

BioMS Medical Corp.

Interim Consolidated Financial Statements
(Unaudited)
March 31, 2010

BioMS Medical Corp.
Interim Consolidated Balance Sheets
(Unaudited)

(expressed in thousands of Canadian dollars)

	March 31, 2010 \$ (Unaudited)	December 31, 2009 \$
Assets		
Current assets		
Cash and cash equivalents	32,010	48,774
Short-term investments	2,665	2,662
Accounts receivable	250	-
Goods and services tax recoverable	36	37
Other prepaid expenses	77	79
Investments (note 5)	20,560	-
Assets of discontinued operation (note 6)	-	771
	<u>55,598</u>	<u>52,323</u>
Property and equipment	<u>315</u>	<u>350</u>
	<u>55,913</u>	<u>52,673</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	345	358
Liabilities of discontinued operation (note 6)	1,000	4,464
	<u>1,345</u>	<u>4,822</u>
Share capital (note 7)	175,714	175,714
Contributed surplus	11,369	10,937
Accumulated deficit	<u>(132,515)</u>	<u>(138,800)</u>
	<u>54,568</u>	<u>47,851</u>
	<u>55,913</u>	<u>52,673</u>

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

BioMS Medical Corp.

Interim Consolidated Statements of Shareholders' Equity (Unaudited)

(expressed in thousands of Canadian dollars and shares)

	Common shares issued and outstanding		Contributed surplus \$	Accumulated deficit \$	Total shareholders' equity \$
	Number #	Amount \$			
Balance – December 31, 2008	91,009	175,714	8,839	(141,669)	42,884
Stock options granted	-	-	2,098	-	2,098
Net income	-	-	-	2,869	2,869
Balance – December 31, 2009	91,009	175,714	10,937	(138,800)	47,851
Stock options granted	-	-	432	-	432
Net income	-	-	-	6,285	6,285
Balance – March 31, 2010	91,009	175,714	11,369	(132,515)	54,568

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

BioMS Medical Corp.

Interim Consolidated Statements of Operations and Comprehensive Income (Loss) (Unaudited)

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

	Three-month period ended March 31,	
	2010	2009
	\$	\$
Revenue		
Unrealized gain on investments	8,560	-
Contract services	250	-
Interest	32	170
	<u>8,842</u>	<u>170</u>
Expenses		
Operating, general and administrative	1,701	2,075
Stock-based compensation (note 8)	432	1,845
Amortization of property and equipment	37	43
Foreign exchange loss (gain)	164	(16)
	<u>2,334</u>	<u>3,947</u>
Net income (loss) from continuing operations	6,508	(3,777)
Net income (loss) from discontinued operation (note 6)	<u>(223)</u>	<u>2,378</u>
Net income (loss) and comprehensive income (loss)	<u>6,285</u>	<u>(1,399)</u>
Basic and diluted net loss per common share – continuing operations (note 10)	0.07	(0.04)
Basic and diluted net income (loss) per common share – discontinued operation (note 10)	(0.01)	0.02
Basic and diluted net income (loss) per common share (note 10)	0.07	(0.02)
Basic and diluted weighted average number of common shares outstanding (note 10)	91,008,923	91,009,323

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

BioMS Medical Corp.

Interim Consolidated Statements of Cash Flows (Unaudited)

(expressed in thousands of Canadian dollars)

	Three-month period ended March 31,	
	2010	2009
	\$	\$
Cash provided by (used in)		
Operating activities		
Net income (loss)	6,285	(1,399)
Items not involving cash		
Unrealized gain on investments	(8,560)	-
Stock-based compensation (note 8)	432	1,845
Amortization of property and equipment	37	43
	<u>(1,806)</u>	<u>489</u>
Net change in non-cash working capital items (note 13)	<u>(439)</u>	<u>(218)</u>
	<u>(2,245)</u>	<u>271</u>
Investing activities		
Net purchase of investments	(12,000)	-
Net purchase of short-term investments	(3)	(19)
Purchase of property and equipment	(2)	(1)
	<u>(12,005)</u>	<u>(20)</u>
Financing activities		
Proceeds from issuance of share capital	-	-
Repurchase of share capital	-	-
	<u>-</u>	<u>-</u>
Foreign exchange (loss) gain on cash and cash equivalents held in foreign currency	<u>180</u>	<u>169</u>
Cash (used in) provided by continuing operations	<u>(14,070)</u>	<u>420</u>
Cash used in discontinued operation (note 6)	<u>(2,694)</u>	<u>(12,517)</u>
Decrease in cash and cash equivalents	<u>(16,764)</u>	<u>(12,097)</u>
Cash and cash equivalents – Beginning of period	<u>48,774</u>	<u>87,826</u>
Cash and cash equivalents – End of period	<u>32,010</u>	<u>75,729</u>
Cash and cash equivalents consists of		
Bank accounts	806	846
Interest bearing deposits and securities	31,204	74,883
	<u>32,010</u>	<u>75,729</u>

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

BioMS Medical Corp.

