ZECOTEK MEDICAL SYSTEMS INC.

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE NINE MONTHS
ENDED APRIL 30, 2007 AND 2006

NOTICE

The interim financial statements of the company have been prepared by and are the responsibility of the company's management and have not been reviewed by the Company's independent auditor.

ZECOTEK MEDICAL SYSTEMS INC.
CONSOLIDATED BALANCE SHEETS

As at April 30, 2007 and July 31, 2006
(Expressed in Canadian Dollars)

	April 30, 2007 Unaudited	July 31, 2006 Audited
ASSETS		
Current		
Cash and cash equivalents	$ 3,742,814	$ 249,014
Short term investments *(note 4)*	450,000	3,500,000
Accrued interest receivable	16,968	28,935
Goods and services tax recoverable	10,635	121,702
Prepaid expenses	653,649	10,752
Total Current Assets	4,874,066	3,910,403
Due from related parties *(note 5)*	59,518	78,511
Restricted short term investments *(note 4)*	20,000	20,000
Deposits *(note 14)*	73,233	73,233
Property and equipment *(note 6)*	559,376	122,405
Patent costs *(note 7)*	108,209	71,348
Intangible assets and development costs *(note 8)*	1	1
Total Assets	$ 5,694,403	$ 4,275,901
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 106,272	$ 219,032
Liabilities of discontinued operations *(note 12)*	53,254	53,254
	159,526	272,286
Shareholders' Equity		
Share capital *(note 9(b))*	21,752,654	16,246,313
Contributed surplus *(note 9(g))*	2,593,313	1,558,457
Deficit	(18,811,090)	(13,801,155)
Total Shareholders' Equity	5,534,877	4,003,615
Nature of Business and Going Concern Uncertainty *(note 1)*		
Commitments *(note 13)*		
Contingent Liabilities *(note 14)*		
Subsequent Events *(note 17)*		
Total Liabilities and Shareholders' Equity	$ 5,694,403	$ 4,275,901

On behalf of the Board:

"Faouzi Zerrouk"
Director

"Erich Sager"
Director

See accompanying Notes to Consolidated Financial Statements

ZECOTEK MEDICAL SYSTEMS INC.
CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT
For the Nine Months Ended April 30, 2007 and 2006
Unaudited
(Expressed in Canadian Dollars)

	Three Months Ended April 30		**Nine Months Ended April 30**	
	2007	**2006**	**2007**	**2006**
REVENUE				
Interest Income	$ 19,448	$ 7,201	$ 58,473	$ 11,988
EXPENSES				
General and administrative *(note 11)*	938,013	395,629	2,740,033	760,486
Research and development *(notes 10)*	770,960	345,745	2,228,205	856,111
Amortization	28,623	3,135	71,304	9,405
Foreign exchange	70,350	-	28,866	-
	1,807,946	744,509	5,068,408	1,626,002
Net loss for the period	(1,788,498)	(737,308)	(5,009,935)	(1,614,014)
Deficit, Beginning of Period	(17,022,592)	(8,655,196)	(13,801,155)	(7,778,490)
Deficit, End of Period	$(18,811,090)	$(9,392,504)	$(18,811,090)	$(9,392,504)
Loss per common share – basic and diluted	$(0.07)	$(0.05)	$(0.20)	$(0.12)
Weighted average number of common shares outstanding – basic and diluted	27,357,722	14,273,963	25,050,594	13,656,335

See accompanying Notes to Consolidated Financial Statements

ZECOTEK MEDICAL SYSTEMS INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the Nine Months Ended April 30, 2007 and 2006
Unaudited
(Expressed in Canadian Dollars)

	Three Months Ended April 30		**Nine Months Ended April 30**	
	2007	**2006**	**2007**	**2006**
Operating Activities:				
Net loss for the year	$(1,788,498)	$(737,308)	$(5,009,935)	$(1,614,014)
Adjustments for items not involving cash:				
Amortization – property and equipment	28,623	3,135	71,304	9,405
Stock-based compensation *(note 9(d))*	360,073	104,977	1,165,096	213,213
	(1,399,802)	(629,196)	(3,773,535)	(1,391,396)
Changes in non-cash working capital:				
Accrued interest receivable	(4,284)	(23,647)	11,967	(20,152)
Goods and services tax recoverable	5,935	-	111,067	-
Prepaid expenses	14,588	(8,686)	(67,670)	(19,470)
Loan receivable	-	-	-	(60,000)
Non-refundable deposit on acquisition of assets	(575,227)	(95,041)	(575,227)	(324,835)
Accounts payable and accrued liabilities	11,321	61,559	(112,759)	82,840
Net Cash Used in Operating Activities	(1,947,469)	(695,011)	(4,406,157)	(1,733,013)
Investing Activities:				
Decrease (increase) in short term investments	-	330,000	3,050,000	980,000
Acquisition of property and equipment	(77,165)	-	(508,276)	(3,986)
Patent costs incurred	-	(39,414)	(36,861)	(39,414)
	(77,165)	290,586	2,504,863	936,600
Financing Activities:				
Proceeds from shares issued, net of issuance costs	3,230,101	-	5,376,101	663,000
Advances from (to) related parties	-	72,360	18,993	58,227
	3,230,101	72,360	5,395,094	721,227
Increase in cash and cash equivalents	1,205,467	(332,065)	3,493,800	(75,186)
Cash and cash equivalents, Beginning of Period	2,537,347	379,477	249,014	122,598
Cash and cash equivalents, End of Period	$ 3,742,814	$ 47,412	$ 3,742,814	$ 47,412

