

# GeneNews Limited

## CONSOLIDATED BALANCE SHEETS

[Unaudited]

[Expressed in Canadian dollars]

As at

	June 30 2008 \$	December 31 2007 \$
<b>ASSETS</b>		
<b>Current</b>		
Cash and cash equivalents <i>[note 6]</i>	6,688,727	11,279,030
Short-term investment	400,000	400,000
Accounts receivable	720,759	1,582,242
Investment tax credits recoverable <i>[note7]</i>	170,477	1,038,199
Prepaid expenses and deposits	455,330	512,914
<b>Total current assets</b>	<b>8,435,293</b>	<b>14,812,385</b>
Property, plant and equipment, net	3,507,339	3,635,245
Intellectual property, net	182,010	400,380
	<b>12,124,642</b>	<b>18,848,010</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	1,682,135	1,699,153
Deferred revenue	1,022,953	1,204,305
Current portion of long-term debt	595,582	585,903
<b>Total current liabilities</b>	<b>3,300,670</b>	<b>3,489,361</b>
Long-term debt	983,081	1,280,916
Long-term portion of deferred revenue	-	401,371
<b>Total liabilities</b>	<b>4,283,751</b>	<b>5,171,648</b>
<b>Shareholders' equity</b>		
Capital stock <i>[note 8]</i>	44,542,030	44,290,930
Contributed surplus	3,228,101	2,733,562
Deficit	(39,929,240)	(33,348,130)
<b>Total shareholders' equity</b>	<b>7,840,891</b>	<b>13,676,362</b>
	<b>12,124,642</b>	<b>18,848,010</b>

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## CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT

[Unaudited]  
[Expressed in Canadian dollars]

	Three months ended June 30 2008	Three months ended June 30 2007 (Note 2)	Six months ended June 30 2008	Six months ended June 30 2007 (Note 2)
Revenue				
Milestones	\$ 288,438	\$ -	\$ 582,724	\$ 1,666,236
	<b>288,438</b>	<b>-</b>	<b>582,724</b>	<b>1,666,236</b>
Expenses				
Research and development	3,044,225	1,772,371	5,229,981	4,361,474
General and administrative	806,675	643,191	1,319,236	1,315,266
Stock compensation	352,264	131,747	494,538	278,186
Amortization of intellectual property	110,537	110,537	221,074	221,074
Interest on long term debt	28,172	1,538	58,700	4,191
	<b>4,341,872</b>	<b>2,659,384</b>	<b>7,323,528</b>	<b>6,180,191</b>
Interest income	58,634	357,865	159,694	541,186
Net and comprehensive loss for the period	<b>(3,994,800)</b>	<b>(2,301,519)</b>	<b>(6,581,110)</b>	<b>(3,972,769)</b>
Deficit, beginning of period	<b>(35,934,440)</b>	<b>(25,385,336)</b>	<b>(33,348,130)</b>	<b>(23,714,086)</b>
Deficit, end of period	<b>\$ (39,929,240)</b>	<b>\$ (27,686,855)</b>	<b>\$ (39,929,240)</b>	<b>\$ (27,686,855)</b>
Net and comprehensive loss per common share				
Basic and fully diluted	\$ (0.07)	\$ (0.04)	\$ (0.12)	\$ (0.07)
Weighted average number of common shares outstanding				
Basic and fully diluted	55,623,367	55,441,019	55,571,069	55,441,019

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## CONSOLIDATED STATEMENTS OF CASH FLOWS

[Unaudited]

[Expressed in Canadian dollars]

	Three months ended June 2008	Three months ended June 2007	Six months ended June 2008	Six months ended June 2007
		(Note 2)		(Note 2)
Cash flows provided by (used in):				
Operations:				
Net and comprehensive loss for the period	\$ (3,994,800)	\$ (2,301,519)	\$ (6,581,110)	\$ (3,972,769)
Items therein not requiring cash				
Stock based compensation	352,264	131,747	494,538	278,186
Amortization of capital assets	213,183	89,917	358,365	174,862
Amortization of intellectual property	110,537	110,537	221,074	221,074
	<u>(3,318,816)</u>	<u>(1,969,318)</u>	<u>(5,507,133)</u>	<u>(3,298,647)</u>
Changes in non-cash working capital:				
Accounts receivable	397,391	(245,835)	861,483	(311,706)
Investment tax credit recoverable	403,141	-	867,722	-
Prepaid expenses and deposits	103,452	166,687	57,583	241,671
Accounts payable and accrued liabilities	220,553	122,972	(17,018)	120,718
Deferred revenue	(288,437)	531,700	(582,723)	531,700
	<u>(2,482,716)</u>	<u>(1,393,794)</u>	<u>(4,320,086)</u>	<u>(2,716,265)</u>
Financing:				
Net proceeds from issue of capital stock				
Proceeds from exercise of employee stock options	220,350		251,100	25,459
Net proceeds from exercise of 2004 broker warrants				-
Payments on long term debt	(145,256)	(38,258)	(288,156)	(75,401)
	<u>75,094</u>	<u>(38,258)</u>	<u>(37,056)</u>	<u>(49,942)</u>
Investments:				
Additions to capital assets	(20,057)	(1,168,630)	(233,161)	(1,277,031)
Increase (decrease) in cash and cash equivalents	(2,427,679)	(2,600,682)	(4,590,303)	(4,043,238)
Cash and cash equivalents, beginning of period	9,116,406	19,151,012	11,279,030	20,593,568
Cash and cash equivalents, end of period	<u>\$ 6,688,727</u>	<u>\$ 16,550,330</u>	<u>\$ 6,688,727</u>	<u>\$ 16,550,330</u>
Supplemental cash flow information:				
Interest received	27,999	137,213	123,957	232,700
Interest paid	28,172	1,538	58,700	4,191