Victhom Human Bionics

Interim Consolidated Financial Statements
March 31, 2010 and 2009

Victhom Human Bionics

Consolidated Statements of Operations and Comprehensive Income

Three-month periods ended on March 31
(unaudited)

	2010	2009
	$	$
Revenues	**2,482**	681,912
Expenses		
Research and development	**1,288,897**	2,862,048
Tax credits and grants	**(57,156)**	(349,000)
General and administrative	**342,746**	812,924
Financial	**95,237**	1,399,567
	1,669,724	4,725,539
Net loss and comprehensive income	**(1,667,242)**	**(4,043,627)**
Weighted average number of common shares outstanding	**15,529,313**	12,308,892
Net loss per share		
Basic	**(0.107)**	(0.329)
Diluted	**(0.107)**	(0.329)

The accompanying notes are an integral part of the interim consolidated financial statements and Note 9 provides additional information on the consolidated statements of operations.

Victhom Human Bionics

Consolidated Statement of Contributed Surplus and Deficit

Three-month periods ended on March 31
(unaudited)

	2010	2009
	$	$
CONTRIBUTED SURPLUS		
Balance, beginning of period	**10,261,576**	10,058,458
Stock-based compensation related to stock options vested (Note 8)	**804**	32,485
Balance, end of period	**10,262,380**	10,090,943
DEFICIT		
Balance, beginning of period	**(53,896,355)**	(54,603,185)
Net loss	**(1,667,242)**	(4,043,627)
Balance, end of period	**(55,563,597)**	(58,646,812)

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

Victhom Human Bionics

Consolidated Statements of Cash Flows
Three-month periods ended on March 31
(unaudited)

	2010	2009
	$	$
OPERATING ACTIVITIES		
Net loss	**(1,667,242)**	(4,043,627)
Non-cash items:		
Stock-based compensation	**804**	32,485
Interest on convertible debentures	**-**	697,566
Interest on preferred shares	**341,808**	-
Exchange rate variation on convertible debentures	**-**	717,542
Exchange rate variation on preferred shares	**(276,583)**	-
Amortization of property, plant and equipment	**41,205**	250,589
Amortization of intangible assets	**20,238**	17,792
Changes in working capital items	**(282,009)**	1,086,505
Cash flows from operating activities	**(1,821,779)**	(1,241,148)
INVESTING ACTIVITIES		
Short-term investments	**-**	1,250,000
Property, plant and equipment	**(81,128)**	(4,508)
Intangible assets	**(2,320)**	(99,295)
Cash flows from investing activities	**(83,448)**	1,146,197
FINANCING ACTIVITIES		
Capital contributions	**1,222,222**	-
Repayment of demand loan	**-**	(765,000)
Cash flows from financing activities	**1,222,222**	(765,000)
Net decrease in cash and cash equivalents	**(683,005)**	(859,951)
Cash and cash equivalents, beginning of period	**1,110,211**	1,118,179
Cash and cash equivalents, end of period	**427,206**	258,228
Interest paid during the periods	**11,134**	5,062

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

Victhom Human Bionics

Consolidated Balance Sheets

As of March 31, 2010 and December 31, 2009

	(unaudited) 2010	2009
	$	$
ASSETS		
Current assets		
Cash and cash equivalents	**427,206**	1,110,212
Short-term investments (Note 4)	**95,008**	95,196
Accounts receivable (Note 5)	**2,294,943**	2,239,921
Prepaid expenses	**66,350**	114,553
Capital contributions receivable	**-**	1,222,222
	2,883,507	4,782,104
Property, plant and equipment	**661,309**	621,387
Intangible assets	**5,438,289**	5,456,206
	8,983,105	10,859,697
LIABILITIES		
Current liabilities		
Demand loan (Note 6)	**950,000**	950,000
Accounts payable and accrued liabilities	**1,224,659**	1,500,038
	2,174,659	2,450,038
Liability component of preferred shares (Note 7)	**6,439,638**	6,374,413
Unrealized gain on assets and liabilities transfer	**954,726**	954,726
	9,569,023	9,779,177
SHAREHOLDERS' EQUITY (Deficiency)		
Equity component of preferred shares (Note 7)	**2,323,747**	2,323,747
Capital stock (Note 7)	**42,391,552**	42,391,552
Contributed surplus	**10,262,380**	10,261,576
Deficit	**(55,563,597)**	(53,896,355)
	(585,918)	1,080,520
	8,983,105	10,859,697

