



# Press Release

**FOR IMMEDIATE RELEASE**

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

**London, Ontario (September 28, 2007): Critical Outcome Technologies Inc. (TSX Venture: COT)** today announced its financial results for the first quarter ended July 31, 2007 of fiscal 2008.

There were no revenues from operations during the quarter as the Company reported a net loss for the period of \$500,458 or \$0.01 per share compared to a net loss of \$163,088 or \$0.01 per share for the quarter ended July 31, 2006. There were three major expenses in the quarter which accounted for the majority of the increased loss of \$359,086 over the comparable period in 2006: a non-cash expense for stock option compensation recorded in the amount of \$159,909 resulting from stock options granted in May 2007, an increase in salaries and benefits of \$79,378 related to increased staffing levels and a \$55,621 increase in professional fees for legal and accounting costs.

These year to date results reflect the increased business activity of the Company in the quarter as the Company focused on moving its molecular libraries forward in development and marketing compared to the first quarter of fiscal 2007 where the predominant activity was raising the capital necessary to execute its business plans.

The Company realized net proceeds of \$939,559 from the exercise of 1,571,665 common share warrants during the quarter. At July 31, 2007 the Company had \$2,925,545 in cash and cash equivalents.

Highlights during the quarter included:

- Positive pre-clinical results from the small cell lung cancer library (in collaboration with DDP Therapeutics).
- Progress in the development of the multiple sclerosis molecules as three molecules entered pre-clinical confirmatory animal efficacy testing.
- Favourable discussions with prospective Pharma partners on a variety of lead molecule identification pilot projects.

### **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 (small cell lung cancer, multiple sclerosis, HIV integrase inhibitors, colorectal cancer, and acute myelogenous leukemia in adults) are under active development.

For more information on COTI, visit [www.criticaloutcome.com](http://www.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 Balance Sheets**

	Unaudited July 31, 2007	Audited April 30, 2007
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 2,925,545	\$ 2,417,801
Other receivables	89,260	76,655
Prepaid expenses and deposits	17,745	28,095
	3,032,550	2,522,551
Equipment (note 2)	91,065	52,560
Patents (note 3)	139,356	134,298
Trademark (note 4)	653	870
Investment in DDP Therapeutics (note 5)	5,107	1
	\$ 3,268,731	\$ 2,710,280
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 151,322	\$ 179,091
Due to shareholders (note 6)	110,781	118,631
Notes payable (note 7)	20,000	20,000
Current portion of capital lease obligations (note 8)	15,304	20,244
	297,407	337,966
Capital lease obligations (note 8)	21,287	21,287
Shareholders' equity		
Share capital and warrants (note 9)	4,976,724	4,037,165
Contributed surplus (note 10)	835,378	675,469
Deficit	2,862,065	2,361,607
	2,950,037	2,351,027
Commitments (note 14)		
Subsequent events (note 17)		
	\$ 3,268,731	\$ 2,710,280

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

	Three Months Ended		Fiscal 2008 YTD		Cumulative period April 30, 1999 (inception) to July 31, 2007
	July 31,		Three Months Ended		
	2007	2006	July 31,	2006	
<b>Revenues:</b>					
Contract services	\$ -	\$ 2,500	\$ -	\$ 2,500	\$ 32,500
Screening services	-	-	-	-	2,500
	-	2,500	-	2,500	35,000
<b>Expenses:</b>					
Stock option compensation	159,909	-	159,909	-	835,378
Salaries and benefits	159,123	79,745	159,123	79,745	756,055
Professional fees	92,577	36,956	92,577	36,956	425,934
Marketing	38,849	20,735	38,849	20,735	195,707
Amortization of furniture and equipment	21,440	8,312	21,440	8,312	77,304
Synthesis costs	18,889	-	18,889	-	401,449
Office and general	11,101	4,633	11,101	4,633	59,132
Insurance	10,134	-	10,134	-	22,826
Rent	4,506	4,582	4,506	4,582	57,574
Corporate governance	4,094	-	4,094	-	18,843
Interest and bank charges	2,039	4,588	2,039	4,588	27,404
Computer expense	1,795	1,819	1,795	1,819	57,966
Amortization of trademark	218	218	218	218	3,698
Research and product development	-	9,000	-	9,000	54,628
Reorganization costs	-	(5,000)	-	(5,000)	106,544
	524,674	165,588	524,674	165,588	3,100,442
<b>Loss before other income</b>	524,674	163,088	524,674	163,088	3,065,442
<b>Other income</b>					
Investment tax credit refund	-	-	-	-	137,615
Interest income	24,216	-	24,216	-	65,762
	24,216	-	24,216	-	203,377
<b>Loss</b>	500,458	163,088	500,458	163,088	2,862,065
Deficit, beginning of the period	2,361,607	931,624	2,361,607	931,624	-
<b>Deficit, end of the period</b>	\$ 2,862,065	\$ 1,094,712	\$ 2,862,065	\$ 1,094,712	\$ 2,862,065
Basic and diluted loss per common share	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01	
Weighted average number of common shares outstanding	37,756,637	22,373,332	37,756,637	22,373,332	

