

Bradmer Pharmaceuticals Inc.

**Management's Discussion and Analysis of Financial
Condition and Results of Operations**

August 1st, 2006

Management's Discussion and Analysis of Financial Condition and Results of Operations

This discussion and analysis covers the interim financial statements for the three month and six month periods ending June 30, 2006, prepared in accordance with Canadian generally accepted accounting principles.

All amounts are expressed in US dollars unless otherwise indicated.

This discussion and analysis was performed by management using information available as at August 1, 2006. The forward-looking statements in this discussion regarding our expectations of our future performance, liquidity and capital resources and other non-historical statements in this discussion include numerous risks and uncertainties, as described in the "Risk Factors" section of the Management Information Circular of a predecessor company (also named Bradmer Pharmaceuticals Inc.) dated January 10, 2006 (the "Circular"). Our actual results may differ materially from those contained in any forward-looking statements. Additional information relating to our company is available by accessing the SEDAR website at www.sedar.com.

OVERVIEW

Bradmer Pharmaceuticals Inc. ("BMR" or the "Company") is a life sciences company focused on developing proprietary drugs to treat cancer. Our current efforts are focused on the treatment of Glioblastoma Multiforme ("GBM"), a common form of brain cancer. Our lead product candidate is termed Neuradiab. Neuradiab is a radiolabeled monoclonal antibody which targets a certain protein expressed on 99% of GBM cells, but not on normal brain cells. The therapy has been administered to nearly 200 patients in a series of Phase I and Phase II clinical trials conducted at Duke University. BMR holds the exclusive license to the Neuradiab technology from Duke University. The licensed treatment includes the rights to five issued patents, and thirteen patents which are pending in the United States and in other jurisdictions. Terms of the license are described in the Circular and in Note 9 of the Company's June 30, 2006 interim financial statements.

Clinical Development Current Status

BMR is currently making preparations to initiate a multi-center, randomized trial of Neuradiab in newly diagnosed GBM patients. Further discussion with the United States Food and Drug Administration will determine the nomenclature and final design of the trial, but management intends to conduct a trial that could produce approvable data. It is anticipated that enrollment in the trial will begin in early 2007.

Operational Achievements

During the period ended June 30, 2006, the Company achieved the following steps in preparation for the intended Neuradiab multi-center trial and subsequent planned commercialization:

- Transfer of technology and material from Duke University initiated under the terms of the exclusive license agreement
- cGMP drug manufacturing contracts completed with Laureate Pharma, Inc. (antibody component) and MDS Nordion (radioisotope component)
- Drug manufacturing process development and scale-up work commenced
- Clinical and regulatory advisory expert panel engaged to guide clinical strategy
- Expansion of intellectual property portfolio licensed from Duke University

Corporate Development Events

BMR was formed on February 10, 2006 as a result of the amalgamation of a private company, Blue Devil Pharmaceuticals Inc. ("Blue Devil"), and a predecessor company also named Bradmer Pharmaceuticals Inc. ("former Bradmer"). Prior to the amalgamation, former Bradmer was a capital pool company under the policies of the TSX Venture Exchange and conducted no operations other than the search for and identification of potential Qualifying Transaction (as defined below) candidates. Pursuant to the TSX Venture Exchange's Capital Pool Company Program, a capital pool company raises money by private placement and subsequently completes an initial public offering. In former Bradmer's case, it conducted a private placement on June 22, 2005 and an initial public offering on the TSX Venture Exchange on September 22, 2005. The proceeds of these transactions were applied toward the search for, identification of, and acquisition of a promising private company or asset. A capital pool company must acquire a company or asset within 24 months of listing on the TSX Venture Exchange. This is called a Qualifying Transaction. After a successful Qualifying Transaction, the capital pool company becomes a regular listed company on the TSX Venture Exchange.

Upon the completion of the amalgamation with Blue Devil on February 10, 2006, which constituted former Bradmer's Qualifying Transaction, BMR commenced full operations. By way of the amalgamation, Blue Devil's cash, intellectual property (including the license to the Neuradiab technology from Duke University), business plan and assembled management team became key assets of BMR.

On February 15, 2006, former Bradmer received final approval from the TSX Venture Exchange for its Qualifying Transaction with Blue Devil. As a result of the completion of the Qualifying Transaction and upon receipt of final TSX Venture Exchange approval, the entity was no longer considered a capital pool company. The resulting issuer, BMR, began trading on the TSX Venture Exchange on Thursday, February 16, 2006 under the symbol "BMR".

