



**For Immediate Release**

## **Ondine Biomedical Announces 2011 Second Quarter Financial Results**

**VANCOUVER, BC, August 10, 2011** – Ondine Biomedical Inc., (the “Company” or “Ondine”, TSX: OBP; AIM: OBP) a medical technology company developing photodisinfection based products, today announced its financial results for the six months ended June 30, 2011.

### **FINANCIAL RESULTS**

The Company’s financial results are now reported under International Reporting Standards (“IFRS”) and the 2010 comparative results have been restated to conform to IFRS. Please refer to the Company’s unaudited interim consolidated financial report for the six months ended June 30, 2011 for a detailed description of Company’s significant accounting policies under IFRS and for disclosures and reconciliation of the impact of the change to IFRS on the Company’s previously reported comparative financial information.

All amounts herein are stated in Canadian dollars unless otherwise indicated and the number of the Company’s securities and the per share amounts disclosed herein have been adjusted, where applicable, to reflect the 15 for 1 share consolidation of the Company’s common shares that occurred in October 2010.

For the three months ended June 30, 2011 (“Second Quarter 2011”) the Company recorded a loss of \$1.2 million, or \$0.12 per common share, a increase of \$0.27 million when compared with the loss of \$0.93 million, or \$0.11 per common share, for the three months ended June 30, 2010 (the “Second Quarter 2010”). Product sales revenue for Periowave™ lasers and treatment kits for Second Quarter 2011 was \$0.29 million generating a gross margin of \$0.07 million (25.2%), compared to product sales of \$0.04 million and gross profit margin of \$0.02 million (40.8%) for Second Quarter 2010. Consulting revenue for Second Quarter 2011 was \$0.33 million compared to \$0.18 million for Second Quarter 2010.

For the six months ended June 30, 2011 (“First Half 2011”) the Company recorded a loss of \$2.21 million, or \$0.23 per common share, which is comparable to the loss of \$2.16 million, or \$0.27 per common share, for the six months ended June 30, 2010 (the “First Half 2010”). Product sales revenue for Periowave™ lasers and treatment kits for First Half 2011 was \$0.34 million generating a gross margin of \$0.09 million (25.9%), compared to product sales of \$0.16 million and gross profit margin of \$0.09 million (59.5%) for First Half 2010. Consulting revenue for First Half 2011 was \$0.67 million compared to \$0.38 million for First Half 2010.

## **PLAN OF ARRANGEMENT FOR PRIVATIZATION OF ONDINE**

As further described in the Company's news releases dated June 28, 2011 and August 4, 2011, the Company and 0902337 B.C. Ltd. (the "Purchaser") have entered into a definitive arrangement agreement (the "Arrangement Agreement") pursuant to which the Purchaser agreed to acquire all of the issued and outstanding equity of Ondine. The Purchaser is a private company whose sole shareholder is Carolyn Cross, Chairman, Chief Executive Officer and a shareholder of Ondine. The transaction will be implemented by way of a court-approved plan of arrangement under British Columbia law (the "Arrangement"). Under the Arrangement, holders ("Shareholders") of Ondine common shares (the "Common Shares") will receive \$0.33 in cash per Common Share for an aggregate purchase price of approximately \$3.19 million. Under the Arrangement, all outstanding options and warrants of Ondine will be cancelled, and the holders thereof will receive \$0.001 for each share issuable thereunder.

The Company has mailed in accordance with regulatory requirements the formal notice, accompanying management information circular, and other related documents (the "Meeting Materials") in connection with the Annual General Meeting of Shareholders and Special Meeting of Securityholders (collectively, the "Meeting") to be held on Tuesday, August 30, 2011. At the Meeting, Ondine's securityholders will vote on, among other things, a resolution to approve the Arrangement. Copies of the Meeting Materials are available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.ondinebio.com](http://www.ondinebio.com). Completion of the Arrangement is subject to a number of conditions including, among other things, receipt of required securityholder, court, and regulatory approvals.

