



NVENTA BIOPHARMACEUTICALS CORPORATION

Quarterly Financial Statements for the three and six month periods ended June 30, 2007

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

	June 30, 2007	December 31, 2006
Assets		
Current assets:		
Cash and cash equivalents (Note 2)	\$ 10,165	\$ 2,972
Prepaid expenses (Note 4)	777	229
Other current assets	135	104
Total current assets	11,077	3,305
Equipment, net (Note 3)	428	861
Assets held for sale (Note 3)	156	-
Deferred share issue costs (Note 5)	198	453
Other	29	-
Total assets	\$ 11,888	\$ 4,619
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities (Note 7)	\$ 1,579	\$ 1,695
Deferred revenue	311	621
Total liabilities	1,890	2,316
Commitments and contingencies (Note 4)		
Stockholders' equity:		
Common shares— no par value (Note 5);		
Unlimited shares authorized, 191,627,501 and 83,669,261 shares issued and outstanding at June 30, 2007 and December 31, 2006, respectively	226,076	218,056
Contributed surplus and other equity (Note 5)	33,149	26,277
Deficit	(249,227)	(242,030)
Total stockholders' equity	9,998	2,303
	\$ 11,888	\$ 4,619

/s/ GREGORY MCKEE
Director, President and Chief Executive Officer

/s/ GORDON BAREFOOT
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)

	Three months ended, June 30,		Six months ended June 30,	
	2007	2006	2007	2006
Revenue:				
Collaborative research and development revenue	\$ 155	\$ 155	\$ 310	\$ 310
Operating expenses:				
Research and development (Note 5)	1,719	2,073	3,538	4,280
Selling, general and administrative (Note 5)	1,090	1,163	2,430	1,847
Corporate restructuring (Note 7)	794	-	794	-
	<u>3,603</u>	<u>3,236</u>	<u>6,762</u>	<u>6,127</u>
Operating loss	(3,448)	(3,081)	(6,452)	(5,817)
Other (expenses) income:				
Interest and other income, net	144	30	271	49
Net foreign exchange (loss) gain	(634)	48	(828)	20
	<u>(490)</u>	<u>78</u>	<u>(557)</u>	<u>69</u>
Net loss	<u>\$ (3,938)</u>	<u>\$ (3,003)</u>	<u>\$ (7,009)</u>	<u>\$ (5,748)</u>
Basic and diluted loss per common share:	<u>\$ (0.02)</u>	<u>\$ (0.04)</u>	<u>\$ (0.04)</u>	<u>\$ (0.07)</u>
Weighted average number of common shares used to compute basic and diluted loss per common share (in thousands)	<u>191,887</u>	<u>83,324</u>	<u>183,430</u>	<u>83,198</u>

See accompanying notes to unaudited interim consolidated financial statements.

Nventa Biopharmaceuticals Corporation

Consolidated Statements of Cash Flows

(Canadian dollars in thousands) (Unaudited)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2007	2006	2007	2006
Cash flows from operating activities:				
Net loss	\$ (3,938)	\$ (3,003)	\$ (7,009)	\$ (5,748)
Adjustments to reconcile net loss to net cash used in operating activities:				
Depreciation of property and equipment	24	60	73	117
Loss on disposal of property and equipment	244	-	268	5
Stock-based compensation expense	111	111	209	217
Unrealized foreign exchange loss (gain)	541	(4)	635	(19)
Accrued interest receivable	10	-	-	-
Changes in operating assets and liabilities (Note 2)	(493)	(1,072)	(785)	(1,201)
Net cash used in operating activities	<u>(3,501)</u>	<u>(3,908)</u>	<u>(6,609)</u>	<u>(6,629)</u>
Cash flows from investing activities:				
Purchase of short-term investments	-	-	(3,554)	-
Sales and maturities of short-term investments	3,554	-	3,554	469
Purchase of property and equipment	(33)	(117)	(51)	(122)
Proceeds from the sale of property and equipment	-	-	6	-
Net cash provided by (used in) investing activities of continuing operations	<u>3,521</u>	<u>(117)</u>	<u>(45)</u>	<u>347</u>
Proceeds from sale of discontinued operations	-	-	-	725
Net cash provided by (used in) investing activities	<u>3,521</u>	<u>(117)</u>	<u>(45)</u>	<u>1,072</u>
Cash flows from financing activities:				
Proceeds from financing	-	-	16,194	-
Share issue costs	(13)	-	(1,712)	-
Proceeds from Corporate reorganization	-	-	-	6,250
Cost of Corporate reorganization	-	(64)	-	(1,090)
Receivable released from escrow – Corporate reorganization	-	-	-	500
Proceeds from exercise of warrants	-	3	-	59
Net cash (used in) provided by financing activities	<u>(13)</u>	<u>(61)</u>	<u>14,482</u>	<u>5,719</u>
Effect of exchange rate changes on cash and cash equivalents	(541)	4	(635)	(48)
(Decrease) increase in cash and cash equivalents	<u>(534)</u>	<u>(4,082)</u>	<u>7,193</u>	<u>114</u>
Cash and cash equivalents, beginning of period	10,699	8,155	2,972	3,959
Cash and cash equivalents, end of period	<u>\$ 10,165</u>	<u>\$ 4,073</u>	<u>\$ 10,165</u>	<u>\$ 4,073</u>

