



Fiscal 2010 First Quarter Financial Statements
(Unaudited)

For the three month periods ended July 31, 2009 and 2008

CRITICAL OUTCOME TECHNOLOGIES INC.
Fiscal 2010 First Quarter Financial Statements
For the three month periods ended July 31, 2009 and 2008

Page 2

Index

	Page
Notice of No Auditor Review of Interim Financial Statements	3
Balance Sheets	4
Statements of Comprehensive Loss and Deficit	5
Statements of Cash Flows	6
Notes to the Financial Statements	7 - 17

CRITICAL OUTCOME TECHNOLOGIES INC.

Page 3

Notice of No Auditor Review of Interim Financial Statements For the three month periods ended July 31, 2009 and 2008

The accompanying unaudited balance sheet of Critical Outcome Technologies Inc. (COTI) as at July 31, 2009, the audited balance sheet as at April 30, 2009 and the unaudited statements of comprehensive loss and deficit and cash flows for the three month periods ending July 31, 2009 and 2008 have been prepared by, and are the responsibility of the Company's management and have been reviewed and approved by the Audit Committee as authorized by the Board of Directors.

Neither an audit nor review of the interim financial statements is required by the Company's independent auditor under regulatory reporting requirements, however, under National Instrument 51-102 para. 4.3(3)a the Company must advise whether a review has occurred or not. Accordingly, management advises that the Company's independent auditor, KPMG LLP, was not engaged to perform a review of these interim financial statements.

CRITICAL OUTCOME TECHNOLOGIES INC.

Page 4

Balance Sheets

As at	July 31, 2009	April 30, 2009
	(Unaudited)	(Audited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 743,837	\$ 602,613
Short-term investments (note 2)	2,116,880	3,049,846
Miscellaneous receivables	47,609	87,990
Prepaid expenses and deposits	82,665	63,830
	2,990,991	3,804,279
Long-term deposit	-	3,356
Equipment (note 3)	108,121	116,099
Intangible assets (note 4)	2,921,628	2,993,391
	\$ 6,020,740	\$ 6,917,125
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 383,796	\$ 333,025
Due to shareholders	81,843	82,249
Notes payable	20,000	20,000
Capital lease obligation	-	1,263
	485,639	436,537
Shareholders' equity:		
Share capital and warrants	12,813,125	12,813,125
Contributed surplus (note 5)	1,884,063	1,850,461
Deficit	(9,162,087)	(8,182,998)
	5,535,101	6,480,588
	\$ 6,020,740	\$ 6,917,125

Commitment (note 10)

Subsequent events (note 14)

See accompanying notes to financial statements

CRITICAL OUTCOME TECHNOLOGIES INC.
Statements of Comprehensive Loss and Deficit

For the three month periods ended	July 31, 2009	July 31, 2008
	(Unaudited)	(Unaudited)
Revenues:		
Contract services	\$ -	\$ -
Expenses:		
Research and product development	316,306	133,214
Salaries and benefits (note 9)	287,708	150,380
Amortization (notes 3 & 4)	132,868	118,997
Professional fees	66,317	113,303
Marketing	57,877	48,569
General and administration	48,380	38,985
Corporate governance	42,425	56,148
Stock-based compensation (note 5)	33,602	232,621
Interest and bank charges	1,416	6,087
	986,899	898,304
Loss before other income	(986,899)	(898,304)
Other income:		
Investment tax credit refunds (expense)	(515)	-
Interest income	8,325	39,533
	7,810	39,533
Loss and comprehensive loss	(979,089)	(858,771)
Accumulated deficit, beginning of the period	(8,182,998)	(4,263,979)
Accumulated deficit, end of the period	\$ (9,162,087)	\$ (5,122,750)
Basic and diluted loss per common share	\$ (0.02)	\$ (0.02)
Weighted average number of common shares outstanding	46,720,214	45,855,637

See accompanying notes to financial statements

CRITICAL OUTCOME TECHNOLOGIES INC.