Notes to Interim Consolidated Financial Statements (Unaudited)

1 Nature of business

BioMS Medical Corp. (the “Corporation” or “BioMS”), incorporated in Alberta under the Business Corporations Act, was a development stage corporation primarily focused on the development of its drug, dirucotide (formerly known as MBP8298) for Multiple Sclerosis (“MS”).

On May 3, 2010 the Corporation announced a change in corporate strategy and is now an investment company whereby BioMS directly invests in and advises companies on strategy, financing, mergers & acquisitions (M&A), licensing transactions and technology development.

2 Basis of presentation

These unaudited interim consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”) for interim financial statements and include the accounts of BioMS Medical Corp. and its wholly owned subsidiaries, BioMS Technology Corp., BioMS Technology US Corp. and BioMS Technology International Ltd. (all referred to jointly as the “Corporation” or “BioMS”). Except as described in note 3, the accounting policies used in the preparation of these unaudited interim consolidated financial statements are consistent with the accounting policies used in the Corporation’s year-end audited consolidated financial statements of December 31, 2009. However, these unaudited interim consolidated financial statements do not include all information and footnote disclosures required under Canadian GAAP for annual financial statements. Accordingly, these unaudited interim consolidated financial statements should be read in conjunction with the annual audited consolidated financial statements for the year ended December 31, 2009. All inter-company balances and transactions have been eliminated on consolidation. Certain of the comparative figures have been reclassified to conform to the current year’s presentation.

3 Changes in or adoption of accounting policies

During the period, the Corporation changed its strategy as described in note 1. The Corporation is considered an investment company under the guidelines set out in the CICA Accounting Guideline 18, Investment Companies and has therefore adopted the following policies related to accounting for investments.

a) Investments

At the end of each financial reporting period, the Corporation’s management estimates the fair value of its investments based on the criteria below and records such valuations in the consolidated financial statements.

(i) Public Investments

Investments in publicly traded companies listed on an active stock exchange are recorded at fair value based upon the closing bid price at the balance sheet date. If an active market does not exist, the investments are recorded at fair value using a valuation technique based upon Management’s estimates which consider reliable, observable market inputs.

BioMS Medical Corp.

Notes to Interim Consolidated Financial Statements (Unaudited)

3 Changes in or adoption accounting policies (continued)

a) Investments (continued)

(i) Public Investments (continued)

The amounts at which investments in publicly traded companies could be disposed of may differ from fair value as a result of a number of factors including, but not limited to, premiums paid for large blocks of shares or discounts due to a lack of liquidity.

Warrants and options not traded on a recognized securities exchange are recorded at fair value using a valuation technique that considers the exercise price, the closing bid price of the underlying shares, time value adjustment, volatility and liquidity.

The fair value of any options or warrants that the Corporation holds is calculated each reporting period using the Black-Scholes pricing model.

b) Financial instruments – Disclosures (CICA Handbook Section 3862)

In June 2009, the Canadian Accounting Standards Board (“AcSB”) issued an amendment to CICA Handbook Section 3862, Financial Instruments - Disclosures, which reflects the corresponding amendment made by the International Accounting Standards Board to IFRS 7, Financial Instruments: Disclosures, in March 2009.

The amendment requires that all financial instruments that are required to be measured at fair value be classified into one of three hierarchy levels set forth below for disclosure purposes. Each level is based on the transparency of the inputs used to measure the fair value of assets and liabilities.

- (i) Level 1: Inputs are unadjusted quoted prices of identical instruments in active markets.
- (ii) Level 2: Valuation models which utilize predominately observable market inputs.
- (iii) Level 3: Valuation models which utilize predominately non-observable market inputs.

The classification of a financial instrument in the hierarchy is based upon the lowest level of input that is significant to the measurement of fair value. The amendments to Section 3862 also require additional disclosure relating to the liquidity risk associated with financial instruments (see note 11). The amendments improve disclosure of financial instruments specifically as it relates to fair value measurements and liquidity risk.

