SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2007.

OR

o **TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ________ to ________.

Commission file number 000-27748

OPKO Health, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	75-2402409
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

4400 Biscayne Blvd., Suite 1100
Miami, FL 33137
(Address of Principal Executive Offices)

(305) 575-6015
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES x NO o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a nonaccelerated filer (as defined in Rule 12b-2 of the Exchange Act). Check one:

Large accelerated filer o Accelerated filer o Nonaccelerated filer x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):
YES o NO x

As of August 6, 2007, the registrant had 161,020,191 shares of common stock outstanding.

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Exhibit 31.1	Certification by Phillip Frost, MD, Chief Executive Officer, pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities and Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended June 30, 2007.
Exhibit 31.2	Certification by Rao Uppaluri, Chief Financial Officer, pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities and Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended June 30, 2007.
Exhibit 32.1	Certification by Phillip Frost, MD, Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended June 30, 2007.
Exhibit 32.2	Certification by Rao Uppaluri, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 for the quarterly period ended June 30, 2007.
Exhibit 99.1	Financials of Oph9.1

- the possibility of infringing a third party's patents or other intellectual property rights; and

OPKO Health, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(A Development-Stage Company)
(in thousands, except per share data)

	Three Months Ended June 30, 2007	Eight Days Ended (June 23, 2006 inception) June 30, 2006	Six Months Ended June 30, 2007	Eight Days Ended (June 23, 2006 inception) June 30, 2006	Period from June 23, 2006 (inception) to June 30, 2007
	(unaudited)		(unaudited)		(unaudited)
Revenue	$ —	$ —	$ —	$ —	$ —
Operating expenses:					
Selling, general and administrative	5,339	—	5,428	—	5,804
Research and development	5,434	250	11,507	250	12,015

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OPKO Health, Inc.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(A Development-Stage Company)
(in thousands)

	Six Months Ended June 30, 2007 (unaudited)	Eight Days Ended (June 23, 2006 inception) June 30, 2006 (unaudited)	Period from June 23, 2006 (inception) to June 30, 2007 (unaudited)
Cash flows from operating activities:			
Net loss	$ (260,909)	$ (250)	$ (261,785)
Adjustments to reconcile noɞ Ĉ ľ			

OPKO Health, Inc.
NOTES TO FINANCIAL STATEMENTS
(A Development-Stage Company)

Note 1 Business and Organization

On June 8, 2007, we changed our name to OPKO Health, Inc., from *eXegenics*, Inc. Through March 26, 2007, *eXegenics* was a public shell company whose assets consisted of cash and nominal other assets. On February 9, 2007, *eXegenics* completed the sale of 19,440,491 shares of its common stock for $8.0 million, constituting 51% of its issued and outstanding shares of capital stock on a fully diluted basis, to a small group of investors led by The Frost Group, LLC, or the Frost Group, a related party.

On March 27, 2007, pursuant to the terms of a Merger Agreement and Plan of Reorganization, Froptix Corporation, or Froptix, a development stage research and development company, controlled by the Frost Group, and Acuity Pharmaceuticals, Inc., or Acuity, a development stage research and development company and *eXegenics* were part of a three-way merger. Per that agreement, *eXegenics* issued new capital stock to acquire all of the issued and outstanding capital stock of Froptix and Acuity. Froptix was incorporated on June 23, 2006.

After the merger, *eXegenics* began doing business as OPKO Health, Inc., or OPKO. OPKO £ tr

Acuity Asset Acquisition. On March 27, 2007, the Company purchased Acuity's assets in a stock for stock transaction. We valued our common stock issued to Acuity shareholders at the average closing price of the common stock on the date of acquisition and the two days prior to the transaction.

