PYNG MEDICAL

Saving lives by saving time through innovation in resuscitation

Report for the Quarter Ending June 2009
Fiscal Year 2009

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PYNG MEDICAL CORP.

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2009

PYNG MEDICAL CORP.

CONSOLIDATED BALANCE SHEETS

		June 30 2009		September 30 2008
ASSETS				
Current				
Cash and cash equivalents	**$**	**262,115**	$	595,955
Restricted cash (Note 5)	**$**	**-**	$	159,630
Accounts receivable	**$**	**415,267**	$	1,339,967
Inventories (Note 6)	**$**	**641,680**	$	318,017
Prepaid expenses	**$**	**59,812**	$	136,185
	$	**1,378,874**	$	2,549,754
Deferred Product Development Costs (Note 7)	**$**	**2,659,876**	$	2,345,684
Equipment (Note 8)	**$**	**236,562**	$	215,291
Patents (Note 9)	**$**	**233,890**	$	169,833
Intellectual Property Rights (Note 10)	**$**	**2,649,850**	$	2,550,786
	$	**7,159,052**	$	7,831,348
LIABILITIES				
Current				
Bank credit line (Note 11)	**$**	**-**		
Accounts payable	**$**	**426,308**	$	495,386
Accrued liabilities	**$**	**273,897**	$	1,474,869
Loan payable (Note 13)	**$**	**434,255**	$	218,488
	$	**1,134,461**	$	2,188,743
Long Term Loan	**$**	**547,798**	$	714,190
Future Income Tax Liabilities (Note 15)	**$**	**168,000**	$	168,000
Other Long Term Liabilities (Note 16)	**$**	**780,788**	$	-
		2,631,047	$	3,070,933
SHAREHOLDERS' EQUITY				
Share Capital (Note 14)	**$**	**7,844,724**	$	7,844,724
Contributed Surplus (Note 14)	**$**	**527,437**	$	474,395
Deficit	**$**	**(3,844,156)**	$	(3,558,704)
	$	**4,528,005**	$	4,760,415
	$	**7,159,052**	$	7,831,348

Approved on behalf of the Board of Directors:

"Michael Jacobs"
Director

"Robert Di Silvio"
Director

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

PYNG MEDICAL CORP.

CONSOLIDATED STATEMENTS OF INCOME AND DEFICIT

	Three months Ended June 30, 2009	Nine months Ended June 30, 2009	Three months Ended June 30, 2008	Nine months Ended June 30, 2008
Sales	$ 1,288,743	$ 4,307,905	$ 1,624,967	$ 4,380,943
Cost of sales	388,451	1,269,513	465,412	1,304,105
Gross margin	900,292	3,038,392	1,159,555	3,076,838
Expenses				
Advertising and promotion	11,443	80,960	34,242	119,134
Amortization of deferred product development costs	73,074	251,323	99,649	265,797
Amortization - other	35,061	116,594	21,083	58,186
Consulting and commissions	111,517	321,853	190,659	371,006
Foreign exchange loss (gain)	1,867	(166,852)	16,482	2,224
Interest and bank charges	31,143	87,875	5,948	2,455
Licenses and insurance	42,316	120,010	32,970	98,851
Meals and entertainment	7,935	41,327	5,473	23,975
Office and telephone	25,351	157,320	30,672	76,551
Quality Assurance Regulatory Requirements	(17,149)	9,177	28,226	81,293
Professional fees	167,734	349,038	108,694	271,540
Rent and utilities	24,102	72,230	23,962	70,043
Repairs and maintenance	9,660	37,481	7,976	30,878
Research & Development	262	2,832	1,390	36,253
Royalty (Note 7(b))	2,338	5,320	0.03	0.09
Stock based compensation	14,072	53,042	18,722	106,059
Transfer agent & shareholder information	4,077	21,741	(3,194)	28,771
Travel	66,269	278,495	52,111	125,048
Wages and benefits	390,738	1,484,059	386,915	1,015,361
	1,001,810	3,323,825	1,061,982	2,783,424
Net Income (loss) for the Period	(101,518)	(285,433)	97,573	293,414
Deficit, Beginning of Period	(3,742,638)	(3,558,723)	(3,672,388)	(3,868,229)
Deficit, End of Period	$ (3,844,156)	$ (3,844,156)	$ (3,574,815)	$ (3,574,815)
Basic Earnings Per Shares	$ (0.01)	$ (0.02)	$ 0.01	$ 0.03
Diluted Earnings Per Shares	$ (0.01)	$ (0.02)	$ 0.01	$ 0.03
Basic Weighted Average Shares Outstanding	12,001,583	12,001,583	10,011,875	10,011,875
Diluted Weighted Average Shares Outstanding	12,001,583	12,001,583	10,262,384	10,262,384

