
ASSET PURCHASE AGREEMENT

**GOVERNING THE PURCHASE
OF
THE ASSETS OF
URODYNAMIX TECHNOLOGIES LTD.
BY
HEGLN (DALIAN) PHARMACEUTICALS, INC.**

Made the 2nd day of July, 2010

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ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT made the 2nd day of July, 2010

BETWEEN:

URODYNAMIX TECHNOLOGIES LTD., a company
incorporated under the laws of British Columbia, having an address
at Suite 1485, Bentall Centre Two, 555 Burrard Street, Vancouver,
British Columbia

(the “**Vendor**”)

AND:

HEGLN (DALIAN) PHARMACEUTICALS, INC., a company
incorporated under the laws of Dalian, Liaoning Province, the
People’s Republic of China, having an address at Lin Gang Industry
Zone, Chang Xing Island, Dalian, the People’s Republic of China

(the “**Purchaser**”)

PREAMBLE:

- A. The Vendor is the owner of the Purchased Assets as defined in this Agreement.
- B. The Purchaser wishes to purchase from the Vendor, and the Vendor wishes to sell to the Purchaser, the Purchased Assets, and the Vendor and the Purchaser (each a “**Party**” and collectively, the “**Parties**”) wish to complete the other transactions contemplated hereby, upon the terms and conditions set out in this Agreement.

NOW THEREFORE in consideration of the premises, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each of the Parties, and in consideration of the representations, warranties, covenants and agreements herein, the Parties hereby covenant and agree as follows:

1. INTERPRETATION

1.1 Definitions. In this Agreement, the following terms will have the meanings set forth below unless the context clearly requires otherwise:

1.1.1 “Accounts Payable” means all trade and employee or employee-related accounts payable, supplier accounts, licence fees, royalties, notes payable, accrued liabilities, deposits received, and other debts or amounts that are owing by the Vendor whether or not in respect of the Purchased Assets;

1.1.2 “Accounts Receivable” means all trade accounts receivable, supplier accounts, notes receivable, deposits paid, book debts and other debts due or accruing due to the Vendor in respect of the Purchased Assets and the full benefit of all security and collateral therefor, as listed in Schedule 4.1.20;

1.1.3 “**Adverse Event**” means an event about which the Vendor receives or becomes aware of information from any source that reasonably suggests that the marketed Products (a) may have caused or contributed to a death or serious injury, or serious deterioration in the state of health of a patient, or (b) may have malfunctioned in a manner that, if the malfunction were to recur, the Products would likely to cause or contribute to a death, serious injury, or serious deterioration in the state of health of a patient;

1.1.4 “**Affiliate**”, with respect to the relationship between two or more corporations, has the meaning attributed thereto under the *Business Corporations Act* (British Columbia) as of the Execution Date and, with respect to the relationship between two or more Persons any of which is not a corporation, a Person is deemed to be an Affiliate of another Person if one of them is controlled by the other or if both are controlled by the same Person, and “**Affiliated**” has a corresponding meaning;

1.1.5 “**Agreement**” means this asset purchase agreement, including all Schedules to this agreement, as amended, supplemented or restated from time to time;

1.1.6 “**Applicable Law**” means (a) any domestic or foreign statute, law (including all principles of common law and equity and civil law), code, ordinance, rule, regulation, restriction or bylaw (zoning or otherwise); or (b) any judgment, order, writ, injunction, decision, ruling, decree or award of any Governmental Entity, statutory body or self regulatory authority, to the extent only that the same is legally binding on the Person referred to in the context in which the term is used;

1.1.7 “**Assumed Contracts**” has the meaning ascribed thereto in Section 4.1.9;

1.1.8 “**Assumed Liabilities**” has the meaning ascribed thereto in Section 2.4;

1.1.9 “**Benefit Plans**” includes all employee benefit, health, welfare, supplemental unemployment benefit, bonus, incentive, pension or supplemental pension, profit sharing, deferred compensation, retirement compensation, group registered retirement savings, deferred profit sharing, employee profit sharing, savings, retirement or supplemental retirement, mortgage assistance, share compensation, share option, share purchase, share appreciation, phantom share, hospitalization, medical, dental, vision, drug, sick leave, disability, severance, termination pay, salary continuation, vacation, change in control and any other plans, programs, agreements or arrangements or practices, whether written or oral, funded or unfunded, formal or informal, which are, or have previously been, sponsored, maintained or contributed to, or required to be sponsored, maintained or contributed to, by the Vendor, or to which the Vendor is a party, or bound by, or under which the Vendor has any liability or contingent liability, for the Employees and their respective beneficiaries or dependents. For greater certainty, Benefit Plans do not include the Statutory Plans;

1.1.10 “**Books and Records**” means all books, records (including books of account, accounting records and other financial data and information), sales and purchase records, supplier list, price lists and catalogues, advertising material, sales literature, cost and pricing information, production, forecasts, Inventories, Accounts Receivable data, formulae, business, engineering and consulting reports, clinical trial data, research and development information and plans and projections of or relating to the Purchased Assets and all other documents, files, records, correspondence, notes, memoranda, and other data and information, technical, financial or otherwise, which relate (whether exclusively or non-exclusively) to Purchased Assets, including all data and information stored electronically, digitally or on computer related media to the extent the foregoing are maintained with respect to the Purchased Assets;

1.1.11 “**Business**” means the medical device business carried on by the Vendor as of the date of this Agreement, including the research and development, validation and clinical testing, manufacturing, packaging, sales and marketing of medical devices;

1.1.12 “**Business Day**” means any day except Saturday or Sunday or any statutory holiday in the Province of British Columbia;

1.1.13 “**Canadian Securities Authorities**” means the British Columbia Securities Commission, Alberta Securities Commission and any of their successors;

1.1.14 “**Canadian Securities Laws**” means the securities legislation of the provinces of British Columbia and Alberta, as amended from time to time, and the rules, regulations, blanket orders and orders having application to the Vendor and forms made or promulgated under such legislation and the policies, instruments and bulletins of one or more of the Canadian Securities Authorities;

1.1.15 “**Charter Documents**” means the notice of articles, articles, articles of incorporation, articles of amalgamation, memorandum, memorandum of association, articles of association, by-laws, unanimous shareholders agreement or any similar constating document of a corporate entity;

1.1.16 “**Claim**” means any act, omission or state of facts, and any Proceeding, assessment, judgment, settlement or compromise relating thereto, which gives rise to or may give rise to a Loss;

1.1.17 “**Closing**” means the completion of the Transactions contemplated by this Agreement;

1.1.18 “**Closing Date**” means:

- (a) the earlier of: (i) seven Business Days after each of the Closing Consents and Approvals have been obtained by the Vendor and the execution and delivery of the UBC Technology Purchase Agreement; and (ii) August 15, 2010 (Vancouver time), or
- (b) such other day as may be mutually agreed by the Parties;

1.1.19 “**Closing Documents**” means the documents to be delivered by each Party or that each Party is to cause to be delivered pursuant to Sections 7.2 and 7.3, as applicable;

1.1.20 “**Closing Time**” shall be 11 o’clock a.m. (Vancouver time) on the Closing Date;

1.1.21 “**Consents and Approvals**” means any consent, approval, permit, waiver, ruling, authorization, exemption, certificate, acknowledgement, order, judgment, decree, award, writ or any other action or document that is required from any Person including any Governmental Entity (other than the Parties) in connection with the Transactions that are required or necessary in completing the Closing;

1.1.22 “**Contract**” means any agreement, contract, arrangement, lease, licence, purchase order, note, indenture, deed of trust, option or similar instrument or other commitment or obligation in the nature of a contract that pursuant to its terms has not expired, terminated or been fully completed by the parties thereto, whether oral or written, and to which the Vendor is a party and bound by or subject to in connection with the Business or Purchased Assets;

1.1.23 “**Defending Party**” has the meaning ascribed thereto in Section 8.6;

1.1.24 “**Deposit**” has the meaning ascribed thereto in Section 3.3;

1.1.25 “**Dossiers**” means any and all Product registration applications, pricing and reimbursement information, including all master files, supporting files, writings, data, studies and reports, compiled in final form and submitted to relevant regulatory authorities to obtain regulatory approvals for commercial sale of the Product;

1.1.26 “**Employees**” means, collectively, all of the individuals employed by the Vendor, whether former or current, full-time, part-time, seasonal or otherwise, including any employees on an authorized leave of absence (including short-term and long-term disability leaves), and all of the former and current consultants of the Vendor, and “**Employee**” means any one of the Employees;

1.1.27 “**Encumbrances**” includes, whether or not registered or recorded, any and all:

- (a) mortgages, assignments of rent, liens, licences, leases, charges, security interests, hypothecs, and pledges whether fixed or floating against property (whether real, personal, tangible or intangible), or conditional sales contracts or title retention agreements or equipment trusts or financing leases relating thereto, or any subordination to any right or Claim of others in respect thereof;
- (b) Claims, interests and estates against or in property (whether real, personal, tangible or intangible) including easements, encroachments, restrictive covenants, rights-of-way, rights of occupation, servitudes, privileges or other similar rights in property granted to or reserved or taken by any Person;
- (c) any option or other right to acquire any interest in any property; and
- (d) without limiting the generality of the foregoing, any other Claims or encumbrances of whatsoever nature or kind against any assets or property (whether real, personal, tangible or intangible);

1.1.28 “**Environment**” means environment or natural environment as defined in any Environmental Law and includes land (including surface or subsurface soil or strata), sediments, water (including ground and surface water), air (including indoor air), plant and animal life and any other environmental medium or natural resource;

1.1.29 “**Environmental Laws**” means all Applicable Laws in respect of the Environment, health, occupational health and safety and the manufacture, processing, distribution, use, emission, release, destruction, packaging, containment, management, Remediation, importation, handling, transportation, storage, disposal and treatment of Hazardous Materials;

1.1.30 “**Environmental Liabilities**” means any Loss, cost (including costs of Remediation), damages, expense, liability, obligation, or other responsibility resulting from, arising out of, under, consisting of or relating to:

- (a) any breach of Environmental Laws;
- (b) any environmental matters or conditions (including on-site or off-site Hazardous Materials);

- (c) fines, penalties, judgments, awards, settlements, legal or administrative Proceedings, damages, Losses, Claims, demands and response, investigative, remedial, or inspection costs and expenses arising under any Environmental Law or Contract (including the Lease);
- (d) financial responsibility, liability or obligation under any Environmental Law or Contract (including the Lease) for Remediation or Remediation costs (whether or not such Remediation has been required or requested by any Governmental Entity or any other Person); and
- (e) any other compliance, corrective, investigative, or remedial measures required under any Environmental Law or Contract (including the Lease);

1.1.31 “**Equipment Leases**” means all leases of personal property used in the Business to which the Vendor is a party or under which it has rights, all of which are listed in Schedule 4.1.9;

1.1.32 “**Excluded Assets**” has the meaning ascribed thereto in Section 2.3;

1.1.33 “**Excluded Liabilities**” has the meaning ascribed thereto in Section 2.5;

1.1.34 “**Execution Date**” means the date of the execution and delivery of this Agreement by the Parties which shall for both Parties and all purposes be deemed to be the date set out at the beginning of this Agreement;

1.1.35 “**Financial Statements**” means, collectively, (a) the audited financial statements of the Vendor pertaining to the Business for the fiscal years ending December 31, 2008 and December 31, 2009, including the notes thereto, and (b) the unaudited interim financial statements of the Vendor pertaining to the Business from January 1, 2010 through to March 31, 2010, copies of which are attached as Schedule 4.1.18(a);

1.1.36 “**GAAP**” means generally accepted accounting principles as established and revised by the Canadian Institute of Chartered Accountants (or any successor organization) in effect in Canada from time to time;

1.1.37 “**Governmental Entity**” means any domestic or foreign government, whether national, federal, provincial, state, territorial, local, regional, municipal or other political jurisdiction, including any official thereof, and any agency, authority, body, instrumentality, court, tribunal, board, commission, department, council, bureau, stock exchange, arbitrator, arbitration tribunal or other tribunal, or any quasi governmental or other entity, insofar as it exercises a legislative, judicial, regulatory, administrative, expropriation or taxing power or function of or pertaining to government;

1.1.38 “**GST**” means taxes, interest, penalties and fines imposed under Part IX of the *Excise Tax Act* (Canada);

1.1.39 “**Hazardous Materials**” means any contaminants, pollutants, hazardous, corrosive or toxic substances, flammable materials, explosive materials, radioactive materials, microwaves, waste, urea formaldehyde, asbestos materials, hydrocarbon contaminants, noxious substances, moulds, compounds known as chlorobiphenyls, deleterious substances, special wastes, hazardous wastes, dangerous goods or substances and any other substances or materials that are identified or described in, or defined by, any Environmental Law as being substances or materials the storage, manufacture, disposal, handling, import management, processing, production, treatment, generation, use,

transportation or Remediation of which, or release of which into or concentration of which in the Environment, is prohibited, controlled, regulated or licensed by any Governmental Entity or under any Environmental Law;

1.1.40 “**Increased Amount**” has the meaning ascribed thereto in Section 8.12;

1.1.41 “**Indemnatee**” means any Party and its Representatives entitled to indemnification under this Agreement;

1.1.42 “**Indemnitor**” means any Party obligated to provide indemnification under this Agreement;

1.1.43 “**Indemnity Payment**” means any amount of a Loss required to be paid pursuant to Sections 8.1 or 8.2;

1.1.44 “**Insurance Recovery**” has the meaning ascribed thereto in Section 8.9.1;

1.1.45 “**Interim Period**” means the period from and including the Execution Date to and including the Closing Time;

1.1.46 “**Intellectual Property**” means any and all intangible, intellectual, proprietary and industrial properties and property, and all tangible embodiments and derivative works thereof, howsoever created and wherever located, and all applications, continuations, continuations-in-part, divisions, provisionals or any substitute applications, extensions (including any supplemental patent certificate), registrations, reissues, renewals, and restorations relating to any such properties and property rights, and all foreign counterparts of any of the foregoing, and any and all right, title and interest in, to and associated with such properties and property rights now or in the future, anywhere in the world, whether or not registered or registrable, or confidential or non-confidential, including but not limited to:

- (a) Patents, patentable and non-patentable ideas, inventions, innovations, arts, processes, procedures, models, manufactures, developments, use and improvements;
- (b) trademarks, trade names, service marks, slogans, domain names, URLs and logos, including the Trademarks;
- (c) copyrights, moral rights, neighbouring rights, and other rights in works of authorship;
- (d) database rights;
- (e) industrial designs, integrated circuit topographies, integrated circuit topography products, and mask works; and
- (f) applications, blueprints, compositions of matter, formulae, recipes, assays, computer programs and code of all types, methods, concepts, confidential information, data, databases, designs, developments, devices, discoveries, drawings and manuals, prototypes, research, reports, software and software architecture and processes (including algorithms, designs, architecture, specifications, source code and executable code), trade secrets, and all other technologies, works and creations, and all associated documentation and information therein or relating thereto;

1.1.47 “**Intellectual Property Rights**” means all intellectual property rights of any kind whatsoever and wherever located in the Intellectual Property;

1.1.48 “**Inventory**” means all inventories of every kind and nature and wheresoever situated owned by the Vendor and used or to be used exclusively in connection with the Business including all work in progress, raw materials and other stock or trade and packaging, as set out in Schedule 4.1.19;

1.1.49 “**Leased Property**” means all the right, title and interest of the Vendor (as a lessee) in, to and under the subject matter of the Lease;

1.1.50 “**Lease**” means Offer to Sublease dated April, 2008 between the Vendor and RSA Security Inc.;

1.1.51 “**Licensed Intellectual Property**” has the meaning ascribed thereto in Section 4.1.21(a)(ii);

1.1.52 “**Loss**” or “**Losses**” means any and all direct and indirect losses, damages, liabilities, obligations, diminutions in value, prosecutions, claims, demands, fines, penalties, sanctions, Encumbrances, assessments, charges, costs and expenses (including all legal fees and costs on a solicitor and client basis and Taxes thereon, interest, court costs and other professional fees), whether or not involving a Third Party Claim and whether or not absolute or contingent, accrued or unaccrued, due or to become due, liquidated or unliquidated, known or unknown;

1.1.53 “**Machinery and Equipment**” means machinery, equipment (including molds and tooling equipment), automobiles and other vehicles, parts, tools, accessories, office equipment (including computers and computer accessories, all telephone systems, telephones, fax machines, scanners and photocopiers), furniture, furnishings, accessories, supplies and all other tangible personal assets (other than the Inventory) of all kinds used in the Business, including but not limited to those set out in Schedule 1.1.53 (which Schedule shall also set out the gross book value and net book value of the listed Machinery and Equipment), together with any additions thereto arising in the Ordinary Course of the Business during the Interim Period;

1.1.54 “**Notice Period**” has the meaning ascribed thereto in Section 8.5;

1.1.55 “**Ordinary Course**” or “**Ordinary Course of the Business**” means an action taken that is consistent with the past practices of the Person in question and is taken in the ordinary course of the normal day-to-day operations of that Person, whether or not that action is required to be authorized by the board of directors of that Person (or by any Person or group of Persons exercising similar authority);

1.1.56 “**Owned Intellectual Property**” has the meaning ascribed thereto in Section 4.1.21(a)(i);

1.1.57 “**Patents**” means all patents and patent applications, including any continuations, continuations-in-part, divisions, provisionals or any substitute applications, any patent issued with respect to any such patent applications, any reissue, re-examination, renewal or extension (including any supplemental patent certificate) of any such patent, and any confirmation patent or registration patent or patent of addition based on any such patent, and all foreign counterparts of any of the foregoing, including those set out in Schedule 4.1.21(a);

1.1.58 “**Permitted Encumbrance**” means a security agreement granted by the Vendor in favour of the Purchaser, and registered in the British Columbia Personal Property Registry under base registration no. 625809F and registered in the Alberta Personal Property Registry under registration no. 10062321089;

1.1.59 “**Products**” means the AVID technology product line, the URO NIRS 1000, URO NIRS 2000, sensors, controllers, PCB and laser sub-assembly, and any other bladder monitors, devices or goods manufactured in connection with the use of all or some of the Patents, Trademarks, Regulatory Approvals, Technical Information & Know-How, and rights and interest under the University Licence, including Intellectual Property Rights in any of the foregoing;

1.1.60 “**Regulatory Approval**” means any and all approvals, consents, permits, licences, registrations, authorizations, certificates, rulings, agreements, directives, orders, judgements, decrees, awards, writs, variances, registrations, rights, privileges, waivers, exemptions, concessions or franchises issued, granted, conferred or otherwise created by or entered into with any Governmental Entity, including, without limitation, medical, chemical, electronic, mechanical, pricing and reimbursement approvals of any Governmental Entity, whether or not conditional, that are necessary for the manufacturing, importation, marketing, promotion, distribution, sale, use and operation of medical products and devices and related business activities, including the regulatory approvals set out in Schedule 4.1.13;

1.1.61 “**Regulatory Filings**” means all activities relating to the filing for and procurement of Regulatory Approval from the relevant Governmental Entities;

1.1.62 “**Person**” means any individual, firm, corporation, partnership, sole proprietorship, syndicate, joint venture, trust, trustee, unincorporated organization or association, or Governmental Entity, and all pronouns for it have a similar meaning;

1.1.63 “**PRC**” means the People’s Republic of China;

1.1.64 “**Prepaid Expenses**” means all prepaid expenses and deposits relating to the Business which will have a continuing benefit to the Purchaser after the Closing Date;

1.1.65 “**Proceeding**” means any actual civil, criminal, administrative, regulatory, arbitral or investigatory action, arbitration, lawsuit, Claim, demand, inquiry, investigation, hearing, written notice of a violation, proceeding or prosecution including any appeal or application for review at law or in equity or before or by any Governmental Entity and any of the foregoing that to the knowledge of the applicable Party has been threatened regardless of the words used to convey the possibility of any of the foregoing happening;

1.1.66 “**Purchase Price**” has the meaning ascribed thereto in Section 3.1;

1.1.67 “**Purchased Assets**” has the meaning ascribed thereto in Section 2.1;

1.1.68 “**Remediation**” means any remediation or corrective action, including any investigation, cleanup, removal, containment, or other remediation or response actions;

1.1.69 “**Representatives**” means all directors, officers, employees, consultants, independent contractors, lawyers, accountants, investment bankers, professional advisors and other agents and representatives of the Vendor or the Purchaser, as the case may be;

1.1.70 “**Statutory Plans**” means benefit plans that the Vendor is required by the applicable statutes to participate in or contribute to in respect of an Employee, director or officer of the Vendor or any beneficiary or dependent thereof, including the Canada Pension Plan and plans administered pursuant to applicable health, Tax, workplace safety insurance and employment insurance legislation;

1.1.71 “**Tax**” and “**Taxes**” means taxes, duties, fees, premiums, assessments, withholdings, imposts, levies and other charges of any kind whatsoever imposed by any Governmental Entity, including all interest, penalties, fines, additions to tax or other additional amounts imposed in respect thereof (including those levied on, or measured by, or referred to as, income, gross receipts, profits, capital, transfer, land transfer, sales, goods and services, harmonized sales, use, valued-added, excise, stamp, withholding, premium, business, franchising, property, employer health, payroll, employment, health, social services, education and social security taxes, surtaxes, customs duties and import and export taxes, licence, franchise and registration fees, and employment insurance, health insurance and Canada and other government pension plan premiums or contributions);

1.1.72 “**Tax Act**” means the *Income Tax Act* (Canada);

1.1.73 “**Tax Returns**” means all returns, reports, declarations, designations, elections, notices, filings, forms, statements and other documents (whether in tangible, electronic or other form) and including any amendments, schedules, attachments, supplements, appendices and exhibits thereto, made, prepared, filed, or required to be made, prepared or filed with any Governmental Entity with respect to any Taxes;

1.1.74 “**Technical Information & Know-How**” means any information of any nature whatsoever regarding the Product, including but not limited to, the Dossiers, technical data, experimental results, specifications, techniques, pre-clinical and clinical data and results (whether the trials have been completed or are ongoing, and whether the results are interim or final), Adverse Event reports, methods, technology, processes, formulae, and other written materials;

1.1.75 “**Third Party**” has the meaning ascribed thereto in Section 8.11.1;

1.1.76 “**Third Party Claim**” means any Claim asserted against an Indemnitee that is paid or payable to, or claimed by, any person who is not a Party;

1.1.77 “**Trademark**” means the trademarks set out in Schedule 4.1.21(a);

1.1.78 “**Transactions**” means the sale of the Purchased Assets by the Vendor to the Purchaser and the transactions contemplated in Section 2.2, and all matters ancillary thereto, in the manner provided in this Agreement and the UBC Technology Purchase Agreement;

1.1.79 “**TSX-V**” means the TSX Venture Exchange;

1.1.80 “**UBC**” means the University of British Columbia;

1.1.81 “**UBC Technology Purchase Agreement**” has the meaning ascribed thereto in Section 2.2;

1.1.82 “**University Licence**” means, the licence agreement between UBC and the Vendor dated May 30, 2005 as amended September 13, 2005 and July 28, 2005, and may also include, if the Purchaser at its sole discretion elects, the licence agreement between UBC and MDX Medical Inc.

