

BioMS Medical Corp.
(A Development Stage Corporation)

Interim Consolidated Financial Statements
(Unaudited) **March 31, 2009**

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

(expressed in thousands of Canadian dollars)

	March 31, 2009 \$ (Unaudited)	December 31, 2008 \$
Assets		
Current assets		
Cash and cash equivalents	75,729	87,826
Short-term investments	2,633	2,614
Goods and services tax recoverable	91	299
Prepaid clinical trial costs	2,161	2,227
Other current assets	177	321
	<hr/>	<hr/>
	80,791	93,287
Prepaid clinical trial costs	693	790
Licensing costs	5,542	5,910
Property and equipment	475	517
	<hr/>	<hr/>
	87,501	100,504
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	11,370	12,015
Deferred revenue (note 5)	32,548	45,605
	<hr/>	<hr/>
	43,918	57,620
Commitments and contingencies (notes 6 and 7)		
Shareholders' Equity		
Share capital (note 8)	175,714	175,714
Contributed surplus	10,937	8,839
Accumulated deficit	(143,068)	(141,669)
	<hr/>	<hr/>
	43,583	42,884
	<hr/>	<hr/>
	87,501	100,504

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

BioMS Medical Corp.

(A Development Stage Corporation)

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, 2007	91,410	176,423	6,680	(140,611)	42,492
Stock options granted	-	-	2,198	-	2,198
Repurchase of shares	(436)	(839)	-	(595)	(1,434)
Exercise of stock options	35	130	(39)	-	91
Net loss	-	-	-	(463)	(463)
Balance – December 31, 2008	91,009	175,714	8,839	(141,669)	42,884
Stock options granted	-	-	2,098	-	2,098
Net loss	-	-	-	(1,399)	(1,399)
Balance – March 31, 2009	91,009	175,714	10,937	(143,068)	43,583

(The accompanying notes are an integral part of these unaudited interim 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 and shares, except per share amounts)

	Cumulative from inception to March 31,	Three-month period ended March 31,	
	2009 \$	2009 \$	2008 \$
Revenue earned from collaboration partner (note 5)	65,618	13,057	12,769
Less: Research and development expenses	<u>(163,594)</u>	<u>(11,509)</u>	<u>(13,143)</u>
	(97,976)	1,548	(374)
General and administrative expenses	(45,453)	(2,848)	(8,695)
Amortization of licensing costs	(12,123)	(368)	(368)
Amortization of property and equipment	<u>(560)</u>	<u>(43)</u>	<u>(12)</u>
Loss from operations	(156,112)	(1,711)	(9,449)
Other income			
Investment income	8,949	170	729
Foreign exchange gain	<u>5,722</u>	<u>142</u>	<u>2,035</u>
	<u>14,671</u>	<u>312</u>	<u>2,764</u>
Net loss and comprehensive loss	<u>(141,441)</u>	<u>(1,399)</u>	<u>(6,685)</u>
Basic and diluted net loss per common share (note 11)		<u>(0.02)</u>	<u>(0.07)</u>
Basic and diluted weighted average number of common shares outstanding		<u>91,009</u>	<u>91,405</u>

(The accompanying notes are an integral part of these unaudited interim 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 March 31,	Three-month period ended March 31,	
	2009 \$	2009 \$	2008 \$
Cash provided by (used in)			
Operating activities			
Net loss	(141,441)	(1,399)	(6,685)
Items not involving cash			
Stock-based compensation (note 9)	10,976	2,098	1,904
Amortization of licensing costs	12,123	368	368
Amortization of property and equipment	560	43	12
Loss on disposal of property and equipment	11	-	5
	<u>(117,771)</u>	<u>1,110</u>	<u>(4,396)</u>
Net change in non-cash working capital items			
Goods and services tax recoverable	(91)	208	(90)
Prepaid and other current assets	(2,404)	144	(267)
Prepaid clinical trial costs	(627)	163	975
Accounts payable and accrued liabilities	8,337	(814)	(2929)
Deferred revenue	32,548	(13,057)	74,614
	<u>(80,008)</u>	<u>(12,246)</u>	<u>67,907</u>
Investing activities			
Purchase of property and equipment	(1,046)	(1)	-
Net (purchase of) proceeds from short-term investments	(2,633)	(19)	1,112
Licensing costs	(6,467)	-	-
	<u>(10,146)</u>	<u>(20)</u>	<u>1,112</u>
Financing activities			
Proceeds from issuance of share capital	178,729	-	-
Repurchase of share capital	(3,552)	-	(36)
Share issue costs	(12,312)	-	-
	<u>162,865</u>	<u>-</u>	<u>(36)</u>
Foreign exchange gain on cash and cash equivalents held in foreign currency	<u>3,018</u>	<u>169</u>	<u>2,035</u>
(Decrease) increase in cash and cash equivalents	<u>75,729</u>	<u>(12,097)</u>	<u>71,018</u>
Cash and cash equivalents – Beginning of period	<u>-</u>	<u>87,826</u>	<u>35,428</u>
Cash and cash equivalents – End of period	<u>75,729</u>	<u>75,729</u>	<u>106,446</u>
Cash and cash equivalents consists of			
Bank accounts	846	846	519
Interest bearing deposits and securities	74,883	74,883	105,927
	<u>75,729</u>	<u>75,729</u>	<u>106,446</u>