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

PYNG MEDICAL CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three months Ended June 30, 2009	Nine months Ended June 30, 2009	Three months Ended June 30, 2008	Nine months Ended June 30, 2008
Cash Flows from Operating Activities				
Net income (loss) for the period	(101,518)	(285,433)	97,573	293,414
Items not affecting cash:	-			
Amortization of deferred product development costs	73,074	251,323	99,649	265,797
Amortization - other	35,061	116,594	21,083	58,186
Stock based compensation	14,072	53,042	18,722	106,059
	20,689	135,526	237,027	723,455
Net change in non-cash working capital items:				
Accounts receivable	174,344	921,700	(439,432)	(592,634)
Inventories	189,943	(320,681)	(70,749)	(164,294)
Prepaid expenses	18,585	76,373	15,988	(48,454)
Accounts payable and accrued liabilities	11,609	(1,270,050)	411,159	562,823
	415,170	(457,132)	153,993	480,896
Cash Flows from Financing Activities				
Restricted cash		159,630		
Bank line of credit	(570,798)		-	-
Payments on loan payable	164,116	49,374	982,911	982,911
Payments on capital lease obligation			(34,512)	(42,456)
Share capital issued for cash			-	25,201
	(406,682)	209,004	948,398	965,655
Cash Flows from Investing Activities				
Deferred product development costs incurred	231,645	(565,515)	(116,165)	(313,850)
Patent costs incurred	(78,669)	(190,395)	(1,702,535)	(1,779,116)
Acquisition of property, plant and equipment	(8,136)	(110,590)	(7,301)	(19,941)
Other Long Term Liabilities		780,788		
	144,839	(85,712)	(1,826,002)	(2,112,908)
Increase (Decrease) In Cash during the Period	153,328	(333,840)	(723,611)	(666,357)
Cash and Cash Equivalents, Beginning of Period	108,788	595,955	844,538	787,284
Cash and Cash Equivalents, End of Period	262,115	262,115	120,927	120,927
Supplemental Disclosure of Cash Flow Information				
Interest paid	27,052	78,964	3,244	4,253
Income taxes paid	-	-	-	-

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

PYNG MEDICAL CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2009

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 under the symbol PYT. The Company's principal business activity is the production and sale of the ***FAST1***® Intraosseous Infusion System, ***TPOD®*** Pelvic Stabilizer, ***MAT®*** Tourniquet, and ***CRIC™*** Cricothyrotomy System.

On June 9, 2008, the Company incorporated its wholly-owned subsidiary, Pyng Medical USA Corp., in the State of Washington in the U.S., to enhance the distribution of its products.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated 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 consolidated 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) Consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Pyng Medical USA Corp. All material inter-company transactions and balances have been eliminated on consolidation.

b) 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.

c) Inventories

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

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d) Equipment

Equipment is recorded at cost with amortization provided for over the estimated useful lives of the assets at the following annual rates and methods:

Furniture and office 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

e) 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 2(d). Rental payments under operating leases are expensed as incurred.

f) 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 the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3064 – "Goodwill and Intangible Assets", have been capitalized. The accumulated capitalized costs are being amortized on a per unit basis based on the sales volume projection for the next 6 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.

