Financial Statements

For the years ended April 30, 2010 and 2009

CRITICAL OUTCOME TECHNOLOGIES INC.
Financial Statements
For the years ended April 30, 2010 and 2009

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Critical Outcome Technologies Inc.

Management's Responsibility for Financial Reporting

June 7, 2010

The financial statements have been prepared by management. Management is responsible for the fair presentation of the financial statements in conformity with generally accepted accounting principles. This responsibility involves choosing accounting principles and methods that are appropriate to the Corporation's circumstances. The selection of these accounting policies requires making significant accounting estimates and judgments that affect the measurement of transactions in determining the amounts to report.

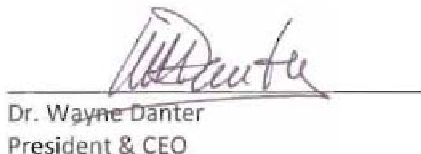
Management is also responsible for all other financial information included in its financial reporting documents such as Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) and for ensuring that this information is consistent with the information contained in the financial statements.

Finally, management is responsible for establishing and maintaining adequate internal control over financial reporting processes that include those policies and procedures that provide reasonable assurance over the safeguarding of assets and over the completeness, fairness and accuracy of the financial statements and other financial information.

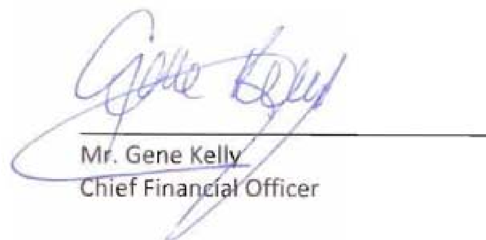
The Board of Directors (Board) is responsible for reviewing and approving the Corporation's financial statements, MD&A and financial reporting disclosures prior to their release. An Audit Committee (Committee), consisting of independent members of the Board, assists the Board in fulfilling its oversight responsibilities for the accounting and financial reporting processes used by management.

The Committee reviews the quality and integrity of the Corporation's financial reporting; recommends approval to the Board of the annual financial reports; approves the quarterly public financial disclosures on behalf of the Board; oversees management's responsibilities as to the adequacy of the supporting systems of internal controls; provides oversight of the independence, qualifications and appointment of the external auditor; and pre-approves audit and audit-related fees and expenses. The Committee meets with management at least four times each year to review and discuss financial reporting issues and disclosures, auditing and other matters.

The external auditors, KPMG LLP, conduct an independent audit of the financial statements in accordance with Canadian generally accepted auditing standards and express their opinion thereon. Those standards require that the audit is planned and performed to obtain reasonable assurance about whether the financial statements are free of material misstatement. The external auditors have unlimited access to the Committee and meet with the Committee at least two times during the year.



Dr. Wayne Danter
President & CEO



Mr. Gene Kelly
Chief Financial Officer

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AUDITORS' REPORT

To the Shareholders of Critical Outcome Technologies Inc.

We have audited the balance sheets of Critical Outcome Technologies Inc. as at April 30, 2010 and 2009 and the statements of comprehensive loss and deficit, and cash flows for each of the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2010 and 2009 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

London, Canada

June 7, 2010

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KPMG Canada provides services to KPMG LLP.

CRITICAL OUTCOME TECHNOLOGIES INC.

Balance Sheets

As at April 30,	2010	2009
Assets		
Current assets:		
Cash and cash equivalents	$ 1,945,376	$ 602,613
Short-term investments (note 4)	-	3,049,846
Miscellaneous receivables	29,756	87,990
Prepaid expenses and deposits	74,955	63,830
	2,050,087	3,804,279
Long-term deposit	-	3,356
Equipment (note 5)	84,820	116,099
Intangible assets (note 6)	2,700,187	2,993,391
	$ 4,835,094	$ 6,917,125
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 343,940	$ 333,025
Due to shareholders (note 7)	1,069	82,249
Notes payable (note 8)	-	20,000
Capital lease obligation (note 9)	-	1,263
	345,009	436,537
Shareholders' equity:		
Share capital and warrants (note 10)	13,812,200	12,813,125
Contributed surplus (note 11)	2,421,193	1,850,461
Deficit	(11,743,308)	(8,182,998)
	4,490,085	6,480,588
	$ 4,835,094	$ 6,917,125

Commitments (note 16)
Contingency (note 17)
Subsequent events (note 23)

See accompanying notes to financial statements

On behalf of the Board:

Dr. Wayne Danter, President, CEO and Director

Murray Wallace, Director

CRITICAL OUTCOME TECHNOLOGIES INC.

Statements of Comprehensive Loss and Deficit

For the years ended April 30,	**2010**	**2009**
Revenues:		
Contract services	$ -	$ 49,158
Expenses:		
General and administration	1,246,482	1,032,591
Research and product development	1,117,010	1,458,552
Stock-based compensation (note 11)	570,732	842,202
Amortization (notes 5 & 6)	515,250	490,292
Sales and marketing	246,070	303,402
Foreign exchange loss	14,949	6,674
Interest and bank charges	4,797	10,807
	3,715,290	4,144,520
Loss before other income	(3,715,290)	(4,095,362)
Other income:		
Investment tax credit refunds	136,786	52,055
Interest income	18,194	124,288
	154,980	176,343
Loss and comprehensive loss	(3,560,310)	(3,919,019)
Accumulated deficit, beginning of the year	(8,182,998)	(4,263,979)
Accumulated deficit, end of the year	$ (11,743,308)	$ (8,182,998)
Basic and diluted loss per common share	$ (0.08)	$ (0.08)
Weighted average number of common shares outstanding	46,745,185	46,497,940

