

# **Bradmer Pharmaceuticals Inc.**

**Interim Financial Statements**  
(Expressed in United States Dollars)

**March 31, 2006**

**(unaudited)**

## REVIEW ENGAGEMENT REPORT

To the audit committee of  
**Bradmer Pharmaceuticals Inc.**

In accordance with our engagement letter dated March 15, 2006, we have reviewed the balance sheet of **Bradmer Pharmaceuticals Inc.** as at **March 31, 2006** and the statements of operations and deficit and cash flows for the three-month period then ended. These financial statements are the responsibility of the company's management.

We performed our review in accordance with Canadian generally accepted standards for a review of interim financial statements by an entity's auditor. Such an interim review consists principally of applying analytical procedures to financial data, and making enquiries of and having discussions with persons responsible for financial and accounting matters. An interim review is substantially less in scope than an audit, whose objective is the expression of an opinion regarding the financial statements; accordingly, we do not express such an opinion. An interim review does not provide assurance that we would become aware of any or all significant matters that might be identified in an audit.

Based on our review, We are not aware of any material modification that needs to be made for these interim financial statements to be in accordance with Canadian generally accepted accounting principles.

This report is solely for the use of the Audit Committee of Bradmer Pharmaceuticals Inc. to assist it in discharging its regulatory obligation to review these financial statements, and should not be used for any other purpose. Any use that a third party makes of this report, or any reliance or decisions made based on it, are the responsibility of such third parties. We accept no responsibility for loss or damages, if any, suffered by any third party as a result of decisions made or actions taken based on this report.

The comparative figures on the balance sheet as of December 31, 2005 have not been audited or reviewed.

*DMCT, LLP*

**DMCT, LLP**

April 27, 2006

# Bradmer Pharmaceuticals Inc.

## Interim Balance Sheets

(Expressed in United States Dollars)  
(unaudited)

	Note	March 31, 2006	December 31, 2005
<b>Assets</b>			
<b>Current</b>			
Cash and cash equivalents		\$11,319,866	\$ 262,723
Amounts receivable		34,214	-
Prepaid expenses		56,920	-
		11,411,000	262,723
Patent rights	9	491,471	217,148
Deferred share issuance costs		-	60,469
		\$11,902,471	\$ 540,340

## Liabilities

<b>Current</b>			
Accounts payable and accrued liabilities		\$ 194,420	\$ 389,427
Due to related parties	7	-	401,210
		194,420	790,637

## Shareholders' Equity

Capital stock	3	12,501,652	3,366
Contributed surplus	5	80,053	1,560
Deficit		(873,654)	(255,223)
		11,708,051	(250,297)
		\$11,902,471	\$ 540,340

Approved by the Board "Mark C. Rogers" Director "Peter Roberts" Director  
(Signed) (Signed)

See accompanying notes.

# Bradmer Pharmaceuticals Inc.

Interim Statement of Operations and Deficit  
For the Three Month period ended March 31, 2006  
(Expressed in United States Dollars)  
(unaudited)

	2006
<b>Expenses</b>	
Stock-based compensation	\$ 80,053
Management wages	150,668
Professional fees	17,971
Office and administrative	82,411
Research expenses	335,510
Interest	3,190
	<u>669,803</u>
<b>Interest income</b>	<u>51,372</u>
<b>Net loss</b>	(618,431)
<b>Deficit at beginning of period</b>	<u>(255,223)</u>
<b>Deficit at end of period</b>	<u>\$ (873,654)</u>
<b>Basic and diluted loss per share</b>	<u>\$ (0.08)</u>
<b>Weighted average number of shares outstanding</b>	<b>7,596,780</b>

See accompanying notes.

# Bradmer Pharmaceuticals Inc.

## Interim Statement of Cash Flows

For the Three Month Period Ended March 31, 2006

(Expressed in United States Dollars)

(unaudited)

	2006
<b>Cash flows from operating activities</b>	
Net loss for the period	\$ (618,431)
Add item not affecting cash:	
Stock-based compensation	80,053
	(538,378)
Changes in non-cash working capital items	
Amounts receivable	(9,825)
Prepaid Expenses	(56,920)
Accounts payable and accrued liabilities	(318,319)
	(923,442)
<b>Cash flows from investing activity</b>	
Investment in licensed treatment	(274,323)
<b>Cash flows from financing activities</b>	
Repayment of due to related parties	(401,210)
Cash of former Bradmer upon amalgamation (Note 1)	563,405
Issuance of capital stock upon exercise of stock options	6,000
Issuance of capital stock, net of share issue costs	12,086,713
	12,254,908
<b>Increase in cash during the period</b>	<b>11,057,143</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>262,723</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$11,319,866</b>

See accompanying notes.

