



Press Release

FOR IMMEDIATE RELEASE

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CRITICAL OUTCOME TECHNOLOGIES INC. REPORTS FINANCIAL RESULTS FOR THE FOURTH QUARTER AND THE YEAR ENDED APRIL 30, 2007

London, Ontario (August 22, 2007): Critical Outcome Technologies Inc. (TSX Venture: COT) today announced its financial results for the fourth quarter and the year ended April 30, 2007.

“It was a milestone year for Critical Outcome Technologies Inc (COTI),” said Dr. Wayne Danter, President and Chief Scientific Officer of COTI “as the Company moved forward to commercialize its molecule libraries by raising the necessary funds and putting in place the personnel and business processes to support the development efforts of the CHEMSAS® technology and market the molecule libraries being developed. As our Company looks towards the future we will continue to seek and evaluate business development opportunities to enhance shareholder value.”

Highlights

- Successful completion of two private placements resulting in net proceeds of \$3,163,110.
- Encouraging pre-clinical results from the small cell lung cancer library (in collaboration with DDP Therapeutics).
- Measurable progress in the development of the Multiple Sclerosis, HIV Integrase and Adult Acute Leukemia small molecule libraries.
- Substantial business development activities resulting in established relationships with prospective Pharma partners.
- Successful recruitment of key personnel for both the Board and Senior Management positions.

Financial Review

Fourth Quarter

There were no revenues from operations during the fourth quarter as the Company reported a net loss for the period of \$663,957 or \$0.02 per share compared to a net loss of \$430,400 or \$0.04 per share for

the three months ended April 30, 2006. There were two major expense categories in the quarter which accounted for the majority of the increased loss of \$233,337 over the comparable period; increased molecule synthesis costs targeted at multiple sclerosis (MS) and salaries and benefits which increased \$149,620 and \$103,113 respectively. The four MS molecule syntheses started in third quarter 2007 continued in fourth quarter 2007. Two employees were added during the fourth quarter 2007 bringing full time staff to 7 employees compared to 2 employees in the comparable quarter of 2006.

Fiscal Year

Revenue from operations for the year ending April 30, 2007 (FYE 2007) was \$2,500 compared to \$32,500 in the year ended April 30, 2006 (FYE 2006). A net loss of \$1,429,983 or \$0.05 per share was incurred for FYE 2007 compared to a net loss of \$590,929 or \$0.06 per share in FYE 2006. This increased loss of \$839,054 resulted from the higher level of activity in the Company during FYE 2007.

Operating expenses increased from \$629,858 for FYE 2006 to \$1,548,013 for FYE 2007, an increase of \$918,155. Five major expense items accounted for this change. First, stock-based compensation increased \$173,469 related to stock options granted to directors or employees of the Company. Second, salaries and benefits increased \$273,549 reflecting increased staffing. Third, MS molecule synthesis costs increased by \$247,500 compared to no syntheses activities in FYE 2006. Fourth, professional fees increased \$119,703 related to audit and accounting costs, consulting fees and increased legal costs. Finally, marketing expenses increased \$94,562 due to increased business development activity, primarily travel costs, marketing materials costs and attendance at various industry trade shows.

The expense increase was partially offset by a \$109,101 increase in other income consisting of a \$40,591 increase in interest income and a \$68,510 increase in investment tax credit refunds.

Financial Strength

The Company engaged in a number of financings during FYE 2007 to fund the development of its technology and molecule libraries. In October 2006 the Company completed a private placement of 6,594,000 units for gross proceeds of \$2,637,600 and issued 6,594,000 common shares and 3,297,000 \$0.70 warrants. In January 2007 the Company completed a private placement of 2,000,000 units for gross proceeds of \$1,000,000 and issued 2,000,000 common shares and 1,000,000 \$0.60 warrants. In addition to the private placements the Company also realized gross proceeds of \$276,713 on the exercise of warrants and \$26,350 on agent stock options during the period December 1, 2006 to April 30, 2007.