See accompanying notes to financial statements

CRITICAL OUTCOME TECHNOLOGIES INC.
Statements of Cash Flows

For the years ended April 30,	**2010**	**2009**
Cash provided by (used in):		
Operating activities:		
Loss	$ (3,560,310)	$ (3,919,019)
Items not involving cash:		
Stock-based compensation	570,732	842,202
Amortization	515,250	490,292
Loss on disposal of equipment	634	79
Loss on disposal of patents	41,991	24,735
Unrealized foreign exchange loss	4,187	2,775
Change in non-cash operating working capital (note 14)	61,711	26,858
	(2,365,805)	(2,532,078)
Investing activities:		
Net short-term investment redemptions	3,049,846	50,643
Equipment purchases	(7,020)	(68,068)
Proceeds on disposal of equipment	793	6,199
Expenditures on intangible assets	(227,165)	(229,137)
	2,816,454	(240,363)
Financing activities:		
Issuance of share capital and warrants (net of issuance costs)	999,075	633,936
Decrease in capital lease obligations	(1,263)	(20,024)
Payment of notes payable	(20,000)	-
Payments to shareholders	(81,180)	(350,091)
	896,632	263,821
Increase (decrease) in cash and cash equivalents	1,347,281	(2,508,620)
Less: unrealized foreign exchange loss on cash and cash equivalents	4,518	1,987
Cash and cash equivalents, beginning of the year	602,613	3,113,220
Cash and cash equivalents, end of the year	$ 1,945,376	$ 602,613
Represented by:		
Cash	$ 337,666	$ 278,511
Cash equivalents	1,607,710	324,102
	$ 1,945,376	$ 602,613
Supplemental cash flow information:		
Interest paid	$ 4,014	$ 10,678

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 optimized, novel, proprietary, small molecules for specific therapy targets with high morbidity and mortality rates, 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 various cancers, HIV integrase inhibition, multiple sclerosis and Alzheimer’s disease. The Company has also initiated a collaboration strategy to use its technology with 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 (“GAAP”). Significant accounting policies adopted by the Company are as follows:

(a) Basis of presentation:

Financial statements are required to be prepared on a going concern basis unless management either intends to liquidate the Company or cease trading or has no realistic alternative but to do so within the foreseeable future. The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of operations.

The accompanying financial statements have been prepared on a going concern basis. There are material uncertainties related to certain conditions and events that raise significant 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 is available from cash and short-term investments generated through prior equity raises.

Key financial results for the years ended April 30, 2010 and 2009 that are indicative of possible concern include: the Company had a loss of $3,560,310 (April 30, 2009 - $3,919,019) and negative cash flow from operations of $2,365,805 (April 30, 2009 – $2,532,078). As at April 30, 2010, the Company had an accumulated deficit of $11,743,308 (April 30, 2009 - $8,182,998), which results in a shareholders' equity of $4,490,085 (April 30, 2009 - $6,480,588). As at April 30, 2010, the Company had working capital of $1,705,078 (April 30, 2009 - $3,367,742).

Management is taking steps to address the going concern risks by: actively seeking potential customers, partners and collaborators as a means of furthering molecule development and generating revenue streams; pursuing alternative sources of financing, including but not limited to, raising capital in the public market and securing government grants; managing liquidity though the reduction or delay of discretionary and other expenditures that are not immediate in nature; and focusing research and development activities on advancing its lead compound, COTI-2, toward a licensing agreement. There is no guarantee that any of the aforementioned strategies will enable the Company to remain a going concern over the next twelve months.

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

(b) Cash and cash equivalents:

Cash and short-term investments, for purposes of reporting cash flows, include amounts held in banks and highly liquid investments with maturities at point of purchase of three months or less. The Company places its cash and cash equivalents with institutions and in investments having high credit ratings.

(c) Foreign currency translation:

Currency transactions and balances are translated into the Canadian dollar reporting currency using the temporal method. The Company's foreign currency monetary items include cash, accounts receivable and accounts payable which are translated at the rate prevailing at the balance sheet date. Revenues and expenses are translated at the average rates in effect during the applicable accounting periods.

(d) Equipment:

Equipment is recorded at cost. Amortization is recorded on a straight-line basis over the estimated useful lives of the assets whether purchased directly by the Company or acquired under a capital lease as follows:

Asset	Rate
Furniture and fixtures	5 - 10 years
Computer hardware	2 - 3 years
Leasehold improvements	Remaining term of lease

(e) Intangible assets:

Intangible assets acquired individually or as part of a group of assets are initially recognized and measured at cost. The cost of a group of intangible assets acquired in a transaction is allocated to the individual assets based on their relative fair value. Intangible assets with finite lives, including molecules, patents granted, and trademarks are amortized on a straight-line basis over their estimated useful lives as follows:

Intangible asset	Rate
Molecules	8 years
Patents	Remaining life of patent
Computer software	1 year or the term of license
Trademark	5 years

Intangible assets with indefinite useful lives and patents pending are not amortized and are tested for impairment annually or more frequently if events and changes in circumstances indicate that they might be impaired.

(i) Molecules:

The costs of acquiring the library of 10 small cell lung cancer molecules from DDP Therapeutics (DDP) are being amortized over eight years, in accordance with the timeline for the achievement of milestones as prescribed by the DDP purchase agreement (note 17).

(ii) Patents:

The Company is pursuing or has been granted composition of matter patents on certain molecules for claims such as therapeutic indication and manufacturing process.

The direct costs of evaluating and investigating patents are accumulated by specific molecule or group of molecules and these capitalized costs are amortized over the life of the patent, beginning in the month subsequent to the month the patent is granted, on a straight-line basis over the remaining life of the patent. Patent costs incurred to validate the patent in specific countries, following grant of patent in a broader jurisdiction such as Europe, are capitalized and amortized over the remaining patent life as incurred.

Annual patent maintenance costs are expensed as incurred.

The accumulated cost of a product investigated for patenting which is not subsequently patented is expensed in the month when the decision is made not to pursue the patent.

