



# **NVENTA BIOPHARMACEUTICALS CORPORATION**

Financial Statements for the quarter ended March 31, 2007

**Nventa Biopharmaceuticals Corporation**  
**Consolidated Balance Sheets**  
*(Canadian dollars) (In thousands, except share information)(Unaudited)*  
**Continuing Operations (Note 1)**

	<u>March 31, 2007</u>	<u>December 31, 2006</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents (Note 6)	\$ 10,699	\$ 2,972
Short-term investments	3,564	-
Prepaid expenses	145	229
Other current assets	135	104
Total current assets	<u>14,543</u>	<u>3,305</u>
Property and equipment, net	551	861
Assets held for sale (Note 2)	249	-
Other long-term asset	29	-
Deferred share issue costs (Note 4)	-	453
Total assets	<u>\$ 15,372</u>	<u>\$ 4,619</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,081	\$ 1,695
Deferred revenue	466	621
Total liabilities	<u>1,547</u>	<u>2,316</u>
Commitments and contingencies (Note 3)		
Stockholders' equity:		
Common shares – no par value;		
Unlimited shares authorized, 191,627,501 and 83,669,261 shares issued and outstanding at March 31, 2007 and December 31, 2006, respectively	226,076	218,056
Contributed surplus and other equity (Note 4)	32,850	26,277
Deficit	(245,101)	(242,030)
Total stockholders' equity	<u>13,825</u>	<u>2,303</u>
	<u>\$ 15,372</u>	<u>\$ 4,619</u>
<u>/s/ GREGORY MCKEE</u>	<u>/s/ GORDON BAREFOOT</u>	
Director, President and Chief Executive Officer	Director	

See accompanying notes to unaudited interim consolidated financial statements

**Nventa Biopharmaceuticals Corporation**  
**Consolidated Statements of Operations**  
*(Canadian dollars) (In thousands, except per share amounts)(Unaudited)*

	<b>Three months ended</b>	
	<b>March 31,</b>	
	<u><b>2007</b></u>	<u><b>2006</b></u>
Revenue:		
Collaborative research and development revenue	\$ 155	\$ 155
Operating expenses:		
Research and development (Note 4)	1,819	2,207
Selling, general and administrative (Note 4)	1,340	684
	<u>3,159</u>	<u>2,891</u>
Operating loss	(3,004)	(2,736)
Other income (expenses):		
Interest and other income, net	127	19
Net foreign exchange loss	(194)	(28)
	<u>(67)</u>	<u>(9)</u>
Net loss	<u>\$ (3,071)</u>	<u>\$ (2,745)</u>
Basic and diluted loss per common share:	<u>\$ (0.02)</u>	<u>\$ (0.03)</u>
Weighted average number of shares used to compute basic and diluted loss per common share (in thousands)	<u>174,879</u>	<u>83,070</u>

See accompanying notes to unaudited interim consolidated financial statements.

**Nventa Biopharmaceuticals Corporation**  
**Consolidated Statements of Cash Flows**  
*(Canadian dollars in thousands)(Unaudited)*

	<b>Three months ended March 31,</b>	
	<b>2007</b>	<b>2006</b>
Cash flows from operating activities:		
Net loss	\$ (3,071)	\$ (2,745)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation of property and equipment	49	57
Loss on disposal of property and equipment	24	5
Stock-based compensation expense	98	106
Unrealized foreign exchange loss (gain)	94	(15)
Accrued interest receivable	(10)	-
Changes in operating assets and liabilities (Note 6)	(292)	(129)
Net cash used in operating activities	(3,108)	(2,721)
Cash flows from investing activities:		
Purchase of short-term investments	(3,554)	-
Sales and maturities of short-term investments	-	469
Purchase of property and equipment	(18)	(5)
Proceeds from sale of property and equipment	6	-
Net cash (used in) provided by investing activities of continuing operations	(3,566)	464
Proceeds from sale of discontinued operations	-	725
Net cash (used in) provided by investing activities	(3,566)	1,189
Cash flows from financing activities:		
Proceeds from financing	16,194	-
Share issue costs	(1,699)	-
Proceeds from Corporate Reorganization	-	6,250
Cost of Corporate Reorganization	-	(1,026)
Receivable released from escrow – Corporate Reorganization	-	500
Proceeds from exercise of warrants	-	56
Net cash provided by financing activities	14,495	5,780
Effect of exchange rate changes on cash and cash equivalents	(94)	(52)
Increase in cash and cash equivalents	7,727	4,196
Cash and cash equivalents, beginning of period	2,972	3,959
Cash and cash equivalents, end of period	\$ 10,699	\$ 8,155

See accompany notes to unaudited interim consolidated financial statements.

