



FOR IMMEDIATE RELEASE

May 15, 2007

Philom Bios Announces Second Quarter Results

SASKATOON, SK — Philom Bios Inc. is pleased to report its results for the six months ended March 31, 2007.

Highlights:

- Financial

(\$000's, except earnings per share)	2 nd Quarter		Year to Date	
	2007	2006	2007	2006
Sales	4,536	6,931	4,586	7,154
Net earnings	731	1,732	(591)	524
Net earnings per Share	\$ 0.21	\$ 0.49	(\$ 0.17)	\$ 0.15

- Quarterly earnings of \$0.7 million versus prior year of \$1.7 million reflect the normal variation that may occur between quarters due to nature of our business cycle. In the current year, most shipments, and thus sales, will be realized in the 3rd quarter.
- Net cash inflows in the quarter were \$5.9 million (2006 - \$4.6 million) reflecting the benefit of early order payment incentive plans.
- The Company announced registration of TagTeam® soybean granular inoculants in Western Canada, bringing new registrations in the fiscal year to a total of five products.
- Subsequent to quarter, the Company realized a reduced judgment on its legal appeal, with the outcome estimated to be accretive to net earnings after taxes of \$0.20 per share.

Second quarter earnings of \$0.7 million versus \$1.7 million in the prior year represent a normal variation in interim earnings that may occur from time to time in our business cycle as revenue recognition depends on timing of shipments. In the current year, the majority of shipments (sales) will be realized in the 3rd quarter, whereas in the prior year shipments were more evenly distributed over 2nd and 3rd quarters. Total operating costs for the year to date now total \$3.8 million (2006 - \$3.6 million) with the increase over the prior year mainly reflective of growing commitments in marketing and sales costs associated with expanding U.S. operations.

Subsequent to the quarter, the Company also reported the decision of the Alberta Court of Appeal in respect of the Dow AgroSciences Canada Inc. judgment. As a result of this decision, the Company expects to record an extraordinary item gain in the 3rd quarter of \$0.7 million or \$0.20 per share.

President/CEO Calvin Sonntag comments, "Although second quarter earnings are below the prior year due to timing of shipments, based on total sales to date we are very encouraged by customer support across all product lines and the impact that an improving farm economy and robust crop input markets are having on our business. As a result, we are currently estimating annual net earnings, inclusive of the extraordinary item gain, in the range of \$0.60 to \$0.70 per share, a significant increase over 2006 net earnings of \$0.16 per share."

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 Second Quarter ended March 31, 2007

Information available up to May 15, 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 May 15, 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 six months ended March 31, 2007 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

Second quarter results reflect the beginning of our seasonal business, as the Company recorded sales of \$4.5 million (2006 - \$6.9 million). In the current year, most shipments, and thus sales, will be realized in the 3rd quarter whereas in the prior year sales were earned more evenly over 2nd and 3rd quarters. The wide variance in sales and net earnings versus the prior year is simply reflective of the volatility that can occur due to the timing of shipments.

Operating Costs

Operating costs for the year to date now total \$3.8 million (2006 - \$3.6 million) with the increase over the prior year mainly reflective of growing commitments in marketing and sales costs associated with expanding U.S. operations.

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)	J-05	S-05	D-05	M-06	J-06	S-06	D-06	M-07
Sales	7,435	175	223	6,931	4,772	508	50	4,536
Earnings (loss) before extraordinary item	1,576	(694)	(1,208)	1,732	916	(874)	(1,322)	731
Earnings (loss)	386	(834)	(1,208)	1,732	916	(874)	(1,322)	731
Basic Earnings (loss) per share:								
Before extraordinary item	\$ 0.45	\$(0.19)	\$(0.34)	\$ 0.49	\$ 0.26	\$(0.25)	\$(0.37)	\$0.21
Net Earnings (loss)	\$ 0.11	\$(0.23)	\$(0.34)	\$ 0.49	\$ 0.26	\$(0.25)	\$(0.37)	\$0.21

Liquidity and Capital Resources

As anticipated by our business cycle, cash from operations increased in the current quarter by \$5.9 million (2006 - \$4.6 million) as the Company realized significant cash receipts from early order payment incentive plans. Investment activities in the quarter reflect additional capital purchases of \$0.3 million mainly related to improvements to manufacturing facilities. Additionally, financing activities reflect payments of \$0.1 million (YTD \$0.2 million) related to term debt commitments.

At quarter end, the Company has total cash on hand of \$4.7 million and positive working capital of 1.3:1 (2006 - 1.8:1)

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:	2 nd 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:	2 nd 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. During the quarter, a total of 87,400 options were granted under this plan at a price of \$4.00 and 100 options expired. There were no options exercised in the quarter. As at the date of this report 324,800 options remain outstanding.