(iii) Computer software:

Acquired computer software that is not integral to the operation of equipment is classified as an intangible asset. Computer software is recorded at cost and is amortized over the term of the software license or one year where the license is perpetual.

(iv) Trademark:

Trademark registration was obtained for exclusive use of the name, CHEMSAS®, which describes the Company's proprietary molecular profiling technology.

The costs of evaluating and investigating trademark registration are accumulated by specific process and where trademark registration is obtained such costs are capitalized and amortized over the lesser of the marketing life of the process or five years beginning in the year after the trademark is received. Where trademark registration is not ultimately obtained, accumulated costs are expensed in the month when notification of decline is received or when the decision is made not to pursue the trademark.

(f) Impairment of long-lived assets:

Long-lived assets, including equipment and finite life intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. Recoverability is assessed based on the carrying amount of the long-lived asset and its net recoverable value, which is generally determined based on undiscounted cash flows expected to result from the use and eventual disposal of the long-lived asset. If the carrying value of the long-lived asset is not recoverable, an impairment loss is recognized to write down the long-lived asset to its fair value.

(g) Short-term investments:

Short-term investments are recorded at amortized cost. Gains and losses on disposal of investments are recognized when realized.

(h) Research and product development:

Research expenditures are expensed as incurred. Development expenditures are deferred when they meet the criteria for capitalization in accordance with Canadian GAAP, and the future benefits could be regarded as being reasonably certain. At April 30, 2010 and April 30, 2009, no development costs were deferred.

(i) Financial instruments:

Financial instruments are recognized when the Company becomes a party to the contractual provisions of a financial instrument. 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, and due to shareholders. When initially recognized, financial instruments are

measured at their fair value. Subsequent to initial recognition, financial instruments are measured based on their assignment into one of the following classification categories:

Financial Instrument	Classification	Measurement Basis After Initial Recognition
Cash and cash equivalents	Held for trading	Fair value
Short-term investments	Held to maturity	Amortized cost
Miscellaneous receivables	Loans and receivables	Amortized cost
Accounts payable and accrued liabilities, due to shareholders and notes payable	Other financial liabilities	Amortized cost

The Company does not have any financial instruments classified as “available for sale”, nor does it have any derivative financial instruments.

(j) Revenue recognition:

The Company recognizes technical consulting and molecule profiling service revenue upon completion of the contracted service or in accordance with completed milestones as earned under contract.

(k) Investment tax credits:

Investment tax credits ("ITCs") are accrued when qualifying expenditures are made and there is reasonable assurance that the credits will be realized. ITCs relating to research and development expenses are recorded as other income and those relating to capital expenditures are recorded as a reduction of the cost of the asset acquired.

(l) 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.

(m) Share capital:

(i) Non-monetary consideration:

Shares issued as purchase consideration in non-monetary transactions are recorded at fair value determined by management based upon the fair value of the shares as disclosed by the trading price of

those shares on the TSX Venture Exchange or on the date of an agreement to issue shares as determined by the Board of Directors.

(ii) Stock-based compensation:

The Company measures the cost for stock options granted to consultants, employees and directors based on an estimate of the fair value as at the date of the grant. The Company uses a Black-Scholes option-pricing model to estimate the fair value or uses the value of the service provided, if determinable, for stock options granted to consultants. The value of stock options that vest immediately are recorded as stock-based compensation at the date of the grant. Stock options that vest over time are recorded over the vesting period using the straight-line method. The effect of a change in the estimated number of options expected to vest is a change in an estimate and the cumulative effect of the change on current and prior periods is recognized in the period of the change reflecting the overstatement of prior period compensation recorded. On exercise of a stock option, the consideration received and the estimated fair value previously recorded in contributed surplus are recorded as share capital.

(iii) Share issuance costs:

Costs directly identifiable with the raising of share capital financing are charged against share capital. Share issuance costs incurred in advance of issuing share capital are charged against share capital as incurred.

(n) Income taxes:

The Company follows the asset and liability method of accounting for income taxes. Under this method, future income tax assets and liabilities are determined based on differences between the financial statement carrying values and the respective tax bases of assets and liabilities, measured using substantively enacted tax rates and laws that are expected to be in effect when the differences are expected to reverse. The effect on future income tax assets and liabilities of a change in income tax rates are recognized as income or loss in the year that the income tax rate change occurs.

The Company establishes a valuation allowance against future income tax assets if, based on available information, it is more likely than not that some or all of the future income tax assets will not be realized.

(o) Use of estimates:

The preparation of these financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Significant items subject to such estimates and assumptions include the carrying value of

equipment, patents and molecules, valuation of future income taxes and accounting for share capital, warrants and options. Actual results could differ from those estimates.

(p) Basic and diluted loss per share:

Basic and diluted loss per share are determined using the weighted average number of common shares outstanding during the period. Diluted loss per share is computed in a manner consistent with basic earnings per share, except that the weighted average shares outstanding are increased to include additional shares from the assumed exercise of options and warrants, if dilutive. The number of additional shares is calculated by assuming that the outstanding stock options and warrants are exercised and the proceeds from such exercises were used to acquire shares of common stock at the average market price during the year.

2. Changes in accounting policies:

During the year ended April 30, 2010, the Company adopted the new accounting standards issued by the CICA described below. These accounting policy changes were adopted on a prospective basis with no restatement of prior period financial statements.

(i) 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 other intangible assets (molecules, patents and trademark) nor has it had any effect on the reported net loss and deficit.

(ii) General standards of 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 became effective for interim and annual financial statements beginning on May 1, 2009. This new standard has resulted in the Company increasing its disclosure related to material uncertainties that cast doubt as to its ability to continue as a going concern.

