



For Immediate Release

LMS ANNOUNCES FIRST QUARTER 2006 FINANCIAL RESULTS

Montreal, Quebec, August 12, 2005 - LMS Medical Systems (TSX: LMZ, AMEX: LMZ), a healthcare technology company and developer of the CALM™ system (Computer Assisted Labor Management) today reported results of operations for the first quarter ended June 30th, 2005. All amounts are in Canadian dollars.

Revenue for the first quarter totaled \$268,000 versus \$231,000 for the same period last year. The loss for the first quarter of fiscal 2006 was \$2,462,000 (\$0.15 per share) versus a loss of \$1,801,000 (\$0.13 per share) for the same period in fiscal 2005. The increased loss resulted primarily from additional net research and development expenses in the amount of \$355,000 due to an increase of contractual staff in the drive to release CALM™ 3.0, as well as additional administrative expenses of \$193,000 for functions related to being a public company in the U.S. and Canada.

Cash, cash equivalents and short-term investments held to maturity, as at June 30, 2005 totaled \$10,506,000 versus \$11,858,000 as at March 31, 2005. The decrease is a function of our net loss of \$2,462,000 for the three months ended June 30, 2005, reduced by stock based compensation of \$225,000 and offset by a net change in non-cash operating working capital of \$965,000, which resulted primarily from the collection of accounts receivable and the receipt of an amount of \$560,000 of investment tax credits receivable during the period.

An expanded Management's Discussion and Analysis for the quarter, and previous periods, is accessible on the LMS website at www.lmsmedical.com

Highlights:

- We have substantially completed CALM™3.0, our labor and delivery product suite for large scale health facilities and expect to release the final product in the coming weeks. CALM™3.0 is the newest release of our CALM™ suite of products, and is currently scheduled for installation at a number of leading U.S. based hospitals.
- We unveiled CALM™ Shoulder Screen, a new addition to our Decision Support Suite. CALM™ Shoulder Screen focuses on the prediction of shoulder dystocia, a key obstetrical challenge.
- In April of 2005, we entered into an agreement with AON Risk Services, a subsidiary of AON Corporation, to assist hospitals in improving their risk management profile in obstetrics. LMS and AON will work together to expand our customer base. AON will propose to its clients that they consider the implementation of LMS decision support tools to address key clinical indicators with their obstetrics practice.
- We have established a Risk and Patient Safety Advisory Board that will provide guidance on how to achieve widespread adoption of our risk management tools. This will include strategies to mobilize hospital teams to implement proactive risk reduction programs and to develop value propositions that address the concerns of hospital administrators, clinicians, risk managers and insurers. To date, Dr. Thomas J. Garite, Professor Emeritus in the Department of Obstetrics and Gynecology at the University of California, Irvine, Editor in Chief of the American Journal of Obstetrics and Gynecology; Dr. Eric Knox, professor of OB/GYN at the University of Minnesota and Dr. Marilyn Sue Bogner, President and Chief Scientist with the Institute for the Study of Human Error have been appointed to the Advisory Board which will be chaired by Mr. Harry G. Hohn of New York. Mr. Hohn, the former Chairman and Chief Executive Officer of New York Life is also a member of our Board of Directors.



LMS will hold its Annual and Special Meeting of Shareholders on Wednesday September 14, 2005, at 2:00p.m. eastern time at the Queen Elizabeth Hotel in Montreal.

ABOUT LMS:

LMS is a leader in the application of advanced mathematical modeling and neural networks for medical use. The LMS CALM™ Decision Support Suite provides physicians, nursing staff, risk managers and hospital administrators with clinical information systems and decision support tools designed to improve outcomes and patient care for mothers and their infants during labor and delivery.

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This press release contains forward-looking statements that involve risks and uncertainties, which may cause actual results to differ materially from the statements made. For this purpose, any statements that are contained herein that are not statements of historical fact may be deemed to be forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Without limiting the foregoing, the words "believes," "anticipates," "plans," "intends," "will," "should," "expects," "projects," and similar expressions are intended to identify forward-looking statements. You are cautioned that such statements are subject to a multitude of risks and uncertainties that could cause actual results, future circumstances, or events to differ materially from those projected in the forward-looking statements. These risks include, but are not limited to, those associated with the success of research and development programs, the adequacy, timing, and results of clinical trials, the regulatory approval process, competition, securing and maintaining corporate alliances, market acceptance of the Company's products, the strength of intellectual property, financing capability, the potential dilutive effects of any financing, reliance on subcontractors and key personnel, and other risks detailed from time-to-time in the Company's public disclosure documents or other filings with the Canadian and U.S. securities commissions or other securities regulatory bodies. The forward-looking statements are made as of the date hereof, and the Company disclaims any intention and has no obligation or responsibility, except as required by law, to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise.

LMS Medical Systems Inc.