BioMS Medical Corp.

Notes to Interim Consolidated Financial Statements (Unaudited)

4 Future accounting pronouncements

a) Business Combinations (CICA Handbook Section 1582)

In January 2009, the CICA issued new Handbook Section 1582, Business Combinations, replacing Handbook Section 1581, Business Combinations. This new Section establishes the standards for the accounting of business combinations and provides the Canadian equivalent to the IFRS standard, IFRS 3 (Revised), Business Combinations.

This Section provides that all assets and liabilities of an acquired business, obligations for contingent consideration and contingencies will be recorded at fair value at the acquisition date. Acquisition-related costs will be expensed as incurred and restructuring charges will be expensed in the periods after the acquisition date. This Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Early adoption is permitted. The Corporation is currently evaluating the impact of the adoption of these new Sections on the consolidated financial statements.

b) Consolidated Financial Statements (CICA Handbook Section 1601) and Non-controlling Interests (CICA Handbook Section 1602)

In January 2009, the CICA issued new two new CICA standards, Section 1601, Consolidated Financial Statements and Section 1602, Non-controlling Interests, which together replace Section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements.

Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS standard, IAS 27 (Revised), Consolidated and Separate Financial Statements. The Sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption is permitted as of the beginning of a fiscal year. The Corporation is currently evaluating the impact of the adoption of these new Sections on the consolidated financial statements.

5 Investment in Spectral Diagnostics Inc.

On December 17, 2009 the Corporation announced its participation in a syndicated investment financing (the "Financing") in Spectral Diagnostics Inc. ("Spectral"), a company traded on the Toronto Stock Exchange ("TSX") under the symbol SDI. The Financing, related terms and agreements were approved by the shareholders of Spectral on February 26, 2010. Under the terms of the financing BioMS acquired 30,000,000 units (the "Units") of Spectral at a price of \$0.40 per Unit. Each Unit consists of one common share of Spectral and one half of one common share purchase warrant ("Warrant") entitling the holder thereof to acquire one common share for each of two warrants of Spectral at a price of \$0.60 per common share for a period of four years from closing of the Financing. The investment made by BioMS represented approximately 39.6% of the issued and outstanding common shares of Spectral. On a fully diluted basis, the investment represents approximately 40.55% of the potential voting securities of Spectral. In connection with the Financing, BioMS and Spectral have also entered into a three year \$3 million services agreement whereby BioMS will provide clinical, regulatory and capital marketing consulting services to Spectral over the term of the contract.

BioMS Medical Corp.

Notes to Interim Consolidated Financial Statements
(Unaudited)

5 Investment in Spectral Diagnostics Inc. (continued)

Security description	Total cost of investment \$	Fair value at March 31, 2010 \$
		(expressed in thousands of Canadian dollars)
30,000,000 Common shares		
15,000,000 Whole common share purchase warrant		
	<hr/>	<hr/>
	12,000	20,560
	<hr/>	<hr/>

6 Discontinued operation – Dirucotide clinical trials

On July 27, 2009, the Corporation announced the results of MAESTRO-01, a pivotal Phase II/III clinical trial in Canada and Western Europe, evaluating the safety and efficacy of dirucotide for the treatment of secondary progressive multiple sclerosis (“SPMS”). The results showed that the drug did not meet the primary or secondary endpoints in the trial. The Corporation discontinued the other dirucotide clinical trials, MAESTRO-02 and MAESTRO-03, and completed final collection of data and records. On September 2, 2009, the exclusive license and collaboration agreement between BioMS and Lilly was terminated with the effect that all commercial rights to dirucotide have been returned to BioMS. All milestones related to the payments received during the licence and collaboration agreement were achieved with no further service obligations required.

BioMS Medical Corp.

Notes to Interim Consolidated Financial Statements (Unaudited)

6 Discontinued operation – Dirucotide clinical trials (continued)

The following table summarizes the balance sheets as of March 31, 2010 and December 31, 2009, statements of operations and comprehensive income (loss) and statements of cash flows for the three months ended March 31, 2010 and 2009 of the discontinued operation included in the consolidated financial statements.