(iii) Financial Instruments – Disclosures:

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 became effective for annual financial statements ending

after September 30, 2009. The amendments to this standard require that an entity establish a fair value hierarchy which is based on the source of data used to determine the fair value of financial instruments, which is outlined below:

- Level 1: Fair value measurements are based on quoted prices in active markets
- Level 2: Fair value measurements are based on inputs other than quoted market prices which are either directly or indirectly observable by the Company
- Level 3: Fair value measurements are based on inputs that are not based on observable market data

The adoption of this standard has had limited effect on the financial statements other than increased note disclosure.

(iv) Credit Risk and the Fair Value of Financial Assets and Financial Liabilities:

In January 2009, EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities" was issued. This section requires that the Company's own credit risk and the credit risk of its counterparties be taken into account when assessing the fair value of financial assets and financial liabilities. Given the nature of the Company's financial instruments carried at fair value, this standard has resulted in no changes to the manner in which such financial instruments are measured as credit risk is limited.

3. Amalgamation of DDP Therapeutics:

On May 1, 2008, the Company amalgamated with its wholly owned subsidiary 3015402 Ontario Inc. (formerly 6441513 Canada Inc.) operating as DDP Therapeutics (DDP). The acquisition of DDP on November 27, 2007, and the subsequent amalgamation, was accounted for as a purchase of assets because DDP did not meet the definition of a business under EIC-124 of the CICA Handbook. Total consideration paid and the assumption of certain liabilities and payment of transaction costs was allocated to the assets acquired and liabilities assumed based on the estimated fair values on the date of the acquisition as set out below:

Assets acquired:		
Cash	$	15,178
Other receivables		93,516
Intangible assets - molecules		3,111,169
		3,219,863
Less liabilities assumed:		
Accounts payable and accrued liabilities		46,896
Net assets acquired	$	3,172,967
Consideration paid:		
Cash	$	637,105
Common shares issued		2,004,017
Debt assumed		370,000
Acquisition costs		161,845
	$	3,172,967

In accounting for the acquisition, a net future tax liability of $655,234 arose related to the temporary differences associated with non-capital tax loss carry forward balances and scientific research and expenditure development pools of DDP as well as the valuation of the purchased molecules. This future tax liability was not recorded, as the Company cannot determine whether it will generate future taxable income (note 12) and accordingly, the valuation allowance, which reduces COTI's recognition of its future tax assets, precludes the recognition of these future tax liabilities in the financial statements.

4. 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. The cost and market value of short-term investments at April 30, 2010 was nil and at April 30, 2009 was $3,049,846 (market $3,067,761).

5. Equipment:

	April 30, 2010			April 30, 2009		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Furniture and fixtures	$ 122,384	$ 45,928	$ 76,456	$ 122,384	$ 27,938	$ 94,446
Computer hardware	75,012	66,648	8,364	84,623	70,651	13,972
Leasehold improvements	24,517	24,517	-	24,517	16,836	7,681
	$ 221,913	$ 137,093	$ 84,820	$ 231,524	$ 115,425	$ 116,099

Amortization related to equipment included in amortization expense for the year ended April 30, 2010 was $36,872 (April 30, 2009 – $39,780).

There are no capital lease asset costs (April 30, 2009 – $11,081) nor accumulated amortization (April 30, 2009 – $10,773) included in equipment at April 30, 2010.

6. Intangible assets:

	April 30, 2010			April 30, 2009		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Molecules	$ 3,111,169	$ 939,832	$ 2,171,337	$ 3,111,169	$ 550,936	$ 2,560,233
Patents	484,896	23,438	461,458	374,450	10,589	363,861
Computer software	85,198	20,689	64,509	93,581	24,790	68,791
Trademark	7,616	4,733	2,883	5,091	4,585	506
	$ 3,688,879	$ 988,692	$ 2,700,187	$ 3,584,291	$ 590,900	$ 2,993,391

Amortization expense includes the following amounts related to intangible assets:

	April 30, 2010	April 30, 2009
Molecules	$ 388,896	$ 388,896
Patents	12,989	6,319
Computer software	76,346	55,062
Trademark	147	235
	$ 478,378	$ 450,512

During the year the Company recorded a loss on patent costs of $41,991 (April 30, 2009 - $24,735) related to compounds that management determined would not be continued in development. The loss was recorded in general and administration expense.

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

	April 30, 2010			April 30, 2009		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Patents pending	$ 279,907	$ -	$ 279,907	$ 188,735	$ -	$ 188,735
Patents granted	204,989	23,438	181,551	185,715	10,589	175,126
	$ 484,896	$ 23,438	$ 461,458	$ 374,450	$ 10,589	$ 363,861

Patents granted have unamortized lives of 149 to 179 months.

7. Due to shareholders:

Advances made to the Company prior to March 1, 2005 were non-interest bearing and advances made subsequent to this date were supported by promissory notes bearing interest at 7%. The amounts advanced by shareholders are unsecured. Under the terms of the acquisition of DDP on November 27, 2007 (note 3), the Company acquired a promissory note of $370,000 owing to one of the Sellers of DDP who was a shareholder and director of the Company. A portion of this note was paid by the Company on the payment of closing legal costs of the Seller and the balance was paid on maturity at July 31, 2008.

The interest bearing notes of $49,033 and non-interest bearing advances of $31,449 were repaid in April 2010.

	April 30, 2010	April 30, 2009
7% interest bearing notes, due on demand	$ -	$ 49,033
Non-interest bearing advances due on demand	1,069	33,216
	$ 1,069	$ 82,249

Interest expense on the interest bearing notes for the year ended April 30, 2010 was $3,329 (April 30, 2009 - $7,895).

8. Notes payable:

	April 30, 2010	April 30, 2009
Unsecured notes payable bearing interest at bank prime plus 3%, due on demand with 30 days notice	$ -	$ 20,000

The notes payable were settled in August 2009 as a result of a demand for payment by the holder.

