

BioMS

Medical Corp

Management Discussion

And

Analysis of Financial Condition

And

Results of Operations

December 31, 2007

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March 18, 2008

Year Ended December 31, 2007

Management's Discussion and Analysis (MD&A) of Financial Condition and Results of Operations for BioMS Medical Corp. together with its subsidiaries ("BioMS" or the "Corporation") should be read in conjunction with the audited Consolidated Financial Statements and accompanying notes for the year ended December 31, 2007. 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.

BioMS' Board of Directors, on the recommendation of the Audit Committee, approved the content of this MD&A on March 18, 2008.

Forward – Looking Statements

In order to provide investors of BioMS with an understanding of our current results and future prospects, our communications often include written or oral forward-looking statements. This annual report, including the management discussion and analysis, and other materials filed with the Canadian securities regulators contain statements that are forward looking. These statements represent BioMS' intentions, plans, expectations and beliefs and are based on our experience and our assessment of historical and future trends and the application of key assumptions relating to future events and circumstances. These statements may include, but are not limited to, comments about our objectives and priorities for 2008 and beyond, strategies and targets, expectations for our financial condition, and the outlook for our operations and external factors that may impact results.

Forward-looking statements require assumptions and involve risks and uncertainties related to our business and the general economic environment, many of which are beyond our control. There is significant risk that the predictions, forecasts, conclusions or projections we make will not prove to be accurate and that may cause our actual results to be materially different from the targets, expectations, estimates or intentions expressed in the forward-looking statements. We caution readers of this Annual Report not to place undue reliance on our forward-looking statements.

The future outcomes that relate to forward-looking statements may be influenced by many factors, including but not limited to: general economic conditions in the countries in which we operate; currency fluctuations; our ability to execute projects ; our ability to execute our strategic plans; our ability to attract and retain qualified employees; our ability to contain expenses; technology changes and research and development; availability of financial resources to carry out our strategy; our ability to protect our intellectual and intangible properties; legal claims; critical accounting estimates; the possible effects on our activities of war or terrorist activities; disease or illness that affects local, national or international economies; and disruptions to public infrastructure, such as transportation, communications, power or water supply. We caution that this list is not exhaustive of all possible factors.

When relying on forward-looking statements to make decisions with respect to BioMS, investors should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Unless required by law, we do not undertake to update any forward-looking statement, whether written or oral, that may be made from time to time by the Corporation or on its behalf.

Overview

BioMS Medical Corp. is a development stage corporation that was founded in 2000, with its primary focus being the development and commercialization of a medical treatment for Multiple Sclerosis (“MS”). As such, the Corporation’s focus is not on earnings, but rather that it 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 current initiated clinical trials.

BioMS is listed on the Toronto Stock Exchange under the trading symbol “MS”. As at December 31, 2007 there were 91,410,323 Class “A” common shares of the Corporation issued and outstanding.

BioMS Technology Corp., a wholly owned subsidiary of BioMS Medical Corp., has licensed a synthetic peptide technology, MBP8298, for the treatment of MS on an exclusive worldwide basis. MS is generally considered an autoimmune disease, in which the immune system erroneously attacks normal components of the central nervous system. MBP8298 is a synthetic peptide identical to a segment of human myelin basic protein (MBP) that has been identified as the most common site of attack by the immune system. Clinical studies have provided evidence that intravenous administration of a large dose of soluble MBP8298 to MS patients every 6 months can restore and maintain the normal state of immunologic tolerance toward this body component, and that disease progression is delayed by this treatment in up to 75% of patients. To date, MBP8298 has successfully undergone Phase I and II clinical trials. Currently, BioMS is conducting three clinical trials and one open-label follow-on trial for MBP8298:

- **Maestro-01:** A pivotal phase II/III trial in Canada and Western Europe evaluating MBP8298 for the treatment of secondary progressive MS (SPMS). On January 22, 2007, BioMS announced that the trial had completed full recruitment of 611 patients at 47 trial sites in 10 countries. Patients are administered either MBP8298 or placebo every six months for a period of two years. To date, there have been eight positive safety reviews from the Data Safety Monitoring Board.
- **Maestro-02:** An open-label follow-on study to the Maestro-01 pivotal trial. Eligible patients who have successfully completed the blinded, placebo controlled Maestro-01 trial may choose to receive MBP8298 on an un-blinded basis.
- **Maestro-03:** BioMS received clearance from the Food and Drug Administration (FDA) in the United States (U.S.) to conduct a pivotal phase III trial evaluating MBP8298 for the treatment of SPMS. The trial will be a randomized, double-blind study enrolling approximately 510 patients at approximately 60 sites across the U.S. Enrollment was initiated in June, 2007 and to date there have been in excess of 200 patients enrolled in the trial. The Data Safety Monitoring Board has conducted its first review of the data from this trial and has recommended that the trial continue.
- **Mindset-01:** A phase II clinical trial to evaluate MBP8298 for the treatment of relapsing remitting MS (RRMS). The trial, a randomized, double-blind study, has recruited 218 patients at 24 trial sites in 6 countries across Europe. The Data Safety Monitoring Board has completed two safety analyses and recommended that the trial continue as per the protocol. These are the first of a number of regularly scheduled reviews by the DSMB that will occur over the duration of the trial.

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

Licensing and Development Agreement

On December 17, 2007, the Corporation entered into a licensing and development agreement granting Eli Lilly and Company (Lilly) exclusive worldwide rights to its lead MS compound MBP8298. Under the terms of the agreement, Lilly and BioMS will collaborate on the development of MBP8298 and will also share in certain development costs with Lilly being responsible for future research and development, manufacturing and marketing activities. The transaction closed on January 25, 2008, when all conditions were removed, with the receipt of an upfront payment of US \$ 87 million. The transaction will be recorded in the first quarter of 2008. BioMS has the potential of receiving additional development and sales milestones of up to US \$410 million and escalating royalties on sales commensurate with the current stage of development of the product if MBP8298 is commercialized. All upfront and development milestones are non-refundable and non-creditable against any other payments. BioMS will continue to oversee the current trials until the date on which BioMS delivers to Lilly a complete written report of the final results of the Maestro-01 trial and the manufacture of clinical materials through the completion of the 2008 validation batches of the drug product.

Lilly shall notify BioMS in writing not later than sixty (60) days following receipt of the final written clinical trial report of the results of the Maestro-01 trial whether Lilly has elected to terminate the agreement on account of the results of the Maestro-01 trial. Thereafter, Lilly shall bear one hundred percent (100%) of any and all development costs incurred by the parties. The agreement will terminate in each country on the expiration of the last-to-expire BioMS Licensed Patent having a valid claim covering the manufacture, use or sale of the product in the field in each country. The agreement may also be terminated at any time during the term upon written notice by either party for material breach or at any time on 90 days notice.

The completion of the licensing agreement with Lilly resulted in a one time payment of a licensing bonus to Corporation personnel. The licensing bonuses paid in February, 2008 totaled \$9.0 million, of which \$4.2 million was paid to related parties and the balance of \$4.8 million was paid to employees and contracted personnel. The Compensation Committee, which is comprised of independent directors, reviewed and approved the payment of all bonuses.

Selected Annual Information

Financial Information for the last three years ended December 31, 2007
(expressed in thousands of Canadian dollars except per share amounts)

	2007	2006	2005 (Restated*)
Research and development expense	\$38,907	\$35,185	\$10,829
General and administrative expense	7,490	5,416	5,917
Amortization expense	1,606	1,584	1,543
Total expenses	\$48,003	\$42,185	\$18,289
Investment Income	1,644	1,268	1,163
Foreign Exchange loss	849	-	-
Net Loss	(\$47,208)	(\$40,917)	(\$17,126)
Loss per Common share	(\$0.56)	(\$0.62)	(\$0.28)
Total assets	\$51,410	\$55,469	\$51,360

* Restated to account for the retroactive adjustment to stock-based compensation expense as described in Note 8 to the audited annual consolidated financial statements for the year ended December 31, 2006.

Discussion of Operations and Financial Condition

The consolidated net loss of the Corporation for the year ended December 31, 2007 was \$47.2 million or \$0.56 per share compared with a consolidated net loss of \$40.9 million or \$0.62 per share for the previous year. The increase in the loss was the result of larger research and development expenditures of \$3.7 million, an increase in general and administrative expenses of \$2.1 million, an increase in investment income of \$0.4 million and an increase of foreign exchange loss of \$0.8 million. It is expected that research and development expenses will increase over the next 2 years as the MBP8298 clinical trials, Maestro-01, Maestro-02, Maestro-03 and Mindset-01 continue in Canada, Europe and the U.S.