Outlook Update

As the Company enters the primary sales season, most recent seeding intention reports and other industry feedback now support the view that the North American crop input market, including pulse and soybean inoculants, will experience significant growth in 2007. In addition, these reports also confirm the Company's expectation of increased corn and canola acres as farmers respond to positive price signals, driven at least in part by demand for bio-fuel inputs. In a period of rising fertilizer prices, the Company is well positioned to respond to farmer needs for enhanced fertility efficiency and grow its position and earnings in each of these markets.

As the majority of sales are completed in or just after the end of the current quarter, over the balance of the fiscal year, the Company will be focused on managing and supporting sales and marketing efforts and executing the largest field trial program in the Company's history, a major part of our significant investment in innovation.

Notwithstanding our growing confidence of a robust and growing crop input market, final net earnings are still subject to material variation depending on weather and final seeding outcomes. Accordingly, annual net earnings, inclusive of the extraordinary item gain may range from \$0.60 to \$0.70 per share. This is a significant improvement on prior year net earnings of \$0.16 per share.

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 SIX MONTHS ENDED MARCH 31, 2007

(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 March 31, 2007 and the Consolidated Statement of Earnings and Retained Earnings and Cash Flows for the six months ended March 31, 2007. 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 March 31, 2007
(unaudited)
(000's)

	As At		
	March 31 2007	March 31 2006	September 30 2006 (audited)
Current Assets			
Cash and short-term deposits	\$ 4,687	\$ 4,718	\$ 1,519
Accounts receivable	1,343	1,274	952
Inventory (Note 5)	3,491	2,818	2,532
Prepays and deposits	100	142	110
Current portion of future tax asset	706	201	803
	<u>10,327</u>	<u>9,153</u>	<u>5,916</u>
Future Tax Assets	1,113	1,255	1,150
Property, Plant and Equipment	7,672	7,361	7,492
Patents and Trademarks, net of amortization	113	127	131
	<u>8,898</u>	<u>8,743</u>	<u>8,773</u>
	<u>\$ 19,225</u>	<u>\$ 17,896</u>	<u>\$ 14,689</u>
Current Liabilities			
Accounts payable and accrued charges	7,362	5,226	2,040
Current portion long term debt	431	456	435
	<u>7,793</u>	<u>5,682</u>	<u>2,475</u>
Future Tax Liability	586	383	584
Long term debt (Note 8)	4,117	4,555	4,310
	<u>12,496</u>	<u>10,620</u>	<u>7,369</u>
Shareholders' Equity			
Share capital			
Authorized: unlimited number of common shares (Note 7)	4,080	4,079	4,080
Retained earnings	2,649	3,197	3,240
	<u>6,729</u>	<u>7,276</u>	<u>7,320</u>
	<u>\$ 19,225</u>	<u>\$ 17,896</u>	<u>\$ 14,689</u>

(see accompanying notes)



Philom Bios Inc.
Consolidated Statement of Loss and Retained Earnings
For the six months ended March 31, 2007 and 2006
(unaudited)
(000's) except per-share amounts

	Three months ended March 31		Six months ended March 31	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Sales	\$ 4,536	\$ 6,931	\$ 4,586	\$ 7,154
Cost of sales	<u>1,407</u>	<u>2,649</u>	<u>1,437</u>	<u>2,827</u>
Gross margin	<u>3,129</u>	<u>4,282</u>	<u>3,149</u>	<u>4,327</u>
Expenses				
Research and development, net	410	522	797	996
Marketing and sales	1,166	971	2,122	1,642
General and administrative	510	453	927	896
Other expenses (income)	<u>23</u>	<u>(44)</u>	<u>(8)</u>	<u>19</u>
	<u>2,109</u>	<u>1,902</u>	<u>3,838</u>	<u>3,553</u>
Earnings (loss) before Interest and taxes	1,020	2,380	(689)	774
Interest expense (income)	<u>32</u>	<u>40</u>	<u>110</u>	<u>67</u>
Earnings (loss) before income taxes	988	2,340	(799)	707
Income taxes (Note 3)	<u>(257)</u>	<u>(608)</u>	<u>208</u>	<u>(183)</u>
Net earnings (loss)	<u>\$ 731</u>	<u>\$ 1,732</u>	<u>(591)</u>	<u>524</u>
Retained earnings, beginning of period			<u>3,240</u>	<u>2,673</u>
Retained Earnings, end of period			<u>\$ 2,649</u>	<u>\$ 3,197</u>
Basic earnings per share	\$ 0.21	\$ 0.49	\$ (0.17)	\$ 0.15



Philom Bios Inc.
Consolidated Statement of Cash Flows
For the six months ended March 31, 2007 and 2006
(unaudited)
(000's) except per-share amounts

