PYNG MEDICAL

Saving lives by saving time
through innovation in resuscitation

Report for Quarter Ending June 2008
Fiscal Year 2008

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PYNG MEDICAL CORP.

FINANCIAL STATEMENTS

JUNE 30, 2008

PYNG MEDICAL CORP.

BALANCE SHEETS

	June 30 2008	September 30 2007
ASSETS		
Current		
Cash and cash equivalents	$ **120,927**	$ 637,284
Short-term investments		150,000
Accounts receivable	**1,631,132**	1,038,498
Inventories (Note 4)	**337,918**	173,623
Prepaid expenses	**84,223**	35,768
	2,174,199	2,035,173
Deferred Product Development Costs	**2,075,930**	2,027,876
Property, Plant And Equipment (Note 6)	**160,179**	151,271
Patents (Note 7)	**1,889,231**	129,599
Future Income Tax Asset (Note 15)	**381,000**	381,000
	$ **6,680,540**	$ 4,724,919
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ **994,439**	$ 431,617
Loan payable (Note 11)	**211,698**	
Capital lease obligation (Note 12)	**-**	14,785
	1,206,137	446,402
Long term loan (Note 11)	**771,213**	
	1,977,350	446,402
SHAREHOLDERS' EQUITY		
Share Capital (Note 13)	**7,844,724**	7,812,892
Contributed Surplus (Note 13)	**433,282**	333,854
Deficit	**(3,574,816)**	(3,868,229)
	4,703,190	4,278,517
	$ **6,680,540**	$ 4,724,919

Approved on behalf of the Board of Directors:

"Michael Jacobs"
Director

"David Christie"
Director

The accompanying notes are an integral part of these financial statements.

PYNG MEDICAL CORP.

STATEMENTS OF INCOME AND DEFICIT

	Three months Ended June 30, 2008	**Nine months Ended June 30, 2008**	Three months Ended June 30, 2007	Nine months Ended June 30, 2007
Sales	**$ 1,624,967**	**$ 4,380,943**	$ 1,356,251	$ 3,421,176
Cost of sales	**465,412**	**1,304,105**	427,810	1,035,668
Gross margin	**1,159,555**	**3,076,838**	928,441	2,385,508
Expenses				
Advertising and promotion	**34,242**	**119,134**	26,536	93,148
Amortization of deferred product development costs	**99,649**	**265,797**	82,881	193,453
Amortization - other	**21,083**	**58,186**	22,866	64,284
Consulting and commissions	**190,659**	**371,006**	138,206	300,915
Foreign exchange loss (gain)	**16,482**	**2,224**	78,876	54,729
Interest and bank charges	**5,948**	**2,455**	4,988	12,457
Licenses and insurance	**32,970**	**98,851**	29,452	94,332
Meals and entertainment	**5,473**	**23,975**	33,654	96,111
Office and telephone	**58,898**	**157,844**	8,538	19,828
Professional fees	**108,694**	**271,540**	43,855	84,644
Rent and utilities	**23,962**	**70,043**	22,769	67,181
Repairs and maintenance	**8,289**	**31,191**	17,827	39,284
Research & Development	**1,077**	**35,940**	24,165	101,478
Stock based compensation	**18,722**	**106,059**	30,414	109,518
Transfer agent & shareholder information	**(3,194)**	**28,771**	7,420	31,674
Travel	**52,111**	**125,048**	68,869	157,125
Wages and benefits	**386,915**	**1,015,361**	239,441	590,399
	1,061,982	**2,783,424**	880,757	2,110,560
Net Income for the Period	**97,573**	**293,414**	47,684	274,948
Deficit, Beginning of Period	**(3,672,388)**	**(3,868,229)**	(4,499,754)	(4,727,017)
Deficit, End of Period	**$ (3,574,815)**	**$ (3,574,815)**	$ (4,452,070)	$ (4,452,069)
Basic Earnings Per Shares	**$ 0.01**	**$ 0.03**	$ 0.00	$ 0.03
Diluted Earnings Per Shares	**$ 0.01**	**$ 0.03**	$ 0.00	$ 0.03
Basic Weighted Average Shares Outstanding	**10,011,875**	**10,011,875**	9,901,583	9,901,583
Diluted Weighted Average Shares Outstanding	**10,262,384**	**10,262,384**	9,975,770	9,975,770

The accompanying notes are an integral part of these financial statements.

