



Our business is quality of life.

**AUDITED CONSOLIDATED
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED
DECEMBER 31, 2007 AND 2006**

(Expressed in Canadian Dollars)

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Report of independent registered public accounting firm

To the shareholders of Medical Ventures Corp.

We have audited the accompanying consolidated balance sheets of Medical Ventures Corp. as at December 31, 2007 and 2006 and the consolidated statements of operations and deficit 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 the standards of the Public Company Accounting Oversight Board (United States) and auditing standards generally accepted in Canada. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as at December 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Canadian generally accepted accounting principles vary in certain respects from accounting principles generally accepted in the United States of America. Information related to the nature and effect of such differences is presented in Note 21 to the consolidated financial statements.

Vancouver, Canada
February 22, 2008

/s/ Grant Thornton LLP
Independent registered
public accountants

Comment by independent registered public accountants for US readers on Canada-US reporting differences:

The standards of the Public Company Accounting Oversight Board (United States) require the addition of an explanatory paragraph (following the opinion paragraph) when there are changes in accounting principles that have a material effect on the comparability of the Company's consolidated financial statements, such as those discussed in Note 4, as well as when the consolidated financial statements are affected by conditions and events that cast substantial doubt on the Company's ability to continue as a going concern, such as those described in Note 2 to the consolidated financial statements. Although we conducted our audits in accordance with both Canadian generally accepted auditing standards and the standards of the Public Company Accounting Oversight Board (United States), our report to the shareholders dated February 22, 2008, is expressed in accordance with Canadian reporting standards, which do not require references to such change in accounting policies in the report of the independent registered public accountants when the change is properly accounted for and adequately disclosed in the financial statements, nor permit a reference to such events and conditions in the report of the independent registered public accountants when these are adequately disclosed in the financial statements.

Vancouver, Canada
February 22, 2008

/s/ Grant Thornton LLP
Independent registered
public accountants

MEDICAL VENTURES CORP.

Consolidated Balance Sheets

As at December 31

	2007	2006
ASSETS		
CURRENT		
Cash and cash equivalents	\$ 3,242,404	\$ 2,698,735
Accounts receivable	568,964	201,082
Inventory (Note 6)	384,124	1,291,658
Prepaid expenses and deposits	18,755	88,188
	4,214,247	4,279,663
RESTRICTED CASH AND CASH EQUIVALENTS (Note 9)	50,000	50,000
PROPERTY AND EQUIPMENT (Note 7)	1,425,553	956,894
	\$ 5,689,800	\$ 5,286,557
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 735,310	\$ 208,702
Current portion of long-term debt	19,559	20,400
Current portion of repayable contribution agreement	28,112	35,000
	782,981	264,102
LONG-TERM DEBT (Note 9)	441,540	160,889
REPAYABLE CONTRIBUTION AGREEMENT (Note 10)	283,959	368,591
	1,508,480	793,582
SHAREHOLDERS' EQUITY		
Share capital (Note 11)	28,835,081	21,607,856
Contributed surplus (Note 11)	976,637	785,556
Deficit	(25,630,398)	(17,900,437)
	4,181,320	4,492,975
	\$ 5,689,800	\$ 5,286,557

CONTINUING OPERATIONS (Note 2)

COMMITMENTS (Note 17)

CONTINGENCIES (Note 19)

SUBSEQUENT EVENTS (Note 20)

APPROVED BY THE DIRECTORS:

(Signed) Alexei Marko

Alexei Marko, Director

(Signed) Daniel Nixon

Daniel Nixon, Director

MEDICAL VENTURES CORP.

Consolidated Statements of Operations and Deficit

For the years ended December 31

	2007	2006
SALES (Note 18)		
Product sales	\$ 1,209,832	\$ 903,543
Consulting services	308,041	179,287
	1,517,873	1,082,830
COST OF SALES, including underutilized capacity of \$155,888	799,593	613,219
GROSS PROFIT	718,280	469,611
EXPENSES		
Selling (Note 13)	2,839,897	1,725,825
General and administration (Note 14)	2,282,283	2,256,966
Product development and clinical trials (Note 15)	2,744,913	1,979,291
Inventory write down (Note 6)	559,131	-
Amortization	205,451	145,501
	8,631,675	6,107,583
LOSS BEFORE OTHER		
INCOME (EXPENSES)	(7,913,395)	(5,637,972)
OTHER INCOME (EXPENSES)		
Interest income	165,562	179,212
Interest on long-term debt	(14,136)	(12,183)
Accrued interest on repayable contribution agreement (Note 10)	(14,891)	-
Loss on foreign exchange	(54,094)	(13,019)
	82,441	154,010
NET LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	(7,830,954)	(5,483,962)
DEFICIT, BEGINNING OF PERIOD	(17,900,437)	(12,416,475)
ADJUSTMENT FOR CHANGE IN ACCOUNTING POLICY (Note 4)	100,993	-
DEFICIT, END OF PERIOD	\$ (25,630,398)	\$ (17,900,437)
BASIC AND DILUTED		
LOSS PER SHARE	\$ (0.08)	\$ (0.08)
WEIGHTED AVERAGE NUMBER OF		
COMMON SHARES OUTSTANDING	98,724,968	68,946,886

See accompanying Notes to the Audited Consolidated Financial Statements

MEDICAL VENTURES CORP.

Consolidated Statements of Cash Flows

For the years ended December 31

	2007	2006
OPERATING ACTIVITIES		
Net loss for the period	\$ (7,830,954)	\$ (5,483,962)
Items not affecting cash		
Inventory write down (Note 6)	559,131	-
Amortization	205,451	145,501
Accreted Interest on repayable contribution agreement (Note 10)	14,891	-
Stock-based compensation	166,885	203,848
	(6,884,596)	(5,134,613)
Change in non-cash operating assets and liabilities		
Accounts receivable	(367,882)	(83,517)
Inventory	216,609	68,942
Prepaid expenses and deposits	69,433	64,741
Accounts payable and accrued liabilities	526,608	(58,995)
	(6,439,828)	(5,143,442)
INVESTING ACTIVITY		
Purchase of property and equipment	(542,316)	(197,101)
	(542,316)	(197,101)
FINANCING ACTIVITIES		
Increase in long-term debt (Note 9)	298,911	-
Repayment of long-term debt	(19,101)	(30,782)
Repayment of repayable contribution agreement	(5,418)	(3,775)
Proceeds from share issuance, net of costs	7,019,111	6,848,895
Proceeds on exercise of agents warrants	232,310	-
Proceeds from exercise of stock options	-	54,000
	7,525,813	6,868,338
INCREASE IN CASH	543,669	1,527,795
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	2,698,735	1,170,940
END OF PERIOD	\$ 3,242,404	\$ 2,698,735
REPRESENTED BY:		
Cash	93,649	699,491
Cashable guaranteed investment certificates	3,148,755	1,999,244
	\$ 3,242,404	\$ 2,698,735
NON CASH TRANSACTIONS		
Change in Asset Use (Note 5)	131,794	-
Issue of Warrants (Note 11)	111,518	242,641
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	14,136	12,183
Income taxes paid	-	-

See accompanying Notes to the Audited Consolidated Financial Statements

MEDICAL VENTURES CORP.