See accompanying Notes to Consolidated Financial Statements

(Expressed in Canadian Dollars)

1. NATURE OF BUSINESS AND GOING CONCERN UNCERTAINTY

Nature of Business

Zecotek Medical Systems Inc. (the "Company") is a development stage enterprise which was incorporated on November 25, 1983 under the laws of the Province of British Columbia, Canada. The Company was inactive until it purchased certain technologies on December 31, 2004 from Zecotek Holdings Inc., pursuant to an Amended and Restated Asset Purchase Agreement. The Company changed its name from Equicap Financial Corp. on February 10, 2005.

The activities of the Company are focused on the creation of advanced materials and integrated optoelectronic devices for high resolution medical imaging, optical precision surgery and biopharmaceutical research.

Effective May 12, 2006, the Company purchased certain additional technologies from Zecotek Holdings Singapore Pte. Ltd. pursuant to an Asset Purchase Agreement.

The Company has four wholly owned subsidiaries as follows:

Subsidiary	Date of incorporation	Main current or planned activity
Zecotek Crystals Inc.	August 6, 2004	Research and development and licensing of a scintillation material
Zecotek Lasers Inc.	June 7, 2005	Inactive
Zecotek 3D Inc.	October 18, 2005	Inactive
Zecotek Medical Systems Singapore Pte. Ltd.	April 4, 2006	Holding company for Singapore subsidiaries

Zecotek Medical Systems Sinagpore Pte. Ltd. holds 100% ownership interest (87% fully diluted) in Zecotek Display Systems Pte. Ltd. and Zecotek Imaging Systems Pte. Ltd. and 90% ownership interest (78% fully diluted) in Zecotek Laser Systems Pte. Ltd.. The subsidiaries were incorporated in the 2006 year.

Subsidiary	Main planned activity
Zecotek Display Systems Pte. Ltd.	Research and development (and eventual exploitation) in 3D imaging technologies
Zecotek Imaging Systems Pte. Ltd.	Research and development (and eventual exploitation) of medical imaging technologies
Zecotek Laser Systems Pte. Ltd.	Research and development (and eventual exploitation) of medical laser technologies

Four other subsidiaries of the Company, O-Tooz Energie Group Inc., FilmIndustry.com, Inc., DJscene.com Media, Inc. and OnlineConsortium.com Inc., have been inactive since August of 2001 (see note 12).

1. NATURE OF BUSINESS AND GOING CONCERN UNCERTAINTY - Continued

Going concern uncertainty

These financial statements have been prepared in accordance with generally accepted accounting principles on a going concern basis, which presumes that the Company will be able to realize assets and discharge liabilities in the normal course of business for the foreseeable future. The Company has incurred significant losses since its inception. To date, the Company has no products in commercial production or use and does not currently have any revenues other than interest earned on short-term investments. These factors, among others, raise uncertainty about the ability of the Company to continue as a going concern. The continued operations of the Company are dependent upon the ability of the Company to obtain further equity financing, the support of its principal shareholders, and successfully bring its technologies to market and achieving future profitable operations, the outcome of which cannot be predicted at this time.

These financial statements do not give effect to adjustments, if any, that would be necessary should the Company be unable to continue as a going concern and, therefore, be required to realize its assets and liquidate its liabilities in other than the normal course of business and at amounts which may differ from those shown in the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

These interim consolidated financial statements of the Company are prepared in accordance with Canadian generally accepted accounting principles on a consistent basis with the Company's annual financial statements for the year ended July 31, 2006. These interim consolidated financial statements include the accounts of the Company and its wholly and majority owned subsidiaries as identified in Note 1. All significant inter-company accounts and transactions have been eliminated upon consolidation. These interim consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements for the year ended July 31, 2006 and the accompanying notes included in those financial statements. For a full description of accounting policies, refer to the Company's audited financial statements for the year ended July 31, 2006.

3. FINANCIAL INSTRUMENTS AND RISKS

The fair values of financial instruments are estimated at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying value of cash and cash equivalents, short-term and restricted short-term investments, accrued interest receivable, due from and to related parties, deposits, accounts payable and accrued liabilities and liabilities of discontinued operations approximate their fair value due to their short-term nature.

Financial instruments that potentially subject the Company to concentration of credit risks consist principally of cash and short-term investments, the balances of which are stated on the consolidated balance sheet. The Company places its cash in high credit quality financial institutions. Concentration of credit risks with respect to receivables is limited.