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

On behalf of the Board,

/s/ Daniel Johnson
Chairman

/s/ Nitin Kaushal
Director

Victhom Human Bionics

Notes to Consolidated Financial Statements

as of March 31, 2010 and December 31, 2009

1 - GOVERNING STATUTES AND NATURE OF OPERATIONS

Victhom is a medical device company that specializes in the development and commercialization of bionic devices aimed at improving the quality of life of individuals suffering from certain physical dysfunctions. Victhom operates in two business segments. Victhom Biotronix business developed the Power Knee, the world's first and only motor-powered, artificially intelligent prosthesis for above-knee amputees. Victhom's Biotronix partner, Ossur, a global leader in the orthotics and prosthetics ("O&P") market, has the exclusive rights to commercialize the Power Knee. Victhom Neurobionix business, through the joint venture, Neurostream Technologies, G.P. ("Neurostream"), develops and commercializes neuromodulation products. Victhom has a 44.4% interest in Neurostream, a joint venture with Otto Bock HealthCare (Otto Bock), whose objective is to bring to market the Neurostep® System, and to develop neuromodulation products in other indications such as sleep apnea.

In past years, the Company has incurred operating losses and had a working capital deficiency. Furthermore, the Company expects to incur additional expenditures to complete the development and marketing of its Neurobionix products. Its ability to generate future revenues and cash flows from its Neurobionix operating activities depends on several factors, including its ability to secure additional financing and have its products accepted by the regulatory agencies and the market. Management believes that, with its current financial resources and with the financial commitment of its joint venture partner, the Company will have sufficient liquidity to support its cash flow requirements for at least the next twelve months.

2 - FINANCIAL STATEMENT 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, 2009. The unaudited interim consolidated financial statements 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 MD&A as of December 31, 2009. The results of operations for the interim periods presented do not necessarily reflect results for the full year.

3 - JOINT VENTURE

As of March 31, 2010, the Company's proportionate interest relating to the joint venture is as follow:

	2010
	$
Balance sheet	
Current assets	**326,659**
Long-term assets	**5,300,646**
Current liabilities	**273,907**
Statements of operations and cash flows	
Revenues	**-**
Expenses	**1,323,541**
Net loss	**1,323,541**
Cash flows from operating activities	**(1,280,473)**
Cash flows from investing activities	**(90,507)**
Cash flows from financing activities	**1,222,222**

Commitments

The joint venture has entered into lease agreements, expiring on October 31, 2012, which call for the payment of $372,789 for the rental of premises. The Company's proportionate interest is $165,684 which represents during the next years $101,789 in 2010, $34,852 in 2011, and $29,043 in 2012.

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Notes to Consolidated Financial Statements
as of March 31, 2010 and December 31, 2009

4 - SHORT-TERM INVESTMENTS

	2010	2009
	$	$
Guaranteed investment certificate, bearing interest of 0.37% annually, provided as security on the demand loan, matured in March 2010	-	95,196
Guaranteed investment certificate, bearing interest of 0.15% annually, provided as security on the demand loan, maturing in May 2010	95,008	-
	95,008	95,196

5 - ACCOUNTS RECEIVABLE

	2010	2009
	$	$
Investment tax credits receivable (1)	2,117,273	2,060,117
Sales taxes receivable	106,196	113,942
Trade accounts receivable	71,474	65,862
	2,294,943	2,239,921

(1) In April 2010, the Company received $1,231,805 for the 2008 investment tax credits receivable.

6 - CREDIT FACILITIES

During the second quarter of 2009, the Company obtained credit facilities for a demand loan totaling $950,000 with a Canadian bank. The demand loan is secured by: i) the 2008 investment tax credits receivable; ii) a first call of $1,000,000 on the universality of the Company's property with the exception of intellectual properties; and iii) a certificate of guarantee issued by Investissement Québec for a maximum of 80% of the demand loan.

As per the credit facility requirements, the Company has invested 10% of the demand loan in a guaranteed investment certificate, maturing in May 2010. The demand loan is bearing interest at prime rate plus 2.5% (4.75%) and maturing with the receipt of the related investment tax credits receivable.

Pursuant to the terms and conditions of the credit facilities, the Company is subject to certain debt covenants with regard to maintaining financial ratios. As of March 31, 2010, the Company does not respect all debt covenants, but has obtained a waiver from its financial institution. In April 2010, the demand loan of $950,000 was reimbursed with the receipt of the 2008 investment tax credit receivable.

Victhom Human Bionics

Notes to Consolidated Financial Statements

as of March 31, 2010 and December 31, 2009

7 - CAPITAL STOCK

On June 17, 2009, by Plan of Arrangement, the Company modified its capital stock by the creation of two classes of preferred shares.