	March 31, 2010	December 31, 2009
	\$	\$
	(expressed in thousands of Canadian dollars)	
<u>Balance Sheets</u>		
<u>Assets</u>		
Goods and services tax recoverable	-	314
Recoverable expense	-	424
Other prepaid expenses	-	33
	<u>-</u>	<u>771</u>
<u>Liabilities</u>		
Accounts payable and accrued payable	<u>1,000</u>	<u>4,464</u>
<u>Statements of Operations</u>		
Revenue earned from collaboration partner	-	13,057
Less: Research and development expenses	<u>(104)</u>	<u>(10,172)</u>
	(104)	2,885
General and administrative expenses	(119)	(265)
Amortization of licensing costs	<u>-</u>	<u>(368)</u>
	(223)	2,252
Income (loss) from discontinued operations	(223)	126
Foreign exchange gain	<u>-</u>	<u>126</u>
	(223)	2,378
Net income (loss) from discontinued operations	<u>(223)</u>	<u>2,378</u>
<u>Statements of Cash Flows</u>		
Cash flow used in operating activities	<u>(2,694)</u>	<u>(12,517)</u>

BioMS Medical Corp.

Notes to Interim Consolidated Financial Statements (Unaudited)

7 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 91,008,923 and 91,008,923 Class A common shares issued and outstanding as at March 31, 2010 and December 31, 2009, respectively.

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. The Board of Directors designates eligible participants to be included under the plan and designates the number of options and share price of the options, subject to applicable securities laws and stock exchange regulations. On May 9, 2008, the Corporation's shareholders approved an increase in the number of common shares reserved for stock options by 4,000,000 common shares. At March 31, 2010, under this plan, 12,000,000 common shares were reserved for stock options. To date 11,116,500 stock options have been granted of which 130,000 have been cancelled and 105,000 have been exercised. At March 31, 2010, the outstanding stock options include an additional 1,065,000 options which were granted prior to the establishment of the stock option plan. The exercise price of the options is determined by the Board of Directors, but cannot be lower than the market price on the last trading day preceding the grant date.

	<u>2010</u>	
	Number of options #	Weighted average exercise price \$
Outstanding – January 1	10,436,500	3.31
Granted	<u>1,510,000</u>	<u>0.37</u>
Outstanding – March 31	<u>11,946,500</u>	<u>2.96</u>
Exercisable – March 31	<u>11,931,500</u>	<u>2.96</u>

BioMS Medical Corp.

Notes to Interim Consolidated Financial Statements (Unaudited)

8 Stock-based compensation expense

The Corporation is following the fair value based method of accounting for stock options. Compensation expense of \$0.4 million has been recorded for the three-months ended March 31, 2010 (2009 – \$2.1 million).

The Black-Scholes option valuation model used by the Corporation to determine fair values was developed for use in estimating the fair value of freely traded options that are fully transferable and have no vesting restrictions. This model requires the use of assumptions, including future stock price volatility and expected time until exercise.

The Corporation used the Black-Scholes option valuation model to estimate the fair value of the options granted during the three-months ended March 31, 2010 and 2009 and using the following weighted average assumptions:

	2010	2009
Volatility	107.37%	47.3%
Risk-free interest rate	2.68%	1.9%
Expected life of the options	60 months	60 months
Dividend yield	0.0%	0.0%
Exercise price	\$0.37	\$3.60
Closing market price on date of grant	\$0.37	\$3.60
Fair value per common share option	\$0.29	\$1.56

The Corporation uses historical volatility of its common shares to estimate its future stock price volatility. The risk-free interest rate for the expected life of the options was based on the yield available on government benchmark bonds with an approximate equivalent remaining term at the time of the grant. The expected time until exercise is based upon the contractual term, taking into account expected employee exercise and expected post-vesting employment termination behaviour. Forfeitures are recognized in the period they arise.

9 Warrants

At March 31, 2010 there were 14,234,028 (December 31, 2009 – 14,234,028) warrants issued and outstanding with a weighted average subscription price of \$4.00 (December 31, 2009 - \$4.00). The expiry dates of warrants outstanding at March 31, 2010 range from May 22, 2010 to December 4, 2010.

BioMS Medical Corp.

Notes to Interim Consolidated Financial Statements (Unaudited)

10 Net income (loss) per common share

Basic net income (loss) per common share is computed by dividing net loss by the weighted average number of common shares outstanding for the period. Diluted net income (loss) per share is computed by giving effect to all potentially dilutive common shares, including options and warrants.

