# BIOASIS TECHNOLOGIES INC.
## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

This Management Discussion and Analysis ("MD&A) is prepared by management as of June 24, 2010. It should be read in conjunction with the audited consolidated financial statements of biOasis Technologies Inc. ("the Company") for year ended February 28, 2010, together with the related notes therein. The financial statements listed have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The reporting currency is in Canadian dollars.

### FORWARD LOOKING STATEMENTS

This MD&A contains forward looking statements that reflect the current view of the management with respect to future events and financial performance. Forward-looking statements are subject to risks and uncertainties, which could cause actual results to differ materially from those in such forward-looking statements.

When used in this document, words such as 'estimate', 'expect', 'anticipate', 'believe', 'may', 'plan', 'intend' and similar expressions are intended forward looking statement and as such involve inherent risks and uncertainties. Such factors include, among others, our stage of development, lack of any product revenues, general economic conditions, additional capital requirements, risk associated with the completion of clinical trials and obtaining regulatory approval to market our products, the ability to protect our intellectual property, dependence on collaborative partners and the prospects for negotiating additional corporate collaborations or licensing arrangements and their timing. Specifically, certain risks and uncertainties that could cause such actual events or results expressed or implied by such forward-looking statements and information to differ materially from any future events or results expressed or implied by such statements and information include, but are not limited to, the risks and uncertainties that: we may not be able to successfully develop and obtain regulatory approval for a p97 biomarker diagnostic and Physician's Aid to help diagnose Alzheimer's disease, or future products in our targeted corporate objectives; our future operating results are uncertain and likely to fluctuate; we may not be able to raise additional capital; we may not be successful in establishing additional corporate collaborations or licensing arrangements; we may not be able to establish marketing and the costs of launching our products may be greater than anticipated; we have no experience in commercial manufacturing; we may face unknown risks related to intellectual property matters; we face increased competition from pharmaceutical and biotechnology companies; failure of third parties and sub-contractors; and other factors as described in detail in our filings with the Canadian securities regulatory authorities at www.sedar.com

All forward-looking statements and information made herein are based on our current expectations and we undertake no obligation to revise or update such forward-looking statements and information to reflect subsequent events or circumstances, except as required by law or regulation. Readers are cautioned against placing undue reliance on forward looking statements.

### OVERVIEW

biOasis Technologies Inc. is focused on the research, development and commercialization of a protein named melanotransferrin ("p97"), for potential use as a biomarker diagnostic as a Physician's Aid to help diagnose and to help monitor Alzheimer's disease, Cognitest™ and for its potential therapeutic uses as a possible carrier of effector molecules across the blood brain barrier ("BBB"), Transcend™ .

The Company is listed for trading on the TSX Venture Exchange (the "Exchange"), symbol "BTI".

## KEY DEVELOPMENTS

### Increase in Working capital

During the fiscal 2010 the Company raised gross cash proceeds of $2,334,776 from the sale of common shares and a result, as at February 28, 2010, the Company has working capital of $1,934,521.

### Additions to management, Boards, and consultants

Management has determined that in order to help formulate and execute on its business strategy the Company needs to add additional senior business and biotech industry executives to its business and scientific advisory boards ("SAB") and to its Board of Directors and as consultants and employees. Since February 28, 2009 the Company has retained the following key personnel:

Mr. Mark Godsy joined as a consultant in March 2009 to assist the Company in formulating overall strategy, including helping to secure additional key executives to the Company's Board of Directors and Advisory Boards, securing strategic alliances and to assist in sourcing additional financing. Mr. Godsy is a successful and experienced venture capital entrepreneur who co-founded ID Biomedical and was the business co-founder of Angiotech Pharmaceuticals, both Canadian biotechnology companies.

Michael Edward Shannon, M.A., M.Sc., M.D. joined the Company in April 2009 as Senior Medical Advisor and a member of the Scientific Advisory Board ("SAB"). Dr. Shannon has extensive experience in managing and consulting on clinical drug trial programs in his former positions of Vice-President Medical Affairs for Vasogen Inc. from 2004 to 2008 and as Vice-President, Medical Sciences for Hemosol Inc. from 2001-2003. Prior to that Dr. Shannon was Director General of the Canadian Laboratory Centres for Disease Control, Director General of the Canadian Blood Secretariat and Deputy Surgeon General for the Canadian Forces.

In April, 2009 the Company appointed Stirling Mercantile Capital to act as finance consultants to the Company.