See accompanying 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	Deficit	Total
	Number	Amount	Surplus		
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
Modification of warrant terms	-	-	188	(188)	-
Stock-based compensation – stock options	-	-	107	-	107
Stock-based compensation – stock awards	-	-	102	-	102
Net loss	-	-	-	(7,009)	(7,009)
Balance at June 30, 2007	<u>191,627,501</u>	<u>\$ 226,076</u>	<u>\$ 33,149</u>	<u>\$ (249,227)</u>	<u>\$ 9,998</u>

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) 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 vaccine 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.

Nventa 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 six month period ended June 30, 2006, the unaudited interim 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 June 30, 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 Holdings 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.

At June 30, 2007, the Company had cash and cash equivalents totaling \$10,165,000, and a deficit of \$249,227,000. The Company incurred a net loss of \$7,009,000 and \$5,748,000 for the six months ended June 30, 2007 and 2006, respectively. The Company used \$6,609,000 and \$6,629,000 of net cash in operating activities for the six months ended June 30, 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 5). 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, complete a corporate transaction and/or enter into collaboration agreements with third parties. In June 2007, the Company filed a preliminary short form prospectus for a proposed offering.

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.

Financial statements and estimates

The accompanying unaudited interim financial statements for Nventa for the three and six months ended June 30, 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 the 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.

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

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

1. ORGANIZATION AND BASIS OF PRESENTATION (continued)

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 June 30, 2007. Net loss and comprehensive loss for the three and six months ended June 30, 2007 are \$3,938,000 and \$7,009,000.

2. SUPPLEMENTAL CASH AND CASH FLOW INFORMATION

Changes in operating assets and liabilities for the three and six months ended June 30, 2007 are as follows:

(In thousands)	For the three months ended June 30,		For the six months ended June 30,	
	2007	2006	2007	2006
	Receivable – Transition services agreement	\$ -	\$ -	\$ -
Prepaid expenses	(632)	(89)	(548)	23
Other current assets	11	16	(20)	184
Other	-	-	(29)	-
Accounts payable and accrued liabilities	283	(844)	122	(1,098)
Income tax payable	-	-	-	(230)
Deferred revenue	(155)	(155)	(310)	(310)
	<u>\$ (493)</u>	<u>\$ (1,072)</u>	<u>\$ (785)</u>	<u>\$ (1,201)</u>

Supplemental cash flow information for the three and six months ended June 30, includes the following:

(In thousands)	For the three months ended June 30,		For the six months ended June 30,	
	2007	2006	2007	2006
	Income taxes paid	\$ -	\$ -	\$ -

At June 30, 2007, and December 31, 2006 approximately 65% and 74%, respectively, of cash and cash equivalents were held in U.S. dollars.

Cash and cash equivalents at June 30, 2007 and December 31, 2006 were comprised of the following:

(In thousands)	June 30, 2007	December 31, 2006
	Cash	\$ 911
Money market instruments	9,254	1,949
	<u>\$ 10,165</u>	<u>\$ 2,972</u>

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

3. EQUIPMENT AND ASSETS HELD FOR SALE

The following is a summary of the Company's equipment. See Note 7 for discussion of changes in equipment during the three months ended June 30, 2007:

(In thousands)	June 30, 2007		
	Cost	Accumulated Depreciation	Net Book Value
Equipment:			
Laboratory equipment	\$ 1,161	\$ (859)	\$ 302
Computer equipment	135	(75)	60
Furniture and fixtures	121	(83)	38
Leasehold improvements	33	(5)	28
	<u>\$ 1,450</u>	<u>\$ (1,022)</u>	<u>\$ 428</u>

(In thousands)	December 31, 2006		
	Cost	Accumulated Depreciation	Net Book Value
Equipment:			
Laboratory equipment	\$ 3,703	\$ (2,982)	\$ 721
Computer equipment	891	(805)	86
Furniture and fixtures	307	(253)	54
Leasehold improvements	725	(725)	-
	<u>\$ 5,626</u>	<u>\$ (4,765)</u>	<u>\$ 861</u>

During the first quarter of 2007, the Company identified certain pieces of laboratory equipment that are no longer required to support currently planned operations. During the second quarter of 2007, the Company reduced the estimated recovery value of these assets from \$249,000 to \$156,000. The Company expects to sell these assets during 2007.