**Nventa Biopharmaceuticals Corporation**  
**Consolidated Statement of Stockholders' Equity**  
*(Canadian dollars) (In thousands, except share information)*

	Common shares		Contributed		Total
	Number	Amount	Surplus	Deficit	
Balance at January 1, 2006	83,036,403	\$ 217,794	\$ 17,690	\$ (231,963)	\$ 3,521
Stock-based compensation – stock options	-	-	244	-	244
Stock-based compensation – stock awards	125,000	74	112	-	186
Common shares due – supply agreement	-	-	68	-	68
Exercise of warrants	168,875	88	(29)	-	59
Corporate Reorganization	-	-	9,250	-	9,250
Cost of Corporate Reorganization	-	-	(1,090)	-	(1,090)
Consideration for early escrow release – Corporate Reorganization	338,983	100	32	-	132
Net loss	-	-	-	(10,067)	(10,067)
Balance at December 31, 2006	83,669,261	218,056	26,277	(242,030)	2,303
Issued for cash, gross	107,958,240	9,405	6,789	-	16,194
Share issue costs	-	(1,385)	(999)	-	(2,384)
Agent's warrants	-	-	685	-	685
Stock-based compensation – stock options	-	-	56	-	56
Stock-based compensation – stock awards	-	-	42	-	42
Net loss	-	-	-	(3,071)	(3,071)
	191,627,501	\$ 226,076	\$ 32,850	\$ (245,101)	\$ 13,825

See accompanying notes to unaudited interim consolidated financial statements.

**Nventa Biopharmaceuticals Corporation**  
**Notes to Consolidated Financial Statements**  
*(Canadian dollars) (Unaudited)*

**1. ORGANIZATION AND BASIS OF PRESENTATION**

Nventa Biopharmaceuticals Corporation (Nventa or the Company) changed its name from Stressgen Biotechnologies Corporation on June 1, 2006.

On March 23, 2006, following regulatory approval, Stressgen Biotechnologies Corporation (Old Stressgen) was reorganized under a Plan of Arrangement (the Plan) pursuant to the Yukon Business Corporations Act. The Plan was approved by the shareholders of Old Stressgen and by the Yukon Supreme Court and was implemented in March 2006.

Under the Plan, Old Stressgen transferred all of its business assets, ownership interest in subsidiary companies, liabilities and operations to Nventa. As the transfer of the business assets, liabilities and operations to Nventa represented a transaction between entities under common control with no substantive change in shareholder ownership, the transaction was accounted for using continuity of interest accounting. Pursuant to continuity of interest accounting, the assets transferred and liabilities assumed have been recorded at their respective carrying values as reported by Old Stressgen immediately prior to the reorganization transaction.

Accordingly, for the three month period ended March 31, 2006, the consolidated financial statements combined the results for the business carried on in Old Stressgen from January 1, 2006 to March 23, 2006 with those of Nventa from March 24, 2006 to March 31, 2006. The unaudited interim consolidated financial statements include the assets, liabilities and operating results of the Company and its wholly-owned subsidiaries (Nventa Inc., Stressgen Development Corporation, Stressgen Bioreagents Limited Partnership and Stressgen Holding Corporation). Intercompany accounts and transactions have been eliminated on consolidation.

As part of the corporate reorganization, Nventa sold 94.9% of its equity interest in Old Stressgen, for cash consideration of \$6,250,000 and an additional \$3,000,000 which was held in escrow pending satisfaction of certain conditions. After completion of the corporate reorganization, Nventa was not related to Old Stressgen, which subsequently changed its name to GVIC Publications Ltd. (GVIC). The shares of Old Stressgen not divested by Nventa, representing a 5.1% equity interest, were then distributed to the previous shareholders of Old Stressgen on a pro-rata basis. During the third quarter of 2006 the Company entered into an agreement with GVIC to terminate the escrow agreement and release the escrowed funds prior to satisfaction of all conditions set forth in the escrow agreement. The Company recorded the \$9,250,000 investment offset by \$1,090,000 related to costs of the reorganization as contributed surplus.