In June, 2009 Dr. Avi Livnat joined the Company's SAB. Dr. Livnat is the former CEO and Founder of Quintiles Israel Ltd., a wholly owned subsidiary of Quintiles Transnational Inc., the world's largest Contract Research Organization that offers a variety of services to the biomedical industry: strategic and regulatory consulting, pre-clinical testing, clinical trial design, management and pharmaco-economics evaluations. Quintiles is approved by the U.S. Food and Drug Administration ("FDA") to conduct clinical trials. Dr. Livnat also founded and headed the Medical Device Department at the Ministry of Health of the State of Israel, which provides a role similar to that of the "FDA". Dr Livnat also served as Professor of Physiology and Biophysics at the University of Illinois at Urbana-Champaign.

Mr. Craig Thomas, a barrister and solicitor and principal of the law firm of Thomas, Rondeau LLP specializing in the practice of corporate and securities law matters and who has served as an officer and director of numerous publicly listed companies and Mr. J. Michael Hutchison, Q.C., a lawyer with offices in Victoria and Vancouver, B.C., practicing primarily in the areas of corporate commercial law, administrative law and civil litigation and who has also served as a board member in various private corporations, primarily start-up technology related companies, were appointed to the board in July 2009.

In August 2009 Mr. Hugh MacNaught became Senior Industry Advisor consultant to help the Company on its Global Business Development programs, commencing with the p97 biomarker for Alzheimer's disease initiative. Effective January 1, 2010 Mr. MacNaught joined full time as Executive Vice-President of the Company. Hugh is a senior executive focused on providing transformational leadership to technology ventures. He is recognized for his expertise in developing and commercializing technologies for companies ranging in size from university spin-outs to multinational companies. His experience within the medical and life science sectors includes management roles within Boehringer Mannheim (acquired by Roche), Kodak (Johnson & Johnson) and Amersham (GE).

**KEY DEVELOPMENTS continued)**
**Additions to management, Boards, and consultants (continued)**

In October 2009 the Company appointed healthcare industry veteran and CEO of Philips Oral Diagnostics based in the UK, Mr. David Browning to its business advisory board to help advise the Company on its development programs for p97 diagnostic products. A significant part of David's career has been within blue-chip healthcare corporations, including Ortho Clinical Diagnostics (a Johnson and Johnson company), Kodak Clinical Diagnostics and Amersham International, where he focused on the development and commercialization of leading-edge systems in clinical diagnostics.

In October 2009 Dr. Delara Karkan joined the Company as a consultant to assist in scientific planning and regulatory issues. Dr. Karkan has over 10 years experience in drug development in the pharmaceutical and biotechnology industry and in government including serving as the former Deputy Director in the Biologics and Genomic Therapy Directorate at Health Canada where she was responsible for the Preclinical safety unit and currently as Senior Science Advisor to the Office of Science and Risk Management, Health Products and Food branch, Canada. Formerly Dr Karkan served as Director, Preclinical Research and Development with Labopharm Pharma Inc., and at Synapse Technologies Inc. where she worked on the p97 technology now owned by biOasis. Dr. Delara Karkan is an American Board exam toxicologist D.A.B.T.

In February 2010 the Company added global, neuroscience expert Dr. H. Christian Fibiger to its Board of Directors, Dr. Fibiger received his Ph.D. in Psychopharmacology from Princeton in 1970 and in the 1990s served as Professor and Head of the Division of Neurological Sciences and Chair of the University Graduate Program in Neuroscience at the University of British Columbia. In 1998 Dr. Fibiger became Vice President of Neuroscience Discovery Research and Clinical Investigation for Lilly Research Laboratories Europe at Eli Lilly and Company. In 2003 he joined Amgen as Vice President and Global Head of Neuroscience where he was responsible for Amgen’s worldwide Neuroscience discovery efforts ranging from early exploratory research through clinical candidate selection. He was also responsible for evaluating and implementing collaborative efforts, external alliances and licensing agreements in Neuroscience with biotechnology companies and academic institutions. Dr. Fibiger is now Chief Scientific Officer at Biovail Laboratories International SRL which is the IP company owned by Biovail Corporation, Canada's largest publicly traded pharmaceutical company. Dr Fibiger also serves on many editorial, foundation and science boards and has received numerous prestigious scientific awards throughout his career.

In March 2010 Dr. Robert Cory became a consultant to the Company. Dr. Cory has over 15 years senior leadership experience in the biopharmaceutical industry and currently serves as Vice President, Business Development at Migenix Inc. Bob has a very strong licensing transaction background as well as mergers and acquisitions experience and in Intellectual Property strategy

In May 2010 the Company appointed Dr. Reinhard Gabathuler to its SAB. Dr. Gabathuler was formerly Chief Scientific Officer at Angiochem Inc. (Montreal, Canada) and he also served as Vice President, Brain Research and Drug Delivery at BioMarin. Prior to joining BioMarin, Dr. Gabathuler served as Vice President of Research at Synapse Technologies Inc. Dr. Gabathuler holds a Ph.D. in biochemistry from the University of Lausanne, Switzerland.