3. FINANCIAL INSTRUMENTS AND RISKS - Continued

Financial risk is the risk to the Company's results of operations that arises from fluctuations in interest rates and foreign exchange rates and the degree of volatility of these rates, as well as credit risk associated with the financial stability of the issuers of the financial instruments. The Company has operations in Singapore, some of the transactions of which are transacted in Singapore dollars. The Company also incurs certain costs in US dollars. Accordingly, the Company is exposed to foreign exchange risk in respect to these currencies, and has not undertaken hedging activities to mitigate this risk. The Company's short-term investments are invested in fixed rate securities.

4. SHORT-TERM INVESTMENTS

Short-term investments are comprised of guaranteed investment certificates ("GIC") with a weighted average interest rate of 2.90% (2006 – 3.75%) and maturities ranging to May, 2007. At April 30, 2007, the fair value of the short-term investments approximates the carrying amount, based on quoted market prices.

A GIC in the amount of $20,000 has been pledged as collateral for the Company's corporate credit cards and is presented on the balance sheet as Restricted short term investments.

5. AMOUNTS DUE FROM RELATED PARTIES

Details of amount due from related parties are as follows:

	April 2007	**July 2006**
Due from Dr. Faouzi Zerrouk	$ 54,332	$ 54,332
Due from Zecotek Laboratories Inc.	5,186	24,179
	$ 59,518	$ 78,511

Amounts due from Dr. Faouzi Zerrouk ("Dr. Zerrouk"), the Chairman of the Board of Directors, President and Chief Executive Officer, relate to travel and other advances.

Amounts due from Zecotek Laboratories Inc., a company controlled by Dr. Zerrouk, which is a subsidiary of a significant shareholder of the Company, Zecotek Holdings Inc., represent advances made pursuant to a Support Agreement (see note 13(a)).

The amounts due to and from related parties are non-interest bearing, unsecured and without fixed terms of repayment.

6. PROPERTY AND EQUIPMENT

	Cost	Accumulated Amortization	Net Book Value
Equipment	$ 450,785	$ 69,721	$ 381,064
Furniture	48,775	9,498	39,277
Leasehold improvements	157,936	30,372	127,564
Motor vehicle	12,925	1,454	11,471
April 30, 2007	$ 670,421	$ 111,045	$ 559,376

(Expressed in Canadian Dollars)

6. PROPERTY AND EQUIPMENT - Continued

	Cost	Accumulated Amortization	Net Book Value
Equipment	$ 122,409	$ 25,609	$ 96,800
Furniture	22,732	5,630	17,102
Leasehold improvements	17,007	8,504	8,503
July 31, 2006	$ 162,148	$ 39,743	$ 122,405

7. PATENT COSTS

	Cost	Accumulated Amortization	Net Book Value
January 2007	$ 108,209	$ -	$ 108,209
July 2006	$ 71,348	$ -	$ 71,348

8. INTANGIBLE ASSETS AND DEVELOPMENT COSTS

Balance, July 31, 2005	**$ 1,788,293**
Acquisition of intangible assets *(note 8 (ii))*	**1**
Development costs incurred during year	
LFS crystal technology	**185,905**
Biophotonic technology	**1,016,408**
Impairment loss for year *(notes 8(i) and (ii))*	**(2,990,606)**
Balance, July 31, 2006 and April 30, 2007	**$ 1**

i) On December 31, 2004, the Company's subsidiary, Zecotek Crystals Inc., completed an Asset Purchase Agreement for the purchase of a Lutetium Fine Silicate ("LFS") crystal technology from Zecotek Holdings Inc., for total consideration of $1,636,333, consisting of cash of $280,333 and common shares, warrants and stock options of the Company with a total assigned value of $1,356,000 (see note 9(b)(iii)). Legal expenses incurred in relation to the acquisition amounted to $35,460. Further development expenses of $185,905 (2005 - $116,500) representing salaries and fees paid to employees and consultants and other directly attributable costs for work undertaken to develop and commercialize the technology had been capitalized.

At July 31, 2006, the capitalized acquisition and development costs to that date, totalling $1,974,198, were written-down to a nominal carrying amount of $1. The technology has been licensed on a long term basis to a third party as described in Note 13(a). However, the ability of the Company to generate revenue from the technology under this agreement is unproven and uncertain. Therefore the Company does not have adequate assurance that the capitalized costs will be recovered in a reasonable period of time.

(Expressed in Canadian Dollars)

8. INTANGIBLE ASSETS AND DEVELOPMENT COSTS - Continued

ii) Effective May 12, 2006, the Company and its Singapore subsidiaries, Zecotek Medical Systems Singapore Pte. Ltd. ("ZMSS"), Zecotek Display Systems Pte. Ltd., Zecotek Imaging Systems Pte. Ltd. and Zecotek Laser Systems Pte. Ltd. completed an asset purchase of certain biophotonics technology from Zecotek Holdings Singapore Pte. Ltd. of which Dr. Zerrouk is a majority shareholder. Consideration consisted of cash of $338,000, the issuance of 11,750,000 common shares of the Company (estimated market value of $0.90 per share) and preferred shares of all subsidiary companies of ZMSS which are convertible to 10% of the issued common shares of each subsidiary. The interest represented by the preferred shares will be recognized as a non-controlling interest on the balance sheet and statement of loss, as appropriate. The cash payment and common shares of the Company had been completed in May of 2006. The preferred shares have yet to be issued.