PYNG MEDICAL CORP.

STATEMENTS OF CASH FLOWS

	Three months Ended June 30, 2008	**Nine months Ended June 30, 2008**	Three months Ended June 30, 2007	Nine months Ended June 30, 2007
Cash Flows from Operating Activities				
Net income (loss) for the period	**97,573**	**293,414**	47,685	274,948
Items not affecting cash:				
Amortization of deferred product development costs	**99,649**	**265,797**	45,278	155,851
Amortization - other	**21,083**	**58,186**	22,866	64,284
Stock based compensation	**18,722**	**106,059**	30,414	109,518
	237,027	**723,455**	146,242	604,601
Net change in non-cash working capital items:				
Accounts receivable	**(439,432)**	**(592,634)**	(223,709)	(436,391)
Inventories	**(70,749)**	**(164,294)**	67,039	(3,292)
Prepaid expenses	**15,988**	**(48,454)**	(10,020)	(33,596)
Accounts payable and accrued liabilities	**411,159**	**562,823**	(47,613)	(1,598)
	153,993	**480,896**	(68,061)	129,724
Cash Flows from Financing Activities				
Bank line of credit	**-**	**-**	-	-
Payments on loan payable	**982,911**	**982,911**	-	(89,324)
Payments on capital lease obligation	**(34,512)**	**(42,456)**	(3,799)	(11,195)
Share capital issued for cash	**-**	**25,201**	-	-
	948,398	**965,655**	(3,799)	(100,519)
Cash Flows from Investing Activities				
Deferred product development costs incurred	**(116,165)**	**(313,850)**		
Patent costs incurred	**(1,702,535)**	**(1,779,116)**	(5,421)	(15,745)
Acquisition of property, plant and equipment	**(7,301)**	**(19,941)**	(15,433)	(37,483)
	(1,826,002)	**(2,112,908)**	(20,854)	(53,228)
Increase (Decrease) In Cash during the Period	**(723,611)**	**(666,357)**	(92,714)	(24,023)
Cash and Cash Equivalents, Beginning of Period	**844,538**	**787,284**	495,134	426,443
Cash and Cash Equivalents, End of Period	**120,927**	**120,927**	402,420	402,420
Supplemental Disclosure of Cash Flow Information				
Interest paid	**3,244**	**4,253**	2,998	6,466

The accompanying notes are an integral part of these financial statements.

PYNG MEDICAL CORP.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

1. NATURE OF OPERATIONS

Pyng Medical Corp. is a public company incorporated under the British Columbia Business Corporations Act. Its shares are listed on the TSX Venture Exchange. The Company's principal business activity is the production and sale of the ***FAST1™*** emergency medical systems.

2. NEWLY ADOPTED ACCOUNTING POLICIES

Financial Instruments

Effective October 1, 2006, the Company adopted three new accounting standards related to financial instruments that were issued by the Canadian Institute of Chartered Accountants ("CICA") in 2005.

These accounting policy changes were adopted on a prospective basis with no restatement of prior period financial statements.

The new standards and policies are as follows:

i) Financial Instruments – Recognition and Measurement

In accordance with this new standard, the Company now classifies all financial instruments as either held-to-maturity, available-for-sale, held-for-trading or loans and receivables. Financial assets classified as held-to-maturity, loans and other receivables, and financial liabilities other than those held for trading are measured at amortized cost. Available-for-sale financial instruments are measured at fair value with unrealized gains and losses recorded in other comprehensive income. Instruments classified as held-for-trading are measured at fair value with unrealized gains and losses recognized in the statement of operations for the period.

ii) Comprehensive Income

The standard introduces the concept of comprehensive income, which consists of net income and other comprehensive income. The Company's financial statements will include a Statement of Comprehensive Income, which includes the components of comprehensive income. Cumulative changes in other comprehensive income ("OCI") are included in Accumulated Other Comprehensive Income ("AOCI"), which is presented as a new category within shareholders' equity on the balance sheet.

