



FOR IMMEDIATE RELEASE

February 1, 2007

Philom Bios Announces First Quarter Results

SASKATOON, SK — Philom Bios Inc. is pleased to report its results for the three months ended December 31, 2006.

Highlights:

- Financial

(\$000's, except earnings per share)	1st Quarter		Year to Date	
	2007	2006	2007	2006
Sales	50	223	50	223
Net Loss	(1,322)	(1,208)	(1,322)	(1,208)
Net loss per Share	(\$ 0.37)	(\$ 0.34)	(\$ 0.37)	(\$ 0.34)

- Net losses of \$1.3 million are representative of normal outcomes for first quarter operations due to nature of our business cycle.
- Cash outflows in the quarter reflect normal cost of operations and build up of inventories in preparation for spring sales season.
- North American launch of Next Generation TagTeam® inoculants for pea and lentil.

As noted above, first quarter losses of \$1.3 million are representative of normal outcomes as the Company incurs ongoing operating costs and builds up its inventories during this time in preparation for a spring sales season. Total operating costs for the quarter total \$1.8 million (2006 - \$1.7 million) with the increase over the prior year mainly reflective of growing commitments in marketing and sales costs associated with expanding U.S. operations and timing of certain advertising and promotion expenditures.

In this past quarter, the Company was pleased to announce the launch of Next Generation TagTeam® inoculants for pea and lentil, a technology delivering Best Yields and Best Value for North America's pea and lentil growers. In addition, the Company also reported that it has requalified as one of Canada's *Best Managed Companies* for 2006.

President/CEO Calvin Sonntag comments, "While, first quarter outcomes reflect the early part of our business cycle, we are pleased by initial customer support for our Next Generation TagTeam® inoculants. In addition, while we look to an improving farm economy relative to last year, it remains too early in our business cycle to confirm any anticipated earnings outcome for fiscal 2007."

About Philom Bios

Philom Bios is a world leading Inoculant Company with over 70 employees across North America in research, manufacturing, marketing and management and in its joint-venture operations in Australia. Headquartered in Saskatoon, SK, Philom Bios is a Canadian public company serving the needs of farmers with high-value inoculants. Philom Bios has an over 25 year commitment to farmers through a dynamic partnership with distributors and leading retailers.

For More Information:

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Management Discussion and Analysis

For the First Quarter ended December 31, 2006

Information available up to January 31, 2007

Management's Discussion and Analysis is intended to explain the Company's operating results and financial position for the 2007 fiscal year compared with those of previous fiscal years. Additionally, it provides the reader with an outlook on future trends and risks or other factors that may affect business operations with information available up to January 30, 2007. The following discussion and analysis should be read in conjunction with the 2006 Annual Report and the consolidated financial statements and accompanying notes for the three months ended December 31, 2006 which have been reviewed and approved by the Company's Audit Committee. Additional information on the Company is available on SEDAR at www.sedar.com.

Business Overview

Philom Bios Inc. is an agricultural crop input company with a 26 year history in the development, manufacture, and distribution of plant inoculants and other fertility efficiency products. The Company's product portfolio consists of a range of proprietary and distributed inoculants designed to provide our customers with enhanced fertility efficiency, increased yields, and improved profitability. The Company's products are sold through major agricultural distributors and retailers in Canada, the United States, and licensees in other countries.

Inoculants are naturally occurring micro-organisms derived from the soil, which are applied to, or with, the seed at the time of seeding/planting to enhance plant growth by accessing important nutrients like nitrogen and phosphate. Inoculants are used on a wide range of agricultural crops, rewarding customers with enhanced fertility efficiency, increased yield and improved profitability.

Summary of Operations

Sales and Earnings

Due to the seasonal nature of the business, the Company generally realizes few, if any, sales in the first quarter of operations. However, the Company did record a small amount of sales of products directed to use on winter seeded crops. Prior year sales were higher as they include some fall Agrotain sales, a product line no longer carried by the Company.

Operating Costs

Total operating costs for the quarter total \$1.8 million (2006 - \$1.7 million) with the increase over the prior year mainly reflective of our growing commitments in marketing and sales costs associated with our expanding U.S. operations and timing of certain advertising and promotion expenditures.

