

**BioMS Medical Corp.**  
(A Development Stage Corporation)

Interim Consolidated Financial Statements  
**(Unaudited) March 31, 2007**

**BioMS Medical Corp.**  
(A Development Stage Corporation)  
Interim Consolidated Balance Sheets

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(expressed in thousands of Canadian dollars)

	<b>March 31, 2007 \$ (Unaudited)</b>	<b>December 31, 2006 \$</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	29,492	37,416
Short-term investments	4,680	5,677
Goods and services tax recoverable	172	456
Prepaid expenses and other current assets	2,246	2,711
	<hr/>	<hr/>
	36,590	46,260
<b>Licensing costs</b>	8,486	8,854
<b>Property and equipment</b>	371	355
	<hr/>	<hr/>
	45,447	55,469
	<hr/>	<hr/>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable	5,981	3,826
Accrued liabilities	3,877	5,008
	<hr/>	<hr/>
	9,858	8,834
	<hr/>	<hr/>
<b>Shareholders' Equity</b> (note 4)		
<b>Share capital</b>	135,327	135,276
<b>Contributed surplus</b>	6,560	4,759
<b>Accumulated deficit</b>	(106,298)	(93,400)
	<hr/>	<hr/>
	35,589	46,635
	<hr/>	<hr/>
	45,447	55,469
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*(The accompanying notes are an integral part of these consolidated financial statements.)*

**Approved by the Board of Directors.**

*"Cliff Giese"*

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Cliff Giese, Director

*"W.D. Grace"*

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W. D. Grace, Director

# BioMS Medical Corp.

(A Development Stage Corporation)

## Interim Consolidated Statements of Operations and Comprehensive Loss

(Unaudited)

(expressed in thousands of Canadian dollars, except per share amounts)

	Cumulative from inception to March 31,	Three-month period ended March 31,	
	2007 \$	2007 \$	2006 \$
<b>Revenue</b>	-	-	-
<b>Expenses</b>			
Research and development	76,950	10,274	6,735
General and administrative	23,953	2,628	1,760
Amortization of licensing costs	9,179	368	368
Amortization of property and equipment	291	33	27
	110,373	13,303	8,890
<b>Loss from operations</b>	(110,373)	(13,303)	(8,890)
<b>Investment income</b>	5,104	405	364
<b>Net loss and comprehensive loss</b>	(105,269)	(12,898)	(8,526)
		\$	\$
<b>Basic and diluted net loss per common share</b>		(0.17)	(0.14)
		#	#
<b>Basic and diluted weighted average number of common shares outstanding</b>		75,243,323	62,897,085

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

**BioMS Medical Corp.**  
(A Development Stage Corporation)  
Interim Consolidated Statements of Cash Flows  
(Unaudited)

(expressed in thousands of Canadian dollars)

	<b>Cumulative from inception to March 31,</b>	<b>Three-month period ended March 31,</b>	
	<b>2007 \$</b>	<b>2007 \$</b>	<b>2006 \$</b>
<b>Cash provided by (used in)</b>			
<b>Operating activities</b>			
Net loss	(105,269)	(12,898)	(8,526)
Items not involving cash			
Stock-based compensation	6,560	1,801	858
Amortization of licensing costs	9,179	368	368
Amortization of property and equipment	291	33	27
	(89,239)	(10,696)	(7,273)
Net change in non-cash working capital items			
Goods and services tax recoverable	(172)	284	(15)
Prepaid and other current assets	(2,246)	465	1,928
Accounts payable and accrued liabilities	9,843	1,024	(526)
	(81,814)	(8,923)	(5,886)
<b>Investing activities</b>			
Purchase of property and equipment	(662)	(49)	(39)
Proceeds from (purchase of) short-term investments	(4,680)	997	(2,153)
Licensing costs	(6,467)	-	-
	(11,809)	948	(2,192)
<b>Financing activities</b>			
Repurchase of share capital	(2,082)	-	(144)
Share issue costs	(8,980)	-	-
Proceeds from issuance of share capital	134,177	51	-
	123,115	51	( 144)
<b>Increase (decrease) in cash and cash equivalents</b>	<b>29,492</b>	<b>(7,924)</b>	<b>(8,222)</b>
<b>Cash and cash equivalents – Beginning of period</b>	<b>-</b>	<b>37,416</b>	<b>34,527</b>
<b>Cash and cash equivalents – End of period</b>	<b>29,492</b>	<b>29,492</b>	<b>26,305</b>
<b>Cash and cash equivalents consists of</b>			
Bank accounts	1,271	1,271	1,048
Interest bearing deposits and securities	28,221	28,221	25,257
	29,492	29,492	26,305

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

## **1 Nature of business**

BioMS Medical Corp. (the “Corporation”) is incorporated in Alberta under the 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 MBP8298 for Multiple Sclerosis.

## **2 Basis of presentation**

These consolidated financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada and include the accounts of the Corporation, its wholly owned subsidiaries, BioMS Technology Corp., BioMS Technology US Corp., 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 intercompany balances and transactions have been eliminated on consolidation.

These unaudited interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles (“GAAP”) for interim financial statements. 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, 2006. However, these interim consolidated financial statements do not include all information and footnote disclosures required under Canadian GAAP for annual financial statements. Accordingly, these interim consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2006.