The following table summarizes the estimated fair value of the net assets acquired at the date of acqu }the net development program and our transition to commercial operations, if at all, is dependent upon obtaining necessary regulatory approvals from the United States Food and Drug Administration ("FDA") prior to selling our products within the United States, and foreign regulatory approvals must be obtained to sell our products internationally. There can be no assurance that our products will receive regulatory approvals, and a substantial amount of time may pass before we achieve a level of sales adequate to support our operations, if at all. We will also incur substantial expenditures in connection with the development and regulatory approval process for our products and we will need to raise significant additional capital during the developmental period. Obtaining marketing approval will be directly dependent on our ability to implement the necessary regulatory steps required to obtain marketing approval in the United States and other countries and the success of our clinical trials. We cannot predict the outcome of these activities. Additionally, there is no assurance that profitable operations, if ever achieved, could be sustained on a continuing basis. In addition, development activities and clinical and preclinical testing and commercialization of our proprietary technology will require significant additional financing. Our deficit accumulated during the development stage through June 30, 2007 was $261.9 million, and we expect to incur substantial and increasing losses in future periods.

Our future operations are dependent on the timely and successful completion of our ongoing research and development, the development of competitive therapies by other biotechnology and pharmaceutical companies, other treatment modalities for our targeted diseases, and ultimately, regulatory approval and market acceptance of our proposed future products.

We anticipate that we will require additional funding before the end of 2008. We plan to finance future operations with a combination of private placements; payments from potential strategic research and development, licensing and/or marketing arrangements; public offerings; debt financing; and revenues from future product sales, if any. We have not generated positive cash flows from operations, and there are no assurances that we will be successful in obtaining an adequate level of financing for the development and commercialization of our planned products. Our ability to continue as a going concern is dependent upon the infusion of addition capital in the future.

Note 3 Summary of Significant Accounting Policies

Basis of Presentation. The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. However, in the opinion of management, all adjustments (consisting of only normal recurring adjustments) considered necessary to present fairly the Company's results of operations, financial position and cash flows have been made. The results of operations for the three and six months ended June 30, 2007 and cash flows for the six months ended June 30, 2007, are not necessarily indicative of the results of operations and cash flows that may be reported for the remainder of 2007 or for future periods. The interim consolidated financial statements should be read in conjunction with the consolidated financial statements and the Notes to Consolidated Financial Statements included in our Current Report on Form 8-K filed as a result of the Merger on March 27, 2007. Refer to Note 1.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents. We consider all non-restrictive, highly liquid short-term investments purchased with an original maturity of three months or less to be cash equivalents.

Property and Equipment. Property and equipment are recorded at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, generally five to ten years. Expenditures for repairs and maintenance are charged to expense as incurred, while betterments are capitalized.

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200,000 shares of Series B preferred stock at $2.00 per share, which upon the Merger converted to 10,379 shares of our Series C preferred stock and warrants to purchase 25,000 shares of common stock at $0.01 per share, which converted to 129,736 shares of our common stock upon consummation of the Merger. On June 22, 2007, the Series C preferred stock automatically converted to 1,037,900 shares of our common stock.

Note 5 Stock Based T

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A summary of the stock option activity under our Plans during the six months ended June 30, 2007 is presented below:

	Shares	Exercise price per share	Weighted average exercise price
Outstanding at December 31, 2006	4,436,878	$ 0.01	$ 0.01
Assumed from *eXegenics* at merger	240,000	0.32 – 0.89	0.64
Assumed from Acuity at merger	[illegible]	[illegible] – 0.56	0.14
Cancelled/Forfeited	(20,109)	0.05 – 0.06	0.05
Outstanding at March 31, 2007	16,030,022	0.01 – 0.89	0.11
Granted	[illegible]		

date occurs). We are undergoing a study to determine whether we or any of our predecessors have undergone an ownership change under Section 382. It is possible that such a study could conclude that some or all of our net operating loss and credit carryforwards will be limited to utilization. Because we currently have recorded full valuation allowances against such tax attributes, we do not expect the results of such a study to have a material impact on our financial statements.

Note 7 Supplemental Cash Flow Information

Supplemental cash flow information is summarized as follows:

(in thousands)	Six Months Ended June 30, 2007	Period from June 23, 2006 (inception) to June 30, 2007
Interest paid	$ 163	$ 163

Note 8 Related Party Transactions

In June 2007, we paid the $125,000 filing fee payable to the Federal Trade Commission in connection with filings to be made by us and Dr. Frost, our Chairman and Chief Executive Officer, under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (“HSR”). The filings would permit Dr. Frost and his affiliates to acquire additional voting securities upon expiration of the HSR waiting period. On July 12, 2007, that waiting period expired.