Selected Financial Information

A summary of the most recent eight quarters of sales and earnings is included in the following table:

Summary of Quarterly Results

(\$000's, except earnings per share)	M-05	J-05	S-05	D-05	M-06	J-06	S-06	D-06
Sales	6,820	7,435	175	223	6,931	4,772	508	50
Earnings (loss) before extraordinary item	2,426	1,576	(694)	(1,208)	1,732	916	(874)	(1,322)
Earnings (loss)	2,426	386	(834)	(1,208)	1,732	916	(874)	(1,322)
Basic Earnings (loss) per share:								
Before extraordinary item	\$ 0.70	\$ 0.45	\$(0.19)	\$(0.34)	\$ 0.49	\$ 0.26	\$(0.25)	\$(0.37)
Net Earnings (loss)	\$ 0.70	\$ 0.11	\$(0.23)	\$(0.34)	\$ 0.49	\$ 0.26	\$(0.25)	\$(0.37)

Liquidity and Capital Resources

Due to the nature of our business cycle, operating cash flows declined in the quarter by \$2.6 million (2006 - \$4.3 million) as the Company invested in the build up of inventories and incurred normal period operating costs. The decreased outlay on a year over year basis reflects the benefit of early order receipts and collection of year end receivable arising on fall sales outstanding at the most recent year end. First quarter outlays include new capital expenditures of \$0.1 million and debt repayment cost of \$0.08 million against the Company's long term debt credit facility. As a result, the Company has a net cash overdraft of \$1.2 million as at December 31, 2006, which is well within its operating credit limits.

The Company also encourages early commitment to its products through its early order and payment incentive programs. These early cash inflows, which are received early in the second quarter, are anticipated to restore cash reserves to normal operating levels and eliminate the bank loan outstanding at the end of the December.

Capital Structure

The Company's authorized share capital consists of an unlimited number of a single class of common shares issued without par value. As at the date of this report there are 3,529,663 shares issued (2006 - 3,529,563). The following table shows a comparative summary of the transactions in the number of shares and the value of capital stock for the quarter and year to date.

Capital Stock and Share Transactions:

Share Transactions:	1 st Quarter		Year to Date	
	2007	2006	2007	2006
# of shares outstanding				
Beginning of period	3,529,663	3,529,563	3,529,663	3,529,563
Issued pursuant to exercise of options	-	-	-	-
End of period	3,529,663	3,529,563	3,529,663	3,529,563

Capital Stock Transactions:	1 st Quarter		Year to Date	
	2007	2006	2007	2006
Capital stock (\$000's)				
Beginning of period	4,080	4,079	4,080	4,079
Proceeds on exercise of options	-	-	-	-
End of period	4,080	4,079	4,080	4,079

Option Transactions:

The Company has an Equity Compensation plan which provides for a grant of options to directors, management, and other employees. There were no transactions in options in the quarter. As at the date of this report 237,500 options remain outstanding.

Outlook Update

Early market reports on seeding intentions and other direct customer and industry feedback support the Company's view that the North American pulse inoculant market will not grow in 2007. However, with the launch of Next Generation TagTeam® inoculants for pea and lentils, and a new TagTeam granule for chickpea, the Company is well positioned to solidify our market leadership position in the key pulse sector. Further, growing demand for bio-fuel inputs is expected to drive corn and canola acres and create significant incentive for growers to invest in yield at a time when fertilizer prices trend toward record highs. As farmers seek to meet this demand, the Company is well positioned to grow its position in these markets.

For 2007, the Company continues to invest in expanding its sales and marketing efforts, to build awareness of our products among North America's corn and soybean producers. In addition, we are continuing our commitment to support expansion in the Australian market by investment in Philom Bios (Australia) Pty Ltd, and continued investment in research and development in support of new product development.

While no business can foresee or plan for every variance that may occur, we remain confident that we have chosen a sound and balanced strategy to deliver shareholder value for years to come. However, at this point in the business cycle it is too early to provide a meaningful current year earnings forecast.