(being the predecessor to the Vendor) executed on or about June 30, 2000 but effective as of June 21, 2000; and

1.1.83 “Vendor’s Core Representations” means those representations and warranties contained in Section 4.1.1 (Incorporation and Status of Vendor), Section 4.1.3 (Due Authorization), Section 4.1.4 (Title to Purchased Assets), Section 4.1.5 (Conflicting Instruments) and Section 4.1.21 (Intellectual Property).

1.2 Schedules. The following are the Schedules attached to and incorporated into this Agreement by reference and all of which are deemed to be a part hereof:

<u>Schedule</u>	<u>Description</u>
Schedule 1.1.53	Machinery and Equipment
Schedule 3.2	Purchase Price Allocation
Schedule 4.1.9	Assumed Contracts
Schedule 4.1.12	Insurance Policies
Schedule 4.1.13	Regulatory Approvals
Schedule 4.1.16	Conduct of Business
Schedule 4.1.18(a)	Financial Statements
Schedule 4.1.18(b)	Adverse Change
Schedule 4.1.19	Inventories
Schedule 4.1.20	Accounts Receivable
Schedule 4.1.21(a)	Intellectual Property
Schedule 4.1.23	Consents and Approvals

1.3 Interpretation. In this Agreement, except as otherwise expressly provided:

- (a) **Convenience of Reference:** The division of this Agreement into articles, sections, subsections and paragraphs and the insertion of headings and any index provided are for convenience of reference only and shall not affect the construction or interpretation of the whole or any part of this Agreement;
- (b) **Gender, Singular and Plural:** Words importing any gender include all genders and words importing the singular include the plural and vice versa, and modifications of this Agreement may be made accordingly as the context requires;
- (c) **Canadian Currency:** All monetary amounts referred to in this Agreement are stated in the lawful currency of Canada unless otherwise indicated herein;
- (d) **Internal References:** A reference to a designated article, section, subsection or paragraph or to a Schedule is a reference to the designated article, section, subsection or paragraph of, or Schedule to, this Agreement;
- (e) **“To the knowledge of”:** Where any representation or warranty is expressed to be given “to the knowledge of” the Vendor or is otherwise expressed to be limited to matters known to the Vendor or of which the Vendor is aware, it means to the actual knowledge of any director, officer or individual in a senior management position of the Vendor (which, for purposes of this provision, shall be deemed to include Barry Allen and Luya Li) who has primary responsibility or shares responsibility for the matters relative to that statement, or the knowledge that any director, officer or

individual in a senior management position of the Vendor should have or should have had or known or been aware of by virtue of his or her position with the Vendor given the responsibility he or she has or has had in his or her capacity as a director, officer or individual in a senior management position of the Vendor;

- (f) **Herein**: The words “herein”, “hereof”, “hereunder” and other similar words refer to this Agreement as a whole, and should not be limited to the particular article, section, subsection, paragraph or Schedule in which those words appear;
- (g) **“Including”**: The words “including” and “includes”, when following any general statement, term or matter, are not to be construed in a manner that limits that general statement, term or matter to the specific statements, items or matters set forth immediately following that word or to similar statements, items or matters, whether or not non-limiting language (like “without limitation” or “but not limited to” or words of similar import) is used with reference thereto, but rather those words are to be construed so that they refer to all other statements, terms or matters that could reasonably fall within the broadest possible scope of that such general statement, term or matter;
- (h) **Arm’s Length**: A Person will be at arm’s length with another Person if those Persons would be considered to deal at arm’s length for purposes of the Tax Act;
- (i) **GAAP**: Any accounting term not otherwise defined in this Agreement has the meaning assigned to it, if any, in accordance with GAAP, as defined herein;
- (j) **Statutory References**: Any reference to a statute includes all regulations made under that statute, and includes all amendments made to the statute and the regulations in force from time to time, and any statute or regulation that supplements or replaces that statute or regulation; and
- (k) **Other Defined Terms**: Any term defined within the text of this Agreement has the meaning given to that term in the text of this Agreement.

2. **PURCHASE AND SALE OF ASSETS AND ASSUMPTION OF LIABILITIES**

2.1 Purchase and Sale. Subject to the terms and conditions of this Agreement, the Vendor shall sell, transfer, assign and convey to the Purchaser and the Purchaser shall purchase from the Vendor, effective as of the Closing Time, all of the Vendor’s right, title and interest in, under and to all of the following assets (collectively, the “**Purchased Assets**”):

- (a) Owned Intellectual Property;
- (b) Regulatory Approvals;
- (c) Technical Information & Know-How, including Intellectual Property Rights therein;
- (d) Licensed Intellectual Property;
- (e) Machinery and Equipment;
- (f) Assumed Contracts;

- (g) Inventories;
- (h) Accounts Receivable;
- (i) Prepaid Expenses; and
- (j) Books and Records.

2.2 UBC Technology Purchase Agreement. As part of the Transactions and at or before the Closing Time, the Vendor shall sign and deliver and shall cause UBC to sign and deliver, and the Purchaser shall sign and deliver or cause its designate to sign and deliver, an assignment agreement (the “**UBC Technology Purchase Agreement**”) among the UBC, the Vendor and the Purchaser (or its designate) in respect of:

- (a) the termination of the University Licence; and
- (b) the assignment by UBC of all of the assets and rights (including, without limitation, Intellectual Property and proprietary property) under the University Licence to the Purchaser or its designate,

at such price and upon such terms and conditions that are acceptable to the Purchaser at its sole discretion.

2.3 Excluded Assets. The Purchased Assets shall not include any property, assets, rights or interest of the Vendor that are not set forth or generally described in Section 2.1, whether real or personal, tangible or intangible, and whether or not used or held for use by the Vendor in carrying on the Business, including, without limitation (collectively, the “**Excluded Assets**”):

- (a) term or time deposits, cash on hand or in banks or other depositories, owned or held by or for the account of the Vendor;
- (b) guaranteed investment certificates, treasury bills and other similar cash items and marketable securities;
- (c) all loans and advances made by or assigned to the Vendor and the full benefit of all security held in connection therewith;
- (d) all insurance policies held by or for the benefit of the Vendor;
- (e) refundable Taxes previously paid by the Vendor and any claim or right of the Vendor to any refund of, or credit with respect to, Taxes, together with any interest thereon;
- (f) all prepaid property taxes and deposits in respect of the Leased Property;
- (g) all Contracts other than the Assumed Contracts;
- (h) the benefit of all Proceedings to which the Vendor is a party;
- (i) the books and records of the Vendor except the Books and Records; and
- (j) cheques and cheque books.

2.4 Assumption of Liabilities. Subject to Closing and to Section 2.5, the Purchaser shall assume, discharge, perform and fulfil all obligations or liabilities of the Vendor under the Assumed Contracts which arise in respect of, and relate to, a period of time after the Closing Time (collectively, the “**Assumed Liabilities**”).

2.5 Excluded Liabilities. The Purchaser shall not assume and shall have no obligation to discharge, perform or fulfil any and all liabilities and obligations, contingent or otherwise, of the Vendor except for the Assumed Liabilities (collectively, the “**Excluded Liabilities**”), including without limitation:

- (a) obligations and liabilities incurred or arising in respect of the period up to and including the Closing Time under the Purchased Assets;
- (b) obligations and liabilities incurred or arising in connection with any business, activity or assets of the Vendor other than the Purchased Assets, whether before or after the Closing Time, including, without limitation:
 - (i) obligations and liabilities of the Vendor with respect to any loan agreement, bond, debenture, promissory note or other instrument evidencing indebtedness for borrowed money to which the Vendor is a party or bound by (including reimbursement obligations with respect to letters of credit, bankers’ acceptances or similar facilities);
 - (ii) any obligations and liabilities for any Taxes of any kind whatsoever of the Vendor;
 - (iii) liabilities or obligations to or in respect of any of the Vendor’s Employees, including, without limitation, (A) all liabilities for salary, wages, bonuses, retention bonuses, commissions, pension contributions, vacation pay, and other compensation relating to employment of any Employees; (B) any termination pay and severance payments resulting from the termination of employment of any Employees; (C) all liabilities for Claims for injury, disability, death or workers’ compensation arising from or related to any Employees; (D) all employment related Claims, penalties and assessments in respect of any Employees; and (E) all obligations and liabilities in respect of, in connection with or arising from any Benefit Plan or Statutory Plan;
 - (iv) all liabilities of the Vendor pertaining to any Proceeding to which the Vendor is a party;
 - (v) all product liabilities, warranty liabilities, and all liabilities in respect of product testing (including pre-clinical and clinical trials, whether completed or ongoing), product returns or allowances, accounts, rebates or reimbursement (under Medicare or other public or private medical or healthcare plans) in respect of products tested, manufactured, marketed, distributed or shipped by the Vendor, and all liabilities in respect of products tested, manufactured, marketed, distributed or shipped by the Vendor or services provided by the Vendor;
 - (vi) any Environmental Liability relating to or arising out of the Business; and

- (vii) all liabilities of the Business to any Affiliate of, or any other party not dealing at arm's length with, the Vendor;
- (c) Accounts Payable; and
- (d) all liabilities of the Vendor for any brokerage commission, finder's fee, consulting or advisory fee or other similar arrangement arising in respect of the Transactions, if any.

3. PURCHASE PRICE AND RELATED MATTERS

3.1 Amount of Purchase Price. The aggregate price (the "**Purchase Price**") payable by the Purchaser to the Vendor for the Purchased Assets and the transactions contemplated under Section 2.2 shall be \$2,100,000. For greater certainty, the Purchase Price:

- (a) shall not include such price that the Purchaser may agree to pay to UBC under the UBC Technology Purchase Agreement; and
- (b) shall include the amount that the Purchaser will pay to UBC on behalf of the Vendor as contemplated by Section 3.4(a), if any.

3.2 Allocation of Purchase Price. The Purchase Price shall be allocated among the Purchased Assets as set forth in Schedule 3.2. The Vendor and the Purchaser agree that the values so attributed to the Purchased Assets are the respective fair market values thereof, and each Party shall report the sale and purchase of the Purchased Assets for all Tax purposes in a manner consistent with such allocation. If any Governmental Entity does not agree with such allocation, the Vendor and the Purchaser shall use their reasonable best efforts and good faith to agree upon a different allocation acceptable to the relevant Governmental Entity and, if the Parties are so able to agree, they shall thereafter amend the allocation and the applicable Tax Returns accordingly; provided, however, that nothing contained herein shall be construed so as to require either Party to commence or participate in any litigation or administrative process challenging the determination so made by any applicable Governmental Entity.

3.3 Deposit. The Vendor hereby acknowledges receipt from the Purchaser of a deposit in the amount of \$211,533.33 (the "**Deposit**") on June 22, 2010, which Deposit shall be dealt with as follows:

- (a) the Deposit shall form part of the Purchase Price if the Transactions complete in accordance with the terms and conditions of this Agreement and the UBC Technology Purchase Agreement, as applicable;
- (b) the Deposit shall be returned to the Purchaser if, on or before the Closing Date:
 - (i) the Vendor fails to obtain the approval of its Board of Directors or shareholders for the Transactions;
 - (ii) the UBC Technology Purchase Agreement is not signed and delivered, and UBC refuses to enter into such other arrangement acceptable to the Purchaser; or

- (iii) TSX-V fails to approve the Transactions contemplated hereby, if such approval is required.

Commencing on the 16th day after the Purchaser delivers a written notice to the Vendor advising the Vendor any of the circumstances under Sections 3.3(b)(i) to 3.3(b)(iii) and requiring the return of the Deposit to the Purchaser, the Deposit shall start to bear interest at a rate of 12% per annum, until the whole amount (together with interest thereon) is fully repaid to the Purchaser, and the Purchaser shall immediately cause the Permitted Encumbrance to be discharged after its receipt of the full amount of the Deposit (together with interest thereon); and

- (c) if the purchase of the Purchased Assets does not proceed for any other reason that is not attributable to the Vendor,
 - (i) this Agreement shall be terminated;
 - (ii) the Purchaser shall immediately cause the Permitted Encumbrance to be discharged; and
 - (iii) the Vendor shall keep the Deposit.

3.4 Payment of Balance of Purchase Price. The Purchaser shall pay and satisfy, or cause to pay and satisfy, the balance of the Purchase Price (other than the Deposit which has been received by the Vendor) by wire transfer of immediately available funds as follows:

- (a) on the Closing Date, the Purchaser shall pay, on behalf of the Vendor, to UBC any amount owing or payable by the Vendor to UBC;
- (b) on the Closing Date, the Purchaser shall pay to Fasken Martineau DuMoulin LLP, in trust, an amount that is equal to:
 - (i) 50% of the Purchase Price (being \$1,050,000), minus
 - (ii) the Deposit (being \$211,533.33), minus
 - (iii) the amount paid by the Purchaser to UBC under Section 3.4(a), if any, minus
 - (iv) all amounts received by the Vendor in respect of the sale of any of the Inventories during the Interim Period (as more particularly described in Section 5.3(a)), minus
 - (v) the aggregate amount of Accounts Receivable collected or received by the Vendor during the Interim Period (as more particularly described in Section 5.5);
- (c) on the Closing Date, the Purchaser shall pay to Borden Ladner Gervais LLP, in trust, 30% of the Purchase Price (being \$630,000) to be held in trust by Borden Ladner Gervais LLP for release to the Vendor (i) after receipt by the Purchaser of the Purchased Assets and (ii) in accordance with the provisions of an escrow agreement to be entered into among the Vendor, the Purchaser and Borden Ladner Gervais LLP; and

- (d) on the Closing Date, the Purchaser shall pay to Borden Ladner Gervais LLP, in trust, the remaining 20% of the Purchase Price (being \$420,000), to be held in trust by Borden Ladner Gervais LLP for release to the Vendor (i) within 10 days following demonstration by the Vendor to the Purchaser of the production methods and related know-how employed in the manufacture, testing, assembly, integration and production of, the Products and the use of the Machinery and Equipment (including the review of the Technical Information & Know-How), such demonstration to occur within 30 days of the Closing Date at time(s) and facility(ies) to be mutually agreed upon by the Vendor and the Purchaser, and (ii) in accordance with the provisions of the escrow agreement referenced in Section 3.4(c).

3.5 Taxes and Elections. The Purchaser shall be liable for and pay to the Vendor or, where permitted by Applicable Law, directly to the appropriate Governmental Entity all property transfer Taxes, provincial sales Taxes, GST or harmonized Taxes, payable in connection with the Transactions. The Vendor shall be liable for all other Taxes payable in connection with the Transactions including any income Taxes payable by the Vendor as a result of the completion of the Transactions. Except as provided for in this Section 3.5, the Vendor shall pay, collect and remit all Taxes relating to the Business whether arise before or after the Closing Time. Each Party will do such acts and things, including making such joint elections and designations, as the other Party may request to accommodate the requesting Party's reasonable tax planning requirements, provided that doing so does not adversely affect the first Party.

4. REPRESENTATIONS AND WARRANTIES

4.1 Representations and Warranties of Vendor. The Vendor hereby makes the representations and warranties set out in this Section 4.1, and hereby confirms that the Purchaser, in entering into this Agreement and the Closing Documents to which it is a party and in completing the Transactions and otherwise performing its obligations under this Agreement and the Closing Documents to which it is a party, is relying upon the representations and warranties given herein by the Vendor notwithstanding any due diligence or other investigations conducted by the Purchaser.

4.1.1 Incorporation and Status of Vendor. The Vendor is a company duly incorporated, organized, subsisting and in good standing under the laws of the Province of British Columbia. The Vendor is duly qualified, licensed and registered to carry on business in the Province of British Columbia and the Province of Alberta, has all requisite power and authority to own or lease the Purchased Assets and to carry on the Business, and has made all necessary filings under all Applicable Laws to which it is subject. No Proceedings have been taken or authorized by the Vendor or by any other Person with respect to the bankruptcy, insolvency, liquidation, dissolution or winding up of the Vendor or with respect to any amalgamation, merger, consolidation, arrangement or reorganization of, or relating to, the Vendor nor, to the knowledge of the Vendor, have any such Proceedings been threatened by any other Person.

4.1.2 Compliance with Canadian Securities Law. The Vendor is a reporting issuer within the meaning of the Canadian Securities Laws. The Vendor is in compliance with all of its material obligations (i) under the Canadian Securities Laws and, the rules and policies of the TSX-V to which it is subject, and (ii) in the filing of any reports, statements, notices or other documents (including the annual information form and press releases) which it is required to file with the Canadian Securities Authorities. The information filed by the Vendor with the Canadian Securities Authorities is true and correct in all material respects and does not contain any untrue statement of a

material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement therein concerning the Vendor not misleading.

4.1.3 Due Authorization. The Vendor has the requisite power, authority and capacity to execute and deliver this Agreement, to sell, assign and transfer the Purchased Assets to the Purchaser as herein contemplated, to perform its other obligations hereunder, and will have the requisite power, authority and capacity to execute and deliver the applicable Closing Documents. The execution and delivery of this Agreement and each of the Closing Documents to which the Vendor is a party when executed and delivered and the completion of the transactions herein and therein contemplated have been duly and validly authorized by all necessary corporate action on behalf of the Vendor. This Agreement has been duly and validly executed and delivered by the Vendor and is a valid and binding obligation of the Vendor enforceable against the Vendor in accordance with its terms. Each of the Closing Documents to which the Vendor is a party will be duly and validly executed and delivered by the Vendor, and will be valid and binding obligations of the Vendor enforceable against the Vendor in accordance with their respective terms.

4.1.4 Title to Purchased Assets. The Vendor is the legal and beneficial owner of all of the Purchased Assets with good and marketable title thereto, free and clear of all Encumbrances other than the Permitted Encumbrance and has the exclusive right to possess and dispose of the Purchased Assets. No Person has, or has any right capable of becoming, any written or oral agreement, option, understanding or commitment for the purchase or other acquisition from the Vendor of the Business or any of the Purchased Assets, other than the purchase of Inventories in the Ordinary Course of the Business. No other Person owns any interest or rights in respect of the Purchased Assets except as otherwise described in this Agreement and except for the Equipment Leases.

4.1.5 Conflicting Instruments. Subject to the Consents and Approvals, neither the execution and delivery of this Agreement or the Closing Documents to which the Vendor is a party, nor the completion of the Transactions or the performance of the Vendor's obligations under this Agreement and the Closing Documents to which the Vendor is a party, will:

- (a) conflict with, or result in the breach or violation of or default under, or cause the acceleration of any obligations of the Vendor under, any of the terms and provisions of (i) any Applicable Law, (ii) the Charter Documents of the Vendor or any resolution of the directors or shareholders of the Vendor; or (iii) any Contract, or of any Regulatory Approval held by the Vendor in respect of the Business and the Purchased Assets or otherwise affecting the Business and the Purchased Assets;
- (b) relieve any other party to any Contract of that party's obligations thereunder or enable it to terminate its obligations thereunder,
- (c) cause the Vendor or the Purchaser to lose any rights under any Assumed Contract or Regulatory Approval; or
- (d) result in the creation of any Encumbrance (other than the Permitted Encumbrance) on any of the Purchased Assets.

4.1.6 Employment Matters.

Neither the Vendor nor any related companies are currently involved in any actual or, to the knowledge of the Vendor, threatened Proceeding (a) in respect of the Benefit Plans or Statutory Plans,

or (b) by an Employee with respect to any matter, including unpaid wages, overtime, salaries, commissions, bonuses, vacation pay, severance or termination pay, sick pay, or any other compensation for services performed by that Employee while employed by the Vendor or the applicable related company, that may result in an Encumbrance on or other Claim against or seizure of all or any part of the Purchased Assets or would otherwise adversely affect the Purchased Assets or would result in the Purchaser becoming liable or responsible for those liabilities.

4.1.7 Real Property. Other than the Lease, the Vendor does not own or have any interest in, nor is the Vendor a party to or bound by or subject to any agreement, contract, commitment or option, respecting any real or immoveable property.

4.1.8 Machinery and Equipment. Except for property subject to an Equipment Lease, the Vendor is the owner of all Machinery and Equipment with good and marketable title thereto free of any Encumbrance other than the Permitted Encumbrance.

4.1.9 Assumed Contracts. Schedule 4.1.9 contains a complete list of all Equipment Leases which will be assumed by the Purchaser from the Vendor (the “**Assumed Contracts**”). Each of the Assumed Contracts is valid, subsisting, in good standing and in full force and effect without amendment except as disclosed in Schedule 4.1.9, and there exists no actual or alleged default on the part of the Vendor or event of default or event, occurrence, condition or act which, with the giving of notice, the lapse of time or the happening of any other event or condition, would become a default or event of default under any Assumed Contract (except for any breach or default which is curable or waivable without cost, expense or damage to the Vendor, monetary, reputational or otherwise) other than any requirements to obtain the Consents and Approvals of the other party to such Assumed Contract to the assignment of such Assumed Contract to the Purchaser as set out in Schedule 4.1.23. The Vendor has performed all obligations required to be performed by it under the Assumed Contracts (including payment obligations) and is entitled to all benefits thereunder. To the knowledge of the Vendor, no other party to any Assumed Contract is in breach or default thereunder. True, correct and complete copies of all Assumed Contracts have been delivered to the Purchaser.

4.1.10 Proceedings. There is no Proceeding (whether or not purportedly on behalf of the Vendor) in progress, pending or, to the Vendor’s knowledge, threatened against or affecting the Business or any of the Purchased Assets, and the Vendor is not aware of any circumstance or state of affairs that would entitle a third party to commence any Proceeding in connection with the Business or any of the Purchased Assets. There is no judgement, decree, injunction, ruling, order or award of any Government Entity outstanding against or affecting the Business or any of the Purchased Assets. No product liability Claims have been asserted or made, and continue to be outstanding, against the Vendor alleging any misrepresentation in or failure to disclose any material fact to, defect in the design, manufacture or materials of, any of the Products.

