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*For Immediate release*

## **LMS ANNOUNCES SECOND QUARTER 2007 FINANCIAL RESULTS YEAR TO DATE REVENUES INCREASE 11% TO \$907,000**

Montreal, Quebec, November 13, 2006 - LMS Medical Systems (TSX: LMZ, AMEX: LMZ), a healthcare technology company and developer of the CALM™ clinical information system and risk management software tools for obstetrics, today announced results of operations for the second quarter of F2007 ended September 30, 2006. All amounts are in Canadian dollars.

Revenues in Q2 2007 were \$276,000 compared to \$551,000 in Q2 2006 while contracts signed though not completed due to client availability or timely recognition of revenue, represented an additional \$750,000. Year to date revenues increased by 11% to \$907,000 and recurring maintenance and technical revenues continue to grow from our installed client base. The net loss for Q2 2007 was in line with expectations at \$2.4 million (\$0.13 per share) compared to \$2.1 million (\$0.13 per share) in the prior year. Overall decreases in expenditures were offset by lower revenues.

Cash, cash equivalents, short-term investments and investments held to maturity, as at September 30, 2006 totaled \$3.6 million compared to \$5.6 million as at March 31, 2006. The decrease of \$4.2 million related to operating activities was offset by private placement financing inflows of \$2.3 million, net of issue costs of \$0.17 million, for a net decrease of \$2.0 million. Subsequent to quarter end, LMS increased its liquidity position through the issuance of 845,000 common shares which generated gross proceeds of \$1.56 million.

### **SECOND QUARTER HIGHLIGHTS:**

- Total realized and signed contracts during the quarter reach \$1 million.
- The backlog of signed and recurring contracts increased 37.5% to \$2.75 million from \$2.0 million reported in Q1 2007.
- Identified sales opportunities increased 12% to \$28 million up from \$25 million reported in Q1 2007.
- Year to date revenues increased by 11% to \$907,000.
- Newly signed contracts for CALM Shoulder Screen with two organizations providing medical malpractice insurance to physicians, University of Minnesota Physicians and Tristate Medical Insurance Company, have an immediate impact on LMS' backlog and quarterly revenues, starting in the third quarter of 2007. In addition, both contracts continue to build LMS' profile as a company providing leading proprietary software solutions leveraging innovative approaches for obstetrical risk prevention and reduction for insurers.
- CALM Shoulder Screen continues to gain momentum within the hospital environment as LMS, has received orders from the University of Maryland Medical Center and the OB/GYN Practice Group of the Montreal Jewish General Hospital.
- CALM Clinical Information Systems 3.03 was released as planned, further increasing its robustness and flexibility. CALM 3.03 is a building block supporting extensive interfacing capabilities, benefiting both the Clinical Information Systems and Risk Management tools.

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- CALM Curve received Health Canada clearance as a standalone product and became available as a seamless web offering similar to CALM Shoulder Screen. This new standalone product will enable customers to use this tool with no investment in infrastructure, which should substantially reduce the sales cycle and bring forward additional revenue opportunities.
  - Mr. Michael Maher joined the LMS board of directors. Mr. Maher has over 40 years of Wall Street investment business experience having most recently served as a Managing Director of Merrill Lynch.
  - LMS also presented its statistical methods at two major medical engineering conferences.
  - A private placement grossed \$1.56 million in additional cash liquidities.

An expanded Management's Discussion and Analysis for the quarter, and previous periods, is accessible on the LMS website at [www.lmsmedical.com](http://www.lmsmedical.com) and with Company's regulatory filings in Canada at [www.sedar.com](http://www.sedar.com) and in the United States at [www.sec.gov](http://www.sec.gov).

#### 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 risk management tools designed to improve outcomes and patient care for mothers and their infants during labor and delivery.