Expenses

Total consolidated expenses for the year ended December 31, 2007 were \$48.0 million as compared with \$42.2 million in the previous year. In 2007, expenses related to the Corporation's direct research and development efforts accounted for \$38.9 million or 82% of all expenses as compared with \$35.2 million or 83% in 2006.

Research and development

Research and development expenses for the year ended December 31, 2007 totaled \$38.9 million compared with \$35.2 million in 2006. The increase is due primarily to the start up and initial enrollment of patients in the Maestro-02 follow-on trial, the full enrollment and continuation of the Mindset-01 clinical trial and the start-up and commencement of enrolment of the Maestro-03 clinical trial.

(expressed in thousands of Canadian dollars)

Description	2007	2006
Multiple Sclerosis Clinical Trials	\$31,775	\$22,800
Drug Manufacturing for clinical purposes	5,087	10,146
Regulatory	815	691
Research and licensing	1,230	1,548
Total	\$38,907	\$35,185

General and administrative

General and administrative expenses increased to \$7.5 million for the year ended December 31, 2007 an increase of 39% from \$5.4 million in the year ended December 31, 2006. General and administrative expenses represented approximately 16% of total gross expenses for the Company in 2007 compared with approximately 13% in 2006. The increase of \$2.1 million is primarily attributable to the following areas:

- Increase of \$0.8 million in stock based compensation expense recorded for options granted
- Consultant costs and fees related with compliance with Canadian Multilateral Instrument 52-109
- Costs associated with the discussions and negotiations with parties interested in partnering, including travel, consultants, legal and financials advisors
- Increased investor relations and media costs in support of creating awareness of BioMS in the U.S. and Canada
- Increased TSX fees as a result of the Corporation issuing 16.1 million newly issued Class A common shares for gross proceeds of \$44.275 million that was raised by prospectus

Stock-based Compensation Expense

During the year, the Corporation granted 1,407,000 new stock options. The Corporation used the Black-Scholes option pricing model to estimate the fair value of the options granted. The 1,407,000 options granted vested immediately. Application of the fair value method resulted in a \$1.9 million non-cash charge to stock based compensation expense with a corresponding credit to contributed surplus for the year ended December 31, 2007.

Investment Income

Investment income earned on funds invested was \$1.6 million for the year ended December 31, 2007, as compared to \$1.3 million for the previous year. The investment income is earned from the short-term investment of cash reserves in low risk term deposits and high quality low risk funds. The Corporation expects that investment income will continue to fluctuate in relation to prevailing interest rates and amounts of cash reserves invested.

Eight Quarter Review

Financial Information – Quarterly

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

	2007				2006			
	Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Research and development	\$9,303	\$9,092	\$10,237	\$10,275	\$12,517	\$8,051	\$7,882	\$6,735
General and administrative	2,319	1,077	1,466	2,628	1,516	1,166	974	1,760
Amortization of licensing costs	368	368	368	368	368	368	368	368
Amortization of property and equipment	34	34	33	33	30	28	27	27
Foreign exchange gain (loss)	(76)	(633)	(141)	1				
Investment Income	393	351	495	405	352	414	138	364
Net Loss	\$11,707	\$10,853	\$11,750	\$12,898	\$14,079	\$9,199	\$9,113	\$8,526
Loss per common share – basic	\$0.13	\$0.12	\$0.14	\$0.17	\$0.20	\$ 0.14	\$ 0.14	\$ 0.14

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

Fourth Quarter Results

The consolidated net loss of the Corporation for the three months ended December 31, 2007 was \$11.7 million or \$0.13 per share compared with a consolidated net loss of \$14.1 million or \$0.20 per share for the previous year. The decrease in the loss was the result of a reduction in research and development expenditures of \$3.2 million and an increase in general and administrative expenses of \$0.8 million.

Expenses

Total consolidated expenses for the three months ended December 31, 2007 totaled \$12.1 million as compared to \$14.4 million in the same quarter the previous year.

