

# Press Release

**FOR IMMEDIATE RELEASE**

## **CRITICAL OUTCOME TECHNOLOGIES INC. REPORTS FINANCIAL RESULTS FOR THE FOURTH QUARTER AND THE YEAR ENDED APRIL 30, 2011**

**London, Ontario (July 13, 2011): Critical Outcome Technologies Inc. (COTI) (TSX Venture: COT)** announced today its financial results for the fourth quarter and the year ended April 30, 2011.

“Fiscal 2011 was a very productive year for COTI as we continued to progress in the development of our lead oncology compound, COTI-2, and move towards obtaining a licensing deal,” said Dr. Wayne Danter, Chief Executive Officer of COTI. “We were also able to continue the development of our other programs and this overall progress positions us for significant success in 2012.”

Key business highlights during the year were as follows:

- Announced the receipt of a favourable pre-investigational new drug gap analysis report for COTI-2 from an independent team of scientific and regulatory consultants. There were no deficiencies identified in the preclinical science review.
- Announced the commencement on three risk reduction studies for COTI-2, identified by potential licensing partners, in the fourth quarter. The studies to be completed include:
  - A pharmacodynamic xenograft study designed to demonstrate that Akt/Akt2 is a target for COTI-2 in the intact organism with a human tumour that produces increased amounts of Akt. As recently announced on June 29, 2011, preliminary results of this study were very strong as COTI-2 showed quite positive single agent efficacy in an ovarian cancer cell line.
  - The completion of an optimal oral formulation for COTI-2 that can be used for investigational new drug (IND) enabling experiments and Phase 1.
  - An IND enabling 28 day/acute toxicity study in two animal species using the optimally formulated COTI-2.
- Reported the completion of initial confirmatory *in vitro* testing of the first three novel scaffolds from its HIV integrase program. All three scaffolds demonstrated good inhibitory activity in a biochemical HIV integrase assay at nanomolar concentrations. Based on these results, COTI filed composition of matter patents and moved ahead with the next phase of the project consisting of optimizing a small series of potential lead candidates.
- Announced the signing of a multi-year Contribution Agreement that provided COTI with non-repayable funding of up to \$300,000 and additional technical and business oriented advisory

services from the National Research Council of Canada Industrial Research Assistance Program for the Company's acute myelogenous leukemia program.

- Completed a private placement with accredited investors for gross proceeds of \$2,000,000 that provides financial support for operations in 2012.
- Strengthened corporate governance and leadership by adding Dr. Brent Norton, an accomplished leader in the Life Science industry with significant experience as a Founder, President, Chief Executive Officer and Director of several successful life science companies, to the Board of Directors.

## **Financial Highlights**

### Fourth Quarter

The Company reported a net loss for the quarter ended April 30, 2011 (Q4 2011) of \$477,706 or \$0.01 per share compared to a net loss of \$831,326 or \$0.02 per share for the three months ended April 30, 2010 (Q4 2010). This decreased loss year over year of \$353,620 related primarily to lower stock-based compensation of \$127,218, lower general and administrative (G&A) expense of \$126,215, lower research and product development expense (R&D) of \$29,159 and an increase in other income of \$72,723.

The stock-based compensation decrease resulted primarily from a grant of fully vested options issued to employees in Q4 2010 that were assigned a value of \$103,659 with no similar grant to employees in Q4 2011. The G&A decrease related primarily to lower salaries and benefits of \$51,571 and a decrease in patent write-offs of \$30,360 compared to Q4 2010. The decrease in R&D reflects a reduction in salaries and benefits due to an allocation of the Chief Scientific Officer's time to other business areas and cost recoveries under a government grant program, and a reduction in scientific convention costs. The other income increase related to the recognition of investment tax credit on an accrual basis as opposed to a receipts basis in prior years as collectability based upon historic filings is considered reasonably certain.

### Fiscal Year

There were no operating revenues reported for the year ending April 30, 2011 (FYE 2011) or the year ended April 30, 2010 (FYE 2010). A net loss of \$2,054,926 or \$0.04 per share was incurred for FYE 2011 compared to a net loss of \$3,560,310 or \$0.08 per share in FYE 2010. This decreased loss of \$1,505,384 resulted from an overall decline in operating expenses, which decreased from \$3,715,290 for FYE 2010 to \$2,259,429 for FYE 2011, a decrease of \$1,455,861.

Three major expense items accounted for 97.6% of this decline with a decrease in stock-based compensation of \$548,619, a decrease in the level of R&D testing activity conducted during the year of \$523,997 and lower G&A expense of \$348,840. First, the stock-based compensation decrease resulted primarily from the recovery of \$110,509 in previously recognized stock-based compensation expense, a recovery of \$48,484 on the re-measurement of stock options issued to consultants in prior years and a decrease in the number of options granted and a change in the vesting period for options granted to the Board. Second, R&D was reduced in FYE 2011 as a strategic decision was made to reduce the Company's cash usage and thereby lengthen the Company's operational timeline while seeking additional financing. Reduced spending of \$210,414 occurred in contract testing, consulting and materials and \$247,202 in synthesis costs. R&D spending was focused primarily on the COTI-2, the Company's lead oncology compound. Third, the G&A decrease related to lower salaries and benefits of

\$175,123, corporate governance cost primarily director fees of \$65,969 and travel expenses of \$56,884 offset by an increase in professional fees of \$12,902.

During the year, the Company realized net proceeds of \$1,899,904 on private placements with accredited investors to provide funding for operations. At April 30, 2011, the Company had \$2,094,621 in cash, cash equivalents and short-term investments to provide funding for operations in fiscal 2012 compared to \$1,945,376 at FYE 2010.

More detailed operating and financial results can be found in the Company's annual audited financial statements and Management's Discussion and Analysis for the year ended April 30, 2011, which can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Annual General Meeting Announcement**

COTI's Annual Meeting of Shareholders will be held on Tuesday, September 27, 2011 at 9:30 a.m. Eastern time at The London Club, 177 Queens Avenue, London, Ontario.

### **Notice to Readers**

Information contained in this press release may contain certain statements, which constitute "forward-looking statements" within the meaning of the Securities Act (Ontario) and applicable securities laws. For example, the statement "... move towards obtaining a licensing deal" is a forward-looking statement. Forward-looking statements, by their nature, are not guarantees of future performance and are based upon management's current expectations, estimates, projections and assumptions. COTI operates in a highly competitive environment that involves significant risks and uncertainties, which could cause actual results to differ materially from those anticipated in these forward-looking statements. Management of COTI considers the assumptions on which these forward-looking statements are based to be reasonable, but as a result of the many risk factors, cautions the reader that actual results could differ materially from those expressed or implied in these forward-looking statements. Information in this press release should be considered accurate only as of the date of the release and may be superseded by more recent information disclosed in later press releases, filings with the securities regulatory authorities or otherwise.

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

COTI is a leading-edge life science company specialized in using proprietary algorithms and "artificial intelligence" software to accelerate the discovery of small molecules thus enabling these new drugs to be licensed to strategic partners and brought to market in a significantly more cost effective, efficient and timely manner.

COTI'S proprietary technology CHEMSAS®, utilizes a series of predictive computer models to identify compounds most likely to be successfully incorporated in disease-specific drug discovery, as well as subsequent optimization and preclinical development. These compounds are targeted for a variety of diseases, particularly those for which current treatments are either lacking or ineffective. COTI is focused on preparing its lead anti-cancer compound, COTI-2, for a US investigational new drug filing and out licensing it to a strategic partner in 2012.

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

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