FORM 10-QSB

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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

For the quarterly period ended December 31, 1996

or

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 for the transition period from ___________to ____________.

Commission File Number: 0-22390

U.S. MEDICAL SYSTEMS, INC.

Delaware	68-0206382
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
7600 Burnet Road, Suite 350, Austin, TX	78757
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code. . . . .(512) 795-0440

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 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

Number of shares outstanding of the issuer's common stock, as of December 31, 1996: 2,332,023

The accompanying notes are an integral part of these unaudited consolidated financial statements.

U.S. MEDICAL SYSTEMS, INC.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

U.S. MEDICAL SYSTEMS, INC.
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

	DECEMBER 31, 1996	JUNE 30, 1996
ASSETS		
Current Assets		
Cash	$ 235,742	$ 22,014
Accounts receivable, net allowance for doubtful accounts and returns of $5,000	37,141	67,479
Inventory	56,130	111,043
Prepaid expenses	7,583	7,720
TOTAL CURRENT ASSETS	336,596	208,256
Other Assets		
Property and equipment, net	20,179	25,346
Intangible assets, net	85,349	141,796
TOTAL OTHER ASSETS	105,528	167,142
TOTAL ASSETS	$ 442,124	$ 375,398
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	$ 91,599	$ 53,174
Accrued liabilities	240,625	114,724
Current portion of long-term debt due to stockholders	49,500	796,950
TOTAL CURRENT LIABILITIES	381,724	964,848
TOTAL LIABILITIES	381,724	964,848
Stockholders' Equity		
Common stock, 20,000,000 shares authorized, $ .01 par value, 2,332,023 issued and outstanding	23,320	117,246
Additional paid-in capital	6,773,901	5,826,636
Accumulated deficit	(6,736,821)	(6,533,332)
TOTAL STOCKHOLDERS' EQUITY	60,400	(589,450)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 442,124	$ 375,398

U.S. MEDICAL SYSTEMS, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATION

	For the three months ended December 31 1996	For the three months ended December 31 1995
Net Sales	$ 112,898	$ 173,913
Cost of sales	(58,220)	(34,975)
GROSS PROFIT	54,678	138,938
Costs and expenses		
General and administrative	90,202	72,327
Selling and marketing	30,536	20,852
Research and development	667	31,041
Depreciation and amortization	40,369	45,438
TOTAL COST AND EXPENSES	161,774	169,658
LOSS FROM OPERATIONS	(107,096)	(30,720)
Other income (expense)		
Interest income	386	406
Interest expense	(7,878)	(19,923)
Miscellaneous income (expense), net	8,242	(1,935)
TOTAL OTHER INCOME (EXPENSE)	750	(21,452)
NET LOSS	$ (106,346)	$ (52,172)
Net income (loss) per share	$ (0.08)	$ (0.01)
Weighted average shares outstanding	1,372,578	8,509,000

U.S. MEDICAL SYSTEMS, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATION

	For the six months ended December 31 1996	For the six months ended December 31 1995
Net Sales	$ 216,266	$ 269,337
Cost of sales	(131,754)	(114,953)
GROSS PROFIT	84,512	154,884
Costs and expenses		
General and administrative	164,931	190,915
Selling and marketing	38,805	95,058
Research and development	7,015	99,489
Depreciation and amortization	60,976	92,099
TOTAL COSTS AND EXPENSES	271,727	477,561
LOSS FROM OPERATIONS	(187,215)	(322,677)
Other income (expense)		
Interest income	614	1,919
Interest expense	(28,482)	(39,846)
Miscellaneous income (expense), net	11,594	(5,179)
TOTAL OTHER INCOME (EXPENSE)	(16,294)	(43,106)
NET LOSS	$ (203,489)	$ (365,783)
Net income (loss) per share	$ (0.15)	$ (0.04)
Weighted average shares outstanding	1,294,085	8,509,140

U.S. MEDICAL SYSTEMS, INC.
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the six months ended December 31 1996	For the six months ended December 31 1995
Cash flows from operating activities		
Net Loss	$(203,489)	$(365,783)
Adjustments to reconcile net loss to net cash used for operating activities:		
Provision for bad debts and returns		
Depreciation and amortization	60,976	61,551
Loss on disposition of excess equipment	638	
Changes in assets and liabilities		
Accounts receivable	30,338	20,044
Inventories	54,913	3,811
Prepaid expenses and other assets	137	26,036
Accounts payable and accrued liabilities	56,940	-
Net cash used for operating activities	453	(254,174)
Cash flows from investing activities:		
Proceeds from sales of furniture and equipment	-	59,257
Net cash provided by (used for) investing activities	-	59,257
Cash flows from financing activities:		
Additional paid in capital	-	59,400
Proceeds from issuance of common stock	-	600
Private Placement shareholders' investment	213,275	-
Net cash provided by financing activities	213,275	60,000
Increase in cash	213,728	(134,917)
Cash and cash equivalents at beginning of year	22,014	194,969
Cash and cash equivalents at beginning of year	$ 235,742	$ 60,052

Supplemental non-cash financing activities:
The following occurred in December 1996.

1. 3,177,325 shares of common stock held in escrow were canceled
2. A one-for-seven reverse split of common stock was completed.
3. 1,110,983 shares of common stock were issued in exchange for notes payable totaling $747,450 and accrued interest totaling $105,889.

U.S. MEDICAL SYSTEMS, INC.
NOTES TO UNAUDITED CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS

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1. ORGANIZATION

U.S. MEDICAL SYSTEMS, INC. (the "Company"), (formally Medical Polymers, Inc.), through its wholly-owned subsidiary U.S. Medical, Inc., develops, produces and markets products directed at the over-the-counter consumer market and products related to infection prevention for the professional dental health care industry.