Notes to the Consolidated Financial Statements

Years ended December 31, 2007 and 2006

1. INCORPORATION AND NATURE OF BUSINESS

The Company was incorporated under the Company Act (British Columbia) on November 2, 2000 and was continued under the Canada Business Corporations Act on April 19, 2002. The Company develops, manufactures and distributes medical devices and is focused on the development and commercialization of medical devices which address a clinical need in the cardiovascular marketplace.

The Company's products include a catheter-based technology called the Metricath System as well as products using a pericardial tissue processing technology to produce a number of patch products used in cardiac reconstruction and repair.

2. CONTINUING OPERATIONS

These audited consolidated financial statements have been prepared on a going concern basis that contemplates the realization of assets and satisfaction of liabilities in the normal course of business. The Company has incurred operating losses of \$7,830,954 and \$5,483,962 for the years ended December 31, 2007 and 2006 respectively and has a deficit of \$25,630,398 as at December 31, 2007 compared to a deficit of \$17,900,437 as at December 31, 2006. The Company's ability to continue as a going concern is dependent on the profitable commercialization of its products and/or obtaining additional debt or equity financing to fund ongoing operations until profitability is achieved.

If the going concern basis was not appropriate for these Audited Consolidated Financial Statements, significant adjustments would be necessary to the carrying values of the Company's assets and liabilities, reported expenses and balance sheet classifications.

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles and reflect the following significant accounting policies:

(a) Basis of consolidation

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, PM Devices Inc., Angiometrx Inc. and Medical Ventures (US) Inc. At December 31, 2007, Medical Ventures (US) Inc. is not active. All intercompany balances and transactions have been eliminated upon consolidation.

(b) Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles ("GAAP") 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 revenues and expenses during the reporting period. Actual results may differ from those estimates. The recoverable amounts of accounts receivable, inventories, property and equipment and the fair value of share-based payments are the more significant items subject to estimates in these consolidated financial statements.

(c) Foreign currency translation

The functional currency of the Company and its subsidiaries is the Canadian dollar. Foreign currency denominated monetary assets and liabilities are translated into Canadian dollars at the rate of exchange prevailing at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the average rate of exchange for the month in which such transactions occur.

MEDICAL VENTURES CORP.

Notes to the Consolidated Financial Statements

Years ended December 31, 2007 and 2006

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Revenue recognition

The Company earns revenue from three sources: product sales, research and development and design services and contract manufacturing. Revenue from these three sources are recognized as follows:

(i) Product Sales

Revenue from product sales, including shipments to distributors, is recognized when the product is shipped from the Company's facilities to the customer when the price is fixed and determinable and collection is reasonably assured.

(ii) Research and development and design contracts

Revenue from research and development and design contracts is recognized under the terms of the related contract as services are rendered and collection is reasonably assured.

(iii) Contract manufacturing

Revenue from manufacturing contracts is recognized under the terms of the shipment to customers, when the price is fixed or determinable and collection is reasonably assured.

Cash received in advance of product sales or in advance of the provision of services is recorded as deferred revenue.

(e) Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits and short term, highly liquid investments that are readily convertible to known amounts of cash within ninety days of purchase. As at December 31, 2007 the Company has restricted cash of \$50,000 (2006 - \$50,000) representing security to the Company's long-term debt (Note 9).

(f) Inventory

Inventory is valued at the lower of cost and net realizable value for finished goods and work in progress and at the lower of cost and replacement cost for raw materials. Cost is determined on a first-in, first-out basis. Cost of finished goods and work in progress includes direct material and labour costs and an allocation of manufacturing overhead and applicable shipping and handling costs. In determining net realizable value, we consider factors such as obsolescence, future demand for inventory and contractual arrangements with customers.

(g) Property and equipment

Property and equipment are recorded at cost less accumulated amortization and are amortized over their estimated useful lives using the following rates and method:

Assets in the field	12 months straight line
Building	4% declining balance
Production equipment	30% declining balance
Computer hardware	30% declining balance
Computer software	100% declining balance
Office equipment, furniture and fixtures	20% declining balance

MEDICAL VENTURES CORP.

Notes to the Consolidated Financial Statements

Years ended December 31, 2007 and 2006

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Research and development

The Company is engaged in research and development. Research costs are expensed as incurred. Development costs are expensed in the period incurred, unless they meet the criteria for deferral established by Canadian GAAP. Further, in accordance with Canadian GAAP, development costs are deferred only to the extent that their recovery can reasonably be regarded as assured. Management reviews the applicable criteria on a regular basis and if the criteria are no longer met, any remaining unamortized balance is written off as a charge to income. Research and development costs are reduced by any scientific research tax credits to which the Company is entitled.

(i) Government assistance

Government assistance, consisting of grants and research tax credits, is recorded as a reduction of either the related expense or the cost of the asset to which it relates. The assistance is recorded in the accounts when reasonable assurance exists that the Company has complied with the terms and conditions of the approved government assistance program and when there is reasonable assurance that the assistance will be realized.

(j) Share capital

From time to time, the Company issues units consisting of common shares and warrants. The Company records the issuance as a whole in share capital and does not bifurcate the warrants.

(k) Acquisition and share issue costs

Professional, consulting, regulatory fees and other costs that are directly attributable to acquisition and financing transactions are deferred until such time as the transactions are completed. Acquisition costs are added to the cost of the acquisition. Share issue costs are charged to share capital when the related shares are issued. Costs relating to acquisition and financing transactions that are not completed are charged to operations.