## **OTHER DEVELOPMENTS**

In April 2011, the Company agreed to supply Vancouver General Hospital (VGH) with Ondine's MRSAid™ Photodisinfection System for nasal pathogen decolonization as part of a thirteen month infection control Quality Improvement Project ("QIP") being conducted at the hospital. This project is being undertaken with the objective of reducing the incidence of surgical site infections (SSIs) in selected surgical populations. The QIP, which is being sponsored by VGH & UBC Hospital Foundation funding of approximately \$675,000, will focus on pre-surgical pathogen decolonization using photodisinfection of the nasal passages and full body chlorhexidine wipes for all patients treated under this initiative.

In May 2011, the United States Food and Drug Administration (FDA) approved a human clinical study (the "Study") to investigate the use of photodisinfection for the in situ microbial disinfection of endotracheal tubes as a means to prevent ventilator associated pneumonia (VAP). VAP is the number one cause of healthcare-associated infections in intensive care unit patients. The photodisinfection treatment system to be used in the Study was developed by Ondine's wholly owned subsidiary, Advanced Photodynamic Technologies, Inc. (APT). Funding of the study site and investigator costs as well as all fees incurred to perform all independent clinical study monitoring requirements, data base management and statistical analyses is via the direct payment of these costs by a third party under the terms of a government grant. APT will be responsible for, among other things, providing at its cost the study devices, consisting of the lasers and the photosensitizing agent. The clinical study is expected to commence in the third quarter of 2011 and to take at least one year to complete.

In May 2011, the Company entered into an agreement with Ms. Cross pursuant to which she advanced the Company \$1,500,000 (the "May 2011 Cross Loan"). This loan is due on October

1, 2011, is secured by a first charge on the proceeds of any future financing transaction, and is interest free until the due date, but thereafter, the principal amount will accrue interest at a rate of 5% per annum payable monthly.

Under the Arrangement Agreement, the Purchaser and Ondine have entered into a loan agreement (the "Loan Agreement") under which the Purchaser has advanced to the Company a bridge loan of \$750,000 (the "Bridge Loan"). The Bridge Loan is due on demand or on termination of the Arrangement Agreement pursuant to its terms. The Bridge Loan is interest free if paid in full on or before October 1, 2011 and thereafter will bear interest at 5% per annum payable at the end of each month commencing on October 31, 2011.

Under the Arrangement Agreement, the May 2011 Cross Loan, together with the other loans to the Company from Ms. Cross aggregating \$1.02 million (the "Other Cross Loans") as of the date of this news release and the Bridge Loan plus accrued unpaid interest would become immediately due and payable and be required to be paid on termination of the Arrangement Agreement as a result of a Superior Proposal (as defined in the Arrangement Agreement) or the entering of an Acquisition Proposal (as defined in the Arrangement Agreement).

In addition, if the Arrangement Agreement is terminated other than as a result of a Superior Proposal or the entering of an Acquisition Proposal, the Other Cross Loans and the Bridge Loan described in the plus accrued unpaid interest would become immediately due and payable. Under this circumstance, the Company would seek to renegotiate the repayment terms of these loans in order to enable the Company to pursue other financing alternatives. However, there is no guarantee that the Company will be able to renegotiate these loans or that the Company will be able to make arrangements for subsequent financing.

In connection with the Arrangement, Merrill Biel, who is a director of the Company, his spouse and another party (collectively, the "APT Vendors") have entered into an agreement with the Company (the "APT Amending Agreement") which amends the share purchase agreement among the APT Vendors and the Company made as of November 15, 2009, as previously amended (the "APT SPA"). Under the APT SPA, the Company is obligated to issue up to an additional 528,276 Common Shares on the achievement of certain development and clinical milestones. Under the APT Amending Agreement, if the Arrangement becomes effective, the Company's obligation to issue Common Shares to the APT Vendors on a pro rata basis if all of the remaining six milestones are achieved would be extinguished and replaced by an obligation to make pro rata cash payments instead. The amount of cash payable for reaching each milestone is an amount equal to \$0.33 times the number of shares that would have otherwise been issuable on attainment of the milestone. Accordingly, the cash consideration ranges from \$20,510 to \$41,020 per milestone and would aggregate \$174,331 if all of the remaining milestones are met within the specified time frames. Additionally, for two of the milestones in connection with the Company's product for the prevention of ventilator associated pneumonia, the APT Amending Agreement extends the period during which the milestone must occur from five years to eight years from the date of Closing (as defined in the APT SPA).