In conjunction with the asset purchase, the Company granted options to acquire 2,125,000 common shares of the Company at a price of $1.76 which may be exercised for a period of five years to certain employees, directors, officers or consultants of the vendor and related companies.

Under the asset purchase agreement, the Company is responsible for any liabilities associated with the purchased assets, including any sales taxes arising as a result of the purchase and any contractual liabilities or liabilities associated with intellectual property rights.

The transaction was considered to be a Related Party transaction and consequently the purchased intangible assets were recorded at the nominal carrying amount of the related party vendor. Under this presentation, the shares issued as consideration for the purchase have also been recorded at a nominal amount. The cash portion of the consideration which was paid in the 2006 year ($258,000) has been recorded as an increase of the deficit balance.

As at July 31, 2006, the Company had incurred development costs related to this technology, including that described in Note 13(b), incurred before and after the acquisition of the technology, totalling $1,016,408, which had been capitalized. These costs have been written off as at July 31, 2006 as the Company is unable to establish reasonable assurance of future recovery of these costs based on projected cash flows derived from the technology.

9. SHARE CAPITAL

a) Authorized

The authorized share capital of the Company is an unlimited number of common voting shares with no par value.

b) Issued and outstanding common shares:

	Number of Shares #	Amount $
Balance, July 31, 2004	6,151,841	$ 6,376,520
Private placement (i)	200,000	100,000
Private placement (ii)	3,145,000	1,347,500
Acquisition of LFS crystal technology (iii)	3,142,000	1,065,000
Private placement (iv)	900,000	499,500
Exercise of warrants (v)	1,494,500	1,118,375
Balance, July 31, 2005	15,033,341	10,506,895

(Expressed in Canadian Dollars)

9. SHARE CAPITAL - Continued

b) Issued and outstanding common shares - Continued:

	Number of Shares #	Amount $
Balance, July 31, 2005	15,033,341	10,506,895
Exercise of warrants (vi)	202,500	101,250
Exercise of warrants (vii)	200,000	68,000
Exercise of warrants (viii)	987,500	493,750
Private placement (ix)	6,389,400	5,750,460
Acquisition of technologies (x)	11,750,000	1
Exercise of options (xi)	120,000	103,650
Exercise of options (xi)	10,000	10,483
Share issuance costs (ix)	-	(621,623)
Share issuance costs – agents' options (ix)	-	(166,553)
Balance, July 31, 2006	34,692,741	16,246,313
Exercise of options (xii)	8,000	8,774
Exercise of options (xiii)	200,000	202,000
Private placement (xiv)	3,043,478	3,500,000
Exercise of options (xv)	345,000	373,897
Exercise of agent options (xvi)	494,249	573,660
Exercise of warrants (xvii)	984,828	1,280,276
Share issuance costs (xiv)	-	(280,000)
Share issuance costs – agents' warrants (xiv)	-	(152,267)
Balance, April 30, 2007	**39,768,296**	**$ 21,752,653**

i) On August 10, 2004, the Company completed a non-brokered private placement consisting of 200,000 units at a price of $0.50 per unit and received cash consideration of $100,000. Each unit consisted of one common share and one share purchase warrant. Each share purchase warrant entitled the holder to purchase one additional share for a period of one year at an exercise price of $0.50 per share. The Company applied the residual approach and allocated total proceeds of $100,000 to common shares and a nil value to the attached warrants.

ii) On December 31, 2004, the Company completed an offering of 3,000,000 units at $0.50 per unit for net cash proceeds of $1,347,500 after issued expenses of $152,500. Each unit consisted of one common share and one-half non-transferable share purchase warrant. Each whole warrant entitled the holder to purchase one additional common share for a period of six months at a price of $0.75 per share. The Company applied the residual approach and allocated total proceeds of $1,500,000 to common shares and a nil value to the attached warrants. The Company also issued 145,000 common shares at $0.50 per share to the agent for corporate finance services rendered in relation to the transaction.

iii) On December 31, 2004, pursuant to an Asset Purchase Agreement, as part consideration paid for the acquisition of the LFS crystal technology from Zecotek Holdings Inc., the Company issued 2,400,000 common shares at a discounted fair market value of $700,000 as the common shares are subject to escrow for up to six years and settled an assumed debt of $200,000 by the issuance of 400,000 units at $0.50 per unit. Each unit consisted of one common share and one warrant to purchase one common share at $0.50 for a period of 12 months.