References herein to the Company's business and operations that pre-date the March 23, 2006 corporate reorganization are references to the business and operations of Old Stressgen but are included on the basis that such historical business and operations have been continued by the Company in Nventa.

Nventa is a biopharmaceutical company developing innovative therapeutics for the treatment of viral infections and related cancers, with a focus on diseases caused by the human papillomavirus (HPV). The Company's lead product candidate, HspE7, is a therapeutic product candidate designed to treat diseases caused by HPV. HspE7, a CoVal™ fusion product, was created using the Company's proprietary technology, which is based on covalently linking or fusing stress proteins (also known as heat shock proteins) to disease-specific antigens. The Company has also conducted research using the same technology to develop potential treatments for hepatitis B, herpes simplex and influenza, including avian flu.

At March 31, 2007, the Company had cash, cash equivalents and short-term investments totaling \$14,263,000. The Company incurred a net loss of \$3,071,000 and \$2,745,000 for the three months ended March 31, 2007 and 2006, respectively. The Company used \$3,108,000 and \$2,721,000 of net cash in operating activities for the three months ended March 31, 2007 and 2006, respectively.

**Nventa Biopharmaceuticals Corporation**  
**Notes to Consolidated Financial Statements**  
*(Canadian dollars) (Unaudited)*

**1. ORGANIZATION AND BASIS OF PRESENTATION (continued)**

In January 2007 the Company completed an offering under a short form prospectus resulting in gross proceeds of \$16,194,000 (Note 4). These proceeds provide sufficient resources to fund currently planned program spending and operations through the fourth quarter of 2007. In order to continue clinical development of the HspE7 program, the Company must raise additional funds through financings, completing a corporate transaction and/or entering into collaboration agreements with third parties. The Company may not be successful in securing additional resources and if secured, such arrangements may not be sufficient to continue to fund operations including clinical development and commercialization of the HspE7 program. Even assuming the Company is successful in securing additional sources of financing to fund its HspE7 program and the continued development of its CoVal™ fusions, or otherwise enter into collaborative agreements or complete a corporate transaction, the Company's efforts may not result in commercially viable products.

Historically, the Company has incurred significant losses from operations. Until such time as its research and development efforts are commercialized or fully funded by third parties, of which no assurance can be given, the Company will continue to incur operating losses.

*Financial statements and estimates*

The accompanying unaudited interim financial statements for Nventa for the three months ended March 31, 2007 and 2006 in the opinion of management, include all adjustments necessary for their fair presentation in conformity with Canadian generally accepted accounting principles (Canadian GAAP).

The accounting policies and methods of application used in preparation of these unaudited interim consolidated financial statements are consistent with the accounting policies used in the Company's annual audited consolidated financial statements for the year ended December 31, 2006, except as noted below regarding new accounting pronouncements. These financial statements do not include all disclosures required for annual financial statements, and therefore should be read in conjunction with the financial statements and notes thereto in the Company's annual consolidated financial statements for the year ended December 31, 2006. Interim results are not necessarily indicative of results for the full year.

The preparation of financial statements in conformity with Canadian GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and related disclosures as of the date of the financial statements. Significant estimates are used for, but not limited to, impairment of assets, revenue recognition, accrual of clinical trial costs, measurement of stock-based compensation and warrant valuation, restructuring costs, valuation allowance on future tax assets and cancellation fees related to contractual obligations and contingencies. Actual results could differ from such estimates.

*New accounting pronouncements*

The CICA issued four new standards: Financial Instruments – Recognition and Measurement, Financial Instruments – Disclosure and Presentation, Hedges and Comprehensive Income (New Standards). These New Standards apply to the Company beginning January 1, 2007.

The Financial Instruments standards prescribe when a financial asset, liability or non-financial derivative is to be recognized in the balance sheet and the measurement of that amount. They also specify how financial instrument gains and losses are to be presented. The Hedges standard is applicable for designated hedging relationships and builds on existing Canadian GAAP guidance by specifying how hedge accounting is applied and what disclosures are necessary when it is applied. The Comprehensive Income standard introduces new requirements for presentation and disclosure of components of comprehensive income.