Authorized

An unlimited number of shares, without par value and entitled to dividends *pari passu* with all other classes of shares:

Common shares, voting and participating, subordinated to preferred shares.

Series A preferred shares, non-voting

Liquidation, dissolution or winding-up:	The holders will be entitled, in priority to all other classes of shares, to receive a sum equivalent to the initial redemption amount which is the aggregate principal amount in Canadian dollars of the 7% due March 2010 convertible debentures of the Company immediately prior to the issuance of the Series A preferred shares.
Redemption:	Redeemable at the Company's option, at any time and from time to time, in whole or any part, at an amount per share of US$ 0.66 plus all dividends declared and unpaid.
Required redemption:	Upon receipt of any payment outside the normal course of business, the Company shall be required to redeem the Series A preferred shares, using an amount equal to 80% of any such payment received. However, the first CAN$ 2,000,000 of such payment will be excluded from this obligation. All other terms of the redemption clause shall apply *mutatis mutandis*.
Conversion:	Convertible, at any time and from time to time, at the holder's option into a number of common shares determined by dividing the initial redemption amount plus all dividends declared and unpaid by a conversion price of CAN$ 0.80 per share.

Series B preferred shares, non-voting and issuable in one or more series with the designation, rights, privileges, restriction, price, terms and conditions to be determined by a resolution of the Board of Directors.

Common shares issued and fully paid

The following table indicates changes in the Company's common shares over the periods:

	Number	Amount
		$
Balance as of December 31, 2008	12,308,893	40,982,400
Balance as of March 31, 2009	12,308,893	40,982,400
Shares issued related to interest due on convertible debentures	1,343,281	603,133
Conversion of Series A preferred shares	1,877,139	806,019
Balance as of December 31, 2009	15,529,313	42,391,552
Balance as of March 31, 2010	**15,529,313**	**42,391,552**

Victhom Human Bionics

Notes to Consolidated Financial Statements
as of March 31, 2010 and December 31, 2009

7 - CAPITAL STOCK (Continued)

Series A preferred shares issued and fully paid
The following table indicates changes in the Company's Series A preferred shares over the periods:

	Number	Liability component	Equity component
		$	$
Balance as of December 31, 2008	-	-	-
Balance as of March 31, 2009	-	-	-
Conversion of convertible debentures into preferred shares	22,942,500	7,469,183	2,530,817
Transaction costs	-	(195,707)	-
Imputed interest	-	696,806	-
Exchange rate gain	-	(996,920)	-
Conversion into common shares	(1,877,139)	(598,949)	(207,070)
Balance as of December 31, 2009	21,065,361	6,374,413	2,323,747
Imputed interest	-	341,808	-
Exchange rate gain	-	(276,583)	-
Balance as of March 31, 2010	**21,065,361**	**6,439,638**	**2,323,747**

The equity component of the Series A preferred shares has been established, at the date of issue, using the Black-Scholes option pricing model, based on the following assumptions: expected volatility of 60%, risk-free interest rate of 2.65%, no expected dividends and expected life of 5 years. The liability component represents the value attributed to the difference between the fair value of the Series A preferred shares issued and the equity component. The interest expense will be recognized into operating results using an effective rate of 18.52%, which was established based on management's best knowledge of future events.

All repayments of the redemption amount shall be made in U.S. dollars at a fixed exchange rate of CAN$ 1.2104 for each US$ 1.00. During 2009, 1,877,139 Series A preferred shares for a redemption amount of US$ 1,240,673 were converted into common shares. As of March 31, 2010, the redemption amount of the Series A preferred shares was US$ 13,922,909 or CAN$ 14,142,891.

Warrants

As of March 31, 2010, there were no outstanding warrants. All warrants have expired in March 2010.

Victhom Human Bionics

Notes to Consolidated Financial Statements
as of March 31, 2010 and December 31, 2009

8 - 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 and the number of options to be granted. The exercise price of stock options is the market value of the Company's common shares at the market close on the trading day immediately preceding the date they are granted.

No stock options were granted during the first three months of 2010. For the same period in 2009, 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 weighted average assumptions: expected volatility of 60%, risk-free interest rate of 1.71%, no expected dividends and expected life of 4 years. The weighted average fair value of the stock options granted during 2009 is $0.01.