9. SHARE CAPITAL - Continued

b) Issued and outstanding common shares - continued

iii) Continued
The Company also issued 202,000 common shares at $0.47 per share (totalling $95,000) as a finder's fee in respect to the transaction, and 140,000 common shares at $0.50 per share (totalling $70,000) pursuant to an Assignment Agreement dated July 5, 2004 to acquire the rights to the LSF scintillation material technology and issued stock options to purchase 800,000 common shares exercisable at $0.50 per share for a period of five years. The options were valued at $291,000 ($0.36 per option share).

iv) On February 8, 2005, the Company issued, by way of a private placement, 900,000 units at $0.60 per unit for net proceeds of $499,500 net of issuance expenses of $40,500. Each unit consisted of one common share and one-half non-transferable share purchase warrant. Each whole warrant entitled the holder to purchase one additional common share for a period of six months at an exercise price of $0.90 per share. The units were subject to a four month hold period from the closing date.

v) During the year ended July 31 2005, 1,484,500 warrants were exercised at $0.75 per share and 10,000 warrants were exercised at $0.50 per share, for total cash proceeds of $1,118,375.

vi) In August, 2005, 202,500 warrants were exercised at $0.50 per share for gross proceeds of $101,250.

vii) On November 1, 2005, 200,000 warrants were exercised at $0.34 per share for gross proceeds of $68,000.

viii) In December, 2005, 987,500 warrants were exercised at $0.50 per share for gross proceeds of $493,750.

ix) On May 12, 2006, the Company completed an offering of 6,389,400 units at $0.90 per unit for net cash proceeds of $5,128,837 after issuance expenses of $621,623. Each unit consists of one common share and one-half non-transferable share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share for a period of eighteen months at a price of $1.30 per share. The Company applied the residual approach and allocated total proceeds of $5,750,460 to common shares and a nil value to the attached warrants. The Company also issued 638,940 agents' options to agents for corporate finance services rendered in relation to the transaction. Each agent option consists of the right to acquire a unit with the same terms as described above. The estimated fair value of agents' options granted was determined to be $166,553, using the Black-Scholes option pricing model (note 9(e)).

x) On May 12, 2006, pursuant to the Asset Purchase Agreement described in Note 8(ii), as partial consideration paid for the acquisition of biophotonic technology, the Company issued 11,750,000 common shares. The common shares are subject to escrow and are to be released according to a pre-determined schedule over three years to May of 2009. The shares were recorded at the nominal carrying amount of the related party vendor. Share issuance costs of $30,000 were incurred, which have been recorded as an increase of the deficit balance.

xi) During the year ended July 31 2006, 120,000 options were exercised by a director and officer of the Company at $0.50 per share, and 10,000 options at $0.75 per share were exercised by an employee, for total cash proceeds of $67,500. Contributed surplus amounts of $43,650 and $2,983 respectively related to these options were consequently transferred to the share capital account.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL - Continued

b) Issued and outstanding common shares - continued

xii) During the quarter ended October 31 2006, 8,000 options at $0.75 were exercised by a former employee for total cash proceeds of $6,000. Contributed surplus amounts of $2,774 related to these options were consequently transferred to the share capital account. During the same quarter, 8,000 stock options at an exercise price of $0.75 per share, 100,000 stock options at $0.70 per share and 50,000 stock options at $1.76 per share expired.

xiii) During the quarter ended January 31. 2007, 200,000 options at $0.70 were exercised for total cash proceeds of $140,000. Contributed surplus amounts of $62,000 related to these options were consequently transferred to the share capital account.

xiv) On February 19, 2007, the Company issued, by way of a private placement, 3,043,478 common shares at $1.15 per share for gross proceeds of $3,500,000. The Company paid a finder's fee equal to 8% of the gross proceeds of the sale of the shares and issued non-transferable finder's warrants to purchase shares equal in number to 7% of the shares sold under the private placement. The estimated fair value of agents' warrants granted was determined to be $152,267, using the Black-Scholes option pricing model (note 9(e)).

xv) During the quarter ended April 30, 2007, 120,000 options at $0.50 and 225,000 options at $1.00 were exercised for total cash proceeds of $285,000. Contributed surplus amounts of $88,897 related to these options were consequently transferred to the share capital account.

xvi) During the quarter ended April 30, 2007, 494,249 agent options at $0.90 were exercised for total cash proceeds of $444,824. Contributed surplus amounts of $128,836 related to these options were consequently transferred to the share capital account.

xvii) During the quarter ended April 30, 2007, 984,828 warrants were exercised at $1.30 per share for total cash proceeds of $1,280,276.

c) Common share purchase warrants

	Number of warrants	Weighted average exercise price
Balance, July 31, 2004	200,000	$ 0.34
Warrants granted	3,240,000	0.68
Warrants exercised	(1,494,500)	0.75
Warrants expired	(15,500)	0.75
Balance, July 31, 2005	1,930,000	0.59
Warrants granted	3,194,700	1.30
Warrants exercised	(1,390,000)	0.48
Warrants expired	(540,000)	0.87
Balance, July 31, 2006	3,194,700	1.30
Warrants granted	213,043	0.90
Agents' warrants granted	247,125	1.30
Warrants exercised	(984,828)	1.30
Balance, April 30, 2007	**2,670,040**	**$ 1.30**