The Company's current cash resources have not been sufficient to support the Company's current debt interest payments and extensive consumer promotion of existing products. As such, the Company is focusing its strategy on the Miracle Grip(R) and PDS(R) Clean products. Due to the extensive capital requirements for consumer advertising, the Company will curb new product launches in 1997 and only market its two revenue producing products. The Company completed a restructuring and $853,000 of its long term debt was converted to equity in this reporting period.

2. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission and, accordingly, do not include all information and footnotes required under generally accepted accounting principles for complete financial statements. In the opinion of management, these interim condensed consolidated financial statements contain all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of the financial position of the Company as of December 31, l996, and the results of the Company's operations and its cash flows for the three months and six months ended December 31, l996 and l995. These condensed consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10-KSB/A-1 filed on September 19, 1996.

3. INVENTORIES

At December 31, 1995 and 1996, inventories consisted primarily of finished products, work in progress and raw chemicals. The balance of inventory consisted of packaging materials for Miracle Grip(R).

4. LONG TERM DEBT

The Company completed a private placement of 10% subordinated debt with warrants to existing shareholders on March 1, 1995 for $805,000. This private placement included one stock purchase warrant exercisable for approximately 2.9 shares of $.01 par value Common Stock of the Company for every $1.00 of principal. One cent of each dollar invested was attributed to the purchase of the warrants and $0.99 was attributed to the notes. The warrants were exercisable at any time after September 1, 1995 until February 27, 2000 at an exercise price of $0.15 per share of common stock, subject to adjustment. Terms of debt were 10% interest only to be paid March 1, 1996; 10% interest and one-half of the principal to be paid March 1, 1997; and 10% interest and the balance of the principal was to be paid March 1, 1998. The amount of the proceeds attributable to the warrants ($8,050) was recorded as a discount to debt (to be amortized over the life of the debt) and an increase to additional paid-in capital. Offering expenses of $35,000 were incurred and recorded as an intangible asset in the financial statements. However, the remaining unamortized offering expense of $21,000 were written off in December 1996, when the debt was converted to equity. These expenses were being amortized over the life of the debt. On November 19, 1996, stockholders approved a reorganization plan which converted $853,000 of the principle and interest of this debt to equity. On December 17, 1,110,983 shares of common stock was issued to satisfy the above debt. Warrants related to this private placement were canceled as part of the reorganization. There is one debt holder remaining which represents $49,500 of principle and approximately $7,600 in interest. The Company is seeking to restructure this debt.

5. REORGANIZATION PLAN

In order to address the Company's financial problem and return the Company to a stable financial condition, management, with the approval of the Board of Directors, devised a Reorganization Plan. The Reorganization Plan called for the cancellation of all the indebtedness of the Company to its noteholders through an offer to exchange the outstanding notes for the Company's Common Stock. On June 10, 1996, the Vancouver Stock Exchange indicated that it had no objection to the proposed debt settlement with the noteholders. Written approval was secured by twenty-three of the noteholders. The stockholders approved the debt settlement on November 19, 1996. Stockholders also approved, as part of the reorganization, a consolidation of the Company's shares on a one-for-seven reverse split and approved a change of the name of the Company to U. S. Medical Systems, Inc. Other items the Company took action on as part of the reorganization, which did not require stockholder approval, were: cancellation of 3,177,325 escrowed shares and a private placement which raised approximately $270,900. On December 17, 1996, the Vancouver Stock Exchange approved the reorganization and the company began trading as U.S. Medical Systems, Inc. on the Vancouver Stock Exchange (Symbol: USS) and the NASD Bulletin Board (Symbol: USME). On January 22, 1997, the Vancouver Stock Exchange approved the private placement. Since the private placement was not approved until January 1997, $213,275 received in December 1996 from investors in the private placement was recorded as U.S. Medical Systems, Inc. liabilities and included in accrued liabilities in the accompanying financial statements.

6. NET LOSS PER SHARE

Net loss per share is computed by dividing net loss by the weighted average number of common shares and common share equivalents (if dilutive) during each period. As required by accounting principles generally accepted in the United States, issued and outstanding shares of common stock which are held in escrow are excluded from the weighted average number of common and common equivalent shares because the release of such shares is contingent upon the Company reaching certain financial goals which have not yet been attained. In this period due to the one for seven reverse split, the weighted averages were recomputed. On December 31, 1996, the weighted average, excluding escrow shares, was 1,294,085 for the six month period and 1,372,578 for the quarter being reported.

ITEM 2.

This quarterly report on Form 10-Q contains certain forward-looking statements and information relating to the Company and its subsidiaries that are based on the beliefs of the Company's management as well as assumptions made by and information currently available to the Company's management. When used in this report, the words "anticipate," "believe," "estimate" and "intend" and words or phrases of similar import, as they relate to the Company or its subsidiaries or Company management, are intended to identify forward-looking statements. Such statements reflect the current risks, uncertainties and assumptions related to certain factors including, without limitations, competitive factors, general economic conditions, customer relations, relationships with vendors, governmental regulation and supervision, seasonality, distribution networks, product introductions and acceptance, technological change, changes in industry practices, onetime events and other factors described herein. Based upon changing conditions, should any one or more of these risks or uncertainties materialize, or should any underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected or intended. The Company does not intend to update these forward-looking statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The discussion below analyses changes in the consolidated operating results and financial conditions of the Company during its second quarter of fiscal 1996 and 1997.

GENERAL

The Company experienced an decrease in net sales, increased operating losses and a net loss for the fiscal quarter ended December 31, 1996. Net sales decreased 35% during the second quarter from $174,000 in 1995 to $113,000 in 1996. Operating losses increased 248% from $30,721 in fiscal 1996 to $107,000 in fiscal 1997. Net losses increased 103% from $52,000 in 1995 to $106,300 in 1996. The Company's gross margin decreased to 48.5% in 1996 from 79% in 1995. The decrease in gross margin was due primarily to the reduced sales of the PDS(R) product line in this quarter. Losses are anticipated in 1997 as the Company continues its efforts to obtain increased market acceptance for its Miracle Grip(R) product line.