Interest expense for the year ended April 30, 2010 was $313 (April 30, 2009 - $1,383).

9. Capital lease obligation:

	April 30, 2010	April 30, 2009
Due in 2010	$ -	$ 1,290
Less amount representing interest	-	27
	-	1,263
Current portion of capital lease obligation	-	1,263
	$ -	$ -

The capital lease outstanding at the April 30, 2009 year end was to expire in September 2009. The Company exercised its early purchase option for $792 and acquired the computer equipment in May 2009. The implicit interest rate of the lease was 10.37%.

10. Share capital and warrants:

		April 30, 2010		April 30, 2009	
	Expiry date	Issued	Amount	Issued	Amount
Share Capital:					
Authorized:					
Unlimited common shares					
Unlimited preference shares					
Issued:					
Common shares		49,758,355	$ 13,587,267	46,720,214	$12,810,518
Share purchase warrants:					
$0.70 warrants	April 10/10	-	-	16,902	2,607
$0.55 warrants	October 27/11	1,519,070	208,471	-	-
$0.40 agent warrants	October 27/11	105,607	16,462	-	-
		1,624,677	224,933	16,902	2,607
			$ 13,812,200		$ 12,813,125

	Shares	Amount
Balance April 30, 2008	45,655,409	$ 12,002,272
Shares issued on $0.70 warrants	35,000	36,535
Shares issued on $0.60 warrants	1,000,000	749,656
Shares issued on $0.40 agent warrants	29,805	22,055
	1,064,805	808,246
Balance April 30, 2009	46,720,214	12,810,518
Expiry of $0.70 warrants	-	2,607
Shares issued on private placement, net of issuance costs	3,038,141	774,142
	3,038,141	776,749
Balance April 30, 2010	49,758,355	$ 13,587,267

a) During the year ended April 30, 2009, 1,064,805 warrants were exercised and common shares issued as set out in the table above. Gross proceeds of $636,422 upon warrant exercise were credited to common share capital and the respective warrant account was relieved of the warrant value of $174,310 attributed to the exercised warrants, and to 90,322 expired warrants,

at the date of issuance and transferred to share capital. The costs incurred to issue these shares and any associated warrants were $2,486.

b) During the year ended April 30, 2010, no warrants were exercised however, 16,902 warrants expired resulting in a value of $2,607 being transferred to share capital.

c) On April 28, 2010, the Company completed the first tranche of a private placement and issued 3,038,141 units for gross proceeds of $1,063,349. Each unit consisted of one common share and one-half a common share purchase warrant with each whole warrant exercisable into one additional common share at a price of $0.55 until October 27, 2011. Costs of the private placement included $27,312 in professional fees, $36,962 in cash commissions to agents and 105,607 agent warrants exercisable into one additional common share at a price of $0.40 until October 27, 2011.

   The warrants were allocated $224,933 of the gross proceeds based on their pro-rata share of the calculated fair value of the total unit fair value at issuance using a Black-Scholes pricing model and assuming the assumption estimates as follows:

Risk free interest rate	1.52%
Expected dividend yield	-
Expected share volatility	131%
Expected average warrant life in years	1.5

11. 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.

Stock-based compensation transactions during the years ended April 30, 2010 and 2009 were as follows:

a) On June 10, 2008, the Company granted 335,678 stock options to the members of the Board of Directors with an exercise price of $0.75. The options have a five-year maturity from the date of grant and vested immediately upon the grant.

b) On July 16, 2008, 100,000 stock options were granted to an employee with an exercise price of $1.20. The options have a five-year maturity with one-sixth vesting on the date of the grant and the balance one-sixth every six months until fully vested.

c) On October 31, 2008, 500,000 stock options were granted to an Officer with an exercise price of $0.50. The options have a five-year maturity with 100,000 options vesting on each of April 30, 2009 and October 31, 2009 and 150,000 options vesting on October 31 in each of 2010 and 2011 (note 23(c)).

d) On December 17, 2008, 26,600 vested stock options held by a former director of the Company expired.

e) On February 17, 2009, the Company granted 422,389 stock options to the members of the Board of Directors with an exercise price of $0.90. The options have a five-year maturity from the date of the grant and vested immediately upon the grant.

f) On September 10, 2009, the Company granted 694,447 stock options to the members of the Board of Directors with an exercise price of $0.50. The options have a five-year maturity from the date of the grant and vested immediately upon grant.

g) On January 18, 2010, the Company granted 200,000 stock options to a consultant with an exercise price of $0.50 on the first 50,000 options and $0.65 on the remaining 150,000 options. The options have a five-year maturity from the date of the grant, with 50,000 vesting on each of March 31, 2010, June 30, 2010, September 30, 2010 and December 31, 2010.

h) On February 12, 2010, the Company granted 246,808 stock options to eight employees with an exercise price of $0.47. The options have a five-year maturity from the date of the grant and vested immediately upon grant.

i) On March 15, 2010, the Company granted 200,000 stock options to a consultant with an exercise price of $0.50 on the first 50,000 options and $0.65 on the remaining 150,000 options. The options have a five-year maturity from the date of the grant, with 50,000 vesting on each of June 15, 2010, September 15, 2010, December 15, 2010 and March 15, 2011.

j) On April 21, 2010, 654,358 vested stock options held by two former directors of the Company expired.

The total stock option compensation calculated for the grants during the year ended April 30, 2010 and the assumptions used in the option pricing model are as follows:

Risk free interest rate		1.53% - 2.75%
Expected dividend yield		-
Expected share volatility		110% - 149%
Expected average option life		2 - 5 years
Total stock option compensation	$	503,849

For the year ended April 30, 2010, the Company recorded total stock-based compensation expense of $570,732 (April 30, 2009 - $842,202) related to grants in the current and prior year. Total stock-based compensation expense of $2,200,166 (April 30, 2009 - $1,629,434) has been recorded since inception.

