

LMS Medical Systems Inc.

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For Immediate Release

LMS FIRST QUARTER 2008 FINANCIAL RESULTS REALIZED AND SIGNED CONTRACTS TOTAL \$1.2 MILLION FOR Q1 2008 Q1 REVENUE INCREASES 52% TO \$962,000

Montreal, Quebec, August 9, 2007 - 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 reported its unaudited financial results for the quarter ended June 30, 2007. All amounts are in Canadian dollars.

On the strength of new installations and growing recurring maintenance and technical service revenues, our comparative quarterly revenues for Q1 2008 grew 52% to \$962,000 from \$631,000. The revenue increases during the quarter were the result of new contracts. The backlog of signed and recurring contracts increased to \$4.6 million from \$4.4 million in Q4 2007. Total realized and signed contracts during the quarter reach \$1.2 million. We expect our revenue and backlog to grow over the course of the year.

The net loss for the quarter was in line with expectations at \$2.08 million (\$0.10 per share) compared to \$2.55 million (\$0.15 per share) in 2006. Revenue growth of \$331,000 and lower overall expenditures of \$220,000 contributed to a lower loss.

Cash, cash equivalents and short-term investments held to maturity, as at June 30, 2007 totaled \$3.15 million compared to \$3.38 as at March 31, 2007.

FIRST QUARTER HIGHLIGHTS:

- Revenues increased by 52% or \$331,000 to \$962,000;
- Backlog of signed contracts grew from \$4.4 million in Q4 2007 to \$4.6 in Q1 2008;
- Identified sales opportunities maintained at \$25 million;
- Pilot implementation for the private label OB solution developed with McKesson is now completed.

LMS complete results for the quarter ended June 30, 2007 along with Management's Discussion and Analysis will be released in normal course on or about August 10th and will be available in Canada at www.sedar.com, in the United States at www.sec.gov and at www.lmsmedical.com.

ABOUT LMS

LMS is a leader in the application of advanced mathematical modeling and neural networks for medical use. The LMS CALM™ 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 childbirth.

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 June 30, 2007 and March 31, 2007 and for the three-month
periods ended June 30, 2007 and 2006*



NOTICE OF DISCLOSURE OF NON-AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS FOR THE PERIODS ENDED JUNE 30, 2007 AND 2006

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 June 30, 2007 and 2006 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 August 9, 2007

LMS Medical Systems Inc.

As at June 30, 2007 and March 31, 2007 and for the three-month periods ended June 30, 2007 and 2006



INTERIM CONSOLIDATED BALANCE SHEETS

As at	[Unaudited]	
	June 30, 2007 \$	March 31, 2007 \$
ASSETS		
Current assets		
Cash and cash equivalents	3,130,504	3,358,995
Short-term investments [market value \$25,000]	25,000	25,000
Accounts receivable	959,462	1,567,463
Investment tax credits receivable	154,000	124,000
Prepaid expenses	276,262	106,042
Total current assets	4,545,228	5,181,500
Investments - restricted [at cost] [market value \$75,000]	75,000	75,000
Capital assets	402,793	500,308
Patents	280,389	236,956
	5,303,410	5,993,764
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities [note 3]	1,108,400	1,351,635
Leasehold inducements	48,610	62,818
Amounts due under the bonus and deferred share unit plans [note 4]	597,625	387,000
Deferred revenues and deposits from distributors	2,551,260	1,168,238
Current portion of obligations under capital leases	37,458	35,186
Total current liabilities	4,343,353	3,004,877
Long-term portion deferred revenues and deposits from distributors	312,760	358,922
Long-term portion of obligations under capital leases	26,845	36,588
Total long-term liabilities	4,682,958	3,400,387
Shareholders' equity [note 4]		
Capital stock	55,001,008	54,706,512
Warrants	410,236	411,333
Contributed surplus	2,833,453	2,729,235
Accruals for expected bonus to be paid in Common Shares	2,504	297,000
Deferred share units	419,816	419,816
Deficit	(58,046,565)	(55,970,519)
Total shareholders' equity	620,452	2,593,377
	5,303,410	5,993,764

See accompanying notes

LMS Medical Systems Inc.

