,917 for the nine months ended September 30, 2005, compared with \$799,809 for the comparative period in 2004. The decrease is largely due to reduced spending on investor relations and professional fees.

Amounts by major sub-category are as follows:

	<u>September 30</u> <u>2005</u>	<u>September</u> <u>30</u> <u>2004</u>
Wages	\$ 208,354	\$ 239,536
Consulting	116,320	116,680
Investor Relations	30,845	93,373
Professional fees	23,384	154,025
Other	<u>122,014</u>	<u>196,195</u>
	<u>\$ 500,917</u>	<u>\$ 799,809</u>

Marketing Expenses

Marketing expense was \$63,101 for the nine months ended September 30, 2005 compared with \$11,757 for the comparative period in 2004. The increase from 2004 to 2005 reflects expenditures for the marketing launch of the AVID software in the second quarter of 2005. The campaign includes costs for consultants, marketing design and production of materials, and customer research.

Depreciation and Amortization

Amortization expense relates to the amortization of capital assets and intellectual property owned by the Company. For the nine months ended September 30, 2005, amortization expense was \$38,491, compared with \$20,354 for the comparative period in 2004. The increase in amortization in 2005 compared to 2004 reflects the commencement of amortization on capitalized technology costs with the commercial launch of the AVID product line.

Related Parties

The Company had the following transactions with related parties during the nine months ended September 30, 2005:

- (a) Incurred technological consulting fees of \$nil (2004 - \$10,117) for services provided by a former director (Dr. James Robar).
- (b) Incurred accounting fees of \$nil (2004: \$12,000) for services provided by a former director (Kenneth Phillippe).
- (c) Incurred consulting fees of \$nil (2004 - \$67,500) related to administrative services due to a Company controlled by a former officer and director (Linda Allison). At September 30, 2005, \$nil (2004: \$nil) relating to such services is included in payables and accruals.
- (d) Incurred corporate administrative fees of \$nil (2004: \$17,510) to a Company controlled by a former officer (Dianne Szigety).
- (e) Incurred consulting fees of \$105,300 (2004: \$48,200) for services provided by a Company controlled by a director of the Company (Barry Allen). At September 30, 2005, \$nil (2004: Nil) relating to such services is included in payables and accruals.

These related party transactions were recorded at the exchange amount which is the amount established and agreed to between the related parties. On a continuing basis, the Company expects to incur related party fees for services provided by Barry Allen only.

Liquidity and Capital Resources

Since its inception, MDX Medical Inc. 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 September 30, 2005, the Company had cash and cash equivalents of \$1,172,470,206 and working capital of \$1,110,309. This compares with cash and cash equivalents of \$171,052 and a working capital position of \$26,427 at December 31, 2004.

Cash used in operating activities was \$684,135 for the nine months ended September 30, 2005 compared with \$1,668,003 for the nine months ended September 30, 2004. The decrease in cash used in is due to the significant reduction in R&D expenditures resulting from the completion of the AVID development in early 2005.

Cash used for investing activities was \$125,812 for the nine months ended September 30, 2005 compared with \$28,339 for the comparative period ending September 30, 2004. These expenditures reflect additional capital assets for use in the design, production and testing of the AVID System, payments for fees related to registering patents on the AVID technology and the initial cash fees for the license of the NIRS for bladder technology. The terms of the NIRS license agreement with UBC requires MDX to pay an initial license fee of \$100,000 (half of which was paid in equity), a royalty on future revenue, reimbursement of accumulated patent costs, an annual maintenance fee of \$2,000 and milestone payments of up to 1,000,000 shares of MDX related to regulatory approvals and sales targets.

Cash provided by the issuance of new shares during the nine months ended September 30, 2005 was \$1,819,318. This represents net proceeds primarily from private placements completed on March 11, 2005 and August 12, 2005. Cash used in financing activities during the nine months ended September 30, 2005 of \$8,403 related to the repayment of obligation under capital leases. Net cash provided by the issuance of new shares during the nine months ended September 30, 2004 was \$2,229,747. Cash used in financing activities during the nine months ended September 30, 2004 of \$52,580 was related to the repayment of interest bearing advances and obligations under capital lease.