Statements of Cash Flows

Page 6

For the three month periods ended	July 31, 2009	July 31, 2008
Cash provided by (used in):	(Unaudited)	(Unaudited)
Operating activities:		
Loss	\$ (979,089)	\$ (858,771)
Items not involving cash:		
Stock-based compensation	33,602	232,621
Amortization	132,868	118,997
Loss on disposal of equipment	40	-
Change in non-cash operating working capital (note 8)	75,673	35,266
	(736,906)	(471,887)
Investing activities:		
Redemption of short-term investments (net of purchases)	932,966	(1,036,343)
Purchase of equipment	(5,038)	(4,895)
Proceeds on disposal of equipment	792	-
Expenditures on intangible assets	(48,921)	(50,095)
	879,799	(1,091,333)
Financing activities:		
Issuance of share capital and warrants (net of issuance costs)	-	625,947
Decrease in capital lease obligations	(1,263)	(5,264)
Payments to shareholders	(406)	(353,800)
	(1,669)	266,883
Increase (decrease) in cash and cash equivalents	141,224	(1,296,337)
Cash and cash equivalents, beginning of the period	602,613	3,113,220
Cash and cash equivalents, end of the period	\$ 743,837	\$ 1,816,883
Represented by:		
Cash	\$ 184,171	\$ 253,171
Cash equivalents	559,666	1,563,712
	\$ 743,837	\$ 1,816,883
Supplemental cash flow information:		
Interest paid	\$ 1,120	\$ 5,723

See accompanying notes to financial statements

Description of business:

Critical Outcome Technologies Inc. ("COTI" or the "Company") 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.

Using CHEMSAS®, the Company has created a pipeline of highly optimized, novel, proprietary, small molecules for specific therapy targets with high morbidity and mortality, which currently have either poor or no effective therapies. The Company is developing these molecules in the preclinical testing stage while it seeks to sell or license them to interested pharmaceutical partners for human trials and further drug development. The molecules in various stages of development are targeted at small cell lung cancer and other cancers, HIV integrase inhibitors, acute adult leukemias, multiple sclerosis and colorectal cancer. The Company has also initiated a collaboration strategy to use its technology for pharmaceutical partners who have their own therapy targets, which can benefit from the Company's drug discovery technology in creating lead compounds for their targets of interest.

1. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles for the preparation of interim financial statements. This results in certain information and disclosures normally included in the notes to the annual audited financial statements being condensed or not presented in these financial statements. These interim financial statements should be read in conjunction with the Company's most recent audited annual financial statements of April 30, 2009 and related notes.

(a) Basis of presentation:

The accompanying interim financial statements have been prepared on a going concern basis that contemplates the realization of assets and discharge of liabilities in the normal course of operations. There are material uncertainties related to certain adverse conditions and events that raise doubts about the validity of this assumption. For example, the Company has not yet established commercial operating revenues and operational cash flows continue to be negative. Financing for Company operations continues through cash and short-term investments from prior equity raises.

Key financial results for the three months ended July 31, 2009 and 2008 that are indicative of possible concern include: the Company had a loss of \$979,089 (July 31, 2008 - \$858,771), negative cash flow from operations of \$736,906 (July 31, 2008 - \$471,887); an accumulated deficit of \$9,162,087 (April 30, 2009 - \$8,182,998), shareholders' equity of \$5,535,101 (April 30, 2009 - \$6,480,588) and working capital of \$2,505,352 (April 30, 2009 - \$3,367,742).

Management is taking steps to address the going concern risks by: actively seeking out potential customers, partners and collaborators as a means of furthering molecule development and generating

future revenue streams; pursuing alternative sources of financing, including but not limited to, raising capital in the public market; actively managing liquidity through the reduction or delay of discretionary and other expenditures, which are not immediate in nature; and focusing research and development activities on advancing the development of key molecules that are in the later stages of development and on the verge of generating revenue.