The Company's stock option plan 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, 2008		687,300	4.04
Granted		50,000	0.25
Canceled		(50,000)	1.20
Outstanding, as of March 31, 2009		687,300	3.97
Forfeited		(103,250)	4.65
Outstanding, as of December 31, 2009		584,050	3.85
Forfeited		(20,000)	10.87
Outstanding, as of March 31, 2010		**564,050**	**3.61**
Exercisable, as of March 31, 2010	(472,321 at $5.13 in 2009)	553,576	3.65

For the first three months of 2010, the Company recorded $804 ($32,485 in 2009) as stock-based compensation.

As of March 31, 2010, the following stock options were outstanding:

Range of exercise prices	Number of outstanding options	Weighted average remaining contractual life (in years)	Weighted average exercise price
			$
$ 0.25 to $ 0.36	50,000	3.96	0.25
$ 0.37 to $ 0.54	6,500	8.58	0.40
$ 0.81 to $ 1.18	15,000	8.25	0.95
$ 1.19 to $ 1.73	283,500	7.72	1.44
$ 2.53 to $ 3.68	80,000	7.08	3.20
$ 3.69 to $ 5.36	45,800	2.47	5.30
$ 5.37 to $ 7.80	10,000	1.63	6.30
$11.36 to $16.50	73,250	3.66	14.12
$ 0.25 to $16.50	564,050	6.26	3.61

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Notes to Consolidated Financial Statements
as of March 31, 2010 and December 31, 2009

8 - STOCK-BASED COMPENSATION (Continued)

As of March 31, 2010, the following stock options were exercisable:

Range of exercise prices	Number of exercisable options	Weighted average exercise price
		$
$ 0.25 to $ 0.36	50,000	0.25
$ 0.37 to $ 0.54	3,859	0.40
$ 0.81 to $ 1.18	10,313	0.95
$ 1.19 to $ 1.73	280,354	1.44
$ 2.53 to $ 3.68	80,000	3.20
$ 3.69 to $ 5.36	45,800	5.30
$ 5.37 to $ 7.80	10,000	6.30
$11.36 to $16.50	73,250	14.12
$ 0.25 to $16.50	553,576	3.65

9 - INFORMATION INCLUDED IN THE CONSOLIDATED STATEMENT OF OPERATIONS

	2010	2009
	$	$
Research and development expenses (1)	**1,244,093**	2,755,310
Amortization of property, plant and equipment	**41,205**	250,589
Amortization of intangible assets	**20,238**	17,792
Stock-based compensation	**804**	32,485
Financial expenses		
Interest on demand loan and convertible debentures	**10,756**	699,540
Interest on preferred shares	**341,808**	-
	352,564	699,540
Interest income on held-for-trading assets	**(157)**	(15,918)
Exchange loss (gain) on operations	**18,102**	(6,670)
Exchange loss on the liability component of convertible debentures	**-**	717,542
Exchange gain on the liability component of preferred shares	**(276,583)**	-
Other financial expenses	**1,311**	5,073
	95,237	1,399,567

(1) Research and development expenses are presented net of stock-based compensation, amortization of property, plant and equipment, and amortization of intangible assets.

10 - FINANCIAL INSTRUMENTS

Risk Management Policies

The Company, through its financial assets and liabilities, is exposed to various risks. The following analysis provides a measurement of risks as of the balance sheet dates. The Company's financial assets and liabilities are its cash and cash equivalents, short-term investments, accounts receivable, capital contribution receivable, demand loan, accounts payable and accrued liabilities, and its preferred shares.

Fair Value

As of March 31, 2010 and December 31, 2009, the fair value of cash and cash equivalents, short-term investments, accounts receivable, capital contribution receivable, demand loan, and accounts payable and accrued liabilities approximates their carrying-amount given that they will mature shortly. The fair value of the preferred shares approximates the carrying-amount.

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Notes to Consolidated Financial Statements
as of March 31, 2010 and December 31, 2009

10 - FINANCIAL INSTRUMENTS (Continued)

Credit Risk

Financial assets that potentially subject the Company to credit risk consist of cash and cash equivalents, short-term investments, trade accounts receivable and capital contribution receivable. As of March 31, 2010, the Company has cash for an amount of $427,206 ($1,110,212 in 2009) with a reputable financial institution. Management assesses the Company's credit risk to be low.

Liquidity Risk

Liquidity risk is the risk that the Company is not able to meet its financial obligations as they fall due or can do so only at excessive cost. The Company's growth is financed on an annual basis through a combination of cash flows from operations, borrowings under the existing credit facilities and the issuance of equity. One of Management's primary goals is to maintain an optimal level of liquidity through the active management of assets and liabilities as well as cash flows.