The decrease in sales for the current period is attributable to the inconsistent sales in PDS(R) line, and dropping the QUITCH(R) line. Likewise, increases in operating losses are related to increases in general and administrative expenses due to the reorganization, special meeting and private placement. Selling expenses were due to the increased promotion costs for Miracle Grip(R). It is expected that overhead expenses should decline in the next period.

The Company continues to seek increases in sales of the Miracle Grip product line through major food and drug chains in the United States. Likewise, the Company has completed a direct mail test in areas of the country where Miracle Grip(R) is not sold and may continue to pursue sales through that channel as well. Strategically, the Company will require additional capital to manufacture and market existing and future products developed internally.

During the period, the Board of Directors completed a reorganization plan to restructure the Company and convert debt to equity. There can be no assurance that the reorganization approved by stockholders in November and by the Vancouver Stock Exchange will ensure financial success. Likewise, there can be no assurance that the Company will be able to sustain operations through 1997, convert its remaining raw materials and packaging inventories into salable products and successfully market its products. At the

Company's annual meeting, stockholders were told that the Company might seek to sell one or all of its existing product lines and seek to acquire an existing company.

The Company has suffered significant net losses, has a substantial accumulated deficit and has generated significant negative cash flows from operations. Marketing and costs to maintain inventory during fiscal 1997 will require significant cash resources. The Company obtained $270,900 in December of 1996 in connection with the private placement of equity and warrants. However, there can be no assurance that the additional cash resources will enable the Company to sustain operations in the next fiscal year, convert its remaining raw materials and packaging inventories into salable products and successfully market its products. In consideration of this, additional financing may be required in order to continue to fund operations. See the discussion under "Liquidity and Capital Resources" below.

RESULTS OF OPERATIONS

The following table sets forth, for the periods indicated, certain items from the Company's Condensed Consolidated Financial Statements of Income, expressed as a percentage of revenue:

	Three months ended December 31	
	1996	1995
NET SALES	100.0%	100.0%
COSTS AND EXPENSES		
Cost of sales	(51.5%)	(20.1%)
General and administrative	(79.9%)	(41.6%)
Selling and marketing	(26.9%)	(12.0%)
Research and development	(.7%)	(17.8%)
Depreciation and amortization	(35.8%)	(26.1%)
OPERATING EXPENSES	(194.9%)	(117.6%)
INCOME (LOSS) from operations	(94.9%)	(17.6%)
Total other income (expense):	.07%	(12.3%)
NET INCOME (LOSS)	(94.2%)	(29.9%)

COMPARISON OF THREE MONTHS ENDED DECEMBER 31, 1996 AND 1995

Net sales for the three months ended December 31, l996, decreased 35% to $113,000 from $174,000 for the same period last year. Most sales were related to Miracle Grip(R) consumer product for the retail market which has lower margins, increased cost of goods and higher marketing costs. Sales of the polymer film product line increased 23% from last year's period. Net sales of the discontinued stick technology decreased 62% compared to the corresponding fiscal 1996 period. Sales of the PDS(R) line were flat for this period.

Cost of goods sold as a percentage of net sales increased to 52% from 20% in the fiscal 1996 period. The increase was primarily the result of a shift in mix of sales, with reduced sales in the PDS(R) technology to the film technology products and lower gross margins of products sold in the current period. Gross margins are expected to improve in future quarters with larger manufacturing runs, increased sales in the PDS(R) lines and new techniques to recycle finished polymer film material.

General and administrative expenses increased by $17,875, or 24.7% in the second quarter 1997 period primarily as a result of nonrecurring expenses of approximately $57,000 related to legal, accounting, shareholder communications expenses due to the reorganization, special meeting and private placement in this period. Overhead expenses are expected to be stable in the next quarter. Management plans to continue cost cutting efforts in this area.

The increase of $10,000 or 50% in sales and marketing expenses in the second quarter 1997 period was largely associated with promotional and advertising cost on the Miracle Grip(R) product line. Currently twenty-four brokers representing the Company market the Miracle Grip(R) product. Selected advertising and in-store promotions will continue during fiscal 1997.

Research and development expenses decreased 98% to less than $1,000 in the current period. The decrease was attributed to the substantial completion of the development of the polymer film and stick technologies and the termination of all development fees to NewForm Development Labs

Interest expense decreased 60.5% to $7,878 attributable to the debt conversion of $853,000 of principle and interest. The interest income remained flat in the period. There was an increase of 526% in miscellaneous income due to an insurance refund from the previous fiscal year.

As a result of the above activities, the Company's losses increased from $52,200 in the fiscal 1996 period, or $0.01 per share to $106,300, or $0.08 per share in fiscal 1997's second quarter. The significant increase in loss per share is due to the one for seven reverse split in the period thereby reducing the weighted average number of shares to 1,372,578. If the Company is able to enhance advertising support for Miracle Grip(R) in 1997, management anticipates the sales volumes should increase for the Miracle Grip(R) product line. However, the Company operates in a highly competitive industry with companies that are better established in the market place and have vastly greater resources than the Company. Therefore, there can be no assurances that demand for the Company's Miracle Grip(R) product line will continue to grow.

COMPARISON OF SIX MONTHS ENDED DECEMBER 31, 1996 AND 1995

Net sales for the six months ended December 31, 1996 decreased $54,000 or 20% to $216,000 as compared to $270,000 for the same period of the previous year. The decrease in net sales was attributable to reduced purchases of the PDS(R) product line and the discontinuance of the solid stick technology. Sales of Miracle Grip(R) increased by 23% in the period over the second quarter of fiscal 1996.

Costs of goods sold as a percentage of net sales declined to 61% from 43% in the fiscal 1996 period. This increase resulted from the mix of products being manufactured.