In determining diluted net income (loss) from continuing operations, net income (loss) from discontinued operations and net income (loss) per common share, the weighted average number of common shares outstanding is adjusted for stock options and warrants eligible for exercise where the average market price of common shares for the year exceeds the exercise price. At March 31, 2010 no stock options or warrants required adjustment to calculate fully diluted net income (loss) amounts. Common shares that could potentially dilute basic net income (loss) from continuing operations, net income (loss) from discontinued operations and net income (loss) per common share in the future that could be issued from the exercise of stock options or warrants, were not included in the computation of the diluted loss per common share for the period ended March 31, 2010 because to do so would be anti-dilutive.

The numerator and denominator used in the calculation of historical basic and diluted net income (loss) amounts per common share are as follows:

	Three-month period ended March 31,			
	2010		2009	
Numerator				
Net income (loss) from continuing operations (000's)	\$	6,508	\$	(3,777)
Denominator for net income (loss) from continuing operations per common share-basic				
Weighted average common shares outstanding (000's)	#	91,009	#	91,009
Net loss from continuing operations per common share-basic	\$	0.07	\$	(0.04)
Numerator				
Net income (loss) from discontinued operations (000's)	\$	(223)	\$	2,378
Denominator for net income (loss) from discontinued operations per common share-basic				
Weighted average common shares outstanding (000's)	#	91,009	#	91,009
Net income (loss) from discontinued operations per common share-basic	\$	(0.01)	\$	0.02
Numerator				
Net income (loss) (000's)	\$	6,285	\$	(1,399)
Denominator for net income (loss) per common share-basic				
Weighted average common shares outstanding (000's)	#	91,009	#	91,009
Net income (loss) per common share-basic	\$	0.07	\$	(0.02)
Denominator for fully diluted common shares				
Incremental common shares attributable to exercise of outstanding stock options and warrants	#	-	#	-
Weighted average common shares outstanding (000's)	#	91,009	#	91,009

BioMS Medical Corp.

Notes to Interim Consolidated Financial Statements (Unaudited)

11 Financial instruments

Classification

Financial instruments of a company are classified into one of five categories: “Held-for-trading”, “Held-to-maturity”, “Loans and receivables”, “Available-for-sale” Financial assets and “Other financial liabilities”. All financial instruments are measured at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and accounting for changes in the value of these instruments will depend on their initial classification as follows: a) “Held-for-trading” financial assets are measured at fair value with changes in fair value recognized in the statement of operations, and b) “Available-for-sale” financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the change in value is realized or the instrument is derecognized or permanently impaired.

The Corporation has classified its cash and cash equivalents as “Held-for-trading”. The accounting method for the Corporation’s investments under AcG-18 is consistent with a classification as “held-for-trading”, as investments are accounted for at fair value with changes in fair value recognized in the statement of operations. Accounts receivable, amounts due from related parties and related party loans receivable are classified as “Loans and receivables” and are initially measured at amortized cost with a subsequent measurement reduction for an allowance for doubtful accounts or a provision for impairment.

Fair value of financial instruments

The Corporation has determined the fair value of its financial instruments as follows:

- i. The carrying values of cash and cash equivalents, short-term investments, accounts receivable, accounts payable and accrued liabilities in the consolidated balance sheets approximate their fair values due to the short-term nature of these instruments.
- ii. Investments are carried at fair value in accordance with the Corporation’s accounting policies.
- iii. The Corporation does not have any “Other Comprehensive Income (Loss)” components and, as such, comprehensive income (loss) is equal to net income (loss).

BioMS Medical Corp.

Notes to Interim Consolidated Financial Statements (Unaudited)

11 Financial instruments (continued)

The total amount of the change in fair value of the Corporation's financial instruments and the total amount of unrecognized gains and losses on its financial instruments are reflected in the accompanying consolidated statements of operations. Assumptions made in determining the fair value of the Corporation's financial instruments are discussed in notes 3 a) and b). The following table presents the Corporation's financial instruments, measured at fair value on the consolidated balance sheet as at March 31, 2010, categorized into levels of the fair value hierarchy described in note 3(b).

	Level 1	Level 2	Level 3	
	Quoted market price	Valuation technique - observable market inputs	Valuation technique – non observable market inputs	Total
(expressed in thousands of Canadian dollars)				
Assets				
Investments at fair value	-	\$20,560	-	\$20,560

Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its obligations as they fall due or to fund the investments and commitments that the Corporation has planned.