On a month-to-month basis we are leasing office space from Frost Real Estate Holdings, LLC, an entity affiliated with Dr. Phillip Frost, our Chairman, Chief Executive Officer and a principal shareholder. We are negotiating a long-term lease for this space and expect to execute a long-term lease during 2007. The lease is for approximately 5,000 square feet of space in an office building in Miami, Florida, where our principal executive offices are located. The lease provides for payments of approximately $15,000 per month while we negotiate the long-term lease, plus applicable sales tax. The rent is inclusive of operating expenses, property taxes and parking.

As part of the Mergers, we assumed a line of credit with the Frost Group from Acuity. Refer to Note 4.

Note 9 Description of Equity Securities

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Preferred Stock

Our board of directors has the authority, without further action by the holders of the outstanding common stock, to issue preferred stock from time to time in one or more classes or series, to fix the number of shares constituting any class or series and the stated value thereof, if different from the par value, as to fix the terms of any such series or class, including dividend rights, dividend rates, conversion or exchange rights, voting rights, rights and terms of redemption (including sinking fund provisions), the redemption price and the liquidation preference of such class or series. We presently have one series of preferred stock outstanding, designated as Series A convertible preferred stock (the “Series A preferred stock”). We have no present plans to issue any other series or class of preferred stock. The designations, rights and preferences of the Series A preferred stock are set forth in the certificate of designations of Series A convertible preferred stock, which has been filed with the Secretary of State of the State of Delaware.

Series A Preferred Stock

Of the authorized preferred stock, 4,000,000 shares have been designated Series A preferred stock, 977,400 of which are currently issued and outstanding and held by 66 stockholders. Dividends are payable on the Series A preferred stock in the amount of $.25 per share, payable annually in arrears. At the option of our board of directors, dividends will be paid either (i) wholly or partially in cash or (ii) in newly issued shares of Series A preferred stock valued at $2.50 per share to the extent cash dividend is not paid.

Holders of Series A preferred stock have the right to convert their shares, at their option exercisable at any time, into shares of our common stock on a one-for-one basis subject to anti-dilution adjustments. These anti-dilution adjustments are triggered in the event of any subdivision or combination of our outstanding common stock, any payment by us of a stock dividend to holders of our common stock or other occurrences specified in the certificate of designations relating to the Series A preferred stock. We may elect to convert the Series A preferred stock into common stock or a substantially equivalent preferred stock in the case of a merger or consolidation in which we do not survive, a sale of all or substantially all of our assets or a substantial reorgani .

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

OVERVIEW

You should read this discussion toge

CRITICAL ACCOUNTING POLICIES

We believe the

are otherwise not permitted to be accounted for at fair value under other accounting standards. The election to use the fair value option is available when an entity first recognizes a financial asset or financial liability or upon entering into a firm commitment. Subsequent changes in fair value must be recorded in earnings. SFAS No. 159 is effective for financial statements issued for fiscal years beginning after November 15, 2007. We are in the process of evaluating the impacts, if any, of adopting this pronouncement.

In June 2007, the Emerging Issues Task Force, or EITF, issued EITF 07-3 *Accounting for Advance Payments for Goods or Services to be Received for Use in Future Research and Development Activities.* This EITF establishes that prepayments made related to research and development goods and services should be capitalized and recognized as expense when the goods are received or the services have been preformed. The prepaid assets must be assessed for recoverability to ensure the prepaid goods or services will continue to be used. EITF 07-3 is effective for new contracts entered into in fiscal years beginning after December 15, 2007, including interim periods within those fiscal years. We are in the process of evaluating the impact, if any, of adopting this pronouncement.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

In the normal course of doing business we are exposed to the risks associated with foreign currency exchange rates and changes in interest rates. We do not engage in trading market risk sensitive instruments or purchasing hedging instruments or “other than trading” instruments that are likely to expose us to significant market risk, whether interest rate, foreign currency exchange, commodity price or equity price risk.

