

Advitech

INTERIM REPORT
Six-month period ended June 30, 2008



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Message to Shareholders

Dear Shareholders,

During the second quarter of 2008, Advitech set three development priorities:

1) SALES AND MARKETING

Revenues for the quarter ended June 30, 2008 amounted to \$181,478 compared to \$273,803 for the same quarter in 2007, a 34% decrease. The net loss amounted to \$534,520 for the second quarter of 2008, compared to \$509,399 for the corresponding quarter in 2007. Revenues for the first semester of 2008 totalled \$258,776, compared to \$327,118 for the first semester of 2007. The decrease in revenues for the first semester is due to a \$50,000 non-recurring royalty revenue posted in the first quarter of 2007 for a discontinued product and an \$18,342 decrease in Dermylex® sales. As indicated in previous press releases, the first semester revenues are not representative of the full year's expected revenues since the Dermylex® sales cycle shows a higher volume of sales in the last semester of the year, as was the case in 2006 and 2007.

Since the beginning of 2008, we have expanded the products portfolio to improve the current sales cycle and increase sales. We have also continued to aggressively promote the Company's products, and we have opened discussions with potential distributors for new strategic markets, with a view to meeting our 2008 sales targets. On the sales and marketing front, the most significant activities and highlights were:

- the execution of a new distribution agreement with Vital Science for Canada and other countries. Vital Science is a major player in cosmetic field in Canada;
- a strong retail growth for Dermylex® in France and Taiwan. In Taiwan, Dermylex® received a formal approval to be sold directly in Taiwanese hospitals. The approval was based on clinical studies conducted by Advitech and on an additional study done at the Mackay General Hospital of Taipei. This new approval could generate new commercial developments in South-East Asia;
- additional distribution agreements in discussion for the U.S. and strategic European countries such as Germany, Italy, Spain, the United Kingdom and Russia.

For 2008, we are still forecasting higher revenues than in 2007. We are also considering new opportunities that could have a positive impact on sales in 2008.

2) **SCIENTIFIC DEVELOPMENT**

On the R&D side, development and activities were very interesting in the second quarter of 2008:

- a second clinical study confirmed the efficacy of Dermylex® in the treatment of mild to moderate psoriasis at a daily dosage of 800 mg. The results were published in June in a peer-reviewed alternative medicine journal;
- an open-label study on eczema has demonstrated the potential efficacy of a new product developed from the XP-828L platform. We are now evaluating commercial options for this new product, targeting a broader market than for psoriasis;
- Dr Charles Doillon, MD, Ph.D., from the Oncology and Molecular Endocrinology department of the Centre Hospitalier de l'Université Laval Research Centre, made a presentation in June at the 3rd Congress of the World Union of Wound Healing Societies in Toronto. This was the first scientific introduction of our IM wound healing platform, and it generated a lot of interest. We are currently evaluating strategic partnerships with several pharmaceutical partners for this new application and technical platform.

3) **FINANCING ACTIVITIES**

In June 2008, we drew \$391,000 against the \$500,000 bank loan entered into with BMO earlier in the second quarter of 2008.

Finally, I would like to inform you that Dr Christina Juneau has resigned her position with Advitech to pursue a new career opportunity with a contract research organization in Montréal. She was replaced by Dr Réjean Drouin who has been working as Director of Research and Development with Advitech for the past three years. Dr Drouin has made a significant contribution to the Company's R&D program over the past three years. Dr Juneau led the Company's research on psoriasis and eczema, bringing significant results and publications in these fields. She has agreed to be part of our Scientific Advisory Committee and will therefore maintain close ties with the Company.

(signed)

Renaud Beauchesne, MBA
President and Chief Executive Officer
August 25, 2008

Management's Discussion & Analysis

The following management's discussion and analysis of operation results and financial situation should be read in conjunction with the information from the Company's financial statements and related notes included in this report. The financial statements were prepared in accordance with Canadian Generally Accepted Accounting Principles. All amounts are expressed in Canadian dollars.

The information contained in this management's discussion and analysis report reflects all material events occurring up to August 25, 2008, on which date it was approved by the Board of Directors.

OVERVIEW

Advitech is a health sciences and technology company with a mission to discover and commercialize proprietary and evidence-based natural health products. Effective and safe, these products play a role in the prevention of immune-mediated inflammatory disorders, such as psoriasis, eczema and inflammatory bowel disease. Advitech produces Dermylex® for the treatment of mild-to-moderate psoriasis. Advitech has an ongoing research program to develop new applications related to wound healing. This development is derived from both its XP-828L and IM platforms. Advitech launched during the second quarter of 2008 a line of products for skin regeneration, remodeling and skin immune support and a line of bioactive growth factors targeting applications for the immune system, athletic performance and cognitive functions.

