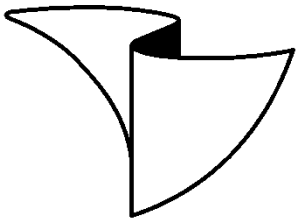

B I O M I R A

**Biomira Inc.**
2011-94 Street
Edmonton, AB T6N 1H1

# June 2007 Second Quarter Report

| | |
|---|---|
| **Trading Information:** | NASDAQ Global Market (symbol "BIOM")<br>The Toronto Stock Exchange (symbol "BRA") |
| **For Information Contact:** | Edward Taylor<br>Vice President Finance and Administration<br>& Chief Financial Officer |
| **E-Mail:** | IR@biomira.com |
| **Web:** | www.biomira.com |

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

*Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), prepared as at **July 17, 2007**, should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes for the six months ended June 30, 2007, included hereafter, as well as the audited consolidated financial statements and MD&A for the fiscal year ended December 31, 2006. All dollar amounts included in this MD&A are Canadian dollars unless otherwise specified.*

## Forward-Looking Statements

In order to provide our investors with an understanding of our current results and future prospects, this report contains statements that are forward looking. Any statements contained in this report that are not statements of historical fact may be deemed to be forward-looking statements. Words such as "believes," "anticipates," "plans," "expects," "will," "intends," "potential," "possible" and similar expressions are intended to identify forward-looking statements. In particular, this report contains forward-looking statements regarding development and clinical plans for our products and product candidates, the efficacy of those products and product candidates, prospects for future strategic partnerships, in-license opportunities and acquisitions, planned delivery of and payment for clinical trial material the receipt of milestone and other payments, the sufficiency of existing capital resources to support our operations, the availability of additional capital resources, and our expected future operating results. These forward-looking statements represent Biomira's intentions, plans, expectations and beliefs with respect to our future strategy and business prospects, planned development of our product pipeline, by ourselves and with our existing and prospective partners, our future revenues, operating expenses, investment and other income (expense), and taxes, our expectations with respect to research and development expenses, the use and adequacy of our cash resources, the successful integration of ProlX Pharmaceuticals Corporation ("ProlX"), the timing, duration and results of clinical trials for our products, the timing and results of regulatory reviews, the safety and efficacy of our products, the possibility of future payments from Merck KGaA of Darmstadt, Germany ("Merck KGaA") and the availability of grant funding for our ProlX subsidiary, and are based on our experience and our assessment of historical and future trends and the application of key assumptions relating to future events and circumstances.

All of these forward-looking statements involve risks and uncertainties related to our business and the general economic environment, many beyond our control. These risks, uncertainties and other factors could cause our actual results to differ materially from those projected in forward-looking statements, including the risks associated with the adequacy of financing and reserves on hand, currency exchange rate fluctuations, changes in general accounting policies, general economic factors, achievement of the results we anticipate from our clinical trials with our products and our ability to adequately obtain and protect our intellectual property rights. Although we believe that the forward-looking statements contained herein are reasonable, we can give no assurance that our expectations are correct. All forward-looking statements are expressly qualified in their entirety by this cautionary statement. For a detailed description of our risks and uncertainties, you are encouraged to review the official corporate documents filed with the securities regulators in Canada on SEDAR and the United States on U.S. EDGAR.

## Overview of the Business

Biomira Inc. ("Biomira" or the "Company") is an international biotechnology company headquartered in Canada which is engaged primarily in the development of innovative therapeutic products for the treatment of cancer. Our goal is to develop and commercialize novel synthetic vaccines and targeted small molecules that have the potential to improve the lives and outcomes of cancer patients.

**Product Pipeline**

***Stimuvax®***

Our lead product candidate is a synthetic Mucin 1 peptide cancer vaccine, Stimuvax (formerly called BLP25 Liposome vaccine). This vaccine incorporates a 25 amino acid sequence of the Mucin 1 cancer antigen in a liposomal formulation. In February 2007, we announced that the first patient had been enrolled in the global phase 3 clinical trial, START ("Stimulating Targeted Antigenic Responses To non-small cell lung cancer ("NSCLC")"), assessing the efficacy and safety of Stimuvax as a potential treatment for patients with unresectable Stage III NSCLC. The trial is being conducted by Merck KGaA under the provisions of a collaboration between Biomira and Merck KGaA and is expected to include more than 1,300 patients in approximately 30 countries. Under the provisions of the collaboration, we remain responsible for process development and manufacturing of Stimuvax. We conduct process development, quality control and assurance, and other aspects of this work at Biomira, while outsourcing manufacturing. In the first quarter of 2007 manufacturing was resumed to support the global phase 3 START trial.

***PX-12***

PX-12 is a small molecule inhibitor of thioredoxin. Increased thioredoxin levels in cancer cells have been linked to the aggressive proliferation of solid tumors, including colon, lung, and gastric cancers. PX-12 is currently being evaluated in a phase 1b trial in patients with advanced gastrointestinal cancers. An initial phase 1 trial involving 38 patients with advanced metastatic cancer showed that PX-12 was well tolerated and produced a decrease in plasma concentrations of thioredoxin that was significantly correlated with increased patient survival. Fifteen of the 38 patients achieved stable disease of up to 322 days. In January 2007, we initiated a randomized phase 2 trial comparing two dose levels of PX-12 in patients with advanced pancreatic cancer who have progressed on gemcitabine or a gemcitabine-containing regimen. We also plan to initiate a second phase 2 trial for PX-12 by the end of the year.

***PX-478***

PX-478 is a small molecule inhibitor of hypoxia inducible factor (HIF)-1α, a protein responsible for initiating the process of tumor blood vessel growth, or angiogenesis. PX-478 is effective when delivered orally in animal models, and has shown marked tumor regressions and growth inhibition in such model systems across a range of cancers, including ovarian, renal, prostate, colon, pancreatic, and breast cancer. In July 2007, we announced the submission of an investigational new drug application ("IND") to the U.S. Food and Drug Administration for PX-478. Upon clearance of the IND, we intend to initiate a phase 1 trial for this compound in the third quarter of 2007.

***PX-866***

PX-866 is an inhibitor of the phosphatidylinositol-3-kinase (PI3 kinase)/AKT/PTEN pathway, an important survival signaling pathway that is activated in many types of human cancer. PI3 kinase is overexpressed in a number of human cancers, especially ovarian, colon, head and neck, urinary tract, and cervical cancers, where it leads to increased proliferation and inhibition of apoptosis (programmed cell death). In pre-clinical studies, PX-866 has been shown to induce prolonged inhibition of tumor PI3 kinase signaling following both oral and intravenous administration. The compound also has been shown to have good in vivo anti-tumor activity in tumor models of human ovarian and lung cancer, as well as intracranial glioblastoma. In April 2007, we announced that PX-866 has been selected as our next clinical development candidate and we expect to file an IND for PX-866 by the end of the year.

**Corporate Update**
In July 2007, we announced the appointment of Gary Christianson to the newly created position of Chief Operating Officer. Mr. Christianson brings to Biomira more than 20 years of operational expertise in diverse areas, including technical development, manufacturing of pharmaceutical products, facilities design and management, and personnel development.

