



Financial Statements

Annual Audited

For the years ended April 30, 2012 and 2011

CRITICAL OUTCOME TECHNOLOGIES INC.
Financial Statements
For the years ended April 30, 2012 and 2011

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Critical Outcome Technologies Inc.

We have audited the accompanying financial statements of Critical Outcome Technologies Inc., which comprise the statements of financial position as at April 30, 2012, April 30, 2011 and May 1, 2010, the statements of comprehensive loss, changes in shareholders' equity and cash flows for the years ended April 30, 2012 and April 30, 2011, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Critical Outcome Technologies as at April 30, 2012, April 30, 2011 and May 1, 2010, and its financial performance and its cash flows for the years ended April 30, 2012 and April 30, 2011 in accordance with International Financial Reporting Standards.



Emphasis of Matter

Without qualifying our opinion, we draw attention to note 3 to the financial statements which describes that for the year ended April 30, 2012, the Company incurred a loss of \$2,591,151, had negative cash flow from operations of \$1,973,061, and as at April 30, 2012 has an accumulated deficit of \$16,328,162. These conditions, along with other matters described in note 3, indicate the existence of a material uncertainty which may cast doubt on the Entity's ability to continue as a going concern.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

July 11, 2012
London, Canada

CRITICAL OUTCOME TECHNOLOGIES INC.
Statements of Financial Position

As at	April 30, 2012	April 30, 2011	May 1, 2010
Assets			
Current assets:			
Cash and cash equivalents	\$ 901,130	\$ 1,794,621	\$ 1,945,376
Short-term investment (note 6)	817,541	300,296	-
Miscellaneous receivables	151,505	131,740	29,756
Prepaid expenses and deposits	59,583	70,475	80,760
	1,929,759	2,297,132	2,055,892
Non-current assets:			
Equipment (note 7)	55,899	65,735	84,820
Intangible assets (note 8)	2,163,318	2,340,630	2,697,304
	2,219,217	2,406,365	2,782,124
Total assets	\$ 4,148,976	\$ 4,703,497	\$ 4,838,016
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 341,505	\$ 343,643	\$ 345,009
Shareholders' equity	3,807,471	4,359,854	4,493,007
Total liabilities and shareholders' equity	\$ 4,148,976	\$ 4,703,497	\$ 4,838,016
Going concern (note 3)			
Commitments (note 17)			
Contingency (note 18)			
Subsequent events (note 21)			

See accompanying notes to financial statements

Signed on behalf of the Board:

"Dr. Wayne R. Danter"

Dr. Wayne R. Danter - Director
 President & CEO

"Dr. Brent Norton"

Dr. Brent Norton - Director

CRITICAL OUTCOME TECHNOLOGIES INC.
Statements of Comprehensive Loss

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For the years ended April 30	2012	2011
Expenses (income):		
Research and product development (note 9)	\$ 718,849	\$ 592,742
Sales and marketing (note 9)	244,037	250,953
General and administration (note 9)	1,780,024	1,354,827
Investment tax credits (note 13)	(133,771)	(194,429)
	<u>2,609,139</u>	<u>2,004,093</u>
Loss before finance income	(2,609,139)	(2,004,093)
Finance income:		
Interest income, net	8,811	8,414
Foreign exchange gain (loss)	9,177	(5,699)
	<u>17,988</u>	<u>2,715</u>
Loss and comprehensive loss	\$ (2,591,151)	\$ (2,001,378)
Loss per share:		
Basic and diluted loss per common share (note 14)	\$ (0.04)	\$ (0.04)

See accompanying notes to financial statements

CRITICAL OUTCOME TECHNOLOGIES INC.
Statements of Changes in Shareholders' Equity

	Common Shares	Warrants	Share Capital	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance, April 30, 2011	\$ 14,779,916	\$ 932,188	\$ 15,712,104	\$ 2,384,761	\$ (13,737,011)	\$ 4,359,854
Issuance of shares on patent grant (notes 8, 10 (d) and 18)	164,232	-	164,232	-	-	164,232
Exercise of options (note 10 (c))	33,974	-	33,974	(15,000)	-	18,974
Share-based compensation expense (note 11)	-	-	-	221,984	-	221,984
Loss and comprehensive loss	-	-	-	-	(2,591,151)	(2,591,151)
Warrant expiry (note 10 (f))	-	(16,549)	(16,549)	16,549	-	-
Amendment of warrants (note 10 (e))	-	107,312	107,312	(112,173)	-	(4,861)
Issuance of shares and warrants (notes 10 (b) and (g))	1,143,865	494,574	1,638,439	-	-	1,638,439
Balance, April 30, 2012	\$ 16,121,987	\$ 1,517,525	\$ 17,639,512	\$ 2,496,121	\$ (16,328,162)	\$ 3,807,471
Balance, May 1, 2010	\$ 13,587,267	\$ 224,933	\$ 13,812,200	\$ 2,416,440	\$ (11,735,633)	\$ 4,493,007
Fair value of proceeds on private placement (note 10 (b))	1,192,649	707,255	1,899,904	-	-	1,899,904
Share-based compensation expense (note 11)	-	-	-	(31,679)	-	(31,679)
Loss and comprehensive loss	-	-	-	-	(2,001,378)	(2,001,378)
Balance, April 30, 2011	\$ 14,779,916	\$ 932,188	\$ 15,712,104	\$ 2,384,761	\$ (13,737,011)	\$ 4,359,854

See accompanying notes to financial statements

CRITICAL OUTCOME TECHNOLOGIES INC.
Statements of Cash Flows

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For the years ended April 30	2012	2011
Cash provided by (used in):		
Operating activities:		
Loss	\$ (2,591,151)	\$ (2,001,378)
Items not involving cash:		
Amortization - equipment	13,040	19,085
Amortization - intangibles	484,208	469,193
Loss on disposal of patents	-	37,423
Share-based compensation	221,984	(31,679)
Investment tax credits	(133,771)	(194,429)
Interest income, net	(8,811)	(8,414)
Foreign exchange (gain) loss	(9,177)	5,699
	(2,023,678)	(1,704,500)
Change in non-cash operating working capital (note 16)	33,348	(20,936)
Foreign exchange gain	6,457	(3,389)
Interest received	10,812	10,073
Net cash used in operating activities	(1,973,061)	(1,718,752)
Investing activities:		
Purchase of equipment	(3,204)	-
Purchases of short-term investments , net of redemptions	(517,245)	(300,296)
Expenditures on intangible assets	(142,280)	(149,942)
Net cash used in investing activities	(662,729)	(450,238)
Financing activities:		
Proceeds of common share capital and warrants issued (net of issuance costs)	1,638,439	1,899,904
Proceeds on exercise of stock options	18,974	-
Investment tax credit recoveries, net	89,412	122,302
Issuance cost of common share contingent consideration and warrant amendments	(5,245)	-
Interest paid	(2,001)	(1,661)
Net cash provided by financing activities	1,739,579	2,020,545
Decrease in cash and cash equivalents	(896,211)	(148,445)
Effect of exchange rate fluctuations on cash and cash equivalents	2,720	(2,310)
Cash and cash equivalents, beginning of the year	1,794,621	1,945,376
Cash and cash equivalents, end of the year	\$ 901,130	\$ 1,794,621
Represented by:		
Cash	\$ 394,101	\$ 200,283
Cash equivalents	507,029	1,594,338
	\$ 901,130	\$ 1,794,621

See accompanying notes to financial statements

1. Corporate Information:

Critical Outcome Technologies Inc. ("COTI" or the "Company" or the "Corporation") is a public corporation trading in Canada on the TSX Venture Exchange (TSXV) under the trading symbol "COT" and incorporated under the laws of the Province of Ontario, Canada with its registered office located at: Suite 213, 700 Collip Circle, London, Ontario, Canada N6G 4X8.

2. Description of business:

COTI 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. As a platform technology, CHEMSAS[®] is currently focused on small molecules and as a drug candidate discovery engine can be applied to any disease target with a modicum of information for the target of interest.

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 currently in various stages of development are targeted at various cancers and HIV. The Company is also using its technology in a service model to collaborate with pharmaceutical, biotech and academic partners who have their own therapy targets, which can benefit from the Company's drug discovery technology in creating lead compounds for their therapeutic interests.

3. Going concern:

A company's financial statements are required to be prepared on a going concern basis unless management either intends to liquidate the company or ceases 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. For COTI, there are material uncertainties related to certain conditions and events that raise significant doubts about the validity of this assumption. The Company is dependent upon key personnel and the need to raise additional funds to support the Company's development and continued operations, and to meet liabilities and commitments as they become due while executing its business plan. In particular, the Company has not yet established commercial operating revenues and operating cash flows continue to be negative. Key financial results for the year ended April 30, 2012 and 2011 are indicative of possible concern. These results include a loss of \$2,591,151 (April 30, 2011 - \$2,001,378) and negative cash flow from operations of \$1,973,061 (April 30, 2011 - \$1,718,752). As at April 30, 2012, the Company had an

accumulated deficit of \$16,328,162 (April 30, 2011 - \$13,737,012), which results in shareholders' equity of \$3,807,471 (April 30, 2011 - \$4,359,854). As at April 30, 2012, the Company had working capital of \$1,588,254 (April 30, 2011 - \$1,953,489).

The Company 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, and pursuing alternative sources of financing, including but not limited to, raising capital in the public market and securing government grants. The Company has discretion in many of its budgeted activities and plans to manage these activities in fiscal 2013 within the limits of available cash resources. While the Company has a track record of obtaining financing, there is no certainty that any of the aforementioned strategies will enable the Company to alleviate the going concern risk in future periods. The accompanying annual financial statements have been prepared assuming that the Company will continue as a going concern as the Company believes none of the criteria set out above exist that would require the Company to prepare the financial statements other than on the basis of a going concern.