The Corporation's exposure to liquidity risk is dependent operating results which may be adversely affected if the Corporation's access to the capital markets is hindered, whether as a result of a downturn in stock market conditions generally or related to matters specific to the Corporation, or if the value of the Corporation's investments declines, resulting in lesser proceeds of disposition and losses upon disposition. The Corporation generates cash flow primarily from its financing activities and proceeds from the disposition of its investments, in addition to interest and dividend income earned on its investments. BioMS may invest in securities of private companies or "junior" issuers, which can at times be relatively illiquid, and if the Corporation decides to dispose of securities of a particular issuer it may not be able to do so at the time at favourable prices, or at all.

Overall, the Corporation has sufficient marketable securities which are freely tradable and relatively liquid to fund its obligations as they become due under normal operating conditions, such that absent overall market disruptions or extreme circumstances, liquidity risk can be minimized.

BioMS Medical Corp.

Notes to Interim Consolidated Financial Statements (Unaudited)

11 Financial instruments (continued)

Liquidity risk (continued)

The Corporation manages its liquidity risk through the management of its capital structure, cash flows and the availability and sourcing of financing. The Board of Directors and/or the Audit Committee reviews and approves the Corporations operating and capital budgets, as well as any material transactions out of the ordinary course of business.

The following are the contractual maturities of financial liabilities as of March 31, 2010:

(expressed in thousands of Canadian dollars)	Carrying amount \$	Less than 1 year \$
Accounts payable and accrued liabilities	1,345	1,345

Market risk

Market risk is the risk that the fair value of, or future cash flows from, the Corporation's financial instruments will significantly fluctuate due to changes in market prices. The value of the financial instruments can be affected by changes in interest rates, foreign exchange rates, and equity and commodity prices. The Corporation is exposed to market risk in trading its investments, and unfavourable market conditions could result in dispositions of investments at less than favourable prices. The Corporation's investments are primarily concentrated in the healthcare sector, which results in exposure to higher volatility than broader market investments and indexes. The Corporation's investments are accounted for at estimated fair values and are sensitive to changes in market bid prices, such that changes in market prices result in a proportionate change in the carrying value of the Corporation's investments. A 10% change in the fair values of the Corporation's investments at March 31, 2010 would have a \$2,065,000 impact on net income. The Corporation also has set thresholds on purchases of investments over which the approval of the Board of Directors is required.

Currency risk

The Corporation is exposed to financial risk related to fluctuations in foreign currency exchange rates and the degree of volatility of these rates relative to the Canadian dollar. The transaction amounts are not significant and there are no material foreign currency commitments. The currency risk is therefore manageable and not significant. The Corporation currently does not use any derivative instruments to reduce its exposure to fluctuations in foreign currency exchange rates.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

BioMS Medical Corp.

Notes to Interim Consolidated Financial Statements (Unaudited)

11 Financial instruments (continued)

Interest rate risk (continued)

The Corporation is exposed to interest rate risk arising from fluctuations in interest rates received on its cash and cash equivalents and short-term investments. The impact of interest rate fluctuations will vary as the amount of cash and cash equivalents and short-term investments the Corporation holds changes. The Corporation does not use derivative instruments to reduce its exposure to interest rate risk.

The Corporation manages its interest rate risk by attempting to maximize the interest income earned on funds on deposit while maintaining the liquidity necessary to conduct operations on a day-to-day basis. The Corporation's investment policy limits the investing of excess funds to liquid, short-term bank acceptances and/or Guaranteed Investment Certificates ("GIC") with maturities of less than 1 year; however the average term to maturity will be approximately 90 days.

Based on the net exposures as at March 31, 2010, and assuming that all other variables remain constant, a 1% appreciation or deterioration of the interest rate would result in a decrease/increase of \$215,000 in the Corporation's net income for the period ended March 31, 2010.

Accounts payable and accrued liabilities bear no interest.

Credit risk

Credit risk is the risk of a financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Financial instruments that potentially expose the Corporation to significant concentrations of credit risk consist principally of cash, cash equivalents, short-term investments and accounts receivable.

The Corporation has investment policies to mitigate against the deterioration of principal, to enhance the Corporation's ability to meet its liquidity needs and to optimize yields within those parameters. Additionally the Corporation attempts to reduce the potential of significant concentrations of credit risk by diversifying the placement of the cash, cash equivalents and short-term investments. The Corporation has deposited the cash and cash equivalents and short-term investments with reputable Canadian financial institutions, from which management believes the risk of loss is minimized.

