Critical Outcome
Technologies Inc.

Fiscal 2011 Third Quarter Financial Statements

(Unaudited)

For the three and nine month periods ended January 31, 2011 and 2010

Prepared in accordance with
Canadian Generally Accepted Accounting Principles

CRITICAL OUTCOME TECHNOLOGIES INC.

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CRITICAL OUTCOME TECHNOLOGIES INC.

Notice of No Auditor Review of Interim Financial Statements

For the three and nine month periods ended January 31, 2011 and 2010

The accompanying unaudited balance sheet of Critical Outcome Technologies Inc. (COTI) as at January 31, 2011, the audited balance sheet as at April 30, 2010 and the unaudited statements of comprehensive loss and deficit and cash flows for the three and nine month periods ended January 31, 2011 and 2010 have been prepared by, and are the responsibility of the Company's management and have been reviewed and approved by the Audit Committee as authorized by the Board of Directors.

Neither an audit nor review of the interim financial statements is required by the Company's independent auditor under regulatory reporting requirements, however, under National Instrument 51-102 para. 4.3(3)a the Company must advise whether a review has occurred or not. Accordingly, management advises that the Company's independent auditor, KPMG LLP, was not engaged to perform a review of these interim financial statements.

CRITICAL OUTCOME TECHNOLOGIES INC.
Balance Sheets

As at	January 31, 2011	April 30, 2010
	(Unaudited)	(Audited)
Assets		
Current assets:		
Cash and cash equivalents	$ 609,552	$ 1,945,376
Miscellaneous receivables	13,292	29,756
Prepaid expenses and deposits	70,421	74,955
	693,265	2,050,087
Equipment	69,949	84,820
Intangible assets (note 2)	2,353,964	2,700,187
	$ 3,117,178	$ 4,835,094
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 195,308	$ 343,940
Due to shareholder	1,069	1,069
	196,377	345,009
Shareholders' equity:		
Share capital and warrants (note 3)	13,845,048	13,812,200
Contributed surplus (note 4)	2,396,281	2,421,193
Deficit	(13,320,528)	(11,743,308)
	2,920,801	4,490,085
	$ 3,117,178	$ 4,835,094

Commitments (note 8)
Subsequent event (note 10)

See accompanying notes to financial statements

CRITICAL OUTCOME TECHNOLOGIES INC.

Statements of Comprehensive Loss and Deficit

(All amounts unaudited)

	Three months ended January 31, 2011	Three months ended January 31, 2010	Nine months ended January 31, 2011	Nine months ended January 31, 2010
Revenues:				
Contract services	$ -	$ -	$ -	$ -
Expenses:				
General and administration	245,349	286,793	711,595	934,219
Research and product development	125,454	233,476	456,535	951,372
Amortization	121,592	127,604	368,190	396,418
Sales and marketing	72,118	69,380	194,433	192,073
Stock-based compensation (recovery) expense (note 4)	79,878	52,895	(24,912)	396,489
Interest and bank charges	241	1,122	1,337	3,670
Foreign exchange loss	330	4,693	111	8,013
	644,962	775,963	1,707,289	2,882,254
Loss before other income	(644,962)	(775,963)	(1,707,289)	(2,882,254)
Other income:				
Investment tax credit refunds (note 5)	-	-	122,244	136,786
Interest income	2,185	2,746	7,825	16,484
	2,185	2,746	130,069	153,270
Loss and comprehensive loss	(642,777)	(773,217)	(1,577,220)	(2,728,984)
Accumulated deficit, beginning of the period	(12,677,751)	(10,138,765)	(11,743,308)	(8,182,998)
Accumulated deficit, end of the period	$ (13,320,528)	$ (10,911,982)	$ (13,320,528)	$ (10,911,982)
Basic and diluted loss per common share	$ (0.01)	$ (0.02)	$ (0.03)	$ (0.06)
Weighted average number of common shares outstanding	49,871,215	46,720,214	49,860,174	46,720,214

See accompanying notes to financial statements

CRITICAL OUTCOME TECHNOLOGIES INC.

Statements of Cash Flows

(All amounts unaudited)