HIGHLIGHTS

In the second quarter of 2008, the Company's revenues were \$181,478, a 33.7% decrease over the same quarter in 2007. The net loss for the second quarter of 2008 was \$534,520, a 4.9% increase over the same quarter in 2007. The particular sales cycle of psoriasis products explains the higher volume of Dermylex® sales in the last two quarters of each year. Psoriasis appears mostly during the fall to spring period. Therefore, the first semester revenues are not representative of the full year's expected revenues. Since the first quarter of 2008, the Company has expanded the products portfolio and has aggressively promoted its products. Moreover, discussions are underway with potential distributors for strategic markets in order to meet the 2008 sales targets.

In July 2008, the Company concluded a non-exclusive agreement with Vital Science Corp. for the distribution of Advitech's compound coming from the XP-828L platform, within the cosmetic skin care and nutraceutical fields, to be sold in the cosmetic departments in pharmacies, in professional medical offices, in spas and medispas, and in other cosmetic outlets, in Canada and other countries.

During the second quarter of 2008, the clinical study on psoriasis confirmed the efficacy of Dermylex® on mild-to-moderate psoriasis at a daily dosage of 800 mg. The detailed results of the clinical trial were published in the June 2008 edition of *Alternative Medicine Review*, a peer-reviewed journal. Moreover, an open-label study produced significant data suggesting that XP-312, a product developed by Advitech, has utility in the treatment of eczema. With respect to the Wound Healing program, Dr Charles Doillon, MD, Ph.D., from the Oncology and Molecular Endocrinology department of the Centre Hospitalier de l'Université Laval Research Centre, presented the unique properties of Advitech's IM-fraction technological platform at the 3rd Congress of the World Union of Wound Healing Societies held in June in Toronto. The World Union of Wound Healing Societies congress is held every four years and is attended by health care professionals from all corners of the world.

In June 2008, the Company drew an amount of \$390,884 against the \$500,000 bank loan entered into with BMO earlier in the second quarter of 2008.

SELECTED FINANCIAL INFORMATION

Earnings	Three-month period ended June 30		Six-month period ended June 30	
	2008	2007	2008	2007
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Total revenues	\$ 181,478	\$ 273,803	\$ 258,776	\$ 327,118
Net loss	\$ (534,520)	\$ (509,399)	\$ (977,440)	\$ (907,324)
Loss per share, basic and diluted	\$ (0.007)	\$ (0.007)	\$ (0.013)	\$ (0.014)

Balance sheet	Aa at June 30, 2008 (unaudited)	Aa at December 31, 2007 (audited)
Total assets	\$1,766,669	\$2,242,012
Long-term liabilities	\$2,077,975	\$1,710,064

RESULTS OF OPERATIONS

Period ended June 30, 2008 compared to the period ended June 30, 2007

Net loss amounted to \$534,520 for the quarter ended June 30, 2008, compared to a net loss of \$509,399 for the quarter ended June 30, 2007, an increase of \$25,121 or 4.9%. For the six-month period ended June 30, 2008, the net loss amounted to \$977,440, compared to a net loss of \$907,324 for the corresponding period in 2007, an increase of \$70,116 or 7.7%. The increased net loss is the result of both a decrease in revenues and an increase in operating expenses derived from the addition of senior personnel in sales and marketing.

Revenues

For the second quarter of 2008, revenues amounted to \$181,478 compared to \$273,803 for the same quarter in 2007, a decrease of \$92,325 or 33.7% explained by the fact that during the second quarter of 2007, distribution agreements were signed with two major clients, and their first orders were placed during that quarter. The Dermylex® sales volume is higher in the last two quarters of each year because of the particular sales cycle of psoriasis products. Psoriasis appears mostly during the fall to spring period. For the six-month period ended June 30, 2008, revenues amounted to \$258,776 compared to \$327,118 for the six-month period ended June 30, 2007, a decrease of \$68,342 or 20.9% mainly due to the absence of royalties during the first semester of 2008, whereas in the corresponding period in 2007, a \$50,000 non-recurring royalty was generated by a discontinued Advitech product.

Operating expenses

For the quarter ended June 30, 2008, the gross margin on product sales, before royalties, amounted to \$98,257, or 54.1%, compared to a gross margin of \$146,446, or 53.5% for the quarter ended June 30, 2007. For the six-month period ended June 30, 2008, the gross margin on product sales, before royalties, amounted to \$145,867, or 56.4%, compared to a gross margin of \$148,792, or 53.7%, for the corresponding period in 2007.

Sales, general and administrative (SG&A) expenses amounted to \$396,980 for the quarter ended June 30, 2008, compared to \$325,579 for the same quarter in 2007, a \$71,401 or 21.9% increase. For the six-month period ended June 30, 2008, SG&A expenses amounted to \$730,300 compared to \$588,804 for the same period in 2007, a \$141,496 or 24.0% increase. The increase in SG&A expenses for the three and six-

month periods stems mainly from the addition of two senior resources in sales and marketing and from the increase in Dermylex® Quality Control expenses.