4.1.11 Location, Condition and Sufficiency of Assets. All Machinery and Equipment and other tangible personal property that form part of the Purchased Assets (a) are in good operating condition and in a state of good repair and maintenance having regard to their age and nature of their use, reasonable wear and tear excepted and are adequate and suitable for the uses to which they are put; and (b) are all located on the Leased Property.

4.1.12 Insurance. The Vendor has had at all times and continues to maintain adequate liability and other forms of insurance with reputable insurers covering the Purchased Assets and protecting the Business in such amounts and against such Losses and Claims as are generally maintained for comparable businesses and properties. Schedule 4.1.12 contains a complete and

accurate listing of all insurance policies relating to the Purchased Assets and the Business including all property damage, general liability, motor vehicle and director and officer liability policies. Each of the Vendor's insurance policies listed in Schedule 4.1.12 is in good standing, all premiums required to be paid have been properly paid as of the Execution Date, there has been no misrepresentation or failure to disclose any material fact to obtain or maintain those insurance policies, and there has been no refusal to renew any of those policies. No threatened or actual Claims against or under any of the insurance policies described in Schedule 4.1.12 has ever been made, and, to the knowledge of the Vendor, there have never been any circumstances where the Vendor could have given notice of any Claim under any of the insurance policies described in Schedule 4.1.12 or any other policies previously taken out for its benefit.

4.1.13 Regulatory Approvals. The Vendor has acquired, currently holds and previously held, all Regulatory Approvals required in connection with the Purchased Assets and the Business. Schedule 4.1.13 contains a complete and accurate list of all Regulatory Approvals currently held by, granted to the Vendor, or issued in favour of the Vendor by any Governmental Entity. All of the Regulatory Approvals held by the Vendor are in good standing, in full force and effect, are being and have been fully complied with in all respects, and no suspension, revocation or cancellation of any Regulatory Approval is pending, or to the knowledge of the Vendor, threatened. The Vendor has not received any notice or other communication from any Governmental Entity regarding any actual or potential violation of, or failure to comply with, the terms or requirements of any Regulatory Approval that remains outstanding or unresolved.

4.1.14 Compliance with Laws. The Vendor is operating and using the Purchased Assets, and conducting the Business and has operated and used the Purchased Assets, and conducted the Business, in full compliance with all Applicable Laws and regulations in each jurisdiction in which any of the Purchased Assets are located or in which it conducts or has conducted the Business.

4.1.15 Environmental Matters.

- (a) **Compliance with Environmental Laws:** The Vendor, in respect of the Business and the Purchased Assets, has been and is in compliance with all applicable Environmental Laws, and no condition exists or event has occurred which, with or without notice or the passage of time or both, would constitute a violation of or give rise to any material liability under any applicable Environmental Laws.
- (b) **Environmental Permits:** The Vendor is not required to hold any Regulatory Approval under Environmental Laws required at any time for the operation of the Business or the use of the Purchased Assets.
- (c) **Hazardous Activity:** The Vendor has not used or permitted to be used any of the Purchased Assets to generate, manufacture, process, distribute, use, treat, store, dispose of, transport or handle any Hazardous Materials.
- (d) **No Proceedings:** There have been no Proceedings commenced or, to the knowledge of the Vendor, threatened, with respect to the Business or any of the Purchased Assets, in respect of or pursuant to any Environmental Law or Contract (including the Lease) or with respect to any Hazardous Materials, nor are there any circumstances or events that have any reasonable prospect of resulting in any such Proceedings.

4.1.16 Conduct of Business in Ordinary Course. Except as disclosed in Schedule 4.1.16 and pursuant to this Agreement, since June 30, 2009, the Vendor has carried on the Business in the Ordinary Course and, without limiting the generality of the foregoing, the Vendor has taken the actions described in Section 5.4(a) and has not taken any of the actions described in Section 5.4(b) or agreed or become bound to do any of such actions.

4.1.17 Tax Matters.

There are no outstanding liabilities for Taxes payable, collectible or remittable by the Vendor, whether assessed or not, which may result in an Encumbrance on or other Claim against or seizure of all or any part of the Purchased Assets or which would otherwise adversely affect the Purchased Assets or would result in the Purchaser becoming liable or responsible for those liabilities. The Vendor has withheld and has duly and timely remitted, or shall duly and timely remit, to the appropriate Governmental Entity all Taxes and other deductions required by Applicable Law to be withheld or deduct from amounts paid or credited by it to or for the account or benefit of any Person, including all Employees, shareholders, directors, officers, independent contractors and non-resident Persons.

4.1.18 Financial Statements.

- (a) **Financial Statements:** The Financial Statements present accurately and fairly the financial condition of the Business and the Purchased Assets as at the date of those statements and the results of operations of the Business and the changes in the financial condition of the Business and the Purchased Assets for the period then ended in accordance with GAAP applied on a basis consistent with that of previous years.
- (b) **No Adverse Change:** Except as set out in Schedule 4.1.18(b), since January 1, 2009, there has been no adverse change in the nature or condition of the Purchased Assets or the Business, nor has there been any development, financial or otherwise, or, to the knowledge of the Vendor, threatened or probable development which adversely affects or is reasonably expected to adversely affect the Purchased Assets or the Business that is not known generally to the Canadian business public and which affects the business community generally or businesses similar to the Business in particular. In addition, except as set out in Schedule 4.1.18(b), since January 1, 2009 the Vendor has not:
 - (i) incurred any liability or obligation (absolute or contingent) except current liabilities incurred in the Ordinary Course of the Business, all of which as to their nature and amount are consistent with the Business as previously carried on within the last 3 years;
 - (ii) discharged or satisfied any Encumbrance or paid any obligation or liability (absolute or contingent) except for current liabilities incurred in the Ordinary Course of the Business and except for regularly scheduled payments of term debt and lease payments;
 - (iii) subjected any of the Purchased Assets to an Encumbrance except for the Permitted Encumbrance;

- (iv) entered into any transaction or into any contracts or agreements or modifications or cancellations thereof that may affect the Purchased Assets other than in the Ordinary Course of the Business;
 - (v) made or approved any capital expenditures or entered into any lease with a capitalized value, in either case in excess of \$30,000, in the aggregate; or
 - (vi) enter into a new line of business or carry on any research, development, clinical trial, marketing and other activities other than the Business.
- (c) **Books and Records:** The records included in the Books and Records fairly and correctly set out and disclose in all respects all transactions and information in respect of the Business and the Purchased Assets.
- (d) **No Debts or Liabilities:** The Vendor does not have any debts or liabilities (whether accrued, contingent, absolute or otherwise and whether or not determined or determinable) relating to or in connection with the Purchased Assets including liabilities which arise hereafter based on events which have occurred up to the Execution Date including, without limitation, liabilities relating to income and other Taxes except:
- (i) liabilities disclosed on, reflected in or provided for in the Financial Statements;
 - (ii) liabilities incurred in the Ordinary Course of the Business; or
 - (iii) other liabilities disclosed in this Agreement.

4.1.19 Inventories. Schedule 4.1.19 contains a complete and accurate list of Inventories as at the Execution Date. The Inventories are maintained in accordance with the Vendor's past practice and are of a quality that is consistent with the requirements of the Vendor's customers during the 12 month period prior to the Execution Date, are merchantable, usable, saleable and fit for the purposes for which they were intended and capable of being processed and sold in the Ordinary Course of the Business.

4.1.20 Accounts Receivable. Schedule 4.1.20 contains a complete and accurate list of Accounts Receivable as at the Execution Date. The Accounts Receivable have arisen in the Ordinary Course of the Business of the Vendor and are *bona fide*, valid and enforceable, and collectible within 90 days, without any set-off or counterclaim.

4.1.21 Intellectual Property.

- (a) **Ownership:** Schedule 4.1.21(a) contains a complete and accurate list and description of:
- (i) for Intellectual Property owned by the Vendor ("**Ow**ned Intellectual Property") and
 - (A) in respect of which the Vendor has obtained a patent or registration or has filed an application for a patent or registration, a description of that Intellectual Property and the particulars of the patent,

registration, patent application or other application in respect thereof, except for the Licensed Intellectual Property disclosed in Schedule 4.1.21(a), including, the expiry date and the registration or application date, number and jurisdiction;

- (B) in respect of which the Vendor has not obtained a patent or registration and has not filed an application for a patent or registration, and which is material to the Business, a description of that Intellectual Property; and
- (ii) all Intellectual Property and Intellectual Property Rights material to the Business that are not owned by the Vendor but which the Vendor has the right to use, or under which the Vendor is granted a right or license, in the conduct of the Business (“**Licensed Intellectual Property**”).

There is no Intellectual Property used by the Vendor in association with, and that is material to, the Business, except Intellectual Property listed in Schedule 4.1.21(a). The Vendor is the sole and exclusive legal and beneficial owner of the Owned Intellectual Property and all Intellectual Property Rights therein free and clear of any rights of any other Persons, and has the sole and exclusive right to use the Owned Intellectual Property in the conduct of the Business. Except as set forth in Schedule 4.1.21(a), the Vendor has not granted any licences for the use of any of the Owned Intellectual Property.

- (b) **Transferability:** All of the Owned Intellectual Property is fully transferable, alienable or licensable by the Vendor without restriction and without payment of any kind to any Person, except as disclosed in Schedule 4.1.21(a).
- (c) **No Misrepresentation:** To the knowledge of the Vendor, there are no facts or circumstances that would render any of the Owned Intellectual Property or any Intellectual Property Rights therein invalid or unenforceable. The Vendor has not misrepresented or failed to disclose any fact or circumstances in any application for any of its rights with respect to the Owned Intellectual Property that would constitute fraud or a misrepresentation with respect to any application or that would otherwise affect the validity or enforceability of any of its rights with respect to the Owned Intellectual Property rights.
- (d) **Adverse Proceedings:** None of the Owned Intellectual Property is subject to any Proceeding or outstanding decree, order, judgment or settlement agreement or stipulation that restricts in any manner the use, transfer or licensing thereof by the Vendor or may affect the validity, use or enforceability of any of the Owned Intellectual Property or the Intellectual Property Rights therein.
- (e) **Other Rights:** There is no Intellectual Property that has been developed or created by any third party (including any Employee or contractor of the Vendor) for the Vendor, whether alone or jointly with the Vendor or any other Person. All software used by the Vendor and its Employees is being used pursuant to valid licences, and the Vendor is not in breach nor has the Vendor failed to perform under any of the foregoing licences (except for any breaches or failures to perform which are curable or waivable without material cost or expense to the Vendor and would not reasonably

be expected to have a negative effect on the reputation associated with the Business) and to the knowledge of the Vendor, no other party to any of the foregoing licences is in breach thereof or has failed to perform thereunder.

- (f) **No Other Owner:** The Vendor has not transferred ownership of, or granted any licence of or right to use, or authorized the retention of any rights to use or joint ownership of, any Intellectual Property that is or was the Vendor's Intellectual Property, to any other person, except as set out in Schedule 4.1.21(a).
- (g) **Other Agreements:** There is no Contract between the Vendor and any other Person (other than this Agreement) whereby the Vendor has agreed to, or assumed, any obligation or duty to warrant, indemnify, reimburse, hold harmless, guarantee or otherwise assume or incur any obligation or liability or provide a right of rescission with respect to the infringement or misappropriation by the Vendor or any other Person of the Intellectual Property Rights of any Person other than the Vendor.
- (h) **Disputed Agreements:** There are no Contracts or correspondence between the Vendor and any other Person with respect to the Vendor's Intellectual Property under which or in connection therewith there is any dispute regarding the scope of any Contract or the performance under that Contract, including with respect to any payments to be made or received by the Vendor thereunder.
- (i) **No Infringement:** To the knowledge of the Vendor, the operation of the Business, including but not limited to the development, testing, use, branding, advertising, promotion, marketing, manufacture and sale of any products, Intellectual Property or services (including products, Intellectual Property or services currently under development) does not infringe or misappropriate any Intellectual Property Rights of any Person, violate any right of any Person (including any right to privacy or publicity) or constitute unfair competition or trade practices under any Applicable Law, and the Vendor has not received notice from any Person claiming that the Business or any act by the Vendor or any of the Vendor's products, services or any of its Intellectual Property (including products, Intellectual Property or services currently under development) infringes or misappropriates any Intellectual Property Rights of any Person or constitutes unfair competition or trade practices under any Applicable Law of any jurisdiction and the Vendor is not aware of any reasonable basis therefor. None of the Vendor's Intellectual Property is subject to any outstanding order, decree or judgment.
- (j) **No Violation:** The Vendor has taken all reasonable steps to ensure that none of the Vendor's products, services, Intellectual Property or material published or distributed by or for the benefit of the Vendor, or any conduct or statement by the Vendor constitutes obscene material, a defamatory statement or material, false advertising or otherwise violates any Applicable Law.
- (k) **Enforceable:** The Owned Intellectual Property and the Intellectual Property Rights therein is in full force and effect and has not been used or enforced or failed to be used or enforced in a manner that would result in the abandonment, cancellation or unenforceability of any of Intellectual Property Rights.

- (l) **No Claims:** There are no Claims of adverse ownership, invalidity or other opposition to or conflict with any of the Owned Intellectual Property nor, to the knowledge of the Vendor, any of the Licensed Intellectual Property. There is no pending or, to knowledge of the Vendor, threatened Proceeding of any nature or kind against the Vendor relating to the Owned Intellectual Property or Licensed Intellectual Property.
- (m) **No Infringement By Others:** To the knowledge of the Vendor, no third party is currently infringing any of the Owned Intellectual Property.
- (n) **No Disclosure:** To the knowledge of the Vendor, no current Employee of the Vendor has disclosed any Intellectual Property of the Vendor to any third party that the Vendor wanted to remain confidential and not disclosed to the public at large. The Vendor has taken all reasonable security measures to protect the secrecy, confidentiality and value of all of its confidential Intellectual Property.

4.1.22 Questionable Payments. To the knowledge of the Vendor, neither the Vendor nor any of its current or former Representatives has, in each case with respect to or relating to the Business, directly or indirectly:

- (a) made any false or fictitious entries in the Books and Records or established or maintained any fund or asset that has not been recorded in the Books and Records, other than unintentional mistakes that would not individually or in the aggregate be material to the Business, the Purchased Assets or the Financial Statements; or
- (b) made or received any illegal payment, bribe, illegal kickback or influence payment or other similar payment prohibited by or in violation of any Applicable Law.

4.1.23 Consents and Approvals. Except for the Consents and Approvals set out in Schedule 4.1.23, there are no consents, approvals, permits, waivers, rulings, authorizations, exemptions, certificates, acknowledgements, orders, judgments, decrees, awards, writs or any other actions or documents of any Person (other than the Parties) that may be required by the Vendor in connection with the execution, delivery or performance by the Vendor of this Agreement or any of the Closing Documents to which it is a party or the completion of the Transactions contemplated herein.

4.1.24 No Broker. No broker, agent or other intermediary has acted or is acting for the Vendor in connection with the this Agreement or the Transactions.

4.1.25 Due Diligence Materials. All copies of Books and Records, Contracts, Regulatory Approvals, Tax Returns of whatever kind and in whatever form (including those stored electronically, digitally or on computer related media) provided by or on behalf of the Vendor to the Purchaser are true copies, accurate and complete in all respects, and do not fail to include any other part or information that is required to not make them untrue or misleading.

4.2 Representations and Warranties of Purchaser. The Purchaser hereby makes the representations and warranties set out in this Section 4.2, and hereby confirms that the Vendor, in entering into this Agreement and the Closing Documents to which it is a party and in completing the Transactions and otherwise performing its obligations under this Agreement and the Closing

Documents to which it is a party, is relying upon the representations and warranties given herein by the Purchaser notwithstanding any due diligence or other investigations conducted by the Vendor.

4.2.1 Incorporation and Status of Purchaser. The Purchaser is a corporation duly incorporated, organized, subsisting and in good standing under the laws of Dalian, Liaoning Province, the PRC. The Purchaser is duly qualified, licensed and registered to carry on business in Dalian, Liaoning Province, the PRC, and has made all necessary filings under all Applicable Laws to which it is subject. No Proceedings have been taken or authorized by the Purchaser or by any other Person with respect to the bankruptcy, insolvency, liquidation, dissolution or winding up of the Purchaser or with respect to any amalgamation, merger, consolidation, arrangement or reorganization of, or relating to, the Purchaser nor, to the knowledge of the Purchaser, have any such Proceedings been threatened by any other Person.

4.2.2 Due Authorization. The Purchaser has the requisite power, authority and capacity to execute and deliver this Agreement, to purchase the Purchased Assets from the Vendor as herein contemplated, to perform its other obligations hereunder, and will have the requisite power, authority and capacity to execute and deliver the applicable the Closing Documents. The execution and delivery of this Agreement and each of the Closing Documents to which the Purchaser is a party when executed and delivered and the completion of the transactions herein and therein contemplated have been duly and validly authorized by all necessary corporate action on behalf of the Purchaser. This Agreement has been duly and validly executed and delivered by the Purchaser and is a valid and binding obligation of the Purchaser enforceable against the Purchaser in accordance with its terms. Each of the Closing Documents to which the Purchaser is a party will be duly and validly executed and delivered by the Purchaser, and will be valid and binding obligations of the Purchaser enforceable against the Purchaser in accordance with their respective terms.

4.2.3 Conflicting Instruments. Neither the execution and delivery of this Agreement or the Closing Documents to which the Purchaser is a party, nor the completion of the Transactions or the performance of the Purchaser's obligations under this Agreement and the Closing Documents to which the Purchaser is a party, will conflict with, or result in the breach or violation of or default under, or cause the acceleration of any obligations of the Purchaser under, any of the terms and provisions of any Applicable Law, or the Charter Documents of the Purchaser or any resolution of the directors or shareholders of the Purchaser.

4.3 Time Limitation.

4.3.1 Survival of Representations and Warranties of Vendor. The representations and warranties of the Vendor contained in this Agreement or in any applicable Closing Document shall survive the completion of the Transactions, and notwithstanding such completion or any investigation made by or on behalf of the Purchaser or any knowledge of the Purchaser of any incorrectness in, or breach of, such representations and warranties, shall continue in full force and effect for the benefit of the Purchaser for a period of three years from the Closing Date (ending on the third anniversary of the Closing Date), except that:

- (a) the Vendor's Core Representations shall survive without limitation;
- (b) any representations and warranties fraudulently made by the Vendor will survive without limitation;

- (c) the representations and warranties contained in Section 4.1.15 (Environmental Matters) will survive for a period of four years from the Closing Date (ending on the fourth anniversary of the Closing Date); and
- (d) the representations and warranties contained in Section 4.1.17 (Tax Matters) will survive until 90 Business Days after the expiry of any applicable statute of limitations or prescription period (taking into account any extensions under Applicable Laws).

4.3.2 Survival of Representations and Warranties of Purchaser. The representations and warranties of the Purchaser contained in this Agreement or in any applicable Closing Document shall survive the completion of the Transactions, and notwithstanding such completion or any investigation made by or on behalf of the Vendor or any knowledge of the Vendor of any incorrectness in, or breach of, such representations and warranties, shall continue in full force and effect for the benefit of the Vendor without limitation of time.

4.3.3 No Further Liability after Expiry: If no Claim has been made under this Agreement for any breach or inaccuracy of any representation or warranty contained in this Agreement prior to the expiry of the survival periods set out in Section 4.3.1 or 4.3.2, as applicable, the Party having made such representation and warranty will not have any further liability under this Agreement with respect to such representation or warranty or indemnity.

5. COVENANTS OF THE VENDOR

5.1 Investigations and Availability of Records. During the Interim Period the Vendor shall make available and afford to the Purchaser and its Representatives full access during normal business hours to the senior management and relevant employees of the Vendor related to and in connection with the Purchased Assets or the Business by way of personal meetings, telephone conferences, correspondence, and other means as may be reasonably requested by the Purchaser or its Representatives, and all Books and Records related to the Business and the Purchased Assets and to furnish any copies thereof and other information as the Purchaser or its Representatives may reasonably request, and to permit the Purchaser and its Representatives to make any audit of the Books and Records and physical verification of the Purchased Assets as the Purchaser or its Representatives may reasonably see fit. At the request of the Purchaser or its Representatives, the Vendor shall execute any consents, authorizations and directions as may be necessary to permit any inspection of the Business or any of the Purchased Assets or to enable the Purchaser or its Representatives to obtain full access to all files and records relating to the Business or any of the Purchased Assets maintained by Governmental Entities in all appropriate jurisdictions. The exercise of any rights of access, inspection, investigation or testing by or on behalf of the Purchaser under this Section 5.1 will not affect or mitigate the covenants, representations and warranties of the Vendor in this Agreement which will continue in full force and effect for the applicable survival period set out in this Agreement.

5.2 Consents and Approvals and Regulatory Approval. Commencing forthwith after the Execution Date, the Vendor shall at its sole expense use its best efforts to obtain, at or prior to the Closing Time, all Consents and Approvals set out in Schedule 4.1.23. If a Consent and Approval set out in Schedule 4.1.23 which is required to permit the transfer or assignment to the Purchaser of the Vendor's interest in any of the Assumed Contracts or Regulatory Approvals is not received on or before the Closing Time, and if, notwithstanding such non-receipt, the Vendor and the Purchaser proceed to complete the Transactions as contemplated by this Agreement:

- (a) the transfer or assignment of that Assumed Contract or Regulatory Approval in respect of which the required Consent and Approval has not been received on or before the Closing Time will not be effective in each case until the applicable Consent and Approval has been received and such Assumed Contract or Regulatory Approval will be held by the Vendor following the Closing Time in trust for the exclusive benefit and use of the Purchaser and the Vendor shall, to the extent permitted by the Applicable Law, carry out and comply with the terms and provisions thereof for the Purchaser's exclusive benefit. The Vendor shall continue to use its best efforts to obtain the required Consent and Approval and shall only make use of such Assumed Contract and Regulatory Approval in accordance with the directions of the Purchaser that do not conflict with the terms of such Assumed Contract or Regulatory Approval; and
- (b) if any Assumed Contract or Regulatory Approval is deemed by the Purchaser to be vital to its carrying on the Business after the Closing Date in its reasonable discretion, and the Vendor is unable to secure the applicable Consent and Regulatory Approval to the assignment of its rights under that Assumed Contract or Regulatory Approval to the Purchaser, the Vendor shall take those actions to put the Purchaser in a comparable position so that the Purchaser may use or otherwise deal with the Purchased Assets as if it had obtained the applicable Consent and Approval to the assignment to that Assumed Contract or Regulatory Approval.