**Critical Outcome Technologies Inc.**  
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**Interim Statements of Cash Flows**  
(Unaudited)

	Three Months Ended July 31,		Fiscal 2008 YTD Three Months Ended July 31,		Cumulative period April 30, 1999 (inception) to July 31, 2007
	2007	2006	2007	2006	
<b>Cash provided by (used in):</b>					
<b>Operations:</b>					
Loss	\$ 500,458	\$ 163,088	\$ 500,458	\$ 163,088	\$ 2,862,065
Items not involving cash:					
Stock option compensation	159,909	-	159,909	-	835,378
Amortization of trademark	218	218	218	218	3,698
Amortization of furniture and equipment	21,440	8,312	21,440	8,312	77,304
Change in non-cash operating working capital (note 13)	(30,025)	230,983	(30,025)	230,983	15,998
	(348,916)	76,425	(348,916)	76,425	(1,929,687)
<b>Investing activities:</b>					
Additions to furniture and equipment	(59,945)	-	(59,945)	-	(88,857)
Investment in DDP Therapeutics	(5,106)	-	(5,106)	-	(5,107)
Additions to patents and trademark	(5,058)	(8,950)	(5,058)	(8,950)	(143,706)
	(70,109)	(8,950)	(70,109)	(8,950)	(237,670)
<b>Financing activities:</b>					
Issuance of common shares and warrants	939,559	45	939,559	45	4,706,979
Research advances	-	-	-	-	269,745
Deferred financing costs on private placement	-	(222,500)	-	(222,500)	-
Notes payable and other advances	-	-	-	-	20,000
Repayment of obligation under capital lease	(4,940)	(3,943)	(4,940)	(3,943)	(14,603)
Due to shareholders	(7,850)	11,882	(7,850)	11,882	110,781
	926,769	(214,516)	926,769	(214,516)	5,092,902
<b>Increase in cash</b>	<b>507,744</b>	<b>(147,041)</b>	<b>507,744</b>	<b>(147,041)</b>	<b>2,925,545</b>
Cash and cash equivalents, beginning of period	2,417,801	170,464	2,417,801	170,464	-
<b>Cash and cash equivalents, end of period</b>	<b>\$ 2,925,545</b>	<b>\$ 23,423</b>	<b>\$ 2,925,545</b>	<b>\$ 23,423</b>	<b>\$ 2,925,545</b>
Represented by:					
Cash	\$ 425,545	\$ 23,423	\$ 425,545	\$ 23,423	425,545
Cash equivalent	2,500,000	-	2,500,000	-	2,500,000
	\$ 2,925,545	\$ 23,423	\$ 2,925,545	\$ 23,423	\$ 2,925,545
Supplemental cash flow information:					
Interest paid	\$ 20,988	\$ 299	\$ 20,988	\$ 299	\$ 23,642
Non-cash transactions:					
Acquisition of equipment under capital lease	\$ -	\$ -	\$ -	\$ -	\$ 62,274