Research and development

Research and development expenses accounted for \$9.3 million or 77% of all expenses for the three months ended December 31, 2007 as compared with \$12.5 million or 87% in 2006. The reduction in expenses was the net result of reduced costs of the Maestro-01 trial as more patients are completing or near completion of their two (2) years on the trial; a reduction in the number of batches of MBP8298 manufactured in the year; increased costs for the Maestro-02 trial, in the way of organizational costs, start-up costs and patient costs as the patients continue on from the Maestro-01 trial; organizational costs, start-up costs in relation to the selection and initiation of the sites and screening and enrolment of patients in the Maestro-03 trial ; achieving full enrolment of clinical sites and patients in the Mindset-01 trial and an increase in the personnel and support costs for managing the trials.

General and administrative

General and administrative expenses accounted for \$2.3 million or 19% of all expenses for the three months ended December 31, 2007 as compared with \$1.5 million or 11% in 2006. The increase of \$0.8 million in general and administrative expenses primarily resulted from the work that was required to conduct the negotiations with potential interested parties and the negotiation and completion of the partnering agreement with Lilly.

Liquidity and Solvency

At December 31, 2007, cash and short-term investments totaled \$38.0 million as compared to \$43.1 million at December 31, 2006.

At December 31, 2007, the Corporation had working capital of \$34.8 million as compared to \$37.4 million at December 31, 2006. The Corporation's cash position and working capital was increased by \$87 million in January 2008 with the completion of the agreement with Lilly and the receipt of the upfront payment. Management estimates that the current working capital is sufficient for the Corporation to meet its obligations in respect of the currently initiated clinical trials for which it is responsible under the Lilly agreement.

During the year, the Corporation further strengthened its cash position by the issuance of 16,100,000 units by way of a public offering at \$2.75 per share, for gross proceeds of \$44.3 million. Each unit consisted of one class A common share and one-half of one class A common share purchase warrant. Each whole warrant entitles the holder to purchase one class A common share at an exercise price of \$4.00 per share for a period of three years following the closing of the offering.

During the year, the Corporation repurchased by way of a Normal Course Issuer Bid 17,100 shares of the company at a cost of \$35,785.

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 \$45.3 million of cash in operating activities for the year ended December 31, 2007 as compared to \$33.4 million of cash in the year ended December 31, 2006.

Off-Balance Sheet Arrangements

As of December 31, 2007, the Corporation did not have any material off-balance sheet arrangements other than those listed and described under the Contractual Obligations and Commitments section and those disclosed in Note 16 to the audited consolidated financial statements for the year ended December 31, 2007.

Contractual Obligations and Commitments

In continuing operations, the Corporation has periodically entered into long-term contractual arrangements for office facilities and product manufacturing. The following table presents commitments arising from these arrangements currently in force over the next five years:

Description	Total	< 1 year	1-3 years	> 3 years
Lease for Office Space	\$90,000	\$90,000	\$ -	\$ -
Equipment Lease	46,000	10,000	20,000	16,000
Total Contractual Obligations	\$136,000	\$100,000	\$20,000	\$16,000

The Corporation has entered into Clinical Research Services Agreements with specific clinical research organizations (“CRO”) to conduct the Maestro-01, Maestro-02, Maestro-03 and Mindset-01 trials. The contracts with these CRO’s are payable over the terms of the related trials and can be terminated on notice varying from thirty to ninety days. The timing of payments is dependent on various activities being completed by the CRO, such as the number of monitoring visits being conducted and other trial-related activities. The Corporation is also responsible for the payment of certain pass through costs. As part of the trials, the Corporation also enters into agreements with the clinical investigator sites participating in the trials. These agreements require payments over the course of the trial based on various activities being completed by the site, such as patient visits.

Related Party Transactions

During the year 2007, the Corporation paid management services, office rent and a general administration amount to companies controlled by the Chairman of the Board and/or the President and Chief Executive Officer of the Corporation in accordance with independent contractor agreements as follows:

(expressed in thousands of Canadian dollars)

	2007	2006
Management services	\$875	\$755
Office Rent	193	180
General administration	116	112
Total	\$1,184	\$1,047

The lease for the office space is on a month to month basis with the lease cost fixed until December 31, 2010 and termination upon six (6) months written notice by either party. In 2007, the Corporation rented additional space on a temporary basis.

