Critical Outcome Technologies Inc.

Condensed Interim Financial Statements
Fiscal 2012 – Third Quarter
(Unaudited)

For the three and nine month periods ended January 31, 2012 and 2011

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Notice of No Audit or Review of Condensed Interim Financial Statements

The accompanying interim statements of financial position and interim statements of changes in equity of Critical Outcome Technologies Inc. as at January 31, 2012 and April 30, 2011, and the interim statements of comprehensive loss for the three and nine month periods ended January 31, 2012 and 2011, and the interim statements of cash flows for the nine months ended January 31, 2012 and 2011 have been prepared by, and are the responsibility of the Company's management and have been reviewed and approved by the Audit Committee as authorized by the Board of Directors.

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

CRITICAL OUTCOME TECHNOLOGIES INC.

Interim Statements of Financial Position

(All amounts unaudited and expressed in Canadian Dollars)

As at		January 31, 2012		April 30, 2011
Assets				
Current assets:				
Cash and cash equivalents	$	494,688	$	1,794,621
Short-term investment		103,050		300,296
Miscellaneous receivables		158,167		131,740
Prepaid expenses and deposits		72,611		70,476
		828,516		2,297,133
Equipment		57,584		65,735
Intangible assets (note 4)		2,197,203		2,340,630
	$	3,083,303	$	4,703,498
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	$	275,416	$	343,643
Shareholders' equity		2,807,887		4,359,855
	$	3,083,303	$	4,703,498
Commitments (note 9)				
Contingency (note 10)				

See accompanying notes to financial statements

CRITICAL OUTCOME TECHNOLOGIES INC.

Interim Statements of Comprehensive Loss

(All amounts unaudited and expressed in Canadian Dollars)

	Three months ended		Nine months ended	
	January 31, 2012	January 31, 2011	January 31, 2012	January 31, 2011
Expenses (income):				
Research and product development	$ 163,640	$ 125,255	$ 495,715	$ 458,849
Sales and marketing	58,966	72,356	185,857	195,354
General and administration	435,715	438,348	1,333,394	1,002,210
Investment tax credits	(33,669)	-	(83,444)	(122,244)
	624,652	635,959	1,931,522	1,534,169
Loss before other income (expense)	(624,652)	(635,959)	(1,931,522)	(1,534,169)
Finance income:				
Interest income, net	1,996	1,944	8,200	6,488
Foreign exchange gain (loss)	3,106	(330)	12,985	(112)
	5,102	1,614	21,185	6,376
Loss and comprehensive loss	$ (619,550)	$ (634,345)	$ (1,910,337)	$ (1,527,793)
Loss per share:				
Basic and diluted loss per common share	$ (0.01)	$ (0.01)	$ (0.03)	$ (0.03)

See accompanying notes to financial statements

CRITICAL OUTCOME TECHNOLOGIES INC.

Interim Statements of Changes in Shareholders' Equity

(All amounts unaudited and expressed in Canadian Dollars)

For the nine months ended January 31, 2012	Common Shares	Warrants	Total Share Capital	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance, April 30, 2011	$ 14,779,916	$ 932,189	$ 15,712,105	$ 2,384,761	$ (13,737,011)	$ 4,359,855
Issuance of shares on patent grant	164,232	-	164,232	-	-	164,232
Exercise of options	33,974	-	33,974	(15,000)	-	18,974
Stock-based compensation expense (note 6)	-	-	-	182,310	-	182,310
Loss and comprehensive loss	-	-	-	-	(1,910,337)	(1,910,337)
Warrant expiry (note 5)	-	(16,562)	(16,562)	16,562	-	-
Amendment of warrants	-	105,042	105,042	(112,189)	-	(7,147)
Balance, January 31, 2012	$ 14,978,122	$ 1,020,669	$ 15,998,791	$ 2,456,444	$ (15,647,348)	$ 2,807,887

For the nine months ended January 31, 2011	Common Shares	Warrants	Total Share Capital	Contributed Surplus	Deficit	Total Shareholders' Equity
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	26,422	6,426	32,848	-	-	32,848
Stock-based compensation expense	-		-	(76,965)	-	(76,965)
Loss and comprehensive loss	-	-	-	-	(1,527,793)	(1,527,793)
Balance, January 31, 2011	$ 13,613,689	$ 231,359	$ 13,845,048	$ 2,339,475	$ (13,263,426)	$ 2,921,097

CRITICAL OUTCOME TECHNOLOGIES INC.