Accordingly, these financial statements do not include any adjustments to the amounts and classifications of assets and liabilities, or the reported 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.

4. Basis of preparation:

(a) Compliance with accounting standards:

Effective January 1, 2011, all Canadian publicly accountable enterprises are required to prepare their financial statements using International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and as adopted by the Accounting Standards Board of Canada. As these are the Company's first annual audited financial statements prepared in accordance with IFRS, the Company has applied IFRS 1 - First-Time Adoption of International Financial Reporting Standards. The Company's financial statements in prior fiscal years were prepared in accordance with Canadian Generally Accepted Accounting Principles (CGAAP). The adoption of IFRS resulted in changes to the Company's accounting policies as compared with the annual financial statements prepared under CGAAP in the prior year. These accounting policies were applied to all periods presented. They were also applied in the preparation of the opening IFRS Statement of Financial Position as at May 1, 2010, as required by IFRS 1. Reconciliations and descriptions of the transition from CGAAP to IFRS and the impact on the Statements of Financial Position, Equity, Comprehensive Loss and Cash Flows are provided in note 22.

COTI has also prepared these financial statements on an individual entity basis, as it has no subsidiaries. Management has determined that the Company operates in one reportable segment based on the business activities reflected in its revenues and expenses since inception.

Based upon the forgoing, the Company is able to assert that the financial statements of COTI for the year ended April 30, 2012 have been prepared in compliance with IFRS as issued by the IASB.

The financial statements were authorized for issue by the Board of Directors (Board) on July 11, 2012.

(b) Basis of measurement:

The financial statements have been prepared mainly on a historical cost basis unless otherwise noted and described in the applicable notes herein.

The Statements of Comprehensive Loss are presented using the functional classification for expenses.

(c) Functional and presentation currency:

The financial statements are presented in Canadian dollars (CAD), which is the Company's functional currency.

(d) Use of estimates and judgments:

The preparation of these financial statements in conformity with IFRS 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. There is a high degree of measurement uncertainty inherent in management's estimates and assumptions and accordingly, changes in these estimates and assumptions could result in material adjustments to the carrying amounts of assets and liabilities in future periods.

Significant estimates and assumptions, which are subject to management judgment, are set out below.

(i) Impairment of intangible assets and equipment:

To assess impairment in the carrying value of an individual asset or cash generating unit, the Company must develop estimates of the recoverable amount through expected future cash flows to be derived from the asset, incorporating expectations about possible variations in the amount and timing of those cash flows. Management must also develop an estimate of an appropriate discount rate to apply to those future cash flows. Given that management's estimates are based on future events and circumstances, actual results may vary and could result in a significant reduction to the carrying value of the underlying assets if the recoverable amount decreases substantially.

(ii) Carrying value of intangible assets and equipment:

The Company must estimate the useful lives and residual values of amortizable assets in developing estimates of amortization. The Company must also choose accounting policies which best reflect the consumption of the assets over their useful lives. These estimates and assumptions are reviewed regularly and could result in adjustments to the amount of amortization previously recorded on a prospective basis if information obtained in the future justifies a change.

(iii) Share-based compensation:

Calculations of share-based compensation are prepared based on expected forfeiture rates using the Black-Scholes option pricing model, which incorporates management's estimates of risk free interest rates, future dividends, future volatility and expected option life. These estimates are based on existing information and historical experience, which may not be indicative of results that occur in the future.

(iv) Accrued liabilities:

The Company has ongoing research and development projects, the duration of which can span several months. In order to reflect accurately the cost of such activities on a period by period basis, management must make estimates as to the timing of project completion and costs incurred. Accrued project costs included in accounts payable and accrued liabilities at the year end totaled \$31,826. The future balance of accrued liabilities could vary significantly if projects are completed at a lower or higher cost than anticipated or if there are changes in the estimates of project duration.

(v) Deferred taxes:

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date and the Company's assessment of whether or not deferred tax assets will be recoverable. Currently, the Company does not recognize any deferred taxes as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilized (notes 5(i) and 12). A change in this assessment and in other estimates could be significant from year to year and could result in the recognition of deferred taxes in the future.

5. Significant accounting policies:

The significant accounting policies adopted by the Company under IFRS are set out below and have been consistently applied to all periods presented in these annual financial statements.

(a) Cash and cash equivalents:

Cash and cash equivalents 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.

The components of cash and cash equivalents are readily convertible into known amounts of cash and are not subject to significant risk of changes in value. Cash and cash equivalents do not include any balances, which are restricted for use by the Company.

(b) Foreign currency translation:

The financial statements are presented in Canadian dollars, which is the functional currency of the economic environment in which the Company operates.

Foreign currency transactions are translated into the functional currency using a rate that approximates the closing exchange rate in effect when the transaction is recognized. At each reporting period, the Company's foreign currency monetary items are re-measured using the closing exchange rate in effect at the Statement of Financial Position date. Non-monetary items are not subsequently re-measured for changes in exchange rates occurring between the date of recognition and the reporting year end date.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the re-measurement of monetary items at year end exchange rates are recognized under the heading Finance income in the Statements of Comprehensive Loss.

(c) Equipment:

Details as to the Company's policies for equipment are as follows:

Asset	Measurement Basis	Amortization Method	Amortization Rate	Remaining Amortization Period
Computer hardware	Cost	Straight-line	12 - 24 months	13 - 24 months
Furniture and fixtures	Cost	Straight-line	60 - 120 months	4 - 85 months
Leasehold improvements	Cost	Straight-line	Term of lease	Fully amortized

Amortization of equipment is included in amortization expense as part of General and administration in the Statements of Comprehensive Loss. Any impairment losses are recognized immediately as impairment expense in General and administration in the Statements of Comprehensive Loss.

(d) Intangible assets:

Details as to the Company's policies for intangible assets are as follows:

Asset	Measurement Basis	Amortization Method	Amortization Rate	Remaining Amortization Period
Computer software	Cost	Straight-line	Term of license	4 - 12 months
Molecules	Cost	Straight-line	96 months	43 months
Patents - granted	Cost	Straight-line	Life of patent	122 - 213 months
Patents - pending	Cost	Not available for use	-	-

The Company's intangibles are predominantly "*finite life intangibles*" with the exception of patents pending which are recognized as "*intangibles not yet available for use*". The Company does not have any internally generated intangible assets or indefinite life intangible assets.

Amortization of intangible assets is included in amortization expense in General and administration as recognized in the Statements of Comprehensive Loss.

Intangible assets are subject to impairment review at each Statement of Financial Position date. All intangible assets are tested for impairment when there are indications that the carrying value may not be recoverable. Any impairment losses are recognized immediately as impairment expense in General and administration in the Statements of Comprehensive Loss.

Details as to the Company's intangible assets are as follows:

(i) Molecules:

On November 27, 2007, the Company acquired a library of 10 molecules originally targeted for the treatment of small cell lung cancer. The molecules are being amortized in accordance with the timeline for the achievement of milestones as prescribed by the purchase agreement.

(ii) Patents:

The Company is pursuing or has been granted 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 beginning in

the month subsequent to the month the patent is granted. 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.

(e) Research and product development:

Research and product development expenditures are recognized as an expense in the Statement of Comprehensive Loss in the period incurred. Internal development expenditures are capitalized in the Statement of Financial Position when they meet the recognition criteria of IAS 38 - Intangible Assets, and the future benefits can be regarded as being reasonably certain. At April 30, 2012 and 2011, only development costs directly related to patents were capitalized. Costs associated with the actual development of compounds did not meet the requirements of IAS 38 due to the high level of risk up to the time that compounds are marketed as drugs and accordingly were not capitalized.

In addition to its own research and product development, COTI may also partner in collaboration with third parties to develop marketable products. These collaborations typically involve the third party making payments to COTI for the achievement of certain milestones as set out under contract. With respect to these collaborations, an assessment is required as to whether the upfront or milestone payments represent compensation for services performed (ongoing research and product development expense) or whether the payments represent the acquisition of a right. The compensation received in collaborations has historically been assessed as being reimbursement for research and development expenditures and accordingly offset against the related research and development costs. Compensation assessed as the acquisition of a right will be capitalized as an intangible asset and amortized over the period of the expected future cash flows to be derived from the right.

(f) Financial instruments:

(i) Initial recognition and measurement:

Financial instruments are recognized when the Company becomes a party to the contractual provisions of the financial instrument. The Company's financial instruments

consist of cash and cash equivalents, short-term investments, miscellaneous receivables, accounts payable and accrued liabilities. Financial instruments are measured at their fair value upon initial recognition. Subsequent to initial recognition, financial instruments are measured based on assignment into one of the following classification categories:

Financial Instrument	Classification	Measurement Basis After Initial Recognition	Gains (Losses) After Initial Recognition
Cash and cash equivalents	Fair value through profit or loss	Fair value	Profit (loss)
Short-term investments	Loans and receivables	Amortized cost	Profit (loss)
Miscellaneous receivables	Loans and receivables	Amortized cost	Profit (loss)
Accounts payable and accrued liabilities	Other liabilities	Amortized cost	Profit (loss)

The Company does not have any financial instruments classified as “available for sale” or “held to maturity”. The Company has no derivative financial instruments.

The criteria used by the Company to classify its financial instruments are as follows:

1. Fair value through profit or loss (FVTPL):

Financial assets and liabilities are classified as FVTPL if management intends to hold these instruments for active trading in the near term.

2. Loans and receivables (L&R):

Financial assets are classified as L&R if they have fixed or determinable payments and are not quoted in an active market.

