

INTERNATIONAL BIOANALOGICS SYSTEMS INC.

FINANCIAL STATEMENTS

JULY 31, 2006

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INTERNATIONAL BIOANALOGICS SYSTEMS INC.
BALANCE SHEETS (\$CAD)
AS AT JULY 31, 2006 AND APRIL 30, 2006
UNAUDITED

JULY 31, 2006 APRIL 30, 2006

ASSETS

TOTAL ASSETS (Note 2)	\$ <u> -</u>	\$ <u> -</u>
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LIABILITIES

CURRENT LIABILITIES

Accounts Payable and Accrued Liabilities	87,991	84,991
Notes Payable (Note 4)	<u>484,687</u>	<u>514,279</u>

TOTAL CURRENT LIABILITIES	<u>572,678</u>	<u>599,270</u>
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SHAREHOLDERS' DEFICIENCY

Common Stock, no par value, Authorized 50,000,000 shares; issued and outstanding 10,297,533 as at July 31, 2006 and April 30, 2006 (Note 3)	9,408,007	9,408,007
Contributed Surplus	142,500	120,000
Accumulated Deficit	<u>(10,123,185)</u>	<u>(10,127,277)</u>

TOTAL SHAREHOLDERS' DEFICIENCY	<u>(572,678)</u>	<u>(599,270)</u>
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TOTAL LIABILITIES AND SHAREHOLDERS' DEFICIENCY	\$ <u> -</u>	\$ <u> -</u>
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Approved by the Board

(signed) Ronald Weinberger
Ronald Weinberger, Director

(signed) Donald Green
Donald Green, Director

See Accompanying Notes

INTERNATIONAL BIOANALOGICS SYSTEMS INC.

STATEMENTS OF OPERATIONS (\$CAD)

FOR THE THREE MONTHS ENDED JULY 31, 2006 AND 2005

UNAUDITED

Three months ended July 31,	2006	2005
SALES, NET	\$ -	\$ -
COST OF SALES	<u>-</u>	<u>-</u>
GROSS MARGIN	-	-
SELLING, GENERAL AND ADMINISTRATIVE	<u>(25,500)</u>	<u>(25,500)</u>
OPERATING LOSS	(25,500)	(25,500)
OTHER EXPENSES		
Interest Expense	<u>-</u>	<u>(13,933)</u>
NET LOSS BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	<u>(25,500)</u>	<u>(39,433)</u>
Provision for Tax	<u>-</u>	<u>-</u>
NET LOSS BEFORE EXTRAORDINARY ITEM		
Forgiveness of Debt	29,592	-
NET INCOME (LOSS)	<u>\$ 4,092</u>	<u>\$ (39,433)</u>
NET INCOME (LOSS) PER COMMON SHARE, BASIC AND DILUTED		
Before Extraordinary Item	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>
After Extraordinary Item	<u>\$ 0.00</u>	<u>\$ -</u>
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	<u>10,297,533</u>	<u>10,297,533</u>

See Accompanying Notes

INTERNATIONAL BIOANALOGICS SYSTEMS INC.
STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIENCY
FOR THE THREE MONTHS ENDED JULY 31, 2006 (\$CAD)

UNAUDITED

	<u>Common Stock</u>				Total
	<u>Number of</u>		<u>Accumulated</u>	<u>Contributed</u>	<u>Shareholders'</u>
	<u>Shares</u>	<u>Amount</u>	<u>Deficit</u>	<u>Surplus</u>	<u>Deficiency</u>
Balance as of April 30, 2004	10,297,533	\$9,408,007	\$(9,971,625)		\$(563,618)
Contributed Services				30,000	30,000
Net Income for the Year ending April 30, 2005			7,080		7,080
Balance as of April 30, 2005	10,297,533	\$9,408,007	\$(9,964,545)	\$30,000	\$(526,538)
Contributed Services				90,000	90,000
Net Loss for the year ending April 30, 2006			(162,732)		(162,732)
Balance as of April 30, 2006	10,297,533	\$9,408,007	\$(10,127,277)	\$120,000	\$(599,270)
Contributed Services				22,500	22,500
Net Income for the three months ended July 31, 2006			4,092		4,092
Balance as of July 31, 2006	10,297,533	\$9,408,007	\$(10,123,185)	\$142,500	\$(572,678)

See Accompanying Notes

INTERNATIONAL BIOANALOGICS SYSTEMS INC.

STATEMENTS OF CASH FLOWS (\$CAD)

FOR THE THREE MONTHS ENDED JULY 31, 2006 AND 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income (Loss)	\$ 4,092	\$ (39,433)
Adjustment to reconcile net loss to net cash used in operating activities		
Increase in accounts payable and accrued liabilities	3,000	3,000
Increase in Notes Payable	-	13,933
Forgiveness of Debt	(29,592)	-
Contributed Services	22,500	22,500
NET CASH USED IN OPERATING ACTIVITIES	<u>\$ -</u>	<u>\$ -</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>-</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
CASH PROVIDED BY FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
NET INCREASE IN CASH	-	-
CASH, beginning of period	<u>\$ -</u>	<u>\$ -</u>
CASH, end of period	<u>\$ -</u>	<u>\$ -</u>
Interest Paid	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See Accompanying Notes

INTERNATIONAL BIOANALOGICS SYSTEMS INC.