(Expressed in Canadian Dollars)

9. SHARE CAPITAL - Continued

c) Common share purchase warrants – Continued

At April 30, 2007, the share purchase warrants outstanding and exercisable were as follows:

Number of common shares to be issued	Exercise price	Date of expiry
2,456,997	**$1.30**	**November 12, 2007**
213,043	**$0.90**	**February 18, 2009**

d) Stock options

On December 28, 2005, the Board of Directors approved a new stock option plan. Under the plan, the Company may grant options to purchase common shares in the Company to employees, directors, officers, and consultants of the Company. The exercise price of the options is to be determined by the Board but generally will be equal to or greater than the market price of the shares at the grant date. Options will vest according to the following schedule:

25% - on grant date
25% - six months after grant date
25% - twelve months after grant date
25% - eighteen months after grant date

As of April 30, 2007, the Company has reserved 6,940,000 common shares for issuance of stock options to employees, directors, officers and consultants of the Company of which 1,751,000 were available for future issuance. Stock option transactions and the number outstanding are summarized below:

	Number of options	Weighted average exercise price
Balance, July 31, 2004	-	$ -
Options granted in connection with Asset Purchase Agreement *(notes 8(i) and 13(c) and (d))*	800,000	0.50
Options granted to employees, directors, officers and consultants *(note 13(c)))*	560,000	0.70
Balance, July 31, 2005	1,360,000	0.58
Options granted to employees, directors, officers and consultants *(notes 13(c) and (d))*	3,605,000	1.43
Options exercised	(130,000)	0.52
Balance, July 31, 2006	4,835,000	$ 1.22

(Expressed in Canadian Dollars)

9. SHARE CAPITAL - Continued

d) Stock options - continued

	Number of options	Weighted average exercise price
Balance, July 31, 2006	4,835,000	$ 1.22
Options expired unexercised	(100,000)	0.70
Options expired unexercised	(50,000)	1.76
Options expired unexercised	(8,000)	0.75
Options exercised	(8,000)	0.75
Options exercised	(200,000)	0.70
Options granted to employees and consultants	160,000	1.05
Options granted to employees and consultants	160,000	0.80
Options granted to employees and consultants	300,000	1.10
Options granted to employees and consultants	100,000	1.20
Options exercised	(120,000)	0.50
Options exercised	(225,000)	1.00
Balance, April 30, 2007	**4,844,000**	**$ 1.25**

At April 30, 2007, 3,001,500 options have vested, which have a weighted average exercise price of $1.11.

The estimated fair value of options granted to employees, directors, officers and consultants is amortized to expense over the vesting period of the options, resulting in compensation expense and addition to contributed surplus of $805,023 for the nine months ended April 30, 2007 (2006 – $108,236).

The weighted average fair value of stock options granted during the nine months ended April 30, 2007 has been estimated at the date of grant using the Black-Scholes option pricing model as $0.60 per share (2006 - $0.70) using the following weighted average assumptions:

	April 30, 2007	July 31, 2006
Annualized stock volatility	66.0%	55.2%
Risk-free interest rate	4.1%	4.3%
Expected option life	4.8 years	4.8 years
Dividend payments	0.0%	0.0%

(Expressed in Canadian Dollars)

9. SHARE CAPITAL - Continued

d) Stock options - continued

The following summarizes options outstanding at April 30, 2007:

Exercise price	Number of options	Number of options Exercisable	Weighted average remaining life (years)
$0.50	560,000	560,000	2.67
$0.70	260,000	260,000	2.72
$0.72	100,000	75,000	3.74
$0.75	574,000	574,000	3.38
$0.80	160,000	40,000	4.72
$0.93	140,000	105,000	3.89
$0.99	100,000	50,000	4.18
$1.00	75,000	-	3.91
$1.05	160,000	80,000	4.28
$1.10	300,000	75,000	4.73
$1.20	100,000	25,000	4.76
$1.55	240,000	120,000	4.10
$1.76	2,075,000	1,037,500	4.04
	4,844,000	3,001,500	3.82

The Black-Scholes model, used by the Company to calculate option values, was developed to estimate fair value of freely tradable, fully transferable options without vesting restrictions, which significantly differs from the Company's stock option awards. This model also requires highly subjective assumptions, including future stock price, volatility, and expected time until exercise, which greatly affect the calculated values.

e) Agents' Options

As at April 30, 2007, agents' options outstanding are as follows (see note 9(b)(ix)) :

Weighted average exercise price	Number of agents' options	Number of agents' options exercisable	Weighted average remaining life (years)
$0.90	144,691	144,691	0.54

The fair value of agents' options has been estimated at the date of grant of options at $166,553, using the Black-Scholes option pricing model using the following weighted average assumptions:

