

Victhom Human Bionics Inc.

**Consolidated Interim
Financial Statements
September 30, 2005 and 2004**

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Victhom Human Bionics Inc.

Consolidated Statement of Operations

Periods ended on September 30

(unaudited)

	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	(3 months)	(3 months)	(9 months)	(9 months)
	\$	\$	\$	\$
Revenues	<u>1,528,542</u>	-	<u>2,711,043</u>	914,377
Cost of sales	<u>502,465</u>	-	<u>1,140,913</u>	-
	<u>1,026,077</u>	-	<u>1,570,131</u>	914,377
Expenses				
Research and development	1,214,132	1,537,596	4,344,668	4,394,859
Tax credits and grants	<u>(247,105)</u>	<u>(153,684)</u>	<u>(751,028)</u>	<u>(975,085)</u>
	<u>967,027</u>	1,383,912	<u>3,593,640</u>	3,419,774
General and administrative	1,334,758	829,972	3,344,761	2,525,632
Financial	<u>620,639</u>	144,307	<u>1,218,384</u>	212,788
	<u>2,922,424</u>	2,358,190	<u>8,156,784</u>	6,158,193
Net loss	<u>1,896,347</u>	2,358,190	<u>6,586,654</u>	5,243,816
Weighted average number of common shares outstanding	<u>50,372,642</u>	48,350,373	<u>50,162,072</u>	42,074,328
Net basic and diluted loss per share	<u>0.038</u>	0.049	<u>0.131</u>	0.125

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

Victhom Human Bionics Inc.

Consolidated Statements of Contributed Surplus and Deficit

Periods ended on September 30

(unaudited)

	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	(3 months)	(3 months)	(9 months)	(9 months)
	\$	\$	\$	\$
CONTRIBUTED SURPLUS				
Balance, beginning of period	6,211,823	2,107,535	2,254,780	800,000
Restatement in prior year related to the correction of an error	-	(571,879)	-	(571,879)
Restated balance, beginning of period	<u>6,211,823</u>	<u>1,535,656</u>	<u>2,254,780</u>	<u>228,121</u>
Warrants issued in private placement	-	-	3,563,046	1,102,500
Warrants issued related to business acquisition	-	117,570	-	117,570
Amount related to instalment on convertible debenture (Note 9)	-	-	54,993	-
Stock-based compensation related to:				
stock options vested	611,124	52,753	1,010,296	332,753
stock options exercised	<u>(4,952)</u>	<u>(28,659)</u>	<u>(65,120)</u>	<u>(103,624)</u>
Balance, end of period	<u><u>6,817,995</u></u>	<u><u>1,677,320</u></u>	<u><u>6,817,995</u></u>	<u><u>1,677,320</u></u>
DEFICIT				
Balance, beginning of period	(18,192,794)	(9,234,169)	(13,502,488)	(6,348,543)
Restatement in prior year related to the correction of an error	-	571,879	-	571,879
Restated balance, beginning of period	<u>(18,192,794)</u>	<u>(8,662,290)</u>	<u>(13,502,488)</u>	<u>(5,776,664)</u>
Net loss	<u>(1,896,347)</u>	<u>(2,358,190)</u>	<u>(6,586,654)</u>	<u>(5,243,816)</u>
Balance, end of period	<u><u>(20,089,142)</u></u>	<u><u>(11,020,480)</u></u>	<u><u>(20,089,142)</u></u>	<u><u>(11,020,480)</u></u>

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

Victhom Human Bionics Inc.

Consolidated Statement of Cash Flows

Periods ended on September 30

(unaudited)