Our exposure to market risk relates to our cash and investments and to our borrowings. We maintain an investment portfolio of money market funds and qualified purchaser funds. The securities in our investment portfolio are not leveraged, and are, due to their very short-term nature, subject to minimal interest rate risk. We currently do not hedge interest rate exposure. Because of the short-term maturities of our investments, we do not believe that a change in market interest rates would have a significant negative impact on the value of our investment portfolio.

The primary objective of our investment activities is to preserve principal while at the same time maximizing yields without significantly increasing risk. To achieve this objective, we invest our excess cash in debt instruments of the U.S. Government and its agencies, bank obligations, repurchase agreements and high-quality corporate issuers, and, by policy, restrict our exposure to any single corporate issuer by imposing concentration limits. To minimize the exposure due to adverse shifts in interest rates, we maintain investments at an average maturity of generally less than one month.

Item 4. Controls and Procedures

An evaluation was carried out under the supervision and with the participation of the Company’s Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company’s “Disclosure Controls and Procedures” as of June 30, 2007. They have concluded as of June 30, 2007, that our Disclosure Controls and Procedures were effective at providing reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 are recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission’s rules and forms. Disclosure Controls and Procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by the Company in such reports is accumulated and communicated to the Company’s management, as appropriate to allow timely decisions regarding required disclosure.

During the quarter ended June 30, 2007, we began performing the finance functions of our wholly-owned subsidiaries, Froptix Corporation and Acuity Pharmaceuticals, Inc., in-house. These functions were previously outsourced. Based on the evaluation of the Company’s disclosure controls and procedures as of June 30, 2007, we are not aware of any material adverse impacts on our internal control over financial reporting as a result of this change.

No other significant changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) occurred during the quarter ended June 30, 2007 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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Exhibit 31.1

OPKO Health, Inc.

**CERTIFICATION PURSUANT TO
RULE 13A-14 OF THE SECURITIES EXCHANGE ACT OF 1934
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Phillip Frost, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the quarter ended June 30, 2007 of OPKO Health Inc.;

2. B

Exhibit 32.1

Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 73 of Title 18, United States Code)

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant section 906 of the Sarbanes-Oxley Act of 2002, I, Phillip Frost, Chief Executive Officer of OPKO Health, Inc. (the "Company"), hereby certify that:

The Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2007 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 13, 2007

/s/ Phillip Frost
Phillip Frost
Chairman of the Board, Chief Executive Officer

A signed original of this written statement required by Section 907 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 73 of Title 18, United States Code)

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant section 906 of the Sarbanes-Oxley Act of 2002, I, Rao Uppaluri, Chief Financial Officer of OPKO Health, Inc. (the "Company"), hereby certify that:

The Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2007 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 13, 2007

/s/ Rao Uppaluri
Rao Uppaluri
Chief Financial Officer

A signed original of this written statement required by Section 907 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 99.1

Financial Statements of

OPHTHALMIC TECHNOLOGIES INC.

April 30, 2007 and 2006

OPHTHALMIC TECHNOLOGIES INC.
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April 30, 2007 and 2006

OPHTHALMIC TECHNOLOGIES INC.
Balance Sheets
April 30, 2007 and 2006
(Expressed in Canadian Dollars)

	2007	2006
ASSETS		
CURRENT		
Cash	$ 556,466	$ 217,044
Short term investments (Note 2(f))	4,773,430	—
Accounts receivable — net (Note 3)	1,575,711	2,167,998
Investment tax credits recoverable (Note 5)	595,026	1,502,297
Inventory (Note 4)	2,404,165	2,148,930
Prepaids and sundry assets	139,869	47,413
	10,044,667	6,083,682
CAPITAL ASSETS (Note 6)	15,993	18,102
INTANGIBLE ASSETS (Note 7)	84,000	116,000
	$10,144,660	$ 6,217,784
LIABILITIES		
CURRENT		
Bank loan (Note 8)	$ 285,000	$ 555,000
Accounts payable and accrued liabilities (Note 9)	2,877,773	3,642,177
Deposits from customers	992,384	8,463
Related party loans payable (Note 10)	1,264,853	1,192,437
	5,420,010	5,398,077
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 11)	7,427,893	1,837,893
ADDITIONAL PAID-IN CAPITAL (Note 12)	1,921,446	1,921,446
ACCUMULATED DEFICIT	(4,624,689q u	d