As at June 30, and March 31, 2005 and for the three-month
periods ended June 30, 2005 and 2004



INTERIM CONSOLIDATED BALANCE SHEETS

As at		[Unaudited]
	June 30, 2005 \$	March 31, 2005 \$
ASSETS		
Current assets		
Cash and cash equivalents	10,455,575	2,843,989
Short-term investments	50,000	9,013,583
Accounts receivable	249,945	739,588
Investment tax credits receivable	680,300	1,182,888
Prepaid expenses	296,577	375,837
Total current assets	11,732,397	14,155,885
Property, plant and equipment	537,307	502,196
Patents	144,664	110,287
	12,414,368	14,768,368
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	1,051,661	1,200,448
Deferred revenues and deposits from distributors	822,864	780,357
Current portion of obligations under capital leases	41,134	44,558
Total current liabilities	1,915,659	2,025,363
Long-term portion of obligations under capital leases	31,835	39,105
	1,947,494	2,064,468
Shareholders' equity		
Capital stock [note 2]	47,616,028	47,616,028
Contributed surplus [note 2]	1,622,614	1,255,108
Warrants [note 2]	255,086	397,592
Deficit	(39,026,854)	(36,564,828)
Total shareholders' equity	10,466,874	12,703,900
	12,414,368	14,768,368

See accompanying notes

LMS Medical Systems Inc.

As at June 30, and March 31, 2005 and for the three-month periods ended June 30, 2005 and 2004



INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS

For the three-month period ended

[Unaudited]

	June 30, 2005 \$	June 30, 2004 \$
Software licenses	179,869	95,170
Hardware	–	110,055
Technical support and other	88,046	26,232
Total Revenues	267,915	231,457
Operating expenses		
Research and development costs	975,747	691,346
Investment tax credits	(56,350)	(127,235)
Net research and development expenses	919,397	564,111
Direct costs of revenue	33,938	72,989
Selling and market development	583,067	509,939
Administrative	669,739	476,435
Customer support	253,830	167,293
Quality assurance	55,188	42,517
Stock compensation expense	225,000	–
Special charges	–	223,441
Amortization of property, plant and equipment	48,006	27,627
Amortization of patents	1,403	866
Foreign exchange loss (gain)	6,852	(4,268)
	2,796,420	2,080,950
Operating loss	(2,528,505)	(1,849,493)
Other interest income, net	(66,479)	(48,233)
Net loss	(2,462,026)	(1,801,260)
Basic and diluted loss per share [note 3]	(0.15)	(0.13)

See accompanying notes

LMS Medical Systems Inc.

As at June 30, and March 31, 2005 and for the three-month periods ended June 30, 2005 and 2004



INTERIM CONSOLIDATED STATEMENTS OF DEFICIT

For the three-month period ended

[Unaudited]

	June 30, 2005 \$	June 30, 2004 \$
Deficit, beginning of period	(36,564,828)	(26,280,254)
Net loss	(2,462,026)	(1,801,260)
Shares, options, warrants and unsecured convertible debentures issuance costs	-	(749,950)
Costs related to reverse takeover transaction	-	(204,816)
Deficit, end of period	(39,026,854)	(29,036,280)

See accompanying notes

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three-month period ended

[Unaudited]

	June 30, 2005 \$	June 30, 2004 \$
OPERATING ACTIVITIES		
Net loss	(2,462,026)	(1,801,260)
Adjustments for non-cash items:		
Amortization of assets	49,409	28,493
Stock based compensation	225,000	-
Net changes in non-cash operating working capital items	965,211	(217,885)
Cash flows related to operating activities	(1,222,406)	(1,990,652)
INVESTING ACTIVITIES		
Maturity of short-term investments	8,963,583	-
Additions to property, plant and equipment	(83,117)	(59,574)
Additions to patents	(35,780)	-
Cash flows related to investing activities	8,844,686	(59,574)
FINANCING ACTIVITIES		
Repayment of obligations under capital leases	(10,694)	(7,427)
Capital stock and other equity instruments issuance costs	-	(749,950)
Increase of capital stock resulting from the reverse takeover transaction	-	958,432
Issuance of capital stock	-	12,120,000
Costs related to reverse takeover transaction	-	(148,816)
Cash flows related to financing activities	(10,694)	12,172,239
Net change in cash and cash equivalents	7,611,586	10,122,013
Cash and cash equivalents, beginning of period	2,843,989	1,431,123
Cash and cash equivalents, end of period	10,455,575	11,553,136

See accompanying notes

LMS Medical Systems Inc.

As at June 30, and March 31, 2005 and for the three-month periods ended June 30, 2005 and 2004



1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Description of business

LMS Medical Systems Inc. [the "Company" or "LMS"] is incorporated under the *Canada Business Corporations Act*. The Company is an early stage company operating in a single business segment and its principal activities have been devoted to the development of leading-edge technology in care management tools in the labor and delivery setting. The Company is currently pursuing its research and development activities as well as the implementation of its distribution network.

To date the Company has financed its cash requirements primarily from share issuances, loans payable, convertible debentures, investment tax credits and contract revenues. The success of the Company is dependent on obtaining the necessary regulatory approvals, generating revenue from the licensing of its technology in care management tools or directly from its technology and achieving future profitable operations. It will be necessary for the Company to raise additional funds for the continuing development and marketing of its technology.