	2005	2004	2005	2004
	(3 months)	(3 months)	(9 months)	(9 months)
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net loss	(1,896,347)	(2,358,190)	(6,586,654)	(5,243,816)
Non-cash items				
Stock-based compensation	611,124	-	1,010,296	280,000
Interests on convertible debentures (Note 9)	503,471	34,466	667,221	34,466
Amortization of property, plant and equipment	139,647	125,204	384,359	307,839
Amortization of deferred financing costs	81,927	-	175,815	-
Amortization of deferred investment tax credits	(1,897)	(2,138)	(5,672)	(6,413)
Changes in working capital items	(985,567)	507,222	(1,272,221)	(1,217,443)
Cash flows from operating activities	<u>(1,547,642)</u>	<u>(1,693,436)</u>	<u>(5,626,856)</u>	<u>(5,845,367)</u>
INVESTING ACTIVITIES				
Investments	985,484	-	(10,469,965)	-
Property, plant and equipment	(305,732)	(220,762)	(860,619)	(1,184,356)
Intangible assets	(9,844)	(49,597)	(198,502)	(260,230)
Business acquisition	-	166,534	-	166,534
Cash flows from investing activities	<u>669,908</u>	<u>(103,825)</u>	<u>(11,529,086)</u>	<u>(1,278,052)</u>
FINANCING ACTIVITIES				
Demand loan	-	-	960,000	-
Long-term debts	-	-	-	97,463
Repayment of long-term debts	(222,215)	(67,476)	(1,354,487)	(203,438)
Deferred financing costs	-	-	(1,316,739)	-
Issue of convertible debentures	-	-	18,354,000	-
Repayment of convertible debentures	-	-	(500,000)	-
Issue of shares and warrants	10,017	1,135,830	160,307	12,434,213
Cash flows from financing activities	<u>(212,198)</u>	<u>1,068,354</u>	<u>16,303,081</u>	<u>12,328,238</u>
Net increase (decrease) in cash and cash equivalents	(1,089,932)	(728,907)	(852,861)	5,204,819
Cash and cash equivalents, beginning of period	<u>3,077,142</u>	<u>7,983,197</u>	<u>2,840,071</u>	<u>2,049,472</u>
Cash and cash equivalents, end of period	<u><u>1,987,210</u></u>	<u><u>7,254,291</u></u>	<u><u>1,987,210</u></u>	<u><u>7,254,291</u></u>

Cash flows from non-monetary investing and financing activities are detailed as follows:

Issue of shares related to:

Contributed surplus related to warrants issued	-	-	-	1,220,070
Contributed surplus related to stock options exercised	(4,952)	(28,659)	(65,120)	(103,624)
Conversion of convertible debenture	-	-	132,683	-
Intangible assets related to commercial license agreement	-	-	-	1,000,000

Issue of convertible debenture related to:

Contributed surplus related to warrants issued	-	-	3,563,046	-
Contributed surplus related to repayment of convertible debenture	-	-	54,993	-
Equity component related to option of conversion	-	-	1,551,780	-

Capital leases related to property, plant and equipment acquisitions

-	-	-	(18,840)
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The accompanying notes are an integral part of the consolidated interim financial statements.

Victhom Human Bionics Inc.

Consolidated Balance Sheets

As of September 30, 2005 and December 31, 2004

	(Unaudited) September 30, 2005	December 31, 2004
	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	1,987,210	2,840,071
Short-term investments (Note 5)	14,532,664	4,010,290
Accounts receivable (Note 6)	2,457,162	2,004,458
Inventories	420,227	258,219
Prepaid expenses	108,899	83,743
	<u>19,506,161</u>	<u>9,196,781</u>
Investments, at cost	16,223	68,666
Property, plant and equipment	2,653,713	2,177,452
Intangible assets (Note 7)	8,828,123	8,629,622
Deferred financing costs	1,442,788	8,438
	<u>32,447,008</u>	<u>20,080,959</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	1,057,569	1,188,926
Deferred revenues	-	501,033
Demand loan, secured by investment tax credits receivable, prime rate plus 1.5% (6.00%), payable in one instalment on maturity in November 2005	960,000	-
Instalments on long-term debts (Note 8)	39,480	1,261,518
Instalments on liability component of convertible debentures (Note 9)	619,925	919,482
	<u>2,676,974</u>	<u>3,870,959</u>
Deferred investment tax credits	30,674	36,346
Long-term debts (Note 8)	52,336	184,785
Liability component of convertible debentures (Note 9)	13,880,446	-
	<u>16,640,430</u>	<u>4,092,089</u>
SHAREHOLDERS' EQUITY		
Equity component of convertible debentures (Note 9)	1,587,535	104,500
Capital stock (Note 10)	27,490,189	27,132,078
Contributed surplus	6,817,995	2,254,780
Deficit	(20,089,142)	(13,502,488)
	<u>15,806,577</u>	<u>15,988,870</u>
	<u>32,447,008</u>	<u>20,080,959</u>

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

On behalf of the Board,

/s/ Daniel Johnson
Chairman

/s/ Nitin Kaushal
Director

Victhom Human Bionics Inc.