During the fiscal year of 2008, the Company took over the process of researching and developing a medical device on the ***CRIC™*** Cricothyrotomy System as part of an asset acquisition. The deferred development costs related to ***CRIC™*** have not been amortized as the product is not in the production stage yet.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g) 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.

h) Intellectual Property Rights

Intellectual property rights are recorded at cost and include patents, trademarks, and other intellectual and industrial property rights related to ***TPOD®***, ***MAT®***, and ***CRIC™***. The carrying amount is subject to an impairment test annually as outlined in CICA Handbook Section 3064 – "Goodwill and Intangible Assets". No amortization was recorded as the products are not in the production stage yet.

i) 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.

j) Fair Value of Warrants

Proceeds from unit placements are allocated between shares and warrants issued according to their relative fair value using the residual method to determine the fair value of warrants issued. The value of warrants issued to brokers and creditors is determined by using the Black-Scholes model.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

k) 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.

l) 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.

m) 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.

n) 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, equipment, patents and intellectual property rights. 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.

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

o) 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.

p) 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.

q) 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. As at December 31, 2008, the Company has determined that it does not have a primary beneficiary interest in VIEs.

r) Comparative Figures

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

3. CHANGES IN ACCOUNTING POLICIES

a) Inventory

In June 2007, the CICA issued Section 3031, "Inventories", which requires inventory to be measured at the lower of cost and net realizable value and which includes guidance on the determination of cost, including allocation of overheads and other costs to inventory. Further, it requires the reversal of previous write-downs to net realizable value when the economic circumstances have changed to support an increased inventory value. This standard is effective for fiscal years beginning on or after January 1, 2008. The Company is in the process of evaluating the impact of this standard.

b) Financial Instruments – Disclosures and Presentation

In March 2007, the CICA issued Section 3862, "Financial Instruments – Disclosures", and Section 3863, "Financial instruments – Presentation", which together comprise a complete set of disclosure and presentation requirements that revise and enhance current disclosure requirements for financial instruments. These sections apply to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. Section 3862 requires disclosure of additional detail by financial asset and liability categories. Section 3863 establishes standards for presentation of financial instruments and non-financial derivatives. It deals with the classification of financial instruments, from the perspective of the issuer, between liabilities and equity, the classification of related interest, dividends, losses and gains, and the circumstances in which financial assets and financial liabilities are offset. Effective September 30, 2008, the Company implemented these disclosures, although the adoption of these sections did not impact the Company.

c) Accounting Changes

Effective October 1, 2007, the Company adopted Section 1506, "Accounting Changes", which establishes criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and the correction of errors. The disclosure is to include, on an interim and annual basis, a description and the impact on the Company of any new primary source of GAAP that has been issued but is not yet effective. The impact that the adoption of Section 1506 will have on the Company's results of operations and financial condition will depend on the nature of future accounting changes.

3. CHANGES IN ACCOUNTING POLICIES (Continued)

d) Accounting Policy Choice for Transaction Costs

On June 1, 2007, the Emerging Issues Committee of the CICA issued Abstract No. 166, "Accounting Policy Choice for Transaction Costs" ("EIC-166"). This EIC addresses the accounting policy choice of expensing or adding transaction costs related to the acquisition of financial assets and financial liabilities that are classified as other than held-for-trading. Specifically, it requires that the same accounting policy choice be applied to all similar financial instruments classified as other than held-for-trading, but permits a different policy choice for financial instruments that are not similar. The Company has adopted EIC-166 effective September 30, 2008, which requires retroactive application to all transaction costs accounted for in accordance with CICA Handbook Section 3855, "Financial Instruments – Recognition and Measurement". The Company has evaluated the impact of EIC-166 and determined that no adjustments are currently required.

e) Capital Disclosures

The CICA issued a new accounting standard, Section 1535, "Capital Disclosures", which requires the disclosure of both qualitative and quantitative information that provides users of financial statements with information to evaluate the entity's objectives, policies and processes for managing capital. This new section will be effective for the Company beginning October 1, 2008.

The Company is currently assessing the impact of the above new accounting standards on the Company's financial positions and results of operations.

f) International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

4. FINANCIAL INSTRUMENTS

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

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

The standards and policies are as follows:

i) Financial Instruments – Recognition and Measurement

In accordance with this standard, the Company classifies all financial instruments as 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 income for the period.

ii) Comprehensive Income

This 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, 2009, the Company did not have any OCI. As a result, a separate Statement of Comprehensive Income is not presented.

iii) Hedges

This standard specifies the criteria under which hedge accounting can be applied and how hedge accounting can be executed. As at June 30, 2009, the Company had not designated any hedging relationships.