These financial statements do not include any adjustments to the amounts and classifications of assets and liabilities, and the reported revenues and expense that might be necessary should the Company be unable to continue as a going concern.

(b) Changes in accounting policies:

The interim financial statements follow the same accounting policies and methods of application as the most recent annual financial statements, with the exception of the changes described below:

(i) Government assistance:

Government assistance earned in connection with research and development and marketing activities is recorded against the related expenditures when incurred. Government assistance designated as expense reimbursement is recorded against those expenses when recognized whereas assistance designated as capital expenditure reimbursement is recorded as a reduction in the cost of the asset acquired with amortization calculated on the net amount. Recognition of government assistance only occurs if there is reasonable assurance that the Company is in compliance with the conditions underlying the agreement under which the government assistance was granted.

In situations where government assistance is to be applied to expenditures in a subsequent accounting period, the assistance is deferred and amortized to income as the related expenses are incurred.

(ii) Goodwill and intangible assets:

In February 2008, the Accounting Standards Board ("AcSB") issued Section 3064, "Goodwill and Intangible Assets", which replaced Section 3062, "Goodwill and Other Intangible Assets" and Section 3450, "Research and Development Costs". For the Company, this Section became effective for interim and annual financial statement reporting beginning on May 1, 2009. This Section establishes standards for the recognition, measurement, and disclosure of goodwill and intangible assets. The adoption of this standard has resulted in the reclassification of computer software as an intangible asset, but has had no effect on the recognition and measurement of the Company's molecules, patents or trademark nor has it had any effect on the reported net loss and deficit.

(iii) General standards for financial statement presentation:

In January 2008, Section 1400, "General Standards of Financial Statement Presentation" was amended to require disclosure of material uncertainties that cast significant doubt as to an entity's ability to continue as a going concern. For the Company, this Section is effective for interim and annual financial

statements beginning on May 1, 2009. This new standard has had no impact on the financial statements as the Company currently discloses material uncertainties that cast doubt as to an entity's ability to continue as a going concern.

2. Short-term investments:

The Company invests cash not needed for immediate working capital purposes in short-term securities having maturities greater than three months but less than a year, and rated "A high" or greater by Standard and Poor's and the Dominion Bond Rating Service. At July 31, 2009, maturities ranged from September 1, 2009 to March 16, 2010. The cost of these investments at July 31, 2009 was \$2,116,880 (market \$2,127,364) and at April 30, 2009 \$3,049,846 (market \$3,067,761).

3. Equipment:

	July 31, 2009			April 30, 2009		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Furniture and fixtures	\$ 122,384	\$ 34,051	\$ 88,333	\$ 122,384	\$ 27,938	\$ 94,446
Computer hardware	77,670	63,003	14,667	84,623	70,651	13,972
Leasehold improvements	24,517	19,396	5,121	24,517	16,836	7,681
	\$ 224,571	\$ 116,450	\$ 108,121	\$ 231,524	\$ 115,425	\$ 116,099

Amortization related to equipment included in amortization expense is \$12,184 (July 31, 2008 – \$9,892).

There are no costs for assets under capital lease included in equipment (April 30, 2009 – \$11,081) and no accumulated amortization (April 30, 2009 – \$10,773).

4. Intangible assets:

	July 31, 2009			April 30, 2009		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Molecules	\$ 3,111,169	\$ 648,160	\$ 2,463,009	\$ 3,111,169	\$ 550,936	\$ 2,560,233
Patents	423,159	12,212	410,947	374,450	10,589	363,861
Computer software	93,792	46,589	47,203	93,581	24,790	68,791
Trademark - CHEMSAS®	5,091	4,622	469	5,091	4,585	506
	\$ 3,633,211	\$ 711,583	\$ 2,921,628	\$ 3,584,291	\$ 590,900	\$ 2,993,391