Notes to Consolidated Financial Statements

As of September 30, 2005 and December 31, 2004

(unaudited)

1 - GOVERNING STATUTES AND NATURE OF OPERATIONS

The Company, incorporated under the Canada Business Corporations Act, operates a laboratory that conducts human bionics research for the design and development of prosthetic products, neuroelectronic devices, biomaterials and entirely biocompatible active materials, to improve the quality of life of people suffering from physical dysfunctions.

The Company is considered to be in the start-up stage and will continue to be a start-up until it earns substantial revenues. The Company expects to incur additional capital expenditures to complete the development and marketing of its products. Its ability to generate future revenues and cash flows from its operating activities depends on several factors, including its ability to secure additional financing and to have its products accepted on the market.

2 - FINANCIAL STATEMENTS PRESENTATION

The unaudited interim consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles. The financial information was prepared in accordance with the same accounting policies and methods as the Audited Annual Consolidated Financial Statements for the year ended on December 31, 2004, but do not include all the information required in complete consolidated financial statements. The unaudited interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements and notes thereto in the Company's 2004 Annual Report. The results of operations for the interim periods presented do not necessarily reflect results for the full year.

3 - SIGNIFICANT ACCOUNTING POLICIES

Deferred financing costs

Deferred financing costs relating to the issue of convertible debentures and other credit facilities are amortized on a straight-line basis over the same terms. Should the debentures be converted, or the credit facilities reimbursed, the unamortized balance of financing costs will be transferred respectively to capital-stock or expenses.

Revenue recognition

The Company adopted the recommendations of the Emerging Issues Task Force in consensuses, EIC-141, Revenue Recognition and EIC-142, Revenue Arrangements with Multiple Deliverables. These recommendations address not only when and how an arrangement involving multiple deliverables should be divided into separate elements of accounting, but also how the arrangement's consideration should be allocated among separate units. Adoption of these recommendations did not affect the Company's financial statements.

By virtue of a marketing agreement, the Company must attain development objectives for its products based on a pre-determined timetable to the benefit of the third party. Revenues were recognized in the statement of operations. The agreement does not indicate any terms of repayment in the event that the product is not marketed.

The revenues from research and development service contracts and/or products are recognized when they are delivered and accepted by the client.

Victhom Human Bionics Inc.

Notes to Consolidated Financial Statements

As of September 30, 2005 and December 31, 2004

(unaudited)

4 - INCOME TAXES

The future income tax assets and liabilities result from the differences between the carrying amount and the tax basis of the following:

	September 30, 2005	December 31, 2004
	<u>\$</u>	<u>\$</u>
Future income tax assets		
Non-capital losses	2,710,000	1,977,000
Research and development expenses	3,452,000	2,497,000
	6,162,000	4,474,000
Future income tax liabilities		
Property, plant and equipment	301,000	368,000
Other assets	293,000	197,000
	594,000	565,000
	5,568,000	3,909,000
Valuation allowance	(5,568,000)	(3,909,000)
Net future income taxes	<u>-</u>	<u>-</u>

The future income tax asset resulting from loss carry-forwards is not recorded in the financial statements. These losses and deductible temporary differences, which are available to reduce income taxes in future years are detailed as follows:

	<u>Federal</u>	<u>Provincial</u>
	<u>\$</u>	<u>\$</u>
Amount of losses for tax purposes carried forward:		
2006	-	3,000
2007	56,000	56,000
2008	397,000	400,000
2009	1,185,000	1,184,000
2010	1,001,000	946,000
2014	3,989,000	3,150,000
2015	2,362,000	2,362,000
Eligible research and development expenses to be deferred over an undetermined period	10,028,000	13,900,000
Amount of temporary variances to be deferred over an undetermined period	1,916,000	1,917,000
	20,934,000	23,918,000

In addition, the Company has investment tax credits amounting to approximately \$104,000, which are available until 2012, \$782,000 until 2013, \$975,000 until 2014 and \$245,000 until 2005.

Victhom Human Bionics Inc.

Notes to Consolidated Financial Statements

As of September 30, 2005 and December 31, 2004

(unaudited)

5 - SHORT-TERM INVESTMENTS

	September 30, 2005	December 31, 2004
	<u>\$</u>	<u>\$</u>
Bonds, bearing interest at various rates from 2.21% to 2.78% annually, maturing at different dates until November 2006 (1)	14,521,848	2,999,475
Long-term investments maturing within one year	10,815	1,010,815
	<u>14,532,664</u>	<u>4,010,290</u>

(1) The Company may choose to dispose of these bonds before the end of this fiscal year.