For the period ended June 30, 2008, the Company did not have any OCI. As a result, a separate Statement of Comprehensive Income is not presented.

2. NEWLY ADOPTED ACCOUNTING POLICIES (Continued)

iii) Hedges

The new standard specifies the criteria under which hedge accounting can be applied and how hedge accounting can be executed. As at June 30, 2008, the Company had not designated any hedging relationships.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Company have been prepared in accordance with Canadian generally accepted accounting principles. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgment.

The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

a) Cash and Cash Equivalents

For purposes of the balance sheet and statement of cash flows, the Company considers all highly liquid short-term investments with maturity of three months or less to be cash equivalents.

b) Inventories

Inventories are determined on a weighted average basis, and are valued at the lower of cost and net realizable value.

c) Property, Plant and Equipment

Property, plant and equipment are recorded at cost with amortization provided for over the estimated useful lives of the assets at the following annual rates and methods:

Plant and equipment	20% declining balance
Medical equipment	20% declining balance
Leasehold improvements	30% straight line
Computer equipment	30% declining balance
Software	100% straight line
Equipment and software under capital lease	Straight line over term of lease

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Leases

Leases are classified as either capital or operating leases. Leases that substantially transfer all the benefits and risks of ownership of property to the Company are accounted for as capital leases. At the time a capital lease is entered into, an asset is recorded together with its related long-tem obligation in order to reflect the acquisition and financing. Assets recorded under capital leases are being amortized on the basis described in Note 3(c). Rental payments under operating leases are expensed as incurred.

e) Research and Development Costs

The Company has been in the process of researching and developing a medical device on the ***FAST1™*** Intraosseous Infusion System. All product development and related administrative costs, incurred prior to and after commencement of commercial production, that meet the criteria of CICA Handbook Section 3450 – "Research and Development Costs", have been capitalized. The accumulated capitalized costs are being amortized on a per unit basis based on the sales volume projection for the next 7 years. The unamortized deferred product development costs are reviewed annually and should the review indicate that the basis of amortization requires modification; the change will be applied prospectively. All other expenditures for research and improvement of the ***FAST1™*** Intraosseous Infusion System are expensed as incurred.

f) Patents

Patents are recorded at cost and comprised of costs associated with preparing, filing and obtaining patents. Technology license costs are recorded at the fair value of consideration paid.

Patents are amortized using the straight-line method over 10 years. The amounts shown for patents do not necessarily reflect present or future values and the ultimate amount recoverable will be dependent upon the successful development and commercialization of products based on these rights. If management determines that such costs exceed estimated net recoverable value based on future cash flows, the excess of such costs is charged to operations.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) Stock Based Compensation

The Company follows the recommendations of CICA Handbook Section 3870 – "Stock Based Compensation and Other Stock Based Payments" to account for stock based transactions with officers, directors, employees, and outside consultants. Accordingly, the fair value of stock options is charged to operations as appropriate, with an offsetting credit to contributed surplus. The fair value of stock options which vest immediately is recorded at the date of grant; the fair value of options which vest in the future is recognized on a straight-line basis over the vesting period. Any considerations received on exercise of stock options, together with the related portion of contributed surplus, are credited to share capital.

h) Earnings Per Share

Basic and diluted earnings per share amounts are computed using the weighted average number of common shares outstanding during the year.