As at June 30, 2007 and March 31, 2007 and for the three-month periods ended June 30, 2007 and 2006



INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS

For the three-month period ended

[Unaudited]

	June 30	
	2007	2006
	\$	\$
Revenues		
Software licenses	598,040	298,229
Technical support services, consulting and other	363,643	332,922
Total revenues	961,683	631,151
Operating expenses		
Research and development expenses	839,799	1,100,603
Investment tax credits	(30,000)	(45,000)
Net research and development expenses	809,799	1,055,603
Royalties and other direct costs	124,176	81,271
Administrative	768,625	756,691
Selling, marketing and product management	746,701	790,524
Customer support	249,799	247,911
Quality assurance	77,038	49,091
Stock option expense	103,121	164,085
Amortization of capital assets	98,197	81,127
Amortization of patents	5,959	4,356
Foreign exchange loss (gain)	68,270	(5,411)
Total operating expenses	3,051,685	3,225,248
Operating loss	(2,090,002)	(2,594,097)
Interest and other income, net	(13,956)	(43,691)
Net loss	(2,076,046)	(2,550,406)
Basic and diluted loss per share [note 5]	(0.10)	(0.15)

See accompanying notes

LMS Medical Systems Inc.

As at June 30, 2007 and March 31, 2007 and for the three-month periods ended June 30, 2007 and 2006



INTERIM CONSOLIDATED STATEMENTS OF DEFICITS

For the three-month periods ended

[Unaudited]

	June 30	
	2007	2006
	\$	\$
Deficit, beginning of period	(55,970,519)	(45,971,000)
Net loss	(2,076,046)	(2,550,406)
Share issue costs	–	(170,275)
Deficit, end of period	(58,046,565)	(48,691,681)

See accompanying notes

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three-month periods ended

[Unaudited]

	June 30	
	2007	2006
	\$	\$
OPERATING ACTIVITIES		
Net loss	(2,076,046)	(2,550,406)
Adjustments for non-cash items:		
Amortization expense	104,156	85,483
Amortization of leasehold inducements	(14,208)	–
Stock based compensation	103,121	349,101
	(1,882,977)	(2,115,822)
Net changes in non-cash operating working capital items	1,712,031	(132,666)
Cash flows related to operating activities	(170,946)	(2,248,488)
INVESTING ACTIVITIES		
Purchase of short-term investments	–	(505,174)
Additions to capital assets	(683)	(51,045)
Additions to patents	(49,391)	(23,337)
Cash flows related to investing activities	(50,074)	(579,556)
FINANCING ACTIVITIES		
Repayment of obligations under capital leases	(7,471)	(10,636)
Issuance of common shares	–	2,500,000
Share issue costs	–	(170,275)
Cash flows related to financing activities	(7,471)	2,319,089
Net change in cash and cash equivalents	(228,491)	(508,955)
Cash and cash equivalents, beginning of period	3,358,995	5,481,202
Cash and cash equivalents, end of period	3,130,504	4,972,247

See accompanying notes

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1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Description of business

LMS Medical Systems Inc. ["LMS"] is incorporated under the *Canada Business Corporations Act*. Since inception, 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 software and technical support revenues, share and warrant issuances, loans payable, convertible debentures and investment tax credits. The success of LMS is dependent on obtaining the necessary regulatory approvals in order to generate revenue from the sale of its products and achieve future profitable operations.

Basis of presentation

These unaudited interim consolidated financial statements of LMS 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, 2007 and 2006 and for the years ended March 31, 2007, 2006 and 2005. As further described in note 16 of the audited annual consolidated financial statements, these accounting principles differ in certain respects from those that would have been followed had these financial statements been prepared in conformity with United States generally accepted accounting principles [US GAAP] and the related rules and regulations adopted by the United States Securities and Exchange Commission.

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, except as described in note 2. The consolidated balance sheet as at March 31, 2007 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. CHANGES IN ACCOUNTING POLICIES

Effective April 1, 2007, LMS adopted the following CICA Handbook Sections:

a) Section 3855, "Financial Instruments - Recognition and Measurement"

Provides guidance on the recognition and measurement of financial assets, financial liabilities and derivative financial instruments. This new standard requires that all financial assets and liabilities be accounted for using one of three available accounting models: held-to-maturity, available-for-sale or held-for-trading. All financial instruments classified as available-for-sale or held-for-trading, and derivative financial instruments meeting certain recognition criteria, are carried at fair value.