*For further information*

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*Except for historical information contained herein, the matters discussed in this news release are forward-looking statements. Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed implied by the forward-looking statements including, but without limitation, economic conditions in general and in the healthcare market, the demand for and market for our products in domestic and international markets, our current dependence on the CALM product suite, the challenges associated with developing new products and obtaining regulatory approvals if necessary, research and development activities, the uncertainty of acceptance of our products by the medical community, the lengthy sales cycle for our products, third party reimbursement, competition in our markets, including the potential introduction of competitive products by others, our dependence on our distributors, physician training, enforceability and the costs of enforcement of our patents, potential infringements of our patents and the other factors set forth from time to time in the Company's filings with the United States Securities and Exchange Commission and with the Canadian Securities Commissions. The Company has no intention of or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.*

*Interim Consolidated Financial Statements [Unaudited]  
(Not reviewed by the Company's external auditors)*

**LMS Medical Systems Inc.**

*As at September 30, 2006 and March 31, 2006 and for the three and six-month periods ended September 30, 2006 and 2005*



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**NOTICE OF DISCLOSURE OF NON-AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS FOR THE PERIODS ENDED SEPTEMBER 30, 2006 AND 2005**

Pursuant to National Instrument 51-102, Part 4, subsection 4.3(3)(a) issued by the Canadian Securities Administrators, if the external auditors have not performed a review of the interim financial statements, the interim financial statements must be accompanied by a notice indicating that they have not been reviewed by the external auditors.

The accompanying unaudited interim consolidated financial statements of the Company for the periods ended September 30, 2006 and 2005 have been prepared in accordance with Canadian generally accepted accounting principles and are the responsibility of the Company's management.

The Company's external auditors, Ernst & Young LLP, have not performed a review of these interim financial statements in accordance with the standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by the external auditors of an entity.

Dated this November 9, 2006

LMS Medical Systems Inc.

As at September 30, 2006 and March 31, 2006 and for the three and six-month periods ended September 30, 2006 and 2005



**INTERIM CONSOLIDATED BALANCE SHEETS**

As at

	September 30, 2006 \$	March 31, 2006 \$
	<i>[Unaudited]</i>	
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents <i>[note 5]</i>	2,474,817	5,481,202
Short-term investments	1,005,476	-
Accounts receivable	455,101	563,436
Research and development tax credits receivable	350,000	260,000
Prepaid expenses	248,267	155,223
<b>Total current assets</b>	<b>4,533,661</b>	<b>6,459,861</b>
Investments - restricted <i>[at cost]</i>	100,000	100,000
Property, plant and equipment	599,139	550,167
Patents	212,591	191,172
	<b>5,445,391</b>	<b>7,301,200</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	1,245,778	1,436,442
Deferred revenues and deposits from distributors	1,211,489	984,180
Current portion of obligations under capital leases	28,088	36,437
<b>Total current liabilities</b>	<b>2,485,355</b>	<b>2,457,059</b>
Long-term portion of obligations under capital leases	37,919	49,379
	<b>2,523,274</b>	<b>2,506,438</b>
<b>Shareholders' equity <i>[note 2]</i></b>		
Capital stock <i>[note 5] [note 2]</i>	50,635,469	47,665,694
Warrants <i>[note 2]</i>	227,944	234,027
Contributed surplus <i>[note 2]</i>	2,486,924	2,153,743
Accruals for expected bonus to be paid in Common Shares <i>[note 2]</i>	315,598	485,373
Deferred share units <i>[note 2]</i>	315,566	226,925
Deficit	(51,059,384)	(45,971,000)
<b>Total shareholders' equity</b>	<b>2,922,117</b>	<b>4,794,762</b>
	<b>5,445,391</b>	<b>7,301,200</b>

See accompanying notes

LMS Medical Systems Inc.

As at September 30, 2006 and March 31, 2006 and for the three and six-month periods ended September 30, 2006 and 2005



**INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS**

	[Unaudited]			
	Three-months ended September 30,		Six-months ended September 30,	
	2006	2005	2006	2005
	\$	\$	\$	\$
<b>Revenues</b>				
Software licenses	92,187	436,601	390,416	616,470
Hardware	–	7,891	–	7,891
Technical support and other	183,999	106,212	516,921	194,258
<b>Total revenues</b>	<b>276,186</b>	<b>550,704</b>	<b>907,337</b>	<b>818,619</b>
<b>Operating expenses</b>				
Research and development	869,928	954,692	1,970,531	1,930,439
R&D Tax Credits	(45,000)	(56,217)	(90,000)	(112,567)
Net research and development	824,928	898,475	1,880,531	1,817,872
Royalties and other direct costs	39,929	80,686	121,200	114,624
Selling and market development	663,221	658,479	1,453,745	1,241,546
Administrative	613,871	682,338	1,370,562	1,352,077
Customer support	227,439	217,726	475,350	471,556
Quality assurance	51,717	44,614	100,808	99,802
Stock option expense	163,013	208,746	327,098	433,746
Amortization of property, plant and equipment	79,700	60,223	160,827	108,229
Amortization of patents	4,498	4,046	8,854	5,449
Foreign exchange loss (gain)	4,696	(13,165)	(715)	(6,313)
	<b>2,673,012</b>	<b>2,842,168</b>	<b>5,898,260</b>	<b>5,638,588</b>
<b>Operating loss</b>	<b>(2,396,826)</b>	<b>(2,291,464)</b>	<b>(4,990,923)</b>	<b>(4,819,969)</b>
Interest and other income, net	(36,305)	(158,220)	(79,996)	(224,699)
<b>Net loss</b>	<b>(2,360,521)</b>	<b>(2,133,244)</b>	<b>(4,910,927)</b>	<b>(4,595,270)</b>
<b>Basic and diluted loss per share</b> [note 3]	<b>(0.13)</b>	<b>(0.13)</b>	<b>(0.28)</b>	<b>(0.28)</b>

See accompanying notes

## LMS Medical Systems Inc.

As at September 30, 2006 and March 31, 2006 and for the three and six-month periods ended September 30, 2006 and 2005



### INTERIM CONSOLIDATED STATEMENTS OF DEFICITS

[Unaudited]

	Three-months ended September 30,		Six-months ended September 30,	
	2006	2005	2006	2005
	\$	\$	\$	\$
<b>Deficit, beginning of period</b>	<b>(48,691,681)</b>	(39,026,854)	<b>(45,971,000)</b>	(36,564,828)
Net loss	(2,360,521)	(2,133,244)	(4,910,927)	(4,595,270)
Share issue costs	(7,182)	–	(177,457)	–
<b>Deficit, end of period</b>	<b>(51,059,384)</b>	(41,160,098)	<b>(51,059,384)</b>	(41,160,098)

See accompanying notes

### INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

[Unaudited]

	Three-months ended September 30,		Six-months ended September 30,	
	2006	2005	2006	2005
	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
Net loss	(2,360,521)	(2,133,244)	(4,910,927)	(4,595,270)
Adjustments for non-cash items:				
Amortization of assets	84,198	64,269	169,681	113,678
Stock based compensation	366,638	360,746	715,739	742,371
	(1,909,685)	(1,708,229)	(4,025,507)	(3,739,221)
Net changes in non-cash operating working capital items	(40,511)	(410,626)	(173,177)	397,960
<b>Cash flows related to operating activities</b>	<b>(1,950,196)</b>	(2,118,855)	<b>(4,198,684)</b>	(3,341,261)
<b>INVESTING ACTIVITIES</b>				
Maturity of short-term investments	–	–	–	8,963,583
Purchase of short-term investments	(500,302)	–	(1,005,476)	–
Additions to property, plant and equipment and patents	(30,617)	(30,903)	(104,999)	(149,800)
<b>Cash flows related to investing activities</b>	<b>(530,919)</b>	(30,903)	<b>(1,110,475)</b>	8,813,783
<b>FINANCING ACTIVITIES</b>				
Repayment of obligations under capital leases	(9,133)	(11,101)	(19,769)	(21,795)
Issuance of common shares	–	–	2,500,000	–
Share issue costs	(7,182)	–	(177,457)	–
<b>Cash flows related to financing activities</b>	<b>(16,315)</b>	(11,101)	<b>2,302,774</b>	(21,795)
<b>Net change in cash and cash equivalents</b>	<b>(2,497,430)</b>	(2,160,859)	<b>(3,006,385)</b>	5,450,727
Cash and cash equivalents, beginning of period	4,972,247	10,455,575	5,481,202	2,843,989
<b>Cash and cash equivalents, end of period</b>	<b>2,474,817</b>	8,294,716	<b>2,474,817</b>	8,294,716

See accompanying notes

## LMS Medical Systems Inc.

As at September 30, 2006 and March 31, 2006 and for the three and six-month periods ended September 30, 2006 and 2005



### 1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

#### Description of business

LMS Medical Systems Inc. ["LMS"] is incorporated under the *Canada Business Corporations Act*. For over ten years, LMS has actively been developing and commercializing a series of leading edge software-based products to be used as decision support tools for obstetricians. LMS's pipeline of proprietary software tools addresses critical unmet medical needs in labour and delivery settings. While continuing to pursue its core research and development of new software tools, LMS has also been strengthening its product development as well as the implementation and enlargement of its sales and distribution network.