Research and development expenses were \$155,853 for the quarter ended June 30, 2008, compared to \$209,810 for the quarter ended June 30, 2007, a \$53,957 or 25.7% decrease. For the six-month period ended June 30, 2008, research and development expenses were \$279,999 compared to \$359,587 for the corresponding period in 2007, a \$79,588 or 22.1% decrease resulting mostly from staff transfer from R&D to Quality Control. Research and development tax credits and government grants totalled \$36,851 for the quarter ended June 30, 2008, compared to \$75,515 for the quarter ended June 30, 2007. This \$38,664 or 51.2% decrease is mainly the result of higher grants received in the second quarter of 2007. For the six-month period ended June 30, 2008, research and development tax credits and government grants amounted to \$76,198 compared to \$111,161 for the corresponding period in 2007, a \$34,963 or 31.5% decrease.

Financial expenses amounted to \$102,474 for the quarter ended June 30, 2008, compared to \$162,069 for the corresponding period in 2007, a \$59,595 or 36.8% decrease. For the six-month period ended June 30, 2008, financial expenses amounted to \$152,711 compared to \$216,526 for the six-month period ended June 30, 2007, a \$63,815 or 29.5% decrease. The decrease in financial expenses for the three and six-month periods results mainly from the \$73,320 non-recurrent charge reported in the second quarter of 2007 due to the renegotiation of the 2004 convertible debentures.

Cash flows

As at June 30, 2008, the Company had a cash position of \$916,285 (cash and cash equivalents), compared to \$1,034,086 as at March 31, 2008, an \$117,801 decrease resulting mainly from the operating activities during the second quarter of 2008.

Operating activities accounted for \$440,042 in cash decrease during the second quarter of 2008, represented by a net loss adjusted for items not affecting cash of \$506,761, and a decrease in working capital requirements of \$66,719. Cash used for operations was mainly dedicated to research and development, commercialization activities and the underlying administrative structure. For the second quarter of 2007, operating activities used \$506,251 in cash represented by a net loss adjusted for items not affecting cash of \$399,814 and an increase in working capital requirements of \$106,437.

During the quarter ended June 30, 2008, cash used in investment activities amounted to \$66,108, most of which was related to investments in intellectual property protection. For the second quarter of 2007, cash used in investment activities accounted for \$27,629, which represents intellectual property protection. The Company filed a new patent application in the second quarter of 2008 for its new IM platform. Moreover, during the second quarter of 2008, the Company filed applications in different countries related to a pending patent on the XP-828L technology.

Financing activities generated \$388,349 during the quarter ended June 30, 2008. An amount of \$390,884 was raised against the BMO term loan and a new capital lease provided \$10,023, while \$12,558 was repaid on a term loan and on the new capital lease. For the second quarter of 2007, \$858,384 was generated by the Company's financing activities, mainly from the raise of \$970,000 in equity, less financing expenses incurred to complete the financing. An amount of \$77,490 was used to repay the bank loan.

SUMMARY OF QUARTERLY RESULTS

Selected Financial Information
Unaudited
(\$)

	Quarters ended			
	June 30, 2008	March 31, 2008	December 31, 2007	September 31, 2007
Total revenues	181,478	77,298	405,576	377,463
Net loss	(534,520)	(442,920)	(140,381)	(302,048)
Loss per share, basic and diluted	(0.01)	(0.01)	(0.00)	(0.00)
	June 30, 2007	March 31, 2007	December 31, 2006	September 31, 2006
Total revenues	273,803	53,315	196,026	298,098
Net loss	(509,399)	(397,925)	(387,858)	(266,435)
Loss per share, basic and diluted	(0.01)	(0.01)	(0.01)	(0.00)

Quarterly variation analysis

Revenues for the first two quarters of 2008 were lower than the preceding quarters because the volume of Dermyx® sales is higher in the last two quarters of each year, owing to the particular sales cycle of psoriasis products. Revenues growth through fiscal 2007 was driven by the Dermyx® sales which increased from quarter to quarter as a result of market development.

CONTRACTUAL OBLIGATIONS

In addition to the commitments disclosed in its audited financial statements for the year ended December 31, 2007, the Company entered into a R&D agreement with a subcontractor during the second quarter of 2008 regarding some services to be performed in 2008, for which the Company agreed to pay \$96,200. The Company will receive a grant from MDEIE which will cover 50% of this expense. Except for the above-mentioned commitments and guarantees, the Company has no operations or relationship with entities that could significantly affect its operating results, liquid assets or financial resources, or expose the Company to any liabilities not entered into the financial statements.

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

Total cash on hand as at June 30, 2008 was \$916,285 compared to \$1,034,086 as at March 31, 2008, an \$117,801 decrease resulting mainly from the operating activities during the second quarter of 2008.