**Nventa Biopharmaceuticals Corporation**  
**Notes to Consolidated Financial Statements**  
*(Canadian dollars) (Unaudited)*

**1. ORGANIZATION AND BASIS OF PRESENTATION (continued)**

As a result of these new accounting pronouncements, the Company records all cash equivalents and available-for-sale securities at fair value in the Consolidated Balance Sheet. Unrealized holding gains and losses related to available-for-sale investments are included in other comprehensive income (loss) until such gains or losses are realized or other than temporary impairment is determined to have occurred. The Company estimates the fair value of financial instruments on the balance sheet date using quoted market prices for available-for-sale securities. The adoption of the New Standards did not have a material effect on the Company's financial statements at January 1, 2007 or March 31, 2007. Net loss and comprehensive loss for the three months ended March 31, 2007 are \$3,071,000.

**2. ASSETS HELD FOR SALE**

During the first quarter of 2007, the Company identified certain pieces of laboratory equipment that are no longer required to support currently planned operations. The estimated recovery value of these assets is \$249,000. The Company expects to sell these assets during 2007.

**3. CHANGES IN COMMITMENTS AND CONTINGENCIES**

During the fourth quarter of 2006, the Company entered into an agreement with Pathology Solutions, Inc. (PSI) to perform services associated with the Company's preclinical toxicology studies which were initiated during 2006. Under the terms of the contract, the Company has the right to terminate any study prior to completion by giving written notice to PSI. In the case of termination, the Company is required to pay for all of the services incurred to-date plus 20% of the total contract price provided that the aggregate of the amount paid does not exceed the total contract price. As of March 31, 2007, the Company has not canceled any activities under this agreement; therefore, no cancellation penalty liability has been recorded as of March 31, 2007. As of March 31, 2007, the Company would be required to pay approximately U.S.\$84,000 (\$97,000) in addition to amounts paid to PSI through March 31, 2007 to cover cancellation penalties if the study were terminated. The Company recorded U.S.\$7,000 (\$8,000) in amounts payable to PSI for the services performed during three months ended March 31, 2007. The Company has obligations totaling approximately U.S.\$49,000 (\$56,000) under the contract for services expected to be performed during the second quarter of 2007.

The Company has a biological services agreement with Avecia Biotechnologies (Avecia), denominated in British pounds, for the process development, scale-up and manufacture of new HspE7. The Avecia agreement is cancelable by the Company upon notice and subject to payment of cancellation penalties owed at that time. The cancellation fee is based on a sliding percentage of certain future program milestones. Accordingly, the cancellation fee is modified each month during the course of the agreement, based on the timing of activities performed by Avecia and prepayments for those activities. As of March 31, 2007, the Company has not canceled any activities under this agreement; therefore, no cancellation penalty liability has been recorded as of March 31, 2007. In addition, Avecia may manufacture additional clinical trial material and/or material for commercial sale. During the first quarter of 2007, the Company signed a letter of intent for the manufacture of additional clinical trial material. The letter of intent requires a deposit of UKP177,000 (\$406,000) during the second quarter of 2007.

*Contractual Employment Obligations*

The Company has agreements with certain key employees which include payment obligations to such employees if they are terminated without cause. As of March 31, 2007, the aggregate amount potentially payable pursuant to such agreements total either \$1,004,000 or \$1,105,000, depending on whether certain of such terminations were to occur after a change of control of the Company.

**Nventa Biopharmaceuticals Corporation**  
**Notes to Consolidated Financial Statements**  
*(Canadian dollars) (Unaudited)*

**3. CHANGES IN COMMITMENTS AND CONTINGENCIES (continued)**

*Patent Opposition*

On October 22, 2002, Antigenics Inc. (Antigenics) announced that it had filed an opposition in the European Patent Office (EPO) to a European patent (European Patent No. 700,445) and requests for re-examination in the U.S. Patent and Trademark Office (USPTO) of two U.S. patents (U.S. Patent Nos. 6,338,952 and 6,335,183) licensed from the Whitehead Institute and Massachusetts Institute of Technology in connection with the Company's platform technology.

In December 2006, the EPO, during oral proceedings, made a decision to revoke European Patent No. 700,445. An appeal of this decision was filed on December 15, 2006. The EPO's decision to revoke European Patent No. 700,445 is suspended until the conclusion of the appeal process. The Company does not know when the European opposition/appeal proceedings will be concluded or what the final results from these proceedings will be.