3. Other liabilities:

This category captures any financial liabilities not classified as FVTPL.

(ii) Offsetting policy:

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the assets and settle the liability simultaneously.

(iii) Derecognition policy:

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire or it transfers the rights to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

(iv) Impairment:

Any financial assets that are not classified as FVTPL are subject to regular impairment review. L&R instruments are subject to a varying degree of impairment risk due to the credit worthiness of the Company's counterparties, however the overall risk of impairment for L&R is considered to be relatively low. Impairment losses are calculated by deducting discounted expected future cash flows to be received from the carrying value of the financial asset. Estimated impairment losses due to declining credit worthiness or due to a breach of contract are recognized by way of an allowance account to reduce the carrying amount of L&R instruments recognized. Once the impairment is known with certainty, the financial asset carrying value is reduced directly and the allowance account is relieved of the impairment amount.

Purchases and sales of financial assets are recognized on their settlement date.

(g) Revenue recognition:

Revenue earned in the provision of services is recognized when; the amount of revenue can be measured reliably; it is probable that the economic benefits associated with the transaction will flow to the Company; the costs incurred or to be incurred can be measured reliably; and when the criteria for each of the Company's different activities under contract has been met.

Revenue from the sale of assets and the provision of services is measured by reference to the fair value of consideration received or receivable for the service provided.

Interest income and expense are reported on an accrual basis using the effective interest method.

(h) Share capital:

(i) Non-monetary consideration:

The value of common shares issued as consideration in non-monetary transactions is measured at fair value based upon the closing trading price of the Company's common shares on a single trading day or a range of trading days on the TSXV. Measurement occurs as of the date of an agreement to issue shares, an applicable transaction date as set out in an agreement, such as the achievement of a milestone, or at a date as determined by the Board of Directors where there is no specific date identified.

(ii) 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.

(iii) Warrants:

Warrants issued in combination with common shares as part of a private placement unit offering are allocated a share of the gross proceeds based on their pro-rata share of the calculated fair value of the total unit fair value issued using a Black-Scholes option pricing model.

(i) Income taxes:

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in profit or loss unless they relate to a business combination, or items recognized directly to equity or to other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, combined with any adjustments to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same

taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(j) Share-based compensation:

The Company measures the cost for share options (Options) granted based on an estimate of the fair value of the Options as at the date of the grant. The Company uses a Black-Scholes option pricing model that incorporates the value of the current share price, the exercise price, the expected volatility, the option life, any expected dividends and the risk free rate to estimate the fair value. The expected volatility is determined on a weighted average basis by reference to the most recent historic period of the Company's trading history and the trading history of comparable peer entities in situations where expected option life exceeds the available trading history of the Company.

The fair value of compensation issued to directors, employees and consultants for services received is determined indirectly by reference to the fair value of the equity instruments granted in situations where the value of services received is not reliably or objectively measurable. Consultants engaged to date are deemed to provide services similar to those, which could be provided by employees.

Share-based compensation transactions are recorded in Contributed Surplus when they occur. The values of Options that vest immediately are recorded as share-based compensation at the date of the grant. Options that vest over time are recorded over the vesting period using a graded method, which incorporates management's estimates of the Options, which are not expected to vest. 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 is recognized in the current period. On exercise of an Option, the consideration received and the estimated fair value previously recorded in Contributed Surplus is recorded as Common Shares.

(k) Short-term employee benefits:

The Company offers short-term benefits to its employees consisting of government mandated programs that include Canada Pension Plan, Employment Insurance, Employer Health Tax and Workplace Safety Insurance Board coverage, in addition to the Company sponsored health, dental, vision and disability program. The cost of these benefits is recognized as employee benefits expense on an undiscounted basis as employee services are rendered in the respective functional areas to which the employee's time is allocated in the Statements of Comprehensive Loss. Any unpaid benefit remittances to the service providers of these benefits are included in accounts payable and accrued liabilities on an undiscounted basis. Similarly, any amounts recoverable from employees under such plans are included in

miscellaneous receivables on an undiscounted basis. These amounts represent what the Company expects to pay or receive for these future benefit entitlements.

The Company does not provide any post-employment benefit plans such as defined benefit or defined contribution pension plans, long-term employee benefits, severance or termination benefits to its employees.

(l) Investment tax credits:

Investment tax credits (ITCs) are recognized when qualifying expenditures are made, as the Company believes there is reasonable assurance that the credits will be realized based upon the Company's history of filing and collections. ITCs relating to research and development expenses are recorded as a reduction of expenses in the Statement of Comprehensive Loss and those relating to capital expenditures are recorded as a reduction of the cost of the asset acquired.

(m) 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 for 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.

(n) Basic and diluted loss per share:

Basic loss per share is calculated using the weighted average number of common shares outstanding during the period. Diluted loss per share is computed in a manner consistent with basic loss per share, except that the weighted average number of shares outstanding is increased to include additional shares from the assumed exercise of options, warrants, and convertible instruments, if dilutive. Contingently issuable shares which require performance conditions to be met are only included in the calculation of basic loss per share from the date when all of the necessary conditions for their issuance are satisfied. The inclusion of contingently issuable shares in diluted loss per share calculations is dependent upon management's assessment of the likelihood of achievement of performance conditions at the reporting period end.

(o) Segment reporting:

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. 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.

(p) Recent accounting pronouncements:

The IASB and International Financial Reporting Interpretations Committee (IFRIC) have issued the following standards that affect the Company but have not been applied in preparing these financial statements as their effective dates fall in annual periods beginning subsequent to the current reporting period.

(i) IFRS 7 - Financial Instruments: Disclosures

In October 2010, the IASB amended IFRS 7 - Financial Instruments: Disclosures. This amendment enhances disclosure requirements to aid financial statement users in evaluating the nature of, and risks associated with, an entity's continuing involvement in derecognized financial assets. The amendment is effective for the Company's interim and annual financial statements commencing May 1, 2012. The Company is assessing the impact of this amended standard on its financial statements.

(ii) IFRS 12 - Disclosure of Interests in Other Entities

In May 2011, the IASB issued IFRS 12 - Disclosure of Interests in Other Entities (IFRS 12). IFRS 12 establishes new and comprehensive disclosure requirements for all forms of interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. This new standard is effective for the Company's interim and annual financial statements commencing May 1, 2013. The Company is assessing the impact of this new standard on its financial statements.

(iii) IFRS 13 - Fair Value Measurement

In May 2011, the IASB issued IFRS 13 - Fair Value Measurement (IFRS 13). IFRS 13 replaces the fair value guidance contained in individual IFRS with a single source of fair value measurement guidance. The standard also requires disclosures, which enable users to assess the methods and inputs used to develop fair value measurements. This new standard is effective for the Company's interim and annual financial statements commencing May 1, 2013. The Company is assessing the impact of this new standard on its financial statements.

(iv) IAS 1 - Presentation of Financial Statements

In June 2011, the IASB amended IAS 1 - Presentation of Financial Statements. This amendment requires an entity to present separately the items of "Other Comprehensive Income" as items that may or may not be reclassified to profit and loss. This amended standard is effective for the Company's interim and annual financial statements commencing May 1, 2013. The Company is assessing the impact of this amended standard on its financial statements.

(v) IFRS 9 - Financial Instruments

In October 2010, the IASB issued IFRS 9 - Financial Instruments (IFRS 9). IFRS 9, which replaces IAS 39 - Financial Instruments: Recognition and Measurement, establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard is effective for the Company's interim and annual financial statements commencing May 1, 2015, with early adoption permitted commencing May 1, 2013. The Company is assessing the impact of this new standard on its financial statements.

6. Short-term investment:

The Company invests cash not needed for immediate working capital purposes in short-term securities having maturities greater than three months and rated "A high" or greater by Standard and Poor's and the Dominion Bond Rating Service. At April 30, 2012, the investment at market was \$817,541 (cost \$817,000) and matures on April 12, 2013. At April 30, 2011, the investment at market was \$300,296 (cost \$300,000) and had a maturity of April 2, 2012.

7. Equipment:

As at April 30, 2012	Computer Hardware	Furniture and Fixtures	Leasehold Improvements	Total
Gross carrying value, April 30, 2011	\$ 74,894	\$ 122,383	\$ 24,516	\$ 221,793
Purchases	3,204	-	-	3,204
Disposals	(3,330)	-	-	(3,330)
Removal of fully depreciated assets	(65,335)	(135)	(24,516)	(89,986)
Gross carrying value, April 30, 2012	9,433	122,248	-	131,681
Accumulated amortization, April 30, 2011	(74,092)	(57,450)	(24,516)	(156,058)
Amortization	(1,530)	(11,510)	-	(13,040)
Disposals	3,330	-	-	3,330
Removal of fully depreciated assets	65,335	135	24,516	89,986
Accumulated amortization, April 30, 2012	(6,957)	(68,825)	-	(75,782)
Net carrying value, April 30, 2012	\$ 2,476	\$ 53,423	\$ -	\$ 55,899

As at April 30, 2011	Computer Hardware	Furniture and Fixtures	Leasehold Improvements	Total
Gross carrying value, May 1, 2010	\$ 75,013	\$ 122,383	\$ 24,516	\$ 221,912
Disposals	(119)	-	-	(119)
Gross carrying value, April 30, 2011	74,894	122,383	24,516	221,793
Accumulated amortization, May 1, 2010	(66,648)	(45,928)	(24,516)	(137,092)
Amortization	(7,563)	(11,522)	-	(19,085)
Disposals	119	-	-	119
Accumulated amortization, April 30, 2011	(74,092)	(57,450)	(24,516)	(156,058)
Net carrying value, April 30, 2011	\$ 802	\$ 64,933	\$ -	\$ 65,735

Management's assessment of its equipment did not identify any indications of impairment at the year end. Accordingly, there were no adjustments to the carrying value of its equipment assets.