To date LMS has financed its cash requirements primarily from shares issuances, loans payable, convertible debentures, research and development tax credits and software and maintenance revenues. The success of LMS is dependent on obtaining the necessary regulatory approvals, generating revenue from the sale of its products and achieving future profitable operations.

#### 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 or US 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, 2006 and 2005 and for the years ended March 31, 2006 and 2005, the five-month period ended March 31, 2004 and the year ended October 31, 2003. 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, 2006 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 or US GAAP for complete financial statements.

### 2. CAPITAL STOCK

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

Changes in common shares issued and outstanding during the six-month period are summarized as follows:

	Number	\$
<b>Common shares</b>		
<b>Balance as at March 31, 2006</b>	<b>16,523,449</b>	<b>47,665,694</b>
Shares issued under the Bonus Plan	228,046	469,775
Shares issued under a private placement	1,250,000	2,500,000
<b>Balance as at September 30, 2006</b>	<b>18,001,495</b>	<b>50,635,469</b>

During the six-month period ending September 30, 2006, LMS issued 1,250,000 common shares, in form of a private placement at \$2.00 per share. Share issue expenses of \$177,457 were recorded within deficit.

#### Bonus Plan

In fiscal 2005, LMS established a Bonus Plan [the "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 paid in common shares, the number of which is based upon dividing the total award by the five day average year-end closing market price of the common shares on the Toronto Stock Exchange. In September 2005, at the annual and special meeting of shareholders, the Bonus Plan was approved. In August 2006, at the annual and special meeting of shareholders, the maximum number of shares issuable under this plan was increased from 250,000 to

## LMS Medical Systems Inc.

As at September 30, 2006 and March 31, 2006 and for the three and six-month periods ended September 30, 2006 and 2005



### 2. CAPITAL STOCK [CONT'D]

500,000. For the year ending March 31, 2006, LMS has recorded bonus expense in the amount of \$485,373 [235,618 common shares], within the shareholders' equity section. Upon the approval by the Board of Directors, 228,046 shares were issued by LMS during the six-month period ending September 30, 2006, relating to the year ended March 31, 2006. During the six-month period ended September 30, 2006, LMS has recorded \$300,000 as bonus expected to be paid in common shares for the fiscal 2007 year (\$150,000 for the three-month period ended September 30, 2006).

#### Deferred Share Unit Plan

In fiscal 2005, LMS established a Deferred Share Unit plan [the "DSU Plan"] that provides for the payment of director's quarterly compensation with deferred share units. Each deferred share unit is a right granted by LMS to an eligible director to receive one common share upon termination of service. The number of deferred share units to be granted under the DSU Plan is determined by dividing the quarterly director compensation by the five day average quarter end closing market price of the common shares on the Toronto Stock Exchange. In September 2005, at the annual and special meeting of shareholders, the DSU Plan was approved. In August 2006, at the annual and special meeting of shareholders the maximum number of deferred share units issuable under this plan was increased from 125,000 to 250,000. Under the DSU plan, LMS has the option to remit either cash or common shares to settle the deferred share units.

Total director compensation expense for the six-month period ended September 30, 2006 was \$109,250 and 58,624 deferred share units were granted. During the six-month period ended September 30, 2006, 8,028 deferred share units were cancelled, at the request of the director, and related director compensation of \$20,609 was reversed.

