

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

Interim Consolidated Financial Statements  
**(Unaudited) June 30, 2007**

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

---

(expressed in thousands of Canadian dollars)

	<b>June 30, 2007 \$ (Unaudited)</b>	<b>December 31, 2006 \$</b>
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	53,850	37,416
Short-term investments	4,730	5,677
Goods and services tax recoverable	236	456
Prepaid expenses and other current assets	5,587	2,711
	<hr/>	<hr/>
	64,403	46,260
<b>Licensing costs</b>	8,118	8,854
<b>Property and equipment</b>	373	355
	<hr/>	<hr/>
	72,894	55,469
	<hr/>	<hr/>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable	3,850	3,826
Accrued liabilities	4,262	5,008
	<hr/>	<hr/>
	8,112	8,834
	<hr/>	<hr/>
<b>Shareholders' Equity</b> (note 5)		
<b>Share capital</b>	176,270	135,276
<b>Contributed surplus</b>	6,560	4,759
<b>Accumulated deficit</b>	(118,048)	(93,400)
	<hr/>	<hr/>
	64,782	46,635
	<hr/>	<hr/>
	72,894	55,469
	<hr/>	<hr/>

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

# 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)

	<b>Cumulative from inception to June 30,</b>	<b>Six-month period ended June 30,</b>		<b>Three-month period ended June 30,</b>	
	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Revenue</b>	-	-	-	-	-
<b>Expenses</b>					
Research and development	87,328	20,652	14,618	10,378	7,882
General and administrative	25,419	4,094	2,734	1,466	974
Amortization of licensing costs	9,547	736	736	368	368
Amortization of property and equipment	324	66	53	33	27
	122,618	25,548	18,141	12,245	9,251
<b>Loss from operations</b>	(122,618)	(25,548)	(18,141)	(12,245)	(9,251)
<b>Investment income</b>	5,599	900	502	495	138
<b>Net loss and comprehensive loss</b>	(117,019)	(24,648)	(17,639)	(11,750)	(9,113)
<b>Basic and diluted net loss per common share</b>		(0.31)	(0.28)	(0.14)	(0.14)
<b>Basic and diluted weighted average number of common shares outstanding</b>		#	#	#	#
		78,630,271	63,639,060	81,980,000	64,380,584

(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)

	Cumulative from inception to June 30,	Six-month period ended June 30,		Three-month period ended June 30,	
	2007 \$	2007 \$	2006 \$	2007 \$	2006 \$
<b>Cash provided by (used in)</b>					
<b>Operating activities</b>					
Net loss	(117,019)	(24,648)	(17,639)	(11,750)	(9,113)
Items not involving cash:					
Stock-based compensation	6,560	1,801	858	-	-
Amortization of licensing costs	9,547	736	736	368	368
Amortization of property and equipment	324	66	53	33	27
	(100,588)	(22,045)	(15,992)	(11,349)	(8,718)
Net change in non-cash working capital items:					
Goods and services tax recoverable	(236)	220	60	(64)	75
Prepaid and other current assets	(5,587)	(2,876)	1,680	(3,341)	(248)
Accounts payable and accrued liabilities	8,097	(722)	2,620	(1,746)	3,146
	(98,314)	(25,423)	(11,632)	(16,500)	(5,745)
<b>Investing activities</b>					
Purchase of property and equipment	(697)	(84)	(63)	(35)	(24)
Proceeds from (purchase of) short-term investments	(4,730)	947	(2,026)	(50)	127
Licensing costs	(6,467)	-	-	-	-
	(11,894)	863	(2,089)	( 85)	103
<b>Financing activities</b>					
Proceeds from issuance of share capital	178,452	44,326	15,027	44,275	15,027
Share issue costs	(12,312)	(3,332)	(1,404)	(3,332)	(1,405)
Repurchase of share capital	(2,082)	-	(144)	-	-
	164,058	40,994	13,479	40,943	13,622
<b>Increase (decrease) in cash and cash equivalents</b>	<b>53,850</b>	<b>16,434</b>	<b>( 242)</b>	<b>24,358</b>	<b>7,980</b>
<b>Cash and cash equivalents – Beginning of period</b>	<b>-</b>	<b>37,416</b>	<b>34,527</b>	<b>29,492</b>	<b>26,305</b>
<b>Cash and cash equivalents – End of period</b>	<b>53,850</b>	<b>53,850</b>	<b>34,285</b>	<b>53,850</b>	<b>34,285</b>
<b>Cash and cash equivalents consists of</b>					
Bank accounts	248	248	1,681	248	1,681
Interest bearing deposits and securities	53,602	53,602	32,604	53,602	32,604
	53,850	53,850	34,285	53,850	34,285

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

# **BioMS Medical Corp.**

(A Development Stage Corporation)

Notes to Interim Consolidated Financial Statements

**(Unaudited) June 30, 2007**

---

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

## **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. Except as described in note 3, 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 period presentation.

## **3 Changes in accounting policies**

Effective January 1, 2007, the Corporation adopted four new accounting standards, three of which related to financial instruments that were issued by the Canadian Institute of Chartered Accountants ("CICA"). 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:

# **BioMS Medical Corp.**

(A Development Stage Corporation)

Notes to Interim Consolidated Financial Statements

**(Unaudited) June 30, 2007**

---

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

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

In accordance with these new standards, the Corporation now classifies all financial instruments as either held-to-maturity, available-for-sale, held for trading, loans and receivables or other financial liabilities. 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 six-month period ended June 30, 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.