6 - ACCOUNTS RECEIVABLE

	September 30, 2005	December 31, 2004
	<u>\$</u>	<u>\$</u>
Investment tax credits receivable (1)	1,857,216	1,520,741
Sales taxes receivable	181,337	224,140
R&D services contract and sales receivable	335,773	47,173
Advance to a company related to an officer, bearing interest at 10% annually	-	30,000
Others	82,836	182,404
	<u>2,457,162</u>	<u>2,004,458</u>

(1) The investment tax credits receivable recorded by the Company, for the period ended on September 30, 2005 and the year ended on December 31, 2004, must be examined and approved by the tax authorities. The amounts granted may differ from the amounts recorded, accordingly.

7 - INTANGIBLE ASSETS

	September 30, 2005	December 31, 2004
	<u>\$</u>	<u>\$</u>
Patents	518,712	308,975
Commercial license agreement (1)	1,159,791	1,171,026
Acquired technology	7,149,621	7,149,621
	<u>8,828,123</u>	<u>8,629,622</u>

(1) On May 11, 2004, the Company entered into a commercial licensing agreement by virtue of which Victhom holds the rights to use a neuroelectronic implant.

Victhom Human Bionics Inc.

Notes to Consolidated Financial Statements

As of September 30, 2005 and December 31, 2004

(unaudited)

8 - LONG-TERM DEBTS

	September 30, 2005	December 31, 2004
	\$	\$
Obligations under capital leases, at various rates from 9.11% to 20.03%, payable in monthly instalments, maturing at different dates until April 2009	91,816	131,303
Loan, secured by term deposit, 12% payable monthly, capital payable in one instalment on maturity in June 2005	-	1,000,000
Term loan, prime rate plus 2.75% (7.25% in 2005 and 7% in 2004), payable in monthly instalments of \$8,333 plus interest, maturing in June 2006 (a)	-	150,000
Term loan, prime rate plus 2% (6.5% in 2005 and 6.25% in 2004), payable in monthly instalments of \$9,167 plus interest, maturing in June 2006 (a)	-	165,000
	<u>91,816</u>	<u>1,446,303</u>
Instalments due within one year	<u>39,480</u>	<u>1,261,518</u>
	<u>52,336</u>	<u>184,785</u>

- (a) Under the terms and conditions of the term loans, the Company has credit facilities totalling \$525,000. Term loans are secured by a first call on the universality of the Company's property. The loans are subordinated to full payment of a convertible debenture secured by research and development tax credits.

Victhom Human Bionics Inc.

Notes to Consolidated Financial Statements

As of September 30, 2005 and December 31, 2004

(unaudited)

9 - CONVERTIBLE DEBENTURES

The following table illustrates variations in the periods:

	Liability component	Equity component
	\$	\$
Balance as of December 31, 2003 (a)	899,572	110,000
Increase in expected interests on convertible debenture	34,466	-
Balance as of September 30, 2004	934,038	110,000
Convertible debenture converted into common shares	(47,663)	(5,500)
Increase in expected interests on convertible debenture	33,107	-
Balance as of December 31, 2004	919,482	104,500
Instalment on convertible debenture	(500,000)	(54,993)
Convertible debenture converted into common shares	(118,931)	(13,752)
Issue of convertible debentures (b)	13,532,599	1,551,780
Increase in expected interests on convertible debentures	667,221	-
	14,500,371	1,587,535
Instalments due within one year	619,925	-
Balance as of September 30, 2005	13,880,446	1,587,535

(a) Debenture issued to Global (GMPC) Holdings Inc. having a par value of \$1,000,000 secured by the investment tax credits receivable, bearing interest at the rate of 12% (effective rate of 18.7%) as of December 19, 2003, maturing on December 17, 2005.

(b) Debenture issued having a par value of \$18,354,000, unsecured, bearing interest at the rate of 7% (effective rate of 14.3%) as of March 22, 2005, maturing on March 22, 2010. The liability and the equity components represent \$15,084,379. The remaining amount of \$3,269,621 is the fair value of the warrants granted, recorded as contributed surplus.

