



Press Release

FOR IMMEDIATE RELEASE

CRITICAL OUTCOME TECHNOLOGIES INC. REPORTS FINANCIAL RESULTS FOR THE FOURTH QUARTER AND THE YEAR ENDED APRIL 30, 2008

London, Ontario (July 22, 2007): Critical Outcome Technologies Inc. (TSX Venture: COT) today announced its financial results for the fourth quarter and the year ended April 30, 2008.

“Critical Outcome Technologies Inc. (COTI) has made substantial progress in its first full year of operations as a public company,” said Dr. Wayne Danter, President and Chief Scientific Officer of COTI. “We raised awareness of our technology and its capabilities with major pharmaceutical companies and moved several compounds forward toward licensing, with COTI-2 our lead oncology compound generating strong interest based upon preclinical test results to date. We believe that the combination of the ongoing development of COTI-2 and the successful delivery of drug candidates to Merck Serono, our first industry collaboration, signed this year, achieves validation for CHEMSAS® as a leading-edge drug discovery technology. With this progress we look forward to further revenue opportunities to enhance shareholder value in 2009.”

Highlights

- Established our first commercial agreement, consistent with our industry collaboration strategy, with Merck Serono and successfully generated drug candidates within 90 days from project commencement.
- Positive preclinical test results for COTI-2 including the identification of its mechanism of action leading to discussions for licensing with interested pharmaceutical companies.
- Progress in the development of the other oncology compounds, as well as the molecule libraries for multiple sclerosis, HIV integrase and adult acute leukemia.
- Successful completion of a private placement resulting in net proceeds of \$3,665,882.
- Acquisition of DDP Therapeutics with its promising small cell lung cancer (SCLC) library of 10 compounds.

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 \$612,542 or \$0.02 per share compared to a net loss of \$663,957 or \$0.02 per share for the three months ended April 30, 2007. This year-over-year improvement of \$51,415 relates primarily to an increase in interest income on the higher cash balances the Company was carrying in the current quarter. The major cost changes in the quarter were both non-cash expenses, as the Company commenced amortization of the SCLC molecules, acquired with the purchase of DDP Therapeutics (DDP) in the third quarter, in the amount of \$162,040 and realized a reduction in stock-based compensation of \$216,298 as there were no stock option grants in the quarter.

Fiscal Year

Revenue from operations for the year ending April 30, 2008 (FYE 2008) was \$30,822 compared to \$2,500 in the year ended April 30, 2007 (FYE 2007). A net loss of \$1,902,372 or \$0.05 per share was incurred for FYE 2008 compared to a net loss of \$1,429,983 or \$0.05 per share in FYE 2007. This increased loss of \$472,389 resulted from the higher level of activity as a public company for a full year in FYE 2008 compared to 6 months as a public company in FYE 2007. In FYE 2008, the Company had the financial resources to move ahead with its research programs, hiring staff, marketing the Company, its technology and products, developing customers and incurring the related increased costs of administration.

Operating expenses increased to \$2,160,472 for FYE 2008 from \$1,548,013 for FYE 2007, an increase of \$612,459. Three major expense items accounted for most of this change; first, salaries and benefits increased \$239,656 reflecting increased staffing; second, professional fees increased \$183,797 related to greater use of outside consultants for specialized needs such as intellectual property planning and execution and human resources; and finally molecule amortization of \$162,040 was recorded for the SCLC molecules acquired as part of the purchase of DDP.

The expense increase was partially offset by an \$111,748 increase in other income related to interest on cash balances.

Financial Strength

In November 2007 the Company completed a private placement of 2,857,143 common shares for gross proceeds of \$4,000,000 (net \$3,365,882). In addition to the private placement, the Company also realized gross proceeds of \$2,457,705 on the exercise of warrants and options during the year.

At April 30, 2008 the Company had \$6,213,709 in cash, cash equivalents and short term investments.

Selected Product Development Highlights

- Throughout FYE 2008, COTI actively directed the preclinical development of the SCLC project in collaboration with DDP Therapeutics. The SCLC product library consists of 10 novel, optimized compounds on 3 molecular scaffolds including our candidate drug entities; COTI-2, COTI-4, COTI-58 and COTI-219.

- During FYE 2008 the Company announced positive preclinical experiment results for COTI-2 including:
 - A novel and potentially first-in-class mechanism of action (MOA).
 - *In vitro* activity at very low nanomolar dose levels in four aggressive human brain cancer cell lines.
 - Low acute toxicity in escalating doses according to standard animal model test protocols. Examination of tissues and organs from treated animals demonstrated no drug induced abnormalities.
 - Positive results for *in vitro* metabolic stability in a human liver microsomal enzyme system showing effective drug retention.

- In April 2008, the Company commenced MOA experiments pertaining to COTI-219 to add to its existing data package for this molecule which currently includes multiple experiments for efficacy *in vivo* and *in vitro* as well as resistance and toxicity testing. These will continue in FYE 2009 as the Company moves this molecule forward.
- A derivative of the original COTI-4 scaffold was profiled during FYE 2008 to improve the patentability of the molecule, and synthesis commenced in late FYE 2008 which has been completed in the first quarter FYE 2009. This molecule will move through confirmatory testing during the balance of FYE 2009.
- COTI-58 completed optimization in late FYE 2008 and will enter synthesis during second quarter FYE 2009 with confirmatory experiments to follow.
- In April 2008, COTI successfully completed the discovery and optimization phase of its oncology lead profiling collaboration with Merck Serono.
- COTI also made measurable progress with the HIV integrase library, designed to block the enzyme system responsible for combining the viral DNA with the human DNA, which is now ready for synthesis.
- COTI was granted a European patent on a third molecule targeting adult acute leukemia in December 2007 bringing the total lead molecules with European patent grants for this program to three.