On April 4, 2006, the USPTO mailed the notice of intent to issue re-examination certificates for both U.S. patents, stating the amended claims were patentable and terminating the re-examination process. As of March 13, 2007 the USPTO had issued Ex-Parte Reexamination Certificates, which allow both of the patents to be maintained in amended form, officially concluding the reexaminations process.

In October 2003, Antigenics filed an opposition in the EPO to an additional, product specific, European patent (European Patent No. 1,002,110). The EPO held a first instance oral hearing in October 2005 concerning the opposition. The Company received a favorable decision. The patent was maintained in amended form. On January 30, 2006 Antigenics gave notice of appeal. The Company does not know when the European appeal proceedings will be concluded or what the final results from these proceedings will be. If maintained on appeal, the patent would otherwise expire in 2018.

The Company has taken, and continues to take, steps which would help minimize the impact if we were to receive a negative ruling in these proceedings. These steps include filing additional patent applications to provide further protection of our reformulated lead compound, new HspE7, and other CoVal<sup>TM</sup> fusions.

*Leases*

During the first quarter of 2007, the Company signed a sublease for a new facility in San Diego that expires on November 30, 2008. The future lease payments for the years ended December 31, 2007 and 2008 are \$260,000 and \$317,000, respectively.

**4. STOCKHOLDERS' EQUITY**

*Common Shares*

On January 4, 2007, the Company completed the initial closing of its short form prospectus offering of units resulting in the sale of 53,054,936 units at \$0.15 per unit, for gross proceeds of \$7,958,000 (Initial 2007 Closing). On January 24, 2007, the Company completed the final closing of its short form prospectus offering of units resulting in the sale of an additional 54,903,304 units at \$0.15 per unit, for gross proceeds of \$8,236,000 (Final 2007 Closing). Each unit consists of one common share and one-half of one transferable common share purchase warrant.

In total, the Company issued 107,958,240 units for total gross proceeds of \$16,194,000. The Company recorded this transaction by allocating the value of each unit between common shares and common share purchase warrants. The residual amount allocated to the common shares after calculating the fair value of the warrants at \$6,789,000 (see below) for both closings during 2007 totaled \$9,405,000.

**Nventa Biopharmaceuticals Corporation**  
**Notes to Consolidated Financial Statements**  
*(Canadian dollars) (Unaudited)*

**4. STOCKHOLDERS' EQUITY (continued)**

The Company incurred costs during the fourth quarter of 2006 and the first quarter of 2007 totaling \$2,384,000 related to its financing efforts during the first quarter of 2007. As of December 31, 2006, \$453,000 of these costs were incurred and recorded on the balance sheet as deferred share issue costs. Of the total share issue costs incurred, \$685,000 relates to non-cash charges for agent's warrants (see below). The share issue costs of \$2,384,000 were allocated to common shares (\$1,385,000) and contributed surplus (\$999,000) based on the proportionate fair value of the common shares and common share purchase warrants issued.

*2007 Warrants*

In conjunction with the Initial 2007 Closing and the Final 2007 Closing, an aggregate of 53,979,120 common share purchase warrants were issued (the 2007 Warrants), respectively, in connection with equity offerings. Each 2007 Warrant entitles its holder to subscribe for one common share for a period of 60 months at an exercise price of \$0.25, subject to the Company's right to accelerate the expiry date in the event that the price of Nventa's common shares closes at or above \$0.625 for 20 consecutive trading days.

The Company estimated the fair value of these warrants at \$6,789,000 using the Black Scholes model based on the following assumptions:

	<u>Initial Closing</u>	<u>Final Closing</u>
Dividend yield	0%	0%
Volatility	79%	81%
Risk-free interest rate	3.9%	4.1%
Expected life	5 years	5 years

During the three months ended March 31, 2007, none of these warrants were exercised.

*2007 Agent's Warrants*

Also in conjunction with the Initial 2007 Closing and the Final 2007 Closing, the Company issued an aggregate of 7,557,076 Agent's Warrants (the 2007 Agent's Warrants). Each 2007 Agent's Warrant is exercisable for one common share for a period of 24-months at an exercise price of \$0.25.

The Company estimated the fair value of these warrants at \$685,000 using the Black Scholes model based on the following assumptions:

	<u>Initial Closing</u>	<u>Final Closing</u>
Dividend yield	0%	0%
Volatility	89%	93%
Risk-free interest rate	3.9%	4.1%
Expected life	2 years	2 years

These warrants were issued to the Agents as part of their compensation package and therefore are recorded as share issue costs against the proceeds from the offering. During the three months ended March 31, 2007, none of these warrants were exercised.