Changes in the fair value of financial instruments designated as held-for-trading and recognized derivative financial instruments are charged or credited to the statement of operations for the relevant period, while changes in the fair value of financial instruments designated as available-for-sale are charged or credited to other comprehensive income. All other financial assets and liabilities are accounted for at cost or at amortized cost depending upon the nature of the instrument. Financial assets and liabilities designated as held-to-maturity are initially recognized at

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2. CHANGES IN ACCOUNTING POLICIES [Cont'd]

their fair values, with any resulting premium or discount from the face value being amortized to income or expense using the effective interest method. After their initial fair value measurement, they are measured at amortized cost using the effective interest rate method.

The standard requires LMS to make certain elections, upon initial adoption of the new rules, regarding the accounting model to be used to account for each financial instrument. This new section also requires that transaction costs incurred in connection with the issuance of financial instruments either be capitalized and presented as a reduction of the carrying value of the related financial instrument or expensed as incurred. If capitalized, transaction costs must be amortized to income using the effective interest method. This section does not permit the restatement of financial statements of prior periods.

Following is a summary of the accounting model LMS has elected to apply to each of its significant categories of financial instruments outstanding as of April 1, 2007:

- Short-term investments (debt instruments) held-to-maturity
- Accounts receivable held-to-maturity
- Accounts payable held-to-maturity
- Long-term debt held-to-maturity

In addition, LMS has elected to account for transaction costs related to the issuance of financial instruments as a reduction of the carrying value of the related financial instruments. With respect to embedded derivatives, LMS has elected to recognize only those derivatives embedded in contracts issued, acquired or substantively modified on or after April 1, 2003 as permitted by the transitional provisions set out in section 3855. The adoption of this new section did not result in any significant adjustments to the carrying values of LMS's previously recognized financial assets and liabilities as at April 1, 2007.

b) Section 1530, "Comprehensive Income", along with Section 3251, "Equity"

Amending Section 3250, "Surplus", require enterprises to present comprehensive income and its components as well as net income in their financial statements. Further, they require enterprises to separately present changes in equity during the period as well as components of equity at the end of the period, including comprehensive income. Since LMS does not have any elements of comprehensive income, the adoption of these sections did not have any impact on LMS's financial statements.

c) Section 3865, "Hedges"

Allows optional treatment providing that hedges be designated as either fair value hedges, cash flow hedges or hedges of a self-sustaining foreign operation. Since LMS does not currently have any hedging programs in place, the adoption of this section did not have any impact on LMS's financial statements.

3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	June 30, 2007 \$	March 31, 2007 \$
Trade accounts payable	414,769	384,838
Accrued liabilities	166,755	285,272
Salaries, benefits and commissions and vacation accruals	526,876	681,525
	1,108,400	1,351,635

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4. CAPITAL STOCK

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

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

	Number	\$
Common shares		
Balance as at March 31, 2007	21,228,724	54,706,512
Issued under the bonus plan	247,476	\$294,496
Balance as at June 30, 2007	21,476,200	\$55,001,008

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 award 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. At the 2005 annual and special meeting of shareholders, the Bonus Plan was approved. At the 2006 annual general meeting the maximum number of shares issuable under this plan was increased from 250,000 to 500,000.

For the year ended March 31, 2007, LMS has recorded total bonus expense related to the Bonus Plan in the amount of \$675,000. As at March 31, 2007, shares reserved, available and unissued and approved by the shareholders under the Bonus Plan were 250,510 whereas the required number of shares to settle the 2007 bonus is 567,227. As a result of this shortfall, only a portion of the \$675,000, or \$297,000, representing 249,580 common shares was recorded within the shareholders' equity section as accruals for bonus expected to be paid by issuing common shares. The remaining balance of \$378,000 was recorded as a current liability on the balance sheet.

During the month of June 2007, 247,476 (\$294,496) of the reserved shares were issued.

During the three month period ended June 30, 2007, relating to 2008 fiscal year, LMS has recorded \$150,000 as bonus expected to be paid in common shares within current liabilities, bringing the total bonus currently payable, within current liabilities, for 2007 and 2008 years to \$528,000.

At the 2007 annual shareholder meeting, LMS expects to increase the number of shares issuable under the Bonus Plan at which time this balance will be transferred to shareholders' equity, if the plan change is approved.

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. At the 2005 annual and special meeting of shareholders, the DSU Plan was approved. At the 2006 annual general meeting the maximum number of deferred share units issuable under this plan was increased from 125,000 to 250,000. LMS has the option to remit either cash or common shares to settle the deferred share units.