# Bradmer Pharmaceuticals Inc.

## Notes to Interim Financial Statements

March 31, 2006

(Expressed in United States Dollars)

(unaudited)

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### 1. NATURE OF OPERATIONS AND AMALGAMATION

Bradmer Pharmaceuticals Inc. ("BMR" or the "Company") is a life sciences company focused on developing proprietary drugs to treat cancer. While the Company currently does not market any drugs, its lead drug candidate is being prepared for late stage clinical trials. In order to get a new cancer drug approved for sale in the United States, the Food & Drug Administration ("FDA") typically requires the conduct of a series of human clinical trials, including Phase I (safety), Phase II (safety and efficacy), and Phase III (safety and efficacy on larger scale compared to current therapies). The data derived from the trials is then presented to the FDA in the form of a New Drug Application ("NDA"). Depending on the particular subset of cancer patients being treated, a majority of the time each trial step typically takes one to three years to complete. Upon receipt of a completed NDA, the FDA may take up to two years to render an approval decision a new drug. BMR's lead drug candidate has been tested in a series of Phase I and Phase II clinical trials to date.

On February 10, 2006 an amalgamation between Bradmer Pharmaceuticals Inc. ("former Bradmer") and Blue Devil Pharmaceuticals Inc. ("Blue Devil") was completed. The amalgamated company continued under the name Bradmer Pharmaceuticals Inc. Pursuant to the amalgamation of Blue Devil and former Bradmer, the shareholders of Blue Devil received an aggregate of 7,367,000 common shares of the Company in exchange for the 7,367,000 outstanding common shares of Blue Devil and the Blue Devil shares thus exchanged are cancelled. The shareholders of former Bradmer received an aggregate of 413,603 common shares of the Company in exchange for the 7,500,000 then outstanding common shares of former Bradmer and the former Bradmer shares thus exchanged are cancelled. In addition the options and warrants of former Bradmer are exchanged for 41,360 options of the Company and 13,787 Agent's warrants.

Following the transaction, the former shareholders of Blue Devil controlled the Company and consequently, Blue Devil is deemed to be the acquirer and continuing company. Since former Bradmer did not constitute a business, the transaction is accounted for as a capital transaction, that is, a financing and recapitalization of Blue Devil.

Accordingly:

- (i) the assets and liabilities of Blue Devil are included in the balance sheet at their historic carrying value.
- (ii) the net assets of former Bradmer, are included at fair value.
- (iii) capital stock, contributed surplus and deficit of former Bradmer are eliminated.

# Bradmer Pharmaceuticals Inc.

## Notes to Interim Financial Statements

March 31, 2006

(Expressed in United States Dollars)

(unaudited)

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### 1. NATURE OF OPERATIONS AND AMALGAMATION (Cont'd)

The former Bradmer's net assets acquired are as follows:

Cash	\$	563,405
Amounts receivable		24,389
Accounts payable		(123,312)
<b>Allocated to capital stock</b>	<b>\$</b>	<b>464,482</b>

The comparative figures reflected in the balance sheet are those of Blue Devil. There are no comparative figures in the Statements of Operations and Deficit and Cash Flows because Blue Devil was not incorporated until September 23, 2005.

### 2. SIGNIFICANT ACCOUNTING POLICIES

#### Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the period. Actual results could differ from those estimates.

Accounting measurements at interim dates inherently involve greater reliance on estimates than at year end. In the opinion of management, the accompanying unaudited interim financial statements include all adjustments of a normal recurring nature to present fairly the financial position of the Company as at March 31, 2006. These financial statements reflect the results of operation for the three months ended March 31, 2006.

#### Cash and Cash Equivalents

Cash and cash equivalents consists of cash in the bank and highly liquid investments with maturities of three months or less at the time of purchase.

#### Share Issuance Costs

Costs incurred in connection with the issuance of capital stock are netted against the proceeds received.