Annualized stock volatility	55.7%
Risk-free interest rate	4.1%
Expected option life	1.5 years
Dividend payments	0.0%

f) Escrow Shares

As at April 30, 2007 a total of 10,820,003 (2006: 3,080,074) of the shares issued were held in escrow, the release of which is subject to a pre-determined schedule through January of 2011.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL - Continued

g) Contributed Surplus

		April 30, 2007		July 31, 2006
Balance, beginning of period	**$**	1,558,457	$	363,917
Options granted (note 9(d))		1,165,096		1,074,620
Agents' options granted (note 9(e))		-		166,553
Options exercised (note 9(b)(xii), (xiii) and (xv))		(153,671)		(46,633)
Agents' options exercised (note 9(b)(xvi))		(128,836)		-
Agents' warrants granted (note 9(b)(xiv))		152,267		-
Balance, end of period	**$**	2,593,313	$	1,558,457

10. RESEARCH AND DEVELOPMENT EXPENSES

In the nine months ended April 30, 2007, the Company incurred research and development expenses of $2,228,205 (2006 - $856,111) which it considered not directly attributable to specific product development, such as overhead, or not otherwise meeting the criteria for initial capitalization of such costs.

11. GENERAL AND ADMINISTRATIVE

	Three Months Ended April 30				Nine Months Ended April 30			
		2007		2006		2007		2006
Consulting and other professional fees	$	226,243	$	90,892	$	583,330	$	145,978
Filing fees		32,191		43,250		56,253		56,608
Insurance		23,777				47,147		
Legal		44,868		21,073		118,564		55,203
Marketing and promotion		11,634		-		12,262		900
Office and miscellaneous		53,529		8,199		100,196		23,630
Rent and storage		49,396		25,875		194,521		77,422
Salaries and benefits		73,043		21,439		214,022		69,112
Stock-based compensation *(note 9(d))*		360,073		104,977		1,165,096		213,213
Travel		63,259		79,924		248,642		118,420
Total	$	938,013	$	395,629	$	2,740,033	$	760,486

12. DISCONTINUED OPERATIONS

In the 2002 year, the Company's subsidiary, O-Tooz Energie Group Inc. ("O-Tooz"), disposed of its two healthy fast food outlets in Vancouver. The discontinued operation resulted in the default of lease agreement liabilities of approximately $108,000.

In January of 2005, the Company abandoned O-Tooz along with its other inactive subsidiaries, Djscene.com Media Inc., Online Consortium.com Inc. and FilmIndustry.com Inc. The liabilities of these discontinued operations have been segregated in the consolidated balance sheet.

(Expressed in Canadian Dollars)

13. COMMITMENTS AND AGREEMENTS

a) Effective February 27, 2006, the Company completed an exclusive license agreement with a third party for the use of the patents, technical data and know-how of its proprietary LFS scintillation crystal technology. Under the agreement, the Company is to receive a royalty of a fixed percentage of the gross selling price for each unit of licensed product delivered, sold, or leased to a third party during the twenty year term of the agreement. To date the Company has not yet received any revenue under the agreement.

b) Effective June 27, 2006, Zecotek Medical Systems Singapore Pte. Ltd. ("ZMSS") entered into a Collaborative Research Agreement with the University of Washington ("UW") for joint development of a proprietary technology for use in medical imaging systems. Pursuant to the agreement, ZMSS is to pay a total of US$2,368,222 to UW for the development project, as billed by UW. As at April 30, 2007 a total of US$371,260 ($421,725 Canadian dollars) had been paid.

c) Effective May 1, 2006, ZMSS entered into an employment agreement with Dr. Zerrouk in respect to the positions of Chairman, President and Chief Executive Officer of the Company and its subsidiaries. The agreement provides for an annual remuneration package including salary and cost of living and relocation allowances totalling $558,000 Singapore dollars (currently approximately $399,700 Canadian dollars) and is for an indefinite term. In order to terminate the agreement, the Company must provide not less than twelve months notice, pay severance equal to twenty four month's salary and retain all stock options held by Dr. Zerrouk.

d) Effective May 12, 2006, the Company granted Research Capital Corp. a right of first refusal to lead any future private or public equity or debt offering of the Company until May 12, 2007.

e) The Company has entered into office leases for its Vancouver and Singapore offices. The Company also has entered into an apartment lease for certain employees in Singapore. Minimum required lease payments under these agreements are as follows:

2007	$ 68,604
2008	245,776
2009	193,500
2010	80,630
	$ 588,509

f) Effective August 22, 2006, Zecotek Medical Systems Singapore Pte. Ltd. entered into a tenancy agreement for a furnished residence for its CEO in Singapore. Monthly rent of SGD $12,000 (approximately CDN $9,000) is to be paid from September 1, 2006 to August 31, 2008, totalling SGD $288,000 (approximately CDN $216,000). Minimum required lease payments under these agreements are as follows:

2007	$ 27,000
2008	108,000
2009	9,000
	$ 171,000

g) Effective August 24, 2006, the Company entered into a Collaborative Research Agreement with the University of British Columbia ("UBC") to jointly develop advanced light sources and optical systems for medical imaging products for the period from September 1, 2006 to December 31, 2009. Pursuant to the agreement, the Company paid $98,600 upon execution of the agreement, paid $98,600 on September 1, 2007 and will make the final payment on September 1, 2008, totalling $295,800.