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

BioMS Medical Corp.

(A Development Stage Corporation)

Notes to Interim Consolidated Financial Statements

(Unaudited)

(expressed in thousands of Canadian dollars)

1 Nature of business

BioMS Medical Corp. is incorporated in Alberta under the Business Corporations Act and is a development stage corporation as it continues to develop new pharmaceutical technologies through pre-clinical and clinical trial stages, with the primary focus on the development of its drug dirucotide (formerly known as MBP8298) for Multiple Sclerosis (“MS”).

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, 2008. 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, 2008. 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 accounting policies

a) Goodwill and Intangible Assets (CICA Handbook Section 3064)

Effective January 1, 2009, the Corporation adopted the recommendations of the Canadian Institute of Chartered Accountants (“CICA”) Handbook Section 3064, Goodwill and Intangible Assets, which replaces Handbook Section 3062 “Goodwill and Other Intangible Assets” and Handbook Section 3450 “Research and Development Costs”. This Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Handbook Section 3062. This Section did not have a material effect on the Company’s unaudited interim consolidated financial statements.

BioMS Medical Corp.

(A Development Stage Corporation)

Notes to Interim Consolidated Financial Statements

(Unaudited)

(expressed in thousands of Canadian dollars)

4 Future accounting pronouncements

a) Convergence to International Financial Reporting Standards (“IFRS”)

The Canadian Accounting Standards Board (AcSB) announced in 2006 that for fiscal years commencing on or after January 1, 2011, all publicly accountable enterprises are required to report their financial results using International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). IFRS uses a conceptual framework similar to Canadian GAAP, but there are some differences in recognition, measurement and disclosures. The Corporation is required to prepare financial statements that are compliant with IFRS with comparative numbers for the prior year.

As a result of this announcement, the Corporation is developing a plan to convert its consolidated financial statements to IFRS. The plan will address the impact that IFRS has on:

- accounting policies and implementation decisions;
- information technology and data systems;
- financial statement presentation and disclosure options available upon initial changeover to IFRS;
- internal control over financial reporting;
- disclosure controls and procedures; and
- business activities, including impact on debt covenants.

The Corporation is currently in the process of assessing the differences between IFRS and the Corporation’s current accounting policies, as well as the alternatives available upon adoption, and has not quantified the effect of adopting IFRS.

b) 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 considerations and contingencies will be recorded at fair value at the acquisition date. Acquisition-related costs will be expensed as incurred and that 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.

c) 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.

BioMS Medical Corp.

(A Development Stage Corporation)

Notes to Interim Consolidated Financial Statements

(Unaudited)

(expressed in thousands of Canadian dollars)

4 Future accounting pronouncements (continued)

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

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 Company is currently evaluating the impact of the adoption of these new Sections on the consolidated financial statements.

5 Exclusive License and Collaboration Agreement

On December 17, 2007, the Corporation entered into a licensing and development agreement (the "Agreement") granting Eli Lilly and Company ("Lilly") exclusive worldwide rights to its lead Multiple Sclerosis compound, dirucotide. Under the terms of the Agreement, Lilly and BioMS will collaborate on the development of dirucotide and will also share in certain development costs. The transaction closed on January 23, 2008 and the Corporation received an upfront payment of US\$87 million. BioMS has the potential of receiving additional development and sales milestones of up to US\$400 million and escalating royalties on sales commensurate with the current stage of development of the product if dirucotide is commercialized. On August 13, 2008 the Corporation received a positive interim analysis from the Data Safety Monitoring Board for the Maestro-01 clinical trial which triggered a US\$10 million milestone payment to BioMS. The payment was received in September 2008. All upfront and development milestones are non-refundable and non-creditable against any other payments.