General and administrative expenses decreased by $26,000 or 14% to $165,000 in the six month period. This was due primarily to reduced staff throughout the period, reduction of unnecessary office and lab space, the elimination of certain insurance, consulting and advertising services as well as the completion of computer leases. The Company incurred a one time expense of approximately $57,000 for the costs associated with restructuring, special meeting and a private placement. The Company expects that general and administrative expenses will continue to decrease since the Company is currently placing emphasis on cost controls and limiting non-essential spending whenever feasible.

Sales and Marketing expenses also decreased by $56,200 or 69% to $38,800 from $95,000 in the six month period last year. This improvement resulted from the management decision to eliminate the costly master broker arrangement, temporarily hire an experienced sales manager to restructure the national broker force, and reduce broad based national advertising until distribution expands.

Research and development expenses decreased 93% to $7,000 in the six month period. This resulted from the completion of clinical studies, selected stability studies and the completion of development on current and future products with New Form Labs. Costs related to monthly contract services and the leasing of the lab facilities by the Company for New Form Labs ended on October 31, 1995. The Company expects that research and development costs will be minimal through the remainder of fiscal year 1997.

Interest expense decreased to $28,500 attributable to the debt to equity conversion by stockholders from the debt financing of $805,000 on March 1, 1995. The decrease in interest income of $1,200 from the previous six month period last year was a result of less interest bearing investments during the current period due to the operational losses of the Company. The increase in miscellaneous income by $17,000 in the six month period from last year is attributed to a one time refund of insurance premiums from the previous year.

Net losses of $203,500 were down $162,300 or 52% from the corresponding fiscal 1996 six month period. The continued reduction is losses resulted from a steady focus of management cost controls including less expensive manufacturing processes and completion of major R&D work on the stick technology.

LIQUIDITY AND CAPITAL RESOURCES

Working capital deficit at December 31, l996 was $45,128 compared to a deficit in working capital at June 30, 1996 of $756,592. Current ratio was 0.88 from 0.22 at June 30, 1996. The increase in working capital is due to the conversion of $853,000 of the Company's debt to equity and an cash infusion of $270,900 due to the closing of a private placement in the period.

There were no capital expenditures in this period.

Total long term debt outstanding was $57,000, including accrued interest on the debt, at December 31, l996, which was a 94% reduction from the prior quarter. Interest on the remaining debt is being accrued monthly.

The Company completed a reorganization plan which included the conversion $853,000 of debt and interest through November 1, 1996 to equity. This transaction was approved by 23 of the 24 noteholders representing 94% of the Company's outstanding debt. The Company is negotiating to restructure the remaining 6% of the debt.

Management believes the reorganization, including the debt conversion to equity, together with existing cash resources and net proceeds from sales of its products and the completed private placement will be satisfactory to fund operations for the next six to nine months. There can be no assurance that the Company will be able to obtain financing on acceptable terms, if at all, to fund operations beyond that time frame.

PART II

OTHER INFORMATION

ITEM 1 LEGAL PROCEEDINGS
NONE

ITEM 2 RECENT SALES OF UNREGISTERED SECURITIES

On December 6, 1996, 541,800 units consisting of one transferable share purchase warrant and one share of Common Stock were sold to current stockholders, directors and noteholders and the Company. Each unit sold at $.50 (US) along with one non-transferable share purchase warrant, two of such warrants entitling the holder to acquire one additional share of Common Stock at a price of $.75 (US) per share until December 6, 1997 and at a price of $1.00 (US) until December 6, 1998. The Company received $270,900 (US) from this offering less legal, printing and accounting expenses of approximately $25,000.

Exemption under Securities Act: Section 4(2)., the offering was made exclusively to accredited investors. Total offering was less than $1,000,000.

ITEM 3 CHANGES IN SECURITIES
DEFAULTS UPON SENIOR SECURITIES

As reported in the Company's 10KSB/A-1 of September 19, 1996, the Company was in arrears of interest due on a debt obligation of $797,000 in debentures to 24 noteholders issued in February 1995. The Company defaulted on a majority of the interest due under the note arrangement agreement on April 1, 1996. Under a reorganization plan submitted to the stockholders in November 1996, debt and interest of 23 noteholders was converted to equity. In December 1996, $853,000 of principle and interest were exchanged for 1,110,983 post-reorganization shares. The Company is negotiating to restructure approximately $57,000 of outstanding debt remaining.

ITEM 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

(a) Special Meeting of Stockholders was held November 19, 1996.

(b) Three directors were reelected: Lee Cooke, Dr. Clark Gunderson and Sharri McAnally

(c) The Company received approval on five items with 9,142,061 shares voting at the Special Meeting on the following:

	FOR	AGAINST	ABSTAIN	SPOILED
ITEM #1				
Directors:				
Lee Cooke	9,018,106	-0-	56,455	67,500
Clark Gunderson	9,049,406	-0-	25,155	67,500
Sharri McAnally	9,409,106	-0-	25,155	67,500

	FOR	AGAINST	ABSTAIN
ITEM #2			
Amendment for 1:7 reverse split	8,780,901	242,626	118,534
ITEM #3			
Name Change to U.S. Medical Systems Inc.	8,907,656	226,981	7,424
ITEM #4			
Debt for Equity Exchange	6,793,897	241,531	2,106,633
ITEM #5			
Ratify Auditors	9,109,202	15,000	18,859

ITEM 5 NONE

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

The exhibit listed below is filed as part of this report.