At April 30, 2007 the Company had \$2,417,801 in cash and cash equivalents. The Company currently believes that it has adequate financial resources for anticipated expenditures for approximately 18 months.

Selected Product Development Highlights

- Throughout FYE 2007, COTI actively directed the preclinical development of the small cell lung cancer (SCLC) project in collaboration with DDP Therapeutics, a related party in which COTI has a 10% ownership interest. The SCLC product library consists of 10 novel, optimized compounds on 3 scaffolds. The first three lead compounds have shown promising pre-clinical results. The benefits to COTI and its shareholders of the successful marketing of the SCLC lead compounds

include; first, validation of the underlying CHEMSAS® technology, second, a higher profile in the pharmaceutical industry which will improve the capacity to develop important relationships leading to future deals for other COTI libraries and third, an expectation of revenue to COTI.

- In November 2006, COTI completed the lead selection of its MS library and commenced synthesis of these compounds. The MS compounds are designed to be orally-available and have low toxicity, which will represent an important therapeutic development for patients with this common debilitating disease. Three MS compounds entered initial testing in the animal model of Acute Allergic Encephalitis subsequent to the year end.
- COTI also made measurable progress with the HIV Integrase and Adult Acute Leukemia (AAL) projects as the HIV Integrase inhibitor compounds commenced final patentability evaluation prior to synthesis in the fourth quarter and COTI was granted European patents on two different AAL molecules with the final patent expected to be received in mid-October 2007.

AGM Announcement

COTI's Annual Meeting of Shareholders will be held on Tuesday October 9, 2007 at 10:00 a.m. at The London Club, 177 Queens Avenue, London, Ontario.

About Critical Outcome Technologies Inc. (COTI)

COTI is formed around a unique computational platform technology called CHEMSAS®, which allows for the accelerated identification, profiling and optimization of targeted small molecules potentially effective in the treatment of human diseases for which current therapy is either lacking or ineffective. COTI's business is focused on the discovery and pre-clinical development of libraries of optimized lead molecules for the treatment of specific cancers, HIV and multiple sclerosis. Currently, five targeted libraries of lead compounds are under active development; small cell lung cancer (10% interest), multiple sclerosis, HIV integrase inhibitors, colorectal cancer, and adult acute leukemia.

CRITICAL OUTCOME TECHNOLOGIES INC.

(a development stage company)

Balance Sheets

April 30, 2007 and 2006

	2007	2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,417,801	\$ 170,464
Other receivables	76,655	8,842
Prepaid expenses and deposits	56,413	5,241
	<u>2,550,869</u>	<u>184,547</u>
Equipment	24,242	33,766
Patents	134,298	68,727
Trademark	870	1,740
Investment in DDP Therapeutics	1	1
	<u>\$ 2,710,280</u>	<u>\$ 288,781</u>

Liabilities and Shareholders' Equity (Deficiency)

Current liabilities:		
Accounts payable and accrued liabilities	\$ 179,091	\$ 171,266
Due to shareholders	118,631	127,194
Notes payable and other advances	20,000	45,000
Current portion of obligation under capital lease	20,244	16,128
	<u>337,966</u>	<u>359,588</u>
Obligation under capital leases	21,287	33,525
Shareholders' equity (deficiency):		
Share capital and warrants	4,037,165	576,292
Contributed surplus	675,469	251,000
Deficit	<u>(2,361,607)</u>	<u>(931,624)</u>
	<u>2,351,027</u>	<u>(104,332)</u>
	<u>\$ 2,710,280</u>	<u>\$ 288,781</u>

CRITICAL OUTCOME TECHNOLOGIES INC.