The Company believes that cash flows from operations and funds on hand will be insufficient to fund its cash requirements through 2006. 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. The Company has no material commitments.

Contractual Obligations

Premises and Office Equipment

The Company leases its premises and has entered into operating leases on equipment. Minimum future rent payable for premises and equipment is as follows:

2005	1,593
2006	32,364
2007	39,556
2008	43,152
2009	39,556
2010	<u>35,960</u>
	\$ <u>192,181</u>

Financing Risks

History of Losses - The Issuer has been in a net loss position throughout its operating history. The Issuer's limited operating history makes it difficult to evaluate the future financial prospects of its business. There is no assurance that the Issuer will grow or be profitable or that the Issuer will have earnings or significant improvement in its cash flow from operations in the future. The future earnings on and cash flow from operations are dependent on the Issuer's ability to further develop and sell its products and the Issuer's operational expenses. Management expects that the Issuer will continue to have high levels of operating expenses, since the Issuer needs to make significant up-front expenditures for product development, manufacturing and corporate development activities. Management anticipates that the operating losses for the Issuer may continue until such time as the Issuer consistently generates sufficient revenues to support operations.

Need for Additional Financing - The implementation of the Issuer's business plan requires significant capital outlays and operating expenditures over the next several years. There can be no assurance that additional financing will be available to the Issuer when needed, on commercially reasonable terms, or at all. Any inability to obtain additional financing when needed would have a material adverse effect on the Issuer. Further, any additional equity financing may involve substantial dilution to the Issuer's then existing shareholders. Debt financing, if available, may involve onerous obligations, monetary or otherwise. If adequate funds are not available, the Issuer may obtain funds through arrangements with

strategic partners or others who may require the Issuer to relinquish rights to certain technologies, any of which could adversely affect its business, financial condition and results of operations.

Product Risks

Uncertain Demand for Products - Demand for medical device products is dependent on a number of social, political and economic factors that are beyond the control of the Issuer. The healthcare industry is likely to continue to change as the public, government, medical practitioners, and the pharmaceutical industries focus on ways to expand medical coverage while controlling the growth in healthcare costs. While the Issuer believes that demand for medical devices will continue to grow, there is no assurance that such demand will exist or that the Companies products will be purchased to satisfy that demand.

Dependence on Development of New Products - New technological or product developments in the medical devices industry may render the Issuer's products obsolete or reduce their value. The Issuer's future prospects are highly dependent on its ability to develop new products that address new technologies and achieve market acceptance. There can be no assurance that the Issuer will be successful in these efforts.

Summary of Quarterly Results

The following table sets out selected consolidated quarterly information for the nine months ended September 30, 2005 and the previous eight quarters of 2003 and 2002:

Quarter Ended 2005	March 31 \$	September 30 \$	September 30 \$	December 31 \$
Revenue	Nil	54,905	432	n/a
Loss	317,629	215,891	244,523	n/a
Loss per common share	(0.02)	(0.01)	(0.01)	n/a
Quarter Ended 2004	March 31 \$	September 30 \$	September 30 \$	December 31 \$
Revenue	Nil	Nil	Nil	Nil
Loss	591,171	529,081	558,761	395,049
Loss per common share	(0.06)	(0.05)	(0.03)	(0.02)
Quarter Ended 2003	March 31 \$	September 30 \$	September 30 \$	December 31 \$
Revenue	Nil	Nil	Nil	Nil
Loss	101,226	165,291	231,010	435,378
Loss per common share	(0.04)	(0.03)	(0.04)	(0.06)



MDX MEDICAL INC.

CORPORATE DATA

SEPTEMBER 30, 2005

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Vancouver, BC V6C 3B8

DIRECTORS AND OFFICERS

Barry J. Allen	Chairman & Chief Executive Officer
Kevin Leong	Chief Financial Officer, Corporate Secretary
K. Alan Blair	Director
Paul Geyer	Director
James Heppell	Director

CAPITALIZATION

Authorized:	Unlimited
Issued:	43,709,392
Escrow:	130,000
Options:	1,352,500
Warrants:	33,044,299

SOLICITOR

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LISTINGS

TSX Venture Exchange
Trading Symbol: MDX.V
CUSIP #: 552692