



ADVANSOURCE BIOMATERIALS ANNOUNCES SECOND QUARTER RESULTS FOR FISCAL 2010

Wilmington, MA. November 12, 2009... AdvanSource Biomaterials Corporation (NYSE Amex: ASB), a leading developer of advanced polymer materials for a broad range of medical devices, today announced financial results for its fiscal 2010 second quarter ended September 30, 2009.

Total revenues for the three months ended September 30, 2009 were \$518,000 as compared with \$989,000 for the comparable prior year period, a decrease of \$471,000, or 47.6%. Total revenues for the six months ended September 30, 2009 were \$968,000 as compared with \$1,863,000 for the comparable prior year period, a decrease of \$895,000, or 48.0%.

Product sales of our biomaterials for the three months ended September 30, 2009 were \$316,000 as compared with \$409,000 for the comparable prior year period, a decrease of \$93,000, or 22.7%. Product sales of our biomaterials for the six months ended September 30, 2009 were \$555,000 as compared with \$722,000 for the comparable prior year period, a decrease of \$167,000, or 23.1%. Although the three and six month period product sales decreased as compared with the comparable prior year periods, primarily due to a decrease in shipments of our biomaterials to our existing customer base, in the second quarter of fiscal 2010 the Company realized a \$77,000, or 32.2%, increase in product sales over the first quarter of fiscal 2010. The sequential quarter growth is attributable to product sales to new customers in addition to increased sales to our existing customer base.

License, royalty and development fees for the three months ended September 30, 2009 were \$202,000 as compared with \$580,000 for the comparable prior year period, a decrease of \$378,000 or 65.2%. License, royalty and development fees for the six months ended September 30, 2009 were \$413,000 as compared with \$1,141,000 for the comparable prior year period, a decrease of \$728,000 or 63.8%. The decrease in license, royalty and development fees during the three and six month periods ended September 30, 2009 is primarily a result of an amendment to an agreement with a major customer from whom we derive a majority of our license, royalty and development fee revenue. The amendment to this agreement resulted in the reduction of royalty fees paid to us per unit of sale of our customer's product.

Gross profit on total revenues for the three months ended September 30, 2009 was \$227,000, or 43.8% of total revenues, compared with \$609,000, or 61.6% of total revenues, for the comparable prior year period. Gross profit on total revenues for the six months ended September 30, 2009 was \$338,000, or 34.9% of total revenues, compared with \$1,136,000, or 61.0% of total revenues, for the comparable prior year period. The decrease in gross profit dollars and gross profit as a percentage of total revenues is due to the decrease of product sales and license, royalty and development fees compared to the prior year period.

Gross profit on product sales for the three months ended September 30, 2009 was \$25,000, or 7.9% of product sales, compared with gross profit of \$29,000, or 7.1% of product sales, for the comparable prior year period. Gross profit on product sales for the six months ended September 30, 2009 was a loss of \$75,000, or 13.5% of product sales, compared with a loss of \$5,000, or



0.7% of product sales, for the comparable prior year period. Gross profit on product sales was much improved for the second quarter of fiscal 2010 as compared with the first quarter of fiscal 2010, where we reported a loss of \$100,000 or 41.8%. The improved gross margin in the second quarter of fiscal 2010 is a result of increased product sales within a relatively stable fixed cost environment and continued improvements in operating efficiencies.

Research and development expenses for the three months ended September 30, 2009 were \$159,000 as compared with \$231,000 for the comparable prior year period, a decrease of \$72,000 or 31.2%. Research and development expenses for the six months ended September 30, 2009 were \$341,000 as compared with \$414,000 for the comparable prior year period, a decrease of \$73,000 or 17.6%. During the three and six month periods ended September 30, 2009, we increased our research and development expenditures in the development of new biomaterials and related applications while expenditures related to the CardioPass clinical trials decreased.

Selling, general and administrative expenses for the three months ended September 30, 2009 were \$610,000 as compared with \$722,000 for the comparable prior year period, a decrease of \$112,000 or 15.5%. Selling, general and administrative expenses for the six months ended September 30, 2009 were \$1,396,000 as compared with \$1,646,000 for the comparable prior year period, a decrease of \$250,000 or 15.2%. The decrease is primarily attributable to our cost containment measures which included reductions in outside consultants and insurance costs.

During the three months ended September 30, 2009, we realized approximately \$729,000 of additional gain on the sale of Gish Biomedical Inc. ("Gish"), our former subsidiary, upon the settlement of our dispute with Medos. During the six months ended September 30, 2009, we realized approximately \$942,000 of additional gains on the sales of our former Catheter and Disposables Technology, Inc. ("CDT") and Gish subsidiaries.

As of September 30, 2009, we had cash and cash equivalents of \$3,628,000 as compared to \$3,873,000 as of March 31, 2009.

Michael F. Adams, President and CEO of AdvanSource, stated, "We are pleased with the continued progress being made in sequential quarterly biomaterial product sales growth, and improving margins resulting from our continued efforts to improve production efficiencies. In addition, a key driver of our business model is the acquisition of new customers who will utilize our biomaterials as an integral component of their medical devices. The recent announcements of multi-year development agreements demonstrate our commitment to acquiring customers so as to provide our custom polymer synthesis capabilities to leading innovators in the medical device marketplace."

Mr. Adams added, "The receipt of funds from the escrow established in connection with the sale of CDT and settlement of the MEDOS dispute should provide added strength to our financial position in the near-term. Of equal importance is the elimination of a potentially costly distraction with the settlement of the Medos dispute. While being cognizant of containing our costs, we expect to invest in our sales and marketing efforts to drive sales, and in our research and development efforts to drive product innovation. We look forward to discussing the Company's financial and operating performance and future prospects in a conference call to be scheduled at a later date."