## Results of Operations

| (in millions of dollars, except per share amounts) | **Three Months Ended June 30** | | | **Six Months Ended June 30** | | |
|---|---|---|---|---|---|---|
| | **2007** | 2006 | Change | **2007** | 2006 | Change |
| Revenue | **$ 0.7** | $ 1.2 | $(0.5) | **$ 0.9** | $ 1.5 | $(0.6) |
| Operating expenses | **(7.0)** | (5.4) | (1.6) | **(13.7)** | (11.7) | (2.0) |
| Investment and other (loss) income | **(0.4)** | 0.2 | (0.6) | **-** | 0.4 | (0.4) |
| Income tax recovery | **0.4** | - | 0.4 | **1.2** | - | 1.2 |
| Net loss | **$(6.3)** | $(4.0) | $(2.3) | **$(11.6)** | $ (9.8) | $(1.8) |
| Basic and diluted loss per share | **$(0.05)** | $(0.04) | $(0.01) | **$(0.10)** | $(0.11) | $0.01 |

Financial results for the three months ended June 30, 2007 reflect a consolidated net loss from operations of $6.3 million or $0.05 per share compared to $4.0 million or $0.04 per share for the same period in 2006. The increase in net loss of $2.3 million primarily results from higher research and development expenses and increased amortization expense related to our ProlX operation, acquired on October 30, 2006, combined with lower contract research and development revenues as a result of transitioning the responsibility for the clinical development and regulatory activities for Stimuvax to Merck KGaA during 2006.

Financial results for the six months ended June 30, 2007 reflect a consolidated net loss from operations of $11.6 million or $0.10 per share compared to $9.8 million or $0.11 per share for the same period in 2006. The increase in net loss of $1.8 million relates to the same factors discussed above for the three month period; however partially offsetting these variances is a future income tax recovery related to the ProlX operation.

***Non-GAAP Measures***
We refer to the term "working capital" which is not specifically defined in the CICA Handbook and does not have any standardized meaning prescribed by Canadian generally accepted accounting principles ("GAAP"). This non-GAAP measure may not be comparable to similar measures presented by other companies. For purposes of this MD&A, and consistent with our previously disclosed non-GAAP measures, working capital is defined as current assets less current liabilities. Working capital provides useful information in relation to the Company's ability to meet obligations as they come due and fund ongoing operations. Working capital currently has no directly comparable measure calculated in accordance with GAAP.

**Revenues**

| (in millions of dollars) | Three Months Ended June 30 | | | Six Months Ended June 30 | | |
|---|---|---|---|---|---|---|
| | **2007** | 2006 | Change | **2007** | 2006 | Change |
| Contract research and development | **$0.6** | $1.0 | $(0.4) | **$0.7** | $1.3 | $(0.6) |
| Licensing revenues from collaborative agreements | **0.1** | 0.1 | - | **0.2** | 0.1 | 0.1 |
| Licensing, royalties and other revenue | **-** | 0.1 | (0.1) | **-** | 0.1 | (0.1) |
| | **$0.7** | $1.2 | $(0.5) | **$0.9** | $1.5 | $(0.6) |

Contract research and development revenue represents contract research and development funding received from Merck KGaA associated with Stimuvax. During 2006, we transitioned responsibility for the clinical development and regulatory activities for Stimuvax to Merck KGaA, which has resulted in reduced contract research and development revenue compared to the same periods in 2006.

Licensing revenues from collaborative agreements represent the amortization of upfront payments received from Merck KGaA and an upfront sub-licensing fee from CancerVac Pty. Ltd. upon commencement of the respective collaborations. In February 2007, we announced that the first patient had been enrolled in the global phase 3 START trial of Stimuvax triggering a milestone payment to Biomira of $2.9 million (U.S. $2.5 million), before associated payments to third parties of $0.5 million. As further disclosed in Note 6, *Collaborative Agreements,* of our unaudited interim consolidated financial statements for the six months ended June 30, 2007, this milestone payment has been recorded as deferred revenue and is being recognized as revenue on a straight-line basis over the remaining patent life of the Stimuvax product. As a result, our licensing revenue from collaborative agreements remains similar to the same periods in 2006.

Licensing, royalties and other revenue primarily consists of contract manufacturing activities utilizing various Biomira patented technologies and compounds for external customers. For the three and six months ended June 30, 2007 there has been only nominal revenue associated with these activities.

**Operating Expenses**
***Research and Development***

| (in millions of dollars) | Three Months Ended June 30 | | | Six Months Ended June 30 | | |
|---|---|---|---|---|---|---|
| | **2007** | 2006 | Change | **2007** | 2006 | Change |
| Research and development | **$3.7** | $3.0 | $(0.7) | **$6.7** | $6.9 | $0.2 |

The increase in research and development expense for the three months ended June 30, 2007 compared to the same period in 2006 primarily relates to clinical and development activities related to our ProlX operation, which was acquired October 30, 2006. Expenses associated with the ProlX operation were partially offset by government grant funding and reduced Stimuvax clinical development expenditures as a result of transitioning the responsibility for the clinical development and regulatory activities for Stimuvax to Merck KGaA during 2006. Research and development expenses for the six months ended June 30, 2006 included workforce reductions costs, which have not reoccurred in 2007.

***General and Administrative***

| (in millions of dollars) | Three Months Ended June 30 | | | Six Months Ended June 30 | | |
|---|---|---|---|---|---|---|
| | **2007** | 2006 | Change | **2007** | 2006 | Change |
| General and administrative | **$2.4** | $2.1 | $(0.3) | **$4.7** | $4.2 | $(0.5) |

The increase in general and administrative expense from 2006 for both the three months and six months ended June 30, 2007 is primarily attributable to increased recruiting activity and professional fees associated with current year activities.

***Marketing and Business Development***

| (in millions of dollars) | Three Months Ended June 30 | | | Six Months Ended June 30 | | |
|---|---|---|---|---|---|---|
| | **2007** | 2006 | Change | **2007** | 2006 | Change |
| Marketing and business development | **$ -** | $0.2 | $0.2 | **$0.6** | $0.4 | $(0.2) |

The increase in marketing and business development expense for the six months ended June 30, 2007 compared to the same period in 2006 is attributable to workforce reduction costs as further disclosed in Note 8, *Workforce Reduction Costs,* of our unaudited interim consolidated financial statements for the six months ended June 30, 2007. For the three months ended June 30, 2007 there has been nominal activity in this area as we continue to focus efforts on advancing our current pipeline of products.

***Amortization***

| (in millions of dollars) | Three Months Ended June 30 | | | Six Months Ended June 30 | | |
|---|---|---|---|---|---|---|
| | **2007** | 2006 | Change | **2007** | 2006 | Change |
| Amortization | **$0.9** | $0.1 | $(0.8) | **$1.7** | $0.2 | $(1.5) |

Amortization expense relates to facility leaseholds and equipment, certain licensing rights, acquired intangible assets, and other assets. The increase over 2006 for both the three months and six months ended June 30, 2007 can be attributed to amortization recorded on the intangible assets acquired in the ProlX acquisition on October 30, 2006, as described in Note 4, *Business Acquisition*, in the notes to our 2006 audited consolidated financial statements. The acquired intangible assets consist of a portfolio of oncology products at various stages of development. The acquired technologies are being amortized on a straight-line basis over the lesser of the economic life or remaining patent life of the acquired technologies, which range from 11.5 to 19.9 years.