**Shareholder communications**

In March, 2009 the Company appointed Crescent Communications, a Market Research and Investor Relations firm based in Westport, Connecticut, U.S.A. specializing in emerging market companies, for its U.S. Investor Relations services. This contract has now been reduced in scope to that of assisting in a future financing.

The Company information is also available via Standard & Poor's Market Access Program, an information distribution service that enables subscribing publicly traded companies to have their company information disseminated to users of Standard & Poor's Advisor Insight Equity Research Service. As part of the program, a full description of biOasis Technologies Inc. was published in the Daily News section of Standard and Poor’s Corporation Records on July 1, 2009, a recognized, securities manual for secondary trading in up to 38 states under their Blue Sky Laws.

## RESEARCH AND DEVELOPMENT PROGRAM

### Diagnostic Program - COGNITEST™

The Company is developing an in vitro diagnostic assay to measure circulating levels of melanotransferrin or p97 in blood serum to assist Physicians with diagnosing and monitoring patients with Alzheimer's disease – the test we have named - Cognitest™.

### SISCAPA Assay

In late 2008, the Company entered into a contract with Anderson Forchung Group LLC (Washington DC) to develop new Stable Isotope Standards and Capture by Anti-Peptide Antibodies ("SISCAPA") assays to measure the levels of p97 in human blood samples. This new immunoproteomics platform allows the accurate quantification and thus subsequent qualification of biomarkers. The Company had originally expected these results before the end of calendar 2009 and now expects those results at any time.

SISCAPA is a technique that was developed to measure the levels of proteins in human plasma and is based on immunoaffinity enrichment of peptide surrogates of biomarker proteins and their identification by mass spectrometry. The technique offers several improvements over standard immunoassays: first, the analytes are unambiguously identified by the mass spectrometer; second the assay detects peptide surrogates of the protein targets (rather than the intact proteins) and thus is less subject to variability due to sample degradation; third, SISCAPA is less subject to interference due to autoantibodies that may bind the analyte since these antibodies are destroyed during the SISCAPA sample preparation step. SISCAPA will be used as a second, independent method for quantification of p97 in human plasma in parallel with a sandwich immunoassay, thus adding additional confidence for qualification of p97 as a biomarker for Alzheimer's disease.

### Enzyme-linked Immunosorbent Assay ("ELISA")

The potential use of p97 as a biomarker diagnostic for Alzheimer's has been demonstrated in a number of earlier studies conducted by Dr. Wilfred Jefferies and his team at UBC and by independent third party studies at the University of Seoul.

In May 2009 the Company entered into a Collaborative Research Agreement ('CRA") with UBC to assist the Company in development of an ELISA to detect levels of the protein "p97" in blood for the purpose of conducting clinical research on human samples. This program is supervised by Dr. Wilfred Jefferies, and is staffed by a senior scientist/project manager and a post doctorial fellow, together with additional lab services provided through the Biomedical Research Center at UBC. To-date the project tested and verified large quantities of human p97 and the Company under an agreement with Vancouver Island Antibodies (a company managed by Dr. Terry Pearson) has successfully produced a large body of antibodies for selection and for use by Fleet Bioprocessing Ltd for the development and optimization of the ELISA (see below).

In December 2009 the Company entered in to a service agreement with UK based Fleet Bioprocessing Ltd ("Fleet") to develop and optimize an ELISA, based on the Company's p97 technology. Fleet operates to ISO9001:2008 and ISO13485: 2003 standards, and in accordance with the *in vitro* diagnostic GMP requirements of the US Food and Drug Administration (FDA). Upon successful completion the Company expects that the assay will be able to measure p97 in human serum and be suitable for incorporation into the diagnostic platforms of other companies. To-date Fleet has completed product requirement definitions and are currently in the prototype ELISA development phase. New antibodies have also been developed that are owned by the Company and are currently being screened at the Fleet laboratory so that the best pairings will be incorporated into the assay. The Company hopes to have a production prototype prior to the last quarter of calendar 2010. At that point assay performance will be assessed against clinical samples and depending on results application will be submitted for CE marking following which the Company expects to enter into commercial licenses.