8. Intangible assets:

As at April 30, 2012	Molecules	Granted Patents	Pending Patents	Computer Software	Total
Gross carrying amount, April 30, 2011	\$ 3,111,169	\$ 206,992	\$ 328,258	\$ 75,971	\$ 3,722,390
Purchases	-	59,219	21,256	61,805	142,280
Contingent consideration - patent grant (note 10 (d))	164,616	-	-	-	164,616
Removal of fully depreciated assets	-	-	-	(14,138)	(14,138)
Gross carrying amount, April 30, 2012	3,275,785	266,211	349,514	123,638	4,015,148
Accumulated amortization, April 30, 2011	(1,328,728)	(35,517)	-	(17,515)	(1,381,760)
Amortization	(409,054)	(13,490)	-	(61,664)	(484,208)
Removal of fully depreciated assets	-	-	-	14,138	14,138
Accumulated amortization, April 30, 2012	(1,737,782)	(49,007)	-	(65,041)	(1,851,830)
Net carrying value, April 30, 2012	\$ 1,538,003	\$ 217,204	\$ 349,514	\$ 58,597	\$ 2,163,318

As at April 30, 2011	Molecules	Granted Patents	Pending Patents	Computer Software	Trademarks	Total
Gross carrying amount, May 1, 2010	\$ 3,111,169	\$ 204,988	\$ 279,908	\$ 85,198	\$ -	\$ 3,681,263
Purchases	-	2,004	85,773	61,833	332	149,942
Abandonment of patents	-	-	(37,423)	-	-	(37,423)
Transitional adjustments - IFRS	-	-	-	-	(332)	(332)
Disposals	-	-	-	(71,060)	-	(71,060)
Gross carrying amount, April 30, 2011	3,111,169	206,992	328,258	75,971	-	3,722,390
Accumulated amortization, May 1, 2010	(939,832)	(23,438)	-	(20,689)	-	(983,959)
Amortization	(388,896)	(12,079)	-	(67,886)	(332)	(469,193)
Transitional adjustments - IFRS	-	-	-	-	332	332
Disposals	-	-	-	71,060	-	71,060
Accumulated amortization, April 30, 2011	(1,328,728)	(35,517)	-	(17,515)	-	(1,381,760)
Net carrying value, April 30, 2011	\$ 1,782,441	\$ 171,475	\$ 328,258	\$ 58,456	\$ -	\$ 2,340,630

There is no indication of impairment existing at year end for any of the Company's intangible assets. Accordingly, no adjustment to the carrying value of intangible assets was required.

The carrying values of individually material intangible assets included in the intangible asset classes listed above are set out below.

	Therapeutic Target	April 30, 2012	April 30, 2011
Molecules:			
COTI-2	Oncology	\$ 1,106,005	\$ 1,229,884
Remaining nine molecules	Oncology	431,998	552,557
		\$ 1,538,003	\$ 1,782,441
Granted patents:			
COTI-2	Oncology	\$ 48,163	\$ -
COTI-219	Oncology	9,757	-
Three compounds	Acute myelogenous leukemia	159,284	171,475
		\$ 217,204	\$ 171,475
Pending patents:			
COTI-2	Oncology	\$ 202,963	\$ 184,968
Various other compounds	Oncology and HIV	146,551	143,290
		\$ 349,514	\$ 328,258

9. Functional expense breakdown:

The Company's largest expense category is employee compensation consisting of salaries, accrued vacation pay, directors' meeting fees, short-term benefits (note 5(k)) and share-based compensation (note 11). These expenses, in addition to the other major expenses contained in the functional area presentation in the Statement of Comprehensive Loss, are summarized by functional area for the respective years below.

April 30, 2012	Research and product development	Sales and marketing	General and administration	Total
Salaries, accrued vacation and meeting fees	\$ 302,188	\$ 156,746	\$ 403,627	\$ 862,561
Amortization	-	-	497,248	497,248
Professional fees	1,200	10,150	444,939	456,289
Invitro/Invivo testing	236,002	-	-	236,002
Share-based compensation	6,125	2,571	213,288	221,984
Office expenses	17,284	3,805	162,878	183,967
Synthesis and miscellaneous R&D expenses	114,131	-	-	114,131
Marketing expenses	12,416	52,602	31,323	96,341
Short-term benefits	29,503	18,163	26,721	74,387
	\$ 718,849	\$ 244,037	\$ 1,780,024	\$ 2,742,910

April 30, 2011	Research and product development	Sales and marketing	General and administration	Total
Salaries, accrued vacation and meeting fees	\$ 340,485	\$ 162,544	\$ 381,908	\$ 884,937
Amortization	-	-	488,278	488,278
Professional fees	-	3,325	261,657	264,982
Office expenses	14,885	4,650	203,880	223,415
Invitro/Invivo testing	120,483	-	-	120,483
Marketing expenses	6,341	60,788	21,409	88,538
Short-term benefits	33,513	19,646	29,374	82,533
Synthesis and miscellaneous R&D expenses	77,035	-	-	77,035
Share-based compensation (recovery)	-	-	(31,679)	(31,679)
	\$ 592,742	\$ 250,953	\$ 1,354,827	\$ 2,198,522

10. Share capital:

Expiry Date Ranges	April 30, 2012		April 30, 2011	
	Issued	Amount	Issued	Amount
Share capital:				
Authorized:				
Unlimited common shares				
Unlimited preference shares				
Issued:				
Common shares, without par value	74,453,214	\$ 16,121,987	62,371,215	\$ 14,779,916
Share purchase warrants:				
\$0.40 compensation warrants	Oct 27 - Nov 27/11	-	106,250	16,549
\$0.30 compensation warrants	Sep 24 - Oct 21/12	507,500	507,500	26,831
\$0.30 warrants	Sep 24 - Oct 21/12	12,500,000	12,500,000	673,998
\$0.37 warrants	Jan 31/13	1,446,480	1,575,500	214,810
\$0.55 warrants	Jan 31/13	129,020	-	-
\$0.30 warrants	Sep 23 - Oct 27/13	11,250,000	-	-
\$0.30 compensation warrants	Sep 23 - Oct 27/13	726,686	-	-
		26,559,686	14,689,250	932,188
		\$ 17,639,512	\$	15,712,104

The rights, privileges and restrictions of the common shares are as follows:

- (i) to vote at all meetings of the shareholders of the Corporation, except meetings at which only holders of a specified class of shares are entitled to vote; and, subject to the rights, privileges, restrictions and conditions attaching to any other class or series of shares of the Corporation,
- (ii) to receive any dividend declared by the Corporation on the common shares, and,
- (iii) to receive the remaining property of the Corporation upon dissolution.

A summary of the changes in common share capital is set out below.

	Shares	Amount
Balance May 1, 2010	49,758,355	\$ 13,587,267
Shares issued - private placement (note 10 (a) and (b))	12,612,860	1,192,649
Balance April 30, 2011	62,371,215	14,779,916
Shares issued - private placement (note 10 (g))	11,250,000	1,146,147
Shares issued - contingent consideration (note 10 (d))	715,720	164,232
Shares issued - option exercise (note 10 (c))	116,279	33,974
Shares issued - private placement prior year (note 10 (b))	-	(2,282)
	12,081,999	1,342,071
Balance April 30, 2012	74,453,214	\$ 16,121,987

A summary of the changes in warrant capital is as follows:

	Warrants	Amount
Balance May 1, 2010	1,624,677	\$ 224,933
Warrants issued - private placement (note 10 (a) and (b))	13,064,573	707,255
Balance April 30, 2011	14,689,250	932,188
Warrants issued - private placement (note 10 (g))	11,250,000	461,384
Warrants issued - private placement compensation (note 10 (g))	726,686	33,190
Warrants - expired (note 10 (f))	(106,250)	(16,549)
Warrants - amended (note 10 (e))	-	107,312
	11,870,436	585,337
Balance April 30, 2012	26,559,686	\$ 1,517,525

Details concerning the share capital transactions are summarized below:

- a) On May 28, 2010, the Company completed the second tranche of a private placement initiated in fiscal 2010 and issued 112,860 units consisting of one common share and a one-half common share purchase warrant at \$0.35 per unit for gross proceeds of \$39,501. Each common share purchase warrant is exercisable into one common share at a price of \$0.55 for 18 months following the closing date of each tranche, being November 27, 2011. Costs of the private placement included \$6,428 in professional fees, \$225 in cash commissions to agents and 643 compensation warrants exercisable into one additional common share at a price of \$0.40 until November 27, 2011.

- b) The Company completed a private placement in three tranches, closing on March 25, April 7, and April 21, 2011, respectively. Under the private placement, the Company issued 12,500,000 units consisting of one common share and one common share purchase warrant at \$0.16 per unit for gross proceeds of \$2,000,000. Each common share purchase warrant is exercisable into one common share at a price of \$0.30 for 18 months following the closing date of each tranche. Costs of the private placement included \$51,744 in professional fees, \$81,200 in cash commissions to agents and 507,500 compensation warrants exercisable into one additional common share at a price of \$0.30 for 18 months following the closing date of each tranche. Expiry dates for the common share purchase warrants and compensation warrants from each tranche are September 24, October 6, and October 21, 2012 respectively.

An additional \$2,282 of legal costs were incurred during 2012 related to this private placement.