The Company uses the treasury stock method to determine the dilutive effect of stock options and other dilutive instruments. Under the treasury stock method, only instruments with exercise amounts less than market prices impact the diluted calculations. This method assumes that common shares are issued for the exercise of warrants and options and that the assumed proceeds from the exercise of warrants and options are used to purchase common shares at the average market price during the period. The difference between the number of shares assumed issued and the number of shares assumed purchased is then added to the basic weighted average number of shares outstanding to determine the fully diluted number of common shares outstanding. No exercise or conversion is assumed during periods in which a net loss is incurred as the effect is anti-dilutive.

i) Income Taxes

The Company uses the asset and liability method of accounting for income taxes whereby future income tax assets are recognized for deductible temporary differences and operating loss carry-forwards, and future income tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the amounts of assets and liabilities recorded for income tax and financial reporting purposes. Future income tax assets are recognized only to the extent that management determines that it is more likely than not that the future income tax assets will be realized. Future income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment or substantive enactment.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

j) Revenue Recognition

Revenue from sales of the Company's products is recorded at the time the product is shipped, provided that collection of the proceeds of sale is reasonably assured.

k) Asset Impairment

On an annual basis and when impairment indicators arise, the Company evaluates the future recoverability of its non-monetary assets, including deferred product development costs, property, plant and equipment, and patents. Impairment losses or write downs are recorded in the event the net book value of such assets exceeds the estimated indicated future cash flows attributable to such assets.

l) Use of Estimates

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 the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses recorded during the reporting periods. Actual results could differ from these estimates and these differences could have a significant impact on the financial statements.

m) Foreign Currency Translation

The Company's functional and reporting currency is the Canadian dollar. Foreign currency denominated transactions is translated into Canadian dollars at the rate of exchange in effect at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies have been translated into Canadian dollars at the rate of exchange in effect at the balance sheet date. Any gains or losses resulting from translation have been included in the determination of income.

n) Variable Interest Entities

The CICA issued Accounting Guideline 15, "Consolidation of Variable Interest Entities", to provide accounting guidance related to variable interest entities ("VIE"). A VIE exists when the entity's equity investment is at risk. When a VIE is determined to exist, the guidance requires the VIE to be consolidated by the primary beneficiary. The Company adopted the Guideline effective October 1, 2005 and has determined that it does not have a primary beneficiary interest in VIEs.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) Comparative Figures

Certain of the comparative figures have been reclassified to conform with the current year's presentation.

4. INVENTORIES

	June 30 2008	Sep. 30 2007
Raw materials and work in progress	**$ 292,878**	$ 171,493
Finished goods	**45,040**	2,130
	$ 337,918	$ 173,623

5. FINANCIAL INSTRUMENTS

The Company's financial instruments recognized in the balance sheet consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, bank credit line, loan payable, and capital lease obligation. The fair values of these instruments approximate their carrying values.

a) Credit Risk

The Company performs certain credit evaluation procedures and does not require collateral for financial instruments subject to credit risk. The Company believes that credit risk is limited because the Company assesses the financial strength of its customers, and based upon factors surrounding the credit risk of its customers, establishes an allowance for uncollectible accounts and, as a consequence, believes that its account receivable credit risk beyond such allowances is limited.

b) Foreign Exchange Risk

The Company is subject to currency risk due to the fluctuations of exchange rates amongst the Canadian and U.S. dollars. The majority of sales are in U.S. dollars while the majority of costs are in Canadian dollars. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

PYNG MEDICAL CORP.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

5. FINANCIAL INSTRUMENTS (Continued)

c) Liquidity Risk

The Company is exposed to liquidity risk as its continued operations are dependent upon the Company realizing its accounts receivable to satisfy its liabilities as they become due.

d) Interest Rate Risk

Demand loans, bank credit line and capital lease obligations are subject to interest rate cash flow risk as the required cash flow to service the debt will fluctuate as a result of the changing prime interest rate.