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Statements of Operations and Deficit

	Years ended April 30,		Cumulative period
	2007	2006	April 30, 1999 (inception) to April 30, 2007
Revenue:			
Contract services	\$ 2,500	\$ 30,000	\$ 32,500
Screening services	-	2,500	2,500
	2,500	32,500	35,000
Expenses:			
Stock-based compensation	424,469	251,000	675,469
Salaries and benefits	423,014	149,465	596,932
Synthesis costs	247,560	-	382,560
Professional fees	168,038	48,335	333,357
Marketing	108,199	13,637	156,858
Amortization of equipment	27,747	22,542	55,864
Office and general	27,184	6,430	48,031
Computer expense	26,447	8,180	56,171
Reorganization costs	23,964	82,580	106,544
Rent	17,134	14,667	53,068
Research and product development	15,840	27,000	54,628
Corporate governance	14,749	-	14,749
Insurance	12,692	-	12,692
Interest and bank charges	10,106	5,152	25,365
Amortization of trademarks	870	870	3,480
	1,548,013	629,858	2,575,768
Loss before other income (expense)	(1,545,513)	(597,358)	(2,540,768)
Other income (expense):			
Investment tax credit refund	75,050	6,540	137,615
Interest	40,480	(111)	41,546
	115,530	6,429	179,161
Loss	(1,429,983)	(590,929)	(2,361,607)
Deficit accumulated during development stage, beginning of year	(931,624)	(340,695)	-
Deficit accumulated during development stage, end of year	\$ (2,361,607)	\$ (931,624)	\$(2,361,607)
Basic and diluted loss per common share	\$ (0.05)	\$ (0.06)	
Weighted average number of common shares outstanding	29,866,634	9,611,243	

CRITICAL OUTCOME TECHNOLOGIES INC.

(a development stage company)

Statements of Cash Flows

	Years ended April 30,		Cumulative period
	2007	2006	April 30, 1999 (inception) to April 30, 2007
Cash provided by (used in):			
Operations:			
Loss	\$ (1,429,983)	\$ (590,929)	\$ (2,361,607)
Items not involving cash:			
Stock-based compensation	424,469	251,000	675,469
Amortization of equipment	27,747	22,542	55,864
Amortization of trademark	870	870	3,480
<u>Change in non-cash operating working capital</u>	<u>(111,160)</u>	<u>97,523</u>	<u>46,023</u>
	(1,088,057)	(218,994)	(1,580,771)
Financing activities:			
Research advances	-	-	269,745
Due to shareholders	(8,563)	80,444	118,631
Notes payable and other advances	(25,000)	25,000	20,000
Repayment of obligation under capital lease	(8,122)	(1,541)	(9,663)
<u>Issuance of common shares and warrants</u>	<u>3,460,873</u>	<u>306,545</u>	<u>3,767,420</u>
	3,419,188	410,448	4,166,133
Investing activities:			
Investment in DDP Therapeutics	-	(1)	(1)
Purchase of equipment	(18,223)	-	(28,912)
<u>Additions to patents and trademark</u>	<u>(65,571)</u>	<u>(22,809)</u>	<u>(138,648)</u>
	(83,794)	(22,810)	(167,561)
Increase in cash	2,247,337	168,644	2,417,801
Cash and cash equivalents, beginning of year	170,464	1,820	-
<u>Cash and cash equivalents, end of year</u>	<u>\$ 2,417,801</u>	<u>\$ 170,464</u>	<u>\$ 2,417,801</u>
Represented by:			
Cash	\$ 317,801	\$ 170,464	\$ 317,801
Cash equivalent	2,100,000	-	2,100,000
	\$ 2,417,801	\$ 170,464	2,417,801
Supplemental cash flow information:			
Interest paid	\$ 2,351	\$ 288	\$ 2,654
Non-cash transactions:			
Acquisition of equipment under capital lease	11,081	51,193	62,274

For more information on COTI, visit www.criticaloutcome.com

This press release contains forward-looking statements, which reflect the Company's current expectations regarding future events. The forward-looking statements involve risks and uncertainties. Actual events could differ materially from those projected herein. Investors should consult the Company's ongoing quarterly filings and annual reports for additional information on risks and uncertainties relating to these forward looking statements.

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