5.3 **Exclusive Dealing.** During the Interim Period, the Vendor shall not, directly or indirectly through its Representatives or otherwise, solicit any offer, entertain any offer or otherwise discuss or deal with any Person other than the Purchaser (or a designate of the Purchaser) with respect to the possible sale of all or part of the Business or any of the Purchased Assets, other than as required under applicable law. Notwithstanding the foregoing and for greater certainty,

- (a) the Vendor may, with the prior written consent of the Purchaser (which consent not to be unreasonably withheld), sell the Inventories in the Ordinary Course of its Business and at such price consistent with its past practice and acceptable to the Purchaser. For greater certainty, all amounts paid or payable to the Vendor in respect of the sale of the Inventories during the Interim Period shall be for the benefit of the Purchaser, and shall be deducted from the Purchase Price (if the payment is received by the Vendor during the Interim Period) or shall form part of the Accounts Receivable (if the amount remains unpaid at the Closing Time) for the benefit of the Purchaser; and
- (b) the Vendor may enter into negotiations for the sale of its capital structure and tax losses in order to maximize shareholder value after the completion of the Transactions contemplated hereunder.

5.4 **Conduct of Business.** During the Interim Period, the Vendor shall comply with the following provisions in carrying on the Business:

- (a) The Vendor shall:
 - (i) carry on the Business in the Ordinary Course (except as may be otherwise required or contemplated by the provisions of this Agreement) and in compliance with Applicable Laws and perform its obligations under or in

respect of the Purchased Assets and pay all Taxes and Accounts Payable due and payable;

- (ii) use its commercially reasonable efforts to preserve the Business, the goodwill of the Vendor and the Vendor's business relations with its business counterparts;
 - (iii) use its best efforts to maintain in full force and effect all of the Vendor's Intellectual Property, Regulatory Approval and Assumed Contracts;
 - (iv) repair and maintain the Purchased Assets (if applicable) at its cost and expense in the Ordinary Course of the Business;
 - (v) use its commercially reasonable efforts to retain the services of the current Employees, consultants and advisors of or to the Business; and
 - (vi) continue in full force and effect the insurance coverage on the Business and the Purchased Assets, take out such additional insurance as may be required in the Ordinary Course of the Business and give all notices and present all Claims under all insurance policies in a due and timely fashion and promptly advise the Purchaser in writing of any such Claims.
- (b) The Vendor shall not (except as may be otherwise required or contemplated by the provisions of this Agreement), without the prior written consent of the Purchaser:
- (i) become a party to or bound by or subject to any new agreement, contract or commitment which may affect the Business or the Purchased Assets;
 - (ii) make any budgeted capital expenditure relating to the Business in excess of \$10,000 and which are in the Ordinary Course of the Business or authorize any new capital expenditures relating to the Business in excess of \$30,000 in the aggregate;
 - (iii) acquire new inventory, or sell or lease any of the Purchased Assets (other than the sale of Inventory in compliance with Section 5.3(a));
 - (iv) take any step to dissolve, wind-up or otherwise affect its continuing corporate existence or amalgamate or merge with any Person or amend the Vendor's Charter Documents;
 - (v) approve any issuance or transfer of shares in the authorized share structure of the Vendor;
 - (vi) cancel, waive or vary the terms of any Accounts Receivable owing to or any Claim or right of the Vendor relating to the Purchased Assets;
 - (vii) incur any obligation or liability relating to the Purchased Assets except in the Ordinary Course of the Business or make, authorize or accept any early payment of any such existing obligation or liability;

- (viii) create or permit the creation of any new Encumbrance on any of the Purchased Assets (except for any Permitted Encumbrance) or amend or concur in the amendment of any such existing Encumbrance (except in accordance with Section 7.2(h));
- (ix) terminate, enter into, amend or otherwise modify any Assumed Contracts;
- (x) terminate, transfer, assign, modify or change, or grant any rights under, any of the Vendor's Intellectual Property;
- (xi) revalue upward any of the Purchased Assets;
- (xii) take or refrain from taking any other action that would cause any of the representations and warranties of the Vendor under this Agreement or any Closing Document to be inaccurate, false or misleading; or
- (xiii) increase the credit available to distributors or suppliers of the Business or change the payment or other trade terms of any distributor or supplier of the Business,

or agree or become bound to do any of the foregoing.

5.5 Accounts Receivable. The Vendor shall use its commercially reasonable efforts to collect the Accounts Receivable during the Interim Period. To the extent the Vendor receives any payment of the Accounts Receivable prior to the Closing Time, that amount shall be counted towards the Purchase Price and be dealt with in accordance with Section 3.4(b). If uncollected Accounts Receivable is paid to the Vendor after the Closing Date, the Vendor shall immediately advise the Purchaser of its receipt of that amount and pay that amount to the Purchaser, or the Purchaser may at its election set-off that amount from the post-Closing payments to the Vendor (including those amounts payable by the Purchaser to the Vendor under Sections 3.4(c) and 3.4(d)).

5.6 Post-Closing Cooperation. The Vendor shall, and shall cause its Representatives to, cooperate fully in good faith with the Purchaser and its Representatives after the Closing Time, to carry out and implement the terms and intents of this Agreement and the applicable Closing Documents, including, without limitation, for the purposes of the preparation of the Purchaser's accounts and Tax Returns, and in providing all information required for legal, filing and regulatory purposes. Without limiting the generality of the foregoing, the Vendor shall, upon reasonable notice, provide the Purchaser and its Representatives reasonable access during normal business hours to all books and records of the Vendor (other than the Books and Records) necessary for the preparation of such accounts and Tax Returns and for gathering the required information for legal, filing and regulatory purposes together with the assistance of those employees of the Vendor that the Purchaser may reasonably request.

6. CONDITIONS OF CLOSING

6.1 Conditions Precedent in Favour of Purchaser. The Purchaser's obligations to complete the Transactions at the Closing are subject to the satisfaction of the following conditions being satisfied by the Vendor or to the written waiver thereof by the Purchaser (in its sole discretion) in the manner contemplated by this Agreement on or before the Closing Date, and the Vendor shall use its best efforts to satisfy the following conditions on or before the Closing Date:

- (a) **Representations and Warranties:** The representations and warranties of the Vendor contained in this Agreement shall be true and correct in all respects, at the Execution Date and at the Closing Time, with the same force and effect as if made at and as of that time, each and every one of which is deemed to be a condition;
- (b) **Covenants:** The Vendor shall have performed or complied with all of the terms, covenants and conditions of this Agreement and the UBC Technology Purchase Agreement to be performed or complied with by it at or prior to the Closing Time;
- (c) **Closing Deliveries:** The Purchaser (or such other Persons as otherwise provided for) shall have been furnished with all Closing deliveries referred to in Section 7.2, and all other documents required to be delivered at or prior to the Closing Time by the Vendor;
- (d) **No Proceeding:** No Proceeding shall be pending or threatened by any Person (other than the Parties) in any jurisdiction, to enjoin, restrict or prohibit any of the Transactions or the right of the Purchaser to own and use any of the Purchased Assets after Closing on substantially the same basis as previously operated or used;
- (e) **No Material Adverse Changes:** There shall not have occurred any changes that would give rise to, or do give rise to, any material adverse effect on the Vendor, the Business and the Purchased Assets during the Interim Period; and
- (f) **Closing Consents and Approvals:** All Closing Consents and Approvals set out in Schedule 4.1.23 in form and content specified or approved by the Purchaser shall have been obtained and delivered to the Purchaser.

The conditions set forth in this Section 6.1 are for the exclusive benefit of the Purchaser and may be waived solely by the Purchaser in whole or in part by notice in writing, but any waiver given by the Purchaser shall not diminish, limit, restrict, reduce or in any other way affect the right of the Purchaser to bring a Claim for misrepresentation, damages or breach or for specific performance. Only the Purchaser may waive a condition not satisfied by the Vendor.

6.2 Conditions Precedent in Favour of Vendor. The Vendor's obligations to complete the Transactions at the Closing are subject to the satisfaction of the following conditions by the Purchaser or to the written waiver thereof by the Vendor (in its sole discretion) in the manner contemplated by this Agreement on or before the Closing Date, and the Purchaser shall use its best efforts to satisfy the following conditions on or before the Closing Date:

- (a) **Representations and Warranties:** The representations and warranties of the Purchaser contained in this Agreement shall be true and correct in all respects, at the Execution Date and at the Closing Time with the same force and effect as if made at and as of that time, each and every one of which is deemed to be a condition;
- (b) **Covenants:** The Purchaser shall have performed or complied with all of the terms, covenants and conditions of this Agreement and the UBC Technology Purchase Agreement to be performed or complied with by it at or prior to the Closing Time; and
- (c) **Closing Deliveries:** The Vendor (or such other Persons as otherwise provided for) shall have been furnished with all Closing deliveries referred to in Section 7.3, and

all other documents required to be delivered at or prior to the Closing Time by the Purchaser.

The conditions set forth in this Section 6.2 are for the exclusive benefit of the Vendor and may be waived by the Vendor, in whole or in part by notice in writing, but any waiver given by the Vendor shall not diminish, limit, restrict, reduce or in any other way affect the right of the Vendor to bring a Claim for misrepresentation, damages or breach or for specific performance. Only the Vendor may waive a condition not satisfied by the Purchaser.

7. CLOSING ARRANGEMENTS

7.1 Closing. The Closing shall take place on the Closing Date at the Vancouver offices of Borden Ladner Gervais LLP, or any other place agreed to by the Parties.

7.2 Deliveries by Vendor. At the Closing, the Vendor shall deliver or cause to be delivered the following documents to the Purchaser or to the counsel for the Purchaser:

- (a) the UBC Technology Purchase Agreement duly executed by the Vendor and UBC;
- (b) the Closing Consents and Approvals set out in Schedule 4.1.23;
- (c) certified copy of the special resolution of the shareholders of the Vendor approving the Transactions, this Agreement and the Closing Documents to which the Vendor is a party;
- (d) certified copy of the directors' resolution of the Vendor approving the Transactions, this Agreement and the Closing Documents to which the Vendor is a party;
- (e) a certificate of an officer of the Vendor certifying that the representations and warranties of the Vendor contained in this Agreement and the UBC Technology Purchase Agreement are true and correct at and as of the Closing Date, and the covenants, agreements and obligations of the Vendor on the part of the Vendor in this Agreement and the UBC Technology Purchase Agreement to be observed, performed or complied with at or prior to the Closing have been observed, performed and complied with;
- (f) certified copy of the TSX-V notice evidencing its approval of the Transactions;
- (g) necessary deeds, conveyances, assurances, transfers and assignments and any other instruments necessary or reasonably required to transfer the Intellectual Property, Regulatory Approval and all other Purchased Assets to the Purchaser with a good title, free and clear of all Encumbrances (other than the Permitted Encumbrance), duly executed by the Vendor;
- (h) evidence that all Encumbrances (other than the Permitted Encumbrance) on the Purchased Assets including, without limitation, the PPSA Security Agreement registered in the British Columbia Personal Property Registry under Base Registration Number 9182521 in favour of UBC and the PPSA Security Agreement registered in the British Columbia Personal Property Registry under Base Registration Number 283029E in favour of Bank of Montreal, have been discharged;

- (i) the Books and Records;
- (j) the escrow agreement referenced in Section 3.4(c), duly executed by the Vendor; and
- (k) such other documents, agreements or certificates as may be reasonably requested by the Purchaser to give effect to the terms of this Agreement.

7.3 Deliveries by Purchaser. At the Closing, the Purchaser shall deliver or cause to be delivered the following documents and make the following payments to the Vendor or to the counsel for the Vendor:

- (a) the UBC Technology Purchase Agreement duly executed by the Purchaser or its designate;
- (b) certified copy of the directors' resolution of the Purchaser approving the Transactions, this Agreement and the Closing Documents to which it is a party;
- (c) the payment of the amounts pursuant to Sections 3.4(a) (if any) and 3.4(b);
- (d) a certificate of an officer of the Purchaser certifying that the representations and warranties of the Purchaser contained in this Agreement and the UBC Technology Purchase Agreement are true and correct at and as of the Closing Date, and the covenants, agreements and obligations of the Purchaser on the part of the Purchaser in this Agreement and the UBC Technology Purchase Agreement to be observed, performed or complied with at or prior to the Closing have been observed, performed and complied with;
- (e) the escrow agreement referenced in Section 3.4(c), duly executed by the Purchaser and Borden Ladner Gervais LLP; and
- (f) such other documents, agreements or certificates as may be reasonably requested by the Vendor to give effect to the terms of this Agreement.

8. INDEMNIFICATION

8.1 Indemnification by Vendor.

The Vendor shall indemnify, defend and save harmless the Purchaser, any designate or the Purchaser under this Agreement, and each of Purchaser's Representatives from and against any Claim or Loss asserted against, suffered by or imposed on them, as a direct or indirect result of, arising in connection with or related in any manner whatsoever to:

- (a) subject to Section 4.3.1, any misrepresentation, breach of representation or breach of warranty made or given by the Vendor in this Agreement or the UBC Technology Purchase Agreement;
- (b) any failure by the Vendor to observe or perform any covenant or obligation in this Agreement or the UBC Technology Purchase Agreement;
- (c) the Excluded Assets; and

- (d) any liability or obligation of the Vendor of any nature whatsoever (including, without limitation, the Excluded Liabilities) existing prior to, at or after the Closing Time other than the Assumed Liabilities;

notwithstanding that the Claims or Losses are incurred or suffered on or after the Closing Time. For greater certainty, the right to indemnification under Sections 8.1(b) through 8.1(d) exists notwithstanding Section 4.3.1 and any representation or warranty in Section 4.1. That right to indemnification is separate and independent from any other right or remedy under this Agreement, provided that the Vendor is not obligated to indemnify Purchaser twice for the same Claim or Loss.

8.2 Indemnification by Purchaser. The Purchaser shall indemnify, defend and save harmless the Vendor and each of Vendor's Representatives from and against any Claim or Loss asserted against, suffered by or imposed on them, as a direct or indirect result of, arising in connection with or related in any manner whatsoever to:

- (a) subject to Section 4.3.2, any misrepresentation, breach of representation or breach of warranty made or given by the Purchaser in this Agreement or the UBC Technology Purchase Agreement;
- (b) any failure by the Purchaser to observe or perform any covenant or obligation in this Agreement or the UBC Technology Purchase Agreement; or
- (c) any failure by the Purchaser to pay, satisfy, discharge, perform or fulfill any of the Assumed Liabilities as they become due after the Closing.

For greater certainty, the right to indemnification under Sections 8.2(b) and 8.2(c) exists notwithstanding Section 4.3.2 and notwithstanding any representation or warranty in Section 4.2. That right to indemnification is separate and independent from any other right or remedy under this Agreement, provided that Purchaser is not obligated to indemnify Vendor twice for the same Claim or Loss.

8.3 Agency for Representatives. Each Party accepts each indemnity in favour of any of its Representatives as agent of and trustee for those Representatives, and agrees that the other Party may enforce any indemnity in favour of any of that Party's Representatives on behalf of those Representatives.

8.4 Notice of Third Party Claims. If an Indemnitee receives notice of the assertion or commencement of any Third Party Claim, the Indemnitee shall give the Indemnitor reasonably prompt notice thereof, in any event no later than 20 Business Days after receipt of such notice. Such notice shall describe the Third Party Claim in reasonable detail and shall indicate, if reasonably practicable, the nature and estimated amount of the Claim or Loss that has been or may be sustained by the Indemnitee.

8.5 Defence of Third Party Claims. Subject to Section 8.11, the Indemnitor may participate in or assume the defence of any Third Party Claim by giving notice to that effect to the Indemnitee not later than 20 Business Days after receiving notice of that Third Party Claim (the "Notice Period"), provided that (a) the Third Party Claim seeks only monetary damages and does not seek any injunctive or other non-monetary relief against the Indemnitee, and (b) legal counsel chosen by the Indemnitor is satisfactory to the Indemnitee, acting reasonably. The Indemnitor's right to do so shall be subject to the rights of any insurer or other party who has potential liability in respect of

that Third Party Claim. The Indemnitor shall pay all its own expenses of participating in or assuming such defence. The Indemnitee shall cooperate in good faith in such defence, and may participate in such defence assisted by counsel of its own choice at its own expense. If the Indemnitee has not received notice within the Notice Period that the Indemnitor has elected to assume the defence of such Third Party Claim, the Indemnitee may, at its option, settle or compromise the Third Party Claim or assume such defence, assisted by counsel of its own choosing. In that event, the Indemnitor shall be liable for all reasonable costs and expenses paid or incurred in connection with such defence and any Claim or Loss suffered or incurred by the Indemnitee with respect to such Third Party Claim. If the Indemnitor elects to assume the defence of a Third Party Claim under this Section 8.5, the Indemnitor shall not have the right thereafter to contest its liability to indemnify the Indemnitee in respect of such claim.

8.6 **Assistance for Third Party Claims.** The Indemnitor and the Indemnitee shall use all reasonable commercial efforts to make available to the Party which is undertaking and controlling the defence of any Third Party Claim (the “**Defending Party**”), at the Defending Party’s cost and expense:

- (a) all employees and other persons whose assistance, testimony or presence is reasonably required by the Defending Party to evaluate or defend the Third Party Claim; and
- (b) all documents, records and other materials in their possession reasonably required by the Defending Party for its use in defending the Third Party Claim,

and shall otherwise cooperate with the Defending Party in evaluating and defending the Third Party Claim.

8.7 **Settlement of Third Party Claims.** If an Indemnitor elects to assume the defence of a Third Party Claim as provided in Section 8.5, then the Indemnitor shall not be liable for any legal expenses incurred by the Indemnitee in connection with the defence of such Third Party Claim after the receipt by the Indemnitee of notice of such assumption. Notwithstanding the foregoing, if the Indemnitor fails to take the steps necessary to defend diligently such Third Party Claim within 20 Business Days of assuming the defence of the Third Party Claim, or the Indemnitee believes on reasonable grounds that the Indemnitor has failed to take such steps within that period, then the Indemnitee may, at its option, elect to assume the defence of and to settle the Third Party Claim, assisted by counsel of its own choosing, and the Indemnitor shall be liable for all reasonable costs and expenses paid or incurred in connection therewith. The Indemnitor shall not, without the prior written consent of the Indemnitee, enter into any settlement of a Third Party Claim, which would lead to liability, or create any other obligation, financial or otherwise, of the Indemnitee.

8.8 **Failure to Give Timely Notice.** A failure to give timely notice as provided in this Article 8 shall not affect the rights or obligations of any Party, except if, and only to the extent that, as a result of such failure, the Party entitled to receive such notice was deprived of its right to recover any payment under its applicable insurance, or was otherwise directly and materially harmed, as a result of such failure.

8.9 **Reductions and Subrogation.**

8.9.1 **Reductions.** If at any time subsequent to the making of an Indemnity Payment in respect of a Loss, that Loss is reduced by any recovery, settlement or otherwise under any insurance

coverage (the “**Insurance Recovery**”), and provided that Insurance Recovery is actually received by the Indemnitee, the Indemnitee shall promptly pay the amount of that Insurance Recovery (less any costs, expenses (including Taxes) and premiums incurred in connection therewith), to the Indemnitor.

8.9.2 Subrogation. On making a full Indemnity Payment, the Indemnitor shall, to the extent of such Indemnity Payment, be subrogated to all rights of the Indemnitee against any third party that is not an Affiliate of the Indemnitee in respect of the Loss to which the Indemnity Payment relates. Until the Indemnitee recovers full payment of its Loss, all Claims of the Indemnitor against any such third party on account of such Indemnity Payment shall be postponed and subordinated in right of payment to the Indemnitee’s rights against such third party. Without limiting the generality or effect of any other provision hereof, the Indemnitee and Indemnitor shall duly execute upon request all instruments reasonably necessary to evidence and perfect such postponement and subordination.

8.10 Payment and Interest. As between Indemnitee and Indemnitor, all Losses shall bear interest at a rate per annum equal to 12% per annum, calculated and payable monthly, both before and after judgment, with interest on overdue interest at the same rate, from the date that the Indemnitee disbursed funds, suffered damage or incurred liability or expense in respect of a Loss, to the date of payment by the Indemnitor to the Indemnitee. For greater certainty, in seeking judgement, the Indemnitee shall not seek damages on the Loss of use of funds from the time of the claim until the date of judgment in recognition of the fact that interest is payable at the rate aforesaid both before and after the judgment.

8.11 Additional Rules and Procedures.

8.11.1 Payment to Third Party. If any Third Party Claim is of a nature such that the Indemnitee is required by Applicable Law to make a payment to any person (a “**Third Party**”) with respect to such Third Party Claim before the completion of related Proceedings, the Indemnitor’s rights under Section 8.5 shall only apply after the Indemnitor has made that payment or provided sufficient security for it. If the amount of any liability under the Third Party Claim in respect of which such a payment was made, as finally determined, is less than the amount which was paid by the Indemnitor, the Indemnitee shall, forthwith after receipt of the difference from the Third Party, pay such difference to the Indemnitor.

8.11.2 Cooperation. The Indemnitee and the Indemnitor shall cooperate with each other, acting reasonably, with respect to Third Party Claims, shall keep each other advised with respect thereto (including supplying copies of all relevant documentation promptly as it becomes available) and shall each designate a senior officer who will keep himself or herself informed about the Third Party Claim and be prepared to discuss it with his or her counterpart and with counsel at all reasonable times.

8.12 Gross-up. If an Indemnitee is subject to Tax in respect of the receipt of an amount pursuant to this Article 8, after taking into account any offsetting deduction or Tax credit available in respect of the applicable Loss, then the amount payable by the Indemnitor shall be increased by an amount (the “**Increased Amount**”) such that the Indemnitee shall be in the same position after paying Tax on the amount received hereunder, including any Taxes payable on the Increased Amount, as the Indemnitee would have been in had the Loss giving rise to such payment not arisen and had such amount not been payable.

8.13 Set-off. The Purchaser shall be entitled to set off against any amounts payable to the Vendor under this Agreement, including the amounts payable under Section 3.4, any Losses suffered or incurred by any one or more of the Purchaser's Indemnified Parties in respect of which the Purchaser's Indemnified Parties are entitled to be indemnified by the Vendor pursuant to this Agreement.