6. PROPERTY, PLANT AND EQUIPMENT

	June 30, 2008		
	COST	**ACCUMULATED AMORTIZATION**	**NET BOOK VALUE**
Furniture and office equipment	**$ 128,476**	**$ 82,171**	**$ 46,305**
Medical equipment	**299,456**	**236,651**	**62,805**
Leasehold improvements	**52,589**	**52,589**	**-**
Computer equipment	**65,846**	**43,793**	**22,053**
Software	**93,616**	**92,000**	**1,616**
Equipment and software under capital lease	**72,670**	**43,269**	**29,401**
	$ 712,653	**$ 550,473**	**$ 162,180**

	September 30, 2007		
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Furniture and office equipment	$ 119,304	$ 74,661	$ 44,643
Plant equipment	297,911	227,979	69,932
Leasehold improvements	52,589	52,589	-
Computer equipment	56,621	39,171	17,450
Software	93,615	88,119	5,496
Equipment and software under capital lease	45,000	31,250	13,750
	$ 665,040	$ 513,769	$ 151,271

7. PATENTS

	Jun. 30, 2008	Sep 30, 2007
Patents	**$ 1,995,759**	$ 216,643
Less: Accumulated amortization	**(106,528)**	(87,044)
	$ 1,889,231	$ 129,599

8. BANK CREDIT LINE

The Company has established credit facilities for up to $1,000,000 under a line of credit with its bank. The line of credit bears interest at prime plus ¾% per annum, is due on demand and secured under the general security agreement.

9. GOVERNMENT GRANTS

The Department of Foreign Affairs and International Trade has agreed to provide financial assistance to the Company for a portion of the eligible costs incurred during May 2, 2002 to May 2, 2003 to a maximum of $50,000 under the PEMD Program. The Company is required to repay the PEMD 4% of any incremental export sales over the base sales from the effective date of the agreement to May 2, 2006. The Company has a sales baseline of $479,068 prior to any reimbursement under the PEMD program.

The Company reports the incremental export sales made to certain U.S. states to PEMD on an annual basis. The reports indicate incremental export sales to be less than baseline sales. Therefore, no payback to PEMD has been made at June 30, 2008. The Company is contingently liable for repayment of the $33,148 received under the program. The Company has not recorded any repayment provision in the financial statements, as repayment of the grant is determined to be unlikely.

A second PEMD application was made for a reimbursement of eligible costs incurred during August 11, 2003 to August 11, 2004. The Company received $35,625 under the PEMD program during the year ending September 30, 2004. The Company is required to repay 4% of any incremental export sales on the yearly $579,000 base sales amount from the effective date of the agreement to August 11, 2007. The Company reports incremental export sales to U.S. military units to PEMD and, thus far, the amounts have been less than baseline sales. Therefore, no payback has been made at June 30, 2008. The Company is contingently liable for repayment of the $35,625 received under the program. The Company has not recorded any repayment provision in the financial statements, as repayment of the grant is determined to be unlikely.

10. RELATED PARTY TRANSACTIONS

Related party transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

a) Payment to Directors

During the period ended June 30, 2008, consulting fees of $4,085 (2007: $39,817), directors fees of $21,978 (2007: $Nil), and commission of $Nil (2007: $34,619) were paid or accrued to the directors of the Company.

As at June 30, 2008, $7,444 (2007: $34,619) was owing to directors for consulting fees and expense reimbursements.

b) Contractual Commitments with Directors

The Company had a consulting contract with a director to pay $55,000 per year in consulting fees. The contract expired on February 29, 2008.

11. LOAN PAYABLE

	June 30 2008	Sept. 30 2007
The Company has a promissory note bearing interest at prime plus 8% per annum, repayable on demand. Monthly blended payments of $27,064 are required. The note was secured by a general security agreement over all the assets and undertakings of the Company	**$ 982,911**	$ -
Less: Current portion	**(211,698)**	-
	$ 771,213	$ -

12. CAPITAL LEASE OBLIGATION

	Jun 30, 2008	June 30, 2007
Capital lease, bearing interest at prime plus 2%, payable in monthly instalments of $1,393, secured by computer hardware and licensed software. The Capital lease was fully paid in May 2008.	**$ -**	$ 18,683
Less: Current portion	**-**	(15,890)
	$ -	$ 2,793