Lilly shall notify BioMS in writing not later than sixty (60) days following receipt of the final written report of the results of the Maestro-01 clinical trial whether Lilly has elected to terminate the agreement on account of the results of the Maestro-01 clinical trial. If Lilly chooses not to terminate the agreement, Lilly shall bear one hundred percent (100%) of any and all continuing development costs incurred by Lilly or BioMS. Lilly may also terminate the Agreement at any time on ninety (90) days notice.

Lilly shall bear one hundred percent (100%) of any and all development, manufacturing and marketing costs incurred by the parties once Lilly has accepted the written report of the final results of the Maestro-01 clinical trial and has not elected to terminate the Agreement. 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 be terminated at any time during the term upon written notice by either party for material breach under the agreement.

BioMS Medical Corp.

(A Development Stage Corporation)

Notes to Interim Consolidated Financial Statements

(Unaudited)

(expressed in thousands of Canadian dollars)

5 Exclusive License and Collaboration Agreement (continued)

The table below presents the accounting treatment of the payments received in respect of the Agreement:

	Three-month period ended March 31, 2009 \$ (unaudited)	Three-month period ended March 31, 2008 \$ (unaudited)	Year ended December 31, 2008 \$
Deferred revenue balance – January 1	45,605	-	-
Cash received:			
Upfront fee received from collaboration partner	-	87,383	87,383
Development milestone received from collaboration partner	-	-	10,783
Less: Revenue recognized	(13,057)	(12,769)	(52,561)
Deferred revenue – period ended	32,548	74,614	45,605
Less: Deferred revenue – current portion	(32,548)	(51,857)	(45,605)
Deferred revenue – long term	-	22,757	-

Management believes that completion of the Maestro-01 clinical trial will occur in the second half of fiscal 2009, therefore the Corporation expects to recognize all deferred amounts related to the upfront fee and milestone payments already received during fiscal 2009.

Revenue is recognized based on management's best estimate of the costs to be incurred for all the current clinical trials currently underway up to the completion of the Maestro-01 clinical trial including the completion and delivery of the final written report to be provided to Lilly. 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 material.

6 Commitments

- 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 and has committed to pay approximately \$43.0 million to the completion of these 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.

BioMS Medical Corp.

(A Development Stage Corporation)

Notes to Interim Consolidated Financial Statements

(Unaudited)

(expressed in thousands of Canadian dollars)

6 Commitments (continued)

The Corporation has entered into a licensing agreement granting the Corporation worldwide exclusivity with respect to certain patents and patent applications in the field of injection to non-mucosal sites for the treatment of multiple sclerosis. The licensing agreement requires a payment of a monthly maintenance fee of US\$15,000 plus royalties on an escalating scale, based on net sales of the licensed products. The royalty obligations continue on a country-by-country basis until there is no longer any valid claim from a licensed patent in the country. As at March 31, 2009 no sales of the licensed products have yet occurred that would have resulted in a royalty payment.

- b) The Corporation has entered into development and supply agreements with third parties to produce and supply a pharmaceutical product. Payment obligations are estimated to be as much as US\$1.0 million in 2009 before additional development costs.
- c) In continuing operations, the Corporation periodically enters into long-term contractual arrangements for office facilities and equipment. The following table presents commitments arising from these arrangements over the next five years.

	Total \$	< 1 year \$	1 – 3 years \$	> 3 years \$
Lease for office space	344,975	344,975	-	-
Equipment lease	64,000	14,000	42,000	8,000
	408,975	358,975	42,000	8,000

7 Contingencies

The Corporation may, from time to time, be subject to claims and legal proceedings brought against it in the normal course of business. Such matters are subject to many uncertainties. As at March 31, 2009, the Corporation was not subject to any claims or legal proceedings.

BioMS Medical Corp.

(A Development Stage Corporation)

Notes to Interim Consolidated Financial Statements

(Unaudited)

(expressed in thousands of Canadian dollars)

8 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 91,009,323 Class A common shares issued and outstanding as at March 31, 2009 and December 31, 2008.

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, 2009, under this plan, 12,000,000 common shares were reserved for stock options. To date 9,571,500 stock options have been granted. At March 31, 2009, 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.

	2009	
	Number of options #	Weighted average exercise price \$
Outstanding – January 1	9,181,500	3.31
Granted	1,350,000	3.60
Exercised	-	-
Cancelled	-	-
Outstanding –March 31	<u>10,531,500</u>	<u>3.35</u>
Exercisable – March 31	<u>10,516,500</u>	<u>3.35</u>

BioMS Medical Corp.