4. FINANCIAL INSTRUMENTS (Continued)

The Company's financial instruments recognized on the balance sheet consist of cash and cash equivalents, short-term investments, accounts receivable, accounts payable and accrued liabilities, bank credit facility, loan payable, and capital lease obligation.

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.

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. To manage the company's liquidity risk, customer credit evaluations are conducted based on trade references, bank reports, and periodic review of customers' payment patterns to ensure irregularities are addressed promptly. The Company also acquires accounts receivable insurance coverage to mitigate collection risks.

d) Interest Rate Risk

Demand loans, bank credit facility 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.

5. RESTRICTED CASH

As at September 30, 2008, the Company held $159,630 (US$150,000) in a non-interest bearing third-party escrow account with the U.S. Bank National Association. The funds are to be released to Bio Cybernetics International ("BCI") pursuant to the acquisition of assets agreement, subject to the Company receiving notice of change of contract from BCI to the Company through Novation on the ***CRIC™*** (see Note 10).

On November 14, 2008, the Company received a notice of change of contract from BCI to the Company through Novation on the ***CRIC™*** and the funds were subsequently released to BCI on November 18, 2008.

6. INVENTORIES

	Jun. 30 2009	Sep. 30 2008
Raw materials and work in progress	**$ 519,599**	$ 239,215
Finished goods	**122,081**	78,802
	$ 641,680	$ 318,017

7. DEFERRED PRODUCT DEVELOPMENT COSTS

	Jun. 30 2009	Sep. 30 2008
Deferred product development costs	**$ 4,935,119**	$ 4,369,604
Less: Accumulated amortization	**(2,275,243)**	(2,023,920)
	$ 2,659,876	$ 2,345,684

8. EQUIPMENT

	June 30, 2009		
	COST	**ACCUMULATED AMORTIZATION**	**NET BOOK VALUE**
Furniture and office equipment	**$ 179,150**	**$ 98,740**	**$ 80,410**
Medical equipment	**312,722**	**252,672**	**60,050**
Leasehold improvements	**108,190**	**65,929**	**42,261**
Computer equipment	**84,708**	**54,477**	**30,231**
Software	**165,296**	**141,686**	**23,610**
Equipment and software under capital lease	**45,000**	**45,000**	**-**
	$ 895,066	**$ 658,501**	**$ 236,562**

	September 30, 2008		
	COST	ACCUMULATED AMORTIZATION	NET BOOK VALUE
Furniture and office equipment	$ 139,556	$ 85,063	$ 54,493
Medical equipment	302,636	242,279	60,357
Leasehold improvements	99,441	53,900	45,541
Computer equipment	76,558	46,254	30,304
Software	121,286	96,690	24,596
Equipment and software under capital lease	45,000	45,000	-
	$ 784,477	$ 569,186	$ 215,291

9. PATENTS

	Jun 30, 2009	Sep 30, 2008
Patents	**$ 377,388**	$ 286,057
Less: Accumulated amortization	**(143,498)**	(116,224)
	$ 233,890	$ 169,833

10. ACQUISITION OF ASSETS

On May 31, 2008, the Company completed the acquisition of the trauma assets of Bio Cybernetics International ("BCI") (dba "Cybertech Medical"), including Trauma Pelvic Orthotic Device (***TPOD®***), Mechanical Advantage Tourniquet (***MAT®***), and Cricothyrotomy Kit (***CRIC™***). The purchase price was $2,737,913, part paid on closing and part subject to achievement of certain milestones. The Company received final regulatory approval for this transaction from the TSX Venture Exchange.

In order to partially fund the acquisition, the Company obtained a loan from Vancity Capital Corporation ("Vancity") in the amount of $1,000,000. As part of that financing, the Company also issued 110,000 common share purchase warrants to Vancity at an exercise price of $0.55. Each warrant is exercisable to purchase one common share of the Company until the date the loan is repaid or no later than June 6, 2013.