Capital resources

The Company has an authorized bank loan for \$150,000 to finance research and development tax credits receivable related to 2007 activities. A total of \$90,892 has been drawn on it and is still owed as at June 30, 2008.

The Company currently has a \$300,000 operating line of credit to finance operations and working capital requirements. The operating line of credit has not been used through the second quarter of 2008. The Company's cash has been sufficient for operations and working capital requirements.

Financing plan

In May 2008, the Company signed with BMO an agreement for a bank loan. According to this agreement, the Company has access to an authorized \$500,000 bank loan, bearing interest at prime rate plus 2.25%, to finance 75% of its fiscal 2007 and fiscal 2008 business development, sales and marketing expenses. The amounts drawn against the loan are repayable over 48 months and secured by the Company's assets and a guarantee from Investissement Québec. As at June 30, 2008, an amount of \$390,884 had been drawn against this bank loan.

OFF-BALANCE SHEET ARRANGEMENTS AND CONTINGENCIES

During the second quarter of 2008, the Company has not entered into any off-balance sheet arrangements.

GOING CONCERN

While the Financial Statements have been prepared on the basis of accounting principles applicable to a going concern, some conditions and events cast doubt upon the validity of this assumption. As a development stage company, the Company's continued existence depends on its ability to develop and commercialize its products, and, as required, to obtain regulatory authorities approvals for its products in the specific geographical markets, as well as to obtain financial support from its shareholders.

If the going concern assumption were not appropriate for these Financial Statements, adjustments would be necessary in the carrying values of assets and liabilities, the reported net results and the balance sheet classifications used.

INFORMATION ON OUTSTANDING SHARES

As at August 25, 2008, the number of outstanding common shares was 73,131,719. With the addition of potential shares per the convertible debentures, warrants and options, the number of shares, on a fully diluted basis, is 104,209,079, as detailed in the following table:

Outstanding common shares as at August 25, 2008	73,131,719
Options granted pursuant to the Stock Options Plan	3,410,762
Conversion Rights of the June 2006 convertible debentures (Conversion price at \$0.22)	1,136,364
Conversion Rights of the 2007 convertible debentures (Conversion price at \$0.20)	8,365,000
Warrants pursuant to the December 2006 private placement (Conversion price at \$0.15)	6,447,500
Warrants pursuant to the March 2007 private placement (Conversion price at \$0.25)	3,634,400
Warrants pursuant to the April 2007 private placement (Conversion price at \$0.19)	8,083,334
Balance as at August 25, 2008	104,209,079

CHANGES IN ACCOUNTING POLICIES

On January 1, 2008, the Company adopted four new accounting standards: Section 1535, Capital Disclosure, Section 3862, Financial Instruments – Disclosure, Section 3863, Financial Instruments – Presentation, and Section 3031, Inventories. The prior year's comparative figures have not been restated.

CAPITAL DISCLOSURE

Section 1535 establishes the required disclosure concerning the Company's objectives, policies and procedures for managing capital, quantitative data about what the Company regards as capital, whether the Company has complied with any capital requirements and the consequences of non-compliance with such capital requirements. The Company discloses information on its capital in the note 5 of the interim financial statements.

FINANCIAL INSTRUMENTS – DISCLOSURE AND PRESENTATION

Section 3862 and 3863 replace section 3861, Financial Instrument – Disclosure and Presentation, revising and enhancing its disclosure requirements. Section 3862 and 3863 will increase the emphasis on disclosure that enable users of financial statements to evaluate the nature and extent of risks arising from financial instruments to which the Company is exposed and how the Company manages those risks. The adoption of these sections did not have any impact on the Company's interim financial statements.

INVENTORIES

Section 3031 provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories. The adoption of this section did not have any impact on the Company's interim financial statements.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

In February 2008, the Canadian Accounting Standards Board confirmed that the use of International Financial Reporting Standards (“IFRS”) would be required for Canadian publicly accountable enterprises for years beginning on or after January 1, 2011. The Company is currently evaluating the impact of adopting IFRS on its financial statements.

FINANCIAL INSTRUMENTS

There has been no change during the second quarter of 2008 in the classification of the Company's financial instruments. There has been no significant change in the risks related to these financial instruments during the second quarter of 2008.

RISKS FACTORS

There has been no significant change during the second quarter of 2008 in the Company's risk factors and uncertainties. These risks factors are described in the Company's 2007 Annual Report available on SEDAR website at: www.sedar.com.

INFORMATION DISCLOSURE CONTROLS AND PROCEDURES

The preparation of the Interim Report is supported by a set of disclosure controls and procedures under management's responsibility. In 2007, this control structure was reviewed and the effectiveness of its design and operation was evaluated by the management. This evaluation confirmed the effectiveness of the design and

operation of disclosure controls and procedures as at December 31, 2007. The Company's management can therefore provide reasonable assurance that material information relating to the Company is reported to it on a timely basis so that it may provide investors with complete and reliable information.