9. TERMINATION

9.1 Termination. This Agreement may be terminated and the Transactions contemplated hereby abandoned at any time prior to the Closing Time, only as follows:

- (a) by the written agreement of the Parties;
- (b) by the Purchaser, in the event that any of the conditions set out in Section 6.1 have not been waived by the Purchaser or satisfied or fulfilled by the Vendor at or before the Closing Time; and
- (c) by the Vendor, in the event that any of the conditions set out in Section 6.2 have not been waived by the Vendor or satisfied or fulfilled by the Purchaser at or before the Closing Time.

9.2 Notice of Termination. Any termination of this Agreement under Section 9.1(b) or Section 9.1(c) shall be effective by the delivery of written notice by the Party desiring to terminate this agreement to the other Parties.

9.3 Effect of Termination. In the event of the termination of this Agreement by either the Purchaser or the Vendor as provided in Section 9.1, this Agreement shall forthwith terminate without prejudice to the right of the Party terminating this Agreement to bring a claim for any misrepresentation, damages, breach of contract or any other remedy at law or in equity to which that Party may be entitled. Any sections that provide expressly that they survive termination (including Sections 3.3(b) and 3.3(c)), shall survive the termination of this Agreement.

10. MISCELLANEOUS

10.1 Effect of Disclosure. No disclosure made by the Vendor in or under this Agreement, including in its Schedules, vitiates, affects or otherwise impacts the obligations of the Vendor under this Agreement and the applicable Closing Documents.

10.2 Survival of Covenants. The covenants and other obligations of the Vendor set forth in this Agreement shall survive the Closing and, notwithstanding such completion, shall continue in full force and effect for the benefit of the Purchaser in accordance with the terms thereof. The covenants and other obligations of the Purchaser set forth in this Agreement shall survive the Closing and, notwithstanding the occurrence of the Closing, will continue in full force and effect for the benefit of the Vendor in accordance with the terms thereof.

10.3 Notices. Any notice or other communication required or permitted to be given or served pursuant to this Agreement shall be in writing and shall be delivered personally, or delivered by reputable courier or forwarded by first class prepaid mail, by facsimile or by email to the party concerned at the address, facsimile number or email address set out below or to any other address, facsimile number or email address as may from time to time be notified in writing by any of the parties:

- (a) if to the Vendor, addressed as follows:

Urodynamix Technologies Ltd. (as it may be renamed)
Suite 1485, Bentall Two,
555 Burrard Street, Vancouver, British Columbia
Attention: Mr. Barry Allen
Facsimile No.: 604-694-7771
Email: ballen@urodynamix.com

with a copy to:

Fasken Martineau DuMoulin LLP
Suite 2900 - 550 Burrard Street
Vancouver, British Columbia, Canada, V6C 0A3
Attention: Mr. Roger Kuypers
Facsimile No.: 604-632-4880
E-mail: rkuypers@fasken.com

- (b) if to the Purchaser, addressed as follows:

Hegln (Dalian) Pharmaceuticals Inc.
Lin Gang Industry Zone, Chang Xing Island
Dalian, the People's Republic of China 116317
Attention: Mr. Zhe Qin
Emails: qinzhe@sohu.net
lovelywuli@yahoo.com.cn

with a copy to:

Borden Ladner Gervais LLP
1200 Waterfront Centre
200 Burrard Street
P.O. Box 48600
Vancouver, British Columbia, Canada, V7X 1T2
Attention: Ms. Lily Wang
Facsimile No.: 604-622-5899
E-mail: lwang@blgcanada.com

Any notice or other communication shall be deemed to have been given:

- (i) if delivered personally or by reputable courier, facsimile or email, on the day delivered unless that day is not a Business Day for the intended recipient, in which case it shall be deemed delivered on the next Business Day of the intended recipient; and

- (ii) if mailed, four Business Days following the date of posting; provided that if there shall be at the time of mailing or within four Business Days thereof a mail strike, slowdown or other labour dispute that might affect delivery by mail, then the notice, payment or other communication shall be effective only when actually received by the intended recipient.

10.4 Business Day. In this Agreement, notwithstanding anything herein to the contrary, wherever one or more of the Parties is required to perform a covenant or make payment on a day which is not a Business Day, that performance shall be done or that payment shall be made on the day which is the first Business Day following the day set out in this Agreement for that covenant to be performed or payment made.

10.5 Governing Law. This Agreement shall be governed by, and be construed in accordance with, the laws of the Province of British Columbia and the laws of Canada applicable therein.

10.6 Attornment. For the purposes of all legal proceedings, this Agreement shall be deemed to have been performed in the Province of British Columbia and the courts of the Province of British Columbia shall have exclusive jurisdiction to entertain any action arising under this Agreement. Each of the Parties hereby irrevocably and unconditionally attorns to the exclusive jurisdiction of the courts of the Province of British Columbia located in the City of Vancouver.

10.7 Entire Agreement. The terms and provisions herein and in the agreements to be entered into pursuant to the terms hereof constitute the entire agreement between the Parties with respect to the subject matter hereof and cancel and supersede any prior understandings and agreements between the Parties with respect to the subject matter hereof (which for greater certainty (a) include the Binding Term Sheet for Acquisition of Urodynamix Technologies Ltd. Assets by Hegln (Dalian) Pharmaceuticals, Inc. dated June 16, 2010, but (b) exclude the General Security Agreement dated June 17, 2010 granted by the Vendor in favour of the Purchaser which shall remain in full force and effect notwithstanding the execution and delivery of this Agreement). There are no representations, warranties, terms, conditions, undertakings or collateral agreements, expressed, implied or statutory, between the Parties other than as expressly set out in this Agreement or in any of the Closing Documents or other document required by this Agreement or in any agreement to be entered into pursuant to the terms hereof.

10.8 Modification. This Agreement may only be amended or modified by the written agreement of both Parties.

10.9 Waiver. No waiver of any breach of any term or provision of this Agreement will be effective or binding unless made in writing and signed by the Party whom it is purported to have given the waiver. No condoning, excusing or waiver by any Party of any default, breach or non-observance by the other Party at any time or times in respect of any covenant, proviso or condition contained herein will operate as a waiver of that Party's rights hereunder in respect of any continuing or subsequent default, breach or non-observance, and no waiver will be inferred from or implied by anything done or omitted to be done by the Party having those rights.

10.10 Further Assurances. Each of the Parties shall execute all further documents and instruments and do all further and other things as may be necessary to implement and carry out the intent of the terms of this Agreement.

10.11 Assignment. The Vendor may not assign all or any portion of this Agreement to any other party or entity without the prior written consent of the Purchaser, which consent may be arbitrarily withheld. The Purchaser may assign this Agreement to any one or more entities that it may designate before Closing without the consent or approval of the Vendor, provided that the Purchaser shall remain liable for the performance of its obligations hereunder.

10.12 Confidentiality and Public Announcements. Neither Party shall make any public announcement or press releases concerning, or otherwise disclose the existence or the contents of, this Agreement, or the Transactions, without the prior written consent of the other Party, except as may be required by (a) a Party to perform or discharge its obligations hereunder or disclosure by a Party to its Representatives or shareholders on a confidential basis; or (b) the Applicable Law and in such case, the disclosing Party will advise the other Party prior to the announcement.

10.13 Fees and Expenses. Except as otherwise provided for in this Agreement, each of the Parties shall pay its own fees and expenses (including, without limitation, professional fees) incurred in connection with the preparation, execution and delivery of this Agreement, all Closing Documents and all other documents and instruments executed or to be delivered or made available pursuant hereto and any other costs and expenses whatsoever and howsoever incurred, and shall indemnify and save harmless the other Party in connection therewith.

10.14 Severability. Should any part of this Agreement be declared or held to be invalid for any reason, the invalidity shall not affect the validity of the remainder of this Agreement which shall continue in full force and effect and be construed as if this Agreement had been executed without the invalid portion and it is hereby declared the intention of the Parties that this Agreement would have been executed without reference to any portion that may, for any reason, be hereafter declared or held invalid.

10.15 Successors And Assigns. This Agreement shall enure to the benefit of and shall be binding upon the Parties and their respective successors and permitted assigns.

10.16 Time of Essence. Time shall be of the essence of this Agreement and each of its provisions.

10.17 No Deemed Drafter. The Parties agree that neither Party shall be deemed to be the drafter of this Agreement and that in the event this Agreement is ever construed by a court of law or equity, such court will not construe this Agreement or any provision hereof against a Party as the drafter of this Agreement, the Parties acknowledging that each of the Parties has contributed substantially and materially to the preparation of this Agreement.

10.18 Legal and Tax Advice. Each of the Parties hereby acknowledges having been advised to obtain independent legal and tax advice prior to signing this Agreement and by signing this Agreement that Party represents that it did obtain whatever independent legal and tax advice deemed appropriate by that Party.

10.19 **Facsimile/Counterpart.** This Agreement may be executed and delivered in one or more counterparts and via facsimile or other electronic means (including Portable Document Format), and by the Parties in separate counterparts, each of which when executed and delivered shall be deemed to be an original but all of which taken together shall constitute one and the same agreement.

**[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK
SIGNATURE PAGES TO FOLLOW]**

IN WITNESS WHEREOF this Agreement has been executed by the Parties hereto on the Execution Date.

URODYNAMIX TECHNOLOGIES LTD.

By: (Signed) "Barry Allen"
Authorized Signatory

By: _____
Authorized Signatory

HEGLN (DALIAN) PHARMACEUTICALS, INC.

By: (Signed) "Zhe Qin"
Authorized Signatory

By: _____
Authorized Signatory

**SCHEDULES TO
ASSET PURCHASE AGREEMENT
GOVERNING THE PURCHASE OF THE ASSETS
OF URODYNAMIX TECHNOLOGIES LTD.
BY HEGLN (DALIAN) PHARMACEUTICALS, INC.**

Index of Schedules

<u>Schedule</u>	<u>Description</u>
Schedule 1.1.53	Machinery and Equipment
Schedule 3.2	Purchase Price Allocation
Schedule 4.1.9	Assumed Contracts
Schedule 4.1.12	Insurance Policies
Schedule 4.1.13	Regulatory Approvals
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Schedule 1.1.53
Machinery and Equipment

See Attached.

<u>ASSET DESCRIPTION</u>		<u>DATE PURCHASED</u>	<u>COST RECORDED</u>	<u>NBV</u>	<u>Original Cost or Estimated Retail Value</u>	<u>Discount</u>	<u>Estimated Value</u>
#	COMPUTER EQUIPMENT			\$ 33,050.84			
1	VOIP telephone system w 18 Polycom phonesets,main controller, spyder						
	VOIP system deposit	11/16/2008	\$ 26,503.90		\$ 26,503.90	75%	\$ 19,877.93
3	HP Notebook				\$ 1,000.00	75%	\$ 750.00
4	Dell Notebook				\$ 1,000.00	75%	\$ 750.00
5	Zebra R110xiii RFID printer with encoder, USB and 300dpi	06/01/2009	\$ 3,424.68		\$ 3,424.68	75%	\$ 2,568.51
6	Dell Inspiron 710M	03/27/2006	\$ 2,201.20		\$ 2,201.20	75%	\$ 1,650.90
7	3 Dell Monitors	07/15/2003	\$ 1,019.91		\$ 1,019.91	75%	\$ 764.93
8	Office PCs	11/30/2007	\$ 3,146.87		\$ 3,146.87	75%	\$ 2,360.15
9	Dell Optiplex 745 PC - BA				\$ 1,000.00	75%	\$ 750.00
10	Sony monitor - BA				\$ 100.00	75%	\$ 75.00
11	Logitech keyboard and mouse - BA				\$ 55.00	75%	\$ 41.25
12	Dell speakers - BA				\$ 25.00	75%	\$ 18.75
13	Canon printer copier - MP530 - BA				\$ 100.00	75%	\$ 75.00
14	No name PC - JK, TR, RM, FZ				\$ 500.00	75%	\$ 375.00
15	Dell Monitor 17" - JK				\$ 170.00	75%	\$ 127.50
16	Dell Monitor 20" - GM				\$ 240.00	75%	\$ 180.00
17	Samsung Syncmaster Monitor 173T 15" x 2				\$ 170.00	75%	\$ 127.50
18	Dell Monitor				\$ 150.00	75%	\$ 112.50
19	Epson Powerlite projector	10/31/2003	\$ 1,504.98		\$ 1,504.98	75%	\$ 1,128.74
20	Brother HL 5250DN network printer				\$ 80.00	75%	\$ 60.00
21	Dell Monitor - TA				\$ 200.00	75%	\$ 150.00
22	Dell Vostro 200 PC - TA				\$ 1,000.00	75%	\$ 750.00
23	Dell Keyboard - TA				\$ 30.00	75%	\$ 22.50
24	Dell speakers - TA				\$ 25.00	75%	\$ 18.75
25	Dell Dimension 1100PL PC				\$ 1,000.00	75%	\$ 750.00
26	Acer Monitor - FZ				\$ 120.00	75%	\$ 90.00
27	LG Monitor				\$ 170.00	75%	\$ 127.50
28	Dell Optiplex GX270 PC				\$ 1,000.00	75%	\$ 750.00
29	Brother labeller				\$ 80.00	75%	\$ 60.00
30	Dell Keyboard				\$ 30.00	75%	\$ 22.50
31	Microsoft keyboard				\$ 80.00	75%	\$ 60.00
32	Viewsonic Monitor x 2				\$ 130.00	75%	\$ 97.50
	NEC Multisync 19", 2 viewsonic Proseries 19"	08/15/2003	\$ 537.49		\$ 537.49	75%	\$ 403.12
33	Dell Keyboard				\$ 30.00	75%	\$ 22.50
34	UPS Powersupply				\$ 100.00	75%	\$ 75.00
35	GBC Shredmaster				\$ 1,000.00	75%	\$ 750.00
36	HP Laserjet network printer - 3600dn				\$ 942.00	75%	\$ 706.50
37	Lexmark Laserjet network printer				\$ 400.00	75%	\$ 300.00

	ASSET DESCRIPTION	DATE PURCHASED	COST RECORDED	NBV	Original Cost or Estimated Retail Value	Discount	Estimated Value
38	Acer Aspire 3960-2846 notebook - not operational				\$ 1.00	75%	\$ 0.25
39	Dell Inspiron 8500 Notebook - not operational				\$ 1.00	75%	\$ 0.25
40	Acer Aspire 3690-2846 notebook x 2	01/21/2009	\$ 2,809.99		\$ 2,809.99	75%	\$ 702.50
41	Network servers x 2 (locked in server room)				\$ 12,908.00	75%	\$ 3,227.00
67	HP Mobile Printer				\$ 120.00	75%	\$ 30.00
68	HP 3015 Printer				\$ 150.00	75%	\$ 37.50
69	Acer x193w x 2				\$ 300.00	75%	\$ 75.00
70	Minolta Pagepro 1530W + Extra Toner				\$ 175.00	75%	\$ 43.75
	COMPUTER SOFTWARE			\$ 2,390.80			
42	Quickbook software	10/31/2008	\$ 454.85		\$ 454.85	75%	\$ 113.71
43	salesforce.com software	02/04/2009	\$ 914.17		\$ 914.17	75%	\$ 228.54
	OFFICE EQUIPMENT			\$ 3,913.51			
44	LCD TV and Wii game console	09/30/2008	\$ 1,613.43		\$ 1,613.43	50%	\$ 806.72
45	Tables for meeting room with 6 red metal and 6 blue metal chairs						
	Tables for meeting room	10/22/2008	\$ 1,290.60		\$ 1,290.60	50%	\$ 645.30
	LABORATORY EQUIPMENT			\$ 13,527.90			
46	Testing equipment	11/27/2008	\$ 2,175.98	(leased)		0%	\$ -
47	Uroflowmetry System	03/20/2008	\$ 3,149.11		\$ 3,149.11	0%	\$ 3,149.11
48	Oscilloscope	02/14/2006	\$ 3,156.50	(see 54)		0%	\$ -
	MANUFACTURING EQUIPMENT			\$ 52,774.05			
49	Molds				\$ 63,474.43	0%	\$ 63,474.43
	NIRS patch mold	02/19/2008	\$ 25,400.00				
	NIRS patch mold - Laborie logo	02/19/2008	\$ 3,700.00				
	URO NIRS office mold	08/15/2008	\$ 31,599.43				
	Blank Insert (no logo) for NIRS patch tool	12/12/2008	\$ 1,095.00				
	Tooling: Logo Insert for Box Mold (UroNIRS 2000)	02/12/2009	\$ 1,680.00				
	LAB EQUIPMENT			\$ 2,134.01			
49	Newport 1830-C Optical Power Meter				\$ 1,500.00	0%	\$ 1,500.00
50	Agilent E3630A Triple Output Power Supply				\$ 600.00	0%	\$ 600.00
51	Agilent E3631A Triple Output Power Supply				\$ 1,294.00	0%	\$ 1,294.00
52	Agilent 33220A Waveform Generator				\$ 1,863.00	0%	\$ 1,863.00
53	Agilent 34401A Multimeter				\$ 1,072.00	0%	\$ 1,072.00
54	Tektronix TDS2022 Digital Oscilloscope				\$ 2,400.00	0%	\$ 2,400.00
55	Elgar CW801 AC Power Source				\$ 3,060.00	0%	\$ 3,060.00
56	ROD-L Electronics M150AC Hipot Tester				\$ 2,195.00	0%	\$ 2,195.00

	<u>ASSET DESCRIPTION</u>	<u>DATE PURCHASED</u>	<u>COST RECORDED</u>	<u>NBV</u>	<u>Original Cost or</u> <u>Estimated Retail Value</u>	<u>Discount</u>	<u>Estimated Value</u>
57	BK Precision 5360 Multimeter				\$ 229.00	0%	\$ - \$ 229.00
58	Extech EX530 Multimeter				\$ 209.00	0%	\$ - \$ 209.00
59	Weller WSL Soldering Iron				\$ 299.00	0%	\$ - \$ 299.00
60	Weller WESD51 Soldering Iron				\$ 129.00	0%	\$ - \$ 129.00
61	Thor Labs CL-200 Fiber Inspection Scope				\$ 202.00	0%	\$ - \$ 202.00
62	Ryobi 9 inch Band Saw				\$ 119.00	0%	\$ - \$ 119.00
63	Test Equipment: Panel PC computer PP6500 for NIRS Trials				\$ 3,205.00	0%	\$ - \$ 3,205.00
64	Test Equipment: Panel PC NIRS Computer for Prototype				\$ 3,236.40	0%	\$ - \$ 3,236.40
65	~~Hardware: NIRS Lab Equipment (Future Electronics \$4,740.92 + Newport \$4,081)~~		(see 49 and 54)			0%	\$ -
66	Software: Orcad Unison Ultra (EMA Design Automation)				\$ 10,703.70	0%	\$ - \$ 10,703.70
					\$ 107,791.11		\$ 168,943.71
							\$ 117,166.67

Schedule 3.2
Purchase Price Allocation

The Vendor shall, at least five Business Days prior to the Closing Date, deliver to the Purchaser the Purchase Price Allocation Schedule setting forth the allocation of the Purchase Price to the Purchased Assets, for the Purchaser's confirmation.

Schedule 4.1.9
Assumed Contracts

Agreement Name	Other Party	Effective Date	Subject Matter
Lease Contract	Intrust Technologies Corporation	August 18, 2008?	1 - HIOKI Leak Current Tester

Schedule 4.1.12
Insurance Policies

Insurer	Policy Type/Policy Number	Effective Date / Expiry Date
Lloyd's Underwriters	Commercial Property (policy no: 23001139)	Effective: August 16, 2009 Expiry: August 16, 2010
Lloyd's Underwriters	Commercial General Liability (policy no: 19002393)	Effective: August 16, 2009 Expiry: August 16, 2010
Lloyd's Underwriters	Biotechnology, Pharmaceutical, and Medical Device Products Liability (policy no.: 11000633)	Effective: August 16, 2009 Expiry: August 16, 2010
Great American Insurance Company	Directors and Officers Liability (policy no.: CDO5641359)	Effective: November 16, 2009 Expiry: November 16, 2010

Schedule 4.1.13
Regulatory Approvals

Granting Authority	Approval Type	Effective Date
Food and Drug Administration, USA	FDA 510(k) K082701 for uroNIRS 2000	November 26, 2008
CE Certificate, UK	CE 0473 for uroNIRS 2000	February 4, 2009
Health Canada, Canada	Medical Device license 78983 for uroNIRS 2000	February 4, 2009

Schedule 4.1.16
Conduct of Business

This schedule is intended to include any exceptions, since June 30, 2009, to the statement that the Vendor has carried on the Business in the Ordinary Course and, without limiting the generality of the foregoing, the Vendor has taken the actions described in Section 5.4(a) and has not taken any of the actions described in Section 5.4(b) or agreed or become bound to do any of such actions: **None**

Schedule 4.1.18(a)
Financial Statements

Items Below See Attached.

1. Audited financial statements of the Vendor pertaining to the Business for the fiscal years ending December 31, 2008, including the notes thereto;
2. Audited financial statements of the Vendor pertaining to the Business for the fiscal years ending December 31, 2009, including the notes thereto; and
3. Unaudited interim financial statements of the Vendor pertaining to the Business from January 1, 2010 through to March 31, 2010.

Financial statements of

Urodynamix Technologies Ltd.

December 31, 2009 and 2008

Urodynamix Technologies Ltd.

December 31, 2009 and 2008

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Auditors' Report

To the Shareholders of
Urodynamix Technologies Ltd.

We have audited the balance sheets of Urodynamix Technologies Ltd. as at December 31, 2009 and 2008 the statements of operations and comprehensive loss and deficit, shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

Chartered Accountants
April 30, 2010

Urodynamix Technologies Ltd.

Statements of operations and comprehensive loss and deficit years ended December 31, 2009 and 2008

	2009	2008
	\$	\$
Revenue (Note 11)	163,783	188,893
Cost of goods sold	96,614	85,060
Gross profit	67,169	103,833
Expenses		
General and administrative (Schedule)	1,395,937	1,479,343
Research and development (Schedule)	864,143	1,465,589
Selling and Marketing (Schedule)	502,430	142,202
Stock-based compensation	231,510	298,556
Amortization of property and equipment	50,888	39,913
Amortization of intangibles	-	3,808
	3,044,908	3,429,411
Loss from operations	(2,977,739)	(3,325,578)
Other income (expenses)		
Write off of intangible assets (Note 6)	(11,250)	(103,692)
Loss on disposal of fixed assets	-	(16,713)
Lease termination penalty	-	(15,122)
Write off of deferred tenant inducements	-	(10,016)
Realized and unrealized foreign exchange loss	(22,994)	-
Interest expense	(7,585)	(4,746)
Interest income	6,703	47,835
	(35,126)	(102,454)
Net loss and comprehensive loss for the year	(3,012,865)	(3,428,032)
Basic and diluted loss per share	(0.03)	(0.04)
Weighted average number of basic and diluted common shares outstanding	115,294,110	85,752,265

Urodynamix Technologies Ltd.