Amortization expense includes the following amounts related to intangible assets:

	July 31, 2009	July 31, 2008
Molecules	\$ 97,224	\$ 97,224
Patents	1,623	1,435
Computer software	21,800	10,314
Trademark - CHEMSAS®	37	132
	\$ 120,684	\$ 109,105

CRITICAL OUTCOME TECHNOLOGIES INC.
Notes to the Fiscal 2010 First Quarter Financial Statements
For the three month periods ended July 31, 2009 and 2008

The Company is pursuing or has been granted composition of matter patents on certain molecules as summarized below:

	July 31, 2009			April 30, 2009		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Patents pending	\$ 228,179	\$ -	\$ 228,179	\$ 188,735	\$ -	\$ 188,735
Patents granted	194,980	12,212	182,768	185,715	10,589	175,126
	\$ 423,159	\$ 12,212	\$ 410,947	\$ 374,450	\$ 10,589	\$ 363,861

5. Stock-based compensation:

The Company maintains a stock option plan for directors, officers, employees and consultants who contribute to the long-term goals of the Company. Under the Plan, the maximum number of shares available as purchase options granted shall not exceed 10% of the outstanding issued shares. The awarding of options, their exercise price and vesting period is determined by the Compensation Committee of the Board.

No stock options were granted during the period ended July 31, 2009.

Details of the outstanding stock options at July 31, 2009 are summarized below:

Weighted Average Exercise Price	Options granted and outstanding at July 31/09	Vested	Unvested	Weighted average remaining contractual life in years	Total stock based compensation value	Weighted average option value
\$0.50	500,000	100,000	400,000	4.25	\$ 295,500	\$ 0.591
\$0.64	1,035,000	1,035,000	-	2.45	306,207	0.296
\$0.70	50,000	50,000	-	2.46	15,908	0.318
\$0.75	309,078	309,078	-	3.86	189,465	0.613
\$0.90	422,389	422,389	-	4.55	415,208	0.983
\$1.00	130,000	130,000	-	2.75	111,540	0.858
\$1.20	100,000	49,998	50,002	3.96	103,000	1.030
\$1.35	150,000	150,000	-	2.65	176,400	1.176
\$2.00	100,000	100,000	-	3.19	176,700	1.767
\$0.79	2,796,467	2,346,465	450,002	3.35	\$ 1,789,928	\$ 0.640
Total expensed to July 31, 2009					\$ 1,663,036	
Available for grant at July 31, 2009					1,875,554	

Stock-based compensation expected to vest in future periods is summarized below:

2010	\$ 99,712
2011	58,566
2012	14,897
	\$ 173,175

The following table summarizes the change in contributed surplus for the period ended July 31, 2009 and the year ended April 30, 2009:

	July 31, 2009	April 30, 2009
Opening balance	\$ 1,850,461	\$ 1,008,259
Stock-based compensation	33,602	842,202
Ending balance	\$ 1,884,063	\$ 1,850,461

6. Income taxes and investment tax credits:

The following table reconciles income taxes, calculated at combined Canadian federal and provincial tax rates, with the income tax expense in the financial statements:

	July 31, 2009	April 30, 2009
Loss before income taxes	\$ (979,089)	\$ (3,919,019)
Statutory rate	32.00%	33.00%
Expected income tax recovery	(313,000)	(1,293,000)
Amounts not deductible for tax	13,000	285,000
Share issuance costs deductible for tax	(19,000)	(81,000)
Expiration of non-capital losses	-	37,000
Change in future income tax rates	16,000	110,000
Change in valuation allowance	257,000	774,000
Tax credits realized	26,000	88,000
Other	20,000	80,000
Income tax expense	\$ -	\$ -

The tax effects of temporary differences that give rise to significant portions of the future tax assets and liabilities are presented below:

	July 31, 2009	April 30, 2009
Losses carried forward	\$ 1,557,000	\$ 1,382,000
Total research expenditures deferred for tax purposes	583,000	519,000
Financing expenses	153,000	173,000
Other	74,000	74,000
Future tax assets	2,367,000	2,148,000
Less future tax liabilities related to:		
Equipment	(1,000)	(5,000)
Intangible assets	(697,000)	(731,000)
Net future tax assets	1,669,000	1,412,000
Less valuation allowance	(1,669,000)	(1,412,000)
	\$ -	\$ -

The valuation allowance for future tax assets as at July 31, 2009 is \$1,669,000 (April 30, 2009 - \$1,412,000). In assessing the value of the future tax assets, management considers whether it is more likely than not, that some portion or all of the future tax assets will be realized. The ultimate realization

of future tax assets is dependent upon future taxable income. Management considers the likelihood of future profitability, the character of the tax assets and any applicable tax planning strategies to make this assessment. To the extent that management believes that the realization of future tax assets do not meet the more likely than not criterion, a valuation allowance is provided against the future tax assets. Management currently believes that the Company does not meet the more likely than not criterion and, therefore, future tax assets have not been recognized in the financial statements.

The Company has non-capital losses of approximately \$5,370,000 and research and development expenditures of \$2,234,000, which may be applied to reduce taxable income of future years expiring as follows:

2013	\$	36,000
2014		186,000
2025		178,000
2026		463,000
2027		580,000
2028		1,297,000
2029		2,037,000
2010		593,000
Total non-capital losses	\$	5,370,000
Total research and development expenditures, no expiry	\$	2,234,000

7. Financial instruments:

The Company's financial instruments (financial assets and liabilities) consist of cash and cash equivalents, short-term investments, miscellaneous receivables, accounts payable and accrued liabilities, due to shareholders and notes payable.

Financial instruments designated as held for trading are recorded at fair market value. Financial instruments designated as held to maturity, loans and receivables and other financial liabilities are recorded at amortized cost.

CRITICAL OUTCOME TECHNOLOGIES INC.
Notes to the Fiscal 2010 First Quarter Financial Statements
For the three month periods ended July 31, 2009 and 2008

The details of financial instruments and their designation are set out below:

	Held for trading	Held to maturity	Loans and receivables	Other financial liabilities	Total carrying value	Non financial instruments	Balance sheet carrying value
Cash and cash equivalents	\$ 743,837	\$ -	\$ -	\$ -	\$ 743,837	\$ -	\$ 743,837
Short term investments	-	2,116,880	-	-	2,116,880	-	2,116,880
Miscellaneous receivables	-	-	37,658	-	37,658	9,951	47,609
Accounts payable and accrued liabilities	-	-	-	(357,231)	(357,231)	(26,565)	(383,796)
Due to shareholders	-	-	-	(81,843)	(81,843)	-	(81,843)
Notes payable	-	-	-	(20,000)	(20,000)	-	(20,000)
	\$ 743,837	\$ 2,116,880	\$ 37,658	\$ (459,074)	\$ 2,439,301	\$ (16,614)	\$ 2,422,687

Fair value estimates are made as of a specific point in time, using available information about the financial instrument. The Company has determined that the carrying value of its financial assets and liabilities approximates their fair value because of the relatively short periods to maturity of these instruments and their capacity for prompt liquidation.

(a) Credit risk:

Credit risk results from the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract. The Company regularly monitors credit risk exposure and takes steps to mitigate the likelihood that these exposures will result in an actual loss. The Company does not have any financial instruments that potentially subject it to significant credit risk. There have been no material changes to the Company's credit risk exposure or processes related to this risk during the period.

The Company's maximum exposure to credit risk is quantified by the carrying value of the following financial assets, and the aging thereon is detailed below:

	Total	Current	31 - 60 days	61 - 90 days	Over 90 days
Trade receivables	\$ -	\$ -	\$ -	\$ -	\$ -
Miscellaneous receivables	37,658	29,115	4,164	1,096	3,283
	\$ 37,658	\$ 29,115	\$ 4,164	\$ 1,096	\$ 3,283

The Company's receivables are deemed to be of high credit quality and consequently, it does not require collateral to secure its receivables.