Lastly, this Interim Report was reviewed by the Audit Committee, and the Board of Directors approved it prior to its publication.

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements which reflect the Company's current expectations regarding future events. These forward-looking statements involve risks and uncertainties. Actual results may differ materially from those projected herein and depend on a number of factors, including, but not limited, to the successful and timely completion of pre-clinical and clinical studies, uncertainties related to the regulatory process, the commercialization of products, the difficulty of predicting demand for products, the impact of competitive products, the availability of raw materials, the protection of intellectual property and fluctuations in operating results. The reader is cautioned not to rely only on these forward-looking statements.

Additional information on the Company may be obtained on SEDAR website at: www.sedar.com.

(signed)
Christian Labbé
Finance Director
August 25, 2008

INTERIM STATEMENTS OF EARNINGS AND COMPREHENSIVE INCOME

	Three-month period ended June 30		Six-month period ended June 30	
	2008	2007	2008	2007
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenues				
Products	\$ 181,478	\$ 273,803	\$ 258,776	\$ 277,118
Royalties	-	-	-	50,000
	181,478	273,803	258,776	327,118
Operating Expenses				
Cost of products	83,221	127,357	112,909	128,326
Royalties on products sales	6,727	12,502	10,457	12,643
Sales, general and administrative expenses	396,980	325,579	730,300	588,804
Research and development expenses, net of grants and tax credits	119,002	134,295	203,801	248,426
Financial expenses	102,474	162,069	152,711	216,526
Depreciation of fixed assets	3,858	3,527	6,487	7,054
Amortization of intangible assets	5,627	4,395	10,262	8,022
Stock-based compensation	(1,891)	13,478	9,289	24,641
	715,998	783,202	1,236,216	1,234,442
Net Loss	\$ (534,520)	\$ (509,399)	\$ (977,440)	\$ (907,324)
<i>Further information on the earnings (note 11)</i>				
Loss per share, basic and diluted (note 9)	\$ (0.007)	\$ (0.007)	\$ (0.013)	\$ (0.014)

INTERIM STATEMENTS OF CONTRIBUTED SURPLUS

	Three-month period ended June 30		Six-month period ended June 30	
	2008	2007	2008	2007
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Balance, beginning of the period	\$ 1,636,873	\$ 1,068,847	\$ 1,625,693	\$ 875,964
Warrants issued upon issue of the Units	-	404,168	-	585,888
Equity component of renegotiated convertible debentures	-	120,000	-	120,000
Stock-based compensation	(1,891)	13,478	9,289	24,641
Balance, end of the period	\$ 1,634,982	\$ 1,606,493	\$ 1,634,982	\$ 1,606,493

INTERIM STATEMENTS OF DEFICIT

	Three-month period ended June 30		Six-month period ended June 30	
	2008	2007	2008	2007
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Balance, beginning of the period	\$ (11,865,020)	\$ (10,389,560)	\$ (11,422,100)	\$ (9,986,726)
Changes in accounting policies	-	-	-	44,894
Shares issue expenses	-	(80,712)	-	(115,110)
Convertible debentures issue expenses	-	-	-	(15,405)
Net loss	(534,520)	(509,399)	(977,440)	(907,324)
Balance, end of the period	\$ (12,399,540)	\$ (10,979,671)	\$ (12,399,540)	\$ (10,979,671)

The accompanying notes are an integral part of these interim financial statements

INTERIM BALANCE SHEETS

	As at June 30, 2008 (unaudited)	As at December 31, 2007 (audited)
ASSETS		
Current assets		
Cash and cash equivalents	\$ 916,285	\$ 1,158,459
Accounts receivable	283,820	591,973
Tax credits receivable	189,856	125,571
Inventories	76,213	145,602
Prepaid expenses	60,147	39,798
	1,526,321	2,061,403
Fixed assets	50,116	43,552
Intangible assets	190,232	137,057
	1,766,669	2,242,012
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Bank loan (note 6)	90,892	90,892
Accounts payable and accrued liabilities	346,673	267,103
Deffered revenues	-	15,727
Current portion of long-term debt (note 7)	109,961	48,907
	547,526	422,629
Long-term debt (note 7)	510,229	187,884
Convertible debentures	1,567,746	1,522,180
	2,625,501	2,132,693
Shareholders' equity		
Share capital	9,392,526	9,392,526
Contributed surplus	1,634,982	1,625,693
Equity component of convertible debentures	513,200	513,200
Deficit	(12,399,540)	(11,422,100)
	(858,832)	109,319
	\$ 1,766,669	\$ 2,242,012

Going concern (note 3)

The accompanying notes are an integral part of these interim financial statements

On behalf of the Board,

(signed)

Renaud Beauchesne, MBA
 Director
 President and Chief Executive Officer

(signed)