(A Development Stage Corporation)

Notes to Interim Consolidated Financial Statements

(Unaudited)

(expressed in thousands of Canadian dollars)

9 Stock-based compensation expense

The Corporation is following the fair value based method of accounting for stock options. Compensation expense of \$2.1 million has been recorded for the three-months ended March 31, 2009 (2008 – \$1.9 million).

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, 2009 and 2008 and using the following weighted average assumptions:

	2009	2008
Volatility	47.3%	40.5%
Risk-free interest rate	1.9%	3.7%
Expected life of the options	60 months	60 months
Dividend yield	0.0%	0.0%
Exercise price	\$3.60	\$3.97
Closing market price on date of grant	\$3.60	\$3.97
Fair value per common share option	\$1.56	\$1.63

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 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.

BioMS Medical Corp.

(A Development Stage Corporation)

Notes to Interim Consolidated Financial Statements

(Unaudited)

(expressed in thousands of Canadian dollars)

10 Warrants

The Corporation has issued warrants as follows:

	<u>2009</u>	
	Number of warrants #	Weighted average subscription price \$
Outstanding – January 1	26,021,528	4.45
Granted	-	-
Expired	(287,500)	5.00
Outstanding – December 31	<u>25,734,028</u>	<u>4.45</u>

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

11 Net loss per common share

The outstanding number and type of securities that would potentially dilute basic loss per common share in the future and which were not included in the computation of diluted loss per share, because to do so would have reduced the net loss per common share (anti-dilutive) for the years presented, are as follows:

	2009 #	2008 #
Stock options	10,531,000	9,001,000
Warrants	25,734,028	26,021,528
	<u>36,265,028</u>	<u>35,022,528</u>

12 Financial instruments

Financial instruments of the Corporation consist of cash, short-term investments, accounts payable and accrued liabilities. The fair value of these instruments approximates their carrying amount due to their immediate or short-term maturity. The Corporation has classified its financial instruments as follows:

BioMS Medical Corp.

(A Development Stage Corporation)

Notes to Interim Consolidated Financial Statements

(Unaudited)

(expressed in thousands of Canadian dollars)

12 Financial instruments (continued)

	March 31, 2009	December 31, 2008
	\$	\$
<u>Financial assets</u>		
Cash and cash equivalents, held-for-trading, recorded at fair value	75,729	87,826
Short-term investments, held-for-trading, recorded at fair value	2,633	2,614
	<u>78,362</u>	<u>90,440</u>
<u>Financial liabilities</u>		
Accounts payable and accrued liabilities, other liabilities, recorded at amortized cost	11,370	12,015
	<u>11,370</u>	<u>12,015</u>

The Corporation is required to identify and measure embedded derivatives that require separation from the related host contract and measure those embedded derivatives at fair value. Subsequent changes in fair value of embedded derivatives are recognized in the consolidated statement of loss in the period the change occurs. The Corporation has not identified any embedded derivatives that require separation for the three-month period ended March 31, 2009 and the year ended December 31, 2008.

The Corporation did not have any available-for-sale financial instruments during the three-month period ended March 31, 2009 and the year ended December 31, 2008.

The Corporation's activities are exposed to a variety of financial risks including, currency risk, interest rate risk, credit risk and liquidity risk. The Corporation's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Corporation's financial results. Risk management is carried out by financial management in conjunction with overall corporate governance.

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. Expenditures of the Corporation are made in various currencies as required by the agreements made with various suppliers in the countries in which the clinical trials are conducted.

BioMS Medical Corp.

(A Development Stage Corporation)

Notes to Interim Consolidated Financial Statements

(Unaudited)

(expressed in thousands of Canadian dollars)

12 Financial instruments (continued)

Currency risk (continued)

Approximately fifty nine (59%) percent of the Corporation's expenditures are made in United States dollars ("US\$"), the Euro, British Pounds ("GBP"), Swedish Kroners ("SEK") and Danish Kroners ("DKK") with the remaining forty one per cent (41%) made in Canadian dollars ("CA\$").

At any point in time, the Corporation may use forward contracts to mitigate the exposures associated with fluctuations in foreign currency exchange rates. The Corporation did enter into any forward contracts to manage this risk in the three months year ended March 31, 2009 or the year ended December 31, 2008. The Corporation does not enter into derivative financial instruments for speculative or trading purposes.

The Corporation believes that the results of operations and cash flows could be affected by a change in foreign currency exchange rates, but would not materially impair or enhance its ability to pay its foreign exchange obligations.