Interim Statements of Cash Flows

(All amounts unaudited and expressed in Canadian Dollars)

For the nine months ended	**January 31, 2012**	**January 31, 2011**
Cash provided by (used in):		
Operating activities:		
Loss	$ (1,910,337)	$ (1,527,793)
Items not involving cash:		
Amortization	367,834	368,328
Loss on disposal of patents	-	37,423
Stock-based compensation	182,310	(76,965)
Investment tax credit recoveries	(83,445)	(122,244)
Interest income, net	(8,200)	(6,488)
Unrealized foreign exchange	(12,985)	112
Change in non-cash operating working capital (note 7)	10,550	13,106
Interest received	(9,959)	(8,211)
Net cash used in operating activities	(1,464,232)	(1,322,732)
Investing activities:		
Purchase of equipment	(1,793)	-
Redemptions of short-term investments	197,246	-
Expenditures on intangible assets	(49,844)	(44,520)
Net cash used in investing activities	145,609	(44,520)
Financing activities:		
Issuance of share capital and warrants (net of issuance costs)	11,445	32,848
Interest paid	1,759	(1,337)
Net cash provided by financing activites	13,204	31,511
Increase (decrease) in cash and cash equivalents	(1,305,419)	(1,335,741)
Unrealized foreign exchange gain (loss) on cash and cash equivalents	5,486	83
Cash and cash equivalents, beginning of the period	1,794,621	1,945,376
Cash and cash equivalents, end of the period	$ 494,688	$ 609,552
Represented by:		
Cash	$ 164,858	$ 86,210
Cash equivalents	329,830	523,342
	$ 494,688	$ 609,552

1. Corporate information:

Critical Outcome Technologies Inc. (COTI) 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. Basis of preparation:

(a) Statement of compliance:

These condensed unaudited interim financial statements (interim financial statements) have been prepared in accordance with International Financial Reporting Standards (IFRS) and specifically International Accounting Standard (IAS) *34 – Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB).

(b) Basis of presentation:

These are the Company’s third interim financial statements prepared in accordance with IFRS and accordingly IFRS 1 - *First-Time Adoption of International Financial Reporting Standards* has been applied as applicable. The Company's financial statements in prior fiscal years were prepared in accordance with Canadian Generally Accepted Accounting Principles (CGAAP). The accounting policies in the fiscal 2012 interim financial statements have been selected to be consistent with the policies the Company expects to adopt in its annual financial statements as at and for the year ending April 30, 2012, the Company’s first annual IFRS reporting date. These accounting policies were disclosed in detail in note 4 of the Company’s July 31, 2011 first quarter interim condensed unaudited financial statements. The adoption of IFRS resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under CGAAP. The accounting policies were applied to all periods presented unless otherwise noted. 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 and presented in the July 31, 2011 first quarter interim financial statements. Reconciliations and descriptions on the transition from CGAAP to IFRS and the impact on these interim unaudited statements of financial position, equity, comprehensive loss and cash flow are provided in note 13.

COTI has also prepared these interim 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.

In preparing these interim financial statements, certain information and disclosures normally included in the notes to the annual audited financial statements are condensed or not presented. These interim financial statements should be read in conjunction with the Company’s most recent audited annual financial statements as of April 30, 2011 and related notes prepared using CGAAP, the unaudited condensed interim financial statements for the three month period ended July 31, 2011 and the six month period ended October 31, 2011 prepared in accordance with IFRS, and in consideration of the IFRS transition disclosures included in note 13 to these interim financial statements.

(c) Going concern:

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. The accompanying interim financial statements have been prepared assuming that the Company will continue as a going concern. There are material uncertainties related to certain conditions and events that raise significant doubts about the validity of this assumption. In particular, the Company has not yet established commercial operating revenues and operating cash flows continue to be negative. Key financial results for the quarters ended January 31, 2012 and 2011 are indicative of possible concern. These results include: a loss of $1,910,337 (January 31, 2011 - $1,527,793) and negative cash flow from operations of $1,464,232 (January 31, 2011 - $1,322,732). As at January 31, 2012, the Company had an accumulated deficit of $15,647,348 (April 30, 2011 - $13,737,011), which results in shareholders' equity of $2,807,887 (April 30, 2011 - $4,359,855). As at January 31, 2012, the Company had working capital of $553,100 (April 30, 2011 - $1,953,490).

Financing of the Company's operations for the balance of fiscal 2012 is available from existing cash balances and an equity financing completed subsequent to the quarter end (note 12). 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 fiscal responsibility and 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.

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

(d) Statement of approval:

These interim financial statements were approved for issuance by the Audit Committee on March 28, 2012.