(l) Stock based compensation

The Company has a stock option plan as disclosed in Note 11. The Company follows the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3870 Stock-Based Compensation and Other Stock-Based Payments to account for grants under this plan. As recommended by Section 3870, the Company has adopted the fair value method for stock-based compensation granted to employees and non-employees and all direct awards of stock.

The fair value of stock options is determined by the Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Company's common shares and an expected life of the options.

The fair value of direct awards of stock is determined by the quoted market price of the Company's stock.

(m) Income taxes

The Company follows the liability method of accounting for income taxes. Under this method, future income taxes assets and liabilities reflect the tax effect of differences between the carrying amount of balance sheet items and their corresponding tax values and unutilized losses carried forward. Future income tax assets are only recognized to the extent it is more likely than not that the related benefit will be realized.

MEDICAL VENTURES CORP.

Notes to the Consolidated Financial Statements

Years ended December 31, 2007 and 2006

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Earnings per share

Earnings per share is computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of common shares outstanding during the period on a diluted basis using the treasury stock method. Diluted earnings per share has not been reported as the assumed exercise of all 35,293,294 (2006 – 14,120,784) outstanding options and warrants would be anti-dilutive.

4. CHANGES IN ACCOUNTING POLICY

Financial Instruments

Effective January 1, 2007, the Company adopted the new recommendations of the CICA Handbook Section 1530, Comprehensive Income; Section 3251, Equity; Section 3855, Financial Instruments – Recognition and Measurement; and Section 3861 Financial Instruments – Disclosure and Presentation.

Section 1530 establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with GAAP. The Company had no other comprehensive income or loss transactions during the year ended December 31, 2007 and no opening or closing balance for accumulated other comprehensive income or loss.

Section 3855 prescribes when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet and at what amount, requiring fair value or cost-based measures under different circumstances. Under section 3855, financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are measured at fair value upon initial recognition. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net earnings; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net loss. Financial instruments classified as loans and receivables, held-to-maturity or other financial liabilities are measured at amortized cost.

Under adoption of these new standards, the Company designated its cash and cash equivalents as held-for-trading. Accounts receivable are classified as loans and receivables. Accounts payable and accrued liabilities, long-term debt and repayable contribution agreement are classified as other financial liabilities. The Company had neither available-for-sale, nor held-to-maturity instruments during the year ended December 31, 2007. The Company has valued the repayable contribution agreement at amortized cost using the effective interest rate method. There was an adjustment of \$100,993 to opening retained earnings to reflect this change in measurement as required by Section 3855.

Inventories

In June 2007, the CICA issued Handbook Sections 3031 (Inventories) to replace the previous section 3030. This new section establishes Canadian GAAP for the measurement and disclosure of inventories. It provides the Canadian equivalent to International Financial Reporting Standard IAS 2, Inventories. This revision substantially aligns Canadian GAAP with IFRS although it results in some differences with current US GAAP. This Section applies to interim and annual financial statements for fiscal years beginning on or after January 1, 2008. An entity may apply these recommendations retroactively, with restatement, or as an adjustment to opening inventory and retained earnings for the initial period of implementation.

The Company has elected to adopt this standard early and has made adjustments to the way in which the direct labour, fixed and variable production overhead are estimated based on the normal capacity for the facility during the year. In addition, the Company has split the cost of sales into the cost of goods sold and the underutilization of production assets.

MEDICAL VENTURES CORP.

Notes to the Consolidated Financial Statements

Years ended December 31, 2007 and 2006

In July 2006, the Accounting Standards Board ("AcSB") issued a replacement of CICA Handbook Section 1506, Accounting Changes ("Section 1506"). The new standard allows for voluntary changes in accounting policy only when they result in the financial statements providing reliable and more relevant information, requires changes in accounting policy to be applied retroactively unless doing so is impracticable, requires prior period errors to be corrected retroactively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. The adoption of Section 1506, effective December 1, 2006, has no impact on these consolidated financial statements.

5. CHANGES IN ASSET USE

Effective April 1, 2007, the Company has amended its treatment of Metricath Consoles. These consoles were previously classified as consignment or trunk stock inventory and were included in inventory, as it was believed that the consoles would be made available for sale to customers. However, after examining the actual use of these consoles in the field, the Company no longer intends to sell them and accordingly, has reclassified these units to Property and Equipment ('Field assets') used in the demonstration and sale of Metricath Catheters. The expected life of these Field assets is expected to be approximately 1 year.

The impact of this change in asset use during the year was to decrease the value of inventory by \$175,726, increase the cost of Field assets by \$131,794, the balance of \$43,932 charged to the income statement as an inventory impairment charge.

6. INVENTORY

	<u>September 30,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
Materials	\$ 194,240	\$ 411,880
Work in progress	37,437	486,106
Finished goods	152,447	393,672
	<u>\$ 384,124</u>	<u>\$ 1,291,658</u>

During the second quarter, the Company undertook a comprehensive review of open work orders in work in progress and identified \$106,186 of write-downs, principally related to old work orders still carrying a value in inventory, but with minimal material still on the shop floor. The net realizable value of these work orders was assessed to be lower than the carrying value on the balance sheet and the excess valuation was written down during the period.

The Company transferred certain consoles in consignment and trunk stock inventory to property and equipment (See Change in Asset Use Note 5). The Company assessed part of the value of these consoles to be lower than their carrying value and wrote them down by \$43,932 prior to transferring them to property and equipment. In addition, The Company wrote down the consoles in inventory by \$35,145 to their estimated net realizable value.

At year end the Company reviewed its inventory of catheters; \$46,870 of these were identified as short lived catheters and unlikely to sell before their sterilization expired and a further \$106,906 was deemed obsolete due to an improved tip design for the Gemini catheter. In addition, certain sub assemblies for consoles were identified and provided for, amounting to an additional \$220,092 write down.

MEDICAL VENTURES CORP.

Notes to the Consolidated Financial Statements

Years ended December 31, 2007 and 2006

7. PROPERTY AND EQUIPMENT

	December 31 ,		
	2007		
	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 207,347	\$ -	\$ 207,347
Building	1,013,633	123,267	890,366
Production equipment	450,920	339,509	111,411
Field assets	131,794	53,952	77,842
Computer hardware	152,750	85,446	67,304
Computer software	180,738	169,598	11,140
Office equipment, furniture and fixtures	155,334	95,191	60,143
	<u>\$ 2,292,516</u>	<u>\$ 866,963</u>	<u>\$ 1,425,553</u>

Included within Field assets at December 31, 2007 are \$103,790 (2006 - \$Nil) of assets that are not currently in use and are not being amortized. Amortization on these assets will begin when the assets are brought into use.

