

BioMS Medical Corp.
(A Development Stage Corporation)

Interim Consolidated Financial Statements
(Unaudited)
March 31, 2006

BioMS Medical Corp.

(A Development Stage Corporation)

Interim Consolidated Balance Sheet

(Unaudited)

As at March 31, 2006

	March 31, 2006 \$ (Unaudited)	December 31, 2005 \$
Assets		
Current assets		
Cash and cash equivalents	26,304,610	34,526,582
Short-term investments	5,662,146	3,509,061
Accounts receivable	203,482	191,233
Prepaid expenses	526,799	2,452,509
	<hr/>	<hr/>
	32,697,037	40,679,385
Licensing costs	9,957,934	10,325,869
Property and equipment	366,147	353,907
	<hr/>	<hr/>
	43,021,118	51,359,161
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	2,925,231	3,451,080
	<hr/>	<hr/>
Commitments (note 6)		
Shareholders' Equity		
Share capital (note 3)	96,597,941	96,688,272
Contributed surplus (note 3)	2,280,782	1,326,154
Deficit	(58,782,836)	(50,106,345)
	<hr/>	<hr/>
	40,095,887	47,908,081
	<hr/>	<hr/>
	43,021,118	51,359,161

See accompanying notes to the financial statements.

BioMS Medical Corp.

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Interim Consolidated Statement of Deficit

(Unaudited)

	Cumulative from inception to March 31,		Three-month period ended March 31,	
	2006		2006	2005
	\$		\$	\$
Balance – Beginning of period	-	50,106,345	33,596,161	
Net loss for the period	57,764,108	8,622,497	2,414,636	
Excess of repurchase price of common shares over stated capital (note 3)	1,018,728	53,994	22,922	
Balance – End of period	58,782,836	58,782,836	36,033,719	

See accompanying notes to the financial statements.

BioMS Medical Corp.

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Interim Consolidated Statement of Operations

(Unaudited)

	Cumulative from inception to March 31,	Three-month period ended March 31,	
	2006	2006	2005
	\$	\$	\$
Expenses			
Research and development	37,181,081	6,543,779	1,050,614
General and administrative	14,217,585	1,093,203	978,555
Amortization of licensing costs	7,707,352	367,935	367,935
Stock- based compensation (note 3)	2,280,780	954,626	95,023
Amortization of property and equipment	172,327	26,924	14,133
	<hr/> 61,559,125	<hr/> 8,986,467	<hr/> 2,506,260
Less: Investment income	3,795,017	363,970	91,624
	<hr/> 57,764,108	<hr/> 8,622,497	<hr/> 2,414,636
Net loss for the period			
	<hr/> 57,764,108	<hr/> 8,622,497	<hr/> 2,414,636
Basic and diluted loss per share (note 4)		<hr/> 0.14	<hr/> 0.05

See accompanying notes to the financial statements.

BioMS Medical Corp.

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Interim Consolidated Statement of Cash Flows

(Unaudited)

	Cumulative from inception to March 31,		Three-month period ended March 31,
	2006 \$	2006 \$	2005 \$
Cash provided by (used in)			
Operating activities			
Net loss for the period	(57,764,108)	(8,622,497)	(2,414,636)
Items not affecting cash			
Stock-based compensation	2,280,780	954,626	95,023
Amortization of licensing costs	7,707,352	367,935	367,935
Amortization of property and equipment	172,327	26,924	14,133
	(47,603,649)	(7,273,012)	(1,937,545)
Net change in non-cash working capital items (note 5)	2,180,795	1,387,612	(651,215)
	(45,422,854)	(5,885,400)	(2,588,760)
Investing activities			
Investment funds advanced	-	-	(10,943)
Purchase of property and equipment	(538,474)	(39,162)	(5,105)
Licensing costs	(6,467,434)	-	-
Purchase of short-term investments	(5,662,146)	(2,153,085)	(10,268,784)
	(12,668,054)	(2,192,247)	(10,284,832)
Financing activities			
Repurchase of share capital	(2,057,808)	(144,325)	(35,580)
Share issue costs	(5,497,466)	-	(3,310,205)
Net proceeds from issuance of share capital	91,950,792	-	41,618,500
	84,395,518	(144,325)	38,272,715
Increase (decrease) in cash and cash equivalents	26,304,610	(8,221,972)	25,399,123
Cash and cash equivalents – Beginning of period	-	34,526,582	12,385,258
Cash and cash equivalents – End of period	26,304,610	26,304,610	37,784,381
Cash and cash equivalents consists of			
Bank and trust accounts	1,047,595	1,047,595	(133,463)
Interest bearing deposits and securities	25,257,015	25,257,015	37,917,844
	26,304,610	26,304,610	37,784,381