Credit risk from accounts receivable and loans receivable encompasses the default risk of the customers. Prior to accepting any service engagement or providing any loan, the Corporation assesses future recoverability by examining the entities' financial conditions, properties and assets, business development activities and management. The Corporation manages its exposure to credit risk by reviewing the outstanding balances on an ongoing basis, monitoring the amount attributable to each customer and the length of time taken for amounts to be settled. Where necessary, Management takes appropriate action to follow up on those balances considered overdue. The Corporation is also exposed, in the normal course of business, to credit risk from the sale of its investments and on amounts due from related parties. The maximum exposure to losses arising from accounts receivable amounts due from related parties and related party loans receivable are equal to their carrying amounts.

BioMS Medical Corp.

Notes to Interim Consolidated Financial Statements (Unaudited)

11 Financial instruments (continued)

Concentration Risk

The Corporation is subject to concentration risk due to the nature of the Corporation's operations as an investment company and the number of investments held in the portfolio. The Corporation invests primarily in healthcare companies and their related technologies. As a result, the investment portfolio is directly exposed to the risks associated with companies operating in this industry sector.

Additionally, as at March 31, 2010, the fair value of the Corporation's investment portfolio consisted of one investment.

12 Capital management

The Corporation's objectives when managing capital are:

To safeguard the Corporation's ability to respond to changes in economic and/or marketplace conditions by maintaining its ability to purchase new investments, support its investments, meet its ongoing operating expenditures and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable level; and

To provide an adequate return to shareholders commensurate with the level of risk associated with an investment Corporation.

The Corporation manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its underlying assets. The Corporation maintains or adjusts its capital level to enable it to meet its objectives by:

- a) realizing proceeds from the disposition of its investments;
- b) utilizing leverage in the form of margin (due to brokers); and
- c) raising capital through equity financings.

In the management of capital, the Corporation includes the components of shareholders' equity comprised of share capital, contributed surplus and accumulated deficit to provide capital of \$54,568,000 as at March 31, 2010 (December 31, 2009 - \$47,851,000).

The Corporation sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. Since inception, the Corporation has financed its liquidity needs through public offerings and private placements of common shares. The Corporation has also met its liquidity needs through non-dilutive sources such as licensing fees from partners and interest income.

BioMS Medical Corp.

Notes to Interim Consolidated Financial Statements (Unaudited)

12 Capital management (continued)

In order to maintain or adjust the capital structure, the Corporation may adjust the number of shares issued, enter into collaborative and/or licences agreements, enter into mergers and acquisitions, acquire debt or enter into some other form of financing facility.

In order to maximize investment into development of its products, technologies and investments, the Corporation does not pay out dividends.

The Corporation expects its current capital resources will be sufficient to carry its operations.

The Corporation is not subject to any externally imposed capital requirements.

13 Net change in non-cash working capital items

(expressed in thousands of Canadian dollars)	Three-month period ended March 31,	
	2010 \$	2009 \$
Accounts receivable	(250)	-
Goods and services tax recoverable	2	69
Other current assets	2	(55)
Accounts payable and accrued liabilities	(193)	(232)
	<u>(439)</u>	<u>(218)</u>

14 Subsequent events

- On April 23, 2010 the Corporation completed its participation in the Initial Public Offering (“IPO”) of Stonegate Agricom Ltd. (“Stonegate”). Under the terms of the IPO, BioMS acquired 250,000 units of Stonegate at a price of \$1.00 per Unit. Each Unit consists of one common share of Stonegate and on half of one common share purchase warrant (each whole common share purchase warrant, “Warrant”) entitling the holder to acquire one common share of Stonegate at a price of \$1.50 per common share for a period of three years following the closing of the IPO. The common shares of Stonegate began trading on the TSX under symbol ST and the warrants under the symbol ST.WT on April 28, 2010.
- On April 30, 2010 the Corporation announced that certain employees, officers and directors of the Corporation purchased 7,245,000 Class A common shares as part of the University of Alberta disposition of shares. In connection with the purchase, the Corporation provided guarantees to a financial institution on behalf of the employees, officers and directors for loans that totalled \$2,086,000 used to purchase the common shares acquired. The shares have been pledged as security along with personal covenants in connection with the guarantees provided.

BioMS Medical Corp.

Notes to Interim Consolidated Financial Statements
(Unaudited)

15 Segment Information

The Corporation operates in one business segment with substantially all of its operations and all of its long lived assets located in Canada.