*Warrants*

As previously discussed, the Company issues warrants through financing initiatives and in conjunction with other arrangements. Warrant activity during the three months ended March 31, 2007 is as follows:

**Nventa Biopharmaceuticals Corporation**  
**Notes to Consolidated Financial Statements**  
*(Canadian dollars) (Unaudited)*

**4. STOCKHOLDERS' EQUITY (continued)**

	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price</b>
Balance as of December 31, 2006	5,113,781	\$ 1.00
Issued – 2007 financing	53,979,120	0.25
Warrants to Agents – 2007 financing	7,557,076	0.25
Balance as of March 31, 2007	<u>66,649,977</u>	\$ 0.31

The following table summarizes additional information regarding our warrants outstanding as of March 31, 2007.

<b>Exercise Price</b>	<b>Number of Warrants</b>	<b>Weighted Average Remaining Contractual Life (in years)</b>
\$ 0.25	61,536,196	4.43
\$ 0.35	605,875	0.63
\$ 0.44	250,000	2.35
\$ 0.50	3,443,332	0.62
\$ 3.76	<u>814,574</u>	0.24
	<u>66,649,977</u>	

*Stock Awards*

During the first quarter of 2006, the Company issued 100,000 shares of unrestricted stock to certain members of management. The Company valued the shares at the market price of the shares on the date of grant and recorded \$61,000 of compensation expense (\$12,000 and \$49,000 recorded in R&D and SG&A expense, respectively) related to these grants in the first quarter of 2006. The entire value of these awards was expensed during the first quarter of 2006. There were no unrestricted shares granted during the three months ended March 31, 2007.

Additionally during 2006, certain members of management and the board of directors received restricted stock grants that do not vest until the second anniversary of the grant date, in the case of management, and the third anniversary of the grant date, in the case of the board of directors. The shares granted during 2006 totaled 800,000 and will be issued upon vesting, 500,000 of which were granted during the first quarter of 2006. The Company recognizes the expense related to these grants over the service period (two or three years) on a straight line basis. Compensation expense related to these grants of \$38,000 for the three months ended March 31, 2007 is included in SG&A expense and compensation expense of \$4,000 for the three months ended March 31, 2007 is included in R&D expense. No expense was recorded during the first quarter of 2006 related to these grants. There were no restricted shares granted during the three months ended March 31, 2007.

The grant of unrestricted and restricted stock is considered by the Company as a reduction to the total pool of shares available for grant to employees, directors and consultants discussed below.

*Employee Stock Option Plans*

Old Stressgen had two stock option plans, the 1996 Plan and the 2001 Plan. In connection with the corporate reorganization discussed in Note 1, a new stock option plan was approved (the 2006 Plan) by the shareholders of Nventa and the 1996 and 2001 Plans were terminated. At adoption the 2006 Plan was

**Nventa Biopharmaceuticals Corporation**  
**Notes to Consolidated Financial Statements**  
*(Canadian dollars) (Unaudited)*

**4. STOCKHOLDERS' EQUITY (continued)**

identical to the 2001 Plan. All the issued and outstanding options of Old Stressgen were exchanged for replacement options of Nventa on identical terms. On June 28, 2006, the shareholders of Nventa approved an amendment to the stock option plan to limit the number of common shares of the Corporation issuable under the 2006 Plan at the lesser of 10% of the number of shares outstanding and 20,000,000. Therefore, as of March 31, 2007, the total number of options in the pool was 19,162,750 and there were 15,699,118 options available for future grant under the 2006 Plan.