EXHIBIT NUMBER	DESCRIPTION
4.4	Warrant Agreements dated December 6, 1996.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

U.S. MEDICAL SYSTEMS, INC.
THE REGISTRANT

Date: February 7, 1997

/s/ SHARRI MCANALLY

Sharri McAnally
Corporate Secretary
(an authorized accounting officer on behalf of the registrant)

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION
4.4	Warrant Agreements dated December 6, 1996
27	Financial Data Schedule

EXHIBIT 4.4 WARRANT AGREEMENT DATED DECEMBER 6, 1996

MEDICAL POLYMERS TECHNOLOGIES, INC.
Suite 350, 7600 Burnet Road
Austin, TX 78757

December 6, 1996

To:

Dear Sirs:

Medical Polymers Technologies, Inc., a Delaware corporation (the "Company"), hereby agrees to issue in connection with the private offering of its common stock with a $0.01 par value ("Common Stock"), Stock Purchase Warrants entitling the holders to purchase an aggregate of ____________shares of the Common Stock on a 7:1 post-consolidated basis, each two Warrants currently being equal to one share of Common Stock of the Company, to be evidenced by an instrument in the form attached hereto as Schedule "A" (hereinafter referred to as the "Warrant", and the Warrant and all instruments hereafter issued in replacement, substitution, combination or subdivision thereof being hereinafter issued in replacement, substitution, combination or subdivision thereof being hereinafter collectively referred to as the "Warrants"). The number and character of shares of Underlying Securities purchasable upon exercise of the Warrants are subject to adjustment as provided in Section 6 below. The Warrants will be exercisable by each Warrantholder as to all Common Stock covered thereby at the Purchase Price per share, as defined below, at any time and from time to time after the date hereof and ending at 5:00 p.m., Austin time, on December 6, 1998.

1. Definitions.

As used herein, the following terms, unless the context otherwise requires, shall have for all purposes hereof the following respective meanings:

(a) The term "Act" refers to the Securities Act of 1933, as amended from time to time.

(b) The term "Commission" refers to the Securities and Exchange Commission or the British Columbia Securities Commission.

(c) The term "Common Stock" refers to the Company's common stock with a $0.01 par value.

(d) The term "Other Securities refers to any securities of the Company or any other person (corporate or otherwise), any property (including cash), and any right to receive any securities or property that the holders of the Warrants at any time shall be entitled to receive, or shall have received, upon the exercise of the Warrants, in lieu of or in addition to Common Stock, or which at any time shall be issuable or shall have been issued in exchange for or in replacement of Common Stock or Other Securities pursuant to Section 6 hereof or otherwise; provided, however, that Other Securities does not include cash dividends payable upon Common Stock or Other Securities, which cash dividend was payable to holders of record prior to the date of exercise of a Warrant.

(e) The term "Purchase Price" means $0.75 (U.S.) per share prior to 5:00 p.m. Austin Time on December 6, 1997, or $1.00 (U.S.) per share after 5:00 p.m. Austin Time on December 6, 1997 and prior to 5:00 p.m. Austin Time on December 6, 1998, subject to adjustment as set forth in Subsection 6(a).

(f) The term "Underlying Securities" refers to the shares of Common Stock and Other Securities issuable under this Warrant Agreement and the Warrants pursuant to the exercise of the Warrants; provided, however, that "underlying Securities" does not include Common Stock or Other Securities, the right to purchase of which has been waived pursuant to Subsection 6(b) hereof.

(g) The term "Warrantholder" refers to the initial recipients of the Warrants and any transferee or transferees thereof permitted by Section 3(a) below.

2. Representations and Warranties.

The Company represents and warrants to you as follows:

(a) Existence. The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of its jurisdiction of incorporation.

(b) Corporate and Other Action. The Company has all requisite power and authority (corporate and other), and has taken all necessary corporate action, to authorize, execute, deliver and perform this Warrant Agreement; to execute, issue, sell and deliver the Warrants and a certificate or certificates evidencing the Warrants; to authorize and reserve for issuance and, upon payment from time to time of the Purchase Price, to issue, sell and deliver the shares of the Underlying Securities issuable upon exercise of the Warrants; and to perform all of its obligations under this Warrant Agreement and the Warrants. This Warrant Agreement has been duly executed and delivered by the Company and is a legal, valid and binding agreement of the Company enforceable in accordance with its terms. No authorization, approval, consent or other order of any regulatory authority is required for such authorization, issue or sale.

(c) Corporate and Other Action. The execution and delivery of this Warrant Agreement, the consummation of the transactions herein contemplated, and the compliance with the terms and provisions of this Warrant Agreement and of the Warrants will not conflict with, or result in a breach of, or constitute a default or an event permitting acceleration under, any statute, the Certificate of Incorporation or Articles of the Company, or any indenture, mortgage, deed of trust, note, bank loan, credit agreement, franchise, license, lease, permit or any other agreement, understanding, instrument, judgment, decree, order, statute, rule or regulation to which the Company is a party of by which it is bound.

(d) Validity. The Warrant, when delivered to you, will be duly authorized, executed and delivered and will be a legal, valid and binding obligation of the Company enforceable in accordance with its terms. The shares of Common Stock of the Company, when delivered to you upon payment of the Purchase price, will be duly authorized and validly issued and outstanding, fully paid and nonassessable, and free of preemptive rights.

3. Compliance with the Act.

(a) Purchase for Investment; Transferability. You represent and warrant to the Company that the Warrants and the shares of Underlying Securities are being acquired for investment and not with a view to the distribution or resale thereof. You agree that the Warrants and the Underlying Securities may not be transferred, sold, assigned or hypothecated, except pursuant to a registration statement that has become effective under the Act, setting forth the terms of such offering, the underwriting discount and commissions and any other pertinent data with respect thereto, unless you have provided the Company with an opinion of counsel reasonably acceptable to the Company that such registration is not required.

