Critical Outcome Technologies Inc.

Management's Discussion and Analysis of Financial Condition and Results of Operations

As at March 27, 2007

Interim Period – Nine months ended January 31, 2007

The following discussion and analysis explains trends in Critical Outcome Technologies Inc.'s ("COTI" or the "Company") financial condition and results of operations for the three and nine month periods ended January 31, 2007. This management discussion and analysis is intended to assist in understanding the dynamics of the Company's business and the key factors underlying its financial results. This document has been prepared as at March 27, 2007 and should be read in conjunction with the Company's interim financial statements of January 31, 2007 and the annual audited financial statements for the year ended April 30, 2006 and notes thereto which can be found on SEDAR at www.sedar.com*. All dollar figures are Canadian dollars.*

Certain statements contained hereunder constitute "forward-looking statements" within the meaning of the *Securities Act* (Ontario) and applicable securities laws. These forward-looking statements, by their nature, are not guarantees of future performance and are based upon management's current expectations, estimates, projections and assumptions. COTI operates in a highly competitive environment that involves significant risks and uncertainties which could cause actual results to differ materially from those anticipated in these forward-looking statements. Management of COTI considers the assumptions on which these forward-looking statements are based to be reasonable, but as a result of the many risk factors, cautions the reader that actual results could differ materially from those expressed or implied in these forward looking statements.

Company Overview

COTI is a reporting issuer resulting from the amalgamation of Aviator Petroleum Corp. ("Aviator", a public company listed on the TSX Venture Exchange ("TSXV") under the symbol "AVC") and Critical Outcome Technologies Inc. ("Old COTI", a private company) under the provisions of the Business Corporations Act (Ontario) on October 13, 2006. The amalgamation constituted the qualifying transaction of Aviator pursuant to the policies of the TSXV. The amalgamated company retained the name Critical Outcome Technologies Inc. ("COTI") and continues to operate the business of Old COTI. COTI is therefore a drug discovery company originally founded in 1999 and based in London, Ontario. COTI is formed around a unique computational platform technology called CHEMSAS®, which allows for the accelerated identification, profiling and optimization of targeted small molecules potentially effective in the treatment of human diseases for which current therapy is either lacking or ineffective. COTI's business is focused on the discovery and pre-clinical development of libraries of optimized lead molecules for the treatment of specific cancers, HIV and Multiple Sclerosis. Currently, five targeted libraries of lead compounds (Small Cell Lung Cancer (10% ownership interest), Colorectal Cancer, Acute Myelogenous Leukemia in adults, HIV Integrase Inhibitors and Multiple Sclerosis) are under active development.

Results of Operations

For the three month period ended January 31, 2007, the net loss amounted to $501,305 or ($0.01) per share compared to a net loss of $66,788 ($0.01 per share) for the corresponding period in 2006.

For the nine month period ended January 31, 2007 a net loss of $766,026 ($0.03 per share) was incurred compared to a net loss of $160,309 ($0.02 per share) for the comparable nine month period ended January 31, 2006. These results reflect the increased business activity of the Company as it advanced its technology forward in the latter half of calendar 2006 and early 2007.

Summary of Quarterly Results

Set out below is a table summarizing operating results for the eight most recent quarters of the Company. Revenues are observed to be negligible over the period consisting of screening and contract service revenues as the Company focused on developing its molecular libraries. The increasing quarterly loss trend reflects the company's ramp up of product and business development activities for its molecule libraries as well as administrative costs of the business. Significant non-cash expense related to stock option compensation of $213,705 and $251,000 is also reflected in the Jan 31, 2007 and April 30, 2006 quarterly net losses respectively.

A small private placement of gross proceeds $220,000 in April 2006 and a larger private placement of gross proceeds $2,637,600 which closed on October 11, 2006 funded these increasing development and business support costs.

	31-Jan 2007	31-Oct 2006	31-Jul 2006	30-Apr 2006	31-Jan 2006	31-Oct 2005	31-Jul 2005	30-Apr 2005
Revenues	$ -	$ -	$ 2,500	$ -	$ 2,500	$ 30,000	$ -	n/a
Total Loss before discontinued operations and extraordinary items	501,305	101,633	163,088	430,620	66,788	56,066	37,455	n/a
Loss per share before discontinued operations and extraordinary items	$ 0.01	$ -	$ 0.01	$ 0.02	$ 0.01	$ 0.01	$ 0.01	n/a
Total Net loss	501,305	101,633	163,088	430,620	66,788	56,066	37,455	n/a
Net loss per share	$ 0.01	$ -	$ 0.01	$ 0.02	$ 0.01	$ 0.01	$ 0.01	n/a

Notes: n/a = not available. COTI was a private company at April 30, 2005 and quarterly F/S were not prepared at that time or in prior periods.