The acquisition has been accounted for as a purchase of assets, and the consideration paid of $2,737,913 was allocated to the assets acquired based on the estimated fair values on the date of acquisition as set out below:

Assets acquired:	
Accounts receivable	$ 73,223
Inventories	113,904
Intellectual property rights *	2,550,786
	$ 2,737,913
Consideration given:	
Cash	$ 1,784,003
Accrued liabilities	953,910
	$ 2,737,913

* Intellectual property rights include patents, trademarks, and other intellectual and industrial property rights related to ***TPOD®***, ***MAT®***, and ***CRIC™***.

11. BANK CREDIT FACILITY

The Company has established credit facilities for up to $1,000,000 (2008 - $500,000) under a line of credit with its bank. The line of credit bears interest at prime plus 2% per annum, is due on demand and secured under the general security agreement over certain assets of the Company.

12. 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, 2009, consulting fees of $125,401 (2008 - $4,085) and directors fees of $19,126 (2008 - $21,978) were paid or accrued to the directors of the Company.

As at June 30, 2009, $9,758 (2008 - $7,444) was owing to directors for consulting fees and expense reimbursements. The amount is included in accounts payable.

b) Contractual Commitments with Directors

As at June 30, 2009, the Company did not have contractual commitments with directors.

13. LOAN PAYABLE

	Jun. 30, 2009	Sep 30, 2008
The Company has a promissory note bearing interest at prime plus 8% per annum. Monthly blended payments of $27,064 are required. The note is secured by a general security agreement over certain assets of the Company.	**$ 802,053**	$ 932,678

The required future annual principal and interest repayments on loan payable are as follows:

1 – 12 months	$ 324,768
13 – 24 months	324,768
25 – 35 months	279,329
	928,865
Less: Imputed interest	(126,812)
Principal payments	$ 802,053

14. 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, 2007	13,691,583	7,812,892	333,854
Shares issued on exercise of stock options	60,000	31,832	(6,632)
Escrow shares cancelled and returned to treasury	(1,750,000)	-	-
Stock based compensation	-	-	105,350
Fair value of warrants issued	-	-	41,823
Balance, September 30, 2008	12,001,583	$ 7,844,724	$ 474,395
Shares issued on exercise of stock options	-	-	-
Stock based compensation	-	-	53,042
Balance, June 30, 2009	**12,001,583**	**$ 7,844,724**	**$ 527,437**

c) Escrow Shares

As of June 30, 2009, 1,200,000 (2008 – 2,000,000) shares were held in escrow to be released pro-rata over a three year period in accordance with TSX Venture Exchange policies.

14. SHARE CAPITAL (Continued)

d) Warrants

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

The fair value attributed to the warrants was $41,823, estimated using the Black-Scholes model with the following weighted-average assumptions:

Dividend yield	**Nil**
Expected volatility	**85%**
Risk-free interest rate	**3.72%**
Expected life	**5 years**

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

	June 30, 2009		September 30, 2008	
	NUMBER OF WARRANTS	**WEIGHTED AVERAGE EXERCISE PRICE**	NUMBER OF WARRANTS	WEIGHTED AVERAGE EXERCISE PRICE
Outstanding, beginning of year	**110,000**	**$ 0.55**	-	$ -
Issued	-	-	110,000	0.55
Outstanding, end of year	**110,000**	**$ 0.55**	110,000	$ 0.55

As at June 30, 2009, the following warrants were outstanding:

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

14. SHARE CAPITAL (Continued)

e) Stock Options

At June 30, 2009, 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 period ended June 30, 2009 and for the fiscal year ended 2008 are presented as follows:

	June 30, 2009			September 30, 2008		
	NUMBER OF OPTIONS		**WEIGHTED AVERAGE EXERCISE PRICE**	NUMBER OF OPTIONS		WEIGHTED AVERAGE EXERCISE PRICE
Outstanding, beginning of year	**1,050,000**	**$**	**0.44**	1,020,000	$	0.47
Granted	**131,200**		**0.39**	240,000		0.49
Exercised	**-**		**-**	(60,000)		0.42
Expired	**-**		**-**	(150,000)		0.75
Forfeited	**(425,000)**		**0.42**	-		-
Outstanding, end of period	**756,200**	**$**	**0.44**	1,050,000	$	0.44