## FINANCIAL REVIEW

The loss for the First Half 2011 was comparable with the loss in the First Half 2010 with increases in general and administration expenses of \$0.11 million and in marketing and sales expenses of \$0.17 million being offset by an increase in consulting revenue of \$0.29 million.

The \$0.27 million increase in loss during the Second Quarter 2011, when compared to the loss for the Second Quarter 2010, was primarily due to increases in research and development of \$0.11 million, in general and administration expenses of \$0.17 million and in marketing and sales expenses of \$0.14 which were partially offset by an increase in consulting revenue of \$0.15 million.

Sales in the First Half 2011 consisted primarily of sales of cordless hand held lasers (“HHL”) and treatment kits. Sales in the First Half 2010 consisted primarily of laser base stations, which is the previous model of the Periowave™ laser product. The increase in sales in the First Half 2011, when compared to the First Half 2010, is primarily due to an increase in the sales of lasers. The lower gross profit margin percentage in the First Half 2011, when compared to the First Half 2010; is primarily due to the sale in the First Half 2010 of laser base stations that had an original cost of \$64,000; but, which had previously been written off by the Company. The gross margin percentage for the First Half 2011 is more reflective of the gross margin percentage that the Company expects to earn on future sales of Periowave™ product.

The increase in consulting fee revenue was principally due to fees earned in First Half 2011 in connection with management and research and development services provided to Sinuwave Technologies Corporation, there being no comparable fees in First Half 2010 as the agreement with Sinuwave commenced in August 2010.

Research and development expenses for First Half 2011 were comparable with those expenses for First Half 2010. The increase in general and administration expenses was primarily due to higher consulting and professional fees, primarily due to higher legal fees. The increase in marketing and sales expenses was primarily due to an increase in those activities as the Company expanded its efforts to increase public awareness of its products through the use of social media and as the Company conducted market planning for its MRSAid product and hired marketing staff.

The Company intends to continue to focus its resources on development of a select number of new applications of its platform photodisinfection technology. During First Half 2011 the Company continued to invest in research and development of, among other things, our MRSAid™ product for decolonization of pathogenic bacteria, such as methicillin-resistant *Staphylococcus aureus* (MRSA) in the anterior nares; our product for the in situ microbial disinfection of endotracheal tubes as a means to prevent ventilator associated pneumonia (VAP) and in the Periowave™ PMA submission. The PMA was submitted by the Company on behalf of PDT Inc. to obtain FDA approval for the sale of the Periowave™ system in the United States for the treatment of periodontitis in adults as an adjunct to standard methods of care. As indicated above, the Company is now also supporting the development of a photodisinfection product to address chronic sinusitis under contract with Sinuwave Technologies Corporation.

As at June 30, 2011 the Company had cash and cash equivalents totaling \$0.83 million compared with \$0.87 million as at December 31, 2010. Accounts payable and accrued liabilities at June 30, 2011 were \$1.49 million compared with \$1.4 million at December 31, 2010. During the First Half 2011, the Company used cash of approximately \$2.04 million for operating activities and

received two loan advances aggregating \$2 million from Ms. Cross. Subsequent to June 30, 2011, the Company received from the Purchaser a loan advance of \$0.75 million under the Bridge Loan.