# **BioMS Medical Corp.**

(A Development Stage Corporation)

Notes to Interim Consolidated Financial Statements

**(Unaudited) June 30, 2007**

---

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

d) Accounting changes (CICA Handbook Section 1560)

The new standard allows for voluntary changes in accounting policy only when they result in the financial statements providing reliable and more relevant information, requires changes in accounting policy to be applied retroactively unless doing so is impracticable, requires prior period errors to be corrected retroactively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. The impact that the adoption of Section 1506 will have on the Corporation's results of operations and financial condition will depend on the nature of future accounting changes. The adoption of Section 1506 effective January 1, 2007 had no impact on these unaudited interim consolidated financial statements.

## **4 Recent Canadian accounting pronouncements issued and not yet adopted**

a) Capital disclosures (CICA Handbook Section 1535)

This standard requires that an entity disclose information that enables users of its financial statements to evaluate an entity's objectives, policies and processes for managing capital, including disclosures of any externally imposed capital requirements and the consequences of non-compliance. The new standard applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007, specifically January 1, 2008 for the Corporation. The Corporation is currently evaluating the impact of this standard.

b) Financial Instruments – Disclosure and Presentation (CICA Handbook Sections 3862 and 3863)

This standard requires an increased emphasis on disclosures about the nature and extent of risk arising from financial instruments and how an entity manages those risks. The new standard applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007, specifically January 1, 2008 for the Corporation. The Corporation is currently evaluating the impact of this standard.

# BioMS Medical Corp.

(A Development Stage Corporation)

Notes to Interim Consolidated Financial Statements

(Unaudited) June 30, 2007

---

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

## 5 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

	Common shares Issued and outstanding		Contributed surplus	Accumulated deficit	Total shareholders' equity
	Number #	Amount \$	\$	\$	\$
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	75,256,923	135,327	6,560	(106,298)	35,589
Common shares and warrants issued	16,100,000	44,275	-	-	44,275
Share issuance costs	-	(3,332)	-	-	(3,332)
Net loss	-	-	-	(11,750)	(11,750)
Balance – June 30, 2007	91,356,923	176,270	6,560	(118,048)	64,782

On May 23, 2007, the Company issued 16,100,000 units of the Corporation at a price of \$2.75 per unit to raise gross proceeds of \$44,275. Each unit consisted of one Class A common share of the Corporation and one-half share purchase warrant. Each full warrant entitles the holder to purchase one Class A common share at a price of \$4.00 per share and expires on May 22, 2010 (see note 7).

# BioMS Medical Corp.

(A Development Stage Corporation)

Notes to Interim Consolidated Financial Statements

(Unaudited) June 30, 2007

---

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

## 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 June 30, 2007, under this plan, 8,000,000 common shares were reserved for stock options, of which 6,756,500 have been granted. At June 30, 2007, the outstanding stock options include an additional 1,065,000 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 and June 30, 2007	<u>7,821,500</u>	3.19

## 6 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 six-months ended June 30, 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%
Expected future volatility	40.8%
Risk-free interest rate	4.0%
Weighted average expected life of the options	60 months

The weighted average fair value of stock options granted during the quarter ended March 31, 2007 was \$1.37. There were no stock options granted in the quarter ended June 30, 2007.

# BioMS Medical Corp.

(A Development Stage Corporation)

Notes to Interim Consolidated Financial Statements

(Unaudited) June 30, 2007

---

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

## 7 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	17,971,528	4.66
Granted	<u>8,050,000</u>	4.00
Outstanding – June 30, 2007	<u>26,021,528</u>	4.45

The expiry dates of warrants outstanding at June 30, 2007 range from March 23, 2009 to December 4, 2010.

In connection with the issuance of shares on May 23, 2007, the Company issued warrants to purchase 8,050,000 Class A common shares (see note 5). The warrants expire on May 22, 2010. The share proceeds were allocated to the common shares and warrants based on their relative fair values. The fair value attributed to the warrants was \$7,292 and have been included as part of share capital.

The fair value of the warrants was calculated using the Black-Scholes option valuation model and the following weighted average assumptions:

Subscription price	\$4.00
Share price	\$2.64
Dividend yield	0.0%
Expected future volatility	72.3%
Risk-free interest rate	4.5%
Contract life of the warrants	36 months

# BioMS Medical Corp.

(A Development Stage Corporation)

Notes to Interim Consolidated Financial Statements

(Unaudited) June 30, 2007

---

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

## 8 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 period. 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>Six-month period ended</u>		<u>Three-month period ended</u>	
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Numerator				
Net loss	\$ (24,648)	\$ (17,639)	\$ (11,750)	\$ (9,113)
Denominator for net loss per common share-basic and diluted				
Weighted average common shares outstanding	# 78,630,271	# 63,639,060	# 81,980,000	# 64,380,584
Net loss per common share-basic and diluted	\$ (0.31)	\$ (0.28)	\$ (0.14)	\$ (0.14)

Stock options and warrants were not included in the computation of diluted net loss per common share for the three and six-month periods ended June 30, 2007 and 2006 because their effect would be anti-dilutive.