# Bradmer Pharmaceuticals Inc.

## Notes to Interim Financial Statements

March 31, 2006

(Expressed in United States Dollars)

(unaudited)

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## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Stock-based Compensation

The Company uses the fair value method of accounting for stock-based compensation granted to directors, officers and technical consultants. The Company records the expenses associated with such compensation on a straight-line basis over the vesting period of such compensation payments with a corresponding increase to contributed surplus. Upon exercise of the stock options, consideration paid together with the amount previously recognized in contributed surplus is recorded as an increase to share capital. The Company has not incorporated an estimated forfeiture rate for stock options that will not vest, rather, the Company accounts for actual forfeitures as they occur.

### Financial Instruments

In management's opinion, the carrying amount of financial instruments approximates fair value.

### Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on temporary differences between financial reporting and tax bases of assets and liabilities, as well as for the benefit of losses available to be carried forward to future years for tax purposes. Future income tax assets and liabilities are measured using enacted or substantively enacted tax rates and laws that will be in effect when the differences are expected to reverse. Future income tax assets are recorded in the financial statements if realization is considered more likely than not.

### Patent Rights

Included in patent rights is consideration paid for the acquisition of an exclusive right to use various patents described in Note 9 and other costs related to the acquisition of patents. Such costs are capitalized and will be amortized to operations on a straight-line basis over the underlying term of the patent.

Management reviews on an ongoing basis the valuation and amortization of the patent rights. The determination as to whether there has been impairment is made by comparing the carrying value of the patent rights to the net recoverable amount of the asset based on undiscounted cash flows. Any excess of carrying value over fair value is charged to operations in the period in which such impairment is determined by management.

# Bradmer Pharmaceuticals Inc.

## Notes to Interim Financial Statements

March 31, 2006

(Expressed in United States Dollars)

(unaudited)

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## 2. SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Research and Development Costs

Research costs are charged to operations when incurred. Development costs are expensed in the year incurred unless they meet the criteria under Canadian generally accepted accounting principles for deferral and amortization. Amortization commences with the successful commercial production or use of the product or process.

### Foreign Currency

Monetary assets and liabilities denominated in foreign currencies are translated to United States dollars at exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at rates of exchange at each transaction date. Revenue and expenses are translated at the rate of exchange at each transaction date. Gains or losses on translation are included in income.

## 3. CAPITAL STOCK

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	Number	Amount
Shares issued on incorporation of former Blue Devil	3,360,000	\$ 3,360
Shares issued pursuant to licensing agreement	640,000	6
Balance as of December 31, 2005	4,000,000	3,366
Issued on exercise of options	600,000	7,560
Shares issued for private placement	2,767,000	12,975,802
Share issue costs	-	(949,558)
Balance as of February 10, 2006, date of amalgamation	7,367,000	\$12,037,170
Shares issued to former Blue Devil shareholders on amalgamation (Note 1)	7,367,000	\$12,037,170
Shares issued to former Bradmer shareholders on amalgamation (Note 1)	413,603	464,482
Balance, March 31, 2006	7,780,603	\$12,501,652

# Bradmer Pharmaceuticals Inc.

## Notes to Interim Financial Statements

March 31, 2006

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#### 4. STOCK OPTIONS

Upon amalgamation the Company issued options to acquire 41,360 common shares at \$3.11 (CDN\$3.63) per share exercisable until September 22, 2010 to directors, officers and consultants of former Bradmer. During the period the Company issued options to directors to acquire 90,000 common shares at a price of \$ 4.66 (CDN\$5.44) per share exercisable until February 10, 2016 and 120,000 common shares at a price of 4.66 (CDN\$5.44) per share exercisable until March 16, 2016.

The company had the following options outstanding at March 31, 2006:

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Number of Options	Exercisable	Price	Expiry Date
41,360	41,360	\$3.63 CDN	September 22, 2010
90,000	90,000	5.44 CDN	February 10, 2016
120,000	-	5.44 CDN	March 16, 2016
251,360	131,360		

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#### Warrants

Upon amalgamation, the Company issued warrants to acquire 13,787 common shares at \$3.11 (CDN \$3.63) per share exercisable until October 4, 2007 to Bradmer's agents pursuant to its initial public offering and warrants to acquire 73,300 common shares at \$4.66 (CDN \$5.44) per share exercisable until February 10, 2008 to Blue Devil's agents pursuant to the private placement.