Pierre Labbé, CA
 Director
 President of Audit Committee

INTERIM STATEMENTS OF CASH FLOWS

	Three-month period ended June 30		Six-month period ended June 30	
	2008	2007	2008	2007
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
OPERATING ACTIVITIES				
Net Loss	\$ (534,520)	\$ (509,399)	\$ (977,440)	\$ (907,324)
Adjustments for items not affecting cash				
Stock-based compensation	(1,891)	13,478	9,289	24,641
Interest charged & capitalized	20,165	14,865	44,800	55,151
Loss resulting from the renegotiation of debenture	-	73,320	-	73,320
Depreciation of fixed assets	3,858	3,527	6,487	7,054
Amortization of intangible assets	5,627	4,395	10,262	8,022
	(506,761)	(399,814)	(906,602)	(739,136)
Change in non-cash working capital items				
Accounts receivable and prepaid expenses	5,487	(216,261)	287,804	(141,512)
Tax credits receivable	(30,601)	86,019	(64,285)	53,835
Inventories	64,189	5,763	69,389	(102,162)
Accounts payable, accrued liabilities and deferred revenues	27,644	18,042	63,843	31,360
	66,719	(106,437)	356,751	(158,479)
	(440,042)	(506,251)	(549,851)	(897,615)
INVESTING ACTIVITIES				
Additions to fixed assets	(12,052)	-	(13,051)	(4,562)
Increase in intangible assets	(54,056)	(27,629)	(63,437)	(35,710)
	(66,108)	(27,629)	(76,488)	(40,272)
FINANCING ACTIVITIES				
Increase in bank loan	-	(77,490)	-	-
Repayment of long-term debt	(12,040)	-	(23,724)	-
Increase in long term debt (note 7)	390,884	8,092	398,384	22,523
Issue of Units	-	970,000	-	1,406,128
Convertible debentures issue	-	-	-	948,000
Convertible debentures and shares issue expenses	-	(42,218)	-	(130,515)
New capital lease	10,023	-	10,023	-
Repayment of capital lease	(518)	-	(518)	-
	388,349	858,384	384,165	2,246,136
Increase (decrease) in cash and cash	(117,801)	324,504	(242,174)	1,308,249
Cash and cash equivalents - beginning of period	1,034,086	1,585,120	1,158,459	601,375
Cash and cash equivalents - end of period	\$ 916,285	\$ 1,909,624	\$ 916,285	\$ 1,909,624
Additional information : Interest paid	\$ 67,020	\$ 22,855	\$ 137,762	\$ 50,709
Cash and cash equivalents				
Cash	\$ 108,337	\$ 199,624	\$ 108,337	\$ 199,624
Temporary investments	807,948	1,710,000	807,948	1,710,000
	\$ 916,285	\$ 1,909,624	\$ 916,285	\$ 1,909,624

The accompanying notes are an integral part of these interim financial statements

NOTES TO INTERIM FINANCIAL STATEMENTS (UNAUDITED)

Periods ended June 30, 2008 and 2007

1. INTERIM FINANCIAL INFORMATION

The financial information as at June 30, 2008 and for the three-month and six-month periods ended June 30, 2008 and 2007 is unaudited and has not been examined by the Company's external auditors. However, in the opinion of management, all adjustments necessary to present fairly the results of these periods have been included. The adjustments made were of a normal recurring nature. Interim results may not necessarily be indicative of results for the year.

These unaudited interim consolidated financial statements are prepared in accordance with Canadian generally accepted accounting principles and use the same accounting policies and methods used in the preparation of the Company's most recent annual financial statements, except for the new accounting standards as disclosed in note 4. All disclosures required for annual financial statements have not been included in these financial statements. These unaudited interim financial statements should therefore be read in conjunction with the Company's most recent audited annual financial statements.

2. STATUTES AND NATURE OF ACTIVITIES

The Company is specialized in the research, development and commercialization of nutraceutical ingredients and products.

The Company was created on June 30, 2004, pursuant to Canadian Business Corporations Act (CBCA) as a result of the amalgamation of Dupont Capital Inc., a capital pool company, and Advitech Solutions Inc., a company incorporated on May 31, 1995, under the CBCA.

3. GOING CONCERN

While the Financial Statements have been prepared on the basis of accounting principles applicable to a going concern, some conditions and events cast doubt upon the validity of this assumption. As a development stage company, the Company's continued existence depends on its ability to develop and commercialize its products, and, as required, to obtain regulatory authorities approvals for its products in the specific geographical markets, as well as to obtain financial support from its shareholders.

If the going concern assumption were not appropriate for these Financial Statements, adjustments would be necessary in the carrying values of assets and liabilities, the reported net results and the balance sheet classifications used.