If the Arrangement does not become effective, the Company would have to renegotiate the terms of certain of its loans payable and the Company would need to seek additional financing in order to continue the Company's operations. The Company believes that future conditions in the capital markets will make it difficult, dilutive, and costly for companies at its stage of development to secure additional funding. There is a risk that in the third quarter of 2011 the Company could have insufficient cash to operate its business if it is unable to secure further funding. Assurances can not be given that additional funding will be available on terms that are acceptable to the Company or at all. Should the Company be unable to obtain additional cash in a timely manner, it would have to severely curtail or cease its activities and there can be no assurances that the Company would be able to continue in business.

As at June 30, 2011 the Company had 9,661,468 common shares outstanding.

Additional analysis of the Company's financial results for the Second Quarter 2011 is included in our management's discussion and analysis of financial condition and results of operations (MD&A) for the six months ended June 30, 2011, which will be made available on the Company's website and on [www.sedar.com](http://www.sedar.com).

### **About Ondine Biomedical Inc.**

Ondine is developing non-antibiotic therapies for the treatment of a broad spectrum of bacterial, fungal and viral infections. The Company is focused on developing leading edge products utilizing its patented light-activated technology, primarily for the healthcare-associated infection (HAI) market. Photodisinfection provides broad-spectrum antimicrobial efficacy without encouraging the formation and spread of antibiotic resistance. The Company is based in Vancouver, British Columbia, Canada, with a research and development laboratory in Bothell, Washington, USA. For additional information, please visit the Company's website at: [www.ondinebio.com](http://www.ondinebio.com).

### **Forward-Looking Statements:**

*Certain statements contained in this release containing words like "believe", "intend", "may", "expect", "would" and other similar expressions, are forward-looking statements that involve a number of risks and uncertainties. This forward-looking information relates to, among other things, the timing and prospects for completion of the Arrangement, which is subject to a number of conditions precedents, such as the approval of the Arrangement by the court, by Ondine's securityholders and by regulatory authorities. Accordingly, there can be no assurances that the Arrangement will be consummated. The forward-looking statements contained in this release reflect the current views of Ondine with respect to future events and are necessarily based upon a number of assumptions and estimates that, while considered reasonable by Ondine, are inherently subject to various risks and uncertainties. Many factors, both known and unknown, could cause actual results, performance or achievements to be materially different from the results, performance or achievements that are or may be expressed or implied by such forward-looking information contained in this news release and Ondine has made assumptions based on or related to many of these factors. Such factors that could cause actual results to differ materially from those projected in the Company's forward-looking statements include, without limitation, the following: litigation, fluctuations in economic and equity market conditions, market acceptance of our technologies and products; our ability to obtain financing; our financial and technical resources relative to those of our competitors; our ability to keep up with rapid technological change; government regulation of our technologies; our ability to enforce our intellectual property rights and protect our proprietary technologies; the ability to obtain and develop partnership opportunities; the timing of commercial product launches; the ability to achieve key technical milestones in key products and other risk factors identified from time to time in the Company's public filings. Investors are cautioned against attributing undue certainty or reliance on forward-looking information. Although Ondine has attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated, described or intended. Ondine does not intend, and does not assume any obligation, to update this forward-looking information to reflect changes in assumptions or changes in circumstances or any other events affecting such information, other than as required by applicable law.*

The TSX Exchange has not reviewed and does not accept responsibility for the adequacy or accuracy of this release.

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**Ondine Biomedical Inc.**

Incorporated under the laws of British Columbia

**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

As at

(Unaudited - expressed in Canadian dollars)