13. SHARE CAPITAL

a) Authorized

100,000,000 common shares without par value

b) Issued and Outstanding

	NUMBER OF SHARES	AMOUNT	CONTRIBUTED SURPLUS
Balance, September 30, 2006	13,651,583	7,787,562	201,948
Shares issued for cash – exercise of stock options	40,000	18,000	-
Exercise of stock options – option valuation	-	7,330	(7,330)
Stock based compensation	-	-	139,236
Balance, September 30, 2007	13,691,583	$ 7,812,892	$ 333,854
Shares issued for cash – exercise of stock options	60,000	25,200	-
Exercise of stock options – option valuation	-	6,632	(6,632)
Escrow shares cancelled and returned to treasury	(1,750,000)		
Escrow shares released	200,000		
Stock based compensation	-	-	106,060
Balance, June 30, 2008	12,201,583	$ 7,844,724	$ 433,282

13. SHARE CAPITAL (Continued)

b) Issued and Outstanding (Continued)

In May 2008, 200,000 shares held in escrow were released in accordance with TSX Venture Exchange policies.

In February 2008, the Company issued 30,000 shares, for stock options at $0.45 per share for total proceed of $13,500.

In November 2007, the Company issued 10,000 shares, for stock options at $0.45 per share for total proceed of $4,500.

In October 2007, the Company issued 20,000 shares, for stock options at $0.36 per share for total proceeds of $7,200.

c) Escrow Shares

As of June 30, 2008, 1,800,000 shares were held in escrow to be released pro-rata over a three year period in accordance with TSX Venture Exchange policies.

d) Warrants

On June 3, 2008, Pyng has issued 110,000 common share purchase warrants to Vancity Capital at an exercise price of $0.55 as part of a financing agreement. Each warrant is exercisable to purchase one common share of Pyng until the date the loan is repaid or no later than June 6, 2013.

14. STOCK OPTIONS

At June 30, 2008, the Company had a rolling stock option plan which follows the policies of the TSX Venture Exchange ("TSXV") regarding stock option awards granted to employees, directors and consultants. The stock option plan allows a maximum of 10% of the issued shares to be reserved for issuance under the plan.

A summary of stock option activities for the years presented is as follows:

	June 30, 2008			September 30, 2007		
	NUMBER		**WEIGHTED AVERAGE EXERCISE PRICE**	NUMBER		WEIGHTED AVERAGE EXERCISE PRICE
Outstanding, beginning of year	**1,020,000**	**$**	**0.47**	900,000	$	0.53
Granted	**175,000**		**0.52**	520,000		0.41
Exercised	**(40,000)**		**0.45**	(40,000)		0.45
Expired	**(150,000)**		**0.75**	(60,000)		0.75
Forfeited	**(20,000)**		**0.36**	(300,000)		0.51
Outstanding, end of period	**985,000**	**$**	**0.44**	1,020,000	$	0.47

14. **STOCK OPTIONS** (Continued)

As at June 30, 2008, the following stock options were outstanding:

OPTIONS OUTSTANDING			OPTIONS EXERCISABLE
NUMBER OF SHARES	EXERCISE PRICE	EXPIRY DATE	NUMBER OF SHARES
280,000	$ 0.45	May 23, 2011	280,000
20,000	$ 0.43	July 16, 2011	20,000
20,000	$ 0.42	August 14, 2011	20,000
10,000	$ 0.34	August 21, 2011	10,000
300,000	$ 0.40	November 19, 2011	200,000
60,000	$ 0.35	December 12, 2011	40,000
20,000	$ 0.46	May 6, 2012	13,333
50,000	$ 0.50	September 11, 2012	16,667
50,000	$ 0.49	September 20, 2012	16,667
15,000	$ 0.48	October 14, 2012	5,000
80,000	$ 0.49	June 1, 2013	-
60,000	$ 0.56	June 12, 2013	-
20,000	$ 0.54	June 18, 2013	-
985,000			621,667

As at June 30, 2008, 621,667 stock options were vested and exercisable, and the fair value of $106,060 has been expensed as stock based compensation.