3. Significant accounting policies:

The accounting policies set out in detail in note 4 of the first quarter unaudited condensed interim financial statements for the three months ended July 31, 2011 have been applied consistently to all periods presented in these interim financial statements.

4. Intangibles:

Summary details of the Company's intangible assets appear in the following table.

		January 31, 2012		April 30, 2011
Patents	$	533,134	$	499,733
Computer software		18,763		58,456
Molecules		1,645,306		1,782,441
Total intangibles	$	2,197,203	$	2,340,630

The details of the molecules appear below.

Molecules		January 31, 2012		April 30, 2011
Cost - beginning of period	$	3,111,169	$	3,111,169
Issuance of contingent purchase price consideration		164,616		-
Cost - end of period		3,275,785		3,111,169
Accumulated amortization		1,630,479		1,328,728
Net book value	$	1,645,306	$	1,782,441
Annual amortization	$	409,053	$	388,896

5. Share capital and warrants:

		January 31, 2012		April 30, 2011	
	Expiry Date Ranges	Issued	Amount	Issued	Amount
Share capital:					
Authorized:					
Unlimited common shares					
Unlimited preference shares					
Issued:					
Common shares, without par value		63,203,214	$ 14,978,122	62,371,215	$ 14,779,916
Share purchase warrants:					
$0.40 compensation warrants	Nov 27/11	-	-	106,250	16,549
$0.55 warrants	Jan 31/13	129,019	23,705	1,575,500	214,810
$0.37 warrants	Jan 31/13	1,446,481	296,136	-	-
$0.30 compensation warrants	Sep 24 - Oct 20/12	507,500	26,830	507,500	26,832
$0.30 warrants	Sep 24 - Oct 20/12	12,500,000	673,998	12,500,000	673,998
		14,583,000	1,020,669	14,689,250	932,189
			$ 15,998,791		$ 15,712,105

A summary of the changes in share capital year to date appears below.

	Shares	Amount
Balance May 1, 2010	49,758,355	$ 13,587,267
Shares issued on private placement, net of issuance costs	12,612,860	1,192,649
	12,612,860	1,192,649
Balance April 30, 2011	62,371,215	14,779,916
Shares issued - option exercise	116,279	33,974
Shares issued - contingent purchase price consideration	715,720	164,232
	831,999	198,206
Balance January 31, 2012	63,203,214	$ 14,978,122

A summary of the changes in warrant capital year to date appears below.

	Warrants	Amount
Balance May 1, 2010	1,624,677	$ 224,933
Warrants issued on private placement, net of issuance costs	13,064,573	707,256
	13,064,573	707,256
Balance April 30, 2011	14,689,250	932,189
Expiry of warrants	(106,250)	(16,549)
Amendments of existing warrants	-	105,029
	(106,250)	88,480
Balance January 31, 2012	14,583,000	$ 1,020,669

On November 27, 2011, 643 agent warrants exercisable at a price of $0.40 expired. As a result, the fair market allocated to these warrants of $100 was transferred to Contributed Surplus.

6. Stock-based compensation:

Stock-based compensation transactions during the quarter ended January 31, 2012 were as follows:

(a) On January 11, 2012, 260,000 vested options granted to directors expired unexercised.

(b) On January 11, 2012, 455,000 vested options granted to employees expired unexercised.

(c) On January 14, 2012, 50,000 vested options granted to an employee expired unexercised.

There were no options granted or exercised in the quarter.

For the three and nine months ended January 31, 2012, the Company recorded stock-based compensation expense of $74,416 and $182,310 (January 31, 2011 - $(71,069) and $(76,965) respectively) related to stock option grants to employees, officers, directors and consultants in the current and prior year. These amounts are included in research and product development expense, sales and marketing expense and general and administration expense.

At January 31, 2012, there were 4,056,328 unexercised options with 3,150,230 of these vested and exercisable at exercise prices ranging from $0.165 to $2.00 per share.

7. Change in non-cash operating working capital:

		January 31, 2012		January 31, 2011
Miscellaneous receivables	$	80,914	$	154,716
Prepaid expenses and deposits		(2,137)		7,022
Accounts payable and accrued liabilities		(68,227)		(148,632)
	$	10,550	$	13,106

8. Government assistance:

In the current year, the Company has recognized $66,420 (January 31, 2011 - $15,855) of government assistance under an Industrial Research Assistance Program grant with the National Research Council of Canada. Under the agreement, the Company is eligible for reimbursement of up to $110,958 for salaries and contractor costs with no liability for repayment. The total amount recognized under the grant since its inception in July 2010 is $82,788. Government assistance accrued has been credited against the underlying research and development expense accounts related to salaries and contractors' services.

