

Management's Discussion and Analysis of Financial Condition and Results of Operations

For The Three and Nine Months Ended September 30, 2006

This Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) for BioMS Medical Corp. ("BioMS" or the "Corporation"), prepared as at November 3, 2006, should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes for the three months ended September 30, 2006 and the audited consolidated financial statements and accompanying notes for the year ended December 31, 2005. The consolidated financial statements and comparative information have been prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP). Unless otherwise indicated, all amounts shown are in Canadian dollars.

Overview

BioMS has in-licensed, from the University of Alberta, the exclusive world wide rights to a synthetic peptide technology, MBP8298, for the treatment of multiple sclerosis (MS). The Corporation is continuing the initiation of new clinical trial sites and the enrolment of new patients in the current MBP8298 pivotal clinical trial. Patient enrolment is occurring in Canada, the United Kingdom, Sweden, Denmark, the Netherlands, Spain, Germany, Finland and the Baltic States. The Corporation plans to enrol up to 553 patients in over 50 clinical sites by the end of the year. The trial data has been reviewed, on a periodic basis, by the Data Safety Monitoring Board which has recommended that the trial continue. The Corporation plans to start a second pivotal phase III trial in SPMS patients in the United States in the first half of 2007 and has now received approval in the first of several European countries to initiate a phase II trial in Relapsing Remitting MS (RRMS) patients. Enrolment in the RRMS trial is targeted to begin by the end of this year. Together, the RRMS and SPMS forms of the disease account for as much as 90% of all MS patients.

The Corporation has in-licensed the exclusive world wide rights to a platform technology, HYC750, for the potential mobilizing of haematopoietic stem cells in humans.

BioMS has an equity interest in BioCyDex Inc. BioCyDex is a private company that has been developing a unique proprietary drug delivery technology to deliver both existing and novel antiviral and chemotherapeutic compounds directly into cells, with the potential to greatly enhance their effectiveness.

To fund its operations, the Corporation relies upon proceeds of public and private offerings of equity securities and investment income.

Shares of the Corporation trade on the Toronto Stock Exchange (TSX) under the symbol, MS.

Recent Developments

In August, the Corporation announced its intention to renew a Normal Course Issuer Bid. This offers the Corporation the ability to exercise the purchase and cancellation of the Common Shares in an effort to provide market stability if and when needed.

In September, the Corporation announced the appointment of Mr. William D. Grace to the Corporation's Board of Directors. Mr. Grace will serve as Chair of the Corporation's Audit Committee. He is a Fellow of the Institute of Chartered Accountants (F.C.A.) and has extensive experience in the financial industry. Mr. Grace will take the place of Mr. Bryan McKnight, who will remain as an advisor to BioMS.

The Corporation has further strengthened its patent portfolio with the addition of new patents related to its lead drug, MBP8298, in the United States.

Discussion of Operations and Financial Condition

The consolidated net loss of the Corporation for the three months ended September 30, 2006 was \$9.2 million or \$0.14 per share compared with a consolidated net loss of \$3.9 million or \$0.06 per share for the same period in the previous year. The increase in the loss was due to increased expenditures on research and development, the increase in the number of clinical trial sites participating in the Phase II/III Clinical Trial for MBP8298, the increased number of patients entering the trial and added costs associated with the change in the contract research organization managing the pivotal trial, the manufacture of MBP8298 for use in the clinical trials and preparations for the launching of additional trials.

The consolidated net loss of the Corporation for the nine months ended September 30, 2006 was \$26.8 million or \$0.41 per share compared with a consolidated net loss of \$10.7 million or \$0.18 per share for the same period in 2005. The increase in the loss was due to increased expenditures on research and development for the MBP8298 trial, the manufacture of MBP8298 for use in the clinical trials and preparations for the launching of additional trials.