Statements of shareholders' equity

years ended December 31, 2009 and 2008

	Common shares issuable, issued and outstanding		Contributed surplus	Total capital	Deficit	Total shareholders' equity
	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	-	-	-	-	(3,428,032)	(3,428,032)
Shares issued for cash pursuant to private placement, net of costs	25,000,000	2,466,260	-	2,466,260	-	2,466,260
Stock-based compensation	-	-	298,556	298,556	-	298,556
Shares issued	500,000	107,500	-	107,500	-	107,500
Balance, December 31, 2008	107,227,893	17,418,263	2,370,019	19,788,282	(17,711,598)	2,076,684
Net loss					(3,012,865)	(3,012,865)
Stock-based compensation			231,510	231,510		231,510
Shares issued for patent rights	150,000	11,250	-	11,250		11,250
Shares issued for cash pursuant to private placement, net of costs	30,310,992	1,447,834	-	1,447,834	-	1,447,834
Balance, December 31, 2009	137,688,885	18,877,347	2,601,529	21,478,876	(20,724,463)	754,413

Urodynamix Technologies Ltd.

Balance sheets

as at December 31, 2009 and 2008

	2009	2008
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	752,264	1,762,794
Restricted cash	-	500,000
Accounts receivable	117,768	108,116
Inventory	376,280	78,772
Prepays	96,790	84,107
	1,343,102	2,533,789
Property and equipment (Note 5)	131,887	173,946
	1,474,989	2,707,735
Liabilities		
Current liabilities		
Accounts payable and accruals	521,556	454,867
Deferred revenue	196,001	159,884
Current portion of capital lease obligations	3,018	12,277
	720,575	627,028
Capital lease obligations	-	4,023
	720,575	631,051
Shareholders' equity		
Capital stock	18,877,348	17,418,263
Contributed surplus	2,601,529	2,370,019
Deficit	(20,724,463)	(17,711,598)
	754,414	2,076,684
	1,474,989	2,707,735

Going concern assumption (Note 1)

Commitments (Note 13)

Approved by the Directors

(Signed) Paul Geyer

Paul Geyer, Director

(Signed) James Heppell

James Heppell, Director

Urodynamix Technologies Ltd.

Statements of cash flows

years ended December 31, 2009 and 2008

	2009	2008
	\$	\$
Operating activities		
Net loss	(3,012,865)	(3,428,032)
Items not involving cash		
Write-off of intangible assets	11,250	103,692
Amortization of property and equipment	50,888	39,913
Amortization of intangibles	-	3,808
Loss on disposal of fixed assets	-	16,713
Amortization of deferred revenue	(36,181)	(34,945)
Write-off of deferred non-cash tenant inducements	-	(10,016)
Amortization of non-cash tenant inducement	-	(4,186)
Stock-based compensation	231,510	298,556
	(2,755,398)	(3,014,497)
Change in non-cash working capital		
Accounts receivable	(9,652)	(40,047)
Inventory	(297,508)	(78,772)
Prepays	(12,683)	(33,983)
Accounts payable and accruals	66,689	36,459
Deferred revenue	72,298	49,490
	(2,936,254)	(3,081,350)
Investing activities		
Decrease (increase) in restricted cash	500,000	(500,000)
Proceeds on disposal of property and equipment	-	4,000
Purchase of property and equipment	(8,828)	(166,533)
	491,172	(662,533)
Financing activities		
Shares issued for cash pursuant to private placement, net of costs	1,447,834	2,466,260
Repayment of capital lease obligations	(13,282)	(15,860)
	1,434,552	2,450,400
Net decrease in cash and cash equivalents	(1,010,530)	(1,293,483)
Cash and cash equivalents, beginning of year	1,762,794	3,056,277
Cash and cash equivalents, end of year	752,264	1,762,794
Cash and cash equivalents are comprised of		
Cash	752,264	87,794
Cash equivalents	-	1,675,000
	752,264	1,762,794
Supplemental cash flow information		
Interest paid	7,585	4,746
Taxes paid	-	-
Non-cash investing and financing items not included in cash flows		
Shares issued to third parties (Note 9)	11,250	107,500

Urodynamix Technologies Ltd.

Notes to the financial statements

December 31, 2009 and 2008

1. Operations and going concern assumption

Urodynamix Technologies Ltd. (the "Company") has been engaged in the development of non-invasive medical technology and diagnostic devices based on near-infrared spectroscopy ("NIRS"). The Company has developed and commercialized a medical device to aid in the diagnosis and treatment of urinary incontinence and lower urinary tract symptoms and has developed a portfolio of technology to aid in the diagnosis of intra-abdominal pressure that cause abdominal compartment syndrome and improve the efficacy of the minimally invasive treatment of benign prostatic hypertrophy.

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, no significant source of revenues and a limited ability to operate without continued financial support in the form of share issuances, the sale of part or all of assets of the Company or another transaction as approved by the board of directors.

For the year ended December 31, 2009, the Company incurred an operating loss of \$3,012,865 (2008 - \$3,428,032) and negative cash flow from operations of \$2,936,253 (2008 - \$3,081,350). As of December 31, 2009 the Company had an accumulated deficit of \$20,706,884.

As disclosed in the press release made on December 8, 2009 the Board of Directors will continue to review strategic alternatives. Management and the board are considering a number of strategies including the sale of all or a portion of the assets, arranging for parties who would provide funding for development of the business, and arranging for the transfer of control of the Company. During this review the Company has reduced expenditures and headcount. The Company has and intends to continue to support the URO NIRS bladder product, the customer base and its distribution partners throughout and subsequent to the completion of the strategic review process.

As at December 31, 2009, the Company has retained five key employees, with which it intends to support its products and its three distribution partners. The Company has completed several sales and collected accounts receivable, due from its distribution partners and IRAP as at December 31, 2009 subsequent to year end. The Company continues to hold a reserve of finished product in inventory to fulfill orders going forward.

The Company does not intend to disclose developments with respect to the strategic review process unless and until the Board of Directors has approved a definitive transaction or strategic option, unless otherwise required by law.

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 continued financial support in the form of share issuances, the sale of a portion of the assets of the Company or another financial transaction; however, there can be no assurance that such a transaction can be completed on acceptable 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.

Urodynamix Technologies Ltd.

Notes to the financial statements

December 31, 2009 and 2008

2. Summary of significant accounting policies

(a) *Basis of presentation*

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

(b) *Measurement uncertainty*

The preparation of financial statements in conformity with Canadian 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. Estimates are used for, but not limited to allowance for doubtful accounts, useful lives and recoverability of long lived assets, stock compensation, contingencies and the determination of the Company's ability to continue as a going concern. Actual results could differ from management's estimates.

(c) *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 90 days of deposit without penalty, and intended for short-term use in operations.

(d) *Inventory*

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

(e) *Property and equipment*

Property and equipment is recorded at cost less accumulated amortization. Amortization is provided for on the declining balance method using the following annual rates:

Office furniture and equipment	20%
Computer and laboratory equipment	30%
Manufacturing equipment	30%

(f) *Deferred tenant inducements*

Inducements to lease operating premises which are received by the Company, including rent free periods, are deferred and recognized as a reduction of rent expense evenly over the term of the lease.

Urodynamix Technologies Ltd.

Notes to the financial statements

December 31, 2009 and 2008

2. Summary of significant accounting policies (continued)

(g) *Intangible assets*

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 subject to amortization are reviewed for impairment in accordance with the provisions applying to long-lived assets.

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.

Cost of intangible assets includes amounts expended for applications for patents, provided that the Company considers recovery of the amounts to be reasonably assured.

(h) *Research and product development costs*

Product development costs include costs of materials and service contracts incurred by the Company which are directly attributable to the development of the NIRS technology. 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, financial and market feasibility is established. To date and as of December 31, 2009 all development costs have been expensed.

To the extent that estimated future cash flows from products under 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.

(i) *Impairment of long-lived assets*

The Company reviews for the impairment of long-lived assets, including property and equipment, and intangible assets subject to amortization, 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 amount and the fair value of the impaired assets and is presented as an impairment loss in the current period.

(j) *Stock options*

All stock-based awards made to employees and non-employees are measured and recognized using the fair value based method. Compensation cost to employees is measured at fair value at the date of grant and is expensed over the vesting period, on a straight-line basis.

Compensation cost to non-employees is recognized at fair value at the date of grant and is expensed on a systematic basis over the vesting period, on a straight-line basis, subject to subsequent measurement adjustments.

(k) *Government assistance*

The Company receives government grants under the Industrial Research Assistance Program. Any government assistance received by the Company is recorded as a reduction of the associated expense or property and equipment. The assistance is recorded in the accounts when there is reasonable assurance that the assistance will be realized.

Urodynamix Technologies Ltd.

Notes to the financial statements

December 31, 2009 and 2008

2. Summary of significant accounting policies (continued)

(l) *Share issue costs*

Professional, consulting and regulatory fees as well as other costs directly attributable to financing transactions are reported 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.

The costs of issuing units of shares and warrants are allocated entirely to the shares issued.

(m) *Future income taxes*

The Company follows the asset and liability method of accounting for income taxes. Future income taxes are provided for temporary differences between the tax basis of an asset or 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 are not recorded when it is considered not likely that the future benefit will be realized, in which case a valuation allowance is provided.

(n) *Financial instruments*

The Company holds various financial instruments including cash and cash equivalents, receivables, payables and accruals, and capital lease obligations. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from the financial instruments. The carrying amounts of these financial instruments approximate their fair value, unless otherwise noted.

The Company 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. The Company does not undertake significant hedging activities to reduce its exposure to this risk.

(o) *Revenue recognition*

The Company recognizes revenue from the sale of products when persuasive evidence of an arrangement exists, the product has been delivered, collection of the resulting receivable is considered reasonably assured and the fee is fixed and determinable.

Royalty revenue earned under sublicensing agreements is recognized as royalties are earned, provided collection from the sublicensee is considered reasonably assured. Non-refundable advance payments received under sublicense agreements are deferred and recognized as revenue on a straight-line basis over the term of the agreement.

(p) *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. 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 in loss years are not presented, as the effect of outstanding options and warrants is anti-dilutive.

Urodynamix Technologies Ltd.

Notes to the financial statements

December 31, 2009 and 2008

2. Summary of significant accounting policies (continued)

(q) *Share and warrant units*

The proceeds from units issued are allocated between shares and warrants on the basis of their estimated fair values.

(r) *Changes in significant accounting policies*

(i) *Adoption of new accounting standards*

During 2009, the Company adopted, in accordance with the respective transitional provisions, the following new accounting standards that were issued by the Canadian Institute of Chartered Accountants ("CICA"):

Goodwill and intangible assets

On January 1, 2009, the Company adopted, in accordance with the respective transitional provisions, the new Section 3064, *Goodwill and Intangible Assets*, issued by the CICA in February 2008. The section clarifies the recognition and measurement criteria of goodwill and intangible assets, in particular, for those that are generated internally. The implementation of this standard did not have a material impact on the Company's financial statements.

Credit risk and the fair value of financial assets and financial liabilities

In January 2009, the CICA issued Emerging Issues Committee ("EIC") Abstract 173, *Credit Risk and the Fair Value of Financial Assets and Financial Liabilities* ("EIC-173"). EIC-173 provides guidance on how to take into account credit risk of an entity and counterparty when determining the fair value of financial assets and financial liabilities, including derivative instruments. EIC-173 is applicable for the Company's interim and annual financial statements for its fiscal year ending December 31, 2009, with retroactive application. The adoption of EIC-173 did not result in a material impact on the Company's financial statements.

Financial instruments - recognition and measurement

In August 2009, the CICA issued amendments to Section 3855, *Financial Instruments - Recognition and Measurement*. The application of this amendment is to annual financial statements beginning on or after November 1, 2008. The implementation of this standard did not have a material impact on the Company's financial statements.

Urodynamix Technologies Ltd.

Notes to the financial statements

December 31, 2009 and 2008

2. Summary of significant accounting policies (continued)

(r) Changes in significant accounting policies (continued)

(i) Adoption of new accounting standards (continued)

Financial instruments - disclosures

In June 2009, the CICA issued amendments to Section 3862, *Financial Instruments - Disclosures*. The amendment is to be applied to annual financial statements with fiscal years ending after September 30, 2009. Financial instruments recognized at fair value on the balance sheet must be classified in fair value hierarchy levels as follows:

- Level 1 - valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - valuation techniques based on inputs that are other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices); and
- Level 3 - valuation techniques with unobservable market inputs (involves assumptions and estimates by management of how market participants would price the assets or liabilities).

The impact of this amendment resulted in additional disclosures included in Note 4 of the financial statements.

(ii) Future accounting changes

In January 2009, the CICA issued Section 1582, *Business Combinations*; Section 1601, *Consolidated Financial Statements*; and Section 1602, *Non-Controlling Interests*, to replace Section 1581 and Section 1600. These sections shall be applied prospectively to business combinations on or after the effective date of January 1, 2011 with earlier application permitted. These standards establish updated principles on the recognition, measurement criteria and presentation for acquisitions, the accounting for assets and liabilities assumed and non-controlling interests. The implementation of these standards is currently not expected to have a material impact on the Company's financial statements.

In December 2009, the CICA issued EIC Abstract 175, *Multiple Deliverable Revenue Arrangements* ("EIC-175"), requiring a vendor to allocated arrangement consideration at the inception of an arrangement to all deliverables using the relative selling price method. It also changes the level of evidence of the standalone selling price required to separate deliverables when more objective evidence of the selling price is not available. Given the requirement to use the relative selling price method of allocating arrangement consideration, it prohibits the use of the residual method. EIC-175 may be applied prospectively and should be applied to revenue arrangements with multiple deliverables entered into or materially modified in the first annual fiscal period beginning on or after January 1, 2011 with early adoption permitted. The implementation of this standard is not expected to have a material impact on the Company's financial statements.

Urodynamix Technologies Ltd.

Notes to the financial statements

December 31, 2009 and 2008

2. Summary of significant accounting policies (continued)

(r) *Changes in significant accounting policies (continued)*

(i) *Future accounting changes (continued)*

Canadian public companies will be required to prepare their financial statements in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board, for financial years beginning on or after January 1, 2011. Effective January 1, 2011, the Company will adopt IFRS as the basis for preparing its financial statements. The Company will issue its financial results for the quarter ended March 31, 2011 prepared on an IFRS basis and provide comparative data on an IFRS basis as required.

3. 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 develop and 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.

4. Financial instruments

(a) *Financial instruments*

The Company has classified financial instruments as follows:

Financial assets and liabilities

	2009	2008
	\$	\$
Financial assets		
Held for trading, measured at fair value		
Cash and cash equivalents	752,264	1,762,794
Restricted cash	-	500,000
Loans and receivables, measured at amortized cost	117,768	108,116
Financial liabilities		
Other liabilities, measured at amortized cost		
Accounts payable and accrued liabilities	521,556	454,867
Capital lease obligations	3,018	16,300

Urodynamix Technologies Ltd.

Notes to the financial statements

December 31, 2009 and 2008

4. Financial instruments (continued)

(a) Financial instruments (continued)

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 December 31, 2009 or at December 31, 2008.

(b) Cash equivalents

At December 31, 2009, the Company held \$Nil (2008 - \$1,675,000) in guaranteed investment certificates ("GIC") returning a variable rate of interest. The weighted average interest rate on the GIC's is \$Nil (2008 - 2.90% per annum)

(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 required that shareholders of the Corporation approve BC

Advantage Funds becoming a control person of the Corporation. The Company submitted the matter to shareholders who approved at its AGM, held May 28, 2009. The restricted cash balance at December 31, 2009 was \$Nil (2008 - \$500,000).

The Company has exposure to the following risks from its use of financial instruments: credit, market 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 year ended December 31, 2009, the Company sold its products through three distributors. As at December 31, 2009 100% of its trade receivable balance, at year-end, was comprised of amounts due from Medical Measurements Systems B.V.

Interest rate risk

The Company's return on cash investments fluctuate with the movement of the Canadian prime interest rate, a 1% increase in the interest rate earned on the Company's cash and cash equivalents would have increased interest revenue by \$605 for the year ended December 31, 2009.

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.

Urodynamix Technologies Ltd.

Notes to the financial statements

December 31, 2009 and 2008

4. Financial instruments (continued)

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 significantly reduced expenditures and headcount as the Board of Directors continues the strategic review process in order to preserve cash and continue to meet its financial obligations. 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. As at December 31, 2009, the Company's liabilities consist of accounts payable and accrued liabilities and capital lease obligations that have contracted maturities of less than one year.

5. Property and equipment

	2009		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Office furniture and equipment	62,019	36,549	25,470
Computer and laboratory equipment	191,222	137,579	53,643
Manufacturing equipment	94,224	41,450	52,774
	347,465	215,578	131,887

	2008		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Office furniture and equipment	62,019	29,377	32,642
Computer and laboratory equipment	184,074	116,121	67,953
Manufacturing Equipment	92,544	19,193	73,351
	338,637	164,691	173,946

Included in property and equipment are assets held under capital leases as follows:

	2009		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Office furniture and equipment	5,500	4,907	593
Computer and laboratory equipment	58,554	52,294	6,260
	64,054	57,201	6,853

Urodynamix Technologies Ltd.

Notes to the financial statements

December 31, 2009 and 2008

5. Property and equipment (continued)

			2008
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Office furniture and equipment	5,500	4,653	847
Computer and laboratory equipment	58,554	49,611	8,943
	64,054	54,264	9,790

A capital lease is one that is considered to transfer substantially all of the benefits and risks incident to ownership of property to the Company.

6. Intangible assets

				2009
	Cost	Accumulated amortization	Write-off	Net book value
	\$	\$	\$	\$
NIRS Technology (a)(b)	-	-	-	-
AVID System (c)	-	-	-	-
ED Technology (Note 9 (a)(i))	11,250	-	(11,250)	-
	11,250	-	(11,250)	-

				2008
	Cost	Accumulated amortization	Write-off	Net book value
	\$	\$	\$	\$
NIRS Technology (a)(b)	107,500	3,808	103,692	-
AVID System (c)	-	-	-	-
	107,500	3,808	103,692	-

- (a) The Company entered into a license agreement with the University of British Columbia ("UBC"), dated May 30, 2005 which was subsequently amended, in respect to the NIRS technology. The NIRS technology is a non-invasive diagnostic medical device that is to be used for the diagnosis and assessment of bladder disease. The agreement is to expire at the later of 20 years from the date of the agreement or upon the last expiry of any patent obtained related to the technology. The terms of the agreement required the Company to pay an initial license fee of \$100,000 (half of which was paid by the issuance of 714,286 common shares of the Company at \$0.07 per share), royalties in respect to future revenues, including sublicensing revenues, with minimum annual required royalties of \$30,000, \$40,000 and \$50,000 to be paid on June 1, 2009, 2010 and 2011, respectively and \$50,000 to be paid on June 1 each year thereafter during the term of the agreement, reimbursement of patent costs incurred by UBC related to the technology, an annual maintenance fee of \$2,000, and milestone payments of up to 1,000,000 shares of the Company based on achievement of certain regulatory approval and sales targets. The Company may only terminate the agreement in the event of a breach of the agreement by UBC.

Urodynamix Technologies Ltd.

Notes to the financial statements

December 31, 2009 and 2008

6. Intangible assets (continued)

(a) (continued)

The agreement grants to the Company an exclusive worldwide license to use and sublicense the technology and any improvements and to market products developed using the technology, subject to the royalty. During the 2009 year, the Company reimbursed UBC for patent costs incurred of \$6,169 (2008 - \$15,192). Patent costs are expensed as incurred.

- (b) On March 5, 2008, one of the Company's distribution partners, Laborie Medical Technologies Inc ("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 for non-invasive bladder testing. On August 12, 2008, Laborie, received approval to CE mark the Tetra device. Under the terms of its license agreement with the UBC the receipt of FDA clearance and the issuance of the CE mark required milestone payments of 250,000 common shares of the Company to UBC on each milestone date. The fair market value of the Company's shares on March 5, 2008 and September 20, 2008 was \$0.235 and \$0.195, per share, respectively, or \$107,500 in total, which was recorded in intangible assets on the dates the shares were issued. The Company determined at December 31, 2008 that the net realizable value was not determinable and that as a result the carrying value of the intangible asset has been written down to \$Nil.

- (c) The Company holds a licensing agreement with UBC in respect to the advanced verification of integration dose ("AVID") technology. The agreement dated June 30, 2000 expires at the later of 20 years or upon the last expiry of any patent related to the technology. The agreement grants to the Company an exclusive worldwide license to use and sublicense the technology. The carrying value of the license agreement is \$Nil (2008 - \$Nil). The Company has sublicensed the technology as described in Note 8.

7. Capital lease obligations

The Company leases certain equipment and software with minimum lease payments of \$3,018 (2008 - \$18,430) due in 2010.

8. Sublicense agreement

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 AVID technology described in Note 6 (c). Terms of the agreement included a licensing fee of US\$120,000 and ongoing royalty payments at a rate of 5% on the Sublicensee's sales derived from the AVID technology.

The initial license fee received of \$125,937 (US\$120,000), net of related expenses of \$10,337, is being recognized as revenue on a straight-line basis over the five year term of the agreement, assuming the agreement is maintained. Revenue of \$20,989 (2008 - \$20,989) was recognized for the year. Royalties of \$Nil (2008 - \$Nil) was recognized for the year.

Urodynamix Technologies Ltd.