Warning regarding Forward Looking Statements

The Management Discussion and Analysis contains forward looking statements, particularly in the Outlook Update, above, which involve risks and uncertainties. A number of factors could cause actual results to differ materially from those in the forward-looking statements, including but not limited to: economic and growing conditions in North American agriculture, changes in competitive pressures, government policy changes particularly with respect to regulatory approvals, changes in capital markets, and the consequent effect on working capital supply, unforeseen barriers in new process and product systems, changes in shareholders or the capital structure of the Company and changes in currency and exchange rates.

Securities laws require the Company to update these forward looking statements as needed to prevent them from being rendered untrue by subsequent events. The Company will do so each quarter in its Management Discussion & Analysis, and also issues press releases from time to time as material events occur, which may relate to the forward looking statements in our Outlook Update. Shareholders and other interested persons are cautioned to monitor the Company's filings at www.sedar.com and/or to add your name to our supplemental mailing list in order to receive these documents directly, by e-mail, fax or by direct mail. The Company does not undertake any other or further obligation to publicly update or revise any forward-looking statements.



CONSOLIDATED FINANCIAL STATEMENTS

FOR THE THREE MONTHS ENDED DECEMBER 31, 2006

(Unaudited)

Notice to Reader

Management has compiled the unaudited interim financial information of Philom Bios Inc. consisting of the Interim Consolidated Balance Sheet as at December 31, 2006 and the Consolidated Statement of Earnings and Retained Earnings and Cash Flows for the three months ended December 31, 2006. All amounts are stated in Canadian Dollars. No accounting firm has reviewed or audited this interim financial information.



Philom Bios Inc.
Consolidated Balance Sheet
as at December 31, 2006
(unaudited)
(000's)

	As At		
	December 31 2006	December 31 2005	September 30 2006 (audited)
Current Assets			
Cash and short-term deposits	\$ 85	\$ 1,688	\$ 1,519
Accounts receivable	509	496	952
Inventory (Note 5)	3,757	3,665	2,532
Prepays and deposits	140	150	110
Current portion of future tax asset	1,381	273	803
	<u>5,872</u>	<u>6,272</u>	<u>5,916</u>
Future Tax Assets	1,150	1,298	1,150
Property, Plant and Equipment	7,457	7,303	7,492
Patents and Trademarks, net of amortization	132	129	131
	<u>8,739</u>	<u>8,730</u>	<u>8,773</u>
	<u>\$ 14,611</u>	<u>\$ 15,002</u>	<u>\$ 14,689</u>
Current Liabilities			
Bank loan (Note 7)	\$ 1,317	\$ 1,611	\$ -
Accounts payable and accrued charges	2,045	2,725	2,040
Current portion long term debt	423	462	435
	<u>3,785</u>	<u>4,798</u>	<u>2,475</u>
Future Tax Liability	588	-	584
Long term debt (Note 9)	4,240	4,659	4,310
	<u>8,613</u>	<u>9,457</u>	<u>7,369</u>
Shareholders' Equity			
Share capital			
Authorized: unlimited number of common shares (Note 8)	4,080	4,079	4,080
Retained earnings	1,918	1,466	3,240
	<u>5,998</u>	<u>5,545</u>	<u>7,320</u>
	<u>\$ 14,611</u>	<u>\$ 15,002</u>	<u>\$ 14,689</u>

(see accompanying notes)



Philom Bios Inc.
Consolidated Statement of Loss and Retained Earnings
For the three months ended December 31, 2006 and 2005
(unaudited)
(000's) except per-share amounts

	Three months ended December 31	
	<u>2006</u>	<u>2005</u>
Sales	\$ 50	\$ 223
Cost of sales	<u>30</u>	<u>178</u>
Gross margin	<u>20</u>	<u>45</u>
Expenses		
Research and development, net	387	474
Marketing and sales	956	671
General and administrative	417	443
Other expenses (income)	<u>(31)</u>	<u>63</u>
	<u>1,729</u>	<u>1,651</u>
Loss before interest and income taxes	<u>(1,709)</u>	<u>(1,606)</u>
Interest expense (income)	78	27
Loss before income taxes	(1,787)	(1,633)
Income taxes (Note 3)	<u>465</u>	<u>425</u>
Net Loss	(1,322)	(1,208)
Retained earnings, beginning of period	<u>3,240</u>	<u>2,674</u>
Retained Earnings, end of period	\$ <u>1,918</u>	\$ <u>1,466</u>
Basic earnings per share	\$ <u>(0.37)</u>	\$ <u>(0.34)</u>