Critical Accounting Estimates

Our discussion and analysis of BioMS' financial condition and the results of operations is based on our consolidated financial statements, which have been prepared in accordance with Canadian GAAP. Our preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities; the disclosure of contingent assets and liabilities and the date of the financial statements; and, the reported amounts of revenues and expenses during the reporting period presented.

These estimates and judgments are evaluated on an on-going basis and are considered to be reasonable based upon our historical experience and assumptions. Actual results could differ from those estimates made by management.

BioMS' critical accounting estimates discussed below are those we believe are the most important in determining our financial position and results or those which require significant judgment by management. The corresponding accounting policies are summarized in the notes to our consolidated financial statements.

Accrued Clinical Trial Costs

The Corporation enters into contracts with independent third parties who conduct clinical trials on behalf of the Corporation. Services rendered include the determination of sites, recruitment of patients, clinical research management and data management. Accruals for clinical trial costs are based on management's best estimate of the number of patients, patient's progression through the trial and costs incurred to date. By their nature, these estimates are subject to measurement uncertainty and the effect on the consolidated financial statements of changes in such estimates in future periods could be significant.

Stock based Compensation

Stock-based compensation is recorded using the fair value based method for stock options issued to employees and non-employees subsequent to January 1, 2003. Under this method, compensation cost is measured at fair value at the date of grant and is expensed over the award's vesting period. The Corporation uses the Black-Scholes options pricing model to calculate stock option values, which requires certain assumptions, including the future stock price volatility and expected time to exercise. Changes to any of these assumptions, or the use of a different option pricing model, could produce different fair values for stock-based compensation, which could have a material impact on the Corporation's earnings

Research and development

Research and development costs consist of direct and indirect expenditures related to our research and development programs that may include technology access and licensing fees related to the use of proprietary third party technologies. Research and development costs are expensed as incurred unless they meet generally accepted accounting criteria for deferral and amortization. We assess whether any costs have met the relevant criteria for deferral and amortization at each reporting date. To date, no product research and development costs have been deferred. Should the regulatory agencies approve a clinical product, management will determine whether conditions exist for deferral and amortization of any qualifying development costs. Earnings will be impacted in the period that such development costs are capitalized, and also in each subsequent accounting period as they are amortized.

Income Taxes

Income taxes are accounted for under the asset and liability method. Future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Future tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Management provides valuation allowances against the future tax asset for amounts which are not considered "more likely than not" to be realized. In assessing the realizability of tax assets, management considers whether it is more likely than not that some portion or all of the tax assets will not be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The Corporation has determined that a 100% tax valuation allowance is necessary at December 31, 2007. In the event the Corporation was to determine that it would be able to realize its tax asset, an adjustment to the tax asset would increase income in the period in which such determination is made.

Changes in Accounting Policies

Effective January 1, 2007, the Corporation adopted new accounting standards that were issued by the Canadian Institute of Chartered Accountants ("CICA"). These accounting policy changes were adopted on a retroactive basis with no impact on the prior period financial statements other than disclosure.

CICA 3855 – Financial Instruments – Recognition and Measurement and CICA 3861 – Financial Instruments – Disclosure and Presentation.

These sections prescribe standards for the classification and disclosure of financial instruments and related interest, dividends, gains, and losses. Specifically, they prescribe when a financial instrument is to be recognized on the balance sheet and at what amount, either fair-value or a cost-based measure. Financial instruments include accounts receivable and payable, loans, investments in debt, equity securities and derivative contracts.

CICA 1530 – Comprehensive Income and CICA 3251 - Equity

Section 1530 establishes standards for the reporting and display of comprehensive income. Comprehensive income is the change in equity of an enterprise during a period from transactions and other events, and circumstances from non-owner sources. Other comprehensive income comprises revenues, expenses, gains, and losses that are recognized in comprehensive income, but excluded from net income. Section 1530 does not address issues of recognition or measurement for comprehensive income and its components. Section 3251, "Equity" establishes standards for the presentation of equity and changes in equity during the reporting period. The requirements set out in Section 3251 are in addition to those established in Section 1530 and require that an enterprise present separately the components of equity: retained earnings, accumulated other comprehensive income, the total for retained earnings, and accumulated other comprehensive income, contributed surplus, share capital and reserves.