**Investment and Other (Loss) Income**

| (in millions of dollars) | Three Months Ended June 30 | | | Six Months Ended June 30 | | |
|---|---|---|---|---|---|---|
| | **2007** | 2006 | Change | **2007** | 2006 | Change |
| Investment and other (loss) income | **$(0.4)** | $0.2 | $(0.6) | **$ -** | $0.4 | $(0.4) |

Investment and other (loss) income comprises income from cash and investments and foreign exchange gains and losses. The decrease from 2006 for both the three months and six months ended June 30, 2007 is primarily attributable to a net foreign exchange loss on our U.S. dollar portfolio as a result of the decline of the U.S. dollar against the Canadian dollar since December 31, 2006.

**Income Tax Recovery**

| (in millions of dollars) | Three Months Ended June 30 | | | Six Months Ended June 30 | | |
|---|---|---|---|---|---|---|
| | **2007** | 2006 | Change | **2007** | 2006 | Change |
| Future income tax recovery | **$0.4** | $ - | $0.4 | **$1.2** | $ - | $1.2 |

The future income tax recovery relates to our ProlX subsidiary acquired on October 30, 2006, and consists of a decrease in the future income tax liability on the purchased intangibles, resulting from the amortization of the carrying value in excess of the tax value, and an increase in the tax losses carry forward.

## Liquidity and Capital Resources

### Liquidity

As at June 30, 2007, our cash and cash equivalents and short-term investments were $21.9 million compared to $33.0 million at the end of 2006, a decrease of $11.1 million or 33.6%. Major contributors to the net change included $9.8 million used in operations, $0.5 million used in payment of accrued business acquisition and share issuance costs, and $0.6 million used in the purchase of capital and intangible assets. In February 2007, we announced that the first patient had been enrolled in the global phase 3 Stimuvax clinical trial triggering a milestone payment to Biomira of $2.9 million (U.S. $2.5 million), before associated payments to third parties of $0.5 million. With these milestone proceeds now in our treasury, coupled with the financing proceeds we secured in December 2006 and anticipated future cash inflows from collaborative funding arrangements, investment income, government grants and technology licensing efforts; we believe that our cash and short-term investments in place will be sufficient to meet operating and capital requirements into the second half of fiscal 2008.

As at June 30, 2007, working capital decreased by $8.0 million from the end of 2006, to $23.7 million from $31.7 million and is primarily attributable to an $11.1 million decrease in cash equivalents and short-term investments, offset by a $3.1 million increase in inventory. The rise in inventory relates to increased Stimuvax manufacturing activities as a result of the commencement of the Merck KGaA-led phase 3 trial in NSCLC in the first quarter of 2007. These inventory costs are reimbursable under the provisions of the collaboration between Biomira and Merck KGaA. The delivery of clinical trial material to Merck KGaA commenced in the second quarter of 2007.

**Capital Resources**

Anticipating future funding requirements to further our product pipeline and in-licensing activities, we registered a U.S. $100 million Base Shelf Prospectus with the applicable regulatory authorities in Canada and the U.S. in September 2006. This mechanism to facilitate future financings has U.S. $87 million still remaining and is expected to remain in place into the fourth quarter of 2008, unless fully exhausted prior to expiry. The intention of the base shelf registration statement is to ensure that a financing mechanism is in place to allow us to take advantage of favorable financing opportunities in a timely manner.

In addition, we currently have 5.8 million warrants outstanding, at a weighted-average exercise price of U.S. $2.45. Based on our NASDAQ closing share price of U.S. $ 1.03 on June 29, 2007, the warrants outstanding are currently not in the money.

Additional capital resources may be required depending on the outcomes associated with the further development of products in our pipeline. Assuming continued investor support for our equity offerings, such additional capital resources could be derived from the base shelf registration statement and/or receipt of payments under the provisions of the collaboration between Biomira and Merck KGaA. In February 2007, we announced that the first patient had been enrolled in the global phase 3 Stimuvax clinical trial triggering a milestone payment to Biomira of $2.9 million (U.S. $2.5 million), before associated payments to third parties of $0.5 million. Under the provisions of the collaboration between Biomira and Merck KGaA, an additional milestone payment is anticipated for later this year. As well, reimbursements related to clinical trial materials are anticipated in the second half of 2007 as we deliver the clinical trial materials to Merck KGaA.

## Contractual Obligations and Contingencies

In our continuing operations, we have entered into long-term contractual arrangements from time to time for our facilities, debt financing, the provision of goods and services, and acquisition of technology access rights, among others. The following table presents contractual obligations arising from these arrangements currently in force over each of the next five years and thereafter.

| (expressed in $000's) | Payments Due by Period | | | | |
|---|---|---|---|---|---|
| | **Total** | **Less than 1 year** | **1 -3 years** | **4 -5 years** | **After 5 years** |
| Operating leases - premises | 1,701 | 454 | 733 | 514 | - |
| Operating leases - equipment and other | 60 | 60 | - | - | - |
| | 1,761 | 514 | 733 | 514 | - |
| Capital lease obligations (including interest) | 58 | 50 | 8 | - | - |
| Licensing fees and royalties | 114 | 11 | 23 | 23 | 57 |
| **Total contractual obligations** | **1,933** | **575** | **764** | **537** | **57** |

The Company's lease on its corporate facilities in Edmonton expired on March 31, 2007. During the second quarter of 2007 an offer to lease was entered into with Edmonton Economic Development Corporation. The signing of the lease is awaiting finalization of negotiations between Edmonton Economic Development Corporation and the Province of Alberta (the current owner) in relation to the property. The offer to lease contemplates a lease term extending through to March 31, 2012 with an option to renew for a further five year term.

In July 2007, we entered into a new lease agreement for an office facility in Bellevue, Washington. The lease has a term extending through to December 31, 2008.

## Off-Balance Sheet Arrangements

As at June 30, 2007, we have not entered into any material off-balance sheet arrangements, except as disclosed in Note 20, *Contingencies, Commitments, and Guarantees*, in the notes to our audited 2006 consolidated financial statements.

## Transactions with Related Parties

During the six months ended June 30, 2007 we did not enter into any material transactions with related parties.

## Outlook

Until one of our products receives regulatory approval and is successfully commercialized, we anticipate losses for at least the foreseeable future as our lead product candidate undergoes the final stages of clinical development. The magnitude of these operating losses will be largely affected by the timing and scope of future clinical trials and pre-launch activities related to our products, as well as any new initiatives. Finally, the duration of the operating losses will, among other things, depend on the scientific results of such clinical trials.