OPHTHALMIC TECHNOLOGIES INC.
Statements of Operations and Deficit
Years ended April 30, 2007 and 2006
(Expressed in Canadian Dollars)

	2007	2006
SALES (Note 14)	$ 9,654,008	$12,363,803
COST OF SALES (Note 14)	8,206,378	9,062,451
GROSS MARGIN	1,447,630	3,301,352
EXPENSES		
Amortization — capital and intangible assets	37,114	38,025
Bad debts	83,297	91,074
Consulting fees (Note 14)	100,000	100,000
Insurance	142,882	117,590
Interest and bank charges (Note 10)	148,322	115,666
Office and general	68,096	166,825
Professional fees	184,451	144,222
Rent	116,928	88,454
Research and experimental development	1,511,538	1,051,473
Salaries and benefits	608,301	917,064
Trade shows and promotion	299,327	443,966
Travel	458,665	401,503
	3,758,921	3,675,862
LOSS BEFORE THE UNDERNOTED	(2,311,291)	(374,510)
OTHER EXPENSE (INCOME)		
Gain on foreign exchange	(46,040)	(23,880)
Miscellaneous income	(65,205)	(25,175)
LOSS BEFORE INCOME TAXES	(2,200,046)	(325,455)
INCOME TAXES (Note 13)		
Current income taxes	—	318,240
Recovery due to research and experimental development tax credits (Note 5)	(514,989)	(492,733)
Recovery due to application of prior years' losses	—	(292,000)
	(514,989)	(466,493)
NET (LOSS) INCOME	(1,685,057)	141,038
ACCUMULATED DEFICIT, BEGINNING OF YEAR	(2,939,632)	(3,080,670)
ACCUMULATED DEFICIT, END OF YEAR	$(4,624,689)	$ (2,939,632)

1. NATURE OF BUSINESS

Ophthalmic Technologies Inc. (the “Company”) is incorporated under the laws of the Province of Ontario. The principal business activities of the Company are to provide technologically advanced, easy-to-use equipment for ophthalmology, including innovative systems with advance imaging capabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) *Foreign exchange*

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at exchange rates prevailing at the balance sheet date for monetary items and at approximate exchange rates prevailing at the transaction date for non-monetary items. Income and expenses are translated at average exchange rates prevailing during the year at the time of the related transactions. Exchange gains or losses arising on the translation are included in operations.

(e) *Cash and cash equivalents*

The Company considers all highly liquid investments with maturities of three months or less when purchased to be cash equivalents. As of April 30, 2007, cash consists of bank deposit accounts.

(f) *Inventory*

Inventory is valued at the lower of cost or market value with cost being determined using the FIFO (first in first out) cost method.

(g) *Capital assets*

Capital assets are recorded at cost less accumulated amortization. Rates and basis of amortization applied by the Company to amortize the costs of capital assets over their estimated useful lives

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Intangible assets

The Company accounts for intangible assets in accordance with the Statement of Financial Accounting Standards ("SFAS") 142, "Goodwill and Other Intangible Assets", which it adopted effective May 1, 2002.

Intangible assets, consisting of patents are recorded at cost, which are amortized on a straight-line basis over their estimated useful lives. The Company reviews the carrying values of these assets annually for evidence of impairment.

(j) Research and development costs

The Company expenses research and development costs when they are incurred.

(k) Investment tax credits

Investment tax credits arising from qualifying scientific research and experimental development efforts are recorded as reductions of income tax expense when there is reasonable assurance the credits will be realized.

(l) Income taxes

Income taxes are accounted for under the asset-and-liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, for operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in operations in the period that includes the enactment date.