(b) Legend. Each certificate representing Underlying Securities shall be imprinted with a legend in substantially the following form:

> The securities represented by this certificate were issued upon exercise of a stock purchase warrant granted on December 6, 1996, have not been registered or qualified under the Securities Act of 1933 or any applicable state securities laws, and may not be sold or transferred in the absence of effective registration or qualified under such laws or an exemption from registration or qualification thereunder. The transfer of such security is also subject to the conditions specified in the Warrant Agreement, dated as of December 6, 1996, between the Corporation and certain subscribers, and the Corporation reserves the right to refuse the transfer of such security until such conditions have been fulfilled with respect to such transfer. Upon written request, a copy of such

agreement will be furnished by the Corporation to the holder thereof without charge. Any transferee of the security represented by this certificate also agrees to be bound by the terms and conditions of such Warrant Agreement.

THE WARRANTS REPRESENTED BY THIS WARRANT CERTIFICATE AND ANY SHARES ACQUIRED UPON THE EXERCISE THEREOF ARE SUBJECT TO A HOLD PERIOD AND MAY NOT BE TRADED IN BRITISH COLUMBIA UNTIL THE EXPIRY OF THE HOLD PERIOD EXCEPT AS PERMITTED BY THE SECURITIES ACT (BRITISH COLUMBIA) AND REGULATIONS MADE UNDER THE ACT.

(c) Unless the content otherwise requires, references in this Section 3 to "you" or "your" shall mean and include a Warrantholder or a holder of Underlying Securities, as the case may be.

4. Exercise of Warrants.

Warrants may only be exercised in full by the Warrantholder by surrender of the Warrant, with the form of subscription at the end thereof duly executed by such Warrantholder, to the Company at its principal executive offices, accompanied by certified or bank cashier's cheque payable to the order of the Company in the full amount obtained by multiplying the number of Units represented by the respective Warrant or Warrants by the Purchase Price per Unit.

5. Delivery of Stock Certificates, etc. on Exercise.

Any exercise of the Warrants pursuant to Section 4 hereof shall be deemed to have been effective immediately prior to the close of business on the date on which the Warrants with the subscription form and the cheque for the aggregate Purchase Price shall have been received by the Company; except that the Company shall not be required to open its stock transfer books in order to effect an exercise, and the effective time in such event shall be the date the stock transfer books are reopened. At such time, the person or persons in whose name or names any certificate or certificates for shares of Underlying Securities shall be issuable upon such exercise shall be deemed to have become the holder or holders of record of the shares of Underlying Securities so purchased. As soon as practicable after the exercise of any Warrant, the Company, at its expense (including the payment by it of any applicable issue taxes), will cause to be issued in the name of, and delivered to, the purchasing Warrantholder, a certificate or certificates for the number of fully paid and nonassessable shares of the Underlying Securities to which such Warrantholder shall be entitled upon such exercise, plus in lieu of any fractional share to which such Warrantholder would otherwise be entitled, cash in an amount determined pursuant to Subsection 7(h) hereof. Such certificate shall contain the legend required by Subsection 3(b) hereof.

6. Anti-dilution Provisions.

The Warrants are subject to the following terms and conditions during the term thereof:

(a) Stock Distributions, Splits and Combinations; Adjustments. In case of (i) the outstanding shares of Common Stock (or Other Securities) shall be subdivided into a greater number of shares, (ii) a non-cash dividend in Common Stock (or Other Securities) shall be paid in respect of Common Stock (or Other Securities), or (iii) the outstanding shares of Common Stock (or Other Securities) shall be combined into a smaller number of shares thereof, the number of shares of Underlying Securities subsequent to such subdivision or combination or at the record date of such dividend or distribution shall simultaneously with the effectiveness of such subdivision or combination or immediately after the record date of such dividend or distribution be equal to the number of shares of Common Stock and Other Securities a holder would have owned and had a right to receive as a result of such subdivision, combination, dividend or distribution if such holder had actually held of record immediately prior to the effectiveness of such subdivision or combination or immediately prior to the record date of such dividend or distribution the number of Underlying Shares purchasable immediately prior to the effectiveness of such subdivision or combination or the record date of such dividend or distribution.

(b) Reorganizations and Recapitalizations. In case the Company shall be reorganized or recapitalized by the reclassifying its outstanding Common Stock (or Other Securities) without par value to stock with par value, then, as a condition of such reorganization or recapitalization, each Warrantholder shall thereafter have the right to purchase, upon the terms and conditions specified herein, the number of shares of Underlying Securities that a holder would have owned and had the right to receive as a result of such reorganization or recapitalization if such holder had held of record the number of shares of Underlying Securities immediately prior to such reorganization or recapitalization. If any consolidation or merger of the Company with another corporation, or the sale of all or substantially all of its assets to another corporation, shall be effected in such a way that holders of Common Stock and Other Securities shall be entitled to receive stock, securities or assets with respect to or in exchange for Common Stock and Other Securities, then, as a condition of such consolidation, merger or sale, immediately after the effective time of such consolidation, merger or sale, the Warrantholders shall thereafter, subject to the last sentence of this Subsection, have the right to purchase and receive upon the basis and upon the terms and conditions specified in this Warrant Agreement, the number of shares of Underlying Securities that a holder would have owned and had a right to receive as a result of such consolidation, merger or sale if such holder had actually held of record immediately prior to such consolidation, merger or sale the number of shares of Underlying Securities purchasable immediately prior to such consolidation, merger or sale. If the Company is merged or consolidated with another corporation under circumstances where the Company is not the surviving corporation or where the Company will be a wholly-owned subsidiary of another corporation (except where such merger or consolidation is effected merely in order to recapitalize or reincorporate the Company), or if the Company sells or otherwise disposes of all or substantially all of its property or assets to another corporation, all outstanding Warrants may be cancelled by the Board of Directors of the Company as of the effective date of any such merger, consolidation or sale, provided that (i) written notice of such cancellation is given to each holder of a Warrant not later than 30 days prior to such effective date and (ii) each holder of a Warrant shall have the right to exercise such Warrant in full during the said 30-day period preceding the effective date of such merger, consolidation or sale.