We expect that clinical development expenses will increase in the second half of 2007 as we move forward with development activities related to our newly acquired small molecule product candidates. With our financing completed in December 2006 and the expected cash inflows from collaborative funding arrangements, investment income, government grants and technology licensing efforts; we believe that our cash and short-term investments in place will be sufficient to meet operating and capital requirements into the second half of fiscal 2008.

Our ability to continue to generate cash to fund the advancement of our clinical programs related to early stage technologies, and out-licensing or acquisition opportunities will depend on several factors. Among others, these include the availability of new financing through private and/or public offerings on acceptable terms; the timely advancement of clinical studies; the ability to obtain regulatory approvals for our products; and the value and timing of securing licensing and collaborative arrangements.

## Risks and Uncertainties

The immediate risks and uncertainties facing Biomira may include, but are not limited to: changing market and industry conditions; clinical trial results; the establishment of new and continuation of existing corporate alliances; the impact of competitive products and their pricing; timely development of existing and new products; the difficulty of predicting regulatory approval and market acceptance for our products; our ability to secure and manufacture vaccine supplies for future clinical trials and commercialization activities on a consistent and economical basis; availability of capital or other funding; the ability to patent and defend our intellectual property; the ability to retain and recruit qualified personnel; and other risks, known or unknown. These risks and uncertainties are discussed in greater detail in the MD&A in our 2006 annual report and in other regulatory filings.

## Critical Accounting Policies and Estimates

All of our accounting policies are in accordance with Canadian GAAP including some which require management to make assumptions and estimates that could significantly affect the results of operations and financial position. The significant accounting policies that we believe are the most critical in fully understanding and evaluating the reported financial results are disclosed in the MD&A section of our 2006 Annual Report. As well, our significant accounting policies are disclosed in Note 2, *Significant Accounting Policies,* in the notes to our audited 2006 consolidated financial statements.

## Changes in Accounting Policies

### Financial instruments

Effective January 1, 2007, we adopted the recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3855, *Financial Instruments - Recognition and Measurement*, Section 3865, *Hedges*, Section 1530, *Comprehensive Income*, Section 3251, *Equity* and Section 3861*, Financial Instruments - Disclosure and Presentation*. The adoption of the new standards resulted in changes in accounting for financial instruments and hedges as well as the recognition of certain transition adjustments that have been recorded in opening accumulated other comprehensive income. The comparative consolidated financial statements have not been restated. For a detailed description of the principal changes in accounting for financial instruments due to the adoption of the accounting standards, see Note 2, *Accounting Policy Changes*, in the notes to our unaudited interim consolidated financial statements for the six months ended June 30, 2007.

### Accounting changes

Effective January 1, 2007, we adopted the revised recommendations of CICA Handbook Section 1506, *Accounting Changes*, replacing Section 1506 of the same title. The revised Section 1506 adopts relevant parts of International Financial Reporting Standard IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. We have determined that adoption of Section 1506 did not have a material effect on the financial position or results of operations in the current periods presented.

### Investments

Effective January 1, 2007, we adopted the recommendations of CICA Handbook Section 3051, *Investments*, which replaces Handbook Section 3050 of the same name. Section 3051 continues to establish standards for accounting for investments subject to significant influence and for measuring and disclosing certain other non-financial instrument investments. Section 3051 also contains new guidance on when an other-than-temporary decline in value of an investment remaining subject to Section 3051 has occurred. We have determined that adoption of Section 3051 did not have a material effect on the financial position or results of operations in the current periods presented.

### Determining the variability to be considered in applying AcG-15

Effective January 1, 2007, we adopted the recommendations of CICA Handbook Abstract No.163, *Determining the Variability to be Considered in Applying AcG-15("EIC-163")*. EIC-163 deals with situations where an entity enters into arrangements, such as derivative contracts, to reduce or eliminate variability created by certain assets or operations of the entity or mismatches between the overall asset and liability profiles of the entity, thereby protecting certain liability and equity holders from exposure to such variability. We have determined that adoption of Section EIC-163 did not have a material effect on the financial position or results of operations in the current periods presented.

## Supplemental Information

### Summary of Quarterly Results

The following is selected quarterly consolidated financial information from our unaudited quarterly financial statements for each of the eight most recently completed quarters ending June 30, 2007.

| (expressed in millions except per share data) | **Three month period ended** | | | |
|---|---|---|---|---|
| | **June 30, 2007** | Mar 31, 2007 | Dec. 31, 2006 | Sept 30, 2006 |
| Total Revenue | **$0.7** | $0.2 | $1.3 | $1.7 |
| Research and development cost | **$3.7** | $3.0 | $3.3 | $3.6 |
| Net loss | **$(6.3)** | $(5.4) | $(4.3) | $(3.7) |
| Basic and diluted loss per share | **$(0.05)** | $(0.05) | $(0.04) | $(0.04) |
| Common shares outstanding | **116.9** | 116.9 | 116.9 | 89.4 |
| Weighted average number of common shares outstanding | **116.9** | 116.9 | 102.8 | 89.4 |

| (expressed in millions except per share data) | Three month period ended | | | |
|---|---|---|---|---|
| | June 30, 2006 | Mar. 31, 2006 | Dec. 31, 2005 | Sept. 30, 2005 |
| Total Revenue | $1.2 | $0.4 | $1.1 | $1.3 |
| Research and development cost | $3.0 | $4.0 | $4.5 | $4.6 |
| Net loss | $(4.0) | $(5.8) | $(4.4) | $(5.5) |
| Basic and diluted loss per share | $(0.04) | $(0.07) | $(0.05) | $(0.07) |
| Common shares outstanding | 89.4 | 89.4 | 78.8 | 78.8 |
| Weighted average number of common shares outstanding | 89.4 | 85.9 | 78.7 | 78.6 |

### Outstanding Share Data

As at July 17, 2007, the following classes of shares and equity securities potentially convertible into common shares were outstanding:

| | |
|---|---|
| Class A preference shares (non-voting) | 12,500 |
| Class B preference shares (non-voting) | nil |
| Common shares | 116,915,338 |
| Convertible equity securities: | |
| Stock options | 8,275,973 |
| Restricted share units | 516,620 |
| Warrants | 5,848,157 |

Upon exercise or conversion, the stock options, restricted share units and warrants are convertible into an equal number of common voting shares. Had the outstanding stock options, restricted share units and warrants been fully exercised or converted, the aggregate number of common shares outstanding would be 131,556,088 as at July 17, 2007.

For details relating to the stock options, restricted share units and warrants, please refer to Note 13, *Share Capital*, and Note 14, *Stock-Based Compensation*, in the notes to our audited 2006 consolidated financial statements and Note 4, *Share Capital*, in the notes to our unaudited interim consolidated financial statements for the six months ended June 30, 2007.

## Internal Control over Financial Reporting and Disclosure Controls and Procedures

During the six months ended June 30, 2007, the CEO and CFO evaluated whether there were any material changes in internal control over financial reporting pursuant to National Instrument 52-109 ("NI 52-109"), *Certification of Disclosure in Issuers' Annual and Interim Filings*. They individually concluded that there were no changes during the first six months of 2007 that affected materially or were likely to affect materially the Company's internal control over financial reporting and disclosure controls and procedures.