The liability component of the convertible debentures is the discounted value, at the date of issue, of the cash payments of interest and principal due under the terms of the convertible debentures, discounted at the rate of interest that would apply to debt security without a conversion option, with similar maturity and risk. The equity component represents the value attributed to the difference between the amount issued and the liability component.

Victhom Human Bionics Inc.

Notes to Consolidated Financial Statements

As of September 30, 2005 and December 31, 2004

(unaudited)

10 - CAPITAL STOCK

Authorized

Unlimited number of common shares without par value, voting and participating.

Issued and Fully Paid

The following table indicates changes in the Company's capital stock during the periods:

	<u>Number</u>	<u>Amount</u> \$
Balance as of December 31, 2003	33,224,356	7,654,822
Shares issued related to, less expenses		
private placement	7,910,787	8,568,708
commercial license agreement	632,912	997,800
business acquisition	4,539,241	7,162,400
Stock options exercised	386,948	326,553
Warrants exercised	<u>2,851,200</u>	<u>2,280,976</u>
Balance as of September 30, 2004	49,545,444	26,991,259
Shares issued related to conversion of convertible		
debenture, less expenses	40,000	53,163
Stock options exercised	6,000	(42,344)
Warrants exercised	<u>260,000</u>	<u>130,000</u>
Balance as of December 31, 2004	49,851,444	27,132,078
Shares issued related to conversion of convertible debenture	100,000	132,683
Stock options exercised	<u>427,082</u>	<u>225,427</u>
Balance as of September 30, 2005	<u>50,378,526</u>	<u>27,490,189</u>

Warrants

As part of its financing operations, the Company issued warrants to investors entitling them with the right to purchase shares at a predetermined price. Each warrant issued can be used to purchase one common share of the Company.

At the time of issue, the fair value of the warrants issued, as part of the financing, is recognized as a decrease in capital stock or is reported as deferred financing costs. The consideration is recognized as contributed surplus in the balance sheet.

The fair value of each warrant granted was estimated at the grant date using the Black-Scholes option pricing model, based on the following assumptions: expected volatility of 60%, risk-free interest rate of 2.25% to 3.9%, no expected dividends and expected life of 18 months to 5 years. The weighted average fair value of the warrants granted during the period is \$0.30 and \$0.48 respectively for the expected life of 2 and 5 years.

Victhom Human Bionics Inc.

Notes to Consolidated Financial Statements

As of September 30, 2005 and December 31, 2004

(unaudited)

10 - CAPITAL STOCK (Continued)

Outstanding warrants at the end of the periods as well as the changes during the periods are summarized in the table below:

	Number	Weighted average exercise price \$
Outstanding, as of December 31, 2003	4,668,978	0.96
Granted	4,563,609	1.86
Exercised	(2,851,200)	0.80
Canceled	(168,889)	1.25
Outstanding, as of September 30, 2004	6,212,498	1.69
Exercised	(260,000)	0.50
Outstanding, as of December 31, 2004	5,952,498	1.74
Granted	7,613,530	1.58
Canceled	(5,581,612)	1.73
Outstanding, as of September 30, 2005	7,984,416	1.60

As of September 30, 2005, the following warrants were granted:

Range of exercise prices	Number of warrants	Weighted average remaining contractual life (in years)	Weighted average exercise price \$
\$1.35 to \$1.56	543,834	1.50	1.35
\$1.57 to \$1.78	7,069,696	4.50	1.60
\$1.79 to \$2.00	370,886	0.33	2.00
\$1.35 to \$2.00	7,984,416	4.10	1.60

Victhom Human Bionics Inc.

Notes to Consolidated Financial Statements

As of September 30, 2005 and December 31, 2004

(unaudited)

11 - STOCK-BASED COMPENSATION

The Company has established a stock-option plan whereby the Board of Directors may grant stock options to directors, executive officers, key employees and consultants providing services to the Company. The Board of Directors determines, at its discretion, the vesting terms, if applicable, the expiry date of options and the number of options to be granted. The exercise price of stock options is based on the market value of Victhom common shares at the market close on the date they are granted.

The fair value of the stock options granted was estimated at the grant date using the Black-Scholes option pricing model, based on the following assumptions: expected volatility of 60%, risk-free interest rate of 2.6% to 4.79%, and no expected dividends and expected life of 3 months to 6 years. The weighted average fair value of the stock options granted during the period is \$0.69.