The fair value of stock options granted was estimated on the date of the grant using the Black-Scholes option-pricing model and is amortized over the vesting period of the underlying options with the following weighted-average assumptions used for options granted in fiscal 2008 and 2007:

	2008	2007
Dividend yield	**Nil**	Nil
Expected volatility	**85%-105%**	79%-106%
Risk-free interest rate	**3.72%**	3.72%
Expected life	**5 years**	1.5 years

PYNG MEDICAL CORP.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2008

15. WARRANTS

The following table summarizes warrants issued, exercised and expired:

	June 30, 2008			September 30, 2007		
	NUMBER		**WEIGHTED AVERAGE EXERCISE PRICE**	NUMBER		WEIGHTED AVERAGE EXERCISE PRICE
Outstanding, beginning of period	**-**	**$**	**-**	-	$	-
				-		-
Issued	**110,000**		**0.55**	-		-
Exercised	**-**		**-**	-		-
Expired	**-**		**-**	-		-
Outstanding, end of period	**110,000**	**$**	**0.55**	-	$	-

A summary of warrants outstanding as at June 30, 2008 is presented as follows:

NUMBER OF SHARES	EXERCISE PRICE	EXPIRY DATE
110,000	$ 0.55	June 6, 2013

16. INCOME TAXES

a) A reconciliation of the combined federal and provincial income taxes at statutory rates and the Company's effective income tax expense is as follows:

	Sep 30, 2007
Statutory tax rate	**34%**
Income tax provision at statutory rate	**$ 170,000**
Permanent differences	**54,000**
Tax losses expired	**104,000**
Effect of change in tax rate	**-**
Decrease in valuation allowance	**(709,000)**
Income tax recovery	**$ (381,000)**

16. INCOME TAXES (Continued)

b) Future Income Taxes

Future income taxes result primarily from differences in the recognition of certain revenue and expense items for financial and income tax reporting purposes. The temporary differences that give rise to future income tax assets at September 30, 2007 are as follows:

	Sep 30, 2007
Future income tax assets:	
Non-capital losses carried forward	$ 525,000
Property, plant and equipment	90,000
Deferred product development costs	(261,000)
Patents	27,000
Net future income tax assets	381,000
Valuation allowance	-
	$ 381,000

The Company has temporary differences between the tax and accounting bases of assets. In addition, the Company has tax losses carried forward from prior years (which can be used to reduce future years' taxable income and expire between 2008 and 2014), which totaled approximately $1,539,000 (2006: $2,667,000).

17. ECONOMIC DEPENDENCE

The Company presently derives a substantial amount of its revenue from one distributor which contributed approximately 73% (2007: 75%) of revenue for year to date ended June 30, 2008. The sales are made to the distributor under a distributorship agreement. The non-renewal or cancellation of the contract could have a material adverse short term impact on the Company.

Amounts owing from one distributor comprised 80% (2007: 76%) of the accounts receivable balance at June 30, 2008.

18. SEGMENTED INFORMATION

The Company's operations are in Canada and it operates in one industry segment. Sales by geographic region are as follows:

	June 30, 2008		June 30, 2007	
USA	**91%**	**$ 3,995,398**	91%	$ 3,124,138
Other	**9%**	**385,545**	9%	297,038
		$ 4,380,943		$ 3,421,176

19. COMMITMENTS

The Company has a five-year lease commitment on its Richmond production premises. The Company is required to pay rent of $4,337 per month for the first two years and $4,457 per month for the last three years. The lease expires on September 30, 2011.

On May 31, 2008, Pyng completed an acquisition that consisted of USD$2.4 million. USD$1.5 million was paid on closing and the balance on a contingent basis based on certain milestones.

20. EARNINGS PER SHARE

The following table shows the effect of dilutive securities on the weighted average common shares outstanding. No adjustments to earnings were required for the calculation of diluted earnings per share.

	2008	2007
Basic weighted average shares outstanding	**10,011,875**	9,901,583
Effect of dilutive securities:		
Options	**250,509**	74,187
Diluted weighted average shares outstanding	**10,262,384**	9,975,770