The CEO and CFO evaluated the design of the Company's internal control over financial reporting and the design and effectiveness of the Company's disclosure controls and procedures as of December 31, 2006 pursuant to the requirements of NI 52-109. Management concluded that as of December 31, 2006 there may have been a reportable weakness in the design of internal control over financial reporting solely because it was not reasonably practical to complete the integration of the accounting systems and internal controls over financial reporting in its newly acquired wholly-owned subsidiary ProlX, following the acquisition of ProlX in the fourth quarter of 2006.

Additional procedures have been performed by the Company for the periods ended December 31, 2006, March 31, 2007 and June 30, 2007 respectively, to ensure that the acquisition and the subsequent recording of operating results since acquisition have been recorded appropriately in the consolidated financial statements of the Company in accordance with applicable generally accepted accounting principles.

During the second quarter of 2007, Management has completed the integration of the accounting systems and internal controls over financial reporting of ProlX.

## Additional Information

Additional information relating to Biomira, including a copy of our Annual Information Form, Form 40-F and Proxy Circular, can be found on SEDAR at www.sedar.com or U.S. EDGAR at www.sec.gov.

**Biomira Inc.**
**Consolidated Balance Sheets**
(expressed in thousands of Canadian dollars, except share amounts)
(unaudited)

| | **June 30 2007** | December 31 2006* |
|---|---|---|
| **ASSETS** | | |
| CURRENT | | |
| Cash and cash equivalents | **$ 8,210** | $ 15,626 |
| Short-term investments | **13,665** | 17,411 |
| Accounts receivable | **606** | 1,325 |
| Notes receivable | **404** | - |
| Prepaid expenses | **393** | 338 |
| Inventory (Note 3) | **4,427** | 1,287 |
| | **27,705** | 35,987 |
| CAPITAL ASSETS | **541** | 452 |
| INTANGIBLE ASSETS | **39,054** | 40,164 |
| DEPOSIT ASSET | **1,380** | 1,380 |
| NOTES RECEIVABLE | **-** | 404 |
| GOODWILL | **712** | 712 |
| | **$ 69,392** | $ 79,099 |
| **LIABILITIES** | | |
| CURRENT | | |
| Accounts payable and accrued liabilities | **$ 3,512** | $ 4,050 |
| Current portion of capital lease obligations | **52** | 47 |
| Current portion of deferred revenue (Note 6) | **469** | 207 |
| | **4,033** | 4,304 |
| CAPITAL LEASE OBLIGATIONS | **2** | 33 |
| NOTES PAYABLE | **212** | 232 |
| FUTURE INCOME TAXES | **11,061** | 12,254 |
| DEFERRED REVENUE (Note 6) | **3,301** | 829 |
| CLASS A PREFERENCE SHARES | **30** | 30 |
| | **18,639** | 17,682 |
| CONTINGENCIES, COMMITMENTS, AND GUARANTEES | | |
| **SHAREHOLDERS' EQUITY** | | |
| Share capital (Note 4) | **426,379** | 426,379 |
| Issued and outstanding – 116,915,338 and 116,915,338 | | |
| Warrants (Note 4) | **8,450** | 8,450 |
| Contributed surplus (Note 5) | **23,530** | 22,582 |
| Deficit | **(407,606)** | (395,994) |
| | **50,753** | 61,417 |
| | **$ 69,392** | $ 79,099 |

(see accompanying notes to the consolidated financial statements)

(CAD $1.00 = USD $0.94)

*Figures excerpted from the 2006 audited consolidated financial statements.

## Biomira Inc.
## Consolidated Statements of Operations
(expressed in thousands of Canadian dollars, except share and per share amounts)
(unaudited)

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 |
| **REVENUE** | | | | |
| Contract research and development | **$ 533** | $ 1,020 | **$ 649** | $ 1,344 |
| Licensing revenue from collaborative agreements (Note 6) | **117** | 51 | **191** | 106 |
| Licensing, royalties, and other revenue | **13** | 85 | **24** | 86 |
| | **663** | 1,156 | **864** | 1,536 |
| **EXPENSES** | | | | |
| Research and development (Note 7) | **3,699** | 2,972 | **6,688** | 6,928 |
| General and administrative | **2,438** | 2,134 | **4,681** | 4,264 |
| Marketing and business development | **21** | 149 | **581** | 367 |
| Amortization | **857** | 97 | **1,719** | 203 |
| | **7,015** | 5,352 | **13,669** | 11,762 |
| **OPERATING LOSS** | **(6,352)** | (4,196) | **(12,805)** | (10,226) |
| Investment and other (loss) income | **(357)** | 187 | **1** | 424 |
| Interest expense | **-** | - | **(1)** | (7) |
| **LOSS BEFORE INCOME TAXES** | **(6,709)** | (4,009) | **(12,805)** | (9,809) |
| INCOME TAX RECOVERY: | | | | |
| Future | **456** | - | **1,193** | - |
| **NET LOSS** | **$(6,253)** | $(4,009) | **$(11,612)** | $(9,809) |
| **BASIC AND DILUTED LOSS PER SHARE** | **$ (0.05)** | $ (0.04) | **$ (0.10)** | $ (0.11) |
| **WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING** | **116,915,338** | 89,388,932 | **116,915,338** | 87,636,606 |

(See accompanying notes to the consolidated financial statements)

## Consolidated Statements of Deficit
(expressed in thousands of Canadian dollars)
(unaudited)

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 |
| **DEFICIT, BEGINNING OF PERIOD** | **$(401,353)** | $(383,972) | **$(395,994)** | $(378,172) |
| Net loss for period | **(6,253)** | (4,009) | **(11,612)** | (9,809) |
| **DEFICIT, END OF PERIOD** | **$(407,606)** | $(387,981) | **$(407,606)** | $(387,981) |

(See accompanying notes to the consolidated financial statements)

**Biomira Inc.**
**Consolidated Statements of Comprehensive Loss**
(expressed in thousands of Canadian dollars)
(unaudited)

| | Three Months Ended June 30 2007 | Six Months Ended June 30 2007 |
|---|---|---|
| **Net Loss** | **$(6,253)** | **$(11,612)** |
| **Other Comprehensive Loss:** | | |
| Reclassification adjustment for realized gains included in net loss | **-** | **(52)** |
| **COMPREHENSIVE LOSS** | **$(6,253)** | **$(11,664)** |

(See accompanying notes to the consolidated financial statements)

**Consolidated Statements of Accumulated Other Comprehensive Income**
(expressed in thousands of Canadian dollars)
(unaudited)

| | Three Months Ended June 30 2007 | Six Months Ended June 30 2007 |
|---|---|---|
| **ACCUMULATED OTHER COMPREHENSIVE INCOME, BEGINNING OF PERIOD AS PREVIOUSLY REPORTED** | **$ -** | **$ -** |
| Transition adjustment for unrealized holding gains on available-for-sale financial assets | **-** | **52** |
| **ACCUMULATED OTHER COMPREHENSIVE INCOME, BEGINNING OF PERIOD AS RESTATED** | **-** | **52** |
| Other comprehensive loss for the period | **-** | **(52)** |
| **ACCUMULATED OTHER COMPREHENSIVE INCOME, END OF PERIOD** | **$ -** | **$ -** |