9. Commitments:

The Company is committed to pay $137,189 during the remainder of fiscal 2012 which relates to $9,345 for premises rent, and $127,844 for the completion of research and development contracts.

10. 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.

The Company achieved one of the milestones, the receipt of a US patent for a Molecule, on October 11, 2011, and issued 715,720 common shares as payment for one-half of the contingent consideration. The Company has determined that the achievement of the second milestone does not meet the “more likely than not” recognition criteria under IFRS and accordingly no liability has been recorded.

11. Related party transactions:

There were no material transactions with related parties during the quarter that were not in the ordinary course of business. Those incurred were measured at the transaction amount, being the amount of consideration established and agreed to by the related parties.

12. Subsequent event

(a) Private placement:

Subsequent to the reporting date, on March 23, 2012, the Company completed the first tranche of a private placement and issued 3,125,000 at $0.16 per units for gross proceeds of $500,000. Each unit consisted of one common share and one common share purchase warrant with each warrant exercisable into one additional common share at a price of $0.30 up to 18 months from the date of issuance. Direct costs of this private placement included $25,270 in cash commissions and 157,938 compensation warrants exercisable into one additional common share at a price of $0.30 until September 23, 2013.

The warrants were allocated $145,057 of the gross proceeds based on their pro-rata share of the calculated fair value of the total unit fair value at issuance using a Black-Scholes pricing model and the following assumption estimates:

Risk free interest rate	1.14%
Expected dividend yield	-
Expected share volatility	106.05%
Expected average warrant life in years	1.5

13. Transition to IFRS:

These interim 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 detail in note 4 of the July 31, 2011 unaudited condensed interim financial statements.

(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.

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 elected to apply the following optional exemption in its preparation of the opening IFRS Interim Statement of Financial Position as at May 1, 2010, the transition date.

(i) Stock-based compensation:

IFRS 1 allows the Company to retain the previous CGAAP accounting treatment for vested stock-based compensation rather than applying the requirements of IFRS 2 retrospectively to all grants. This choice is available for stock-based compensation granted after November 7, 2002, which had vested before the transition date of May 1, 2010. The Company elected to apply this stock-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 impacted the Company's financial position, performance and cash flows in the respective periods.

(i) Stock-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 stock-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 for the quarter ended January 31, 2011 is $(8,809) and year to date is $(52,053) and is disclosed in the reconciliations below. The total impact of these adjustments is $56,806 as reflected in the Statement of Financial Position reconciliation 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 to deficit with an adjustment of $2,883 as at the transition date. The related impact on the Statements of Comprehensive Loss for the quarter ended January 31, 2012 is $46 and year to date is $138 and is disclosed in the reconciliations below. The total impact of these adjustments is $3,021 as reflected in the Statement of Financial Position reconciliation 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 for the quarter ended January 31, 2011 is $331 and year to date (YTD) is $2,488 and is disclosed in the reconciliations below. The total impact of these adjustments is $3,317 as reflected in the Statement of Financial Position reconciliation below. This adjustment is split between General and administration - $292 (YTD - $(747)), Research and development - $(199) (YTD- $2,314) and Sales and marketing - $238 (YTD - $921).

(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 Interim Statements of Cashflow as part of operating activites, whereas it was previously disclosed as supplementary information under CGAAP.

(v) Presentation adjustments:

The Company has chosen to classify its expenses in the Interim Statements of Comprehensive Loss according to their function as set out in the table below.

	CGAAP Classification	Nature of Expense	IFRS Classification
1	Amortization	Amortization of equipment and intangibles (molecules, patents and computer software)	General and administration
2	Stock-based compensation	Stock-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:

Statement of Financial Position - January 31, 2011
(All amounts unaudited and expressed in Canadian Dollars)

	CGAAP	Notes	Transition Adjustments	IFRS
Assets				
Current assets:				
Cash and cash equivalents	$ 609,552		$ -	$ 609,552
Miscellaneous receivables	13,292		-	13,292
Prepaid expenses and deposits	70,421	(3)	3,317	73,738
	693,265		3,317	696,582
Equipment	69,949		-	69,949
Intangible assets	2,353,964	(2)	(3,021)	2,350,943
	$ 3,117,178		$ 296	$ 3,117,474
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	$ 195,308		$ -	$ 195,308
Due to shareholder	1,069		-	1,069
	196,377		-	196,377
Shareholders' Equity				
Share capital and warrants	13,845,048		-	13,845,048
Contributed surplus	2,396,281	(1)	(56,806)	2,339,475
Deficit	(13,320,528)	(1),(2),(3)	57,102	(13,263,426)
	2,920,801		296	2,921,097
	$ 3,117,178		$ 296	$ 3,117,474