4. CHANGES IN ACCOUNTING POLICIES

On January 1, 2008, the Company adopted four new accounting standards: Section 1535, Capital Disclosure, Section 3862, Financial Instruments – Disclosure, Section 3863, Financial Instruments – Presentation, and Section 3031, Inventories. The prior year's comparative figures have not been restated.

CAPITAL DISCLOSURE

Section 1535 establishes the required disclosure concerning the Company's objectives, policies and procedures for managing capital, quantitative data about what the Company regards as capital, whether the Company has complied with any capital requirements and the consequences of non-compliance with such capital requirements. See note 5.

FINANCIAL INSTRUMENTS – DISCLOSURE AND PRESENTATION

Section 3862 and 3863 replace section 3861, Financial Instrument – Disclosure and Presentation, revising and enhancing its disclosure requirements. Section 3862 and 3863 will increase the emphasis on disclosure that enable users of financial statements to evaluate the nature and extent of risks arising from financial instruments to which the Company is exposed and how the Company manages those risks. The adoption of these sections did not have any impact on the Company's interim financial statements.

INVENTORIES

Section 3031 provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories. The adoption of this section did not have any impact on the Company's interim financial statements.

5. CAPITAL DISCLOSURE

The Company's objective in managing capital is to ensure a sufficient liquidity position to finance its research and development activities, sales, general and administrative expenses, working capital and overall capital expenditures, including those associated with patents and trademarks. In the management of capital, the Company includes shareholders' equity, long-term debt, convertible debentures, and cash and cash equivalents.

Historically, the Company has financed its activities through rounds of public and private financing as well as by obtaining tax credits and government grants. According to its capacities and prevailing market conditions, the Company could finance its activities and long-term assets through long-term debt and shares issuance.

The Company monitors capital in the light of its monthly burn rate and short-term obligations linked to its financial liabilities. The capital management objective of the Company remains the same as that of previous years. Under its credit facilities, the Company must meet certain covenants, including certain financial ratios. As at June 30, 2008, the Company was in compliance with these financial ratios. The Company is not subject to any capital requirements imposed by any regulators.

6. BANK LOAN AND CREDIT FACILITIES

The Company has access to an authorized \$300,000 credit line secured by the accounts receivable. The amounts drawn against the credit line bear interest at prime rate plus 1.50%. As at June 30, 2008, the credit line was not used.

The Company has access to an authorized \$150,000 bank loan to finance a maximum of 75% of 2007 research and development tax credits receivable. The amounts drawn against this loan, bearing interest at prime rate plus 2.5%, are secured by the accounts receivable including research and development tax credits receivable. As at June 30, 2008, an amount of \$90,892 was drawn against this credit facility.

7. LONG-TERM DEBT

	As at June 30, 2008 (unaudited)	As at December 31, 2007 (audited)
Commercial loan, without interest, to be repaid in four equal annual consecutive payments from March 1st, 2010	\$ 45,702	\$ 38,202
Participative loan, bearing interest at 12%, to be repaid in 48 equal payments from the 13th month following the closing date	153,928	177,651
Authorized \$500,000 bank loan, bearing interest at prime rate plus 2.25%, with a 6-month moratorium on capital, to be repaid over 48 months, and secured by the Company's assets and by a guarantee from Investissement Québec	390,884	-
Capital lease for office equipment, 10,83%, repayable in quarterly instalments of \$760, including interest, maturing in March 2012	9,505	-
Capitalized interest on the participative loan	18,229	17,014
Charged interest on the commercial loan	8,723	3,924
Charged interest on the bank loan	(6,781)	-
	620,190	236,791
Current portion of long-term debt	109,961	48,907
	\$ 510,229	\$ 187,884

The Commercial loan is authorized at \$100,000. As at June 30, 2008, \$100,000 was drawn against the Commercial loan. The total government grant recognized in regard of the fact the loan is interest free is \$54,298. Interest expense on the Commercial loan is calculated using the effective interest rate method.

8. STOCK OPTIONS PLAN

The Company has a Stock Options Plan (the "Plan") reserving for issue 5,400,000 common shares. Under the Plan, the Board of Directors may grant, at its discretion, options to purchase shares to certain employees, officers, directors and consultants of the Company. The exercise price is established by the Board of Directors.