(b) Liquidity risk:

Liquidity risk relates to potential difficulty in raising funds to meet commitments associated with financial instruments. Based upon the high credit ratings associated with its financial assets and the Company's spending plans, the Company has determined that it will have sufficient cash available to

meet its financial obligations during the 2010 fiscal year. There have been no changes to the Company's liquidity risk exposure or processes related to financial instruments during the period.

The contractual maturities of the Company's financial assets (other than receivables), on an undiscounted cashflow basis, are as follows:

	Days to Maturity				
	Total	0 - 90	91 - 180	181 - 270	Over 270
Cash and cash equivalents	\$ 743,837	\$ 743,837	\$ -	\$ -	\$ -
Short term investments	2,116,880	1,016,881	799,999	300,000	-
	\$2,860,717	\$1,760,718	\$ 799,999	\$ 300,000	\$ -

The contractual maturities of the Company's financial liabilities, on an undiscounted cashflow basis, are as follows:

	Days to Maturity				
	Total	0 - 90	91 - 180	181 - 270	Over 270
Trade payables	\$ 225,575	\$ 225,575	\$ -	\$ -	\$ -
Accrued liabilities	131,656	116,656	-	-	15,000
Due to shareholders	81,843	81,843	-	-	-
Notes payable	20,000	20,000	-	-	-
	\$ 459,074	\$ 444,074	\$ -	\$ -	\$ 15,000

The Company has determined that it has sufficient working capital to manage its maturing financial liabilities as they come due. Included in cash equivalents are instruments which are cashable before the contractual maturity date. The Company's short-term investments are concentrated in instruments with high credit ratings, which minimizes exposure to liquidity risk.

(c) Market risk:

(i) Foreign currency risk:

The Company has contracts denominated in United States dollars (USD) and Euros (EURO) and is exposed to risk with respect to fluctuations in exchange rates between CAD, USD and Euro. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. As a result, variations in foreign exchange rates could cause fluctuations in the Company's operating results and cash flows. The Company's foreign currency risk exposure during the quarter was consistent with the foreign currency risk exposure during the year ended April 30, 2009. The amount of this exposure is not considered material to the financial statements.

A foreign currency loss was recorded for the period ended July 31, 2009 of \$2,407 (July 31, 2008 - \$231).

(ii) Interest rate risk:

Interest rate risk arises from fluctuations in the interest rates applied to financial assets and liabilities. The financial asset exposure to interest rate risk is concentrated in cash equivalents and short-term investments as the interest rate obtained upon renewal will fluctuate with market pricing. The Company regularly monitors the rates available as the instruments mature, with the selection of investments restricted to those with high credit ratings, in accordance with the Company's investment policy. The financial liability exposure to interest rate risk is concentrated in the notes payable as interest is levied at a fluctuating rate based on the bank's prime lending rate. There have been no changes to the Company's interest rate risk exposure or processes related to this risk during the period. The amount of this exposure is not considered material to the financial statements.

8. Change in non-cash operating working capital:

	July 31, 2009	July 31, 2008
Miscellaneous receivables	\$ 40,381	\$ 3,569
Prepaid expenses and deposits	(15,479)	6,047
Accounts payable and accrued liabilities	50,771	25,650
	\$ 75,673	\$ 35,266

9. Government assistance:

In the current period, the Company has accrued \$5,769 (April 30, 2009 – nil) for government assistance under a youth internship program with the National Research Council of Canada. Under the agreement, the Company is eligible for reimbursement of 50% of the salaries of an intern to a maximum of \$30,000 with no liability for repayment. Government assistance accrued has been credited against salaries and benefits.