At April 30, 2010, 1,492,472 options (April 30, 2009 – 1,875,554) are available for grant under the stock option plan.

Changes in the number of options outstanding, with their weighted average exercise prices are summarized below:

	April 30, 2010			April 30, 2009		
	Number of Options		Weighted average exercise price	Number of Options		Weighted average exercise price
Opening balance	2,796,467	$	0.79	1,465,000	$	0.84
Granted	1,341,255		0.53	1,358,067		0.74
Cancelled or expired	(654,358)		0.66	(26,600)		0.75
Ending balance	3,483,364	$	0.71	2,796,467	$	0.79

Details of the outstanding stock options at April 30, 2010 are summarized below:

Range of Exercise Prices		Weighted average exercise price of outstanding options		Weighted average exercise price of vested options	Options granted and outstanding at Apr 30/10	Vested	Unvested	Weighted average remaining contractual life in years		Total stock based compensation value		Weighted average option value
$0.01 - $0.50	$	0.49	$	0.49	1,383,847	1,033,847	350,000	4.16	$	645,201	$	0.466
$0.51 - $1.00		0.73		0.75	1,749,517	1,449,517	300,000	2.83		899,993		0.514
$1.01 - $1.50		1.29		1.30	250,000	216,664	33,336	2.43		279,400		1.118
$1.51 - $2.00		2.00		2.00	100,000	100,000	-	2.44		176,700		1.767
	$	0.71	$	0.74	3,483,364	2,800,028	683,336	3.32	$	2,001,294	$	0.575

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

2011	$	124,996
2012		14,897
	$	139,893

Details of the outstanding stock options at April 30, 2009 are summarized below:

Range of Exercise Prices	Weighted average exercise price of outstanding options	Weighted average exercise price of vested options	Options granted and outstanding at Apr 30/09	Vested	Unvested	Weighted average remaining contractual life in years	Total stock based compensation value	Weighted average option value
$0.01 - $0.50	$ 0.50	$ 0.50	500,000	100,000	400,000	4.50	$ 295,500	$ 0.591
$0.51 - $1.00	0.74	0.74	1,946,467	1,863,131	83,336	3.40	1,038,328	0.533
$1.01 - $1.50	1.29	1.32	250,000	183,332	66,668	3.43	279,400	1.118
$1.51 - $2.00	2.00	2.00	100,000	100,000	-	3.44	176,700	1.767
	$ 0.79	$ 0.84	2,796,467	2,246,463	550,004	3.60	$ 1,789,928	$ 0.640

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

2010	$ 133,314
2011	58,566
2012	14,897
	$ 206,777

The following table summarizes the change in contributed surplus for the years ended April 30, 2010 and April 30, 2009:

	April 30, 2010	April 30, 2009
Opening balance	$ 1,850,461	$ 1,008,259
Stock-based compensation	570,732	842,202
Ending balance	$ 2,421,193	$ 1,850,461

12. 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:

	April 30, 2010	April 30, 2009
Loss before income taxes	$ (3,560,310)	$ (3,919,019)
Statutory rate	32.33%	33.00%
Expected income tax recovery	(1,151,000)	(1,293,000)
Amounts not deductible for tax	198,000	285,000
Share issuance costs deductible for tax	(82,000)	(81,000)
Expiration of non-capital losses	-	37,000
Change in future income tax rates	413,000	110,000
Change in valuation allowance	523,000	774,000
Tax credits realized	80,000	88,000
Other	19,000	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:

	April 30, 2010	April 30, 2009
Losses carried forward	$ 1,712,000	$ 1,382,000
Total research expenditures deferred for tax purposes	592,000	519,000
Financing expenses	107,000	173,000
Equipment	3,000	-
Other	74,000	74,000
Future tax assets	2,488,000	2,148,000
Less future tax liabilities related to:		
Equipment	-	(5,000)
Intangible assets	(553,000)	(731,000)
Net future tax assets	1,935,000	1,412,000
Less valuation allowance	(1,935,000)	(1,412,000)
	$ -	$ -

The valuation allowance for future tax assets as at April 30, 2010 is $1,935,000 (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 $6,844,000 and research and development expenditures of $2,699,000, 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
2030	2,067,000
Total non-capital losses	$ 6,844,000
Total research and development expenditures, no expiry	$ 2,699,000

Effective for taxation years ending after December 31, 2008, the federal and Ontario tax administration is harmonized. Under the harmonized tax system, Ontario income tax will be calculated on taxable income as defined for federal purposes. Accordingly, differences between federal and Ontario tax balances in the Company have resulted in a transitional tax credit of $72,000. This credit is comprised of differences between federal and Ontario non-capital losses and research and development expenditures. This credit can only be applied against Ontario income tax, is non-refundable and expires within five years.

In September 2009, the Company received $137,301 of refundable Ontario tax credits related to its fiscal year ended April 30, 2009, which were not previously recorded in accordance with the Company's accounting policy regarding reasonable assurance of collectability. The Company will file for approximately $123,000 of refundable Ontario tax credits related to its fiscal year ended April 30, 2010, which have not been recorded in accordance with the policy.

