



# Press Release

**FOR IMMEDIATE RELEASE**

## **CRITICAL OUTCOME TECHNOLOGIES INC. REPORTS THIRD QUARTER 2008 FINANCIAL RESULTS**

**London, Ontario (March 31, 2008): Critical Outcome Technologies Inc. (TSX Venture: COT)** today announced its financial results for the third quarter ended January 31, 2008 (Q-3 2008).

Operating revenues of \$30,822 were generated during the quarter as the Company reported a net loss of \$(269,404) or \$(0.01) per share compared to a net loss of \$(501,977) or \$(0.01) per share for the comparable quarter ended January 31, 2007 (Q3-2007). The decrease in the reported loss relates to a decline in stock-based compensation as stock options granted in Q-3 2007 resulted in an expense of \$213,705 with no options granted in Q-3 2008. Major expense changes occurring in Q-3 2008 which contributed to the reported loss compared to Q-3 2007 included: an increase in salaries and benefits of \$107,016 related to increased staffing levels and related human resource costs, a \$30,470 increase in professional fees for legal, accounting and consulting costs; a decline in synthesis costs of \$97,626 and an increase in interest income on excess cash balances of \$47,474.

For the nine months ended January 31, 2008 the Company recorded a net loss of \$(1,289,830) or \$(0.03) per share compared to a net loss of \$(779,082) or \$(0.03) for the comparable nine months in 2007, an increased loss of \$510,748. The major expense categories affecting the year to date increase were similar to the quarterly factors and included: an increase in stock-based compensation of \$154,592, an increase in salaries and benefits of \$260,577 and an increase in professional fees of \$148,806. The year to date results reflect the increased business activity of the Company in the first three quarters of fiscal 2008 which were significantly different compared to the first nine months of fiscal 2007 with its focus on raising the capital to execute our business plans and completing the qualifying transaction and amalgamation with Aviator Petroleum Corp, the predecessor public company.

Financing activities in the quarter generated gross proceeds of \$4,475,951; \$4,000,000 from a private placement announced in November 2007 and \$475,951 from the exercise of 724,500 common share warrants. For the nine month period, 2,826,642 warrants have been exercised for gross proceeds of \$1,777,113. At January 31, 2008 the Company had \$5,061,088 in cash and cash equivalents and \$999,202 in short term investments.

Operating highlights during the quarter included:

- Continued positive pre-clinical test results from COTI-2, the Company's lead compound from the small cell lung cancer library with particular emphasis on mechanism of action studies.

- Maintained targeted marketing campaign for COTI-2 to prospective multi-national pharmaceutical licensing partners.
- Commencement of a pilot project with Merck Serono, a division of Merck KGaA, to identify drug candidates for a specific oncology cellular target utilizing our proprietary CHEMSAS® technology.

### **About Critical Outcome Technologies Inc. (COTI)**

COTI is a biotechnology company focused on applying its proprietary computer-based technology, CHEMSAS®, to identify, profile and optimize commercially viable drug candidates at the earliest stage of preclinical drug development and thereby dramatically reduce the timeline and cost of getting new drug therapies to market. In developing its technology, COTI has focused on novel, proprietary, small molecules used to treat cancer and HIV. This focus has been on cancers with high morbidity and mortality such as acute leukemia in adults, hormone resistant breast cancer, hormone resistant prostate cancer, small cell lung cancer and colorectal cancer, which currently have either poor or no effective therapies.

Using CHEMSAS® the Company is developing a pipeline of highly optimized libraries of 6-10 small molecules for specific therapy targets and plans to sell/licence these libraries to interested pharmaceutical partners for human trials and further drug development. Currently, the libraries in various stages of development in the pipeline are targeted at small cell lung cancer, colorectal cancer, HIV integrase inhibitors, chronic and acute leukemia and multiple sclerosis.