(See accompanying notes to the consolidated financial statements)

**Biomira Inc.**
**Consolidated Statements of Cash Flow**
(expressed in thousands of Canadian dollars)
(unaudited)

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 |
| **OPERATING** | | | | |
| Net loss | **$ (6,253)** | $ (4,009) | **$ (11,612)** | $ (9,809) |
| Amortization | **857** | 97 | **1,719** | 203 |
| Future income tax recovery | **(456)** | - | **(1,193)** | - |
| Foreign exchange gain on notes payable | **(17)** | - | **(20)** | - |
| Stock compensation expense (Note 5) | **529** | 390 | **948** | 934 |
| Gain on sale of short-term investments | **-** | - | **(52)** | - |
| Proceeds from collaborative agreements (Note 6) | **-** | - | **2,925** | - |
| Decrease in deferred revenue (Note 6) | **(117)** | (52) | **(191)** | (104) |
| Foreign exchange loss on cash and cash equivalents | **222** | 97 | **307** | 54 |
| Net change in non-cash working capital balances from operations | | | | |
| Accounts receivable | **(210)** | (331) | **719** | 409 |
| Prepaid expenses | **(93)** | (322) | **(55)** | (212) |
| Inventory | **(738)** | (447) | **(3,140)** | (1,509) |
| Accounts payable and accrued liabilities | **(231)** | (285) | **(140)** | - |
| | **(6,507)** | (4,862) | **(9,785)** | (10,034) |
| **INVESTING** | | | | |
| Purchase of short-term investments | **(9,568)** | (12,759) | **(19,428)** | (29,933) |
| Redemption of short-term investments | **12,024** | 13,235 | **23,226** | 24,810 |
| Purchase of capital assets | **(91)** | (40) | **(134)** | (40) |
| Purchase of intangible assets (Note 6) | **-** | - | **(493)** | - |
| Payment of accrued business acquisition costs | **-** | - | **(277)** | - |
| | **2,365** | 436 | **2,894** | (5,163) |
| **FINANCING** | | | | |
| Proceeds on issue of common shares and warrants, net of issue costs | **-** | (25) | **-** | 17,474 |
| Payment of accrued share issuance costs | **-** | - | **(192)** | - |
| Repayment of capital lease obligation | **(12)** | (12) | **(26)** | (24) |
| | **(12)** | (37) | **(218)** | 17,450 |
| **NET CASH (OUTFLOW) INFLOW** | **(4,154)** | (4,463) | **(7,109)** | 2,253 |
| EFFECT OF EXCHANGE RATE FLUCTUATIONS ON CASH AND CASH EQUIVALENTS | **(222)** | (97) | **(307)** | (54) |
| **(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS** | **(4,376)** | (4,560) | **(7,416)** | 2,199 |
| **CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD** | **12,586** | 16,023 | **15,626** | 9,264 |
| **CASH AND CASH EQUIVALENTS, END OF PERIOD** | **$ 8,210** | $ 11,463 | **$ 8,210** | $ 11,463 |
| **SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION** | | | | |
| Amount of interest paid in the period | **$ -** | $ - | **$ 1** | $ 7 |
| Amount of income taxes paid in the period | **$ -** | $ - | **$ -** | $ - |

(See accompanying notes to the consolidated financial statements)

## 1. BASIS OF PRESENTATION

The accompanying unaudited interim consolidated financial statements have been prepared by Biomira Inc. ("Biomira" or the "Company") in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") for interim financial statements. The accounting principles and methods of computation adopted in these interim consolidated financial statements are the same as those of the audited consolidated financial statements for the year ended December 31, 2006, except as disclosed in Note 2 below.

Omitted from these statements are certain information and note disclosures normally included in the annual consolidated financial statements prepared in accordance with Canadian GAAP. The interim consolidated financial statements and notes presented should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2006 filed with the appropriate securities commissions.

Certain comparative figures have been reclassified to conform to the current period's presentation.

## 2. ACCOUNTING POLICY CHANGES

### *Financial instruments*

Effective January 1, 2007, the Company adopted the recommendations of Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855, *Financial Instruments - Recognition and Measurement*, Section 3865, *Hedges*, Section 1530, *Comprehensive Income*, Section 3251, *Equity* and Section 3861, *Financial Instruments - Disclosure and Presentation*. The adoption of the new standards resulted in changes in accounting for financial instruments and hedges as well as the recognition of certain transition adjustments that have been recorded in opening accumulated other comprehensive income. The comparative consolidated financial statements have not been restated.

a) Financial assets and financial liabilities

Prior to the adoption of the new standards, all of Company's financial assets and liabilities were accounted for on an accrual basis at their carrying amount, net of any adjustment for other-than temporary impairment.

Under the new standards, financial assets and financial liabilities are initially recognized at fair value and are subsequently accounted for based on their classification as described below. The classification depends on the purpose for which the financial instruments were acquired and their characteristics. Except in very limited circumstances, the classification is not changed subsequent to initial recognition. Transaction costs are recognized immediately in income or are capitalized, depending upon the nature of the transaction and the associated product.

## 2. ACCOUNTING POLICY CHANGES (continued)

*Held-for-trading*
Financial assets and financial liabilities that are purchased and incurred with the intention of generating profits in the near term are classified as held-for-trading. An entity may also designate any financial instrument upon initial recognition as held-for-trading. These instruments are accounted for at fair value with the change in the fair value recognized in investment income. The Company has designated the Class A preference shares as held-for-trading. A change in the fair value of the Class A preference shares will not occur until the Company becomes profitable.

*Available-for-sale*
Financial assets classified as available-for-sale are carried at fair value with the changes in fair value recorded in other comprehensive income. The fair value of a financial instrument on initial recognition is normally the transaction price. Subsequent to initial recognition, fair values for financial assets are determined by bid prices quoted in active markets. Securities that are classified as available-for-sale and do not have a readily available market value are recorded at cost. Available-for-sale securities are written down to fair value through income whenever it is necessary to reflect other-than-temporary impairment. Gains and losses realized on disposal of available-for-sale securities, which are calculated on an average cost basis, are recognized in other income.

*Held-to-maturity*
Securities that have a fixed maturity date, where the Company intends and has the ability to hold to maturity, are classified as held-to-maturity and accounted for at amortized cost using the effective interest rate method.

*Loans, receivables and other liabilities*
Loans, receivables and other liabilities are accounted for at amortized cost using the effective interest rate method.