The Company's outstanding stock options as at June 30, 2008 and changes that occurred during the first and the second quarters of 2008, and the outstanding stock options as at December 31, 2007 and changes that occurred during the year then ended are as follows:

	Six-month period ended June 30, 2008 (unaudited)		Year ended December 31, 2007 (audited)	
Stock options plan	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of the period	3,301,096	\$ 0.21	3,110,262	\$ 0.21
- Granted	147,000	0.15	589,000	0.20
- Cancelled	(161,333)	0.19	(398,166)	0.19
Outstanding, end of the period	3,286,763	\$ 0.21	3,301,096	\$ 0.21
Exercisable, end of the period	2,685,097	\$ 0.22	2,469,598	\$ 0.22

The following table summarizes information relating to the stock options outstanding as at June 30, 2008:

Stock options plan	Outstanding options as at June 30, 2008 (unaudited)		Exercisable options as at June 30, 2008 (unaudited)	
	Number of options	Weighted average remaining life (years)	Number of options	Weighted average remaining life (years)
- Exercisable price \$0.15	727,906	2.5	352,240	1.1
- Exercisable price \$0.20	531,857	3.4	305,857	3.0
- Exercisable price \$0.22	751,000	1.6	751,000	1.6
- Exercisable price \$0.25	1,276,000	1.0	1,276,000	1.0
	3,286,763	1.9	2,685,097	1.4

On May 9, 2008, the Company granted 147,000 options to certain directors. The fair value of each granted option was determined using the Black-Scholes option pricing model and the following weighted average assumptions:

Risk-free interest rate	2.99%
Expected volatility	136%
Expected life	5 years
Expected dividend yield	0%
Fair value of granted options	\$0.06

9. LOSS PER SHARE

The following table shows the reconciliation between basic and diluted loss per share:

	Three-month period ended June 30		Six-month period ended June 30	
	2008 (unaudited)	2007 (unaudited)	2008 (unaudited)	2007 (unaudited)
Net loss	\$ (534,520)	\$ (509,399)	\$ (977,440)	\$ (907,324)
Weighted average number of outstanding shares - basic and diluted	73,131,719	70,122,561	73,131,719	65,729,536
Net loss per share basic and diluted	\$ (0.007)	\$ (0.007)	\$ (0.013)	\$ (0.014)

Loss per share is calculated using the weighted average number of outstanding shares during the year. The weighted average number of outstanding shares is the same for both basic and diluted per-share calculations since the potential addition of shares in regards with convertible debentures, options and warrants is anti-dilutive.

10. COMMITMENTS AND GUARANTEES

In addition to the commitments disclosed in its 2007 Annual Report, the Company entered into a R&D agreement with a subcontractor during the second quarter of 2008 regarding some services to be performed in 2008 for which the Company agreed to pay \$96,200. The Company will receive a grant from MDEIE which will cover 50% of this expense.

11. FURTHER INFORMATION ON THE EARNINGS

	Three-month period		Six-month period	
	ended June 30		ended June 30	
	2008	2007	2008	2007
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales and marketing expenses				
Government assistance	\$ 5,000	\$ 12,994	\$ 11,985	\$ 26,994
Research and development expenses				
Government assistance	\$ 6,250	\$ 12,976	\$ 11,913	\$ 16,437
SR&ED tax credits	\$ 30,601	\$ 62,539	\$ 64,285	\$ 94,724
Financial expenses				
Foreign exchange gain (loss)	\$ (3,558)	\$ (6,729)	\$ 32,283	\$ (5,101)
Interest revenues	\$ 4,511	\$ 13,631	\$ 13,029	\$ 19,465

12. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with to the current year's presentation.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Claude R. Livernoche, eng., MBA^{1,2,3}
Chairman
Corporate Director

Renaud Beauchesne, MBA
President and CEO
Advitech inc.

Germain Carrière, MBA^{1,2}
President and COO
Desjardins Securities inc.

Pierre Labbé, CA¹
Vice-President and CFO
Medicago inc.

Colin Bier, Ph.D.^{2,3}
Corporate Director

Richard Bordeleau³
Executive Vice-President
Biocad Medical inc.

¹ Audit Committee

² Human Resources and Corporate
Governance Committee

³ Strategic Planning Committee

SCIENTIFIC ADVISORY COMMITTEE

Robert Béland, B.Sc.
Senior Vice-President
MDS Pharma Inc., USA

Dr Jean-Paul L. Marty, Ph.D.
Professor, Faculty of Pharmacy
University of Paris-Sud, France

Dr Fernand Labrie, OC, OQ, MD,
Ph.D.
Director of Research
CHUL Research Center (CHUQ)

Dr Christina Juneau, Ph.D.
Executive Vice-President
JSS Medical Research

MANAGEMENT TEAM

Renaud Beauchesne, MBA
President
Chief Executive Officer

Réjean Drouin, Ph.D.
Vice-President
Research and Development

Luc Clouâtre
Vice-President
Business Development, Sales and
Marketing

Christian Labbé, BAA
Finance Director

ASSOCIATE RESEARCHERS

Dr Sylvie Gauthier, Ph.D.
Professor
Laval University, Québec, Canada

Dr Yves Pouliot, Ph.D.
Professor
Laval University, Québec, Canada

SCIENTIFIC ADVISORS

Dr Howard Maibach
Professor, Department of Dermatology
University of San Francisco, CA, USA

Dr Georges M. Halpern, MD, Ph.D.
Professor
Hong Kong Polytechnic University
Hong Kong

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TSX Venture Exchange
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