(c) Effect of Dissolution or Liquidation. In case the Company shall dissolve or liquidate all or substantially all of its assets, all rights under this Warrant Agreement and the Warrants shall terminate as of the date upon which a certificate of dissolution or liquidation shall be filed with the Registrar of Companies, British Columbia (or, if the Company theretofore shall have been merged or consolidated with a corporation incorporated under the laws of another state or province, the state or province of incorporation on the date upon which action of equivalent effect shall have been taken); provided, however, that (i) no dissolution or liquidation shall affect the rights under Subsection (b) hereof of any Warrantholder and (ii) if the Company's Board of Directors shall propose to dissolve or liquidate the Company, each Warrantholder shall be given written notice of such proposal at the earlier of (i) the time when the Company's shareholders are first given notice of the proposal or (ii) the time when notice to the Company's shareholders is first required.

(d) Notice of Change of Underlying Securities. Whenever the number of shares of Underlying Securities or the kind or amount of securities or assets purchasable pursuant to the Warrants shall be adjusted pursuant to any of the provisions of this Warrant Agreement, or the number of shares of Underlying Securities or the kind or amount of securities or assets receivable upon conversion of Underlying Securities shall be adjusted pursuant to the terms thereof, the Company shall forthwith thereafter cause to be sent to each Warrantholder a notice setting forth such adjustment and also setting forth in detail the facts requiring such adjustments.

7. Further Covenants of the Company.

(a) Dilution or Impairments. The Company will not, by amendment of its certificate of incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of the Warrant or of this Warrant Agreement, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate in order to protect the rights of the Warrantholders against dilution or other impairment. Without limiting the generality of the foregoing, the Company:

(i) shall at all times reserve and keep available, solely for issuance and delivery upon the exercise of the Warrants, all shares of the Underlying Securities from time to time issuable upon the exercise of the Warrants and shall use its best efforts to ensure that the par value per share, if any, of the Underlying Securities is at all time equal to or less than the then effective Purchase Price per share of Underlying Securities; and

(ii) will take all such actions as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable shares of Common Stock and Other Securities upon the exercise of the Warrants from time to time outstanding.

(b) Title to Stock. All shares of Underlying Securities delivered upon the exercise of the Warrants shall be validly issued, fully paid and nonassessable; each holder of a Warrant shall receive good and marketable title to the Underlying Securities, free and clear of all voting and other trust arrangements, liens, encumbrances, equities and claims whatsoever; and the Company shall have paid all taxes, if any, in respect of the issuance thereof.

(c) Remedies. The Company stipulates that the remedies at law of the Warrantholder or any holder of Underlying Securities in the event of any default or threatened default by the Company in the performance of or compliance with any of the terms of this Warrant Agreement or the Warrants are not and will not be adequate and that such terms may be specifically enforced by a decree of the specific performance of any agreement contained herein or in the Warrants or by an injunction against a violation of any of the terms hereof of thereof or otherwise.

(d) Exchange of Warrants. Subject to Subsection 3(a) hereof, upon surrender or exchange of any Warrant to the Company, the Company at its expense will promptly issue and deliver to or upon the order of the holder thereof a new Warrant of like tenor, in the name of such holder or as such holder (upon payment by such Warrantholder of any applicable transfer taxes) may direct, calling in the aggregate for the purchase of the number of shares of Underlying Securities called for on the face or faces of the Warrant or Warrants so surrendered. The Warrants and all rights thereunder are transferrable in whole or in part upon the books of the Company by the registered holder thereof subject to the provisions of Subsection 3(a) hereof, in person or by duly authorized attorney, upon surrender of the Warrant, duly endorsed, at the principal office of the Company.

(e) Replacement of Warrants. Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of any Warrant, and in the case of any such loss, theft or destruction, upon delivery of an indemnity agreement reasonably satisfactory in form and amount to the Company, or in the case of such mutilation, upon surrender and cancellation of such Warrant, the Company, at the expense of the Warrantholder, will execute and deliver, in lieu thereof, a new Warrant of like tenor.

(f) Fractional Shares. No fractional shares of Underlying Securities are to be issued upon the exercise of any Warrant, but the Company shall pay a cash adjustment in respect of any fraction of a share that would otherwise be issuable in an amount equal to such fraction multiplied by the closing market price per share of Underlying Securities on the day of exercise, as determined by the closing bid and asked price regular way on the principal national securities exchange on which the Underlying Securities are listed or admitted to trading, or if not listed or admitted to trading on any national securities exchange, the average of the highest reported bid and lowest reported asked price over the preceding 30-day period as furnished by the National Quotation Bureau Incorporated; provided, however, that if the Underlying Securities are not traded in such manner that the quotations referred to herein are available, the market price shall be deemed to be the fair market value of such Underlying Securities as reasonably determined by the Board of Directors.

8. Other Warrantholders.

The Warrants are issued upon the following terms, to all of which each holder or owner thereof by the taking thereof consents and agrees: (a) any person who shall become a transferee, within the limitations on transfer imposed by Subsection 3(a) hereof, shall take such Warrant subject to the provisions of Subsection 3(a) hereof and the other provisions hereof and thereupon shall be authorized to represent himself as absolute owner thereof and, subject to the restrictions contained in this Warrant Agreement, shall be empowered to transfer absolute title by endorsement and delivery thereof to a permitted bona fide purchaser for value; (b) each prior taker or owners waives and renounces all of his equities or rights in such Warrant in favour of each such permitted bonafide purchaser, and each such permitted bonafide purchaser shall acquire absolute title thereto and all rights presented thereby; (c) until such time as the respective Warrant is transferred on the books of the Company, the Company may treat the registered holder thereof as the absolute owner thereof for all purposes, notwithstanding any notice to the contrary; and (d) all references to the words "you" and "your" in this Warrant Agreement shall be deemed to apply with equal effect to any person to whom a Warrant has been transferred in accordance with the terms hereof, and where appropriate, to any person holding shares of the Underlying Securities.