13. Financial instruments:

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

As at April 30, 2010	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	$1,945,376	$ -	$ -	$ -	$ 1,945,376	$ -	$1,945,376
Miscellaneous receivables	-	-	27,057	-	27,057	2,699	29,756
Accounts payable and accrued liabilities	-	-	-	(328,910)	(328,910)	(15,030)	(343,940)
Due to shareholders	-	-	-	(1,069)	(1,069)	-	(1,069)
	$1,945,376	$ -	$ 27,057	$ (329,979)	$ 1,642,454	$ (12,331)	$1,630,123

As at April 30, 2009	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	$ 602,613	$ -	$ -	$ -	$ 602,613	$ -	$ 602,613
Short-term investments	-	3,049,846	-	-	3,049,846	-	3,049,846
Miscellaneous receivables	-	-	43,517	-	43,517	44,473	87,990
Accounts payable and accrued liabilities	-	-	-	(318,543)	(318,543)	(14,482)	(333,025)
Due to shareholders	-	-	-	(82,249)	(82,249)	-	(82,249)
Notes payable	-	-	-	(20,000)	(20,000)	-	(20,000)
	$ 602,613	$3,049,846	$ 43,517	$ (420,792)	$ 3,275,184	$ 29,991	$3,305,175

Fair value estimates are made as of a specific point in time using available information about the financial instrument. The fair value of cash is measured at Level 1 of the fair value hierarchy (note 2(iii)) as quoted market prices are readily available while cash equivalents are measured at Level 2 as quoted prices are not readily available on a public market but must be obtained in the secondary market. The Company has determined that the carrying value of its remaining 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.

Income earned and expenses incurred are attributable to the following categories of financial instruments:

For the year ended April 30, 2010	Held for trading	Held to maturity	Other financial liabilities	Non financial instruments	Total
Interest income	$ 5,604	$ 12,404	$ -	$ 186	$ 18,194
Interest expense	-	-	(3,642)	-	(3,642)
	$ 5,604	$ 12,404	$ (3,642)	$ 186	$ 14,552

For the year ended April 30, 2009	Held for trading	Held to maturity	Other financial liabilities	Non financial instruments	Total
Interest income	$ 23,745	$ 98,164	$ -	$ 2,379	$ 124,288
Interest expense	-	-	(9,278)	-	(9,278)
	$ 23,745	$ 98,164	$ (9,278)	$ 2,379	$ 115,010

(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 year.

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

As at April 30, 2010	Total	Current	31 - 60 days	61 - 90 days	Over 90 days
Trade receivables	$ 22,788	$ 22,788	$ -	$ -	$ -
Miscellaneous receivables	4,269	4,269	-	-	-
	$ 27,057	$ 27,057	$ -	$ -	$ -

As at April 30, 2009	Total	Current	31 - 60 days	61 - 90 days	Over 90 days
Trade receivables	$ 20,828	$ -	$ 6,876	$ 2,888	$ 11,064
Miscellaneous receivables	22,689	10,218	8,119	498	3,854
	$ 43,517	$ 10,218	$ 14,995	$ 3,386	$ 14,918

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 is of the view that it will have sufficient cash available to meet its financial obligations during the 2011 fiscal year. The Company's financial assets remain highly liquid, however influxes of capital and/or a significant revenue event are actively being pursued by management to improve cash flow (note 1(a)). There have been no changes to the Company's processes related to liquidity risk during the year.

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

		Days to Maturity			
As at April 30, 2010	Total	0 - 90	91 - 180	181 - 270	Over 270
Cash and cash equivalents	$1,945,376	$1,945,376	$ -	$ -	$ -

		Days to Maturity			
As at April 30, 2009	Total	0 - 90	91 - 180	181 - 270	Over 270
Cash and cash equivalents	$ 602,613	$ 602,613	$ -	$ -	$ -
Short term investments	3,049,846	1,449,847	500,000	799,999	300,000
	$3,652,459	$2,052,460	$ 500,000	$ 799,999	$ 300,000

At April 30, 2010, all of the excess cash of the Company was invested in instruments with a maturity of three months or less. Instruments available with maturities greater than three months offered returns that were inadequate to compensate the Company for the longer maturity term.

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

		Days to Maturity			
As at April 30, 2010	Total	0 - 90	91 - 180	181 - 270	Over 270
Trade payables	$ 68,546	$ 68,546	$ -	$ -	$ -
Accrued liabilities	260,364	260,364	-	-	-
Due to shareholders	1,069	1,069	-	-	-
	$ 329,979	$ 329,979	$ -	$ -	$ -

		Days to Maturity			
As at April 30, 2009	Total	0 - 90	91 - 180	181 - 270	Over 270
Trade payables	$ 151,699	$ 151,699	$ -	$ -	$ -
Accrued liabilities	166,844	166,844	-	-	-
Due to shareholders	82,249	82,249	-	-	-
Notes payable	20,000	20,000	-	-	-
	$ 420,792	$ 420,792	$ -	$ -	$ -

Given the nature of the Company's financial liabilities, there is limited risk that that future settlement amounts will differ from the current carrying values. The Company has determined that it has sufficient working capital to manage its maturing financial liabilities as they come due.

(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 Canadian dollars, 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 fiscal 2010 was consistent with the foreign currency risk exposure during the year ended April 30, 2009. The amount of this exposure is not material to the financial statements.

(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. There is no financial liability exposure to interest rate risk as the notes payable, which bore interest at a fluctuating rate based on the bank's prime lending rate, were repaid in August 2009. The Company's interest rate risk exposure has consequently decreased during the year. The amount of interest rate risk exposure is not considered material to the financial statements.

14. Change in non-cash operating working capital:

	April 30, 2010	April 30, 2009
Miscellaneous receivables	$ 58,579	$ 28,530
Prepaid expenses and deposits	(7,769)	(35,724)
Accounts payable and accrued liabilities	10,901	34,052
	$ 61,711	$ 26,858

15. Government assistance:

For the year ended April 30, 2010, the Company recorded $27,307 for government assistance under the Youth Internship Program with the National Research Council of Canada (April 30, 2009 – nil). Under the agreement, the Company is eligible for reimbursement of 50% of the salary of a marketing analyst intern to a maximum of $30,000 with no liability for repayment. Government assistance received or accrued has been credited against sales and marketing expense.