See accompanying notes to the financial statements.

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Notes to Interim Consolidated Financial Statements

(Unaudited)

March 31, 2006

1 Nature of business

BioMS Medical Corp. (the “Corporation”) is incorporated in Alberta under the Alberta Business Corporations Act and is a development stage corporation. The Corporation develops new pharmaceutical technologies through pre-clinical and clinical trial stages, with the primary focus on the development of its drug MBP 8298 for Multiple Sclerosis.

2 Basis of presentation

These interim consolidated financial statements include the accounts of the Corporation, its wholly owned subsidiaries, BioMS Technology Corp. and BioMS Technology International Ltd. and a variable interest entity (“VIE”) for which the Corporation is the primary beneficiary, BioCyDex Inc. The Corporation has a 49% interest in BioCyDex Inc. All inter-company balances and transactions have been eliminated.

These interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim consolidated financial statements and do not include all of the disclosures found in the Corporation’s annual consolidated financial statements. These interim consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended December 31, 2005. The accounting policies used in the preparation of these interim consolidated financial statements are consistent with the accounting policies used in the Corporation’s year-end audited consolidated financial statements of December 31, 2005.

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Notes to Interim Consolidated Financial Statements

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3 Share capital

Authorized

Unlimited number of Classes A and B voting, common shares

Unlimited number of Classes C and D non-voting, common shares

Unlimited number of Classes E, F, G, H and I non-voting, redeemable, retractable, preferred shares

Issued

	<u>Common shares issued and outstanding</u>		<u>Contributed surplus</u>
	Class A common shares #	\$	\$
Balance – December 31, 2005	62,938,166	96,688,272	1,326,154
Repurchase pursuant to normal course issuer bid	(58,800)	(90,331)	-
Contributed surplus	-	-	954,628
Balance – March 31, 2006	<u>62,879,366</u>	<u>96,597,941</u>	<u>2,280,782</u>

Normal course issuer bid

On August 15, 2005, the Corporation received approval for a normal course issuer bid allowing the Corporation to repurchase up to 1,000,000 Class A common shares during the period of August 15, 2005 to August 14, 2006 at the market price at the time of repurchase. The Corporation has acquired 230,600 of its common shares at an average price of \$2.61 per share, including 58,800 shares acquired in the period ending March 31, 2006, at an average price of \$2.45 per share. All common shares acquired by the Corporation pursuant to the normal course issuer bid were cancelled by BioMS Medical Corp. The excess of the purchase price over the stated capital of the common shares has been charged to the deficit.

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Incentive stock option plan

The Corporation's incentive stock option plan permits the grant of stock options to employees, directors, officers and consultants of the Corporation. At March 31, 2006, 8,000,000 Class A common shares were reserved for stock options, of which 6,334,500 had been granted under this plan. The remaining 1,665,500 stock options are available for grant in the future under the plan. At March 31, 2006, the outstanding stock options also include 1,112,000 options which were issued prior to the establishment of the stock option plan. Transactions during the period ended March 31, 2006 were as follows:

	Number of options #	Weighted average exercise price \$
Balance – December 31, 2005	5,284,500	3.34
Granted	1,050,000	2.35
Exercised	-	-
	<hr/>	
Balance - March 31, 2006	6,334,500	3.17

On January 24, 2006, the Corporation granted options to acquire 1,050,000 Class A common shares of the Corporation to certain employees, officers and directors of the Corporation. The options vested immediately, are exercisable at \$2.35 per share and expire January 23, 2016.