	December 31 ,		
	2006		
	Cost	Accumulated Depreciation	Net Book Value
Land	\$ 207,347	\$ -	\$ 207,347
Building	531,888	98,741	433,147
Production equipment	486,492	329,827	156,665
Field assets	-	-	-
Computer hardware	120,876	62,301	58,575
Computer software	161,813	130,781	31,032
Office equipment, furniture and fixtures	114,464	44,336	70,128
	<u>\$ 1,622,880</u>	<u>\$ 665,986</u>	<u>\$ 956,894</u>

MEDICAL VENTURES CORP.

Notes to the Consolidated Financial Statements

Years ended December 31, 2007 and 2006

8. INCOME TAXES

Reported income tax expense differs from the amounts computed by applying current income tax rates to the loss before income taxes due to the following:

	Year ended December 31,	
	<u>2007</u>	<u>2006</u>
Canadian basic statutory rate	27.0%	34.1%
Expected income tax recovery	\$ (2,114,358)	\$ (1,870,031)
Stock based compensation	41,800	69,512
Effect of other non-deductible expenses	8,803	1,348
Effect of rate change	1,296,019	34,340
Change in valuation of allowance	767,736	1,764,831
Income tax expense	-	-

Future income taxes result principally from temporary differences in the recognition of certain revenue and expense items for financial and income tax reporting purposes. Significant components of the Company's future tax assets are as follows:

	Year ended December 31,	
	<u>2007</u>	<u>2006</u>
Future income tax assets		
Capital assets	\$ 232,277	\$ 214,450
Non-capital loss carry forwards	5,226,133	4,704,073
Research and development expenditures	1,512,056	1,306,022
Valuation allowance for future income tax assets	(6,970,466)	(6,224,545)
Future income tax assets	-	-

As at December 31, 2007, the Company has \$5,600,000 of research and development expenditures available for deduction in future tax years, with no expiry date. The Company has loss carry forward balances for income tax purposes of \$18,556,000 that are available to offset future taxable income, if any, expiring at various times through to the year 2027. The Company also has investment tax credits of \$1,495,000 available to offset future income taxes, if any, expiring at various times through to the year 2027.

The future tax benefit of these expenditures, losses and tax credits is ultimately subject to final determination by taxation authorities. In 2007, the Company has not recognized any future income tax assets in respect of the amounts noted.

MEDICAL VENTURES CORP.

Notes to the Consolidated Financial Statements

Years ended December 31, 2007 and 2006

9. LONG-TERM DEBT

	<u>December 31,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
Bank instalment loan	\$ 461,099	\$ 181,289
	461,099	181,289
Less current portion	(19,559)	(20,400)
	\$ 441,540	\$ 160,889

Repayments will consist of 180 regular blended payments of \$4,095 each month, including interest and principal, commencing on September 1, 2007 and ending on August 1, 2022. The loan is collateralized by a first charge over the Company's land and buildings, a liquid security agreement of \$50,000 to be held in cash equivalent investments and a general security agreement over all personal property of the business now owned and all personal property acquired in the future. The loan bears interest at prime.

Principal maturities in the next five years and thereafter are approximately as follows:

2008	\$	19,559
2009		20,878
2010		22,285
2011		23,787
2012		25,391
Thereafter		349,199
	\$	461,099

MEDICAL VENTURES CORP.

Notes to the Consolidated Financial Statements

Years ended December 31, 2007 and 2006

10. REPAYABLE CONTRIBUTION AGREEMENT

In 2003, the Company entered into an Industrial Research Assistance Program (“IRAP”) Repayable Contribution Agreement with the National Research Council of Canada (“NRC”) and received funding of \$409,363. The Company agreed to repay this funding through future royalties on the gross revenues of its Metricath products at a rate of 2.1%. In the event that the Company does not generate \$409,363 in royalties before July 1, 2015, the unpaid balance of the funding contribution will be forgiven. Management has determined that it is likely that royalties in excess of \$409,363 will be generated over the period to July 1, 2015 from the sales of the Company’s Metricath products and as such has recorded a liability to reflect this royalty obligation as follows:

	December 31,	December 31,
	2007	2006
Balance, beginning of year	\$ 403,591	\$ 407,366
Adjustment for change in accounting policy (Note 4)	\$ (100,993)	\$ -
Royalties paid or accrued in the current period	(5,418)	(3,775)
Accreted interest	14,891	-
	312,071	403,591
Less: current portion	(28,112)	(35,000)
Balance, end of year	\$ 283,959	\$ 368,591

The fair value at inception of the repayable contribution agreement that does not have a market rate of interest is not equal to the cash consideration. The fair value at inception has been estimated as the present value of all future expected cash receipts discounted using the prevailing market rates of interest for a similar instrument and with a similar credit rating. Subsequent measurement of the repayable contribution agreement is at amortized net cost.

MEDICAL VENTURES CORP.

Notes to the Consolidated Financial Statements

Years ended December 31, 2007 and 2006

11. SHARE CAPITAL

(a) *Authorized*

Unlimited number of common shares without par value

Unlimited number of preferred shares without par value

(b) <i>Issued and outstanding</i>	Common Shares		Contributed Surplus
	Number	Amount	
Balance, December 31, 2005	52,228,886	\$ 14,898,734	\$ 387,935
Issued for cash pursuant to a private placement (i)			-
Shares	18,750,000	7,500,000	
Agent warrants		242,641	
Share issue costs		(893,746)	-
Issued for cash on exercise of options	360,000	54,000	-
Stock-based compensation			203,848
Expiry of agent's warrants		(193,773)	193,773
Balance, December 31, 2006	71,338,886	\$ 21,607,856	\$ 785,556
Issued for cash pursuant to a private placement (ii)			
Shares	38,709,110	7,741,822	
Agents warrants		111,558	
Share issue costs		(834,269)	
Issued for cash on exercise of agent's warrants (iii)	1,161,549	232,310	
Stock-based compensation			166,885
Expiry of agent's warrants		(24,196)	24,196
Balance, December 31, 2007	111,209,545	\$ 28,835,081	\$ 976,637