The most significant component of the Company's net deferred tax assets as of April 30, 2007 is its net operating loss carryforwards. A full valuation allowance was established for the deferred tax assets, as management of the Company does not believe realization of the tax benefits is more likely than not.

(m) Comprehensive loss

Comprehensive income (loss) includes net income (loss) and other comprehensive income (loss). Other comprehensive loss refers to changes in net assets from transactions which are not included in net income (loss). These changes are recorded as a separate component of shareholder's equity.

The Company's comprehensive loss has no components other than its net loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Recent accounting pronouncements (continued)

(iii) In June 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes — An Interpretation of FASB Statement No. 149" ("FIN 48"), which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken, in a tax return. FIN 48 is effective for fiscal years beginning on or after December 15, 2006. The implementation of is not expected to have a material impact on the Company's results of operations and financial position.

(iv) In May 2005, the FASB issued SFAS No. 154, which replaces APB Opinion No. 20, "Accounting Changes", and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements — An Amendment of APB Opinion No. 28". SFAS No. 154 provides guidance on the accounting for and reporting of changes in accounting principles and error corrections. SFAS No. 154 requires retrospective application to prior period financial statements of voluntary changes in accounting principle and changes required by new accounting standards when the standard does not include specific transition provisions, unless it is impracticable to do so. SFAS No. 154 also requires certain disclosures for restatements due to corrections of an error. For the Company, SFAS No. 154 is effective for accounting changes and corrections of errors made in its fiscal year beginning on May 1, 2006. There was no impact on the adoption of SFAS No. 154 to the Company's financial statements.

(v) In September 2006, the United States Securities Exchange Commission issued Staff Accounting Bulletin No. 108, "Considering the effects of prior year misstatements when quantifying current year misstatements" ("SAB 108"). SAB 108 requires analysis of misstatements using both an income statement (rollover) approach and a balance sheet (iron curtain) approach in assessing materiality and provides for a one-time cumulative effect transition adjustment. The provisions of SAB 108 will be effective for the Company as of May 1, 2007. The Company is currently evaluating the impact of adopting SAB 108.

(vi) In June 2006, the EITF reached a consensus on EITF Issue No. 06-2 "Accounting for Sabbatical Leave and Other Similar Benefits Pursuant to FASB Statement No. 43, Accounting for Compensated Absences" ("EITF 06-2"). EITF 06-2 provides clarification surrounding the accounting for benefits in the form of compensated absences, whereby an employee is entitled to paid time off after working for a specified period of time. EITF 06-2 is effective for fiscal years beginning after December 15, 2006. The Company will adopt the provisions of EITF 06-2 on May 1, 2007. The Company does not expect the adoption of EITF 06-2 to have a material impact on its results of operations and financial position.

3. ACCOUNTS RECEIVABLE

Accounts receivable are comprised of the following:

	2007	2006
Trade accounts receivable	$1,673,760	$2,321,530
Other accounts receivable	86,596	46,789
Allowance for doubtful accounts	[illegible]	[illegible]

(Expressed in Canadian Dollars)

7. INTANGIBLE ASSETS

	2007	2006
Patents — at cost	$160,000	$160,000
Accumulated amortization	(76,000)	(44,000)
Net book value	$ 84,000	$116,000

Amortization of intangibles assets during the years ended April 30, 2007 and April 30, 2006 was $32,000 and $32,000, respectively. Amortization for intangible assets for the next three fiscal years is as follows:

2008	$32,000
2009	32,000
2010	20,000
	$84,000

8. BANK LOAN

The bank loan is due on demand, bears interest at the bank's prime rate plus 1/4% per annum and is fully secured by a corporate guarantee by a shareholder of the Company, Grall Corporation Limited.