10. Commitments:

The Company is committed to pay \$114,535 during the remainder of fiscal 2010 and \$10,000 in fiscal 2011 for the completion of research and development contracts existing at the quarter end.

11. Capital management:

The Company's capital is defined as common shares and warrants, contributed surplus, and deficit. The Company's capital management strategy is designed to maintain strong liquidity and to optimize its existing capital structure in order to reduce costs. The capital structure provides the Corporation with the ability to meet its liquidity needs as well as support its long-term strategic development. The Company's objectives when managing capital are:

- (i) To limit dilution of shareholders' investment to the extent necessary to finance operations;
- (ii) To limit the use of debt until such time as cash flows permit the optimization of shareholder returns through prudent debt leverage;

- (iii) To provide the Company's shareholders with an appropriate rate of return on their investment.

The Company has limited debt consisting of notes payable and shareholder promissory notes which total \$101,843 compared to total shareholder's equity of \$5,535,101 for a debt to equity ratio of 1.8%. There is no bank or other debt that subjects the Company to covenants requiring the maintenance of liquidity levels or target ratios. The Company does not currently pay nor contemplate paying dividends.

The Company sets the amount of capital in proportion to its spending plans and consequently its available cash. The Company regularly monitors its cash balances and manages its excess cash in relation to spending requirements under a Cash Investment Policy to optimize returns but maintain a high degree of safety in these investments. The Company monitors its capital structure and seeks to make adjustments based on changes in economic conditions and its funding requirements.

12. Comparative figures:

Certain of the comparative figures have been reclassified to conform to the financial statement presentation adopted in the current reporting period.

13. Future changes in accounting policies:

- (a) International financial reporting standards (IFRS):

In February 2008, the AcSB confirmed that Canadian GAAP for publicly accountable enterprises would converge with IFRS effective in calendar year 2011, with early adoption allowed starting in calendar year 2009. IFRS uses a conceptual framework similar to Canadian GAAP, but there are significant differences on recognition, measurement and disclosures. For the Company, the change to reporting financial results under IFRS will be required for the interim and annual financial statement reporting periods of its fiscal year ending April 30, 2012. However, in order to provide comparative data for this reporting period the Company will need to capture its financial results under IFRS commencing with reporting for its April 30, 2011 year end.

The Company has commenced the process to transition from Canadian GAAP to IFRS. The transition plan includes the following 3 phases:

- Diagnostic – this phase involves the preparation of high level diagnostic analyses of key financial statement items that are expected to be impacted upon transition to IFRS. As part of this process, the Company expects to identify key data requirements and process modifications that will be required before transition occurs.

- Development – this phase involves more detailed analyses of the impact of IFRS on key financial statement components and focuses on implementation differences and issue resolution. During this stage of the transition process, management will finalize financial statement component evaluations and make decisions on accounting policy options. The development phase will conclude with the preparation of a proforma set of financial statements prepared in accordance with IFRS.
- Implementation – this phase involves the execution of changes to financial reporting and business processes that will enable the Company to compile financial statements which are compliant with IFRS. Accounting policies compliant with IFRS will be approved and entrenched in the financial reporting system.

The Company has completed the diagnostic phase of its IFRS transition plan. The development phase is underway and detailed component evaluations for each accounting standard are in the process of being prepared.

(b) Financial Instruments:

In June 2009, Section 3862, “Financial Instruments - Disclosures” was amended to include additional disclosure requirements about fair value measurements and to enhance liquidity risk disclosure requirements. For the Company, this Section is effective for annual financial statements ending after September 30, 2009. This new standard is expected to have minimal impact on the financial statements.

14. Subsequent events:

(a) Private placement

On June 10, 2009, the Company announced that it was undertaking a non-brokered private placement of common share units with accredited investors to raise up to \$5,500,000. Subsequent to the quarter end, the Company announced on August 24, 2009, that it was withdrawing this private placement offering due to market conditions.