Summary details of the private placement are as follows:

Closing date	April 30, 2011				Total
	May 28, 2010	March 25, 2011	April 7, 2011	April 21, 2011	
Proceeds summary:					
Gross cash proceeds on issuance	\$ 39,501	\$ 1,304,400	\$ 350,000	\$ 345,600	\$ 2,039,501
Share issuance cash costs	(6,653)	(95,429)	(22,142)	(15,373)	(139,597)
Net cash proceeds on issuance	\$ 32,848	\$ 1,208,971	\$ 327,858	\$ 330,227	\$ 1,899,904
Fair value allocations:					
Common shares issued	112,860	8,152,500	2,187,500	2,160,000	12,612,860
Fair value of common shares issued	\$ 33,162	\$ 892,722	\$ 217,855	\$ 215,425	\$ 1,359,164
Share issuance costs	(6,740)	(114,896)	(27,096)	(17,783)	(166,515)
Increase in fair value of share capital	\$ 26,422	\$ 777,826	\$ 190,759	\$ 197,642	\$ 1,192,649
Warrants issued	56,430	8,152,500	2,187,500	2,160,000	12,556,430
Fair value of warrants	\$ 6,339	\$ 411,678	\$ 132,145	\$ 130,175	\$ 680,337
Compensation warrants issued	643	385,500	82,000	40,000	508,143
Fair value of compensation warrants	\$ 87	\$ 19,467	\$ 4,954	\$ 2,410	\$ 26,918
Increase in fair value of warrants	\$ 6,426	\$ 431,145	\$ 137,099	\$ 132,585	\$ 707,255
Black-Scholes assumptions for warrant valuation:					
Market price	\$ 0.30	\$ 0.14	\$ 0.29	\$ 0.27	
Risk free rate	1.48%	1.56%	1.55%	1.55%	
Dividend yield	-	-	-	-	
Volatility	116%	143%	144%	145%	
Expected life in years	1.50	1.50	1.50	1.50	

- c) On May 5, 2011, 58,139 stock options issued under the Company's stock option plan were exercised for gross proceeds of \$9,593. On June 22, 2011, a further 58,140 stock options were exercised for gross proceeds of \$9,593. Share capital was increased and Contributed Surplus was reduced by \$15,000 for these options related to previously recognized stock-based compensation expense. Issuance costs of \$212 were incurred.

- d) On October 11, 2011, a patent was issued (note 8) that met one of the development milestones underlying the contingent share consideration related to the acquisition of DDP Therapeutics (note 18). Accordingly, on October 12, 2011, the Company issued 715,720 common shares as payment for one-half of the contingent consideration. The common shares had a market value of \$164,616 based upon the closing market price of the Company's shares on October 11, 2011. Costs of \$384 were incurred in issuing these common shares.
- e) On October 20, 2011, 1,575,500 warrants exercisable at \$0.55 and due to expire on October 27, 2011 and November 27, 2011 were amended. The amendments were as follows:
- i) the exercise price was reduced to \$0.37 per share from \$0.55 per share for all warrants except 129,020 warrants held by insiders (Insider Warrants) of the Company, which were not eligible for price amendment. The exercise price of these Insider Warrants remained at \$0.55; and,
 - ii) the expiry date was extended to January 31, 2013 (the "New Expiry Date"), provided that the New Expiry Date of the warrants will be reduced to a period of 14 days if, for any ten consecutive trading days during the unexpired term of the warrant (the "Premium Trading Days"), the closing price of the common shares on the TSXV equals or exceeds \$0.55. The reduced exercise period of 14 days will begin seven calendar days after the tenth Premium Trading Day.

All other provisions of the warrants remained unchanged. The fair market value of the warrants recognized using the Black-Scholes option pricing model upon amendment was \$112,173. The direct costs associated with effecting the amendment were \$4,861 and were recorded as warrant issuance costs.

- f) On October 27, 2011, 105,607 warrants exercisable at a price of \$0.40 expired. On November 27, 2011, a further 643 agent warrants exercisable at a price of \$0.40 expired. As a result, the fair market value allocated to these warrants of \$16,549 was transferred to Contributed Surplus.
- g) The Company completed a private placement in three tranches, closing on March 23, April 10, and April 27, 2012, respectively. Under the private placement, the Company issued 11,250,000 units consisting of one common share and one common share purchase warrant at \$0.16 per unit for gross proceeds of \$1,800,000. Each common share purchase warrant is exercisable into one common share at a price of \$0.30 for 18 months following the closing date of each tranche. Costs of the private placement included \$43,009 in professional fees, \$116,270 in cash finders' fees and 726,686 compensation warrants valued at \$33,190 using a Black-Scholes option pricing model. The compensation warrants are exercisable into one additional common share at a price of \$0.30 for 18 months following the closing date of each tranche. Expiry dates for the common share purchase warrants and compensation warrants from each tranche are September 24, October 11, and October 28, 2013, respectively.

Summary details of the private placement are as follows:

Closing date	April 30, 2012				Total
	March 23, 2012	April 10, 2012	April 27, 2012		
Proceeds summary:					
Gross cash proceeds on issuance	\$ 500,000	\$ 1,000,000	\$ 300,000		\$ 1,800,000
Share issuance cash costs	(45,741)	(87,458)	(26,080)		(159,279)
Net cash proceeds on issuance	\$ 454,259	\$ 912,542	\$ 273,920		\$ 1,640,721
Share issuance non-cash costs:					
Compensation warrants issued	157,937	437,499	131,250		726,686
Fair value of compensation warrants	\$ (7,723)	\$ (19,469)	\$ (5,998)		\$ (33,190)
Net proceeds to be allocated	\$ 446,536	\$ 893,073	\$ 267,922		\$ 1,607,531
Fair value allocations:					
Common shares issued	3,125,000	6,250,000	1,875,000		11,250,000
Fair value of common shares issued	\$ 347,188	\$ 721,875	\$ 214,313		\$ 1,283,376
Share issuance costs	(37,124)	(77,188)	(22,916)		(137,228)
Increase in fair value of share capital	\$ 310,064	\$ 644,687	\$ 191,397		\$ 1,146,148
Warrants issued	3,125,000	6,250,000	1,875,000		11,250,000
Fair value of warrants	\$ 152,812	\$ 278,125	\$ 85,687		\$ 516,624
Warrant issuance costs	(16,340)	(29,739)	(9,162)		(55,241)
Increase in fair value of warrants	\$ 136,472	\$ 248,386	\$ 76,525		\$ 461,383
Black-Scholes assumptions for warrant valuation:					
Market price	\$ 0.25	\$ 0.20	\$ 0.21		
Risk free rate	1.14%	1.25%	1.25%		
Dividend yield	-	-	-		
Volatility	106%	107%	107%		
Expected life in years	1.50	1.50	1.50		

11. Share-based compensation:

The Company maintains a single share option plan (SOP) for directors, employees and consultants who contribute to the long-term goals of the Company. Under the SOP, options can be awarded at any time; however, the maximum number of common shares available for purchase through option grants shall not exceed 10% of the outstanding issued common shares. The awarding of options, the exercise price, the expiry date and the vesting period are approved by the Compensation Committee of the Board. The vesting terms generally only require the passage of time and there have been no market vesting conditions assigned to options. The SOP sets out a maximum option life of five years for granted options. Settlement of share-based compensation is done solely through equity issuances.

For the year ended April 30, 2012, the Company recorded share-based compensation expense of \$221,984 related to share option grants to employees, directors and consultants. For the year ended April 30, 2011, share-based compensation totaled \$191,614 and was offset by recoveries of share-based compensation related to prior years of \$(223,293) resulting from the re-measurement of consultant options and the cancellation of unvested options for a net recovery of \$(31,679). The assumptions used in the Black-Scholes option-pricing model in 2012 were as follows:

	Consultants	Directors	Employees
Risk free interest rate	1.50%	1.12%	1.53%
Expected dividend yield	-	-	-
Expected average share volatility	139.4%	123.3%	139.8%
Expected average option life in years	2.79	2.81	5
Estimated total stock option compensation	\$ 48,650	\$ 155,000	\$ 11,752

A summary of the changes in the number of options outstanding by grantee type along with the weighted average exercise price for the years ended April 30, 2012 and 2011 is as follows:

April 30, 2012	Directors	Employees	Consultants	Total	Weighted average exercise price
Opening balance	2,870,545	851,808	500,000	4,222,353	\$ 0.58
Granted	756,098	71,449	200,000	1,027,547	0.31
Exercised	(116,279)	-	-	(116,279)	0.17
Forfeited	-	-	-	-	-
Expired	(628,889)	(528,404)	(400,000)	(1,557,293)	0.73
Ending balance	2,881,475	394,853	300,000	3,576,328	\$ 0.45

April 30, 2011	Directors	Employees	Consultants	Total	Weighted average exercise price
Opening balance	1,631,556	1,351,808	500,000	3,483,364	\$ 0.71
Granted	1,238,989	-	-	1,238,989	0.16
Exercised	-	-	-	-	-
Forfeited	-	(300,000)	-	(300,000)	0.50
Expired	-	(200,000)	-	(200,000)	0.73
Ending balance	2,870,545	851,808	500,000	4,222,353	\$ 0.58

The weighted average common share market price on the exercise date for the options exercised during the year was \$0.352.

At April 30, 2012, the total share-based compensation expense recorded since inception was \$2,385,718 (April 30, 2011 - \$2,163,734). At April 30, 2012, 3,868,993 options (April 30, 2011 – 2,014,769) were available for grant under the share option plan. Share-based compensation expected to vest in 2013 based upon options granted in 2012 is \$25,240.