(see accompanying notes)



Philom Bios Inc.
Consolidated Statement of Cash Flows
For the three months ended December 31, 2006 and 2005
(unaudited)
(000's) except per-share amounts

	Three months ended December 31	
	<u>2006</u>	<u>2005</u>
CASH FLOWS FROM (USED IN) THE FOLLOWING		
Operating		
Net earnings	\$ (1,322)	\$ (1,208)
Add back non-cash expenses:		
Depreciation and amortization	145	125
	<u>(1,177)</u>	<u>(1,083)</u>
Changes in non-cash working capital:		
Accounts receivable	444	(89)
Future tax asset	(579)	(241)
Inventories	(1,225)	(1,682)
Prepays and deposits	(30)	(38)
Accounts payable and accrued charges	(497)	(717)
Future tax liability	4	(425)
Deferred revenue	501	(6)
	<u>(2,559)</u>	<u>(4,281)</u>
Investing		
Additions to property, plant and equipment	(108)	(1,077)
Additions to patents and trademarks	(2)	(2)
	<u>(110)</u>	<u>(1,079)</u>
Financing		
Proceeds from long term debt	-	2,254
Repayment of long term debt	(82)	(37)
Proceeds from issuance of common shares	-	-
	<u>(82)</u>	<u>2,217</u>
NET INCREASE (DECREASE) IN CASH	(2,751)	(3,143)
CASH POSITION, BEGINNING OF PERIOD	1,519	3,220
CASH POSITION, END OF PERIOD	<u>\$ (1,232)</u>	<u>\$ 77</u>
REPRESENTED BY:		
Cash and short-term deposits	\$ 85	\$ 1,688
Bank loan	(1,317)	(1,611)
	<u>\$ (1,232)</u>	<u>\$ 77</u>
Supplemental Disclosure of Cash Flow Information		
Interest paid	\$ 55	\$ 39
Income taxes paid	\$ -	\$ -
Income taxes received	\$ -	\$ -

(see accompanying notes)



Philom Bios Inc.
Notes to Interim Consolidated Financial Statements
For the three months ended December 31, 2006
(unaudited)
(000's) except share and per-share amounts

1. DESCRIPTION OF BUSINESS

Philom Bios Inc. ("the Company") is incorporated under The Business Corporations Act (Saskatchewan). The Company researches, develops, manufactures and sells microbial inoculants to serve the needs of farmers.

The interim consolidated financial statements should be read in conjunction with, and are based on, the same accounting policies as contained in the Company's September 30, 2005 Annual Report.

These statements are presented on a consolidated basis and include the accounts of wholly owned subsidiaries Philom Bios Investments Inc. and Philom Bios Ltd., a US subsidiary, and the proportionate share of the assets, liabilities and expenses of Philom Bios (Australia) Pty Ltd., a joint venture company.

The Company's wholly owned US subsidiary is accounted for using the temporal method. Under this method, monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet dates. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at average rates for the period. Translation exchange gains or losses are reflected in net earnings. Intercompany balances and transactions have been eliminated.

2. USE OF ESTIMATES

The interim consolidated financial statements, which include the use of estimates and judgments, contain all adjustments that management believes are necessary for fair presentation of the Company's financial position, results of operations and cash flows.

3. INCOME TAXES

The provision for income tax recovery of \$465 (December 2005 - \$425) is based on the current quarter's estimated tax losses, adjusted for timing differences on depreciation and recognition of investment tax credits, using estimated average annual income tax rates.

Federal and provincial research and development tax credits of \$114 (December 2005 - \$241) were added to future tax assets based on year to date research and development capital and operating expenditures.



Philom Bios Inc.
Notes to Interim Consolidated Financial Statements
For the three months ended December 31, 2006
(unaudited)
(000's) except share and per-share amounts

4. FINANCIAL INSTRUMENTS

A portion of the Company's revenues and expenditures are denominated in US dollars. The Company is exposed to currency fluctuations on transactions denominated in US dollars and potential currency fluctuations may impact on the profitability of the Company. This risk is managed, from time to time, through the use of foreign exchange forward contracts to fix the exchange rates on future net foreign currency cash flows. The Company does not hold or issue derivative contracts for speculative or trading purposes.