	<b>June 30, 2011</b>	December 31, 2010
	\$	\$
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents	<b>834,854</b>	876,548
Accounts receivable	<b>412,624</b>	256,755
Inventory	<b>238,300</b>	199,379
Prepaid expenses and deposits	<b>163,150</b>	271,258
<b>Total current assets</b>	<b>1,648,928</b>	1,603,940
<b>Non-current assets</b>		
Property, plant and equipment	<b>401,823</b>	440,964
Intangible assets	<b>346,275</b>	408,762
<b>Total non-current assets</b>	<b>748,098</b>	849,726
<b>Total assets</b>	<b>2,397,026</b>	2,453,666
<b>Liabilities</b>		
<b>Current</b>		
Accounts payable and accrued liabilities	<b>1,487,668</b>	1,397,407
Deposit payable	<b>63,992</b>	131,860
Income taxes payable	<b>5,510</b>	4,506
Current portion of deferred tenant inducements	<b>1,553</b>	1,553
Loan payable	<b>2,512,500</b>	500,000
Deferred revenue	—	64,649
<b>Total current liabilities</b>	<b>4,071,223</b>	2,099,975
<b>Non-current liabilities</b>		
Deferred tax liabilities	<b>1,085</b>	7,020
Deferred tenant inducements, net of current portion	<b>144,412</b>	142,883
<b>Total non-current liabilities</b>	<b>145,497</b>	149,903
<b>Total liabilities</b>	<b>4,216,720</b>	2,249,878
<b>Equity</b>		
Share capital	<b>55,934,361</b>	55,899,080
Contributed surplus	<b>6,665,089</b>	6,514,008
Accumulated other comprehensive income	<b>101,473</b>	102,515
Deficit	<b>(64,520,617)</b>	(62,311,815)
<b>Total equity</b>	<b>(1,819,694)</b>	203,788
<b>Total liabilities and equity</b>	<b>2,397,026</b>	2,453,666

**Ondine Biomedical Inc.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

(Unaudited - expressed in Canadian dollars)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2011	2010	2011	2010
	\$	\$	\$	\$
<b>REVENUE</b>				
Product sales	290,320	42,544	337,243	158,708
Cost of sales	217,076	25,196	249,856	64,235
Gross margin	73,244	17,348	87,387	94,473
Consulting revenue	333,838	181,071	674,007	382,049
Royalty revenue	15,885	9,564	29,767	16,150
	422,967	207,983	791,161	492,672
<b>EXPENSES</b>				
Research and development	984,826	872,481	1,826,053	1,813,068
General and administration	607,608	432,878	1,099,880	987,145
Marketing and sales	144,861	22	174,022	4,990
	(1,737,295)	(1,305,381)	(3,099,955)	(2,805,203)
<b>Other income/(expense)</b>				
Project income	80,452	—	80,452	—
Miscellaneous income	—	8,610	11,040	16,610
Gain on debt settlement	—	52,123	29,106	52,123
Interest expense	(6,250)	—	(12,500)	—
Foreign exchange gain/(loss)	49,002	110,204	6,527	81,834
	123,204	170,937	114,625	150,567
Loss before income taxes	(1,191,124)	(926,461)	(2,194,169)	(2,161,964)
Current income tax expense	(8,708)	—	(18,533)	(7,161)
Deferred income tax recovery	—	—	3,900	5,369
<b>Loss for the period</b>	<b>(1,199,832)</b>	<b>(926,461)</b>	<b>(2,208,802)</b>	<b>(2,163,756)</b>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>				
Exchange differences on translating foreign operations	(55,419)	(116,495)	(1,042)	(54,235)
<b>Total comprehensive loss for the period</b>	<b>(1,255,251)</b>	<b>(1,042,956)</b>	<b>(2,209,844)</b>	<b>(2,217,991)</b>
<b>Basic and diluted loss per common share</b>	<b>(0.12)</b>	<b>(0.11)</b>	<b>(0.23)</b>	<b>(0.27)</b>
<b>Weighted average number of common shares outstanding</b>	<b>9,661,468</b>	<b>8,375,066</b>	<b>9,627,844</b>	<b>7,875,258</b>

**Ondine Biomedical Inc.**

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(Unaudited - expressed in Canadian dollars)