16. Commitments:

(a) Premises rent:

Effective June 1, 2007, the Company entered into a two-year lease agreement for 1,600 square feet of office space. The monthly lease payment is $3,115. The Company has no remaining minimum fiscal year lease payments as the lease expired on May 31, 2009. The lease agreement has been extended on a month to month basis subject to a 90 day notice period to terminate by either party.

At April 30, 2010, the Company has been assessed additional property taxes of approximately $6,400 for prior years, which are being contested.

(b) Research and development contracts:

The Company is committed to pay $238,547 in fiscal 2011 for the completion of research and development contracts existing at the year end.

(c) Other commitments:

The Company is committed to pay $48,950 in fiscal 2011 under the terms of consulting service agreements.

17. Contingency:

Upon the November 27, 2007, acquisition of 3015402 Ontario Inc. (formerly 6441513 Canada Inc.) operating as DDP Therapeutics, the Company became contingently liable for the issuance of 1,431,441 common shares as part of the purchase consideration should certain development milestones be subsequently achieved.

One half of this contingent share consideration is payable upon the first occasion any molecule from the small cell lung cancer (SCLC) library acquired under the purchase achieves the following milestones:

a) when the Company is given notification of acceptance of an investigational new drug filing (IND) and an IND acceptance number is obtained; or
b) when either the United States or the European patent authorities issue the Company a final patent.

If by November 27, 2015, the eighth anniversary date of the transaction, these milestones are not achieved and the contingent consideration not paid, and if the Company has not abandoned its efforts to develop and commercialize the molecules by this anniversary date, the Company is required to:

a) issue the contingent consideration of 1,431,441 common shares at fair value, or
b) pay cash consideration equal to the amount by which the fair value of the molecules purchased in the transaction exceed the amount invested in the molecules by the Company. If the fair value of the molecules purchased in the transaction is less than the amount invested in the molecules by the Company, no consideration is payable.

The achievement of the milestones is not determinable at this time due to the high degree of uncertainty inherent in drug discovery and development in general and by the Company’s financial capability to develop and evaluate all ten molecules in the SCLC library. Further, the value of the contingent consideration issuable upon milestone achievement or upon the eighth anniversary date of the transaction is not determinable at this time as it is based on fair values in effect at the time such consideration becomes payable.

18. Segmented information:

Management has determined that the Company operates in one reportable segment based on the economic characteristics of its research and its services. All of the Company's operations are located in Canada.

19. Related party transactions:

There were no related party balances or transactions in the year ended April 30, 2010 that were not in the ordinary course of business.

The Board of Directors and officers of the Company participated in the private placement closed on April 28, 2010 for gross proceeds to the Company of $215,600 (note 10(c)). The share purchases were measured at an arm’s length exchange amount. Other related party transactions are disclosed in notes 3, 7, 11 and 17.

20. 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 shareholders with an appropriate rate of return on their investment.

The Company has limited debt consisting of shareholder advances which total $1,069 compared to total shareholder's equity of $4,490,085 for a debt to equity ratio of 0.02%. 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.

21. Comparative figures:

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

22. Future changes in accounting policies:

(a) International financial reporting standards (IFRS):

In February 2008, the AcSB confirmed that Canadian publicly accountable enterprises would be required to adopt IFRS for interim and annual financial statements effective for fiscal years beginning on or after January 1, 2011, including comparative financial statements for the prior fiscal year. 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.

(b) Business combinations, consolidated financial statements and non-controlling interests:

In December 2008, the AcSB issued Section 1582, "Business Combinations", which replaced Section 1581, "Business Combinations", Section 1601, "Consolidated Financial Statements" which replaced Section 1600, "Consolidated Financial Statements", and amended Section 1602, "Non-controlling interests". For the Company, these Sections will become effective for interim and annual financial statement reporting beginning on January 1, 2011. The standards are to be applied prospectively to future business combinations, however entities transitioning to IFRS may choose to adopt these Sections early so as to minimize the effect of transitional differences with IFRS. If an entity chooses to adopt Section 1582 before the required transition date, Sections 1601 and 1602 must be applied at the

same time. These standards are expected to have no effect on the Company before transition to IFRS as no future business combinations are being considered at present.

23. Subsequent events:

a) Private placement:

On May 28, 2010, the Company completed the second and final tranche of a private placement (note 10 (c)) and issued 112,860 units for gross proceeds of $39,501. Each unit consisted of one common share and one-half a common share purchase warrant with each whole warrant exercisable into one additional common share at a price of $0.55 until November 27, 2011. Costs of the private placement included $4,724 in professional fees, $225 in cash commissions to agents and 643 agent warrants exercisable into one additional common share at a price of $0.40 until November 27, 2011.

The warrants were allocated $6,426 of the gross proceeds based on their pro-rata share of the calculated fair value of the total unit fair value at issuance using a Black-Scholes pricing model and assuming the assumption estimates as follows:

Risk free interest rate	1.48%
Expected dividend yield	-
Expected share volatility	116%
Expected average warrant life in years	1.5

b) National Research Council of Canada Industrial Research Assistance Program:

On June 16, 2010, the Company received notice of a non-repayable financial contribution of up to $300,000 for the development of its Acute Myelogenous Leukemia project from the National Research Council of Canada Industrial Research Assistance Program. The project has an estimated total cost of $955,470 and is expected to last 16 months from commencement. The expected start date for the project is July 1, 2010.

c) Organizational change:

On June 16, 2010, the Company announced the resignation of its Chief Executive Officer (CEO) effective June 30, 2010. Upon his appointment in October 2008, the CEO was issued stock-based compensation which vested over a period of time, ending in October 2011 (note 11(c)). Under the terms of the Company's stock option plan, 300,000 of the options previously granted will not vest as a result of this resignation and consequently stock-based compensation expense of $110,509 previously recorded for these options will be recovered against stock-based compensation incurred in fiscal 2011.