14. SHARE CAPITAL (Continued)

e) Stock Options (Continued)

As at June 30, 2009, the following stock options were outstanding:

OPTIONS OUTSTANDING			OPTIONS EXERCISABLE
NUMBER OF OPTIONS	EXERCISE PRICE	EXPIRY DATE	NUMBER OF OPTIONS
275,000	$ 0.45	May 23, 2011	275,000
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
60,000	$ 0.35	December 12, 2011	60,000
50,000	$ 0.50	September 11, 2012	50,000
81,200	$ 0.23	May 10, 2013	-
50,000	$ 0.49	June 1, 2013	33,334
60,000	$ 0.56	June 12, 2013	40,000
20,000	$ 0.54	June 18, 2013	13,334
60,000	$ 0.41	September 8, 2013	20,000
50,000	$ 0.20	May 18, 2014	-
756,200			541,668

As at June 30, 2009, 541,668 (2008 - 621,667) stock options were vested and exercisable, and the fair value of $53,042 (2008 - $106,060) has been expensed as stock based compensation.

14. SHARE CAPITAL (Continued)

e) Stock Options (Continued)

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 2009 and 2008:

	2009	2008
Dividend yield	**Nil**	Nil
Expected volatility	**83%-105%**	75%-103%
Risk-free interest rate	**3.72%**	3.72%
Expected life	**5 years**	1.5 years

15. 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, 2008
Statutory tax rate	**32%**
Income tax expense at statutory rate	**$ 284,000**
Permanent differences and other	**52,000**
Tax losses expired	**199,000**
Effect of change in tax rate	**14,000**
Decrease in valuation allowance	**-**
Income tax expense (benefit)	**$ 549,000**

15. 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 Company has temporary differences between the tax and accounting bases of assets. The temporary differences that give rise to future income tax assets (liabilities) at September 30, 2008 are as follows:

	Sep 30, 2008
Future income tax assets (liabilities):	
Non-capital losses carried forward	$ 42,000
Finance fees	5,000
Equipment	49,000
Deferred product development costs	(298,000)
Patents	34,000
Net future income tax (liabilities) assets	$ (168,000)

16. OTHER LONG TERM LIABILITIES

On May 31, 2008, the Company completed the acquisition of the trauma assets of Bio Cybernetics International (“BCI”) (dba “Cybertech Medical“), including Trauma Pelvic Orthotic Device (***TPOD®***), Mechanical Advantage Tourniquet (***MAT®***), and Cricothyrotomy Kit (***CRIC™***). The purchase price was $2,737,913, part paid on closing and part subject to achievement of certain milestones; which was included in the current liabilities. In February 2009, the Company received information that the achievement of certain milestones will most likely not occur within the next twelve months. Subsequently, the accrued liabilities related to achievement of the milestones have been reclassified as long term liabilities. Should future events emerge which would render the achievement of the milestones to most likely occur within the next twelve months, the amounts will be reclassified back to current liabilities.

17. ECONOMIC DEPENDENCE

The Company presently derives a substantial amount of its revenue from one distributor which contributed approximately 79% (2008 - 73%) of revenue for period ended June 30, 2009. 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 58% (2008 - 80%) of the accounts receivable balance at June 30, 2009.

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, 2009		June 30, 2008	
USA	**90%**	**$ 3,862,376**	91%	$ 3,995,398
Other	**10%**	**445,528**	9%	385,545
		$ 4,307,905		$ 4,380,943

19. COMMITMENTS

The Company has a five-year lease commitment on its Richmond production premises. The Company is required to pay base 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.

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.

	June 30	
	2009	2008
Basic weighted average shares outstanding	**12,001,583**	10,011,875
Effect of dilutive securities:		
Options	**-**	250,509
Diluted weighted average shares outstanding	**12,001,583**	10,262,384

21. CONTINGENCIES

During the fiscal year of 2008, the Company was made aware of a potential legal claim arising in the ordinary course of business. As at June 30, 2009, there have been no legal proceedings filed against the Company. However, in the opinion of management, it is probable that the Company could be liable for an amount up to USD$56,494. As such, a provision for the amount of USD$56,494 has been recorded in the accrued liabilities as at June 30, 2009.