Range of exercise prices \$	Options outstanding			Options exercisable	
	Number of options #	Weighted average exercise price \$	Weighted average remaining contractual life (years)	Number of options #	Weighted average exercise price \$
2.35	1,050,000	2.35	9.8	1,050,000	2.35
2.50 to 2.97	1,372,000	2.60	6.3	1,372,000	2.60
3.08 to 3.50	2,507,500	3.35	8.4	2,494,300	3.32
3.65	60,000	3.65	7.0	60,000	3.65
4.00 to 4.14	1,315,000	4.00	6.5	1,315,000	4.00
5.75	30,000	5.75	0.6	30,000	5.75
	<hr/>				
	6,334,500	3.17	7.7	6,321,300	3.16

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3,730,000 options are issued to directors, some of whom are officers, and 2,604,500 options are issued to employees and consultants.

Stock-based compensation expense

The Corporation follows the fair value method of accounting for stock options which resulted in compensation expense of \$954,626 for the three months ended March 31, 2006 (2005 – \$95,023). The following weighted average assumptions were used in the Black-Scholes option pricing model for valuation of the 1,050,000 stock options granted during the period.

Risk free interest rate	3.92%
Dividend yield	0.00%
Expected life of the option	5 years
Volatility	31.35%

Warrants

As at March 31, 2006, the Corporation had 12,420,000 warrants outstanding. Of the issued warrants, 11,787,500 entitle the holder to purchase one Class A common share on or before March 23, 2009 at an exercise price of \$5.00 per share and 632,500 of the warrants entitle the holder to purchase one Class A common share on or before March 23, 2007 at an exercise price of \$3.98 per share.

4 Loss per share

Loss per share has been calculated on the weighted average number of common shares outstanding for the period 62,897,085 (March 31, 2005 – 52,847,263).

The effect of potentially exercisable options and warrants was anti-dilutive at March 31, 2006 and March 31, 2005 and therefore is not presented.

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5 Net change in non-cash working capital items

	March 31, 2006 \$	March 31, 2005 \$
Accounts receivable	(12,249)	14,815
Prepaid expenses	1,925,710	(141,155)
Accounts payable	(525,849)	(524,875)
	<u>1,387,612</u>	<u>(651,215)</u>

6 Commitments

The Corporation has entered into a licensing agreement to cover patent claims related to Medical Technology for the treatment of Multiple Sclerosis. The licensing agreement requires payment of a monthly maintenance fee plus royalties on an escalating scale based on net sales of the licensed product.

The Corporation has entered into a licensing agreement to cover certain patent claims relating to new medical technology for mobilizing hematopoietic cells in humans. This licensing agreement requires payment of an initial licensing fee to be made concurrently with execution of the Clinical Research Program Agreement, additional payments upon reaching certain objectives and royalties on an escalating scale based on net sales of the licensed product.

During the quarter ended March 31, 2006, the Corporation entered into agreements with certain contractors and employees. These agreements commit the Corporation to make a bonus payment to the contractors and employees when a licensing agreement is entered into, for any indication, between the Corporation and a third party in respect of the development of MBP8298 technology, including pre-clinical and clinical studies, manufacturing, regulatory applications and/or marketing. The total payment is equivalent to a portion of the upfront milestone payment received by the Corporation with a minimum payment of \$6.1 million and a maximum payment of \$8.3 million. The payment may be made in cash, stock or other equivalent compensation at the discretion of the Board of Directors.

7 Financial instruments

Financial instruments of the Corporation consist of cash and cash equivalents, short-term investments, accounts receivable, accounts payable and accrued liabilities. As at March 31, 2006 and December 31, 2005, there are no significant differences between the carrying amounts of these items and their estimated fair values due to their short maturities.

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8 Related party transactions

The Corporation paid management and administration amounts of \$212,500 (2005 – \$162,500) and office rent in the amount of \$45,000 (2005 – \$30,000) to companies controlled by directors and officers of the Corporation.

All transactions with related parties have occurred in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

9 Comparative figures

Certain comparative figures have been reclassified to conform with the current period presentation