- (i) Pursuant to a private placement completed on February 14, 2006, the Company issued 18,750,000 units of the Company at a price of \$0.40 per unit for aggregate gross proceeds of \$7,500,000. Each unit consisted of one common share and one-half of one non-transferable common share purchase warrant entitling the holder to purchase one additional common share for every whole warrant at a price of \$0.65 per share expiring on February 14, 2008. On closing, the Agent received non-transferable common share purchase warrants to purchase up to 1,172,500 common shares at a price of \$0.455 per share exercisable until February 14, 2008.
- (ii) On April 24, 2007, pursuant to a public offering under a short form prospectus dated April 13, 2007, the Company issued 38,709,110 units of the Company at a price of \$0.20 per unit for aggregate gross proceeds of \$7,741,822. Each unit consisted of one common share and one-half of one non-transferable common share purchase warrant entitling the holder to purchase one additional common share for every whole warrant at a price of \$0.25 per share expiring on October 24, 2008. On closing, the Agents received non-transferable share purchase warrants to purchase up to 1,659,356 common shares at a price of \$0.20 per share exercisable until October 24, 2008.
- (iii) On May 4, 2007, the Agent exercised 1,161,549 agent warrants at \$0.20 per share for gross proceeds of \$232,310.

MEDICAL VENTURES CORP.

Notes to the Consolidated Financial Statements

Years ended December 31, 2007 and 2006

11. SHARE CAPITAL (Continued)

(c) Stock-based compensation

The Company adopted a stock option plan under which the directors of the Company may grant options to purchase common shares to directors, officers, employees and service providers (the "optionees") of the Company on terms that the directors of the Company may determine within the limitations set forth in the Stock Option Plan. Effective November 22, 2005, the board of directors of the Company approved an amendment to the Company's incentive Stock Option Plan to increase the number of options available for grant under the plan to 10% of the number of common shares of the Company outstanding from time to time.

Options under the Company's Stock Option Plan granted to directors and officers vest immediately and options granted to employees vest over a three year term. The directors of the Company have discretion within the limitations set forth in the Stock Option Plan to determine other vesting terms on options granted to directors, officers, employees and others. The minimum exercise price of a stock option cannot be less than the applicable market price of the common shares on the date of the grant and the options have a maximum exercise period of five years.

In addition, outside of the Plan, during the year ended December 31, 2000, the Company issued options to acquire 520,000 common shares at a price of \$0.15 per common share. The remainder of these options were exercised during the three month period ended September 30, 2006.

The following table summarizes stock option activity for the respective periods as follows:

	Number of Options	Weighted Average Exercise Price	Average Remaining Contractual Life (years)
Options outstanding, December 31, 2005	3,255,543	\$ 0.48	1.89
Granted	922,634	0.35	3.75
Exercised	(360,000)	0.15	-
Cancelled	(1,025,603)	0.54	-
Options outstanding, December 31, 2006	2,792,574	\$ 0.45	2.40
Granted	1,928,754	0.17	4.51
Cancelled	(375,000)	0.51	-
Options outstanding, December 31, 2007	4,346,328	\$ 0.32	3.29
Options exercisable, December 31, 2007	2,926,198	\$ 0.37	2.80
Weighted average fair value of stock options granted during the year	\$ 0.12		

The stock options expire at various dates from January 26, 2008 to December 28, 2012.

During the year ended December 31, 2007, the Company recorded \$166,885 (2006 – \$203,848) compensation expense for stock-based compensation awarded to employees. The Company used the Black-Scholes option-pricing model to estimate the value of the options at each grant date using the following weighted average assumptions:

	2007	2006
Dividend yield	nil	nil
Annualized volatility	82%	81%
Risk-free interest rate	4.00%	4.10%
Expected life	5 years	5 years

MEDICAL VENTURES CORP.

Notes to the Consolidated Financial Statements

Years ended December 31, 2007 and 2006

11. SHARE CAPITAL (Continued)

Options Outstanding				Options Exercisable		
Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price	
0.68	90,000	0.07 yrs	0.68	90,000	0.68	
0.75	241,300	0.37 yrs	0.75	241,300	0.75	
1.20	57,800	0.74 yrs	1.20	57,800	1.20	
0.89	30,000	1.12 yrs	0.89	30,000	0.89	
1.20	40,000	0.74 yrs	1.20	40,000	1.20	
1.20	10,000	1.30 yrs	1.20	10,000	1.20	
1.00	10,000	1.40 yrs	1.00	10,000	1.00	
0.72	30,000	1.69 yrs	0.72	30,000	0.72	
0.68	28,840	1.75 yrs	0.68	28,840	0.68	
0.72	50,000	1.84 yrs	0.72	50,000	0.72	
0.53	37,000	2.09 yrs	0.53	37,000	0.53	
0.55	40,000	2.13 yrs	0.55	30,000	0.55	
0.25	120,000	2.44 yrs	0.25	120,000	0.25	
0.25	870,000	2.46 yrs	0.25	870,000	0.25	
0.21	81,600	2.90 yrs	0.21	81,600	0.21	
0.40	10,000	3.04 yrs	0.40	5,000	0.40	
0.51	32,800	3.09 yrs	0.51	32,800	0.51	
0.58	30,000	3.28 yrs	0.58	15,000	0.58	
0.48	10,000	3.39 yrs	0.48	5,000	0.48	
0.40	356,694	3.57 yrs	0.40	178,347	0.40	
0.33	40,000	3.61 yrs	0.33	20,000	0.33	
0.30	90,000	3.71 yrs	0.30	45,000	0.30	
0.30	111,540	3.72 yrs	0.30	111,540	0.30	
0.32	30,000	1.80 yrs	0.32	15,000	0.32	
0.26	80,000	3.84 yrs	0.26	40,000	0.26	
0.23	30,000	4.05 yrs	0.23	7,500	0.23	
0.19	150,000	4.09 yrs	0.19	37,500	0.19	
0.24	69,710	4.13 yrs	0.24	69,710	0.24	
0.25	60,000	4.18 yrs	0.25	15,000	0.25	
0.22	240,000	4.27 yrs	0.22	60,000	0.22	
0.17	175,000	4.34 yrs	0.17	175,000	0.17	
0.17	60,000	4.32 yrs	0.17	15,000	0.17	
0.17	50,000	4.32 yrs	0.17	12,500	0.17	
0.18	270,000	4.59 yrs	0.18	67,500	0.18	
0.15	125,000	4.65 yrs	0.15	125,000	0.15	
0.14	250,000	4.76 yrs	0.14	62,500	0.14	
0.08	150,000	4.85 yrs	0.08	37,500	0.08	
0.10	189,044	5.01 yrs	0.10	47,261	0.10	
	4,346,328	3.29 yrs	\$ 0.32	2,926,198	\$ 0.37	

(c) Warrants

The following table summarizes the share warrant activity for the years ended December 31:

	2007	2006
Balance, beginning of year	11,328,210	4,554,421
Issued	21,013,905	10,547,500
Exercised	(1,161,549)	-
Expired	(233,600)	(3,773,711)
Balance, end of year	30,946,966	11,328,210

MEDICAL VENTURES CORP.