Financial Condition

As at January 31, 2007 the Company had available cash of $2,534,008 compared to $170,464 at April 30, 2006. The increase is due primarily to funds generated from two private placements. First, a private placement of "$0.40 Units" of COTI consisting of one common share of COTI and one-half common share purchase warrant exercisable at $0.70 until April 10, 2008 closed on October 11, 2006. Gross proceeds of $2,637,600 less issuance costs of $459,214 provided net proceeds of $2,178,386 to the Company. A second private placement of "$0.50 Units" of COTI closed on January 16, 2007 for gross proceeds of $1,000,000. The "$0.50 Units" consisted of one common share of COTI and one-half common share purchase warrant exercisable at $0.60 to July 15, 2008. Net proceeds after issuance costs of $14,542 provided $985,458 to the Company.

In addition to the private placements the Company also realized gross proceeds of $38,750 on the exercise of agent stock options and warrants in December 2006 and January 2007.

The Company's current assets increased to $2,682,685 on January 31, 2007 from $184,547 at April 30, 2006. Current liabilities decreased $123,812 to $235,776 on January 31 from $359,588 at April 30, 2006. This decrease in current liabilities reflects approximately a $70,000 reduction in accounts payable, $25,000 in AVC advances applied to the proceeds of closing the amalgamation, $18,000 in repayment of shareholder advances associated with the October financing and $11,000 in reduction of the capital lease obligation.

Management believes it has sufficient cash resources to carry out its operations for the next 18 months at expected operating levels. However, in light of uncertainties associated with the development of its molecule libraries including identifying and securing suitable pharmaceutical customer prospects, further financing may be required to support the Company's operations in the future.

Operating Revenues

The Company did not generate any operating revenues in the three months ended January 31, 2007 as compared to $2,500 in screening service revenues in the three months ended January 31, 2006. For the nine month period ended January 31, 2007 the Company generated $2,500 in screening service fees as compared to $32,500 for screening and contract services in the nine months ended January 31, 2006.

The Company realized $14,391 in "other income" from interest earned on its excess cash balances in the three months ended January 31, 2007 compared to $329 in interest income and $6,320 in investment tax credit refunds in the three months ended January 31, 2006.

During the three month period ended January 31, 2007, the Company continued to focus on developing its libraries and building customer relationships for the sale or licence of its two lead molecule libraries for; small cell lung cancer (10% ownership interest) and multiple sclerosis.

Operating Expenses

For the three month period ended January 31, 2007 total operating expenses were $515,696, an increase of $439,759 compared with $75,937 in the same period in 2006. The increase in these operating expenses is primarily due to non-cash stock option compensation of $213,705, synthesis costs of $97,940, salaries of $59,674, professional fees of $32,829 and marketing costs of $28,070 as the Company continued to work on its molecule libraries, customer contacts and financing initiatives.

For the nine month period ended January 31, 2007 the total operating expenses were $860,179, an increase of $660,721 compared to $199,458 for the same period in 2006. All expense categories in the nine months ended January 31, 2007 exceeded those expenses in the comparable nine months ending January 31, 2006. Those expenses with an increase greater than $20,000 were:

- Salaries and benefits which increased by $170,436 from $105,061 in 2006 to $275,497 in 2007. This reflects the increased staffing of 5 full time employees in 2007 compared to only two employees at January 31, 2006.

- Stock option compensation which increased $213,705 in 2007 compared to no such expense in 2006. This reflects the granting of 1,235,000 stock options in January 2007 to board members, officers and employees. None of these options were exercised at January 31, 2007.

- Professional fees which increased by $65,881 from $33,552 in 2006 to $99,433 in 2007. The increase related to $13,280 in accounting fees for various post amalgamation support for tax and accounting matters, $45,000 in contract consulting costs as part of the financing efforts and investor relations and $7,601 in legal costs primarily related to the increased corporate governance associated with being a public company.

- Synthesis costs which increased by $97,940 compared to no such expense in 2006. This expense relates to the costs incurred starting in early November 2006 on the first four multiple sclerosis molecules.

- Marketing costs which increased by $76,766 from $3,689 in 2006 to $80,455 in 2007. This cost increase was driven primarily by travel, hotel and meals and entertainment costs associated with financing endeavors and marketing of the molecule libraries to interested pharmaceutical parties, which combined represented an increase of $54,525 to the costs in the comparable period in 2006. An additional $13,078 of the increase in marketing expense came from the Company's branding initiatives targeted at new support materials including a revamped web site.