Expenses

Research and development

For the three months ended September 30, 2006, expenses related to the Corporation's direct research and development efforts accounted for \$8.0 million or 83% of all expenses as compared with \$3.2 million or 74% for the three months ended September 30, 2005. For the nine months ended September 30, 2006, expenses related to the Corporation's direct research and development efforts totaled \$22.4 million or 81% of all expenses as compared to \$6.0 million or 52% for the nine months ended September 30, 2005. The increase in research and development expense was the result of the increased number of clinical trial sites participating in the Phase II/III Clinical Trial for MBP8298, the increased number of patients entering the trial and added costs associated with the change in the contract research organization managing the pivotal trial. In the three months ended September 30, 2006, the Corporation incurred an expense of \$1.7 million towards the purchase of MBP8298 product in preparation for potential future market approval applications for drug commercialization.

General and administration

General and administrative expenses amounted to \$1.0 million for the three months ended September 30, 2006, an increase from the \$0.8 million for the three months ended September 30, 2005. For the nine months ended September 30, 2006 general and administrative expenses were at \$3.0 million as compared to \$2.8 million for the nine months ended September 30, 2005. General and administrative expenses represented 11% of total expenses of the Corporation for the nine months ended September 30, 2006 compared with 24% for the nine months ended September 30, 2005. General and administrative expenses include: investor relations, professional fees, business development expenses, insurance, listing fees, consulting services, office expenses, occupancy costs, management remuneration, director's fees and various other expenses relating to the operations and growth of the Corporation.

Stock-based Compensation Expense

The Corporation follows the fair value method of accounting for stock options which resulted in compensation of \$0.3 million for the three month period ended September 30, 2006 and \$nil for the three month period ended September 30, 2005. For the nine months ended September 30, 2006 stock based compensation expense was \$1.1 million as compared to \$1.8 million for the nine months ended September 30, 2005. The Corporation uses the Black-Scholes option pricing model to estimate the fair value of the options granted.

Eight Quarter Review

Financial Information – Quarterly
(In Canadian dollars, except for loss per share)
(Unaudited)

	Q3 2006	Q2 2006	Q1 2006	Q4 2005	Q3 2005	Q2 2005	Q1 2005	Q4 2004
Research and development	\$7,992,282	\$7,882,470	\$6,543,779	\$4,552,426	\$3,204,259	\$1,765,528	\$1,061,557	\$1,852,438
General and administrative	962,232	974,471	1,093,203	1,343,589	751,360	1,020,415	978,555	1,215,465
Stock-based compensation *	262,893		858,459	327,700		715,241	1,036,150	185,338
Amortization of licensing costs	367,935	367,936	367,935	367,908	367,935	367,936	367,935	367,935
Amortization of property and equipment	28,775	26,548	26,924	24,965	17,914	14,338	14,133	13,833
Less; Investment Income	414,116	138,371	363,970	216,148	490,724	364,590	91,624	86,354
Net Loss	\$9,200,001	\$9,113,054	\$8,526,330	\$6,400,440	\$3,850,744	\$3,518,868	\$3,366,707	\$3,548,655
Loss per common share – basic	\$ 0.14	\$ 0.14	\$ 0.14	\$ 0.10	\$ 0.06	\$0.06	\$0.06	\$ 0.07

* The Corporation has adjusted stock-based compensation expense of prior periods to record the compensation as an expense over the period in which the options vest. Previously, the compensation was recorded as an expense over the estimated life of the options.

BioMS Medical Corp. is a development stage company, with its primary focus being the development and commercialization of a medical treatment for multiple sclerosis. As such, the Corporation's focus is not on earnings (loss) per share, but rather that the Corporation has adequate financial resources to fund the research and development programs it conducts. As discussed more fully in the liquidity section of this document, the Corporation believes it currently has adequate resources to fund the expected costs of the research and development and clinical trial process through to the second half of 2007.

The quarterly results of the Corporation have fluctuated primarily as a result of the timing of research and development activities.

Investment Income

Investment income earned on funds invested was \$0.4 million for the three months ended September 30, 2006, as compared to \$0.5 million for the comparable period in 2005. For the nine months ended September 30, 2006 and September 30, 2005 Investment Income remained constant at \$0.9 million. Management expects that investment income will continue to fluctuate in relation to prevailing interest rates and amounts of cash reserves invested.