4. 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 June 30, 2007, the Company has paid for all services under this contract and therefore the cancelation penalty is no longer applicable.

The Company has a biological services agreement with Avecia Biotechnologies (Avecia), denominated in British pounds, for the process development, scale-up and manufacture of HspE7. 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 required a deposit of UKP177,000 (\$385,000) that was paid during the second quarter of 2007 and recorded as a prepaid expense on the Consolidated Balance Sheet.

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 June 30, 2007, the aggregate amount potentially payable pursuant to such agreements total \$831,000. See Note 7 for discussion of severance obligations related to the Company's corporate restructuring.

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

4. 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 will be from these proceedings.

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 thus 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 will be from these proceedings. 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, HspE7, and other CoValTM 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 \$160,000 and \$292,000, respectively.

5. 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)

5. 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.

During June 2007, the Company filed a preliminary short form prospectus for a proposed unit offering. Each unit will be comprised of one common share and one-half of one common share purchase warrant. The Company incurred \$198,000 of costs related to its financing efforts during the three months ended June 30, 2007, which are classified as deferred share issue costs as of June 30, 2007 on the Consolidated Balance Sheet.

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 and six months ended June 30, 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 and six months ended June 30, 2007, none of these warrants were exercised.

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

5. STOCKHOLDERS' EQUITY (continued)

2005 Warrants

During June 2007, the Company obtained approval from the Toronto Stock Exchange to extend the expiry date to November 1, 2010 of 3,138,332 of a total 3,443,332 common share purchase warrants issued during the Company's 2005 private placement financing. The original expiry date of the warrants was November 1, 2007. The exercise price of the warrants remains unchanged at \$0.50.

Insiders of the Company who were issued 305,000 warrants in the 2005 private placement financing agreed to forego the extension of the expiry date of their warrants. The extension of the expiry date of the warrants does not apply to the warrants issued to the agents as compensation for their efforts on the 2005 private placement financing.

The Company recorded \$188,000 as a charge to deficit related to the modification of the warrant expiry date.

Roche warrants

In conjunction with the original collaboration agreement with F. Hoffmann-La Roche (Roche), the Company issued a warrant to Roche for the purchase of 814,574 shares of common stock at \$3.76 per share which expired during June 2007.

Warrants summary

As previously discussed, the Company issues warrants through financing initiatives and in conjunction with other arrangements. Warrant activity during the six months ended June 30, 2007 is as follows:

	Number of Warrants	Weighted Average Exercise Price
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
Expiration of Roche warrants	(814,574)	3.76
Balance as of June 30, 2007	<u>65,835,403</u>	\$ 0.26

The following table summarizes additional information regarding our warrants outstanding as of June 30, 2007.

Exercise Price	Number of Warrants	Weighted Average Remaining Contractual Life (in years)
\$ 0.25	61,536,196	4.18
\$ 0.35	605,875	0.34
\$ 0.44	250,000	2.10
\$ 0.50	3,443,332	3.08
	<u>65,835,403</u>	

Stock Awards

During the first and second quarter of 2006, the Company issued 100,000 and 25,000 shares, respectively, 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

Nventa Biopharmaceuticals Corporation
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(Canadian dollars) (Unaudited)

5. STOCKHOLDERS' EQUITY (continued)

R&D and SG&A expenses, respectively) in the first quarter of 2006 and an additional \$13,000 was recorded in the second quarter of 2006 as SG&A expense. The entire value of these awards was expensed during 2006. There were no unrestricted shares granted during the three and six months ended June 30, 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 restricted stock granted during 2006 totaled 800,000 and will be issued upon vesting, 625,000 of which were granted during the first half 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 restricted stock grants was recorded as follows:

(In thousands)	For the three months ended June 30,		For the six months ended June 30,	
	2007	2006	2007	2006
R&D	\$ 4	\$ -	\$ 8	\$ -
SG&A	56	34	94	34
Total	<u>\$ 60</u>	<u>\$ 34</u>	<u>\$ 102</u>	<u>\$ 34</u>

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 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 21, 2007, the shareholders of Nventa approved, among other things, 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 75,000,000. As of June 30, 2007, the total number of options in the pool was 19,162,750 and there were 15,849,677 options available for future grant under the 2006 Plan.