### **Notice to Readers**

Information contained in this press release may contain certain statements which constitute “forward looking statements” within the meaning of the Securities Act (Ontario) and applicable securities laws. These forward-looking statements, by their nature, are not guarantees of future performance and are based upon management’s current expectations, estimates, projections and assumptions. COTI operates in a highly competitive and regulated environment that involves significant risks and uncertainties which could cause actual results to differ materially from those anticipated in these forward-looking statements. Management of COTI considers the assumptions on which these forward-looking statements are based to be reasonable, but as a result of the many risk factors, cautions the reader that actual results could differ materially from those expressed or implied in these forward looking statements. Information in this press release should be considered accurate only as of the date of the release and may be superseded by more recent information disclosed in later press releases, filings with the securities regulatory authorities or otherwise.

For more information on COTI, visit [www.criticaloutcome.com](http://www.criticaloutcome.com) or contact:

Dr. Wayne Danter, President & CSO  
519-858-5157  
[wdanter@criticaloutcome.com](mailto:wdanter@criticaloutcome.com)

Gene Kelly, Chief Financial Officer  
519-858-5157  
[gkelly@criticaloutcome.com](mailto:gkelly@criticaloutcome.com)

*The TSX Venture Exchange does not accept responsibility for the adequacy or accuracy of this release.*

**Critical Outcome Technologies Inc.**  
(a development stage company)  
**Interim Consolidated Balance Sheets**

	Unaudited January 31, 2008	Audited April 30, 2007
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 5,061,088	\$ 2,417,801
Short term investments	999,202	-
Accounts receivable	30,114	-
Other receivables	130,641	76,655
Prepaid expenses and deposits	38,068	28,095
	6,259,113	2,522,551
Equipment	141,128	52,560
Patents	194,038	134,298
Trademark	218	870
Molecules	3,149,433	-
Future income tax assets	913,335	1
	\$ 10,657,265	\$ 2,710,280
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 186,264	\$ 179,091
Other payables	96,025	-
Due to shareholders	482,123	118,631
Notes payable	20,000	20,000
Current portion of capital lease obligations	5,180	20,244
	789,592	337,966
Capital lease obligations	21,287	21,287
Future income tax liabilities	913,336	-
Shareholders' equity		
Share capital and warrants	11,540,721	4,037,165
Contributed surplus	1,043,766	675,469
Deficit	(3,651,437)	(2,361,607)
	8,933,050	2,351,027
Commitments		
Subsequent events		
	\$ 10,657,265	\$ 2,710,280

**Critical Outcome Technologies Inc.**  
(a development stage company)  
**Interim Consolidated Statements of Operation and Deficit**  
(Unaudited)

	Three Months Ended		Nine Months Ended		Cumulative
	January 31,		January 31,		period April 30,
	2008	2007	2008	2007	1999 (inception)
	to Jan 31, 2008				
<b>Revenues:</b>					
Contract services	\$ 30,822	\$ -	\$ 30,822	\$ -	\$ 63,322
Screening services	-	-	-	2,500	2,500
	30,822	-	30,822	2,500	65,822
<b>Expenses:</b>					
Stock-based compensation	(14,687)	213,705	368,297	213,705	1,043,766
Salaries and benefits	210,190	103,174	536,074	275,497	1,133,006
Professional fees	70,707	40,237	248,239	99,433	581,596
Marketing	33,549	29,399	104,212	80,455	261,070
Amortization of furniture and equipment	13,892	7,339	62,195	21,672	118,059
Synthesis costs	314	97,940	19,203	97,940	401,763
Office and general	3,951	3,670	27,125	14,422	75,156
Insurance	9,943	2,888	30,212	2,888	42,904
Rent	9,346	3,206	23,198	12,461	76,266
Corporate governance	6,388	5,867	46,307	5,867	61,056
Interest and bank charges	5,283	834	9,430	8,304	34,795
Computer expense	598	6,941	3,256	12,032	59,427
Amortization of trademark	218	218	653	653	4,133
Research and product development	12,399	278	12,399	15,350	67,027
Reorganization costs	-	692	-	12,556	106,544
	362,091	516,388	1,490,800	873,235	4,066,568
<b>Loss before other income</b>	(331,269)	(516,388)	(1,459,978)	(870,735)	(4,000,746)
<b>Other income</b>					
Investment tax credit refund	-	-	53,077	75,050	190,692
Interest income	61,865	14,391	117,071	16,603	158,617
	61,865	14,391	170,148	91,653	349,309
<b>Loss</b>	(269,404)	(501,997)	(1,289,830)	(779,082)	(3,651,437)
Deficit, beginning of the period	(3,382,033)	(1,208,709)	(2,361,607)	(931,624)	-
<b>Deficit, end of the period</b>	\$ (3,651,437)	\$ (1,710,706)	\$ (3,651,437)	\$ (1,710,706)	\$ (3,651,437)
Basic and diluted loss per common share	\$ (0.01)	\$ (0.01)	\$ (0.03)	\$ (0.03)	
Weighted average number of common shares outstanding	43,266,102	35,088,419	40,103,368	27,477,437	