The weighted-average per-option fair value of the individual options granted during the three months ended March 31, 2006 was \$0.50. There were no options granted during the three months ended March 31, 2007. The fair value of the options granted during the three months ended March 31, 2006 was determined using a Black-Scholes option-pricing model with the following weighted-average assumptions:

	<b>March 31, 2006</b>
Dividend yield	0%
Volatility	83%
Risk-free interest rate	4.1%
Expected life	4 years

The following table summarizes stock option activity under the Plans:

	<b>Number of Options</b>	<b>Weighted Average Exercise Price</b>
Balance at December 31, 2006	2,567,890	\$ 1.61
Cancelled	(33,207)	1.45
Balance at March 31, 2007	2,534,683	\$ 1.61

The following table summarizes information related to all stock options outstanding and exercisable at March 31, 2007:

	<b>Options Outstanding</b>			<b>Options Exercisable</b>	
	<b>Range of Exercise Prices</b>	<b>Number Outstanding</b>	<b>Weighted Average Remaining Contractual Life (in years)</b>	<b>Weighted Average Exercise Price</b>	<b>Number Exercisable</b>
\$0.00 - \$0.49	865,000	8.7	\$ 0.20	384,989	\$ 0.16
\$0.50 - \$0.99	683,333	8.7	0.78	273,322	0.76
\$1.00 - \$1.99	275,500	4.9	1.68	274,259	1.68
\$2.00 - \$3.99	372,000	5.7	3.00	361,060	3.02
\$4.00 - \$5.99	234,350	4.3	4.88	234,350	4.88
\$6.00 - \$8.00	104,500	3.2	6.18	104,500	6.18
	2,534,683			1,632,480	

*Stock-based compensation expense*

Compensation expense related to stock option grants of \$14,000 and \$10,000 for the three months ended March 31, 2007 and 2006, respectively, is included in R&D expense. Compensation expense of \$42,000 and \$35,000 for the three months ended March 31, 2007 and 2006 is included in SG&A expense.

**Nventa Biopharmaceuticals Corporation**  
**Notes to Consolidated Financial Statements**  
*(Canadian dollars) (Unaudited)*

**4. STOCKHOLDERS' EQUITY (continued)**

The following is a summary of stock based compensation expense:

(In thousands)	<b>Three months ended March 31</b>	
	<b>2007</b>	<b>2006</b>
Stock options	\$ 56	\$ 45
Restricted stock awards	42	-
Unrestricted stock awards	-	61
	\$ 98	\$ 106

*Net income (loss) per share*

Net income (loss) from continuing operations per share is computed using the weighted average number of common shares outstanding. Basic and diluted net loss per common share amounts are equivalent for the periods presented as the inclusion of common stock equivalents would be anti-dilutive. The total number of shares issuable upon exercise of stock options, restricted stock and warrants excluded from the calculation of diluted earnings per share since they are anti-dilutive were 59,795,300 and 12,540,628 for the three months ended March 31, 2007 and 2006, respectively.

**5. SEGMENT INFORMATION**

Long-lived assets consisting of property and equipment are allocated geographically as follows:

(In thousands)	<b>March 31, 2007</b>	<b>December 31, 2006</b>
	Canada	\$ 483
US	68	76
	\$ 551	\$ 861

**6. SUPPLEMENTAL CASH AND CASH FLOW INFORMATION**

Changes in operating assets and liabilities for the three months ended March 31 are as follows:

(In thousands)	<b>2007</b>	<b>2006</b>
Receivable – Transition services agreement	\$ -	\$ 230
Prepaid expenses	84	112
Other current assets	(31)	168
Other long-term assets	(29)	-
Accounts payable and accrued liabilities	(161)	(254)
Income taxes payable	-	(230)
Deferred revenue	(155)	(155)
Balance at March 31, 2007	\$ (292)	\$ (129)

**Nventa Biopharmaceuticals Corporation**  
**Notes to Consolidated Financial Statements**  
*(Canadian dollars) (Unaudited)*

**6. SUPPLEMENTAL CASH AND CASH FLOW INFORMATION (continued)**

Supplemental cash flow information for the three months ended March 31, includes the following:

(In thousands)	<u>2007</u>	<u>2006</u>
Taxes paid	\$ -	\$ 230
Interest paid	<u>\$ -</u>	<u>\$ -</u>

At March 31, 2007, and December 31, 2006 approximately 82% and 74%, respectively, of cash, cash equivalents and short-term investments were held in U.S. dollars. At both March 31, 2007 and December 31, 2006, less than 1% respectively, of cash, cash equivalents, and short-term investments were held in British pounds.

Cash and cash equivalents at March 31, 2007 and December 31, 2006 were comprised of the following:

(In thousands)	<u>March 31,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
Cash	\$ 1,102	\$ 1,023
Money market instruments	9,597	1,949
	<u>\$ 10,699</u>	<u>\$ 2,972</u>

At March 31, 2007 short-term investments consisted of corporate debt securities and government issued debt securities.