	Three months ended March 31		Six months ended March 31	
	2007	2006	2007	2006
CASH FLOWS FROM (USED IN) THE FOLLOWING				
Operating				
Net earnings	\$ 731	\$ 1,733	\$ (591)	\$ 524
Add back non-cash expenses:				
Depreciation and amortization	157	90	302	215
	<u>888</u>	<u>1,823</u>	<u>(289)</u>	<u>739</u>
Changes in non-cash working capital:				
Accounts receivable	(836)	(780)	(392)	(868)
Future tax asset	713	72	134	(169)
Inventories	266	846	(959)	(836)
Prepays and deposits	40	8	10	(30)
Accounts payable and accrued charges	1,214	851	717	134
Income taxes payable (current and future)	-	429	3	4
Deferred revenue	4,103	1,649	4,604	1,643
	<u>6,388</u>	<u>4,898</u>	<u>3,828</u>	<u>617</u>
Investing				
Additions to property, plant and equipment	(347)	(148)	(455)	(1,225)
Additions to patents and trademarks	(8)	1	(10)	(1)
	<u>(355)</u>	<u>(147)</u>	<u>(465)</u>	<u>(1,226)</u>
Financing				
Proceeds from long term debt	33	-	33	2,275
Repayment of long term debt	(147)	(111)	(229)	(169)
	<u>(114)</u>	<u>(111)</u>	<u>(196)</u>	<u>2,106</u>
NET INCREASE (DECREASE) IN CASH	5,919	4,640	3,167	1,497
CASH POSITION, BEGINNING OF PERIOD	(1,232)	78	1,520	3,221
CASH POSITION, END OF PERIOD	\$ <u><u>4,687</u></u>	\$ <u><u>4,718</u></u>	\$ <u><u>4,687</u></u>	\$ <u><u>4,718</u></u>
REPRESENTED BY:				
Cash	\$ 140	\$ 210	\$ 140	\$ 210
Short-term deposits	4,547	4,508	4,547	4,508
	\$ <u><u>4,687</u></u>	\$ <u><u>4,718</u></u>	\$ <u><u>4,687</u></u>	\$ <u><u>4,718</u></u>
Supplemental Disclosure of Cash Flow Information				
Interest paid	\$ 93	\$ 76	\$ 147	\$ 124
Income taxes paid	\$ -	\$ -	\$ -	\$ -
Income taxes received	\$ 557	\$ -	\$ 557	\$ -

(see accompanying notes)



Philom Bios Inc.
Notes to Interim Consolidated Financial Statements
For the six months ended March 31, 2007
(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, 2006 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 \$208 (March 2006 expense of - \$183) 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 \$215 (March 2006 - \$353) 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 six months ended March 31, 2007
(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 March 31, 2007, 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

	March 31 <u>2007</u>	March 31 <u>2006</u>	September 30 <u>2006</u> (audited)
Raw materials & work in progress	\$ 2,119	\$ 743	\$ 2,316
Finished goods	<u>1,372</u>	<u>2,075</u>	<u>216</u>
	<u>\$ 3,491</u>	<u>\$ 2,818</u>	<u>\$ 2,532</u>



Philom Bios Inc.
Notes to Interim Consolidated Financial Statements
For the six months ended March 31, 2007
(unaudited)
(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>2007</u>	<u>2006</u>
Cash	\$ 64	\$ -
Property, plant and equipment	1	-
Inventory	33	-
Accrued liabilities	<u>(34)</u>	<u>-</u>
	<u>\$ 64</u>	<u>\$ -</u>
Expenses:		
General and administrative	<u>(78)</u>	<u>-</u>
Net Loss for the period ended March 31, 2007	\$ <u>(78)</u>	\$ <u>-</u>
Deficit, beginning of year	<u>(52)</u>	<u>-</u>
Deficit, end of period	<u><u>(130)</u></u>	<u><u>-</u></u>

7. SHARE CAPITAL

As at March 31, 2007, 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: Six months ending March 31, 2007 – 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 87,400 new options were issued, no options were exercised to purchase shares, and 100 options expired.



Philom Bios Inc.
Notes to Interim Consolidated Financial Statements
For the six months ended March 31, 2007
(unaudited)
(000's) except share and per-share amounts

8. LONG TERM DEBT

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

	<u>2007</u>	<u>2006</u>
Mortgage payable	\$ <u>2,544</u>	\$ 2,800
Term Loan	<u>1,976</u>	2,275
Capital lease obligations	<u>28</u>	46
	<u>4,548</u>	5,121
Less: current portion	<u>(431)</u>	<u>(462)</u>
	<u>\$ 4,117</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	\$ 96
2008	192
2009	192
2010	192
Subsequent years	1,872



Philom Bios Inc.
Notes to Interim Consolidated Financial Statements
For the six months ended March 31, 2007
(unaudited)
(000's) except share and per-share amounts

8. LONG TERM DEBT - continued

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

2007	\$	114
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	\$	5
2008		12
2009		11
	\$	<u>28</u>

9. 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.

10. COMPARATIVE FIGURES

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