Details of the outstanding stock options at April 30, 2012 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 April 30, 2012	Vested	Unvested	Weighted average remaining contractual life in years	Total stock based compensation value	Weighted average option value
\$0.01 - \$0.50	\$ 0.30	\$ 0.29	2,855,144	2,427,099	428,045	3.57	\$ 562,269	\$ 0.197
\$0.51 - \$1.00	0.83	0.83	521,184	521,184	-	1.50	428,472	0.822
\$1.01 - \$1.50	1.20	1.20	100,000	100,000	-	1.21	103,000	1.030
\$1.51 - \$2.00	2.00	2.00	100,000	100,000	-	0.44	176,700	1.767
	\$ 0.45	\$ 0.47	3,576,328	3,148,283	428,045	2.72	\$ 1,270,441	\$ 0.355

Details of the outstanding stock options at April 30, 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 April 30, 2011	Vested	Unvested	Weighted average remaining contractual life in years	Total stock based compensation value	Weighted average option value
\$0.01 - \$0.50	\$ 0.30	\$ 0.36	2,122,836	1,482,468	640,368	4.11	\$ 494,351	\$ 0.233
\$0.51 - \$1.00	0.73	0.73	1,749,517	1,749,517	-	1.83	852,293	0.487
\$1.01 - \$1.50	1.29	1.29	250,000	250,000	-	1.43	279,400	1.118
\$1.51 - \$2.00	2.00	2.00	100,000	100,000	-	1.44	176,700	1.767
	\$ 0.58	\$ 0.65	4,222,353	3,581,985	640,368	2.94	\$ 1,802,744	\$ 0.427

12. Income taxes:

a) Current income tax expense:

The following table reconciles tax expense (recovery) on accounting profit (loss), calculated using combined Canadian federal and provincial (Ontario) tax rates, with the income tax expense (recovery) recorded in the Statements of Comprehensive Loss:

	April 30, 2012	April 30, 2011
Loss for the period	\$ (2,591,151)	\$ (2,054,926)
Statutory rate	27.58%	30.08%
Income tax using Company's tax rate	(715,000)	(618,000)
Non-deductible expenses	182,000	130,000
Change in unrecognized temporary differences	545,000	507,000
Other	(12,000)	(19,000)
	\$ -	\$ -

b) Unrecognized deferred tax assets:

Deferred tax assets have not been recognized in respect of the following items:

	April 30, 2012	April 30, 2011
Deductible temporary differences	\$ 1,065,000	\$ 930,000
Tax losses	2,500,000	2,090,000
	\$ 3,565,000	\$ 3,020,000

The Company has non-capital losses and research and development expenditures, 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	1,508,000
2032	1,641,000
Total non-capital losses	\$ 10,001,000
Total research and development expenditures, no expiry	\$ 3,672,000

In measuring the deferred tax assets, management considers whether it is probable that the Company will generate sufficient taxable profit to utilize some portion or all of the benefits assigned to the deferred tax assets. Management considers the likelihood of future profitability, the existence of taxable temporary differences, which are expected to reverse and any available tax planning opportunities to make this assessment. To the extent that management believes it is not probable that the deferred tax assets will be realized, the deferred tax assets are not recognized. Management currently believes that the Company does not meet the probability criterion and, therefore, deferred tax assets have not been recognized in the Statements of Financial Position.

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 at the Company's fiscal 2013 year end. This credit has not been recognized in the Statements of Financial Position.

13. Investment tax credits and government assistance:

The details of ITC refunds recognized by the Company are as follows:

As at April 30		2012		2011
Ontario innovation tax credit	\$	92,112	\$	105,626
Ontario business research institutes tax credit		7,084		27,328
Quebec tax credit for salaries and wages (R&D)		34,575		61,475
	\$	133,771	\$	194,429

The Company received net ITC refunds of \$89,412 related to fiscal 2011 and prior years during fiscal 2012.

During the current year, the Company recognized \$96,607 (April 30, 2011 – \$16,368) for government assistance under an Industrial Research Assistance Program grant with the National Research Council of Canada. The grant, announced on June 16, 2010, provides support for the development of the Company's acute myelogenous leukemia program. At April 30, 2012, the Company had received \$110,958 under the grant. The government assistance has been credited against the underlying expense accounts to which the refunds relate, consisting of salaries and the R&D expense accounts related to the eligible contractors' services.

14. Loss per share:

Both the basic and diluted loss per share were computed using the loss attributable to common share equity holders. The potential exercise of outstanding options and warrants are anti-dilutive in the calculation of diluted loss per share because of the current and prior year loss and comprehensive loss. Accordingly, they are not included in the computation of diluted loss per share and the basic and diluted loss per share are the same. A reconciliation of the weighted average number of common shares outstanding included in basic and diluted loss per share calculations is set out below.

		April 30, 2012		April 30, 2011
Loss and comprehensive loss	\$	(2,591,151)	\$	(2,001,378)
Weighted average number of common shares used in				
basic loss per share		63,585,703		50,892,298
Shares assumed issued on options		-		-
Shares assumed issued on warrants		-		-
Weighted average number of shares used in				
diluted loss per share		63,585,703		50,892,298
Loss per share:				
Basic and diluted	\$	(0.04)	\$	(0.04)

15. Financial instruments and risk management:

The Company is exposed to credit risk, liquidity risk, foreign exchange risk and interest rate risk from its financial assets and liabilities. Risk management strategies are designed to ensure the Company's risks and related exposures are consistent with its business objectives and risk tolerance.

a) Risk management framework:

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Audit Committee is responsible for assisting in developing and monitoring the Company's risk management policies. The Audit Committee reports regularly to the Board of Directors.

b) Financial assets and liabilities:

The carrying amounts of designated financial instruments are set out below.

	Fair Value				Total	Non-Financial	Balance Sheet
As at April 30, 2012	Through Profit	Loans and	Other	Carrying Value	Instruments	Carrying Value	
	or Loss	Receivables	Liabilities				
Cash and cash equivalents	\$ 901,130	\$ -	\$ -	\$ 901,130	\$ -	\$ 901,130	
Short-term investments	-	817,541	-	817,541	-	817,541	
Miscellaneous receivables	-	3,213	-	3,213	148,292	151,505	
Accounts payable and accrued liabilities	-	-	(331,811)	(331,811)	(9,694)	(341,505)	
	\$ 901,130	\$ 820,754	\$ (331,811)	\$ 1,390,073	\$ 138,598	\$ 1,528,671	

	Fair Value				Total	Non-Financial	Balance Sheet
As at April 30, 2011	Through Profit	Loans and	Other	Carrying Value	Instruments	Carrying Value	
	or Loss	Receivables	Liabilities				
Cash and cash equivalents	\$ 1,794,621	\$ -	\$ -	\$ 1,794,621	\$ -	\$ 1,794,621	
Short-term investments	-	300,296	-	300,296	-	300,296	
Miscellaneous receivables	-	10,757	-	10,757	120,983	131,740	
Accounts payable and accrued liabilities	-	-	(331,811)	(331,811)	(11,832)	(343,643)	
	\$ 1,794,621	\$ 311,053	\$ (331,811)	\$ 1,773,863	\$ 109,151	\$ 1,883,014	

The Company has determined that the carrying value of its 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. Fair value estimates are made as of a specific point in time, using available information about the financial instrument.

Income earned is attributable to the following categories of financial instruments:

For the year ended April 30, 2012	Fair Value Through Profit or Loss	Loans and Receivables	Other Liabilities	Non-financial Instruments	Total
Interest income	\$ 6,704	\$ 3,806	\$ -	\$ 302	\$ 10,812

For the year ended April 30, 2011	Fair Value Through Profit or Loss	Loans and Receivables	Other Liabilities	Non-financial instruments	Total
Interest income	\$ 1,782	\$ 8,234	\$ -	\$ 58	\$ 10,074

c) Credit risk:

Credit risk is the risk of financial loss that may occur from the failure of another party to perform according to the terms of a contract. The Company regularly monitors its credit risk exposure consisting of short-term investments and miscellaneous receivables and takes steps to mitigate the likelihood that these exposures will result in an actual loss.

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, 2012	Total	Current	31 - 60 days	61 - 90 days	Over 90 days
Short-term investments	\$ 817,541	\$ -	\$ -	\$ -	\$ 817,541
Miscellaneous receivables	151,505	34,961	-	-	116,544
	\$ 969,046	\$ 34,961	\$ -	\$ -	\$ 934,085

As at April 30, 2011	Total	Current	31 - 60 days	61 - 90 days	Over 90 days
Short-term investments	\$ 300,296	\$ -	\$ -	\$ -	\$ 300,296
Miscellaneous receivables	131,740	25,249	-	-	106,491
	\$ 432,036	\$ 25,249	\$ -	\$ -	\$ 406,787

The Company limits its exposure to credit risk on its short-term investments by investing only in liquid investments as governed by the Company's formal investment policy. Such investments include guaranteed investments, money market funds and government treasury investments with institutions whose investments have high credit ratings. There has been no history of defaults or collection issues related to these short-term investments.

The Company's miscellaneous receivables relate primarily to funds owing from government bodies for HST input tax credits, ITC refunds and government grants. The Company's credit risk exposure relates primarily to the validity of its reimbursement claims subject to review by the respective government body. The Company has a history of accepted claims and collection.

The maximum exposure to credit risk for loans and receivables at the reporting date by type of counterparty is as follows:

As at	April 30, 2012		April 30, 2011	
Government	\$	150,310	\$	126,813
Customer		-		2,825
Other		1,195		2,102
	\$	151,505	\$	131,740

The Company believes that no impairment allowance is necessary in respect of its short-term investments and miscellaneous receivables based upon the factors noted above as there has been no material change to the Company's credit risk exposure or processes related to these during the year.

d) Liquidity risk:

Liquidity risk is the risk of the Company having difficulty in meeting the obligations associated with its financial liabilities in delivering cash or another financial asset. The Company monitors and manages its actual cash and projected cash flows with the primary objective of maintaining liquidity and its financial flexibility. The Company's short-term investments for both April 30, 2011 and 2012, are in guaranteed investments with a major Canadian financial institution that can be cashed at any time. Accordingly, the Company sees minimal liquidity risk in converting these investments to cash. There have been no changes to the Company's liquidity risk exposure or processes related to this risk during the year.