Notes to the Consolidated Financial Statements

Years ended December 31, 2007 and 2006

11. SHARE CAPITAL (Continued)

The following table summarizes the warrants outstanding and exercisable at December 31, 2007:

Number Outstanding	Average Remaining Contractual Life	Weighted Average Exercise Price
547,110	2.86 yrs	0.75
9,375,000	0.12 yrs	0.65
1,172,500	0.12 yrs	0.46
19,852,356	0.82 yrs	0.25
30,946,966	0.62 yrs	\$ 0.39

The Company used the Black-Scholes option pricing model to estimate the value of the agents warrants at each grant date using the following weighted average assumptions:

	2007	2006
Dividend yield	nil	nil
Annualized volatility	82%	81%
Risk-free interest rate	4.00%	4.10%
Expected life	5 years	5 years

12. FINANCIAL INSTRUMENTS

(a) Fair value

The Company's financial instruments include accounts receivable, accounts payable and accrued liabilities, and long-term debt, the fair values of which approximate their carrying values due to their short term to maturity or their floating interest rate.

(b) Foreign exchange risk

The Company undertakes transactions denominated in United States dollars and Euros and as such, is exposed to fluctuations in foreign exchange rates. The Company earns revenues in Canadian dollars, United States dollars and Euros and incurs expenses in Canadian dollars and United States dollars. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

(c) Interest rate risk

Interest on the Company's long term debt is variable based on Canadian chartered bank prime. This exposes the Company to the risk of changing interest rates that may have an adverse effect on its earnings in future periods. The Company does not use derivative instruments to reduce its exposure to interest rate risk.

(d) Credit risk and significant customers

Financial instruments which potentially subject the Company to credit risk consist of trade accounts receivable. The Company does not require collateral or other security for accounts receivable. The Company estimates its allowance for doubtful accounts based on analysis of specific accounts and each debtor's payment history and prospects.

During the year ended December 31, 2007, \$429,711 (2006 - \$207,763) of revenue was derived from one customer. As at December 31, 2007, accounts receivable included \$259,669 due from one customer (2006 - \$41,972).

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Notes to the Consolidated Financial Statements

Years ended December 31, 2007 and 2006

13. SELLING

	For the years ended December 31,	
	2007	2006
Selling expense	\$ 1,272,778	\$ 821,039
Wages and consulting	1,567,119	904,786
	<u>\$ 2,839,897</u>	<u>\$ 1,725,825</u>

14. GENERAL AND ADMINISTRATIVE EXPENSES

	For the years ended December 31,	
	2007	2006
Audit and accounting	\$ 106,087	\$ 116,671
Insurance	85,463	90,350
Legal	97,994	49,206
Office	833,729	645,011
Regulatory	51,879	53,649
Rent	24,891	32,219
Repayments to contribution agreement	5,418	4,111
Royalties	3,673	64,549
Wages and consulting	1,073,149	1,201,200
	<u>\$ 2,282,283</u>	<u>\$ 2,256,966</u>

15. PRODUCT DEVELOPMENT AND CLINICAL TRIALS

	For the years ended December 31,	
	2007	2006
Clinical trials	\$ 1,558,262	1,068,797
Other direct costs	415,067	173,905
Wages and Consulting	771,584	736,589
	<u>\$ 2,744,913</u>	<u>\$ 1,979,291</u>

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16. RELATED PARTY TRANSACTIONS

Related party transactions are entered into in the normal course of operations and are recorded at amounts established and agreed on between the related parties.

	For the years ended, December 31,	
	2007	2006
Services of the CEO	\$ 174,242	\$ 194,391
Contract Manufacturing		
Revenue earned by the Company	79,109	-
Lease and administrative revenue	-	3,236
Financial Services	29,853	26,547
Legal Services		
General and administrative expenses	30,337	22,393
Share issue costs	75,199	51,925
Consulting Services	74,050	-
	As at	
	December 31,	December 31,
	2007	2006
Accounts Receivable		
Contract Manufacturing	20,498	894
Accounts Payable		
Service of the CEO	11,925	-
Consulting Services	10,000	-

(i) Services of the CEO

The services of the CEO are provided to the Company by a corporation controlled by the CEO. The Company and the corporation have a director in common. These fees are included in general and administration expenses.

(ii) Contract Manufacturing

The Company performs contract manufacturing services for a related corporation. One of the directors of this corporation is a significant shareholder in the Company. As part of the agreement the Company leased an office and provided administrative support to the director. The agreement to lease office space and provide administrative support was terminated on September 1, 2006.

(iii) Financial Services

The Company contracted for the services of the CFO and some accounting functions from an accounting firm. A partner of that firm acted as the CFO of the Company. The agreement was terminated on September 30, 2007 and the partner resigned as CFO.

(iv) Legal Services

Legal and corporate secretarial services were provided by a legal firm. A partner of that firm is a director of the Company.

(iv) Consulting Services

Sales and marketing consulting services are provided by a director of the Company.

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Years ended December 31, 2007 and 2006

17. COMMITMENTS

On March 30, 2001, Angiometrx acquired an exclusive worldwide license to develop, manufacture and sell the Metricath™ device. The Metricath device is covered by a patent in the US and related patent applications in Europe and Canada. In consideration for the license agreement, Angiometrx paid US\$30,000 (CDN\$47,601) in 2002.

On December 31, 2006, the agreement was amended to reduce the royalty rate to be paid by Angiometrx, to eliminate any minimum royalty payments by Angiometrx and to eliminate all royalty payments for the period from October 1, 2006 to March 31, 2007.