	Three months ended January 31, 2011	Three months ended January 31, 2010	Nine months ended January 31, 2011	Nine months ended January 31, 2010
Cash provided by (used in):				
Operating activities:				
Loss	$ (642,777)	$ (773,217)	$ (1,577,220)	$ (2,728,984)
Items not involving cash:				
Amortization	121,592	127,604	368,190	396,418
Stock-based compensation (recovery) expense	79,878	52,895	(24,912)	396,489
Loss on disposal of equipment	-	595	-	634
Loss on disposal of patents	34,406	-	37,423	11,931
Unrealized foreign exchange (gain) loss	(89)	738	116	1,946
Change in non-cash operating working capital (note 7)	2,349	(16,794)	(127,641)	31,303
	(404,641)	(608,179)	(1,324,044)	(1,890,263)
Investing activities:				
Net short-term investment redemptions	-	799,999	-	2,749,846
Equipment recoveries (purchases)	-	113	-	(7,020)
Proceeds on disposal of equipment	-	1	-	793
Expenditures on intangible assets	(15,624)	(35,373)	(44,519)	(156,384)
	(15,624)	764,740	(44,519)	2,587,235
Financing activities:				
Issuance of share capital and warrants (net of issuance costs)	-	-	32,848	-
Decrease in capital lease obligations	-	-	-	(1,263)
Payments to shareholders	-	-	-	(20,406)
	-	-	32,848	(21,669)
Increase (decrease) in cash and cash equivalents	(420,265)	156,561	(1,335,715)	675,303
Less: unrealized foreign exchange (gain) loss on cash and cash equivalents	(96)	483	109	1,756
Cash and cash equivalents, beginning of the period	1,029,721	1,120,082	1,945,376	602,613
Cash and cash equivalents, end of the period	$ 609,552	$ 1,276,160	$ 609,552	$ 1,276,160
Represented by:				
Cash	$ 86,210	$ 161,901	$ 86,210	$ 161,901
Cash equivalents	523,342	1,114,259	523,342	1,114,259
	$ 609,552	$ 1,276,160	$ 609,552	$ 1,276,160
Supplemental cash flow information:				
Interest paid	$ -	$ 865	$ -	$ 3,034

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, optimize and select 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, 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 therapeutic interest.

1. Significant accounting policies:

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP) for the preparation of interim financial statements. This results in certain information and disclosures normally included in the notes to the annual audited financial statements being condensed or not presented in these financial statements. These interim financial statements should be read in conjunction with the Company's most recent audited annual financial statements of April 30, 2010 and related notes.

The interim financial statements follow the same accounting policies and methods of application as the most recent annual financial statements, except for the measurement of options issued to non-employees.

(a) Change in accounting policy:

At fiscal year ended April 30, 2010, COTI measured the stock options granted under two consulting agreements as of the grant date. Subsequent to the year end, COTI determined that this approach was incorrect since the performance commitments had not been reached at the time when the agreements were signed but rather the services were to be performed over time with a portion of the compensation for these services to be received as stock options that also vested over time. As neither contract had reached the end of its service term at April 30, 2010, the stock-based compensation should have been re-measured as of April 30, 2010. One of the service agreements remained uncompleted at July 31, 2010 and re-measurement of that service agreement should have occurred for that reporting date. The error estimates calculated for these periods were not material.

At October 31, 2010 the performance commitments under both agreements were achieved and the stock compensation was re-measured in accordance with GAAP whereby the stock options were valued based upon the fair value of the options at the completion of the service commitments (note 4).

(b) 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. In particular, the Company has not yet established commercial operating revenues and operational cash flows continue to be negative. Key financial results for the periods ended January 31, 2011 and 2010 are indicative of possible concern. These results include: a loss of $1,577,220 (January 31, 2010 - $2,728,984), negative cash flow from operations of $1,324,044 (January 31, 2010 - $1,890,263), an accumulated deficit of $13,320,528 (April 30, 2010 - $11,743,308) and shareholders' equity of $2,920,801 (April 30, 2010 - $4,490,085). As at January 31, 2011, the Company had working capital of $496,888 (April 30, 2010 - $1,705,078).

Financing for the Company's operations for the balance of fiscal 2011 is available from cash generated through prior equity raises and is currently sufficient to meet spending plans to the end of fiscal 2011. Management is taking steps to address the going concern risk 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.

2. Intangible assets:

	January 31, 2011			April 30, 2010		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Molecules	$ 3,111,169	$ 1,231,504	$ 1,879,665	$ 3,111,169	$ 939,832	$ 2,171,337
Patents	483,220	32,434	450,786	484,896	23,438	461,458
Computer software	75,127	54,573	20,554	85,198	20,689	64,509
Trademark	7,803	4,844	2,959	7,616	4,733	2,883
	$ 3,677,319	$ 1,323,355	$ 2,353,964	$ 3,688,879	$ 988,692	$ 2,700,187

Amortization expense includes the following amounts related to intangible assets:

	Three months ended January 31,		Nine months ended January 31,	
	2011	2010	2011	2010
Molecules	$ 97,224	$ 97,224	$ 291,672	$ 291,672
Patents	3,087	2,550	8,995	9,881
Computer software	16,501	19,903	52,541	63,171
Trademark	37	37	111	110
	$ 116,849	$ 119,714	$ 353,319	$ 364,834

During the period the Company recorded patent cost write-offs of $37,423 (January 31, 2010 - $11,931) related to compounds that management determined would not be continued in development. These write-offs were recorded in general and administration expense.