The Company's stock-option plan at the period ends as well as the changes during the periods are summarized in the table below:

	Number	Weighted average exercise price \$
Outstanding, as of December 31, 2003	3,266,506	0.63
Granted	1,090,433	1.63
Exercised	(386,948)	0.58
Canceled	(198,232)	1.03
Outstanding, as of September 30, 2004	3,771,759	0.90
Granted	315,000	1.38
Exercised	(6,000)	0.53
Canceled	(176,081)	1.24
Outstanding, as of December 31, 2004	3,904,678	0.93
Granted	955,000	1.15
Exercised	(427,082)	0.38
Canceled	(255,118)	1.36
Outstanding, as of September 30, 2005	4,177,478	1.01
Exercisable, as of September 30, 2005 (2,154,548 at \$0.73 on December 31, 2004)	3,380,323	0.93

Victhom Human Bionics Inc.

Notes to Consolidated Financial Statements

As of September 30, 2005 and December 31, 2004

(unaudited)

11 - STOCK-BASED COMPENSATION (Continued)

As of September 30, 2005, the following stock options were granted:

Range of exercise prices	Number of outstanding options	Weighted average remaining contractual life (in years)	Weighted average exercise price \$
\$0.15 to \$0.30	160,000	1.54	0.15
\$0.47 to \$0.71	1,476,667	2.29	0.53
\$0.72 to \$1.09	222,543	2.59	0.89
\$1.10 to \$1.65	2,318,268	6.55	1.38
<u>\$0.15 to \$1.65</u>	<u>4,177,478</u>	<u>4.64</u>	<u>1.01</u>

As of September 30, 2005, the following stock options were exercisable:

Range of exercise prices	Number of exercisable options	Weighted average exercise price \$
\$0.15 to \$0.30	160,000	0.15
\$0.47 to \$0.71	1,366,771	0.53
\$0.72 to \$1.09	187,853	0.89
\$1.10 to \$1.65	1,665,699	1.33
<u>\$0.15 to \$1.65</u>	<u>3,380,323</u>	<u>0.93</u>

Victhom Human Bionics Inc.

Notes to Consolidated Financial Statements

As of September 30, 2005 and December 31, 2004

(unaudited)

12 - COMMITMENTS

The Company has entered into a lease, expiring on September 30, 2009, which calls for payment of \$1,028,900 for the rental of premises. Minimum payments during the next years amount to \$62,743 in 2005, \$275,990 in 2006, \$250,970 in 2007 and 2008, and \$188,228 in 2009.

The Company has entered into agreements with different entities to participate in the following projects:

	Agreements	Expensed during 2005	Expensed up to December 31, 2004
	\$	\$	\$
«Corporation de l'École Polytechnique de Montréal»			
Research and development of a neuroelectrical measuring system for an anthropomorphic limb, ending in October 2005	949,000	134,000	748,000
Design, prototyping, test and validation of the "Mixture" Urinary stimulator, ended in March 2005	169,744	99,744	70,000
Development of an "IC Digital interface" for the control of the nervous stimulation system, ending in February 2006	153,361	76,680	-
RFIC techniques for efficient power transfer dedicated to electronic implants, ending in October 2006	60,000	20,000	20,000
«Université de Sherbrooke»			
Treatment and analysis of signals from the multisensor to measure the human body mobility, ending in May 2006	44,200	11,788	14,730
	<u>1,376,305</u>	<u>342,212</u>	<u>852,730</u>

Minimum payments under these agreements during the next years amount to \$118,902 in 2005 and \$62,461 in 2006.

Victhom Human Bionics Inc.

Notes to Consolidated Financial Statements

As of September 30, 2005 and December 31, 2004

(unaudited)

12 - COMMITMENTS (Continued)

By virtue of the commercial license agreement signed on May 11, 2004, the Company has begun to pay, since January 2005, annual royalties on implant net sales. Minimum royalties requirement is \$25,000 a year. In addition, based on reachable performance objectives, the Company will pay \$125,000 in June 2007 and October 2008, and \$250,000 in November 2009. This agreement will expire, on a per country basis, on the date patents expire or by mutual agreement between the parties in accordance with the terms applicable.

13 - REVENUES

Revenues are derived from an European client and a U.S.-based medical device company.

14 - COMPARATIVE FIGURES

Some comparative figures have been reclassified to conform with the presentation adopted in the current period.