The following table provides significant items exposed to foreign exchange as at March 31, 2009:

	US\$	Euro	SEK	GBP	DKK
Cash and cash equivalents	5,914	-	-	-	-
Accounts payable and accrued liabilities	(4,287)	(2,072)	(728)	(753)	(170)
Net exposure	1,627	(2,072)	(728)	(753)	(170)

The following exchange rates applied during the three-months ended March 31, 2009:

	Rate on January 1, 2009	Rate on March 31, 2009	Average rate for three- months ended March 31, 2009
US\$ – CA\$	1.211	1.260	1.245
Euro – CA\$	1.688	1.671	1.621
SEK – CA\$	0.155	0.153	0.148
GBP – CA\$	1.758	1.802	1.786
DKK – CA\$	0.227	0.224	0.218

BioMS Medical Corp.

(A Development Stage Corporation)

Notes to Interim Consolidated Financial Statements

(Unaudited)

(expressed in thousands of Canadian dollars)

12 Financial instruments (continued)

Currency risk (continued)

Based on the Corporation's foreign currency exposures noted above, varying the foreign exchange rates to reflect a five (5%) percent strengthening of the Canadian dollar would have increased (decreased) the impact of unrealized foreign currency translation on net loss as follows, assuming that all other variables remained constant:

	Three-months ended March 31, 2009				
	US\$	Euro	SEK	GBP	DKK
Increase (decrease) net loss in CA\$	103	(173)	(6)	(68)	(2)

An assumed five (5%) percent weakening of the Canadian dollar would have had an equal but opposite effect on the above currencies to the amounts shown, on the basis that all other variables remain constant.

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.

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, 2009, and assuming that all other variables remain constant, a 1% appreciation or deterioration of the interest rate would result in a decrease/increase of \$844 in the Corporation's net loss for the three-months ended March 31, 2009.

Accounts payable and accrued liabilities bear no interest.

BioMS Medical Corp.

(A Development Stage Corporation)

Notes to Interim Consolidated Financial Statements

(Unaudited)

(expressed in thousands of Canadian dollars)

12 Financial instruments (continued)

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 and short-term investments.

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.

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 programs and commitments that the Corporation has planned.

The Corporation's exposure to liquidity risk is dependent on purchasing commitments and obligations or raising of funds to meet and sustain operations. The Corporation controls 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 Corporation's 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, 2009:

	Carrying amount	Less than 1 year
	\$	\$
Accounts payable and accrued liabilities	11,370	11,370

The cash inflow of the Corporation is dependent on external financings and partnering agreements. The Corporation's investment revenue is dependent on changes in market interest rates paid by institutions for the use of the Corporation's funds.

BioMS Medical Corp.

(A Development Stage Corporation)

Notes to Interim Consolidated Financial Statements

(Unaudited)

(expressed in thousands of Canadian dollars)

13 Capital disclosure

The Corporation's objectives when managing capital are:

To safeguard the Corporation's ability to pursue the research and development of its products, complete its clinical trials, 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 a development stage biotechnology Corporation.

In the management of capital, the Corporation includes cash and cash equivalents, short-term investments and the components of shareholders' equity to provide a capital of \$121,945 as at March 31, 2009 (December 31, 2008 - \$133,324).

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. 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 ongoing research and development of its products, the Corporation does not pay out dividends.

The Corporation expects its current capital resources will be sufficient to carry its research and development plans and operations to completion of its current clinical trials.

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

The Corporation's objectives in managing capital are to ensure a sufficient liquidity position to finance its research and development activities, clinical trials, corporate administration, working capital and overall capital expenditures. The Corporation attempts to manage its liquidity to minimize shareholder dilution whenever possible.

BioMS Medical Corp.

(A Development Stage Corporation)

Notes to Interim Consolidated Financial Statements

(Unaudited)

(expressed in thousands of Canadian dollars)

14 Related party transactions

During the three-months ended March 31, 2009 and 2008, the Corporation paid management services, professional fees, office rent and general administration amounts to companies controlled by directors and officers of the Corporation and to professional firms in which certain directors or officers have interests.

	For the three-months ended March	
	31,	
	2009	2008
	\$	\$
Management services	169	4,413
Office rent	59	45
General administration	27	58
Legal fees	25	25
	280	4,541

The lease for the office space is at a fixed rate ending December 31, 2013 with early termination available upon six months written notice by either party (Note 6 c).

All transactions with related parties have occurred in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

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

15 Segment Information

The Corporation operates in one business segment which is the development of pharmaceutical products based on its licensed and proprietary technologies, with substantially all of its operations and all of its long lived assets located in Canada.