Income Taxes

The Company is not in a taxable position as it has not generated a profit since inception. The Company has temporary timing differences that could give rise to future tax assets as well as non-capital losses and research and development expenditures which may be applied to reduce taxable income of future years. Details of these balances determined up to April 30, 2006 can be found in Note 14 of the Notes to the Financial Statements for the interim financial statements of January 31, 2007. Management cannot discern when a profit will occur so it is possible that the Company will not realize on some or all of these tax benefits.

Liquidity and Capital Resources

Operating Activities

For the three month period ended January 31, 2007 operating activities used $661,340 in cash. This compares with cash generated of $4,747 in the three month period ending January 31, 2006. This increase in cash usage in 2007 is due to the ramp up in operational activity from the earlier comparable period.

Similarly, for the nine month period ended January 31, 2007 operating activities used $747,381 in cash compared to cash usage of $89,133 for the period ending January 31, 2006.

Investing Activities

During the quarter the Company invested a further $8,295 in patents compared to $4,902 invested in patents in 2006. The Company also recorded an investment in computer hardware of $11,080 which was financed through a capital lease.

For the nine month period ended January 31, 2007 patent expenditures were $27,255 compared to patent expenditures of $21,852 for the period ending January 31, 2006. These expenditures relate to continuing costs on three leukemia molecules as well as the commencement of patenting on its multiple sclerosis molecules in the latter half of calendar 2006.

Financing Activities

For the three month period ended January 31, 2007 the Company generated $977,124 in cash from financing activities compared to $10,847 for the quarter ended January 31, 2006. Net equity financing of $1,016,917 offset by $44,476 in repayments to a shareholder of expenses incurred during the raising of the financing closed in October 2006 accounted for most of these funds. The additional equity financings raised gross proceeds of $1,038,750 which net of issue costs provided $1,016,917 to the Company. This compares to no equity financing during the comparable quarter in 2006. The details of these equity financings are as follows:

- On January 16, 2007 the Company closed a private placement pursuant to a Private Placement Term Sheet dated January 3, 2007. The Company issued private placement units (the "Units") consisting of one common share and one-half a common share purchase warrant. The issue price of the Units was $0.50. Each whole common share purchase warrant (the "$0.60 Warrant") is exercisable into one additional common share at a price of $0.60 for a period of eighteen months. The Company issued 2,000,000 Units for gross proceeds of $1,000,000. Pursuant to TSXV regulations, the 2,000,000 shares issued under the Unit offering are subject to a four month hold period from the date of closing of the private placement which period ends on May 15, 2007.

- In December 2006 and January 2007, Northern Securities Inc exercised 263,500 of its Agent Options for gross proceeds to the Company of $26,350.

- In January 2007, 31,000 $0.40 Agent Options were exercised for gross proceeds to the Company of $12,400. In addition to the 31,000 common shares issued under the terms of the Agent Options, the Company also issued 31,000 $0.70 Warrants.

For the nine months ended January 31, 2007 the Company generated $3,149,260 in cash compared to $120,086 in the nine months ended January 31, 2006. This increase of $3,029,174 relates primarily to the equity financing which raised a net amount of $3,195,303 in 2007 versus $100,000 in the comparable period in 2006. This balance in 2007 consists of the equity raises noted in the January 2007 quarter plus a financing closed on October 11, 2006. In this latter financing, the Company closed a private placement pursuant to an Amended Confidential Offering Memorandum dated September 13, 2006. The Company issued private placement $0.40 Units consisting of one common share and one-half a common share purchase warrant. Each whole common share purchase warrant is exercisable into one additional common share at a price of $0.70 for a period of eighteen months. The Company also issued 659,400 "$0.40 Agent Warrants" representing 10% of the units sold which can be exercised up to April 13, 2008. The

Company issued 6,594,000 Units at the $0.40 issue price for gross proceeds of $2,637,600. Net cash for use in operations of $2,178,386 was realized after paying issuance costs of $459,214 for legal, accounting advisory, underwriter fees and printing and distribution costs.

Amalgamation

On October 13, 2006, the Company concluded an amalgamation pursuant to an Amended Amalgamation Agreement dated August 31, 2006 with Aviator whereby Old COTI and Aviator amalgamated to carry on business as Critical Outcome Technologies Inc. ("COTI").