The Company subsequently applied for and received approval for its Common Shares to be listed on the Toronto Stock Exchange (TSX). Trading on the TSX commenced on April 18th, 2006, under the symbol "BMR", thus marking the Company's graduation from the TSX Venture Exchange.

Shareholding impact of the Amalgamation

Pursuant to the amalgamation, shareholders of Blue Devil (including purchasers of Blue Devil common shares pursuant to a concurrent Cdn\$15 million financing) received an aggregate of 7,367,000 BMR common shares and the securityholders of former Bradmer received an aggregate of 413,603 BMR common shares, 41,360 BMR stock options and 13,787 BMR agent's compensation warrants. Following the completion of the amalgamation, a total of 7,780,603 BMR common shares were issued and outstanding (or 8,014,050 BMR common shares on a fully-diluted basis). Detailed information describing the amalgamation (as well as the business of former Bradmer, Blue Devil, and BMR), including pro forma financial statements, was provided to former Bradmer shareholders in the Management Information Circular of former Bradmer dated January 10, 2006 (the "Circular") which can be accessed on SEDAR at www.sedar.com.

Dr. Mark C. Rogers, who is an officer, director and shareholder of BMR, held a controlling interest in both former Bradmer and Blue Devil prior to the amalgamation. Together with associates and affiliates, Dr. Rogers controlled directly or indirectly an aggregate of 3,445,076 BMR common shares upon the completion of the amalgamation. Such shares are subject to escrow pursuant to TSX Venture Exchange Policy 2.4 (Capital Pool Companies) and/or TSX Venture Exchange Policy 5.4 (Escrow, Vendor Considerations, and Resale Restrictions). Detailed

share ownership and escrowed security descriptions as of the date of the amalgamation are provided on page 73 of the Circular.

CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT ESTIMATES

Basis of Presentation

As a result of the amalgamation on February 10, 2006, the shareholders of Blue Devil controlled BMR and, consequently, the transaction will be accounted for as a reverse takeover with Blue Devil as the acquirer and continuing company. Since former Bradmer does not constitute a business, the transaction will be accounted for as a capital transaction, that is, a financing and recapitalization of Blue Devil.

In accordance with reverse take-over accounting:

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

The comparative balance sheet figures reflected in the financial statements are those of Blue Devil. Since Blue Devil was formed in September of 2005, no comparative quarterly operational results or cash flow results will be reported at this time.

Our interim financial statements are prepared in accordance with Canadian GAAP. These accounting principles require us to make certain estimates and assumptions. We believe that the estimates and assumptions upon which we rely are reasonable based upon information available at the time that these estimates and assumptions are made. Actual results could differ from these estimates. The area requiring significant estimates as of June 30, 2006 was stock-based compensation.

The significant accounting policies that we believe are the most critical in fully understanding and evaluating the reported financial results include the following:

Patent Rights

Included in patent rights is consideration paid for the acquisition of an exclusive right to use various patents and other costs related to the acquisition and active management 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.

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.

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.

Share Issuance Costs

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

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 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.

RESULTS OF OPERATIONS

For the quarter ending June 30, 2006, we recorded a net loss of \$670,671, or \$0.09 per common share based on weighted average outstanding shares of 7,781,026 during the period. For the six months ended June 30, 2006, we recorded a net loss of \$1,289,102, or \$0.17 per common share based on weighted average outstanding shares of 7,780,816.

Research and development expenses totaled \$323,300 and \$658,810 for the three and six month periods ending June 30, 2006. Such expenses were primarily related to amounts payable under drug manufacturing contracts, as well as amounts paid to clinical and regulatory expert advisors. Management wage expenses, including payroll taxes, of \$155,097 and \$305,765 were recorded during the three and six month periods ended June 30, 2006 in accordance with employment contracts described in the Circular. Office and general expenses of \$194,214 and \$276,625 during the three and six month periods ended June 30, 2006 included charges relating to, among other things, facilities, communications, travel, investor relations, and insurance. Additionally, professional fee expenses, primarily consisting of legal and accounting costs, of \$133,693 and \$151,664 were incurred during the three and six month periods ended June 30, 2006. Non-cash stock based compensation charges totaled \$8,733 and \$88,786 for the three and six month periods ended June 30, 2006, resulting from the issuance of options as described below in the Outstanding Share Capital section. Operational expenses were offset by interest income earned on short term investments of \$115,351 and \$166,723 during the three and six month periods ended June 30, 2006. The Company recorded a foreign exchange gain of \$47,267 during the three and six month periods ended June 30, 2006, as Canadian dollar cash holdings became relatively more valuable in terms of the US dollar reporting currency. During the period, the Company took steps to minimize Canadian dollar holdings to eliminate future significant foreign currency exposure.