Basis of presentation

These unaudited interim consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles [Canadian GAAP] for interim financial information. Accordingly, they do not include all of the disclosures required by Canadian GAAP for annual financial statements. In the opinion of management all adjustments of a normally recurring nature considered necessary for a fair presentation have been included. Operating results for the interim period are not necessarily indicative of the results that may be expected for the full year. These unaudited interim consolidated financial statements should be read in conjunction with the audited annual consolidated financial statements of LMS as at March 31, 2005 and 2004 and for the year ended March 31, 2005, the five-month period ended March 31, 2004 and the years ended October 31, 2003 and 2002. The accounting policies and methods followed in the preparation of these unaudited interim consolidated financial statements are the same as those in the audited annual consolidated financial statements of LMS. The consolidated balance sheet as at March 31, 2005 has been derived from the audited consolidated financial statements of LMS at this date but does not include all of the information and footnotes required by Canadian GAAP for complete financial statements.

2. CAPITAL STOCK

An unlimited number of common shares without par value are authorized.

There were no changes in common shares issued and outstanding during the period. Common shares issued and outstanding are summarized as follows:

	Number	\$
Common shares		
Balance as at March 31 and June 30, 2005	16,503,177	47,616,028
Warrants		
	Number	\$
Balance as at March 31, 2005	1,117,177	397,592
Expired	(429,085)	(142,506)
Balance as at June 30, 2005	688,092	255,086

LMS Medical Systems Inc.

As at June 30, and March 31, 2005 and for the three-month periods ended June 30, 2005 and 2004



2. CAPITAL STOCK [Cont'd]

During the period, 429,085 warrants expired. These warrants were valued at \$142,506. This amount has been credited to contributed surplus. As at June 30, 2005, each outstanding warrant allows its holder to acquire one common share for cash consideration of: \$3.23 for 596,561 warrants, \$3.32 for 71,531 warrants and \$4.85 for 20,000 warrants. The warrants expire from March 2006 to September 2009 with an average remaining life of 2.9 years as at June 30, 2005. When warrants are exercised or expired, the carrying value of the warrants is credited to contributed surplus.

The changes to number of stock options granted and their weighted average exercise price are as follows:

Stock Options	Number	Weighted average exercise price \$
Balance as at March 31, 2005	1,386,499	4.30
Cancelled	(75,472)	(4.38)
Balance as at June 30, 2005	1,311,027	4.29

During the three-month period ended June 30, 2005 and 2004, the Company recorded stock option expense of \$225,000 and nil, respectively.

Prior to November 1, 2003, no compensation expense was recognized when options were issued to employees and directors. Pro forma disclosure regarding options granted under the LMS stock option plan prior to November 1, 2003 is as follows:

	Three month period ended June 30, 2005 \$	June 30 2004 \$
Net loss	(2,462,026)	(1,801,260)
Stock-based compensation costs that would have been included in the determination of net loss if the fair value based method had been applied	(25,525)	(29,349)
Pro forma net loss	(2,487,551)	(1,830,609)
Pro forma basic and diluted loss per share	(0.15)	(0.13)

Other stock based compensation plans

LMS has a bonus plan that provides for annual awards to eligible executives and employees based on achievement of corporate and individual performance objectives. The fair value of these awards is to be paid in common shares and is based upon the market price of the shares on the TSX on the date the awards are granted. For the period ended June 30, 2005, an additional 32,342 Common Shares are expected to be granted under the plan having a fair value of \$100,000 for a cumulative total of 46,938 Common Shares for \$156,000 as at June 30, 2005.

In addition, LMS has a Deferred Share Unit plan that provides for the payment of director's quarterly fixed compensation with deferred share units. Each deferred share unit is a right granted by LMS to an eligible director to receive one common share. The number of deferred share units to be granted under the plan is determined by the closing market price of the common shares on the Toronto Stock Exchange for the five business days ending on the last business day of each fiscal quarter. For the period ended June 30, 2005, an additional 18,313 deferred share units had been conditionally granted under the plan having a fair value at the grant date of \$56,625 for a cumulative total of 32,937 deferred share units for \$113,250 as at June 30, 2005.

LMS Medical Systems Inc.

As at June 30, and March 31, 2005 and for the three-month
periods ended June 30, 2005 and 2004



2. CAPITAL STOCK [Cont'd]

The shares to be paid under both these plans are subject to shareholder approval. LMS has determined that it would have to pay the amounts due under these plans if such plans are not approved, and has therefore recorded \$156,625 as a charge to income and classified the amounts due under accounts payable and accrued liabilities. As at June 30, 2005, LMS had recorded \$269,250 under accounts payable and accrued liabilities related to these two plans.

3. BASIC AND DILUTED LOSS PER SHARE

The numerator and denominator for the calculation of basic and diluted loss per share is as follows:

	Three month period ended	
	June 30, 2005	June 30 2004
	\$	\$
Numerator		
Net loss attributable to common shares		
- basic and diluted	(2,462,026)	(1,801,260)
Denominator		
Weighted-average number of common shares		
- basic and diluted	16,503,177	14,343,778

4. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the basis of presentation adopted in the current year.