Prior to the Amalgamation, COTI had 28,967,332 common shares ("Old COTI Common Shares") issued and outstanding. COTI had also issued: 733,332 common share purchase warrants exercisable into 733,332 Old COTI Common Shares at $0.40 per share ("$0.40 Warrants"); 3,297,000 common share purchase warrants exercisable into 3,297,000 Old COTI Common Shares at $0.70 per share ("$0.70 Warrants"); 40,000 agent's warrants exercisable into 40,000 units of Old COTI at $0.30 per unit ("$0.30 Agent's Warrants"), each unit consisting of one Old COTI Common Share and one $0.40 Warrant; and 659,400 agent's warrants exercisable into 659,400 units of Old COTI at $0.40 per unit ("$0.40 Agent's Warrants"), each unit consisting of one Old COTI Common Share and one-half of one $0.70 Warrant.

After completion of the Amalgamation, the Old COTI Common Shares were exchanged for 28,967,332 COTI common shares with a deemed value of approximately $0.34521 per share. In addition, each outstanding $0.40 Warrant, $0.70 Warrant, $0.30 Agent's Warrant and $0.40 Agent's Warrant was exchanged on a one for one basis for replacement securities of COTI with the same terms.

Prior to the Amalgamation, Aviator had 5,635,000 common shares ("Aviator Common Shares") and no preferred shares issued and outstanding, and had granted agent's options ("Aviator Agent's Options") to acquire up to 275,000 common shares of Aviator.
After completion of the Amalgamation, the Aviator Common Shares were exchanged for 5,635,000 common shares of COTI common shares. In addition, the Aviator Agent's Options were exchanged for Agent Stock Options of COTI entitling holders to acquire up to 275,000 COTI common shares at $0.10 per common share until May 9, 2007 consistent with the terms of the Aviator Agent's Options.

The amalgamation received final approval by the TSXV on October 27, 2006 and COTI commenced trading on the TSXV on October 30, 2006.

Outstanding Common Shares

At January 31, 2007 there were 36,896,832 common shares issued and outstanding. In addition there were share purchase warrants issued and outstanding as follows:

- 733,332 common share $0.40 warrants - expiring April 19/08
- 40,000 common share $0.30 agent warrants - expiring April 19/08
- 3,312,500 common share $0.70 warrants - expiring April 13/08
- 643,900 common share $0.40 agent warrants - expiring Oct 13/08
- 1,000,000 common share $0.60 warrants - expiring July 15, 2008

Critical Accounting Policies and Estimates

COTI prepared its interim financial statements in accordance with Canadian generally accepted accounting principles (GAAP) with the exception of income taxes and investment tax credits as disclosed in the notes to the January 31, 2007 financial statements and discussed under Income Taxes above. An understanding of the Company's accounting policies is necessary for a complete analysis of results, financial position, liquidity and trends. Refer to Notes 3 and 14 of the financial statements for additional information on accounting principles. The financial statements are presented in Canadian dollars rounded to the nearest dollar.

Financial statements prepared in accordance with GAAP require management to make estimates and assumptions relating to reported amounts of revenue and expenses, reported amounts of assets and liabilities and disclosure of contingent assets and liabilities. Management regularly evaluates the assumptions and estimates that are used in the preparation of the Company's financial statements.

Estimates and assumptions used by management are based upon past experience and other factors deemed reasonable in the circumstances. Since these estimates and assumptions involve varying degrees of judgment and uncertainty, the amounts reported in the financial statements could in the future prove to be inaccurate. COTI's critical accounting policies and estimates are summarized below.

Equipment - is recorded at amortized cost. Amortization is recorded on a straight-line basis over the estimated useful lives of the assets whether purchased directly by COTI or acquired under a capital lease as follows: furniture and fixtures 5 years; computer hardware 2 years; computer software over the term of the license.

Patent costs - are capitalized for direct costs incurred in connection with securing patents. The cost of evaluating and investigating patents are accumulated by specific product or molecule and the capitalized costs are amortized over the life of the patent beginning in the year the patent is received. The accumulated cost of a product investigated for patenting which is not subsequently patented is expensed in the year when the decision is made to not pursue the patent. At October 31, 2006 no patents had yet been received for those applications being pursued.

Trademark costs - are accumulated by specific process and where trademark registration is pursued and 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. At October 31, 2006 one trademark on CHEMSAS had been obtained and was being amortized over 5 years.

Impairment of long-lived assets – is assessed when events or changes in circumstances indicate that the carrying amount of long-lived assets or asset groups 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.

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.

Stock-based compensation and other stock-based payments – are accounted for using the fair value based method, whereby compensation cost is measured at fair value as determined by valuation models at the date of grant and are expensed over the award's vesting period. The valuation model used by the Company requires a number of estimates and assumptions by management, the most important of which is expected volatility.