The royalty to be paid by Angiometrx commencing April 1, 2007 will be as follows:

- For the period from April 1, 2007 through December 31, 2012
2% to 4% on sales of products utilizing the Metricath technology
- For the period from January 1, 2013 to December 31, 2020
1% to 2% on sales of products utilizing the Metricath technology

After December 31, 2020, the Company has a perpetual royalty free license for the Metricath technology. During 2006, the Company paid \$6,472 (2006, \$63,242) under this royalty agreement.

18. SEGMENT INFORMATION

The Company's operations are in one business segment; the development, manufacture and marketing of medical devices. Each of the Company's product lines has similar characteristics, customers, distribution and marketing strategies, and are subject to similar regulatory requirements.

All of the Company's long-lived assets are located in Canada. The Company carries on business only in Canada, but earns revenue from sales to customers in the following geographic locations:

	For the years ended December 31,	
	2007	2006
SALES		
Canada	\$ 175,651	\$ 87,479
United States	1,182,238	818,658
Other	159,984	176,693
	<u>1,517,873</u>	<u>1,082,830</u>

The Company's customer sales concentration is discussed in Note 12(d).

19. CONTINGENCIES

During the year ended December 31, 2006 a former employee commenced an action against the Company seeking damages for wrongful dismissal. The Company defended its position and the defendant failed to appear at a court hearing. The case was dismissed and management believe that there is no longer a contingent liability risk.

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Years ended December 31, 2007 and 2006

20. SUBSEQUENT EVENTS

On January 30, 2008, the Company signed an agreement to acquire two vascular product development companies, B-Balloon Ltd. and Neovasc Medical Ltd. The terms of the agreement provide that on closing the Company will consolidate its outstanding shares at a ratio of 1 for 20. Subsequent to the consolidation of its shares, the Company will then issue an amount of common shares equal to the fully diluted number of common shares of the Company then outstanding to the shareholders of B-Balloon and Neovasc, such that the shareholders of Medical Ventures, B-Balloon and Neovasc will each hold approximately one third of the issued share capital of Medical Ventures after the merger. As a condition of the agreement and subsequent to the issuance of the new shares, the Company will raise a minimum of \$6,000,000 by issuing 1,500,000 units at \$4.00 per unit. Each unit will consist of one common share of the Company and 0.62 warrants. Each whole warrant exercisable for one common share at \$5.00 per share for 18 months from closing.

The acquisitions and concurrent financing are interdependent and principally subject to: TSX Venture Exchange approval; the approval of shareholders of each of the three companies; and certain Israeli government and other third party consents, as well as customary closing opinions and deliveries.

21. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), which differ in certain respects from those principles and practices that the Company would have followed had its consolidated financial statements been prepared in accordance with generally accepted accounting principles in the United States ("US GAAP"). Material issues that could give rise to differences to these consolidated financial statements are as follows:

a) Stock-based compensation

Under US GAAP, effective January 1, 2006, the Company adopted FASB Statement of Accounting Standards No. 123(R), *Share-Based Payment*, a revision to FAS 123, *Accounting for Stock-Based Compensation*. FAS 123 (R) requires the Company to recognize in the income statement the grant date fair value of stock-based compensation awards granted to executive officers, directors, employees and consultants over the requisite service period, which cannot be less than the term of vesting. The Company utilizes the Black-Scholes option-pricing model to calculate the fair value of stock based compensation and amortizes the fair value to stock-based compensation expense over the vesting period. Compensation expense recognized reflects estimates of award forfeitures as discussed below.

Pursuant to the provisions of FAS 123 (R), the Company applied the modified-prospective transition method. Under this method, the fair value provisions of FAS 123 (R) are applied to new employee share-based payment awards granted or awards modified, repurchased, or cancelled after January 1, 2006. Measurement and attribution of compensation costs for unvested awards at January 1, 2006 granted prior to the adoption of FAS 123 (R) are recognized based on the provisions of FAS 123.

Under US GAAP, the Company is required to estimate the number of forfeitures over the life of each award. The Company has elected to record the actual number of forfeitures incurred. The Company has determined that the effect of estimated forfeitures upon the adoption on stock compensation expense, including the effect of estimating forfeitures on options granted, but not fully vested, prior to the adoption of FAS 123 (R), is not material.

Accordingly, on a modified prospective basis, there is no material difference in the recognition of stock-based compensation awards under Section 3870 (Canadian GAAP) and FAS 123 (R).

MEDICAL VENTURES CORP.

Notes to the Consolidated Financial Statements

Years ended December 31, 2007 and 2006

21. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

b) Comprehensive loss

Under US GAAP, the Company follows FASB Statement of Accounting Standards No. 130, Reporting Comprehensive Income, which requires the Company to report and display information related to comprehensive income for the Company. Comprehensive income consists of net income and all other changes in shareholders' equity that do not result from transactions with shareholders, such as cumulative foreign currency translation adjustments and unrealized gains or losses on securities or short-term investments. There were no adjustments to the net loss, reported under US GAAP, required to reconcile to the comprehensive loss.

c) Future income tax assets and liabilities

Under Canadian GAAP, future income tax assets and liabilities are calculated based on enacted or substantially enacted tax rates applicable to future years. Under US GAAP, only enacted rates are used in the calculation of deferred income taxes. This difference in Canadian GAAP and US GAAP did not have a material effect on the financial position or the results of operations of the Company for the years ended December 31, 2007, and 2006

d) Additional disclosure required under US GAAP

(i) Allowance for doubtful accounts:

Under Canadian GAAP, trade receivables are presented in the consolidated financial statements net of allowance for doubtful accounts. US GAAP requires that the trade receivable allowance be separately disclosed in the consolidated financial statements as follows:

	December 31, 2007	December 31, 2006
Trade receivables	\$ 553,190	\$ 195,464
Allowance for doubtful accounts	(14,388)	-
Trade receivables, net	\$ 538,802	\$ 195,464
Other receivables	30,162	5,618
Trade receivables, net	\$ 568,964	\$ 201,082

(ii) Accounts payable and accrued liabilities

Under Canadian GAAP, accounts payable and accrued liabilities are presented in the consolidated financial statements on an aggregated basis. US GAAP requires that the accounts payable and accrued liabilities be presented in the consolidated financial statements as follows:

	December 31, 2007	December 31, 2006
Trade accounts payable	\$ 529,765	\$ 109,765
Employee-related accruals	109,848	40,466
Deferred Revenue	5,709	-
Other accrued liabilities	89,988	58,471
	\$ 735,310	\$ 208,702

MEDICAL VENTURES CORP.