The Company is exposed to liquidity risk since its Series A preferred shares are redeemable. Management assesses the Company's liquidity risk to be low, since its financial obligations shall be met with payments received outside the normal course of business. (see Note 7)

Exchange Risk

As of March 31, 2010, the Company has assets and liabilities in foreign currency including cash and cash equivalents in the amount of $243,308 ($761,083 in 2009), accounts receivable in the amount of $64,420 ($65,898 in 2009), and accounts payable in the amount of $175,711 ($301,045 in 2009).

The Company is exposed to a currency risk on the repayment of the principal amount of the preferred shares which shall be made at a fixed exchange rate of CAN$ 1.2104 for each US$ 1.00. (see Note 7) An exchange rate variation of 5% will generate a gain or (loss) of $696,145.

Interest Rate Risk

The Company is exposed to interest rate risk on demand loan. Management does not believe that interest rate fluctuations will have a significant impact.

Summary of financial assets and liabilities per category

		2010	2009
		$	$
Current assets			
Cash and cash equivalents	Held-for-trading	427,206	1,110,212
Short-term investments	Held-for-trading	95,008	95,196
Accounts receivable	Loans and receivables	71,474	65,862
Capital contribution receivable	Loans and receivables	-	1,222,222
Current liabilities			
Demand loan	Other financial liabilities	950,000	950,000
Accounts payable and accrued liabilities	Other financial liabilities	1,224,659	1,500,038
Long-term liabilities			
Preferred shares	Other financial liabilities	6,439,638	6,374,413

Victhom Human Bionics

Notes to Consolidated Financial Statements

as of March 31, 2010 and December 31, 2009

11 - CAPITAL STRUCTURE FINANCIAL POLICY

The Company’s objectives when managing capital are to: 1) safeguard the Company's ability to pursue the development of its medical device products; 2) invest cash to earn the highest possible amount of interest income; and 3) maintain a flexible capital structure which optimizes the cost of capital at acceptable risk.

In the management of capital, the Company includes shareholders’ equity, long-term debt, preferred shares, tax credits receivable, cash and short-term investments, representing $3,214,233 as of March 31, 2010 and $4,284,605 as of December 31, 2009. The Company manages the capital structure by reviewing on a weekly basis its use of cash and its short-term commitments related to its financial obligations.

In order to maximize ongoing development efforts, the Company does not declare dividends.

The Company's investment policy is to invest its cash in high-grade investment securities with varying terms to maturity, selected with regards to the expected timing of expenditures from continuing operations.

The Company does not have externally imposed capital requirements. However, the Company is subject to certain debt covenants in its credit facility agreement, which are measured on a quarterly basis for Victhom Human Bionics Inc. non-consolidated financial statements. During the first quarter of 2010, the Company was not compliant with all debt covenant requirements, which are:
i) minimum cash balance of $1,000,000; and ii) minimum net equity of $3,000,000, but the Company has obtained a waiver from its financial institution.

12 - SEGMENTED INFORMATION

The Company has two reportable operating segments, as defined in Note 1, which have been determined based on the fact that:
i) Neurobionix segment is operated separately from the Company in Neurostream, a joint venture with Otto Bock; ii) specific devices are developed by separate teams for different markets; and iii) Biotronix segment represents almost all of the Company's revenues.

During the first three months of 2010, the Company generated revenues from non-refundable advance royalties for an amount of $0 ($669,614 in 2009), from support activities for an amount of $0 ($12,298 in 2009), and from other sources for an amount of $2,482 ($0 in 2009). Revenues were mostly derived from a European medical device company located in Iceland.

The Company has used the same accounting policies for both of its operating segments.

Almost all of our property, plant and equipment are located in Canada.

Victhom Human Bionics

Notes to Consolidated Financial Statements
as of March 31, 2010 and December 31, 2009

12 - SEGMENTED INFORMATION (Continued)

The results of operations for the periods are presented in the table below:

			2010
	Biotronix	Neurobionix	Total
	$	$	$
Revenues	2,482	-	2,482
Expenses			
Research and development	69,085	1,219,812	1,288,897
Tax credits and grants	-	(57,156)	(57,156)
	69,085	1,162,656	1,231,741

			2009
	Biotronix	Neurobionix	Total
	$	$	$
Revenues	681,912	-	681,912
Expenses			
Research and development	531,461	2,330,587	2,862,048
Tax credits and grants	(91,511)	(257,489)	(349,000)
	439,950	2,073,098	2,513,048

13 - COMPARATIVE FIGURES

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