For the year ending March 31, 2007, LMS has recorded total director compensation expense related to the DSU Plan of \$222,500. As at March 31, 2007, shares reserved, available and unissued and approved by the shareholders under the DSU Plan were 142,370 whereas the required number of shares to settle the 2007 DSU compensation is 148,920. As a result of this shortfall, only a portion of the \$222,500, or \$213,500, representing 141,365 common shares was recorded within the shareholders' equity section under the DSU balance. The remaining balance of \$9,000 was recorded as a

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4. CAPITAL STOCK [Cont'd]

current liability on the balance sheet. At the 2007 annual shareholder meeting, LMS expects to increase the number of shares issuable under the DSU Plan at which time this balance will be transferred to shareholders' equity, if the plan change is approved.

Total director compensation expense for the period end June 30, 2007 was \$60,625 [2006 -\$55,625], but no deferred share units were granted until plan has been modified as described above. The balance of \$60,625 was recorded as a current payable for a total payable of \$69,625 for the DSU obligations for 2007 and 2008.

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 \$
Balance as at March 31, 2007 [\$9,000 presented within current payables and \$419,816 presented within shareholders' equity]	242,122	428,816
Units granted during the period	--	60,625
Balance as at June 30, 2007 [\$69,625 presented within current payables and \$419,816 presented within shareholders' equity]	242,122	489,441
Warrants	#	\$
Balance as at March 31, 2007	1,173,022	411,333
Expired	(3,303)	(1,097)
Balance as at June 30, 2007	1,169,719	410,236

During the three-month period ended June 30, 2007, 3,303 warrants expired. These warrants were valued at \$1,097. This amount has been credited to contributed surplus. As at June 30, 2007 warrants outstanding warrant have the following features:

Exercise price	#	Estimated life in years
\$1.29	166,266	2.7
\$1.50	422,500	2.8
\$3.23	552,831	1.2
\$3.32	8,122	1.3
\$4.85	20,000	2.3
	1,169,719	

When warrants are exercised or expired, the carrying value of the warrants is credited to contributed surplus.

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Summary of Amounts Due Under the Bonus and Deferred Share Unit Plans

	June 30	
	2007 \$	2007 \$
Bonus payable for 2007	378,000	378,000
Bonus payable for 2008	150,000	-
DSU payable	69,625	9,000
Amounts due under the bonus and deferred share unit plans	597,625	387,000

Stock Options

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

	Number	Weighted average exercise price \$
Balance as at March 31, 2007	1,599,606	3.39
Granted	440,218	1.70
Balance as at June 30, 2007	2,039,824	3.02

Additional information concerning stock options outstanding as at June 30, 2007 is as follows:

Exercise price	#	Options outstanding		Options exercisable	
		Weighted average Contractual life (Years)	Weighted average exercise price	#	Weighted average exercise price
\$1.70 - \$2.06	804,218	4.4	1.8	148,000	1.9
\$2.25 - \$2.45	293,359	3.2	2.4	125,120	2.4
\$3.69 - \$4.00	146,403	2.3	4.0	146,403	4.0
\$4.00 - \$4.62	795,844	2.1	4.3	795,844	4.3
\$1.70 - \$4.62	2,039,824	3.2	3.0	1,215,367	3.8

As at July 31, 2007, LMS had 2,039,824 share stock options outstanding

During the three-month period ended June 30, 2007 LMS board authorized the issued of additional 560,000 stock options of which 440,218 were issued during the period, as this was the maximum amount authorized under the plan. At the 2007 annual shareholder meeting on August 9, 2007, LMS expects to increase the number of shares issuable under the stock option plan, if the plan change is approved. The additional stock options issued at that time, will be priced and valued at that time.

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, measurement value of \$1.70 per common share, dividend yield of nil, volatility factor of 0.48 and risk free interest rate of 4.62%, for a fair value of \$0.81 per share.

During the three-month period ended June 30, 2007 and 2006, LMS recorded stock option expense of \$103,121 and \$164,085 respectively.

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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:

	June 30	
	2007	2006
	\$	\$
Net loss	(2,550,406)	(2,462,026)
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)
Pro forma net loss	(2,076,046)	(2,553,391)
Pro forma basic and diluted loss per share	(0.09)	(0.15)

5. BASIC AND DILUTED LOSS PER SHARE

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

	June 30	
	2007	2006
	\$	\$
Numerator		
Net loss attributable to common shares - basic and diluted	(2,076,046)	(2,550,406)
Denominator		
Weighted-average number of common shares - basic and diluted	21,663,523	17,415,213

6. COMPARATIVE FIGURES

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