Notes to the Consolidated Financial Statements

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21. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

(iii) Stock-based compensation

As of December 31, 2007, there was \$206,711 of total unrecognized compensation cost related to unvested stock options. That cost is expected to be recognized over a weighted average period of 1.6 years. The aggregate intrinsic value of the vested and exercisable stock options at December 31, 2007 was \$750. The aggregate intrinsic value of stock options exercised during the year ended December 31, 2007 was \$Nil (2006 – \$105,000).

(iv) In June 2006, the Financial Accounting Standards Board (“FASB”) issued FASB Interpretation No. 48, “Accounting for Uncertainty in Income Taxes – an Interpretation of FASB Statement No. 109” (“FIN 48”). FIN 48 prescribes a comprehensive model of how a company should recognize, measure, present and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return. The Company implemented FIN 48 in the first quarter of 2007 and there was no impact on deferred income tax calculations and its allowances. The Company has determined that there are no material transactions or material tax positions taken by the Company that would meet the more likely than not threshold established by FIN 48 for recognizing transactions or tax positions in financial statements.

e) Impact of differences

	December 31, 2007	December 31, 2006
Consolidated Balance Sheets		
Assets - Canadian and US GAAP basis	5,689,800	5,286,557
Liabilities - Canadian and US GAAP basis	1,508,480	793,582
Liabilities and shareholders Equity - Canadian and US GAAP basis	\$ 5,689,800	\$ 5,268,557
	For the years ended December 31,	
	2007	2006
Consolidated Statements of Operations and Deficit		
Net loss and comprehensive loss under Canadian GAAP	\$ 7,830,954	\$ 5,483,962
Transition adjustment for measurement of repayable contribution agreement treated as a prior period restatement for US GAAP	-	(9,473)
Net loss and comprehensive loss under US GAAP	7,830,954	5,474,489
Deficit, beginning of year under Canadian GAAP	\$ 17,799,444	\$ 12,416,475
Transition adjustment for measurement of repayable contribution agreement treated as a prior period restatement for US GAAP	-	(91,520)
Deficit, beginning of year under US GAAP	17,799,444	12,324,955
Deficit, end of year under Canadian GAAP	\$ 25,630,398	\$ 17,900,437
Transition adjustment for measurement of repayable contribution agreement treated as a prior period restatement for US GAAP	-	(100,993)
Deficit, end of year under US GAAP	25,630,398	17,799,444

There are no differences between Canadian GAAP and US GAAP in amounts reported as cash flows from (used in) operations, financing and investing activities.

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21. DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (Continued)

f) Recently released accounting standards

United States

In December 2007, the Financial Accounting Standard Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 141(R), "Business Combinations" ("SFAS No. 141(R)") which requires the acquiring entity in a business combination to record all assets acquired and liabilities assumed at their respective acquisition-date fair values and changes other practices under SFAS No. 141, some of which could have a material impact on how we account for business combinations. These changes include, among other things expensing acquisition costs as incurred as a component of selling, general and administrative expense. The Company presently capitalizes these acquisition costs. SFAS No. 141(R) also requires additional disclosure of information surrounding a business combination, such that users of the entity's financial statements can fully understand the nature and financial impact of a business combination. SFAS No. 141(R) is effective for fiscal years beginning after December 15, 2008. The Company is currently evaluating what impact the adoption of SFAS No. 141 (R) will have on the Company's consolidated financial condition, results of operations or cash flows.

In December 2007, FASB issued SFAS No. 160, "Non-controlling Interests in Consolidated Financial Statements" ("SFAS No. 160") which requires entities to report non-controlling (minority) interest in subsidiaries as equity in the consolidated financial statements. SFAS No. 160 is effective for fiscal years beginning after December 15, 2008. The adoption of SFAS No. 160 is not expected to have a material impact on the Company's consolidated financial condition, results of operations or cash flows.

In February 2007, the Financial Accounting Standard Board ("FASB") issued Statement of Financial Accounting Standard ("SFAS") No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115," ("SFAS No. 159") which provides companies with an option to report selected financial assets and liabilities at their fair values. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This Statement is expected to expand the use of fair value measurement, which is consistent with FASB's long-term measurement objectives for accounting for financial instruments. SFAS No. 159 will become effective for the Company on January 1, 2008. The adoption of SFAS No. 159 is not expected to have a material impact on the Company's consolidated financial conditions, results of operations or cash flows.

In September 2006, the FASB issued SFAS No. 157, which defines fair value, establishes guidelines for measuring fair value and expands disclosures regarding fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007 except for certain non-financial assets and liabilities, which is effective for fiscal years beginning after November 15, 2008. The Company is currently evaluating what impact, if any, the adoption of SFAS No. 157 will have on its consolidated financial condition, results of operations or cash flows.

Canada

In October 2006, the AcSB approved disclosure and presentation requirements for financial instruments that revise and enhance the disclosure requirements of Section 3861. These requirements are included in Section 3862, Financial Instruments - Disclosure ("Section 3862"), which replaces Section 3861, and Section 1535, Capital Disclosures ("Section 1535"), which establishes standards for disclosing information about an entity's capital and how it is managed.

Section 1535 requires disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance. This standard is effective for the Company for interim and annual financial statements beginning on December 1, 2007.

Section 3862 requires disclosures, by class of financial instrument, that enables users to evaluate the significance of financial instruments for an entity's financial position and performance, including

MEDICAL VENTURES CORP.

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disclosures about fair value. In addition, disclosure is required of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. The quantitative disclosures must also include a sensitivity analysis for each type of market risk to which an entity is exposed, showing how net income and other comprehensive income would have been affected by reasonably possible changes in the relevant risk variable. This standard is effective for the Company for interim and annual financial statements beginning on December 1, 2007.

The Company is currently assessing the impact that Section 3862 and Section 1535 will have on the consolidated financial statements.

In October 2006, the AcSB approved Section 3863, Financial Instruments - Presentation ("Section 3863"), which replaces Section 3861. The existing requirements on presentation of financial instruments have been carried forward unchanged to Section 3863.

This standard is effective for the Company for interim and annual financial statements beginning on December 1, 2007 and is expected to have no impact on the Company's consolidated financial statements.