Liquidity and Solvency

As at September 30, 2006, cash and short-term investments totaled \$32.5 million as compared to \$38.0 million at December 31, 2005.

A private placement was completed on May 31, 2006, 4,406,800 units of the Corporation were issued at a price of \$3.41 per unit, which raised net proceeds of \$13,598,623. 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 on or before May 30, 2010.

At September 30, 2006, the Corporation had working capital of \$26.0 million as compared to \$37.2 million at December 31, 2005. Management estimates that the current working capital is adequate to fund the expected costs of the research and development and clinical trial process through to the second half of 2007.

BioMS has implemented a disciplined approach to the management of liquidity, capital and overall stability. The Corporation invests its cash reserves primarily in liquid, interest-bearing securities.

The Corporation used \$7.2 million cash in operating activities for the three months ended September 30, 2006 as compared to \$3.3 million in the three months ended September 30, 2005 and used \$18.9 million cash in the nine months ended September 30, 2006 as compared to \$9.6 million in the nine months ended September 30, 2005.

Outlook

BioMS expects to complete the enrolment of patients in its current SPMS trial with MBP8298 in Canada and Europe by the end of the year. The Corporation is also planning the launch of a second SPMS trial in the United States in the first half of 2007, as well as the start of a RRMS trial with MBP8298 by the end of the year.

BioMS expects to continue to incur operating losses until such time as its lead drug, MBP8298 technology for the treatment of Multiple Sclerosis, has received regulatory approval and is available for commercial sale. The Corporation estimates that it has sufficient cash to cover the expected costs of the current MBP8298 phase II/III clinical trial through to the second half of 2007. BioMS anticipates that it will approach the equity markets for the funding of additional research, manufacturing, preclinical and clinical trial expansion programs. The Corporation's ability to raise capital will depend on equity market conditions at that time.

Risks and Uncertainties

The Corporation's operations involve certain risks and uncertainties that are inherent to the Corporation's industry. The most significant known risks and uncertainties faced by the Corporation include, but are not necessarily limited to: the ability to obtain and protect licenses and patents; the ability to select clinical trial sites and recruit patients; the difficulty of obtaining regulatory approval in various countries; our ability to secure manufacturing capability of product for future clinical trials and commercialization on a consistent and economical basis; availability of capital; our ability to recruit and retain qualified personnel; and other risks known and unknown.

Other business risks and uncertainties have not changed significantly from those disclosed in the MD&A in our 2005 annual report and in other regulatory filings.

Critical Accounting Policies and Estimates

All of our accounting policies are in accordance with Canadian GAAP including some which require management to make assumptions and estimates that could significantly affect the results of operations and financial position. The significant accounting policies that we believe are the most critical in fully understanding and evaluating the reported financial results are disclosed in the MD&A section of our 2005 Annual Report. As well, our significant accounting policies are disclosed in Note 2, *Significant Accounting Policies*, of the notes to our audited consolidated financial statements for the fiscal year ended December 31, 2005.

Forward-Looking Statements

This report may contain forward-looking statements which reflect management's current expectations regarding the Company's objectives, plans, goals, strategies, future growth, results of operations, performance and business prospects and opportunities. These forward-looking statements are not guarantees, but only predictions. Although we believe that the forward-looking statements contained herein are reasonable, we can give no assurance that our expectations are correct. Various factors could cause actual results to differ materially from those projected in forward-looking statements, including those predicting the timing or availability of clinical trial analyses; efficacy, safety and clinical benefit of product; ability to secure, and timing of, regulatory clearances; timing of product launches in different markets; ability to secure collaborative partners; ability to secure and manufacture product; adequacy of financing; scope and adequacy of insurance coverage; retention and performance of contractual third parties, including key personnel; currency exchange rate fluctuations; changes in general accounting policies; and general economic factors. All forward-looking statements are expressly qualified in their entirety by this cautionary statement. For a detailed description of our risks and uncertainties, you are encouraged to review the official corporate documents filed with the securities regulators in Canada. A copy of our Annual Information Form and Proxy Circular can be found on SEDAR at www.sedar.com.