As at December 31, 2006, the Company has no foreign currency forward contracts outstanding.

The carrying value of cash, accounts receivable, accounts payable, accrued liabilities and long-term debt approximated their respective fair values.

5. INVENTORY

	December 31 <u>2006</u>	December 31 <u>2005</u>	September 30 <u>2006</u> (audited)
Raw materials & work in progress	\$ 3,198	\$ 3,476	\$ 2,316
Finished goods	<u>559</u>	<u>189</u>	<u>216</u>
	<u>\$ 3,757</u>	<u>\$ 3,665</u>	<u>\$ 2,532</u>



Philom Bios Inc.
Notes to Interim Consolidated Financial Statements
For the three months ended December 31, 2006
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(000's) except share and per-share amounts

6. JOINT VENTURE

The assets, liabilities and operating results of the Company's 50% interest in Philom Bios (Australia) Pty Ltd., a joint venture, included in the consolidated financial statements, are summarized as follows:

	<u>2006</u>	<u>2005</u>
Cash	\$ 60	\$ -
Property, plant and equipment	1	-
Accrued liabilities	<u>(1)</u>	<u>-</u>
	<u>\$ 60</u>	<u>\$ -</u>
Expenses:		
General and administrative	<u>(14)</u>	<u>-</u>
Net Loss for the period ended December 31, 2006	\$ (14)	\$ -
Deficit, beginning of year	<u>(52)</u>	<u>0</u>
Deficit, end of period	<u>(66)</u>	<u>-</u>

7. BANK LOAN

The Company has a revolving demand bank loan, repayable January 31, 2007, at prime rate interest, payable monthly.

8. SHARE CAPITAL

As at December 31, 2006, 3,529,663 (September 30, 2006 – 3,529,563) shares were issued and outstanding. Earnings per share are calculated using the weighted average number of shares outstanding as follows: three months ending December 31, 2006 – 3,529,663.

The Company has employee, officer and director stock option plans. These plans are more fully described in the 2006 Annual Report. During the quarter no new options were issued, no options were exercised to purchase shares, and 12,300 options expired.



Philom Bios Inc.
Notes to Interim Consolidated Financial Statements
For the three months ended December 31, 2006
(unaudited)
(000's) except share and per-share amounts

9. LONG TERM DEBT

The long term debt obligations of the Company are as follows:

	<u>2006</u>	<u>2005</u>
Mortgage payable	\$ 2,592	\$ 2,800
Term Loan	2,033	2,275
Capital lease obligations	<u>38</u>	<u>46</u>
	4,663	5,121
Less: current portion	<u>(423)</u>	<u>(462)</u>
	<u>\$ 4,240</u>	<u>\$ 4,659</u>

The mortgage and term loan are secured by a first charge on the land, paving and building assets and certain other undertakings. Interest on these obligations is calculated at a variable rate based on bankers' acceptance rates plus a stamping fee of 1.55%. The mortgage principal is payable in equal monthly payments of \$16 over 15 years and the term loan principal is payable in equal monthly payments of \$19 over 10 years.

The principal payments on the mortgage are scheduled as follows:

2007	\$ 144
2008	192
2009	192
2010	192
Subsequent years	1,872



Philom Bios Inc.
Notes to Interim Consolidated Financial Statements
For the three months ended December 31, 2006
(unaudited)
(000's) except share and per-share amounts

9. LONG TERM DEBT - continued

The principal payments on the term loan are scheduled as follows:

2007	\$	171
2008		228
2009		228
2010		228
Subsequent years		1,178

The interest rate on the capital lease obligation is 6.69% maturing in 2007.

The minimum lease payments over the next four years by the Company are as follows:

2007	\$	15
2008		12
2009		11
	\$	<u>38</u>

10. SEASONALITY

The Company's sales are seasonal. The majority of sales are recorded in the period January to June, which covers the 2nd and 3rd quarters. Timing of customer purchases will vary each year and sales can be expected to shift from one quarter to another. Interim results are not necessarily indicative of the results expected for the fiscal year.

11. COMPARATIVE FIGURES

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