Notes to the financial statements

December 31, 2009 and 2008

9. Capital stock

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

	2009	2008
Opening	107,227,893	81,727,893
Shares cancelled	(18)	-
Stock issued to purchase patent rights (i)	150,000	-
Stock issued to UBC pursuant to milestones (ii)	-	500,000
Shares issued pursuant to private placement (iii)	30,311,010	25,000,000
Ending	137,688,885	107,227,893

- (i) On August 12, 2009 the TSX Venture Exchange accepted for filing documentation in connection with an assignment agreement dated May 18, 2007 between the Company and Dr. Sidney Radomski pursuant to which the Company has acquired rights, title and interest in and to the invention forming part of or otherwise relating to the ED provisional patent application 60/888012. The consideration paid was 150,000 common shares of the Company. The shares were issued August 13, 2009. The transaction was recorded at \$11,250, the fair market value of the total number of common shares issued by the Company to complete the transaction. As the fair value was not determinable at year end the carrying value of the intangible asset has been written down to \$Nil.
- (ii) Under the terms of the Company's license agreement with UBC, the receipt of FDA clearance and the issuance of the CE mark to its partner Laborie Medical Technologies Inc. required milestone payments of 500,000 common shares of the Company to UBC. See Note 14 (ii).
- (iii) On September 11, 2009 the Company announced that it would raise a minimum of \$1,500,000 through the issuance of 30,000,000 common shares of the Company at a price of \$0.05 per common share. The non-brokered private placement closed on September 25, 2009. BC Advantage Funds, the Company's largest shareholder, and management and directors purchased 19,773,500 common shares for gross proceeds of \$983,676 with the remainder being purchased by third parties. The Company paid a 7.5% commission on sales of common shares to third parties.

On October 15, 2008, the Company entered into an agreement with BC Advantage Funds ("Advantage") wherein Advantage agreed, subject to normal closing conditions, to purchase 25,000,000 shares of the Company at a price of \$0.10 per share for total proceeds of \$2,500,000. The agreement with Advantage closed and funds were received on November 5, 2008. No commission was payable on the funds received from Advantage.

(b) *Shares held in escrow*

At December 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.

Urodynamix Technologies Ltd.

Notes to the financial statements

December 31, 2009 and 2008

9. Capital stock (continued)

(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 instalments on a quarterly, semi-annual or annual basis.

A summary of stock option activity follows:

	Number	Amount	Weighted average exercise price per share
		\$	\$
Outstanding, December 31, 2007	6,718,500	630,538	0.16
Granted	1,606,000	315,190	0.20
Cancelled	(699,000)	(115,000)	0.16
Outstanding, December 31, 2008	7,625,500	830,728	0.17
Granted	2,000,000	200,000	0.10
Cancelled	(1,213,000)	(215,390)	0.18
Outstanding, December 31, 2009	8,412,500	815,338	0.18

The following tables summarize stock options outstanding and exercisable at December 31, 2009:

Number outstanding	Average remaining contractual life (in years)	Weighted average exercise price per share
		\$
3,020,000	0.78 - 4.35	0.10 - 0.12
3,553,000	1.41 - 1.83	0.13 - 0.15
739,500	2.43 - 3.73	0.19 - 0.23
1,100,000	2.76 - 3.19	0.24 - 0.28
8,412,500	2.36	0.17

Number exercisable	Average remaining contractual life (in years)	Weighted average exercise price per share
		\$
7,100,000	2.0	0.16

Urodynamix Technologies Ltd.

Notes to the financial statements

December 31, 2009 and 2008

9. Capital stock (continued)

(c) Stock options (continued)

During the year ended December 31, 2009, the Company recorded \$231,510 (2008 - \$298,556) 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:

	2009	2008
Risk free interest rate	2.10%	3.10%
Dividend yield	Nil	Nil
Expected volatility	118%	107%
Expected life of option	5 years	5 years

The weighted average fair value of options granted during the 2009 year was \$0.10 (2008 - \$0.15).

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions may materially affect the fair value estimate, and therefore the available models do not necessarily provide a reliable single measure of the fair value of the Company's stock options.

(d) Contributed surplus

	2009	2008
	\$	\$
Opening	2,370,019	2,071,463
Stock compensation expense	231,510	298,556
Ending	2,601,529	2,370,019

Urodynamix Technologies Ltd.

Notes to the financial statements

December 31, 2009 and 2008

10. Income taxes

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

	2009	2008
	\$	\$
Loss before income taxes	(3,012,865)	(3,428,032)
Expected tax recovery at combined federal and provincial rates of 30% (2008 - 31.5%)	(903,860)	(1,079,830)
Stock-based compensation	69,453	63,856
Write-off of intangible asset	3,375	26,960
Other	-	171,676
Benefit of unrecognized tax asset	831,032	817,338
Income tax provision	-	-

Future income tax assets consist of the following temporary differences:

	2009	2008
	\$	\$
Losses carried forward	2,977,250	2,464,000
Intangible assets	355,000	285,000
Property and equipment	90,000	43,000
Financing fees	60,000	52,000
Other	59,000	42,000
Valuation allowance	(3,541,250)	(2,886,000)
	-	-

The Company has operating losses totaling approximately \$11,909,000 (2008 - \$9,480,000) available to offset future taxable income. These operating losses expire if unutilized as follows:

	\$
2009	315,000
2010	931,000
2011	1,945,000
2015	1,080,000
2026	1,007,000
2027	1,368,000
2028	2,834,000
2029	2,429,000
	11,909,000

Urodynamix Technologies Ltd.

Notes to the financial statements

December 31, 2009 and 2008

11. Revenue

	2009	2008
	\$	\$
Product revenue	127,602	161,833
Deferred revenue	36,181	27,060
Total revenue	163,783	188,893

The Company's revenue is derived from product sales and from the recognition of deferred revenue from licensing fees negotiated between the Company and its distributors. The Company recognizes revenue from the sale of products when persuasive evidence of an arrangement exists, the product has been delivered, collection of the resulting receivable is considered reasonably assured and the fee is fixed and determinable. The Company recognizes revenue from license fees on a straight line basis over the term of the license. The Company recognizes revenue from royalties on product sales as a percentage of revenues according to its distribution agreements.

On December 30, 2009 the Company accepted the return of \$121,473 of URO NIRS 2000 product from MMS, one of the Company's distributors. The Company has recorded the return as a reversal of revenue previously recognized in the first quarter of 2009. The Company also reversed \$14,577 of royalty revenues also recognized in the first quarter of 2009 that were due from MMS.

12. Related party transactions

During the 2009 year, the Company incurred consulting fees of \$5,523 (2008 - \$61,560) 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.

13. Commitments

- (a) The Company is committed to payments with respect to an agreement to lease its office premises, which include estimated annual operating costs and payments with respect to leased assets. Future required minimum payments are as follows:

	\$
2010	206,745
2011	155,059
2012	-
	361,804

- (b) The Company agreed on September 28, 2007 to issue 150,000 common shares of the Company to a director of the Company (Dr. Zeid Mohamedali) for the assignment of all rights, title and interest to the invention forming part of a provisional Prostate Imaging patent application. The Company did not obtain sufficient data in order to carry out a formal patent application by May 1, 2008 as agreed. If a formal patent application is not completed the Company retains the right to terminate the Agreement and not issue the shares.

Urodynamix Technologies Ltd.

Notes to the financial statements

December 31, 2009 and 2008

14. Supplementary cash flow information

Significant non-cash transactions occurring during the 2009 and 2008 years were as follows:

- (i) During the 2009 year, the Company issued options to its officers to acquire 2,000,000 common shares of the Company as described in Note 9 (c). The estimated fair value of these options, totaling \$164,600, is to be recognized over the vesting period. An amount of \$63,022 was charged to operations for the 2009 year.
- (ii) On March 5, 2008, one of the Company's distribution partners, Laborie, obtained 510(k) clearance from the FDA to market their urodynamics equipment with the Tetra™ Bladder Monitor System for non-invasive bladder testing. On August 12, 2008, Laborie, received approval to CE mark the Tetra device. Under the terms of its license agreement with the UBC the receipt of FDA clearance and the issuance of the CE mark required milestone payments of 250,000 common shares of the Company to UBC on each milestone date. The fair market value of the Company's shares on March 5, 2008 and September 20, 2008 was \$0.235 and \$0.195 per share, respectively, or \$107,500 in total, and the exchange was recorded in intangible assets on the dates the shares were issued. The Company recorded amortization of \$3,808. At year end, the Company wrote off the carrying value of the intangible asset and recorded an expense of \$103,692.
- (iii) During the 2008 year, the Company acquired property and equipment at a cost of \$3,424 for which it assumed obligations under capital leases.

15. Comparative figures

Certain of the comparative figures have been reclassified to conform to the current year's presentation; Other expenses for general and administrative and research and development have been reclassified to provide additional detail as to the nature of the expenses.

Urodynamix Technologies Ltd.

Schedules of operating expenses

years ended December 31, 2009 and 2008

	2009	2008
	\$	\$
General and administrative expenses		
Wages	688,539	815,524
Rent	201,481	135,151
Professional fees	95,795	98,406
Travel	81,268	139,680
Directors fees	76,139	39,750
Investor relations	69,841	38,405
Insurance	43,515	31,537
Telephone and communications	40,360	27,935
Other	32,321	80,813
Consulting	23,886	38,150
Regulatory and license fees	21,883	33,992
Bad debt expense	20,909	-
	1,395,937	1,479,343
Research and development expenses		
Wages	733,385	874,831
Patent related fees	109,156	85,915
Materials and prototyping	102,614	135,276
Other	49,282	108,054
Travel	43,645	79,939
Consulting	25,252	76,491
Trials	9,413	161,643
Research funding	(208,604)	(56,560)
	864,143	1,465,589
Selling and marketing expenses		
Wages	220,833	120,750
Product placement and marketing	193,460	-
Travel	88,137	21,452
	502,430	142,202

Interim Financial Statements of

Urodynamix Technologies Ltd.

March 31, 2010

(Unaudited)

Urodynamix Technologies Ltd.

1485 555 Burrard Street

Vancouver, BC

V7X 1M9

www.urodynamix.com

Tel: 604-694-7770

Fax: 604-694-7771

Investment Information:

Shares Listed: TSX-V:URO

Common shares authorized: Unlimited

Common shares outstanding as at:

December 31, 2008 107,227,893

December 31, 2009 137,688,885

March 31, 2010 137,688,885

Urodynamix Technologies Ltd.

March 31, 2010

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Notes to the financial statements	6
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Urodynamix Technologies Ltd.

Interim statement of operations, comprehensive loss and deficit

Quarter ended March 31, 2010 and 2009

(Unaudited - prepared by management)

	Three months ended March 31	
	2010	2009
	\$	\$
Revenue (Note 8)	23,159	271,281
Cost of goods sold	15,619	170,583
Gross profit	7,540	100,698
Expenses		
General and administrative (Schedule)	250,047	310,509
Research and development (Schedule)	133,956	276,454
Selling and Marketing (Schedule)	52,117	112,111
Stock-based compensation	18,863	52,457
Amortization of property and equipment	37,774	7,322
	492,757	758,853
Loss from operations	(485,217)	(658,155)
Other income (expenses)		
Realized and unrealized foreign exchange gain (loss)	(25,341)	
Interest expense	(1,915)	(1,382)
Interest income	-	4,299
	(27,256)	2,917
Net loss and comprehensive loss for the period	(512,473)	(655,238)
Basic and diluted loss per share	(0.004)	(0.01)
Weighted average number of basic and diluted common shares outstanding	137,688,885	107,097,893

Urodynamix Technologies Ltd.

Interim statement of shareholders' equity

Quarter ended March 31, 2010 and 2009

(Unaudited - prepared by management)

	Common shares		Contributed surplus	Total capital	Deficit	Total shareholders' equity
	Issuable, Issued and outstanding	Amount				
	Number					
		\$	\$	\$	\$	\$
Balance, December 31, 2008	107,227,893 0	17,418,263	2,370,019 0	19,788,282 0	(17,711,598) 0	2,076,684
Net loss	-	-	-	-	(655,238)	(655,238)
Shares issued for cash pursuant to private placement, net of costs	-	-	-	-	-	-
Stock-based compensation	-	-	52,457	52,457	-	52,457
Shares issued	-	-	-	-	-	-
Balance, March 31, 2009	107,227,893	17,418,263	2,422,476	19,840,739	(18,366,836)	1,473,903
Net loss	-	-	-	-	(2,357,627)	(2,357,627)
Stock-based compensation	-	-	179,053	179,053	-	179,053
Shares issued for patent rights	150,000	11,250	-	11,250	-	11,250
Shares issued for cash pursuant to private placement, net of costs	30,310,992	1,447,834	-	1,447,834	-	1,447,834
Balance, December 31, 2009	137,688,885	18,877,347	2,601,529	21,478,876	(20,724,463)	754,413
Net loss	-	-	-	-	(512,473)	(512,473)
Stock-based compensation	-	-	18,863	18,863	-	18,863
Shares issued for cash pursuant to private placement, net of costs	-	2,544	-	2,544	-	2,544
Balance, March 31, 2010	137,688,885	18,879,891	2,620,392	21,500,283	(21,236,936)	263,346

Urodynamix Technologies Ltd.

Balance sheet

(Unaudited - prepared by management)

	March 31, 2010	December 31, 2009
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	414,011	752,264
Restricted cash	-	-
Accounts receivable	71,854	117,768
Inventory	337,952	376,280
Prepays	70,258	96,790
	894,075	1,343,102
Property and equipment	97,158	131,887
Intangible assets	-	-
	991,233	1,474,989
Liabilities		
Current liabilities		
Accounts payable and accruals	545,397	521,556
Deferred revenue	180,563	196,001
Current portion of capital lease obligations	1,210	3,018
	727,170	720,575
Capital lease obligations	716	-
	727,886	720,575
Shareholders' equity		
Capital stock	18,879,891	18,877,348
Contributed surplus	2,620,392	2,601,529
Deficit	(21,236,936)	(20,724,463)
	263,346	754,414
	991,233	1,474,989

Going concern assumption (Note 1)

Commitments (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, 2010 and 2009

(Unaudited - prepared by management)

	Three months ended March 31	
	2010	2009
	\$	\$
Operating activities		
Net loss	(512,473)	(655,238)
Items not involving cash		
Amortization of property and equipment	37,774	7,322
Amortization of deferred revenue	(15,438)	(9,141)
Stock-based compensation	18,863	52,457
	(471,274)	(604,600)
Change in non-cash working capital		
Accounts receivable	45,913	(236,181)
Inventory	38,328	(184,725)
Prepays	26,532	(2,865)
Accounts payable and accruals	23,841	233,608
Deferred revenue	-	46,288
Cash used in operating activities	(336,660)	(748,475)
Investing activities		
Property and equipment	(3,045)	(5,404)
Cash used in investing activities	(3,045)	(5,404)
Financing activities		
Shares issued for cash pursuant to private placement, net of costs	2,544	-
Repayment of capital lease obligations	(1,092)	(3,274)
Cash provided by financing activities	1,452	(3,274)
Net decrease in cash and cash equivalents	(338,253)	(757,153)
Cash and cash equivalents, beginning of period	752,264	1,762,794
Cash and cash equivalents, end of period	414,011	1,005,641
Cash and cash equivalents are comprised of		
Cash	414,011	155,641
Cash equivalents	-	850,000
	414,011	1,005,641
Supplemental cash flow information:		
Interest paid	1,915	1,382
Taxes paid	-	-
Non-cash investing and financing items not included in cash flows		
Shares issued to third parties	-	-

Urodynamix Technologies Ltd.

Notes to the interim financial statements

For the three months ended March 31, 2010

1. Operations and going concern assumption

Urodynamix Technologies Ltd. (the "Company") has been engaged in the development of non-invasive medical technology and diagnostic devices based on near-infrared spectroscopy ("NIRS"). The Company has developed and commercialized a medical device to aid in the diagnosis and treatment of urinary incontinence and lower urinary tract symptoms and has developed a portfolio of technology to aid in the diagnosis of intra-abdominal pressure that cause abdominal compartment syndrome and improve the efficacy of the minimally invasive treatment of benign prostatic hypertrophy.

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, no significant source of revenues and a limited ability to operate without continued financial support in the form of share issuances, the sale of part or all of assets of the Company or another transaction as approved by the board of directors.

For the quarter ended March 31, 2010, the Company incurred an operating loss of \$485,217 (2009 - \$658,155) and negative cash flow from operations of \$336,660 (2009 - \$748,475). As of March 31, 2010 the Company had an accumulated deficit of \$21,236,936.

On November 23, 2009 the Company announced that the American Medical Association (AMA) had published its 2010 Current Procedural Terminology (CPT) codes with additions, changes and deletions of billing codes for all medical specialties including urology. As of January 2010, CPT Code 51795, "Voiding pressure studies (VP); bladder voiding pressure, any technique," was discontinued and replaced by a new CPT Code 51728, "Complex cystometrogram (i.e., calibrated electronic equipment); with voiding pressure studies (i.e., bladder voiding pressure), any technique" and several other related codes.

The discontinuation of the 51795 Code likely will have a negative impact on US sales but will not affect sales of URONIRS™ in international markets. The Company currently is working with the American Urological Association (AUA) on potential coding options for URONIRS™.

As disclosed in the press release made on December 8, 2009 the Board of Directors will continue to review strategic alternatives. Management and the board are considering a number of strategies including the sale of all or a portion of the assets, arranging for parties who would provide funding for development of the business, and arranging for the transfer of control of the Company. During this review the Company has reduced expenditures and headcount. The Company has and intends to continue to support the URO NIRS bladder product, the customer base and its distribution partners throughout and subsequent to the completion of the strategic review process.

As at March 31, 2010, the Company has retained five key employees, with which it intends to support its products and its three distribution partners. The Company has completed several sales and collected accounts receivable, due from its distribution partners and IRAP as at March 31, 2010 subsequent to year end. The Company continues to hold a reserve of finished product in inventory to fulfill orders going forward.

The Company does not intend to disclose developments with respect to the strategic review process unless and until the Board of Directors has approved a definitive transaction or strategic option, unless otherwise required by law.

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 continued financial support in the form of share issuances, the sale of a portion of the assets of the Company or another financial transaction;

Urodynamix Technologies Ltd.

Notes to the interim financial statements

For the three months ended March 31, 2010

1. Operations and going concern assumption (continued)

However, there can be no assurance that such a transaction can be completed on acceptable 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, 2009, 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, 2009. 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

(a) *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.

Urodynamix Technologies Ltd.

Notes to the interim financial statements

For the three months ended March 31, 2010

5. Financial Instruments

(a) Financial Instruments

The Company has classified financial instruments as follows:

<i>Financial Assets and Liabilities</i>	March 31 2010	December 31, 2009
Financial Assets		
Held for trading, measured at fair value		
Cash and cash equivalents	\$ 414,011	\$ 752,264
Restricted cash	-	-
Loans and receivables, measured at amortized cost	71,854	117,768
Financial Liabilities		
Other liabilities, measured at amortized cost		
Accounts payable and accrued liabilities	\$ 545,397	\$ 521,556
Capital lease obligations	1,926	3,018

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, 2010 or at December 31, 2009.

(b) Cash equivalents

At March 31, 2010, the Company held cash and had no cash equivalents on hand.

(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 required that shareholders of the Corporation approve BC Advantage Funds becoming a control person of the Corporation. The Company submitted the matter to shareholders who approved at its AGM, held May 28, 2009. The restricted cash balance at March 31, 2010 was \$Nil (2009 \$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, 2010, the Company sold its products through three distributors and as a result its trade receivable balance, at period end,

Urodynamix Technologies Ltd.

Notes to the interim financial statements

For the three months ended March 31, 2010

5. Financial Instruments (continued)

was comprised of amounts due from 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 hedging activities to reduce its exposure to this risk.

Interest rate risk

The Company's cash investments fluctuate with the movement of the Canadian prime interest rate, a 1% increase in the interest rate earned on the Company's cash and cash equivalents would have increased interest revenue by \$500 for the three months ended March 31, 2010.

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 significantly reduced expenditures and headcount as the Board of Directors continues the strategic review process in order to preserve cash and continue to meet its financial obligations. 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. As at March 31, 2010, the

Company's liabilities consist of accounts payable and accrued liabilities and capital lease obligations that have contracted maturities of less than one year.

6. Capital stock

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

	March 31 2010	March 31 2009
Outstanding, end of period	137,688,867	107,227,893

On September 11, 2009 the Company announced that it would raise a minimum of \$1,500,000 through the issuance of 30,000,000 common shares of the Company at a price of \$0.05 per common share. The non-brokered private placement closed on September 25, 2009. BC Advantage Funds, the Company's largest shareholder, and management and directors purchased 19,773,500 common shares for gross proceeds of \$988,975 with the remainder being purchased by third parties. The Company paid a 7.5% commission on sales of common shares to third parties.

(b) *Shares held in escrow*

At March 31, 2010, 130,000 (2009: 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.

Urodynamix Technologies Ltd.

Notes to the interim financial statements

For the three months ended March 31, 2010

6. Capital stock (continued)

(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,			
	2010		2009	
	Options to purchase common shares	Weighted average exercise price	Options to purchase common shares	Weighted average exercise price
Outstanding, beginning of period	8,412,500	\$ 0.17	7,625,500	\$ 0.17
Granted	-	-	-	-
Cancelled	(249,000)	0.16	(412,000)	0.25
Outstanding, at end of period	8,163,500	\$ 0.15	7,213,500	\$ 0.16
Exercisable, end of period	7,038,500	\$ 0.16	6,285,417	\$ 0.17

During the three month period ended March 31, 2010, the Company recorded \$18,863 (2009: \$52,457) 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.

(d) Contributed surplus

	March 31 2010	March 31 2009
	\$	\$
Opening, beginning of period	2,601,529	2,370,019
Stock compensation expense	18,863	52,457
Balance, end of period	2,620,392	2,422,476

Urodynamix Technologies Ltd.

Notes to the interim financial statements

For the three months ended March 31, 2010

7. Deferred Revenue

		March 31, 2010	
	Cost	Accumulated Amortization	Net Book Value
URO-NIRS distribution agreement (i)	\$ 103,875	32,946	70,929
AVID product sublicense (ii)	125,937	82,209	43,728
Suntek Medical Systems (iii)	46,288	-	46,288
Urology Specialists of West Florida	18,121	-	18,121
Matthew Lief	1,497	-	1,497
	<u>\$ 295,718</u>	<u>115,155</u>	<u>180,563</u>

		December 31 2009	
	Cost	Accumulated Amortization	Net Book Value
URO-NIRS distribution agreement	\$ 103,875	\$ 29,148	\$ 74,727
AVID product sublicense	125,937	76,961	48,976
Suntek Medical	46,288	-	46,288
Ho Yeung Co Ltd.	6,392	-	6,392
Urology Specialists of West Florida	18,121	-	18,121
Matthew Lief	1,497	-	1,497
	<u>\$ 302,110</u>	<u>106,109</u>	<u>196,001</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 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

Urodynamix Technologies Ltd.