Financial Instruments

On January 1, 2007, the Corporation adopted Section 3855 of the CICA handbook, "Financial Instruments – Recognition and Measurement". It contains the standards for recognizing and measuring financial instruments in the balance sheet and the standards for reporting gains and losses in the financial statements. Financial assets available for sale, assets and liabilities held for trading and derivative financial instruments, part of a hedging relationship or not, have to be measured at fair value. The Corporation has made the following classifications:

- Cash and cash equivalents and short-term investments will be classified as financial assets held for trading and measured at fair value. Gains and losses related to periodical revaluations 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 other than disclosure in the consolidated financial statements of the Corporation.

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 are described below. See the 2007 Annual Information Form of the Corporation for further detail and discussion of these, and other, risks and uncertainties.

Licenses and Patents

The Corporation's success will depend in part on its ability to obtain licenses and patents, protect its trade secrets and operate without infringing the exclusive rights of other parties. There is no guarantee that any license and patent that will be granted to the Corporation will bring any competitive advantage to the Corporation, that its license and patent protection will not be contested by third parties, or that the licenses and patents of competitors will not be detrimental to the Corporation's commercial activities. It cannot be assured that competitors will not independently develop products similar to the Corporation's products, that they will not imitate the Corporation's products or that they will not circumvent licenses and patents granted to the Corporation.

Clinical Studies

The Corporation has commenced a pivotal Phase II/III clinical trial, Maestro-01, a Phase II clinical trial, Mindset-01, and a pivotal phase III clinical trial, Maestro-03., all in respect of its multiple sclerosis product, MBP8298. These studies require considerable resources from the Corporation. Obtaining positive and conclusive results from these studies are an essential condition of product commercialization. Therefore, unsatisfactory results may considerably hinder the development and commercialization of the Corporation's products.

Regulatory Approvals

In order to commercialize its products and hence generate revenues, the Corporation must first obtain the approval of regulatory agencies in each of the countries where it wishes to sell its products. The Corporation's products may not meet the criteria established by the various agencies and, consequently, may not obtain required approvals for commercialization.

Commercialization

Once commercialized, the Corporation's products may potentially compete with existing products on the market. Various people in the healthcare sector, such as those who may prescribe or dispense the new drugs commercialized by the Corporation and the parties responsible for drug reimbursement, may select other treatments than those offered by the Corporation.

Competition

The Corporation is subject to significant competition from pharmaceutical companies, biotechnology companies, academic and research institutions as well as government agencies with greater capital resources, research and development staffs and facilities who are pursuing the development of products that are similar to the Corporation's. Many of these organizations have marketing capabilities superior to the Corporation's.

Capital Resources

In order to achieve its long term development and commercialization strategy, the Corporation will need to raise additional capital through the issuance of shares or collaboration agreements or partnerships that would allow the Corporation to finance its activities. Nothing guarantees that additional funds will be available or that they may be acquired according to acceptable terms and conditions, allowing the Corporation to successfully market its products. Additional financing may result in dilution of shareholder value.

Human Resources

Members of management and scientists are highly qualified individuals who are essential to the successful research and development of the Corporation's products. Loss of services from a large part of this group or the inability of the Corporation to attract highly qualified personnel could compromise the Corporation's growth.

Volatility of Share Price

The market price of the Corporation's shares is subject to volatility. General market conditions as well as differences between the Corporation's financial, scientific and clinical results and the expectations of securities analysts covering its activities can have a significant impact on the trading price of the Corporation's shares.

Outlook

The Corporation is expecting an interim analysis in its Maestro-01 trial for SPMS patients in Canada and Europe in mid-2008, and final trial results in the second half of 2009. Patients that have completed the Maestro-01 trial are eligible to enroll in the Maestro-02 trial. The company expects to complete enrollment of its Maestro-03 trial for SPMS patients in the U.S. in 2008. The 15 month double blind study phase of its Mindset-01 trial for RRMS patients in Europe is expected to complete by the end of 2008, with results expected in early 2009. Patients in this trial will go on to a 12 month active treatment open label extension period. BioMS is responsible for all costs incurred in connection with the conduct of the clinical trials until the date on which BioMS delivers to Lilly a complete written report of the final results of the Maestro-01 trial. At the completion of the Maestro-01 trial, Lilly has the option of either accepting the written report and proceeding with applying for regulatory approval or terminating the agreement and returning all technology and documents to the ownership of BioMS. It is the responsibility of BioMS to notify Lilly of the achievement of development milestones and Lilly shall make the required development milestone payment in a timely manner as stipulated in the agreement.