The weighted-average per-option fair value of the individual options granted during the three and six months ended June 30, 2006 were \$0.27 and \$0.48, respectively. There were no options granted during the three and six months ended June 30, 2007. The fair value of the options was determined using a Black-Scholes option-pricing model with the following weighted-average assumptions:

	For the three months ended June 30, 2006	For the six months ended June 30, 2006
Dividend yield	0%	0%
Volatility	83%	83%
Risk-free interest rate	4.5%	4.3%
Expected life	4 years	4 years

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5. STOCKHOLDERS' EQUITY (continued)

The following table summarizes stock option activity during the first half of 2007 under the Plan:

	Number of options	Weighted Average Exercise Price
Balance at December 31, 2006	2,567,890	\$ 1.61
Cancelled	(183,766)	1.09
Balance at June 30, 2007	<u>2,384,124</u>	<u>\$ 1.65</u>

The following table summarizes information related to all stock options outstanding and exercisable at June 30, 2007:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding	Weighted Average Remaining Contractual Life (in years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$0.00 - \$0.49	865,000	8.5	\$ 0.20	472,074	\$ 0.18
\$0.50 - \$0.99	541,108	6.8	0.77	337,633	0.76
\$1.00 - \$1.99	273,166	2.9	1.68	272,853	1.69
\$2.00 - \$3.99	372,000	5.4	3.00	372,000	3.00
\$4.00 - \$5.99	232,350	2.3	4.88	232,350	4.88
\$6.00 - \$8.00	100,500	2.2	6.18	100,500	6.18
	<u>2,384,124</u>			<u>1,787,410</u>	

The Company's board of directors currently intends that it will grant stock options representing in the aggregate 3% to 4.5% of its fully diluted common shares immediately following the closing of its planned 2007 offering

Stock-based compensation expense

Compensation expense related to stock option grants was recorded as follows:

(In thousands)	For the three months ended June 30,		For the six months ended June 30,	
	2007	2006	2007	2006
R&D	\$ 13	\$ 14	\$ 27	\$ 24
SG&A	38	50	80	85
Total	<u>\$ 51</u>	<u>\$ 64</u>	<u>\$ 107</u>	<u>\$ 109</u>

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5. STOCKHOLDERS' EQUITY (continued)

The following is a summary of stock-based compensation expense:

(In thousands)	For the three months		For the six months	
	ended June 30,		ended June 30,	
	2007	2006	2007	2006
Unrestricted stock awards	\$ -	\$ 13	\$ -	\$ 74
Restricted stock awards	60	34	102	34
Stock options	51	64	107	109
	<u>\$ 111</u>	<u>\$ 111</u>	<u>\$ 209</u>	<u>\$ 217</u>

Net income (loss) per share

Net income (loss) 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; therefore 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 69,316,198 and 13,053,477 for the three months ended June 30, 2007 and 2006, respectively, and 64,507,186 and 12,761,186 for the six months ended June 30, 2007 and 2006, respectively.

6. SEGMENT INFORMATION

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

(In thousands)	June 30,	December 31,
	2007	2006
Canada	\$ -	\$ 785
US	428	76
	<u>\$ 428</u>	<u>\$ 861</u>

7. CORPORATE RESTRUCTURING

In June 2007, the Company consolidated its offices into its San Diego facility and closed its Victoria operations. The consolidation was completed to improve operational efficiencies as the Company advances HspE7 back into the clinic. Peter Emtage, Ph.D, the Company's Vice President of R&D, relocated to the San Diego area and will continue to direct the clinical development of HspE7.

All terminated employees were offered one-time termination benefits totaling \$403,000 which are included in corporate restructuring on the Consolidated Statement of Operations. Of the \$403,000 of termination benefits, \$191,000 was paid by June 30, 2007 and the remaining balance was accrued as of June 30, 2007.

Costs associated with the closure of the Victoria facility are estimated to equal approximately \$144,000 which is also included in corporate restructuring on the Consolidated Statement of Operations. Of the \$144,000 in closure costs, \$37,000 was paid by June 30, 2007 and the remaining balance was accrued as of June 30, 2007.

Also in conjunction with the closure of the Victoria facility, certain pieces of laboratory equipment are being transferred to the San Diego office or held for sale as discussed in Note 3. The remainder of the equipment was donated, sold or otherwise disposed. The Company recorded a loss on the disposal of equipment totaling \$247,000 which is included in corporate restructuring on the Consolidated Statement of Operations.