As at January 1, 2007, the Company has the following financial assets and liabilities and is selecting the following classifications:

| | **Classification** | **Measurement** |
|---|---|---|
| **Financial assets** | | |
| Cash and cash equivalents | Available-for-sale | Fair value |
| Short-term investments | Available-for-sale | Fair value |
| Accounts receivable | Loans and receivables | Amortized cost |
| Notes receivable | Loans and receivables | Amortized cost |
| **Financial liabilities** | | |
| Accounts payable and accrued liabilities | Other liabilities | Amortized cost |
| Notes payable | Other liabilities | Amortized cost |
| Class A preference shares | Held-for-trading | Fair value |

## 2. ACCOUNTING POLICY CHANGES (continued)

b) Derivatives and hedge accounting

*Embedded derivatives*
Derivatives may be embedded in other financial instruments (the "host instruments"). Prior to the adoption of the new standards, such embedded derivatives were not accounted for separately from the host instrument. Under the new standard, embedded derivatives are treated as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host instrument and are to be measured at fair value with subsequent changes recognized in other income. In accordance with CICA Handbook Section 3855, the Company conducted a search for embedded derivatives in all contractual arrangements dated subsequent to December 31, 2002 and did not identify any embedded features that require separate presentation from the related host contract.

*Hedge accounting*
Under the previous standards, derivatives that met the requirements for hedge accounting were generally accounted for on an accrual basis. Under the new standards, all derivatives are recorded at fair value and are recorded in prepaid expenses or accounts payable and accrued liabilities. This change in accounting policy had no impact.

c) Comprehensive income

Comprehensive income (loss) is composed of the Company's net loss and other comprehensive loss. Other comprehensive loss includes unrealized gains on available-for-sale financial assets. The components of comprehensive income (loss) are disclosed in the Consolidated Statements of Comprehensive Loss.

***Accounting changes***

Effective January 1, 2007, the Company adopted the revised recommendations of CICA Handbook Section 1506, *Accounting Changes*, replacing Section 1506 of the same title. The revised Section 1506 adopts relevant parts of International Financial Reporting Standard IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*. The Company has determined that adoption of Section 1506 did not have a material effect on the financial position or results of operations in the current periods presented.

***Investments***

Effective January 1, 2007, the Company adopted the recommendations of CICA Handbook Section 3051, *Investments*, which replaces Handbook Section 3050 of the same name. Section 3051 continues to establish standards for accounting for investments subject to significant influence and for measuring and disclosing certain other non-financial instrument investments. Section 3051 also contains new guidance on when an other-than-temporary decline in value of an investment remaining subject to Section 3051 has occurred. The Company has determined that adoption of Section 3051 did not have a material effect on the financial position or results of operations in the current periods presented.

## 2. ACCOUNTING POLICY CHANGES (continued)

***Determining the variability to be considered in applying AcG-15***

Effective January 1, 2007, the Company adopted the recommendations of CICA Handbook Abstract No.163, *Determining the Variability to be Considered in Applying AcG-15("EIC-163")*. EIC-163 deals with situations where an entity enters into arrangements, such as derivative contracts, to reduce or eliminate variability created by certain assets or operations of the entity or mismatches between the overall asset and liability profiles of the entity, thereby protecting certain liability and equity holders from exposure to such variability. The Company has determined that adoption of Section EIC-163 did not have a material effect on the financial position or results of operations in the current periods presented.

## 3. INVENTORY

| | **June 30 2007** | December 31 2006 |
|---|---|---|
| Raw materials | **$1,203** | $1,287 |
| Work-in-process | **2,740** | - |
| Finished goods | **484** | - |
| | **$4,427** | $1,287 |

Under the provisions of a collaboration between the Company and Merck KGaA of Darmstadt, Germany ("Merck KGaA"), Biomira is responsible for the manufacturing of Stimuvax® both for clinical trials and following any marketing approval. At June 30, 2007, the Company has included in its inventory clinical trial material costs reimbursable under the provisions of the collaboration. Inventories of raw materials are valued at the lower of cost computed on a first-in, first-out basis, and replacement cost. Inventories of work-in-process and finished goods are valued at the lower of standard cost (which is calculated to approximate actual costs) and net realizable value. Cost for work-in-process and finished goods inventories includes materials, third party contract manufacturing costs, direct labour and an allocation of overhead.

## 4. SHARE CAPITAL

| | **June 30 2007 (6 months)** | December 31 2006 (12 months) |
|---|---|---|
| **Common shares** | | |
| Issued and outstanding, beginning of period | **116,915,338** | 78,816,564 |
| Equity placements | **-** | 20,201,997 |
| Business acquisition | **-** | 17,877,777 |
| Conversion of restricted share units | **-** | 19,000 |
| Issued and outstanding, end of period | **116,915,338** | 116,915,338 |
| Issued and outstanding as at July 17, 2007 | **116,915,338** | |

## 4. SHARE CAPITAL (continued)

| | **June 30 2007 (6 months)** | December 31 2006 (12 months) |
|---|---|---|
| **Warrants** | | |
| Issued and outstanding, beginning of period | **5,848,157** | 1,077,121 |
| Equity placements | **-** | 4,771,036 |
| Issued and outstanding, end of period | **5,848,157** | 5,848,157 |
| Issued and outstanding as at July 17, 2007 | **5,848,157** | |

The warrants provide the holders with the right to purchase common shares at a range of prices from U.S. $1.86 to U.S. $3.45 per share.

| | **June 30 2007 (6 months)** | December 31 2006 (12 months) |
|---|---|---|
| **Stock options** | | |
| Outstanding, beginning of period | **6,903,626** | 4,360,940 |
| Granted | **1,477,722** | 3,549,000 |
| Cancelled | **(105,375)** | (1,006,314) |
| Outstanding, end of period | **8,275,973** | 6,903,626 |
| Outstanding as at July 17, 2007 | **8,275,973** | |

Stock options are exercisable at a range of exercise prices from $1.12 to $23.10 per share.

| | **June 30 2007 (6 months)** | December 31 2006 (12 months) |
|---|---|---|
| **Restricted Share Units** | | |
| Outstanding, beginning of period | **480,998** | 114,000 |
| Granted | **35,622** | 385,998 |
| Converted | **-** | (19,000) |
| Outstanding, end of period | **516,620** | 480,998 |
| Outstanding as at July 17, 2007 | **516,620** | |

Each restricted share unit will be converted into one common share at the end of the grant period (not to exceed five years) without any further consideration payable.

## 5. STOCK-BASED COMPENSATION

***Stock Option Plan***

In the second quarter of 2007, stock-based compensation expense of $481 (2006 - $381) was recognized ($900 for the six months ended June 30, 2007 (2006 - $915)), representing the amortization applicable to the current period of the estimated fair value of stock options granted. The expense for the six months ended June 30, 2007 includes an adjustment of $72 (2006 - $244) relating to workforce reduction costs described in Note 8. This adjustment includes the immediate expensing of the remaining unrecognized fair value of the affected stock options and a modification adjustment relating to extension of the expiry date of the affected stock options that allows the stock options to continue to vest for 24 months compared to the 6 months provided in the original stock option agreements.

## 5. STOCK-BASED COMPENSATION (continued)

The Company uses the Black-Scholes option pricing model to value the stock options at each grant date, under the following weighted average assumptions:

| | Six Months Ended June 30 | |
|---|---|---|
| | **2007** | 2006 |
| Weighted average grant-date fair value per share option | **$ 1.08** | $ 1.35 |
| Expected dividend rate | **0.0%** | 0.0% |
| Expected volatility | **102.52%** | 106.63% |
| Risk-free interest rate | **4.21%** | 4.19% |
| Expected life of options in years | **6.0** | 6.0 |

The amounts estimated according to the Black-Scholes option pricing model may not be indicative of the actual values realized upon the exercise of these stock options by the holders.