The changes to the DSU Plan balance, number of deferred share units outstanding and the weighted average price of grant or issue are as follows:

	Number of DSU Units #	DSU Plan balance \$
<b>Balance as at March 31, 2006</b>	<b>101,230</b>	<b>226,925</b>
Units granted during the period	58,624	109,250
Units cancelled during the period	(8,028)	(20,609)
<b>Balance as at September 30, 2006</b>	<b>151,826</b>	<b>315,566</b>

#### Warrants

	#	\$
Balance as at March 31, 2006	624,683	234,027
Expired	(18,317)	(6,083)
<b>Balance as at September 30, 2006</b>	<b>606,366</b>	<b>227,944</b>

During the six-month period ended September 30, 2006, 6,083 warrants expired. These warrants were valued at \$18,317. This amount has been credited to contributed surplus. As at September 30, 2006 each outstanding warrant allows its holder to acquire one common share for cash consideration of: \$3.23 for 586,366 warrants and \$4.85 for 20,000 warrants. The warrants expire from October 2006 to September 2009 with an average remaining life of 1.9 years as at September 30, 2006. When warrants are exercised or expired, the carrying value of the warrants is credited to contributed surplus.

## LMS Medical Systems Inc.

As at September 30, 2006 and March 31, 2006 and for the three and six-month periods ended September 30, 2006 and 2005



### 2. CAPITAL STOCK [CONT'D]

#### Stock options

The changes to the number of stock options outstanding and their weighted average exercise prices for the six-month period ending September 30, 2006, are as follows:

	Number	Weighted average exercise price \$
Balance as at March 31, 2006	1,563,397	3.92
Granted	382,000	2.12
Expired	(15,000)	4.30
<b>Balance as at September 30, 2006</b>	<b>1,930,397</b>	<b>3.56</b>

Additional information concerning stock options outstanding as at September 30, 2006 is as follows:

Exercise price	Options outstanding			Options exercisable	
	Weighted average Contractual life (Years)	Weighted average exercise price \$	Weighted average exercise price \$	Weighted average exercise price \$	Weighted average exercise price \$
\$1.80 - \$2.06	364,000	4.4	1.99	33,333	1.80
\$2.25 - \$2.45	323,359	3.8	2.38	38,333	2.35
\$3.69 - \$4.00	149,110	3.0	3.95	107,443	3.93
\$4.28 - \$4.62	1,093,928	2.1	4.38	835,528	4.41
<b>\$1.80 - \$4.62</b>	<b>1,930,397</b>	<b>2.9</b>	<b>3.56</b>	<b>1,014,637</b>	<b>4.20</b>

As at October 31, 2006, the Company had 1,795,033 share stock options outstanding.

During the six-month period ended September 30, 2006 the Company issued an additional 382,000 options to its employees, directors and consultants. The fair value of these options will be recorded over the remaining vesting period. The weighted average assumptions used included: expected life of 5 years, fair value of \$1.97 per common share, dividend yield of nil, volatility factor of 0.44 and risk free interest rate of 3.35%.

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-months ended September 30,		Six-months ended September 30,	
	2006 \$	2005 \$	2006 \$	2005 \$
<b>Net loss</b>	<b>(2,360,521)</b>	<b>(2,133,244)</b>	<b>(4,910,927)</b>	<b>(4,595,270)</b>
Stock-based compensation costs that would have been included in the determination of net loss if the fair value based method has been applied	(2,985)	(25,525)	(5,970)	(51,050)
<b>Pro forma net loss</b>	<b>(2,363,506)</b>	<b>(2,158,769)</b>	<b>(4,916,897)</b>	<b>(4,646,320)</b>
<b>Pro forma basic and diluted loss per share</b>	<b>(0.13)</b>	<b>(0.13)</b>	<b>(0.28)</b>	<b>(0.28)</b>

## LMS Medical Systems Inc.

As at September 30, 2006 and March 31, 2006 and for the three and six-month periods ended September 30, 2006 and 2005



### 3. BASIC AND DILUTED LOSS PER SHARE

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

	Three-months ended September 30,		Six-months ended September 30,	
	2006	2005	2006	2005
	\$	\$	\$	\$
<b>Numerator</b>				
Net loss attributable to common shares - basic and diluted	<b>(2,360,521)</b>	(2,133,244)	<b>(4,910,927)</b>	(4,595,270)
<b>Denominator</b>				
Weighted-average number of common shares - basic and diluted	<b>18,123,363</b>	16,503,177	<b>17,769,288</b>	16,503,177

### 4. COMPARATIVE FIGURES

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

### 5. SUBSEQUENT EVENTS

In early November 845,000 common shares, were issued by LMS via a private placement at \$1.85 per share for total consideration of \$1,563,250. Estimated share issue expenses of \$100,000 will be recorded within deficit in fiscal 2007.