As at April 30, 2012	Total	Days to Maturity			
		0 - 90	91 - 180	181 - 270	Over 270
Cash and cash equivalents	\$ 901,130	\$ 901,130	\$ -	\$ -	\$ -
Short-term investments	817,541	-	-	-	817,541
	\$ 1,718,671	\$ 901,130	\$ -	\$ -	\$ 817,541

As at April 30, 2011	Total	Days to Maturity			
		0 - 90	91 - 180	181 - 270	Over 270
Cash and cash equivalents	\$ 1,794,621	\$ 1,794,621	\$ -	\$ -	\$ -
Short-term investments	300,296	-	-	-	300,296
	\$ 2,094,917	\$ 1,794,621	\$ -	\$ -	\$ 300,296

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

As at April 30, 2012	Days to Maturity		
	Total	0 - 90	Over 90
Trade payables	\$ 63,672	\$ 63,672	\$ -
Accrued liabilities	276,764	276,764	-
Due to shareholder	1,069	1,069	-
	\$ 341,505	\$ 341,505	\$ -

As at April 30, 2011	Days to Maturity		
	Total	0 - 90	Over 90
Trade payables	\$ 123,245	\$ 123,245	\$ -
Accrued liabilities	219,329	219,329	-
Due to shareholder	1,069	1,069	-
	\$ 343,643	\$ 343,643	\$ -

The Company has determined it has sufficient working capital to manage its maturing financial liabilities as they come due. Included in cash equivalents are instruments, which are cashable before the contractual maturity date. The Company's short-term investments are concentrated in instruments with high credit ratings minimizing exposure to liquidity risk.

e) Market risk:

Market risk is the risk that changes in market prices, such as foreign currency rates, interest rates and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing return.

(i) Foreign currency risk:

The Company has historically entered contracts denominated in United States dollars (USD) and Euros (EUR). As a result, the Company may be exposed to risk from fluctuations in exchange rates between the CAD, USD and EUR. 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. During the year, the Company's foreign exchange exposure was almost exclusively related to the USD. The amount of this exposure is not considered material to the financial statements with a foreign currency gain recorded for April 30, 2012, of \$9,177 (April 30, 2011 - (\$5,699)). The Company's exposure to foreign currency risk based upon notional amounts expressed in CAD at the year end was as follows:

As at	April 30, 2012			April 30, 2011		
	CAD	USD	Total	CAD	USD	Total
Cash and cash equivalents	\$ 806,100	\$ 95,030	\$ 901,130	\$ 1,549,587	\$ 245,034	\$ 1,794,621
Short-term investments	817,541	-	817,541	300,296	-	300,296
Miscellaneous receivables	151,505	-	151,505	131,740	-	131,740
Accounts payable and accrued liabilities	(317,313)	(24,192)	(341,505)	(340,837)	(2,806)	(343,643)
	\$ 1,457,833	\$ 70,838	\$ 1,528,671	\$ 1,640,786	\$ 242,228	\$ 1,883,014

A 5% strengthening of the CAD against the USD at April 30, 2012 would have decreased the Company's loss by approximately \$3,500 (2011 – \$12,000). A 5% weakening of the CAD against the USD at those dates would have had the equal but opposite effect assuming all other variables remain constant. Accordingly, changes in the CAD vis-a-vis the USD would not have a significant impact on equity.

(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 the cash equivalents and short-term investments as the interest rates obtained will fluctuate with market pricing. The Company regularly monitors the rates available with the selection of investments restricted to those with high credit ratings in accordance with the Company's investment policy. The Company has limited financial liability exposure to interest rate risk as it has no debt instruments and is only exposed to interest charges on overdue accounts payable and accrued liabilities. There have been no changes to the Company's interest rate risk exposure or processes related to this risk during the year. The amount of such exposure is not considered material to the financial statements.

16. Change in non-cash operating working capital:

	April 30, 2012	April 30, 2011
Miscellaneous receivables	\$ 24,593	\$ (29,855)
Prepaid expenses and deposits	10,893	10,285
Accounts payable and accrued liabilities	(2,138)	(1,366)
	\$ 33,348	\$ (20,936)

17. 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 with a monthly rent of \$3,115. 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.

(b) Research and development contracts:

The Company is committed to pay \$89,907 in fiscal 2013 and \$3,900 in fiscal 2014 for the completion of research and development contracts existing at the year end.

18. Contingency:

Upon the purchase of DDP Therapeutics on November 27, 2007, 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 by any molecule from the small cell lung cancer library (Molecule) acquired in the purchase.

One-half of this contingent share consideration is payable upon the first occasion any Molecule achieves one of 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 received; or
- b) when either the United States or the European patent authorities issue the Company a final patent.

The second half of this contingent share consideration is payable upon any Molecule achieving both milestones.

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.

During the year, the Company received a US patent for a Molecule, COTI-2, that represented the achievement of one of the milestones (note 8 and 10 (d)). The Company has determined that the achievement of the other milestone for COTI-2 does not meet the guidance provided in IAS 37 – Provisions, which states that where an event is “more likely than not” to occur such event should be recognized. Major factors considered in the likelihood determination included: the uncertainty inherent in the remaining testing for COTI-2 prior to filing an IND application; the cost, time and expertise required in the IND application and approval process itself; and the Company’s current financial capacity to develop COTI-2 successfully through to achieving this milestone. The inability to meet the more likely than not criteria would apply to any of the other Molecules based upon the significant cost and timeline in advancing them through both milestones.

19. Related party transactions:

The Company measures transactions with its related parties at the transaction amount, which is the exchange amount agreed to by the transacting parties.

(a) Transactions with key personnel - compensation:

Key personnel for the Company include the Company’s management team and its directors. In addition to their salaries and any bonuses, the Company also provides non-cash benefits to the management team. The management team and its directors also participate in the Company’s share option plan (note 11). Compensation provided to its key personnel is summarized as follows:

	Management		Directors		Total
Salaries, accrued vacation and meeting fees	\$	424,900	\$	36,000	\$ 460,900
Short-term benefits		22,119		3,536	25,655
Share-based compensation		6,103		162,738	168,841
Total compensation, April 30, 2012	\$	453,122	\$	202,274	\$ 655,396

	Management		Directors		Total
Salaries, accrued vacation and meeting fees	\$	443,563	\$	31,500	\$ 475,063
Short-term benefits		23,709		3,072	26,781
Share-based compensation		(103,838)		123,820	19,982
Total compensation, April 30, 2011	\$	363,434	\$	158,392	\$ 521,826

(b) Transactions with key personnel – share and warrant transactions:

During the year ending April 30, 2012, key personnel who were also warrant holders had the terms of warrants, which were expiring, amended consistent with the modifications provided to other warrant holders except that under the regulations of the TSXV, 129,020 warrants held by key personnel were not eligible for price amendment (note 10 (e)).

Also during the year, key personnel participated in the Company's private placement on the same terms and conditions as other parties to the private placement and in accordance with regulatory rules (note 10(g)). The amount of this investment was \$134,000 representing 837,500 units (April 30, 2011 - \$528,400 representing 3,302,500 units (note 10(b))).

20. Capital management:

The Company's capital is defined as common shares and warrants, contributed surplus, and deficit, which are presented in the Statements of Financial Position under the heading Shareholders' Equity and further detailed in the Statements of Changes in Shareholders' Equity. The Company's objectives when managing capital are:

- (a) To maintain strong liquidity to meet current obligations and continue as a going concern;
- (b) To limit dilution of shareholders' investment to the extent necessary to finance operations;
- (c) To ensure financial capacity to execute strategic plans; and,
- (d) To provide the Company's shareholders with an appropriate rate of return on their investment.

The Company sets the amount of capital in proportion to its spending plans and consequently its need for available cash. The Company regularly monitors risks that could threaten its ability to meet its capital management objectives and seeks to make adjustments based on changes in economic conditions and its funding requirements to deal with such risks.

The Company is not subject to any externally imposed capital requirements such as bank covenants that subjects the Company to the maintenance of liquidity levels or target ratios. The Company does not currently pay nor contemplate paying dividends.

21. Subsequent events

- (a) Grant of stock options:

On May 1, 2012, the Company retained SectorSpeak Inc. (SSI) to provide strategic investor relations and communications services on behalf of the Company for a minimum six-month term subject to termination upon 30 days written notice. Under the engagement, SSI receives a monthly consulting fee of \$6,000 and 300,000 share options (Options). One quarter of the Options vest at the end of each quarter over the next year, are exercisable at a price of \$0.21 and have a five-year expiry term.

On July 11, 2012, the Company appointed a new director to the Board and approved the granting of 17,838 share options under the Company's stock option plan as a retainer for his service on the Board. The options have a five-year life and will be fully vested by September 27, 2012. The exercise price is \$0.28 and represents the closing price of the Company's common shares on the TSXV on July 10, 2012, the day prior to the Board meeting.

(b) Expiry of stock options:

On June 20, 2012, 150,421 vested share options granted to a former employee expired.

(c) Government assistance

On June 15, 2012, the Company received notice of approval for \$100,000 under its Industrial Research Assistance Program grant from the National Research Council of Canada for the period April 1, 2012 to March 31, 2013.