#### 5. CONTRIBUTED SURPLUS

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Contributed surplus beginning of period	\$ 1,560
Value of stock option exercised	(1,560)
Stock based compensation expense (Note 6)	80,053
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	\$ 80,053

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#### 6. STOCK-BASED COMPENSATION

The fair value of each option granted in the period ended March 31, 2006 has been estimated at the date of grant or the date when it became measurable using the Black-Scholes option pricing model with the following weighted-average assumptions: (i) dividend yield 0%; (ii) expected volatility of 10%; (iii) risk-free interest rate of 3.5% and; (iv) expected life of 5 years. The Company has assumed no forfeiture rate as adjustments for actual forfeitures are made in the period they occur. The weighted-average grant date fair values of options issued in the period ended March 31, 2006 were \$0.38.

# Bradmer Pharmaceuticals Inc.

## Notes to Interim Financial Statements

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### 7. RELATED PARTY TRANSACTIONS

Transactions with related parties are incurred in the normal course of business and are measured at the exchange amount which is the amount of consideration established and approved by the related parties. Related party transactions have been listed below, unless they have been disclosed elsewhere in the financial statement.

During the period ended March 31, 2006, the Company incurred legal fees of approximately \$172,000 to a law firm in which a director of the Company is a partner and the Company has paid interest of \$3,190 on a related party loan. The loan was repaid in full during the period ended March 31, 2006.

An individual who is an officer, director and shareholder of the Company held a controlling interest in both Blue Devil and former Bradmer. As such, the amalgamation was a non arm's length transaction pursuant to policies of the TSX Venture Exchange and, therefore, was subject to majority of the minority shareholder approval of former Bradmer.

On October 4, 2005 Blue Devil entered into employment agreements with certain officers, which have now been assumed by the Company. The employment agreements each have a term of three years with annual payments totaling \$576,707.

### 8. COMMITMENTS

The Company has entered into two agreements to further the development of the process and clinical production and supply of the cancer treatment. Under the terms of the agreements the Company will be required to fund approximately \$4,000,000 over the next two years, including an estimated \$2,500,000 in the current year and \$1,500,000 in the second year. A substantial portion of these amounts would not be payable if the Company terminated the agreements under the contracts' terms. The Company can give one-hundred-eighty days notice to terminate the agreement and will have to pay a \$250,000 termination fee plus all costs incurred up to and through the one-hundred-eighty day termination period.

The Company has entered into various consulting agreements with third parties to provide advisory and consulting services relating to the further development of the treatment. The Company will be required to pay \$327,500 over a three year period under the terms of these contracts. A substantial portion of these amounts would not be payable if the Company terminated the agreements under the contracts' terms.

# Bradmer Pharmaceuticals Inc.

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### 9. PATENT RIGHTS

On September 26, 2005, the Company entered into a license agreement with Duke University, North Carolina, U.S.A ("Duke"). Under the terms of the Agreement, the Company acquired an exclusive license to a proprietary treatment developed at Duke University Medical Center for a particularly aggressive form of brain cancer. The licensed treatment includes the rights to five issued patents, sixteen patents which are pending in the United States, and other patents filed outside of the United States. As consideration, the Company must:

- (i) made licensing payments totaling \$250,000; \$50,000 on execution of the Licensing Agreement and the balance due within 30 days of the Company completing an initial equity financing of a minimum of \$3,000,000 by February 28, 2006 (paid and completed);
- (ii) issued 640,000 common shares of the Company upon execution;
- (iii) pay annual license maintenance fees of \$50,000 annually commencing on the second anniversary of the Licensing Agreement; provided, however, if the running royalty payments and/or performance milestone payments exceed \$50,000, no license maintenance fees shall be due for that year;
- (iv) pay a non-refundable royalty of 4% of annual net sales of all licensed products of up to \$100,000,000; 6% on net sales between \$100,000,000 and \$500,000,000; and 8% on net sales in excess of \$500,000,000. The royalty may be reduced if the license product is sold in a country in which there is no patent coverage, or if the Company is required to make royalty payments to third parties for other licenses required to effect the commercialisation of the license;
- (v) pay 10% of all sub-licensing fees received;
- (vi) pay performance milestones of up to a total of \$1,750,000 (for each of the first two approved indications for use) as milestones towards the commercialisation of the product are achieved.
- (vii) reimburse Duke for certain legal expenses incurred in the patent application; reimbursement of all costs incurred prior to licence execution has been completed by the payments of \$100,000.

### 10. SUBSEQUENT EVENTS

On April 15, 2006, the Company announced that its common shares had been approved for listing on the Toronto Stock Exchange ("TSX"). Trading on the TSX commenced at the market opening on April 18, 2006, under the symbol "BMR", and the shares no longer traded on the TSX Venture Exchange as of that time.