We expect losses to continue for at least three fiscal years as we invest in our product research and development, including clinical trials and regulatory compliance.

LIQUIDITY AND CAPITAL RESOURCES

Sources and Uses of Cash

Our operational activities for the period ended June 30, 2006 were financed by the proceeds of separate pre-amalgamation financing events. Prior to the amalgamation, Bradmer received gross proceeds totaling Cdn\$1.0 million from the sale of its common shares by way of a June, 2005 private placement and a September, 2005 initial public offering. Net proceeds from the two Bradmer offerings, after deducting share issue costs, amounted to Cdn\$875,244. Also prior to the amalgamation, Blue Devil received gross proceeds of \$12,975,000 (or Cdn\$15,052,000) from the sale of its common shares under concurrent brokered and non-brokered private offerings in Canada and the United States. Net proceeds from the Blue Devil offerings, after deducting share issue costs, amounted to \$12,023,659.

At June 30, 2006, we had working capital of \$10,591,137, as compared to (\$527,914) at December 31, 2005. We had available cash reserves comprised of cash and cash equivalents of \$10,589,126 at June 30, 2006, compared to \$262,723 at December 31, 2005. The increase was related to the receipt of the net proceeds of the Blue Devil private placement as described in the paragraph above, offset by operational expenses during the period. It is anticipated that cash on hand at June 30, 2006 will be sufficient to fund Company operations into early 2008, inclusive of clinical trial costs and infrastructure costs during such period.

As at June 30, 2006, and in the normal course of business, we are obligated to make future payments. These obligations represent contracts and other commitments that are known and committed.

	2006	2007	2008	Thereafter
Commitments under Clinical Trial related Agreements (1)	\$2,025,000	\$1,500,000	\$0	\$0
Commitments Under License Agreements (2)	\$0	\$50,000	\$50,000	\$1,750,000
Operating Lease Commitments	\$0	\$0	\$0	\$0
Other Long Term Obligations (3)	\$350,000	\$701,707	\$701,707	\$0
Totals	\$2,375,000	\$1,550,000	\$50,000	\$1,750,000

(1) Total commitments to date of \$4.0 million reflects \$1.0 million of commitments that are non-cancelable and \$3.0 million of commitments that are cancelable should we decide to discontinue the related clinical research work. Such non-cancelable amounts will increase as new project stages are reached. Approximately \$475,000 has been paid prior to June 30, 2006 under these total commitments.

(2) As of June 30, 2006, pursuant to the Duke University license agreement, we have various commitments as described in the Management Information Circular of Bradmer dated January 10, 2006. The majority of these commitments are contingent upon achievement of certain milestones which may or may not be achieved. The amounts disclosed in this table represent future minimum annual royalties and milestone fees related to the primary indication for use. All upfront license fees and prior patent cost reimbursement payments had been satisfied as of June 30, 2006. The amounts disclosed exclude potential patent expense reimbursements and royalties, which cannot be estimated at this time.

(3) The reported amounts comprise payments under employment agreements with management, as well as certain consulting agreements with scientific advisors. All agreements can be terminated by the Company, with resulting termination payments ranging from zero to six months.

Outstanding Share Capital

As at June 30, 2006, there were 7,781,344 common shares issued and outstanding. In addition, the following securities had been issued that were convertible into common shares:

Type of Security	Convertible into this Number of Common Shares	Date of Expiry	Exercise Price (in Canadian dollars)
Stock Options	41,360	September 22, 2010	\$3.63
Agent's Compensation Warrants	13,046	October 4, 2007	\$3.63
Agent's Compensation Warrants	73,300	February 10, 2008	\$5.44
Stock Options	90,000	February 10, 2016	\$5.44
Stock Options	120,000	March 16, 2016	\$5.44

RELATED PARTY TRANSACTIONS

During the six month period ended June 30, 2006, we incurred approximately \$235,000 in charges for legal services provided by a firm in which a director of the Company is a partner.

Employment agreements with certain officers of the Company each have a term of three years with aggregate annual payments totaling \$576,707.