***Restricted Share Unit Plan***

In the second quarter of 2007, stock-based compensation expense of $48 (2006 - $9) was recognized ($48 for the six months ended June 30, 2007 (2006 - $19)), representing the amortization applicable to the current period of the estimated fair value of restricted share units granted.

## 6. COLLABORATIVE AGREEMENTS

Following the recommendations of CICA Handbook Abstract No.142, *Revenue Arrangements with Multiple Deliverables (*"EIC-142"), the Company evaluates revenue from collaborative arrangements with multiple deliverables to determine whether the deliverables represent one or more units of accounting. A delivered item is considered a separate unit of accounting if the following separation criteria are met: i) the delivered item has standalone value to the customer; ii) there is objective and reliable evidence of the fair value of any undelivered items; and iii) if the arrangement includes a general right of return relative to the delivered item, the delivery of undelivered items is probable and substantially in the Company's control. The relevant revenue recognition accounting policy is applied to each separate unit of accounting.

In February 2007, the Company announced that the first patient had been enrolled in the global phase 3 Stimuvax clinical trial, START ("Stimulating Targeted Antigenic Responses To non-small cell lung cancer"), triggering a milestone payment to Biomira of $2,925 (U.S. $2,500), before associated payments to third parties of $493, under the provisions of a collaboration between Biomira and Merck KGaA. The Company has evaluated this milestone payment in relation to the separation criteria under EIC-142 and has determined that the payment does not meet all of the recognition criteria. As a result, the milestone payment has been recorded as deferred revenue and is being recognized as revenue on a straight-line basis over the remaining patent life of the Stimuvax product. The associated payments to third parties have been recorded as intangible assets and are being amortized to expense on a straight-line basis over the remaining patent life of the Stimuvax product.

## 6. COLLABORATIVE AGREEMENTS (continued)

The table below presents the accounting treatment of the payments received in respect of the agreements:

| | **June 30 2007 (6 months)** | December 31 2006 (12 months) |
|---|---|---|
| Deferred revenue balance, beginning of period | **$ 1,036** | $ 1,243 |
| Additional licensing revenues from collaborative agreements deferred in the period (Note 6) | **2,925** | - |
| Less licensing revenues from collaborative agreements recognized in the period | **(191)** | (207) |
| Deferred revenue balance, end of period | **3,770** | 1,036 |
| Less deferred revenue – current portion | **(469)** | (207) |
| Deferred revenue – long term | **$ 3,301** | $ 829 |

## 7. RESEARCH AND DEVELOPMENT COSTS

In the second quarter of 2007, government grant funding of $424 (2006 - nil) was credited against research and development costs ($996 for the six months ended June 30, 2007 (2006 - nil)).

## 8. WORKFORCE REDUCTION COSTS

In the second quarter of 2007, the Company has reduced its workforce by nil (2006 – 2) employees (1 for the six months ended June 30, 2007 (2006 – 16)). For the three months ended June 30, 2007, the Company recorded workforce reduction costs of nil (2006 - $40), of which nil (2006 - $30) and nil (2006 - $10) have been reported as research and development and general and administrative respectively in the consolidated statements of operations. For the six months ended June 30, 2007, the Company recorded workforce reduction costs of $468 (2006 - $1,436), of which nil (2006 - $1,233), nil (2006 - $203) and $468 (2006 - nil) have been reported as research and development, general and administrative, and marketing and business development respectively.

The following table provides details of the workforce reduction costs for the six months ended June 30, 2007:

| | Accrued Workforce Reduction Costs at December 31, 2006 | 2007 Workforce Reduction Costs | Cumulative Drawdowns | | Accrued Workforce Reduction Costs at June 30, 2007 |
|---|---|---|---|---|---|
| | | | Cash | Non-Cash | |
| Salaries and benefits | $476 | $396 | $(518) | $ - | $354 |
| Stock compensation expense (Note 5) | - | 72 | - | (72) | - |
| Other | 4 | - | (4) | - | - |
| | $480 | $468 | $(522) | $(72) | $354 |

The accrued workforce reduction costs at June 30, 2007 and December 31, 2006 have been recorded in accounts payable and accrued liabilities in the consolidated balance sheets.

## 9. SEGMENTED INFORMATION

The Company is engaged worldwide primarily in the biotechnology healthcare industry in a single business segment, research and development of therapeutic products for the treatment of cancer. Operations and long-lived assets by geographic region for the periods indicated are as follows:

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 |
| **Revenue from operations in:** | | | | |
| Canada | **$ 18** | $ 133 | **$ 34** | $ 156 |
| Barbados | **626** | 1,004 | **791** | 1,341 |
| Europe | **19** | 19 | **39** | 39 |
| | **$663** | $1,156 | **$864** | $1,536 |

| | Three Months Ended June 30 | | Six Months Ended June 30 | |
|---|---|---|---|---|
| | **2007** | 2006 | **2007** | 2006 |
| **Amortization in:** | | | | |
| Canada | **$ 47** | $ 62 | **$ 103** | $ 132 |
| United States | **777** | 9 | **1,555** | 19 |
| Barbados | **33** | 26 | **61** | 52 |
| | **$857** | $ 97 | **$1,719** | $ 203 |

| | **June 30 2007** | December 31 2006 |
|---|---|---|
| **Long-lived assets, net, in:** | | |
| Canada | **$ 603** | $ 432 |
| United States | **39,202** | 40,625 |
| Barbados | **502** | 271 |
| | **$40,307** | $41,328 |

Long-lived assets consist of capital assets, intangible assets and goodwill and amortization consists of the amortization of capital assets and intangible assets.

The Company derives significant revenue from certain customers. The number of customers that individually accounts for more than 10% of revenue, and total revenue from transactions with those customers, are as follows:

| **Three Months Ended June 30** | Number of Customers | Revenue |
|---|---|---|
| **2007** | **1** | **$ 647** |
| 2006 | 1 | $1,068 |

| **Six Months Ended June 30** | Number of Customers | Revenue |
|---|---|---|
| **2007** | **1** | **$ 831** |
| 2006 | 1 | $1,439 |

## Corporate Information

### Share Registrar and Transfer Agents

***Transfer Agent and Registrar***
Computershare Investor Services Inc.
Suite 600, 530 - 8th Avenue SW
Calgary, AB, Canada T2P 3S8

***Shareholder Communications***
Computershare Investor Services Inc.
100 University Avenue, 9th Floor
Toronto, ON, Canada M5J 2Y1
Phone: 1-800-564-6253 (toll free North America)
Phone: 1-514-982-7555 (International)
E-mail: service@computershare.com
Internet: http://www.computershare.com

**Stock Listings and Symbols**
Toronto Stock Exchange: **BRA**
Nasdaq Global Market: **BIOM**

**Biomira Company Contact**
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