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	2007	2006
Accounts payable Trade	$2,062,939	$2,968,786
Other	25,735	51,160
Accruals Trade payables	789,099	622,231
	$2,877,773	$3,642,177

OPHTHALMIC TECHNOLOGIES INC.
Notes to the Financial Statements
April 30, 2007 and 2006
(Expressed in Canadian Dollars)

10. RELATED PARTY LOANS PAYABLE

	2007	2006	
1161983 Ontario Limited, demand loan, interest- bearing at chartered bank's prime rate, with no specific repayment terms and secured by a general security agreement on all the assets of the Company	$1,170,688	$1,103,661	
L & R Medical Inc., demand loan, interest-bearing at Canadian prime rate, unsecured, with no specified repayment terms	94,165	88,776	
	$1,264,853	$1,192,437	O192,9nd bank

Included in interest and bank charges is $72,417 (2006 – c

13. INCOME TAXES

The Company's basic tax rate approximated 19% on income eligible for the small business deduction and approximately 36% on the excess. However, because the statement of operations and retained earnings includes items which are non-deductible for income tax purposes, the provision for income taxes does not reflect the basic tax rate.

As at April 30, 2007 the Company has non-capital losses of approximately $896,000, which can be applied against future taxable income. These carryforwards will expire at various times between 2008 and 2026.

In addition, the Company has available scientific research and experimental development expenditures of approximately $3,500,000 (Federal) and $5,500,000 (Ontario) which can be applied against future taxable income.

A reconciliation of expected income tax at the statutory federal rate with the actual income tax provision is as follows for the years ended April 30 (in thousands):

	2007	2006
Expected income tax benefit at statutory rate (36%)	$ (609)	$ 51
Effect of change in valuation allowance	630	(70)
Non-deductible expenses	1	175
Recovery due to ITC	(514)	(493)
Other	(23)	(129)
	$ (515)	$ (466)

Significant components of the net deferred tax asset (liability) at December 31 were as follows:

	2007	2006
Noncurrent assets:		
Loss carryforwards	$ 298,943	$ 11,001
Capital and intangible assets	29,326	5,473
SR&ED expenditures	1,325,851	854,675
Deferred tax asset	1,654,120	871,149
Less: Valuation allowance	(1,654,120)	(871,149)
	$ —	$ —

The Company has provided a full valuation allowance on the total amount of its deferred tax assets at April 30, 2007 and 2006 since management does not believe that it is more likely than not that these assets will be realized.

OPHTHA

(Expressed in Canadian Dollars)

15. COMMITMENTS (continued)

Licensing agreement

The Company has entered into a licensing agreement. Under the terms of the agreement, the Company is committed to make the following minimum royalty payments during the next five years:

2008	$15,000
2009	15,000
2010	15,000
2011	15,000
2012	15,000
	$75,000

As at April 2007, $13,138 (2006 — $27,762) is included in accounts payable.

16. FINANCIAL INSTRUMENTS

Credit risk

The Company is subject to the risk of non-payment of its accounts receivable. The Company mitigates this risk by checking the credit worthiness of its customers and by requiring significant deposits from its customers. As at April 30, 2007 approximately 29% of the accounts receivable balance is from one customer (2006 — 17% from two customers) and 27% of the sales balance is from two customers (2006 — 36% from one customer).

Interest rate risk

The Company has interest-bearing borrowings for which general interest rate fluctuations apply. The Company does not use derivative instruments to reduce its exposure to interest rate risk.

Foreign currency risk

The Company undertakes revenue and purchase transactions in foreign currencies, and therefore is subject to gains and losses due to fluctuations in foreign currency exchange rates. The Company does not use derivative financial instruments to reduce its exposure to foreign currency risk.

17. GUARANTEES

The Company has entered into agreements that include indemnities in favour of third parties, such as confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements and leasing contracts. These indemnification agreements may require the Company to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The nature of these indemnification agreements prevent the Company from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically the Company has not made any significant payments under such or similar indemnification agreements and therefore no amount has been accrued in the financial statements with respect to these agreements.

18. SEGMENT INFORMATION

The Company operates and manages its business in one industry segment — the supply of equipment for ophthalmology including innovative systems with advance imaging capabilities which is also the principal product family.

Sales by Country of Origin (in $ millions)

	2007	2006
North America	$ 1.71	$ 2.47
Europe	3.69	3.53
Middle East	2.48	0.98
South America	0.24	0.07
Asia and Australia	1.58	5.35
	$ 9.70	$ 12.40