Notes:

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

Statement of Financial Position - April 30, 2011

(All amounts unaudited and expressed in Canadian Dollars)

	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		-	296	300,296
Miscellaneous receivables	132,036		-	(296)	131,740
Prepaid expenses and deposits	64,731	(3)	5,745	-	70,476
	2,291,388		5,745	-	2,297,133
Equipment	65,735		-	-	65,735
Intangible assets	2,343,697	(2)	(3,067)	-	2,340,630
	$ 4,700,820		$ 2,678	$ -	$ 4,703,498
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	15,712,105		-	-	15,712,105
Contributed surplus	2,443,306	(1)	(58,545)	-	2,384,761
Deficit	(13,798,234)	(1),(2),(3)	61,223	-	(13,737,011)
	4,357,177		2,678	-	4,359,855
	$ 4,700,820		$ 2,678	$ -	$ 4,703,498

Notes:

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

(vii) Reconciliation of Statements of Shareholders' Equity:

As at January 31, 2011	Share Capital and Warrants	Notes	Contributed Surplus	Notes	Deficit	Total
As reported under CGAAP	$ 13,845,048		$ 2,396,281		$ (13,320,528)	$ 2,920,801
Transitional adjustments increasing (decreasing) the previously reported shareholders' equity:		(1)	(56,806)	(1),(2),(3)	57,102	296
Reported under IFRS	$ 13,845,048		$ 2,339,475		$ (13,263,426)	$ 2,921,097

As at April 30, 2011	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 shareholders' 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 Stock-based compensation note b(i) above
(2) See Trademark note b(ii) above
(3) See Employee benefits note b(iii) above

(viii) Reconciliation of Statements of Comprehensive Loss:

Statements of Comprehensive Loss - January 31, 2011
(All amounts unaudited and expressed in Canadian Dollars)

For the three months ended	CGAAP	Notes	Transitional Adjustments	Presentation Adjustments	IFRS
Expenses:					
General and administration	$ 245,349	(3)	$ 292	$ 192,707	$ 438,348
Research and product development	125,454	(3)	(199)	-	125,255
Stock-based compensation	79,878	(1)	(8,809)	(71,069)	-
Amortization	121,592	(2)	46	(121,638)	-
Sales and marketing	72,118	(3)	238	-	72,356
Investment tax credit	-		-	-	-
Foreign exchange loss	330		-	(330)	-
Interest and bank charges	241		-	(241)	-
	644,962		(8,432)	(571)	635,959
Loss from operations before the undernoted	(644,962)		8,432	571	(635,959)
Finance income (expense)					-
Interest income	2,185		-	(241)	1,944
Investment tax credit	-		-	-	-
Foreign exchange gain	-		-	(330)	(330)
	2,185		-	(571)	1,614
Loss and comprehensive loss	$ (642,777)		$ 8,432	$ -	$ (634,345)
Loss per share:					
Basic and diluted loss per common share	$ 0.01				$ 0.01

Notes:

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

Statements of Comprehensive Loss - January 31, 2011
(All amounts unaudited and expressed in Canadian Dollars)

For the nine months ended	CGAAP	Notes	Transitional Adjustments	Presentation Adjustments	IFRS
Expenses:					
General and administration	$ 711,595	(3)	$ (747)	$ 291,362	$ 1,002,210
Research and product development	456,535	(3)	2,314	-	458,849
Stock-based compensation	(24,913)	(1)	(52,053)	76,966	-
Amortization	368,190	(2)	138	(368,328)	-
Sales and marketing	194,433	(3)	921	-	195,354
Investment tax credit	-		-	(122,244)	(122,244)
Foreign exchange loss	112		-	(112)	-
Interest and bank charges	1,337		-	(1,337)	-
	1,707,289		(49,427)	(123,693)	1,534,169
Loss from operations before the undernoted	(1,707,289)		49,427	123,693	(1,534,169)
Finance income (expense)					-
Interest income	7,825		-	(1,337)	6,488
Investment tax credit	122,244		-	(122,244)	-
Foreign exchange gain	-		-	(112)	(112)
	130,069		-	-	6,376
Loss and comprehensive loss	$ (1,577,220)		$ 49,427	$ 123,693	$ (1,527,793)
Loss per share:					
Basic and diluted loss per common share	$ 0.03				$ 0.03

Notes:

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