AGM Announcement

COTI's Annual Meeting of Shareholders will be held on Thursday, September 18, 2008 at 9:30 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, multiple sclerosis, HIV integrase inhibitors, adult acute leukemia and colorectal cancer.

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

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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.

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

	April 30, 2008	April 30, 2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,113,220	\$ 2,417,801
Short term investments	3,100,489	-
Miscellaneous receivables	135,357	76,655
Prepaid expenses and deposits	31,462	28,095
	6,380,528	2,522,551
Equipment	131,151	52,560
Molecules	2,949,129	-
Patents	253,310	134,298
Trademark	-	870
Investment in DDP Therapeutics	-	1
	\$ 9,714,118	\$ 2,710,280
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 317,022	\$ 179,091
Due to shareholders	432,340	118,631
Notes payable	20,000	20,000
Current portion of capital lease obligations	20,024	20,244
	789,386	337,966
Capital lease obligations	1,263	21,287
Shareholders' equity		
Share capital and warrants	12,179,189	4,037,165
Contributed surplus	1,008,259	675,469
Deficit	(4,263,979)	(2,361,607)
	8,923,469	2,351,027
	\$ 9,714,118	\$ 2,710,280

Critical Outcome Technologies Inc.
(a development stage company)

Consolidated Statements of Comprehensive Loss and Deficit

Unaudited

	Year Ended		Cumulative
	April 30,		period April 30,
	2008	2007	1999 (inception)
			to April 30, 2008
Revenues:			
Contract services	\$ 30,822	\$ -	\$ 63,322
Screening services	-	2,500	2,500
	<u>30,822</u>	<u>2,500</u>	<u>65,822</u>
Expenses:			
Salaries and benefits	662,670	423,014	1,259,602
Stock-based compensation	362,763	424,469	1,038,232
Professional fees	351,835	168,038	685,192
Amortization of molecules	162,040	-	162,040
Research and product development	148,981	263,400	586,169
Marketing	131,633	108,199	288,491
General and administration	131,234	83,457	280,363
Corporate governance	94,440	14,749	109,189
Amortization of furniture and equipment	70,883	27,747	147,580
Interest and bank charges	32,825	10,106	58,190
Amortization of patents	4,270	-	4,270
Reorganization costs	4,051	23,964	110,595
Loss on asset disposals	1,977	-	1,977
Amortization of trademark	870	870	4,350
	<u>2,160,472</u>	<u>1,548,013</u>	<u>4,736,240</u>
Loss before other income	(2,129,650)	(1,545,513)	(4,670,418)
Other income			
Investment tax credit refund	50,112	75,050	187,727
Interest income	177,166	40,480	218,712
	<u>227,278</u>	<u>115,530</u>	<u>406,439</u>
Loss and comprehensive loss	(1,902,372)	(1,429,983)	(4,263,979)
Deficit, beginning of the year	(2,361,607)	(931,624)	-
Deficit, end of the year	\$ (4,263,979)	\$ (2,361,607)	\$ (4,263,979)
Basic and diluted loss per common share	\$ (0.05)	\$ (0.05)	
Weighted average number of common shares outstanding	41,321,501	29,866,634	

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

Unaudited

	Year Ended April 30,		Cumulative period April 30, 1999 (inception)
	2008	2007	to April 30, 2008
Cash provided by (used in):			
Operations:			
Loss	\$ (1,902,372)	\$ (1,429,983)	\$ (4,263,979)
Items not involving cash:			
Stock-based compensation	362,763	424,469	1,038,232
Amortization	238,063	49,450	318,240
Loss on asset disposals	1,977	-	1,977
Change in non-cash operating working capital	75,862	(131,993)	101,053
	(1,223,707)	(1,088,057)	(2,804,477)
Financing activities:			
Issuance of common shares and warrants	6,108,035	3,460,873	9,875,455
Research advances	-	-	269,745
Notes payable and other advances	-	(25,000)	20,000
Repayment of obligation under capital lease	(20,244)	(8,122)	(29,907)
Due to shareholders	(56,291)	(8,563)	62,339
	6,031,500	3,419,188	10,197,632
Investing activities:			
Increase in short-term investments	(3,100,489)	-	(3,100,489)
Purchase of equipment	(151,450)	(18,223)	(180,362)
Purchase of molecules	(737,152)	-	(737,153)
Additions to patents and trademark	(123,283)	(65,571)	(261,931)
	(4,112,374)	(83,794)	(4,279,935)
Increase in cash	695,419	2,247,337	3,113,220
Cash and cash equivalents, beginning of year	2,417,801	170,464	-
Cash and cash equivalents, end of year	\$ 3,113,220	\$ 2,417,801	\$ 3,113,220
Represented by:			
Cash	\$ 544,095	\$ 317,801	544,095
Cash equivalents	2,569,125	2,100,000	2,569,125
	\$ 3,113,220	\$ 2,417,801	\$ 3,113,220
Supplemental cash flow information:			
Interest paid	\$ 32,009	\$ 2,351	\$ 34,935
Non-cash transactions:			
Acquisition of equipment under capital leases	\$ -	\$ 11,081	\$ 62,274