	Number of Common Shares	Share Capital \$	Contributed Surplus \$	Accumulated Other Comprehensive Income \$	Deficit \$	Equity \$
Balance, January 1, 2010	7,369,865	54,767,640	5,583,243	—	(59,139,417)	1,211,466
Units issued for cash (net of issue costs)						
April 2010 Private Placement	919,998	504,994	314,797	—	—	819,791
Common shares issued for settlement of debt (net of issue costs)	63,179	58,519	—	—	—	58,519
Common shares issued for exercise of warrants	100,000	75,000	—	—	—	75,000
Reallocation of contributed surplus as a result of warrant exercise	—	27,176	(27,176)	—	—	—
Share-based compensation	—	—	304,432	—	—	304,432
Total comprehensive loss for the period	—	—	—	(54,235)	(2,163,756)	(2,217,991)
Balance, June 30, 2010	8,453,042	55,433,329	6,175,296	(54,235)	(61,303,173)	251,217
Balance, January 1, 2011	9,573,267	55,899,080	6,514,008	102,515	(62,311,815)	203,788
Common shares issued for settlement of debt	88,201	35,281	—	—	—	35,281
Share-based compensation	—	—	151,081	—	—	151,081
Total comprehensive loss for the period	—	—	—	(1,042)	(2,208,802)	(2,209,844)
<b>Balance, June 30, 2011</b>	<b>9,661,468</b>	<b>55,934,361</b>	<b>6,665,089</b>	<b>101,473</b>	<b>(64,520,617)</b>	<b>(1,819,694)</b>

**Ondine Biomedical Inc.**

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited - expressed in Canadian dollars)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2011	2010	2011	2010
	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
Loss for the period	(1,199,832)	(926,460)	(2,208,802)	(2,163,756)
Add/(deduct) items not affecting cash:				
Gain on debt settlement	—	(52,123)	(29,106)	(52,123)
Depreciation and amortization	59,564	70,920	119,202	143,241
Share-based compensation	112,222	111,444	151,081	304,432
Deferred tenant inducements	(272)	15,329	1,529	28,044
Changes in non-cash working capital items relating to operations:				
Accounts receivable	(263,406)	(158,195)	(155,869)	(14,702)
Inventory	22,782	(69,173)	(38,921)	(62,645)
Prepaid expenses and deposits	60,032	51,178	108,108	(121,262)
Accounts payable and accrued liabilities	114,914	(92,085)	154,648	105,656
Deposit payable	(64,068)	—	(67,868)	190,000
Income taxes payable	1,634	1,082	1,004	1,563
Accrued interest on loan payable	6,250	—	12,500	—
Deferred revenue	(63,024)	(29,449)	(64,649)	(72,233)
Deferred income taxes	(345)	3,300	(5,935)	(1,799)
Foreign exchange	(7,378)	(12,012)	(14,525)	(3,581)
<b>Cash used in operating activities</b>	<b>(1,220,927)</b>	<b>(1,086,244)</b>	<b>(2,037,603)</b>	<b>(1,719,165)</b>
<b>FINANCING ACTIVITIES</b>				
Loan proceeds	1,500,000	500,000	2,000,000	500,000
Issuance of equity securities, net of costs	—	142,991	—	894,791
<b>Cash provided by financing activities</b>	<b>1,500,000</b>	<b>642,991</b>	<b>2,000,000</b>	<b>1,394,791</b>
<b>INVESTING ACTIVITIES</b>				
Purchases of property, plant and equipment	—	(47,359)	(3,049)	(50,422)
<b>Cash used in investing activities</b>	<b>—</b>	<b>(47,359)</b>	<b>(3,049)</b>	<b>(50,422)</b>
<b>Effect of foreign exchange rate changes</b>	<b>(55,419)</b>	<b>(116,495)</b>	<b>(1,042)</b>	<b>(54,235)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>223,654</b>	<b>(607,107)</b>	<b>(41,694)</b>	<b>(429,031)</b>
Cash and cash equivalents, beginning of period	611,200	1,233,849	876,548	1,055,773
<b>Cash and cash equivalents, end of period</b>	<b>834,854</b>	<b>626,742</b>	<b>834,854</b>	<b>626,742</b>