22. Transition to IFRS:

These financial statements and the opening Statement of Financial Position as at May 1, 2010, being the date of transition, have been prepared in accordance with the accounting policies set out in note 5.

(a) Application of IFRS 1:

The adoption of IFRS requires the application of IFRS 1, which provides guidance for the Company's initial adoption of IFRS.

The accounting policies set out in note 5 have been applied in preparing the financial statements as at and for the year ended April 30, 2012, the comparative information as at and for the year ended April 30, 2011, and in the preparation of an opening IFRS Statement of Financial Position at May 1, 2010 (the Company's date of transition).

In preparing its opening IFRS Statement of Financial Position, comparative Statement of Comprehensive Loss information for the year ended April 30, 2011, and comparative financial statement information for the year ended April 30, 2011, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP.

IFRS 1 does not permit changes to estimates that have been made previously. Estimates used in the Company's opening IFRS Statement of Financial Position and other comparative information restated to comply with IFRS are consistent with those made previously under CGAAP.

IFRS 1 generally requires retrospective application of IFRS from the date of transition to IFRS with the exception of certain optional exemptions that can be elected by the Company at transition. The Company has elected to apply the following optional exemption in its preparation of its opening IFRS Statement of Financial Position as at May 1, 2010, the transition date:

(i) Share-based compensation:

IFRS 1 allows the Company to retain the previous CGAAP accounting treatment for vested share-based compensation rather than applying the requirements of IFRS 2 -

Share Based Payment retrospectively to all grants. This choice is available for share-based compensation granted after November 7, 2002, which had vested before the transition date of May 1, 2010. The Company elected to apply this share-based compensation exemption for its vested grants.

(b) Application of Other IFRS Standards:

As a result of changing the basis of preparation of its financial statements from CGAAP to IFRS, the Company had to evaluate if there were any differences in required accounting treatment between the two standards. The notes and tables below summarize the changes that affected the Company's financial position, performance and cash flows in the respective periods.

(i) Share-based compensation:

As a result of the Company's IFRS 1 election, a transitional adjustment of \$4,753 was recorded in the opening Statement of Financial Position as at May 1, 2010 to reflect a decrease in the previously recognized share-based compensation expense for unvested options at the transition date. This adjustment resulted in a decrease in contributed surplus and deficit at May 1, 2010. The related impact on the Statements of Comprehensive Loss is disclosed in the reconciliations below.

(ii) Trademark:

Under IAS 38, there are certain criteria that need to be met in order for an intangible asset to be capitalized. The Company's trademarks did not meet the criteria and accordingly, this resulted in the Company's trademarks being written off with an adjustment of \$2,883 at May 1, 2010, and the reversal of trademark amortization of \$184 recognized in 2011 for a total IFRS adjustment of \$3,067. The related impact on the Statements of Comprehensive Loss is disclosed in the reconciliations below.

(iii) Employee benefits:

Under IAS 19, the expense for benefits is recorded when the employer receives the benefit. This requires the Company to annualize the payroll source deductions paid on behalf of its employees. This resulted in a decrease in previously recorded employee benefits expense on transition of \$5,805, which increased prepaid expenses and deposits and decreased deficit. The related impact on the Statements of Comprehensive Loss is disclosed in the reconciliations below.

(iv) Reconciliation of Statement of Cash Flows:

There are no material differences in the presentation of the Statements of Cash Flow for the Company whether using CGAAP or IFRS. Interest received has been moved into the body of the Statements of Cash Flow as part of operating activities, whereas it was previously disclosed as supplementary information under CGAAP.

(v) Presentation adjustments:

The Company has chosen to classify its expenses in the Statements of Comprehensive Loss based on their function. Accordingly, the following classification changes have occurred:

	CGAAP Classification	Nature of Expense	IFRS Classification
1	Amortization	Amortization of equipment and intangibles (molecules, patents and computer software)	General and administration
2	Share-based compensation	Share-based compensation to employees, directors and consultants.	Either General and administration, Research and product development or Sales and marketing depending upon the functional area to which the employee, director or consultant is assigned.
3	Interest and bank charges	Interest expense and bank charges	Interest income, net
4	Interest	Interest income	Interest income, net

(vi) Reconciliation of Statements of Financial Position:

Opening Statement of Financial Position - May 1, 2010

	CGAAP	Notes	Transition Adjustments	IFRS
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,945,376		\$ -	\$ 1,945,376
Miscellaneous receivables	29,756		-	29,756
Prepaid expenses and deposits	74,955	(3)	5,805	80,760
	2,050,087		5,805	2,055,892
Equipment	84,820			84,820
Intangible assets	2,700,187	(2)	(2,883)	2,697,304
	\$ 4,835,094		\$ 2,922	\$ 4,838,016
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 343,940		\$ -	\$ 343,940
Due to shareholder	1,069		-	1,069
	345,009		-	345,009
Shareholders' equity:				
Share capital and warrants	13,812,200		-	13,812,200
Contributed surplus	2,421,193	(1)	(4,753)	2,416,440
Deficit	(11,743,308)	(1), (2), (3)	7,675	(11,735,633)
	4,490,085		2,922	4,493,007
	\$ 4,835,094		\$ 2,922	\$ 4,838,016

Notes:

- (1) See Share-based compensation note (i) above
- (2) See Trademark note (ii) above
- (3) See Employee benefits note (iii) above

Statement of Financial Position - April 30, 2011

	CGAAP	Notes	Transition Adjustments	Presentation Adjustments	IFRS
Assets					
Current assets:					
Cash and cash equivalents	\$ 1,794,621		\$ -	\$ -	\$ 1,794,621
Short-term investments	300,000	(4)	-	296	300,296
Miscellaneous receivables	132,036	(4)	-	(296)	131,740
Prepaid expenses and deposits	64,730	(3)	5,745		70,475
	2,291,387		5,745	-	2,297,132
Equipment	65,735		-		65,735
Intangible assets	2,343,697	(2)	(3,067)		2,340,630
	\$ 4,700,819		\$ 2,678	\$ -	\$ 4,703,497
Liabilities and Shareholders' Equity					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 342,574		\$ -	\$ -	\$ 342,574
Due to shareholder	1,069		-		1,069
	343,643		-		343,643
Shareholders' Equity:					
Share capital and warrants	15,712,104		-		15,712,104
Contributed surplus	2,443,306	(1)	(58,545)		2,384,761
Deficit	(13,798,234)	(1), (2), (3)	61,223		(13,737,011)
	4,357,176		2,678		4,359,854
	\$ 4,700,819		\$ 2,678	\$ -	\$ 4,703,497

Notes:

- (1) See Share-based compensation note (i) above
- (2) See Trademark note (ii) above
- (3) See Employee benefits note (iii) above
- (4) Reclassification of accrued interest.

(vii) Reconciliation of Statement of Shareholders' Equity:

<i>As at May 1, 2010</i>	Share Capital and Warrants	Notes	Contributed Surplus	Notes	Deficit	Total
As reported under CGAAP	\$ 13,812,200		\$ 2,421,193		\$ (11,743,308)	\$ 4,490,085
Transitional adjustments increasing (decreasing) the previously reported shareholder's equity:		(1)	(4,753)	(1), (2), (3)	7,675	2,922
Reported under IFRS	\$ 13,812,200		\$ 2,416,440		\$ (11,735,633)	\$ 4,493,007
<hr/>						
<i>As at April 30, 2011</i>	Share Capital and Warrants	Notes	Contributed Surplus	Notes	Deficit	Total
As reported under CGAAP	\$ 15,712,104		\$ 2,443,306		\$ (13,798,234)	\$ 4,357,176
Transitional adjustments increasing (decreasing) the previously reported shareholder's equity:		(1)	(58,545)	(1), (2), (3)	61,223	2,678
Reported under IFRS	\$ 15,712,104		\$ 2,384,761		\$ (13,737,011)	\$ 4,359,854

Notes:

- (1) See Share-based compensation note (i) above
- (2) See Trademark note (ii) above
- (3) See Employee benefits note (iii) above

(viii) Reconciliation of Statement of Comprehensive Loss:

Statement of Comprehensive Loss - April 30, 2011

	CGAAP	Notes	Transitional Adjustments	Presentation Adjustments	IFRS
Revenues:					
Contract services	\$ -		\$ -	\$ -	-
Screening services	-		-	-	-
	-		-	-	-
Expenses (income):					
General and administration	897,642	(3)	586	456,599	1,354,827
Research and product development	593,013	(3)	(271)	-	592,742
Stock-based compensation	22,113	(1)	(53,792)	31,679	-
Amortization	488,094	(2)	184	(488,278)	-
Sales and marketing	251,208	(3)	(255)	-	250,953
Foreign exchange loss	5,699	(4)	-	(5,699)	-
Interest and bank charges	1,660	(4)	-	(1,660)	-
Investment tax credit refunds	-	(4)	-	(194,429)	(194,429)
	2,259,429		(53,548)	(201,788)	2,004,093
Loss before finance income (expense)	(2,259,429)		53,548	201,788	(2,004,093)
Finance income (expense):					
Investment tax credit refunds	194,429	(4)	-	(194,429)	-
Interest income	10,074	(4)	-	(1,660)	8,414
Foreign exchange gain (loss)	-	(4)	-	(5,699)	(5,699)
	204,503		-	(201,788)	2,715
Loss and comprehensive loss	\$ (2,054,926)		\$ 53,548	\$ -	\$ (2,001,378)
Loss per share:					
Basic and diluted loss per common share	\$ 0.04			\$	0.04

Notes:

- (1) See Share-based compensation note (i) above
- (2) See Trademark note (ii) above
- (3) See Employee benefits note (iii) above
- (4) See Presentation adjustments note (iv) above