**Critical Outcome Technologies Inc.**  
(a development stage company)  
**Interim Consolidated Statements of Cash Flows**  
(Unaudited)

	Three Months Ended January 31,		Nine Months Ended January 31,		Cumulative period April 30, 1999 (inception)
	2008	2007	2008	2007	to Jan 31, 2008
<b>Cash provided by (used in):</b>					
<b>Operations:</b>					
Loss	\$ (269,404)	\$ (501,997)	\$ (1,289,830)	\$ (779,082)	\$ (3,651,437)
Items not involving cash:					
Stock-based compensation	(14,687)	213,705	368,297	213,705	1,043,766
Amortization of trademark	218	218	653	653	4,133
Amortization of furniture and equipment	13,892	7,339	62,195	21,672	118,059
Change in non-cash operating working capital	(998,666)	(380,605)	(974,223)	(204,283)	(928,200)
	(1,268,647)	(661,340)	(1,832,908)	(747,335)	(3,413,679)
<b>Investing activities:</b>					
Additions to office furniture, equipment and leaseholds	(25,069)	(11,080)	(150,762)	(11,080)	(179,674)
Purchase of DDP Therapeutics	(673,964)		(791,270)		(791,271)
Additions to patents and trademark	(42,433)	(8,295)	(59,740)	(27,255)	(198,388)
	(741,466)	(19,375)	(1,001,772)	(38,335)	(1,169,333)
<b>Financing activities:</b>					
Issuance of common shares and warrants	4,138,508	1,016,917	5,499,539	3,195,303	9,266,959
Research advances	-	-	-	-	269,745
Notes payable and other advances	-	-	-	(25,000)	20,000
Repayment of obligation under capital lease	(5,098)	4,683	(15,064)	(3,272)	(24,727)
Due to shareholders	1,342	(44,476)	(6,508)	(17,817)	112,123
	4,134,752	977,124	5,477,967	3,149,214	9,644,100
<b>Increase in cash</b>	<b>2,124,639</b>	<b>296,409</b>	<b>2,643,287</b>	<b>2,363,544</b>	<b>5,061,088</b>
Cash and cash equivalents, beginning of period	2,936,449	2,237,599	2,417,801	170,464	-
<b>Cash and cash equivalents, end of period</b>	<b>\$ 5,061,088</b>	<b>\$ 2,534,008</b>	<b>\$ 5,061,088</b>	<b>\$ 2,534,008</b>	<b>\$ 5,061,088</b>
Represented by:					
Cash	\$ 305,161	\$ 334,008	\$ 305,161	\$ 334,008	305,161
Cash equivalents	4,755,927	2,200,000	4,755,927	2,200,000	4,755,927
	\$ 5,061,088	\$ 2,534,008	\$ 5,061,088	\$ 2,534,008	\$ 5,061,088
Supplemental cash flow information:					
Interest paid	\$ 5,178	\$ 8	\$ 27,952	\$ 2,351	\$ 30,878
Non-cash transactions:					
Acquisition of equipment under capital leases	\$ -	\$ -	\$ -	\$ -	\$ 62,274