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

## **3 Changes in accounting policies**

Effective January 1, 2007, the Corporation adopted three new accounting standards related to financial instruments that were issued by the Canadian Institute of Chartered Accountants (“CICA”) in 2005. These accounting policy changes were adopted on a retroactive basis with no restatement of prior period financial statements. The new standards and accounting policy changes are as follows:

a) Financial Instruments – Recognition and Measurement (CICA Handbook Section 3855 and 3861)

In accordance with this new standard, the Corporation now classifies all financial instruments as either held-to-maturity, available-for-sale, held for trading or loans and receivables. Financial assets held to maturity, loans and receivables and financial liabilities other than those held for trading, are measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments classified as held for trading are measured at fair value with unrealized gains and losses recognized on the statement of loss.

The Corporation has made the following classifications:

- Cash and cash equivalents and short-term investments are classified as financial assets held for trading and are measured at fair value. Gains and losses related to periodical revaluation are recorded in net income.
- Accounts payable and accrued liabilities are classified as other liabilities and are initially measured at fair value. Subsequent periodical revaluations are recorded at amortized cost using the effective interest rate method.

The adoption of this Section had no impact on the consolidated financial statements of the Corporation.

b) Comprehensive Income (CICA Handbook Section 1530)

Comprehensive income is the change in shareholders' equity, which results from transactions and events from sources other than the Corporation's shareholders. These transactions and events include changes in the currency translation adjustment relating to self-sustaining foreign operations and unrealized gains and losses resulting from changes in fair value of certain financial instruments.

As at the adoption date, and for the three-month period ended March 31, 2007, the Corporation does not have any items that should be presented as other comprehensive income. Therefore, net loss for the period is equivalent to comprehensive loss for the period.

c) Hedges (CICA Handbook Section 3865)

The new standard specifies the criteria under which hedge accounting can be applied and how hedge accounting can be executed. The Corporation does not have any hedging items.

## 4 Share capital

### Authorized and issued

The Corporation is authorized to issue an unlimited number of:

- Classes A and B voting, common shares,
- Classes C and D non-voting, common shares, and
- Classes E, F, G, H and I non-voting, redeemable, retractable, preferred shares

The Corporation had 75,256,923 and 75,239,923 Class A common shares issued and outstanding as at March 31, 2007 and December 31, 2006, respectively.

	<u>Common shares Issued and outstanding</u>				Total shareholders', equity \$
	Number #	Amount \$	Contributed surplus \$	Accumulated deficit \$	
Balance – December 31, 2006	75,239,923	135,276	4,759	(93,400)	46,635
Exercise of stock options	17,000	51	-	-	51
Stock options issued	-	-	1,801	-	1,801
Net loss	-	-	-	(12,898)	(12,898)
Balance – March 31, 2007	<u>75,256,923</u>	<u>135,327</u>	<u>6,560</u>	<u>(106,298)</u>	<u>35,589</u>

### Incentive stock option plan

The Corporation's incentive stock option plan permits the grant of stock options to employees, directors, officer and consultants of the Corporation. At March 31, 2007, under this plan, 8,000,000 common shares were reserved for stock options, of which 6,756,500 have been granted. At March 31, 2007, the outstanding stock options include an additional 1,082,000 options which were granted prior to the establishment of the stock option plan. All options vest immediately and are exercisable for a period of five years or less from the grant. A summary of the transactions during the period is outlined below:

	Number of options #	Weighted average exercise price \$
Outstanding – December 31, 2006	6,526,500	3.17
Granted	1,312,000	3.29
Exercised	<u>(17,000)</u>	2.97
Outstanding – March 31, 2007	<u>7,821,500</u>	3.19

## 5 Stock-based compensation expense

The Corporation is following the fair value based method of accounting for stock options. Compensation expense of \$1,801 has been recorded for the quarter ended March 31, 2007.

The Corporation used the Black-Scholes option valuation model to estimate the fair value of the options granted in the quarter ended March 31, 2007 using the following weighted average assumptions:

Dividend yield	0.0%
Volatility factors of expected marketplace	40.8%
Risk-free interest rate	4.0%
Weighted average expected life of the options	60 months

## 6 Warrants

The Corporation has issued warrants as follows:

	<b>Number of warrants #</b>	<b>Weighted average subscription price \$</b>
Outstanding – December 31, 2006	18,604,028	4.63
Expired	<u>(632,500)</u>	3.98
Outstanding –March 31, 2007	<u>17,971,528</u>	4.66

The expiry dates of warrants outstanding at March 31, 2007 range from March 23, 2009 to December 4, 2010.

## 7 Net loss per common share

Basic net loss per common share is computed by dividing net loss by the weighted average number of common shares outstanding for the quarter. Diluted net loss per share is computed by giving effect to all dilutive potential common shares, including options and warrants. The numerator and denominator used in the calculation of historical basic and diluted net loss per share are as follows:

	<u>Three-month period ended</u>	
	<b>March 31, 2007</b>	<b>March 31, 2006</b>
Numerator		
Net loss	\$ (12,898)	\$ (8,526)
Denominator for net loss per common share-basic and diluted		
Weighted average common shares outstanding	# 75,243,323	# 62,897,085
Net loss per common share-basic and diluted	\$ (0.17)	\$ (0.14)

Stock options and warrants were not included in the computation of diluted net loss per common share for the three months ended March 31, 2007 and 2006 because their effect would be anti-dilutive.