

# Press Release

**FOR IMMEDIATE RELEASE**

## **COTI REPORTS ON OPERATIONAL SUCCESSES AND FINANCIAL RESULTS**

**FOR THE FOURTH QUARTER  
AND THE YEAR ENDED APRIL 30, 2012**

**London, Ontario (July 12, 2012): Critical Outcome Technologies Inc. (COTI) (TSX Venture: COT)** announced today its financial results for the fourth quarter and the year ended April 30, 2012.

“Fiscal 2012 was a very productive and successful year for COTI as we achieved a number of the scientific results of importance to prospective licensees and are pleased with their continued engagement in licensing our lead oncology compound, COTI-2,” said Dr. Wayne Danter, President & Chief Executive Officer of COTI. “We were also encouraged with the interest being shown in co-development projects across the industry spectrum from academia to major pharmaceutical companies as the commercial potential for our discovery technology, CHEMSAS<sup>®</sup>, gains momentum. These accomplishments and the continued development of some of our other programs positions us for significant success in fiscal 2013.”

Some of the key business highlights during the year were as follows:

On the patent front ...

- We received two of the first ever patent grants from the United States Patent and Trademark Office for a compound discovered using our Artificial Intelligence (AI) platform, CHEMSAS<sup>®</sup>. The first, a composition of matter patent for COTI-2 in certain oncology therapies over expressing AKT/AKT2 and the second, a method of use patent for COTI-2 in combination therapy with other chemotherapeutic agents; and,
- We also received one of the first ever patent grants from the Canadian patent office for a compound discovered using our AI platform for our protein tyrosine kinase inhibitors supporting the acute myelogenous leukemia (AML) program.

In the scientific development area ...

- We completed pharmacodynamic testing in animals with results demonstrating clear evidence of COTI-2’s ability to significantly inhibit the growth of cancer cells that over express AKT/AKT2 confirming it as a promising targeted therapy candidate;
- We established a clear relationship between the dose of COTI-2 and reduced levels of AKT/AKT2 protein, activated AKT/AKT2 in tumour tissues and observed marked tumour growth inhibition in animals;

- We completed pharmacokinetics (PK) testing demonstrating COTI-2 is an orally effective and selective non-traditional modulator/inhibitor of AKT/AKT2 protein with low toxicity;
- We demonstrated that COTI-2's PK profile supported consideration as a once-daily orally administered compound, an ideal attribute for a chronic cancer therapy;
- We identified several viable oral formulation candidates meeting scientific thresholds for advancement to Phase 1 clinical testing; and,
- We also announced the initiation and completion of synthesis for compounds from our AML program and the subsequent initiation of confirmatory preclinical *in vitro* testing.

To support ongoing operations ...

- We completed a private placement with accredited investors for gross proceeds of \$1,800,000 in the fourth quarter providing financial support for operations in fiscal 2013.

## Financial Highlights

### Fourth Quarter

The Company reported a net loss for the quarter ended April 30, 2012 (Q4-F'12) of \$680,815 or \$0.01 per share compared to a net loss of \$473,585 or \$0.01 per share for the three months ended April 30, 2011 (Q4-F'11). This increased loss year over year of \$207,230 related primarily to higher research and product development expense (R&D) of \$89,241, higher general and administrative (G&A) expense of \$94,013 and lower investment tax credit (ITC) income of \$21,859.

The increase in R&D reflects an increase in R&D testing activities of \$109,454 offset by an increase of \$24,346 in government assistance in Q4-F'12. The G&A increase related primarily to a consulting expense increase of \$74,341 pertaining to the audit of the transition to the IFRS accounting framework, financing, licensing and investor relations. The ITC decrease related to the timing of eligible R&D testing expenditures and the change in recognition of ITCs to an accrual basis from a cash basis in Q4-F'11.

### Fiscal Year

There were no operating revenues reported for the year ended April 30, 2012 (FYE 2012) or the year ended April 30, 2011 (FYE 2011). A net loss of \$2,591,151 or \$0.04 per share was incurred for FYE 2012 compared to a net loss of \$2,001,378 or \$0.04 per share in FYE 2011. This increased loss of \$589,773 resulted primarily from an increase in R&D expense of \$126,107 and an increase in G&A expense of \$425,197.

R&D expense increased due to a \$228,816 increase in R&D testing and synthesis offset by an increase in government assistance of \$82,932. The R&D spending was focused on completing three key risk reduction tests identified of importance to prospective licensees for COTI-2. Two major expense items accounted for the increase in G&A expense; first, professional fees and consulting increased by \$183,283 in FYE 2012 related to the transition to the IFRS accounting framework, financing, licensing and investor relations; and second, share-based compensation was lower in FYE 2011 by \$244,967 resulting from a recovery of previously recognized expense of prior years related primarily to the cancellation of unvested share options in FYE 2011.

## Financing

During the year, the Company realized net proceeds of \$1,607,531 on private placements with accredited investors to provide funding for operations. At April 30, 2012, the Company had \$1,718,671 in cash, cash equivalents and short-term investments to provide funding for operations in fiscal 2013 compared to \$2,094,917 at FYE 2011.

More detailed operating and financial results can be found in the Company's annual audited financial statements and Management Discussion and Analysis for the year ended April 30, 2012, which can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Annual General Meeting Announcement**

COTI's Annual Meeting of Shareholders will be held on Tuesday, September 25, 2012 at 9:30 a.m. Eastern time at The London Club, 177 Queens Avenue, London, Ontario.

## **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. For example, the statement "... move towards obtaining a licensing deal" is a forward-looking statement. 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 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.

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

COTI is a leading-edge company specializing in accelerating the discovery of small molecules thus enabling these new drugs to be brought to market in a more cost effective, efficient and timely manner. COTI'S proprietary artificial intelligence system, CHEMSAS®, utilizes a series of predictive computer models to identify compounds most likely to be successfully incorporated in disease-specific drug discovery, as well as subsequent optimization and preclinical development. These compounds are targeted for a variety of diseases, particularly those for which current treatments are either lacking or ineffective.

For more information on COTI, visit [www.criticaloutcome.com](http://www.criticaloutcome.com) or contact us at 519-858-5157 or e-mail:

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