9. Miscellaneous.

All notices, certificates, and other communications from or at the request of the Company to any Warrantholder shall be mailed by first class, registered, or certified mail, postage prepaid, to the address set forth herein, to such address as may have been furnished to the Company in writing by such Warrantholder, or, if no notice of transfer has been received by the Company, to the address of the last holder of such Warrant. This Warrant Agreement and any of the terms hereof may be changed, waived, discharged, or terminated only pursuant to Subsection 6(b) hereof or by an instrument in writing signed by the Company and the holders of Warrants to purchase in excess of 50% of the Underlying Securities then subject to purchase pursuant to the

Warrants. This Warrant Agreement shall be construed and enforced in accordance with and governed by the internal laws of the Province of British Columbia. The headings in this Warrant Agreement are for purpose of reference only and shall not limit or otherwise affect any of the terms hereof. This Warrant Agreement, together with the forms of instruments annexed hereto as Exhibit A, constitutes the full and complete agreement of the parties hereto with respect to the subject matter hereof.

THIS WARRANT AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES WITH RESPECT TO THE WARRANT AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NOT UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES.

IN WITNESS WHEREOF, the Company has caused this Warrant Agreement to be executed as of the 6th day of December, 1996, by its proper corporate officers, thereunto duly authorized.

MEDICAL POLYMERS TECHNOLOGIES, INC.

By:

LEE COOKE,
Chairman

CONFIRMED:

SIGNATURE

Printed Name: ________________________

Title (if applicable):

(Each co-owner or joint owner must sign.)

SCHEDULE "A"

NEITHER THIS WARRANT NOR THE SECURITIES THAT MAY BE PURCHASED PURSUANT TO THIS WARRANT HAVE BEEN REGISTERED WITH OR APPROVED BY THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933 OR THE SECURITIES LAWS OF ANY STATE. THIS WARRANT AND THE SECURITIES THAT MAY BE PURCHASED PURSUANT TO THIS WARRANT ARE BEING OFFERED AND SOLD IN RELIANCE UPON CERTAIN EXEMPTIONS AFFORDED BY SUCH ACTS AND MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF AN ELECTIVE REGISTRATION STATEMENT UNDER SUCH ACTS OR AN OPINION OF COUNSEL ACCEPTABLE TO THE COMPANY THAT SUCH REGISTRATION IS NOT REQUIRED.

Warrant No. ____

MEDICAL POLYMERS TECHNOLOGIES, INC.

STOCK PURCHASE WARRANT

THIS IS TO CERTIFY THAT ________________________________ is entitled to purchase at any time or from time to time after the date hereof ________ post-consolidated shares of common stock with a $0.01 par value at a Purchase Price of $0.50 (U.S.) per share if purchased prior to 5:00 p.m., Vancouver Time, on December 6, 1997 and at a price of $1.00 (U.S.) per share if purchased after 5:00 p.m. Vancouver Time on December 6, 1997 and prior to 5:00 p.m. Vancouver Time on December 6, 1998. On the date hereof, each two warrants represented herein are equal to one share post-consolidated of the common stock without par value, of Medical Polymers Technologies, Inc., a Delaware corporation (the "Company"), subject to adjustment pursuant to Section 6 of the Warrant Agreement (defined below). This Warrant is issued pursuant to a Warrant Agreement dated as of December 6, 1996 (the "Warrant Agreement"), between the Company and certain subscribers, and all rights of the holder of this Warrant are subject to the terms and provisions of the Warrant Agreement, copies of which are available to inspection at the offices of the Company.

TRANSFER OF THIS WARRANT IS RESTRICTED AS PROVIDED IN THE WARRANT AGREEMENT.

THE WARRANTS REPRESENTED BY THIS WARRANT CERTIFICATE AND ANY SHARES ACQUIRED UPON THE EXERCISE THEREOF ARE SUBJECT TO A HOLD PERIOD AND MAY NOT BE TRADED IN BRITISH COLUMBIA UNTIL THE EXPIRY OF THE HOLD PERIOD EXCEPT AS PERMITTED BY THE SECURITIES ACT (BRITISH COLUMBIA) AND REGULATIONS MADE UNDER THE ACT.

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed and its corporate seal to be hereunto affixed in Austin, Texas by its proper corporate officers thereunto duly authorized as of this 6th day of December, 1996.

MEDICAL POLYMERS TECHNOLOGIES, INC.

By:

Lee Cooke,
Chairman

PACIFIC CORPORATE TRUST COMPANY

By:

Authorized Signatory

FORM OF SUBSCRIPTION
(To be signed only upon exercise of Warrant)

To Medical Polymers Technologies, Inc.

The undersigned, the holder of the within Warrant, hereby irrevocably elects to exercise the purchase right represented by such Warrant for, and to purchase thereunder, ____________ post-consolidated shares of common stock with a $0.01 par value of Medical Polymers Technologies, Inc. and herewith makes payment of $_________ therefor, and requests that the certificate or certificates for such shares be issued in the name of and delivered to the undersigned.

Dated: ___________

____
(Signature must conform in all respects to name of holder as specified on the face of the within Warrant)

____

____
Address

____
* Insert here the number of shares called for on the face of the Warrant, without making any adjustment for additional Common Stock, Preferred Stock or any other stock or other securities or property or cash which, pursuant to the adjustment provisions of the Warrant Agreement pursuant to which the Warrant was granted, may be deliverable upon exercise.

3-MOS
JUN-30-1997
OCT-01-1996
DEC-31-1996
235,742
0
37,141
5,000
56,130
336,596
20,179
0
442,124
381,724
0
23,320
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0
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442,124
112,898
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58,220
164,774
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(7,878)
0
0
(107,096)
0
0
0
(106,346)
(0.08)
0