3. Share capital and warrants:

		January 31, 2011		April 30, 2010	
	Expiry date	Issued	Amount	Issued	Amount
Share Capital:					
Authorized:					
Unlimited common shares					
Unlimited preference shares					
Issued:					
Common shares		49,871,215	$ 13,613,689	49,758,355	$13,587,267
Share purchase warrants:					
$0.55 warrants	October 27/11	1,519,070	208,471	1,519,070	208,471
$0.40 agent warrants	October 27/11	105,607	16,462	105,607	16,462
$0.55 warrants	November 27/11	56,430	6,339	-	-
$0.40 agent warrants	November 27/11	643	87	-	-
		1,681,750	231,359	1,624,677	224,933
			$ 13,845,048		$ 13,812,200

	Shares	Amount
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
Shares issued on private placement, net of issuance costs	112,860	26,422
Balance January 31, 2011	49,871,215	$ 13,613,689

On May 28, 2010, the Company completed the second and final tranche of a non-brokered private placement 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 $6,428 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 a value of $6,426 out 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

4. Stock-based compensation:

On June 16, 2010, the Company announced the resignation of its Chief Executive Officer (CEO) effective the close of business on 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. Under the terms of the Company's stock option plan, 300,000 of the options previously granted would not vest as a result of the resignation and consequently stock-based compensation expense of $110,509 previously recorded for these options has been recovered against stock-based compensation incurred in fiscal 2011.

On October 28, 2010, the Company granted 1,182,171 stock options to the members of the Board of Directors with an exercise price of $0.165. The options have a five-year maturity from the date of the grant, with 295,538 vesting on January 28, 2011, 295,543 vesting on April 28, 2011, 295,545 vesting on July 28, 2011 and 295,545 vesting on October 28, 2011.

The total stock option compensation calculated for the options granted during the period ended January 31, 2011 and the assumptions used in the option pricing model are as follows:

Risk free interest rate		2.11%
Expected dividend yield		-
Expected share volatility		144%
Expected average option life		5 years
Estimated total stock option compensation	$	152,500

Options issued to two consultants in fiscal 2010 were re-measured in the quarter ended October 31, 2010 to coincide with the completion of services for which the options were granted (note 1(a)). The change in measurement date resulted in a change in the valuation of the options, and accordingly, a recovery of previously recorded stock-based compensation expense has been recognized. The effect on the total stock option compensation calculation and the assumptions used in the option pricing model as a result of the re-measurement are as follows:

		Original		Revised
Trading price on measurement date	$	0.46	$	0.26
Risk free interest rate		1.53%		1.74%
Expected dividend yield		-		-
Expected share volatility		149%		150%
Expected average option life		2 years		2 years
Estimated total stock option compensation	$	123,800	$	59,500

For the nine month period ended January 31, 2011, the Company recorded a stock-based compensation recovery of $24,912 (January 31, 2010 - $396,489 expense) related to grants in the current and prior period, on the cancellation of unvested options, and on the re-measurement of existing consultant options. At January 31, 2011, the total stock-based compensation expense recorded since inception was $2,175,254 (January 31, 2010 - $2,025,923).

At January 31, 2011, 821,587 options (April 30, 2010 – 1,492,472) 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:

	January 31, 2011		April 30, 2010	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Opening balance	3,483,364	$ 0.71	2,796,467	$ 0.79
Granted	1,182,171	0.17	1,341,255	0.53
Cancelled or expired	(500,000)	0.50	(654,358)	0.66
Ending balance	4,165,535	$ 0.58	3,483,364	$ 0.71

Details of the outstanding stock options at January 31, 2011 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 Jan 31/11	Vested	Unvested	Weighted average remaining contractual life in years	Total stock based compensation value	Weighted average option value
$0.01 - $0.50	$ 0.30	$ 0.41	2,066,018	1,179,385	886,633	4.33	$ 485,601	$ 0.235
$0.51 - $1.00	0.73	0.74	1,749,517	1,699,517	50,000	2.08	852,293	0.487
$1.01 - $1.50	1.29	1.29	250,000	250,000	-	1.67	279,400	1.118
$1.51 - $2.00	2.00	2.00	100,000	100,000	-	1.68	176,700	1.767
	$ 0.58	$ 0.70	4,165,535	3,228,902	936,633	3.16	$ 1,793,994	$ 0.431

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

2011	$ 64,932
2012	38,902
	$ 103,834

The following table summarizes the change in contributed surplus for the period ended January 31, 2011 and the year ended April 30, 2010:

	January 31, 2011	April 30, 2010
Opening balance	$ 2,421,193	$ 1,850,461
Stock-based compensation (recovery) expense	(24,912)	570,732
Ending balance	$ 2,396,281	$ 2,421,193

5. 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:

	January 31, 2011	April 30, 2010
Loss before income taxes	$ (1,577,220)	$ (3,560,310)
Statutory rate	30.08%	32.33%
Expected income tax recovery	(474,000)	(1,151,000)
Amounts not deductible for tax	(2,000)	198,000
Share issuance costs deductible for tax	(54,000)	(82,000)
Change in future income tax rates	85,000	413,000
Change in valuation allowance	465,000	523,000
Tax credits realized	19,000	80,000
Other	(39,000)	19,000
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:

	January 31, 2011	April 30, 2010
Losses carried forward	$ 2,011,000	$ 1,712,000
Total research expenditures deferred for tax purposes	749,000	592,000
Financing expenses	55,000	107,000
Equipment	3,000	3,000
Other	40,000	74,000
Future tax assets	2,858,000	2,488,000
Less future tax liabilities related to:		
Intangible assets	(458,000)	(553,000)
Net future tax assets	2,400,000	1,935,000
Less valuation allowance	(2,400,000)	(1,935,000)
	$ -	$ -

The Company has non-capital losses of approximately $8,040,000 and research and development expenditures of $2,997,000, 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		2,075,000
2031		1,188,000
Total non-capital losses	$	8,040,000
Total research and development expenditures, no expiry	$	2,997,000

In September 2010, the Company received $122,244 of refundable Ontario tax credits related to its fiscal year ended April 30, 2010, which were not previously recorded in accordance with the Company's accounting policy regarding reasonable assurance of collectability. Approximately $57,000 of refundable Ontario tax credits related to the Company's fiscal year ended April 30, 2011 have not been recorded in accordance with this policy.

6. Financial instruments:

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

As at January 31, 2011	Held for trading	Loans and receivables	Other financial liabilities	Total carrying value	Non financial instruments	Balance sheet carrying value
Cash and cash equivalents	$ 609,552	$ -	$ -	$ 609,552	$ -	$ 609,552
Miscellaneous receivables	-	3,756	-	3,756	9,536	13,292
Accounts payable and accrued liabilities	-	-	(169,794)	(169,794)	(25,514)	(195,308)
Due to shareholders	-	-	(1,069)	(1,069)	-	(1,069)
	$ 609,552	$ 3,756	$ (170,863)	$ 442,445	$ (15,978)	$ 426,467

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 quoted market prices while cash equivalents are measured based upon inputs 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.

(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 period.

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 January 31, 2011	Total	Current	31 - 60 days	61 - 90 days	Over 90 days
Trade receivables	$ -	$ -	$ -	$ -	$ -
Miscellaneous receivables	3,756	3,756	-	-	-
	$ 3,756	$ 3,756	$ -	$ -	$ -

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. Additional funding for operations is being pursued by the Company to improve cash flow and maintain liquidity for future periods (note 1(b)). There have been no changes to the Company's processes related to liquidity risk during the period.

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 January 31, 2011	Total	0 - 90	91 - 180	181 - 270	Over 270
Cash and cash equivalents	$ 609,552	$ 609,552	$ -	$ -	$ -

At January 31, 2011 and April 30, 2010, all of the excess cash of the Company was invested in instruments with a maturity of three months or less.

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

		Days to Maturity			
As at January 31, 2011	Total	0 - 90	91 - 180	181 - 270	Over 270
Trade payables	$ 61,152	$ 61,152	$ -	$ -	$ -
Accrued liabilities	108,642	78,642	30,000	-	-
Due to shareholders	1,069	1,069	-	-	-
	$ 170,863	$ 140,863	$ 30,000	$ -	$ -

Given the nature of the Company's financial liabilities, there is limited risk 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.

7. Change in non-cash operating working capital:

	Three months ended January 31,		Nine months ended January 31,	
	2011	2010	2011	2010
Miscellaneous receivables	$ (146)	$ 14,181	$ 16,464	$ 73,213
Prepaid expenses and deposits	(4,794)	(49,083)	4,534	(14,942)
Accounts payable and accrued liabilities	7,289	18,108	(148,639)	(26,968)
	$ 2,349	$ (16,794)	$ (127,641)	$ 31,303

8. Commitments:

(a) Research and development contracts:

The Company is committed to pay $38,860 in fiscal 2011 for the completion of research and development contracts existing at the period end.

9. 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.

10. Subsequent event

(a) Private placement:

On March 25, 2011, the Company completed the first tranche of a private placement and issued 8,152,500 units for gross proceeds of $1,304,400. Each unit consisted of one common share and one common share purchase warrant with each whole warrant exercisable into one additional common share at a price of $0.30 until September 24, 2012. Estimated costs of the private placement included $22,250 in professional and related fees, $61,680 in cash commissions to agents and 385,500 agent warrants exercisable into one additional common share at a price of $0.30 until September 24, 2012.

The warrants were allocated $431,144 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	1.56%
Expected dividend yield	-
Expected share volatility	143%
Expected average warrant life in years	1.5