Notes to the interim financial statements

For the three months ended March 31, 2010

7. Deferred Revenue (continued)

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.

- (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 licensing 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.

8. Revenue

	2010 Q1	2009 Q1
Product revenue	14,651	235,705
Deferred revenue	8,508	35,576
Total revenue	23,159	271,281

The Company's revenue is derived from product sales and from the recognition of deferred revenue from licensing fees negotiated between the Company and its distributors. The Company recognizes revenue from the sale of products when persuasive evidence of an arrangement exists, the product has been delivered, collection of the resulting receivable is considered reasonably assured and the fee is fixed and determinable. The Company recognizes revenue from license fees on a straight line basis over the term of the license.

9. Concentration of Credit Risk

As of March 31, 2010, the Company had two major 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 and through direct sales efforts.

10. Related party transactions

During the three months ended March 31, 2010, the Company incurred consulting fees of \$Nil (2009: \$5,613) for technical services provided by one director.

Urodynamix Technologies Ltd.

Notes to the interim financial statements

For the three months ended March 31, 2010

11. Capital lease obligations

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

2010	\$	3,358
2011		967
2012		-
		<u>4,325</u>
Less: interest at average rate of 12% per annum		<u>215</u>
		4,540
Less: current portion		<u>(1,210)</u>
	\$	<u>3,330</u>

12. 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:

2010	206,745
2011	155,059
2012	-
	<u>361,804</u>

13. Comparative Figures

Certain of the comparative figures have been reclassified to conform to the current year's presentation; General and administrative, sales and marketing, and research and development expenses have been reclassified to provide additional disclosure.

Urodynamix Technologies Ltd.

Interim schedule of operating expenses

Quarter ended March 31, 2010 and 2009

(Unaudited - prepared by management)

	Three months ended March 31	
	2010	2009
	\$	\$
General and administrative expenses		
Wages	33,255	163,105
Rent	50,410	50,410
Professional fees	18,282	12,528
Travel	32,296	33,639
Investor relations	1,500	1,291
Directors fees	-	8,375
Regulatory and license fees	8,836	3,976
Insurance	15,224	9,606
Telephone and communications	5,815	9,855
Bad debt expense	-	-
Consulting	65,749	-
Other	18,679	17,724
	<u>250,047</u>	<u>310,509</u>
Research and development expenses		
Wages	50,194	228,782
Materials and prototyping	914	-
Patent related fees	4,187	14,659
Travel	12,829	14,518
Consulting	90,501	10,348
Trials	-	-
Other	4,391	19,770
Research funding	(29,060)	(11,623)
	<u>133,956</u>	<u>276,454</u>
Selling and marketing expenses		
Wages	342	70,994
Travel	3,035	22,894
Product placement and marketing	48,740	18,223
	<u>52,117</u>	<u>112,111</u>

Schedule 4.1.18(b)
Adverse Change

This should list any adverse changes, January 1, 2009, in the nature or condition of the Purchased Assets or the Business, or any development, financial or otherwise, or, to the knowledge of the Vendor, threatened or probable development which adversely affects or is reasonably expected to adversely affect the Purchased Assets or the Business that is not known generally to the Canadian business public and which affects the business community generally or businesses similar to the Business in particular: **None**

Schedule 4.1.18(b)
Inventories

See Attached.

Urodynamix Finished Goods Report - Mar 31, 2010

Date Counted	Serial / Lot	Revision	Location	Quantity	Unit Cost	Total Cost	Notes and Comments
NIRSBM-1000 Bladder Monitor P/N: 700-0002				14			
2010-05-03	01081200013	2	Creation	1			
2010-05-03	01081200016	2	Creation	1			
2010-05-03	01081200025	2	Creation	1			
2010-05-03	01081200026	2	Creation	1			
2010-05-03	01081200027	2	Creation	1			
2010-05-03	01081200028	2	Creation	1			
2010-05-03	01081200029	2	Creation	1			
2010-05-03	01081200030	2	Creation	1			
2010-05-03	01081200031	2	Creation	1			
2010-05-03	01081200032	2	Creation	1			
2010-05-03	01081200033	2	Creation	1			
2010-05-03	01081200034	2	Creation	1			
2010-05-03	01081200035	2	Creation	1			
2010-05-03	01081200036	2	Creation	1			
NIRSBM-1000 PCB Assembly P/N: 200-0001				11			
2010-05-03	3A630304	1	Creation	1			
2010-05-03	3A630306	1	Creation	1			
2010-05-03	3A630303	1	Creation	1			
2010-05-03	3A630317	1	Creation	1			
2010-05-03	3A630298	1	Creation	1			
2010-05-03	3A630297	1	Creation	1			
2010-05-03	3A630308	1	Creation	1			
2010-05-03	3A630316	1	Creation	1			
2010-05-03	3A630294	1	Creation	1			
2010-05-03	3A630301	1	Creation	1			
2010-05-03	3A630305	1	Creation	1			Ready for final assembly.
NIRSBMOC-1500 Optical Cable P/N: 700-0004				0			
2010-05-03	03080100052	1	Urodynamix	0			
NIRSBMP-1000 Patch P/N: 700-0005				2460			
2010-05-03	02008080607	1	Urodynamix	96			
			Columbia	616			
2010-05-03	02008081107	1	Columbia	637			
2010-05-03	02008090409	1	Columbia	508			
2010-05-03	02008090411	1	Columbia	255			
2010-05-03	02008091010	1	Columbia	252			
2010-05-03	02008090311	1	Columbia	96			
NIRSBMCA-1000 Calibration Analyzer P/N: 700-0001				2			
2009-12-22	2008020	1	Columbia	2			
uroNIRS 2000 Bladder Monitor System				81			
700-0070				19			
2010-06-23	06090300015	1	Urodynamix	1			Customer ID: Cardinal, Optical Cable: No
2010-06-23	06090300016	1	Urodynamix	1			Customer ID: Cardinal, Optical Cable: No
2010-06-23	06090300018	1	Urodynamix	1			Customer ID: Cardinal, Optical Cable: No

Urodynamix Finished Goods Report - Mar 31, 2010

Date Counted	Serial / Lot	Revision	Location	Quantity	Unit Cost	Total Cost	Notes and Comments
2010-06-23	06090300047	1	Urodynamix	1			Customer ID: Cardinal, Optical Cable: No
2010-06-23	06090300049	1	Urodynamix	1			Customer ID: Cardinal, Optical Cable: No
2010-06-23	06090300052	1	Urodynamix	1			Customer ID: Cardinal, Optical Cable: Yes
2010-06-23	06090300053	1	Urodynamix	1			Customer ID: Cardinal, Optical Cable: No
2010-06-23	06090300055	1	Urodynamix	1			Customer ID: Cardinal, Optical Cable: Yes
2010-06-23	06090300056	1	Urodynamix	1			Customer ID: Cardinal, Optical Cable: Yes
2010-06-23	06090300057	1	Urodynamix	1			Customer ID: Cardinal, Optical Cable: Yes
2010-06-23	06090300058	1	Urodynamix	1			Customer ID: Cardinal, Optical Cable: Yes
2010-06-23	06090300060	1	Urodynamix	1			Customer ID: Cardinal, Optical Cable: Yes
2010-06-23	06090300062	1	Urodynamix	1			Customer ID: Cardinal, Optical Cable: No
2010-06-23	06090300063	1	Urodynamix	1			Customer ID: Cardinal, Optical Cable: Yes
2010-06-23	06090300064	1	Urodynamix	1			Customer ID: Cardinal, Optical Cable: Yes
2010-06-23	06090300065	1	Urodynamix	1			Customer ID: Cardinal, Optical Cable: Yes
2010-06-23	06090300071	1	Urodynamix	1			Customer ID: Cardinal, Optical Cable: No
2010-06-23	06090300080	1	Urodynamix	1			Customer ID: Cardinal, Optical Cable: Yes
2010-06-23	06090400082	1	Urodynamix	1			Customer ID: Cardinal, Optical Cable: No
700-0030				15			
2010-06-23	06090300002	1	Urodynamix	1			Customer ID: Suntek, Optical Cable: Yes
2010-06-23	06090300003	1	Urodynamix	1			Customer ID: Suntek, Optical Cable: Yes
2010-06-23	06090300004	1	Urodynamix	1			Customer ID: Suntek, Optical Cable: Yes
2010-06-23	06090300005	1	Urodynamix	1			Customer ID: Suntek, Optical Cable: Yes
2010-06-23	06090300006	1	Urodynamix	1			Customer ID: Suntek, Optical Cable: Yes
2010-06-23	06090300007	1	Urodynamix	1			Customer ID: Suntek, Optical Cable: Yes
2010-06-23	06090300008	1	Urodynamix	1			Customer ID: Suntek, Optical Cable: Yes
2010-06-23	06090300009	1	Urodynamix	1			Customer ID: Suntek, Optical Cable: Yes
2010-06-23	06090300010	1	Urodynamix	1			Customer ID: Suntek, Optical Cable: Yes
2010-06-23	06090300044	1	Urodynamix	1			Customer ID: Suntek, Optical Cable: Yes
2010-06-23	06090300074	1	Urodynamix	1			Customer ID: Suntek, Optical Cable: Yes
2010-06-23	06090300075	1	Urodynamix	1			Customer ID: Suntek, Optical Cable: Yes
2010-06-23	06090300076	1	Urodynamix	1			Customer ID: Suntek, Optical Cable: Yes
2010-06-23	06090300077	1	Urodynamix	1			Customer ID: Suntek, Optical Cable: Yes
2010-06-23	06090300078	1	Urodynamix	1			Customer ID: Suntek, Optical Cable: Yes
700-0080				5			
2010-06-23	06090400085	1	Urodynamix	1	Needs new Motion PCB		Customer ID: China1, Optical Cable: No
2010-06-23	06090400089	1	Urodynamix	1	Needs new Motion PCB		Customer ID: China1, Optical Cable: No
2010-06-23	06090400084	1	Storage	1			Customer ID: China1, Optical Cable: Yes
2010-06-23	06090400088	1	Storage	1			Customer ID: China1, Optical Cable: No
2010-06-23	06090400100	1	Storage	1			Customer ID: China 1, Optical Cable: Yes
700-0050				7			
2010-06-23	06090300045	1	Storage	1			Customer ID: USA, Optical Cable: Yes
2010-06-23	06090300050	1	Urodynamix	1			Customer ID: USA, Optical Cable: Yes
2010-06-23	06090300051	1	Urodynamix	1			Customer ID: USA, Optical Cable: Yes
	06090300054	1	arge system - Dr. St	0			Customer ID: USA, Optical Cable: Yes, Uroflow Meter:Yes
	06090300091	1	arge system - Dr. G	0			Customer ID: USA, Optical Cable: Yes, Uroflow Meter:Yes

UroDynamix Finished Goods Report - Mar 31, 2010

Date Counted	Serial / Lot	Revision	Location	Quantity	Unit Cost	Total Cost	Notes and Comments
2010-06-23	06090400094	1	Storage	1			Customer ID: USA, Optical Cable: Yes
2010-06-23	06090400095	1	Storage	1			Customer ID: USA, Optical Cable: Yes
2010-06-23	06090400096	1	Storage	1			Customer ID: USA, Optical Cable: Yes
2010-06-23	06090400097	1	Storage	1			Customer ID: USA, Optical Cable: Yes
700-0040				4			
	06090300021	1		0			Sent to China along with ultrasound and MMS Uroflowmeter
2010-06-23	06090300027	1	Storage	1			Customer ID: MMS, Optical Cable: Yes
2010-06-23	06090300041	1	Storage	1			Customer ID: MMS, Optical Cable: Yes
2010-06-23	06090300023	1	Storage	1			Customer ID: MMS, Optical Cable: Yes
2010-06-23	06090300019	1	Storage	1			Customer ID: MMS, Optical Cable: Yes
uroNIRS 2000 Base Station				55			
2010-06-23	06090700108	1	UroDynamix	1			Updated power supply (for 220V)
2010-06-23	06090300026	1	UroDynamix	1			Updated power supply (for 220V)
2010-06-23	06090300013	1	UroDynamix	1			Updated power supply (for 220V)
2010-06-23	06090300022	1	UroDynamix	1			Updated power supply (for 220V)
2010-06-23	06090300025	1	UroDynamix	1			Updated power supply (for 220V)
2010-06-23	06090300043	1	UroDynamix	1			Updated power supply (for 220V)
2010-06-23	06090300034	1	UroDynamix	1			Updated power supply (for 220V)
2010-06-23	06090400086	1	UroDynamix	1			USB works intermittently, board replaced.
2010-06-23	06090400099	1	UroDynamix	1			USB works intermittently, board replaced.
2010-06-23	06090700105	1	Storage	1			
2010-06-23	06090700101	1	Storage	1			
2010-06-23	06090700102	1	Storage	1			
2010-06-23	06090700104	1	Storage	1			
2010-06-23	06090700106	1	Storage	1			
2010-06-23	06090700109	1	Storage	1			
2010-06-23	06090700110	1	Storage	1			
2010-06-23	06090700111	1	Storage	1			
2010-06-23	06090700112	1	Storage	1			
2010-06-23	06090700113	1	Storage	1			
2010-06-23	06090700115	1	Storage	1			
2010-06-23	06090700116	1	Storage	1			
2010-06-23	06090700117	1	Storage	1			
2010-06-23	06090700118	1	Storage	1			
2010-06-23	06090700119	1	Storage	1			
2010-06-23	06090700120	1	Storage	1			
2010-06-23	06090700121	1	Storage	1			
2010-06-23	06090700122	1	Storage	1			
2010-06-23	06090700123	1	Storage	1			
2010-06-23	06090700124	1	Storage	1			
2010-06-23	06090700125	1	Storage	1			
2010-06-23	06090700126	1	Storage	1			
2010-06-23	06090700127	1	Storage	1			
2010-06-23	06090700128	1	Storage	1			

Urodynamix Finished Goods Report - Mar 31, 2010

Date Counted	Serial / Lot	Revision	Location	Quantity	Unit Cost	Total Cost	Notes and Comments
2010-06-23	06090700129	1	Storage	1			
2010-06-23	06090700130	1	Storage	1			
2010-06-23	06090700131	1	Storage	1			
2010-06-23	06090700132	1	Storage	1			
2010-06-23	06090700133	1	Storage	1			
2010-06-23	06090700134	1	Storage	1			
2010-06-23	06090700135	1	Storage	1			
2010-06-23	06090700136	1	Storage	1			
2010-06-23	06090700137	1	Storage	1			
2010-06-23	06090700138	1	Storage	1			
2010-06-23	06090700139	1	Storage	1			
2010-06-23	06090700140	1	Storage	1			
2010-06-23	06090700141	1	Storage	1			
2010-06-23	06090700142	1	Storage	1			
2010-06-23	06090700143	1	Storage	1			
2010-06-23	06090700144	1	Storage	1			
2010-06-23	06090700145	1	Storage	1			
2010-06-23	06090700146	1	Storage	1			
2010-06-23	06090700147	1	Storage	1			
2010-06-23	06090700148	1	Storage	1			
2010-06-23	06090700149	1	Storage	1			
2010-06-23	06090700150	1	Storage	1			
uroNIRS 2000 Tablet PC				5			
2010-06-23		1	Urodynamix	3			No TPM chip
2010-06-23		1	Urodynamix	2			Normal
uroNIRS 2000 Optical Cable				66			
2010-06-23	1001	1	Storage	50			
2010-06-23	1001	1	Urodynamix	16			
uroNIRS 2000 Programmed Patch P/N: 700-0072, 700-0032, 700-0012				7050			
2010-06-23	2009032008	1	Storage	1250			Customer: Cardinal (P/N: 700-0072)
2010-06-23	2009052008	1	Storage	1250			Customer: China1 (P/N: 700-0082)
2010-06-23	2009031808	1	Storage	1375			Customer: Suntek (P/N: 700-0032)
2010-06-23	2009032008	1	Storage+Urodynamix	375			Customer: Urodynamix (P/N: 700-0012)
2010-06-23	2009031708	1	Storage	2800			Customer: MMS (P/N: 700-0042)
uroNIRS 2000 Un-programmed Patch				3350			
2010-06-23	2009060408	1	Storage	2800			Customer: Generic
2010-06-23	2009060508	1	Urodynamix	550			Customer: Generic
uroNIRS 2000 Calibration Analyzer P/N: 600-0011				506			
2010-05-03	2009060508	1	Storage	500			
2010-06-23	2009060508	1	Urodynamix	6			

Schedule 4.1.18(b)
Accounts Receivable

1. See Attached.
2. The amount of \$59,390.72 that was recently paid by Medical Measurement Systems B.V. to Vendor shall be held by Vendor for the Purchaser's benefit and be included as an amount under Section 3.4(b)(v) of the Agreement and be set-off against the Purchase Price.

Urodynamix Technologies Ltd.
A/R Aging Summary
As of June 30, 2010

	Current	1 - 30	31 - 60	61 - 90	> 90	TOTAL
Blair, A	0.00	0.00	0.00	0.00	0.00	0.00
Brian Lentle - a/r	0.00	0.00	0.00	0.00	0.00	0.00
David Wong	0.00	0.00	0.00	0.00	0.00	0.00
HEGLIN (Dalian) Pharmaceutical Co. Ltd	0.00	0.00	0.00	0.00	0.00	0.00
John Aldridge - a/r	0.00	0.00	0.00	0.00	0.00	0.00
Laborie Medical Technologies Inc.	0.00	0.00	0.00	0.00	26.74	26.74
Medical Measurement Systems B.V.	0.00	0.00	6,135.90	(21,666.92)	26,435.31	10,904.29
National Research Council	0.00	0.00	0.00	0.00	0.00	0.00
Robert Levis - a/r	0.00	0.00	0.00	0.00	0.00	0.00
Suntek Medical Systems	0.00	0.00	0.00	0.00	0.00	0.00
Susan Cameron	0.00	0.00	0.00	0.00	0.00	0.00
U.B.C. - a/r	0.00	0.00	0.00	0.00	0.00	0.00
Yunquan Chen - a/r	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL	0.00	0.00	6,135.90	(21,666.92)	26,462.05	10,931.03

Schedule 4.1.21(a)
Intellectual Property

1. Owned IP – Patents:

Number	Invention Title	Filing or Reg. Date
PCT/CA2007/002151	Methods and Systems for Detecting a Condition of Compartment Syndrome	30 Nov 2007
EP 2,083,681	Methods and Systems for Detecting a Condition of Compartment Syndrome	30 Nov 2007
CN 101616628	Methods and Systems for Detecting a Condition of Compartment Syndrome	30 Nov 2007
US 12/517,054	Methods and Systems for Detecting a Condition of Compartment Syndrome	30 Nov 2007
PCT/CA2008/000533	Assessment of Urinary system Function By Pattern Matching	20 Mar 2008
EP 2,136,709	Assessment of Urinary system Function By Pattern Matching	20 Mar 2008
US 12/532,624	Assessment of Urinary system Function By Pattern Matching	20 Mar 2008
PCT/CA2008/000820	Light Intensity Control For Near Infrared Spectroscopy	01 May 2008
CN 101686821	Light Intensity Control For Near Infrared Spectroscopy	01 May 2008
US 12/598,419	Light Intensity Control For Near Infrared Spectroscopy	01 May 2008
PCT/CA/2008/000821	Apparatus and Methods For Evaluating Physiological Conditions of Tissue	16 Ari 2008
US 12/598,420	Apparatus and Methods For Evaluating Physiological Conditions of Tissue	16 Ari 2008
PCT/CA2008/000698	Apparatus and Method for Monitoring Blood Flow	16 Apr 2008
US 12/595,338	Apparatus and Method for Monitoring Blood Flow	16 Ari 2008
PCT/CA/2008/000204	Systems and Methods For Monitoring Erectile Function and Diagnosing Erectile Dysfunction	02 Feb 2008
US 12/525,078	Systems and Methods For Monitoring Erectile Function and Diagnosing Erectile Dysfunction	02 Feb 2008
US 61/028870	Systems and Methods for Monitoring Erectile Function and Diagnosing Erectile Dysfunction	<i>Provisional application, Expired</i>
PCT/CA2008/000823	Light-Emitting Medical Devices Having Protections Against Unintended Light Exposure	01 May 2008
US 12/598,422	Light-Emitting Medical Devices Having Protections Against Unintended Light Exposure	01 May 2008

2. Owned IP – Trade-marks:

Trademark	Application/ Registration No.	Status	Registration Date/ Expiry Date	Country
CARDIODYNAMIX	1,352,182	Allowed		Canada
URO NIRS	1,433,253	Allowed		Canada
URO NIRS	77/708,916	Pending		United States
URO NIRS	008199671	Registered	RD: April 3, 2009 ED: April 3, 2019	European Union

3. Licensed IP – Patents from UBC:

Number	Invention Title	Filing or Reg. Date
US 6,904,162	Film Phantom for Three-Dimensional Stereotactic Radiosurgical Dosimetry	7 Jun 2005
US 6,668,073	Anthropomorphic Film Phantom for Three-Dimensional Stereotactic Radiosurgical Dosimetry	23 Dec 2003
US 6,826,313	Method and Automated System for Creating Volumetric Data Set	30 Nov 2004
PCT/CA2004/001825	Methods and Apparatus for Urodynamic Analysis	15 Oct 2004
CA 2,473,192	Methods and Apparatus for Urodynamic Analysis	7 Jul 2004
EP 04789733.5	Methods and Apparatus for Urodynamic Analysis	15 Oct 2004
JP 2006-534553	Methods and Apparatus for Urodynamic Analysis	15 Oct 2004
CN 200480030274	Methods and Apparatus for Urodynamic Analysis	<i>Rejected</i>
US 11/404,376	Bladder Function Monitoring Methods, Apparatuses, Media and Signals	13 April 2006
US 10/543,445	Methods and Apparatus for Urodynamic Analysis	22 May 2006
PCT/CA2008/000596	Detection of Urinary Tract Syndrome by Urination Onset Delay in Animals	3/31/2008 <i>(no national filings made)</i>

Schedule 4.1.23
Consents and Approvals

Party from whom Consent or Approval is Required	Details	Timing
National Research Council Canada – Industrial Research Assistance Program	Research funding agreements (Project Nos.: 699699; 673650 and 602157)	Prior to Closing
URO shareholders	Approval of asset sale	35 days after mailing out of meeting notice; prior to Closing
TSX-V	Approval of asset sale	Prior to Closing
Intrust Technologies Corporation	Lease Contract re: 1 - HIOKI Leak Current Tester	Prior to Closing