13. COMMITMENTS AND AGREEMENTS - Continued

h) Effective February 14, 2007, ZMSS entered into a Joint R&D and Technological Works Agreement with Prof. Zair Sadygov for joint development of a proprietary technology for use in medical imaging systems. Pursuant to the agreement, ZMSS is to provide funding in the amount of US$150,000 to Prof. Zair Sadygov for the development project.

i) Effective February 15, 2007, ZMSS entered into a services agreement with Prof. Zair Sadygov, the inventor of MAPD and the founder of Dubna-Detectors Ltd., a research and development company working within the Institute of Nuclear Research in Dubna, Russia in respect to the position of Chief Scientist in the medical imaging division. The agreement provides for a monthly remuneration package of US$5,000 and is for a term of twelve months, renewable automatically unless notice to the contrary is given by either party before ninety days before the date of termination.

j) Effective March 28, 2007 (Effective Date) the Company’s Singapore subsidiary, Zecotek Laser Systems Pte. Ltd. (ZLS) completed an asset purchase of certain laser technologies from Inversion Fiber Co. Ltd. (Inversion) and Tekhnoscan JS Company (Tekhnoscan). Inversion and Tekhnoscan each received a minority five percent share of Zecotek Laser Systems Pte. Ltd. for each of the two companies. The company has valued the acquired assets of each company at approximately US$5 million.

In conjunction with the asset purchase, if, within six months of the Effective Date, the Company closes a cash financing from an outside third party and issues shares the number of which is premised on a valuation of ZLS lower than USD100 million, Inversion and Teckhnoscan each shall be issued additional shares on a pro rata basis, the total consideration for each of the companies not to exceed 7% of the issued fully participating common shares of ZLS.

ZLS has entered into a manufacturing agreement with Inversion and Tecknoscan and services agreement with Dr. Sergey Babin, director and CEO of Inversion and Dr. Sergey Kobtsev, president/CEO and founder of Tekhnoscan as part of the asset purchase.

The manufacturing agreement appoints Inversion and Tecknoscan as non-exclusive manufacturers of the Laser Systems. ZLS still retains the right to manufacture, at its sole discretion, Laser Systems in Singapore or to appoint a third party manufacturer. This agreement provides for the net profit of Inversion and Tecknoscan to accrue to ZLS.

The services agreement with Dr. Sergey Babin and Dr. Sergey Kobtsev provides for a monthly remuneration package of US$8,000.00 each and is for a term of three years, subject to extension at the agreement of both parties.

14. CONTINGENT LIABILITIES

The landlord in respect to a tenancy agreement made by the Company for a residence to be used by Dr. Zerrouk initiated a legal claim against ZMSS in October of 2006 in respect to the termination of the agreement by ZMSS. The dispute relates to changes to the original agreement which ZMSS claims were promised by the landlord. ZMSS terminated the tenancy agreement and demanded return of deposits of $45,000 Singapore dollars (approximately $32,233 Canadian dollars) from the landlord. The landlord has claimed loss of rental income of $360,000 Singapore dollars (approximately $257,868 Canadian dollars) over the term of the agreement (August 1, 2006 to July 31, 2008) and costs incurred to remove certain chattels. Management of the Company is of the view that the landlord’s claim does not have merit, that ZMSS is not liable for the claims for damages made by the landlord, and that it will be successful in recovering the deposit. The outcome of this matter is uncertain. Any loss of the Company as a result of the claim will be recognized when that determination can reasonably be made.

(Expressed in Canadian Dollars)

15. NON-CASH FINANCING TRANSACTIONS

a) On December 31, 2004, the Company issued 145,000 common shares at $0.50 per share to an agent for corporate finance services rendered in respect to an offering of units of the Company (note 9(b)(ii)).

b) On December 31, 2004, pursuant to an asset purchase agreement, the Company issued 2,400,000 common shares for $700,000 as part consideration, settled an assumed debt of $200,000 by issuance of 400,000 units at $0.50 per unit, issued 202,000 common shares at $0.47 per share as a finder's fee, and issued 140,000 common shares at $0.50 per share, pursuant to an assignment agreement to acquire the rights to the LSF scintillation material technology (note 9(b)(iii)).

c) On May 12, 2006, the Company issued 638,490 agents' options at an estimated fair value of $166,553 for corporate finance services rendered by agents (note 9(b)(ix)).

d) On May 12, 2006, the Company issued 11,750,000 common shares as partial consideration in acquiring technologies as described in notes 8(ii) and 9(b)(x).

16. GEOGRAPHIC INFORMATION

The Company has operations in Canada and Singapore. Geographic information by country is as follows:

	April 30, 2007	July 31, 2006
Property and equipment		
Canada	$ 53,058	$ 41,832
Singapore	506,318	80,573
	$ 559,376	$ 122,405
	April 30, 2007	**April 30, 2006**
Revenue		
Canada	$ 58,473	$ 11,988
Singapore	-	-
	$ 58,473	$ 11,988