BioMS expects to continue to incur operating losses until such time as its lead drug, MBP8298 for the treatment of MS, has received regulatory approval and is available for commercial production. The Corporation estimates that it has sufficient cash to cover the expected costs of the currently initiated clinical trials for which it is responsible under the Lilly agreement. BioMS does not anticipate that it will be required to approach the equity markets for additional funding for the development of MBP8298. The Corporation's ability to raise capital will depend on equity market conditions at that time.

Management's Report on Internal Control over Financial Reporting

Management is responsible for certifying the design of the Corporation's internal control over financial reporting as required by Multilateral Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings.

Our internal control over financial reporting is intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable GAAP, Internal Control over Financial Reporting should include those policies and procedures that establish the following:

- maintenance of records in reasonable detail, that accurately and fairly reflect the transactions and dispositions of our assets
- reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with applicable GAAP
- receipts and expenditures are only being made in accordance with authorizations of management and the Board of Directors
- reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The assessment of the design of the Corporation's internal controls over financial reporting carried out in 2006 by management, including the CEO and CFO, disclosed weaknesses regarding insufficient documentation of the review of all journal entries and monthly reconciliations, which were corrected in 2007.

Disclosure Controls

The CEO and CFO are responsible for establishing and maintaining the disclosure controls and procedures of BioMS Medical Corp, and have so certified, as required by Multilateral Instrument 52-109. These officers have evaluated the effectiveness of BioMS Medical's disclosure controls and procedures and have concluded that the disclosure controls and procedures at BioMS Medical provide management a reasonable level of assurance that information required to be disclosed by BioMS Medical on a continuous basis and in annual and interim filings or other reports is recorded, processed, summarized, and reported or disclosed on a timely basis as required.

Management's Responsibility for Financial Reporting

The annual report, including the consolidated financial statements, is the responsibility of the management of the Corporation. The consolidated financial statements were prepared by management in accordance with Canadian generally accepted accounting principles. Where alternative accounting methods exist, management has chosen those it considers most appropriate in the circumstances. The significant accounting policies used are described in note 5 to the consolidated financial statements. Certain amounts in the financial statements are based on estimates and judgments relating to matters not concluded by year end. The integrity of the information presented in the financial statements is the responsibility of management. Financial information presented elsewhere in this annual report has been prepared by management and is consistent with the information in the consolidated financial statements.

Management is responsible for the development and maintenance of systems of internal accounting and administrative controls of high quality. Such systems are designed to provide reasonable assurance that the financial information is accurate, relevant, and reliable and that the Corporation's assets are appropriately accounted for and adequately safeguarded.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities and for final approval of the annual consolidated financial statements. The Board has appointed an Audit Committee comprising three Directors, none of whom is an officer or employee of the Corporation or its subsidiaries. The Audit Committee meets at least four times each year to discharge its responsibilities under a written mandate from the Board of Directors. The Audit Committee meets with management and with the external auditors to satisfy itself that they are properly discharging their responsibilities, reviews the consolidated financial statements and the Auditors' Report, and examines other auditing and accounting matters. The Audit Committee has reviewed the audited consolidated financial statements with management, including a discussion of the quality of the accounting principles as applied and significant judgments affecting the Corporation's consolidated financial statements. The Audit Committee has discussed with the external auditors the external auditors' judgments of the quality of those principles as applied and judgments noted above.

The consolidated financial statements and Management's Discussion and Analysis have been reviewed by the Audit Committee and approved by the Board of Directors of BioMS Medical Corp. The consolidated financial statements have been examined by the shareholders' auditors, PricewaterhouseCoopers LLP, Chartered Accountants. The Auditors' Report outlines the nature of their examination and their opinion on the consolidated financial statements of the Corporation. The external auditors have full and unrestricted access to the Audit Committee, with or without management being present.

Kevin Giese
President and Chief Executive Officer

Don Kimak
Chief Financial Officer