Such transactions were conducted under normal business terms.

OFF-BALANCE SHEET ARRANGEMENTS

We have no off-balance sheet arrangements.

FUTURE PROSPECTS

In its current early state of evolution, BMR has assembled the appropriate intellectual, financial, and human capital to advance its lead drug for brain cancer into a late stage clinical trial with the potential to produce approvable data within three years. At present, the Company's value proposition is derived from the historical clinical trial results for Neuradiab, BMR's lead drug candidate, for the treatment of Glioblastoma Multiforme ("GBM"). GBM is the most common form of primary brain tumor, with up to 30,000 new cases diagnosed per year in North America, Europe, and Japan.

Until 2005, the long-standing standard of care treatment course for GBM had been surgical resection followed by various forms of radiation therapy. In 2005, an oral chemotherapy agent known as temozolomide (Temodar™ by Schering-Plough) was approved by the FDA as an addition to this first-line treatment regimen.

BMR's novel new compound, Neuradiab (formerly described as ¹³¹I-81C6 in literature), addresses one of the key weaknesses in the current therapy regimen. GBM's typically have infiltrating edges that are very difficult to remove surgically. Externally delivered radiation has limitations given the difficulty in focusing its energy specifically on remaining tumor cells and its potential to harm nearby sensitive and critical tissues. Neuradiab is a radiolabeled monoclonal antibody that is delivered directly into the surgical resection cavity in a separate procedure following the initial surgery. Neuradiab's molecular target is tenascin, a protein which is overexpressed by 99% of all GBM's but is absent from normal brain tissues. Therefore, BMR is able to deliver a concentrated level of radiation specifically to cancer cells that remain following surgical resection. The most recent Phase II study testing Neuradiab as an addition to the surgery / radiation / temozolomide regimen suggested an increase in median overall survival for newly diagnosed GBM patients.

BMR's operational objectives are clear - organize, launch, and execute a multi-center, randomized trial testing Neuradiab in newly diagnosed GBM patients. Management believes that success in these endeavours has the potential to create significant value for shareholders.

During the remainder of 2006, BMR intends to execute on the following components of its operational plan:

- Execute a contract with a Clinical Research Organization for the management of the multi-center trial
- Execute clinical trial contracts with leading GBM treatment centers across the US
- Submit all necessary information to the FDA, including updated manufacturing data and protocol, for consideration to approve the initiation of the Company's planned multi-center trial
- File a European Orphan Drug application in an effort to augment the US Orphan Drug designation already obtained by the Company

BMR's strategy also involves the identification and potential acquisition of other novel cancer drugs in clinical development.

FINANCIAL INSTRUMENTS AND RISKS

We believe that our current cash position should be sufficient to finance our operational and capital needs at least through the remainder of 2006 and 2007. However, our future cash requirements may vary materially from those now expected due to a number of factors, including the costs associated with the completion of the clinical trials, potential collaborative and license arrangements with third parties, and opportunities to in-license complementary technologies. We will continue to review our financial needs and seek additional financing as required from sources that may include equity financing, and collaborative and licensing arrangements. However, there can be no assurance that such additional funding will be available or if available, whether acceptable terms will be offered.

The accompanying financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. For quarterly reporting periods, the Company's financial statements are approved by the Audit Committee. For annual reporting periods, the Company's financial statements are approved by the Board of Directors upon recommendation by the Audit Committee. The integrity and objectivity of these financial statements are the responsibility of management. In addition, management is responsible for all other information in this report and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

In support of this responsibility, management maintains a system of internal controls to provide reasonable assurance as to the reliability of financial information and the safeguarding of assets. The financial statements include amounts that are based on the best estimates and judgments of management. The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control. The Board of Directors exercises this responsibility principally through the Audit Committee. The Audit Committee consists of three directors not involved in the daily operations of the Company. The Audit Committee meets with management and the external auditors to satisfy itself that management's responsibilities are properly discharged and to review the financial statements prior to their presentation to the Board of Directors for approval.

The external auditors, DMCT, LLP, conduct independent examinations, including the audit of annual statements and the review of interim statements, in accordance with Canadian generally accepted auditing standards, and provide a report of their findings to the Audit Committee. The external auditors have free and full access to the Audit Committee with respect to their findings concerning the fairness of financial reporting and the adequacy of internal controls.

Mark C. Rogers, M.D., M.B.A.
Chief Executive Officer

Brian D. Brohman
Chief Financial Officer