Company Conference Call

Due to business travel conflicts, management will host a conference call following the Thanksgiving break. A future press release will be issued announcing the date and time of the fiscal 2010 second quarter conference call. This information will also be made available on our website at www.advbiomaterials.com.

About AdvanSource Biomaterials Corporation

AdvanSource Biomaterials Corporation manufactures advanced polymer materials which provide critical characteristics in the design and development of medical devices. The Company's biomaterials are used in devices that are designed for treating a broad range of anatomical sites and disease states. AdvanSource's business model leverages its proprietary materials science technology and manufacturing expertise in order to expand its product sales and royalty and license fee income. More information about AdvanSource is available at its website: www.advbiomaterials.com.

Forward-Looking Statements

AdvanSource believes that this press release contains forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on management's current expectations and are subject to risks and uncertainties that could cause results to differ materially from the forward-looking statements. For further information on such risks and uncertainties, you are encouraged to review AdvanSource's filings with the Securities and Exchange Commission, including its Annual Report on Form 10-K for the fiscal year ended March 31, 2009 and its Quarterly Report on Form 10-Q for the quarter ended June 30, 2009. AdvanSource assumes no obligation to update any forward-looking statements as a result of new information or future events or developments, except as required by law.

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[FINANCIAL TABLES FOLLOW]



AdvanSource Biomaterials Corporation
Condensed Consolidated Balance Sheets

(Unaudited - in thousands, except share and per share amounts)

	September 30, 2009	March 31, 2009
	<hr/>	<hr/>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 3,628	\$ 3,873
Accounts receivable-trade, net of allowance of \$5 as of September 30, 2009 and March 31, 2009	104	37
Accounts receivable-other	33	997
Inventories, net	417	390
Note receivable	353	-
Prepaid expenses and other current assets	147	108
Total current assets	<hr/> 4,682	<hr/> 5,405
Property, plant and equipment, net	3,176	3,295
Other assets	-	6
Total assets	<hr/> \$ 7,858 <hr/>	<hr/> \$ 8,706 <hr/>
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 77	\$ 124
Accrued expenses	218	470
Deferred revenue	35	136
Warrant liabilities	-	-
Current liabilities of discontinued operations	-	149
Total current liabilities	<hr/> 330	<hr/> 879
Commitments and contingencies		
Stockholders' equity:		
Preferred stock; \$.001 par value; 5,000,000 shares authorized; 500,000 shares issued and none outstanding as of September 30, 2009 and March 31, 2009	-	-
Common stock; \$.001 par value; 50,000,000 shares authorized; 21,244,763 and 21,205,399 shares issued and 21,168,071 and 21,128,707 shares outstanding as of September 30, 2009 and March 31, 2009, respectively	21	21
Additional paid-in capital	37,710	38,744
Accumulated deficit	(30,173)	(30,908)
	<hr/> 7,558	<hr/> 7,857
Less: treasury stock, 76,692 shares at cost as of September 30, 2009 and March 31, 2009	(30)	(30)
Total stockholders' equity	<hr/> 7,528	<hr/> 7,827
Total liabilities and stockholders' equity	<hr/> \$ 7,858 <hr/>	<hr/> \$ 8,706 <hr/>





AdvanSource Biomaterials Corporation
Condensed Consolidated Statements of Operations
(Unaudited - in thousands, except per share amounts)

	Three Months Ended		Six Months Ended	
	September 30,		September 30,	
	2009	2008	2009	2008
Revenues:				
Product sales	\$ 316	\$ 409	\$ 555	\$ 722
License, royalty and development fees	202	580	413	1,141
	<u>518</u>	<u>989</u>	<u>968</u>	<u>1,863</u>
Cost of sales	291	380	630	727
Gross profit	<u>227</u>	<u>609</u>	<u>338</u>	<u>1,136</u>
Operating expenses:				
Research, development and regulatory	159	231	341	414
Selling, general and administrative	610	722	1,396	1,646
	<u>769</u>	<u>953</u>	<u>1,737</u>	<u>2,060</u>
Loss from operations	<u>(542)</u>	<u>(344)</u>	<u>(1,399)</u>	<u>(924)</u>
Other income (expense):				
Interest income	4	17	4	38
Other expense	-	-	(35)	-
Other income (expense)	4	17	(31)	38
Net loss from continuing operations	<u>(538)</u>	<u>(327)</u>	<u>(1,430)</u>	<u>(886)</u>
Income from discontinued operations - sale of subsidiaries, net of tax of \$0	729	-	942	-
Net income (loss)	<u>\$ 191</u>	<u>\$ (327)</u>	<u>\$ (488)</u>	<u>\$ (886)</u>
Net income (loss) per common share, basic:				
Net loss per share, continuing operations	\$ (0.02)	\$ (0.02)	\$ (0.06)	\$ (0.04)
Net income per share, discontinued operations	0.03	-	0.04	-
Net income (loss) per common share, basic:	<u>\$ 0.01</u>	<u>\$ (0.02)</u>	<u>\$ (0.02)</u>	<u>\$ (0.04)</u>
Net income (loss) per common share, diluted:				
Net loss per share, continuing operations	\$ (0.02)	\$ (0.02)	\$ (0.06)	\$ (0.04)
Net income per share, discontinued operations	0.03	-	0.04	-
Net income (loss) per common share, diluted:	<u>\$ 0.01</u>	<u>\$ (0.02)</u>	<u>\$ (0.02)</u>	<u>\$ (0.04)</u>
Shares used in computing net income (loss) per common share:				
Basic	<u>21,136</u>	<u>21,084</u>	<u>21,132</u>	<u>21,076</u>
Diluted	<u>21,137</u>	<u>21,084</u>	<u>21,132</u>	<u>21,076</u>