CONDENSED NOTES TO INTERIM FINANCIAL STATEMENTS

JULY 31, 2006

UNAUDITED

1. NOTES TO INTERIM FINANCIAL STATEMENTS

The accompanying unaudited financial statements do not include all the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of all recurring accruals) considered necessary for fair presentation have been included. Operating results for the interim periods are not necessarily indicative of the results that may be expected for the year ending April 30, 2007. Interim financial statements should be read in conjunction with the Company's annual audited financial statements for the year ended April 30, 2006.

2. GOING CONCERN

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles which contemplate continuation of the Company as a going concern. As of July 31, 2006 and as of April 30, 2006 several adverse conditions cast substantial doubt upon the validity of this assumption.

The Company has generated a net income (primarily due to forgiveness of debt) of \$4,092 in the three months ended July 31, 2006, (three months ended July 31, 2005 – loss of \$39,433) and has a working capital deficiency and shareholders deficiency of \$572,678 at July 31, 2006 (April 30, 2006 - \$599,270). If the Company is unable to satisfy its liabilities or negotiate a settlement with creditors, it may be unable to continue in any form. Management is presently attempting to settle all of its debts with creditors, and note holders. Funding may still be required to settle remaining liabilities and notes payable. These matters raise substantial doubt as to the Company's ability to continue as a going concern.

3. CAPITAL STOCK

The Company is authorized to issue up to 50,000,000 common shares and has currently 10,297,533 shares issued and outstanding.

No issuances of stock were made during the three months ended July 31, 2006, fiscal 2006 or fiscal 2005. An increase in contributed surplus was reflected as a result of the provision of pro bono legal and management services provided to the Company during the three months ended July 31, 2006 in an estimated amount of \$22,500. (July 31, 2005 - \$22,500)

As of July 31, 2006 and April 30, 2006 there are no options outstanding, nor any warrants outstanding with regards to the capital stock of the Company.

4. NOTES PAYABLE

Promissory notes bear interest at 14% per annum, compounded annually as to approximately \$407,000 (April 30, 2006 - \$407,000) and 8% per annum compounded annually as to approximately \$78,000 (April 30, 2006 - \$78,000). These notes are unsecured and have no fixed repayment terms.

Interest expense on these notes was \$ NIL for the three months ended July 31, 2006 (2005 - \$ 13,933). Notes payable include \$213,489 of accrued interest (April 30, 2006 – \$213,489) of which \$ 177,551 is owed to related parties (April 30, 2006 – \$177,551).

Effective April 30, 2006 these notes have ceased to attract interest charges and remain unpaid. See also contingencies below and Note 5 below.

5. RELATED PARTY TRANSACTIONS

Notes payable in the amount of \$377,749 are due to directors as at July 31, 2006 (April 30, 2006 - \$377,749). Until April 30, 2006 these notes were bearing interest at 14% per annum compounded annually and had no fixed repayment terms. Included in the notes payable is \$177,551 of accrued interest (April 30, 2006 - \$177,551).

Effective April 30, 2006 these notes have ceased to attract interest charges and remain unpaid. See also Contingencies below.

6. SUBSEQUENT EVENT

During September, 2006 the Company established a wholly-owned subsidiary - 6605893 Canada Corp. in order to facilitate a restructuring of the Company. See also Contingencies below.

7. CONTINGENCIES

On January 10, 2001, E-celerate Investments Inc. (“E-celerate”), a former affiliate of the Company, issued a promissory note in the amount of \$500,000 and bearing interest at 8% per annum to Greenfleet Ltd., pursuant to an application by the Company to the Canadian Venture Exchange (now the TSX Venture Exchange) to cause E-celerate to be merged with or acquired by the Company. Regulatory approval was never obtained and the Company was subsequently delisted.

It is a condition of the amalgamation agreement for the benefit of and as requested by the privately held company that the Company honour its indirect legal obligation to Greenfleet Ltd. pursuant to the promissory note by issuing to Greenfleet Ltd., subject to

all necessary regulatory approvals, 1,366,684 common shares in full satisfaction of the promissory note.

The Company, in pursuit of a relisting with the TSX Venture Exchange, has entered into an amalgamation agreement with an unrelated privately held company and a new wholly-owned subsidiary to be established by the Company solely for the purpose of seeking a relisting and continuing with commercial activities.

Under the amalgamation agreement it has been proposed to convert the outstanding Notes Payable and certain accounts payable into Common Stock prior to a consolidation of the capital stock and amalgamation with a private operating company. All Notes Payable totalling \$484,687 would be converted into common shares and \$8,800 of accounts payable would be converted into common shares, at a conversion rate of \$0.25 per share.