**RESEARCH AND DEVELOPMENT PROGRAM (continued)**

**Blood Brain Barrier Technology - TRANSCEND™**

On June 26, 2008, Dr. Jefferies and his team published a manuscript in the peer reviewed journal Public Library of Science (PLoS) ONE. The significance of this Manuscript was that it was the first time that a naturally occurring protein (p97) was proven to deliver chemotherapeutic agents (drugs) across the BBB with efficacy (strength) of up to ten times that of the non-carrier delivered drugs. In addition, drug delivery by p97 virtually eliminated the deposit of the drug in specific major organs, most notably the heart, thereby significantly reducing the risk of cardiotoxicity. This study shows that there is a possibility that using p97 as a carrier for drug delivery across the BBB may increase the efficacy of a delivered drug, allowing physicians potentially better options for treating Central Nervous Systems disease and conditions. Medical indications that would benefit from this type of drug delivery include brain cancer (glioblastomas and brain metastases from other cancers), neurodegenerative diseases, infections, psychiatric disorders and pain.

In May 2009 the Company entered into a Materials Transfer Agreement (“MTA”) with a major U.S. biotech whereby several of the Company’s patented, proprietary technologies and reagents for delivery of therapeutics across the BBB were delivered to them for testing. At this time that biotech company is continuing with its’ testing under the MTA.

In June 2009 the Company entered into a CRA with UBC to build on the preclinical Proof-of-Concept work showing that p97 can shuttle therapeutic agents across the blood brain barrier. To-date the project has completed additional work verifying prior findings and work that parallels the work being performed by the US Biotech Company. The project is now preparing to undertake pre-clinical studies in mice to investigate the pharmacokinetics of p97.

The Company is now in the process of identifying candidate therapeutic agents for conjugation with p97 for delivery across the BBB under its Transcend™ program. If sufficient funds are raised the Company will then run proof of concept studies on these candidate therapeutics.

**FUTURE OUTLOOK**

If an optimized ELISA for measuring p97 in human plasma is successfully developed and supported through findings from the SISCAPA testing then the Company expects to submit some initial regulatory submissions for the use of Cognitest™ as a Physicians Aid to help diagnose and monitor Alzheimer’s disease by fourth calendar quarter 2010 (previously indicated as complete by June 2010). The Company will then commence licensing of Cognitest™ .

The Company is seeking to raise financing to conduct proof of concept studies on its Transcend™ model to prove that it can shuttle a host of therapeutics across the BBB. If the studies are successful the Company will then seek joint-venture partners to undertake clinical trials on the p97-conjugates.

The Company has no source of revenue other than interest income earned on cash and cash equivalents. To date the Company has raised additional cash resources, principally through the sale of its common stock. The Company will need to continue to source such financing in the future and will need to achieve clinical success and scientific milestones to achieve future license and royalty revenues from Cognitest™ and to undertake future research and development on Transcend™ as well as to fund its corporate operations.

**ACQUISITION OF BIOASIS ADVANCED TECHNOLOGIES INC.**

On March 27, 2008, the Company acquired 100% of the shares of biOasis Advanced ("BAT") which is a wholly owned subsidiary of the Company.

BAT was formed to commercialize a number of patents and patent applications that surround serum melanotransferrin, a protein called p97. These patents were filed by UBC and Dr. Wilfred Jefferies' team. Dr. Jefferies and his team made the discovery that elevated levels of p97 in human blood may be a very accurate indicator of a subject entering the early stages of Alzheimer's disease. Dr. Jefferies' results were confirmed by independent third party studies conducted by researchers at the University of Seoul and a team at the University of Alabama. Dr. Jefferies and his team were also working on technologies dealing with the therapeutic aspects of the protein, where p97 may be able to penetrate the Blood Brain Barrier and may be used to deliver a therapeutic across the BBB.

The acquisition was accounted for using the purchase method, with the Company as the acquirer, and the assets and liabilities acquired recorded at their fair values as follows:

| **Allocation of Purchase Price** | | |
|---|---|---|
| Capital Assets | | $2,935 |
| Intangible Assets: Patents, Licenses and Intellectual Property | | |
| "UBC Patents" | 619,845 | |
| "Jefferies Patents" | 589,609 | |
| Total Patents Licenses and Intellectual Property | | 1,209,454 |
| **Fair Value of Assets Acquired** | | **1,212,389** |
| Net Current Liabilities | | (143,109) |
| **Purchase Price** | | **$1,069,280** |

| **Consideration given** | | |
|---|---|---|
| 6,086,660 common shares from treasury at $0.15 per share | $912,999 | 85% |
| Transaction Costs | 156,281 | 15% |
| **Purchase Price** | **$ 1,069,280** | 100% |

**SELECTED ANNUAL FINANCIAL INFORMATION**

The following is selected financial information for the Company's three completed fiscal years:

| Fiscal Year End | Feb 28, 2010 | Feb 28, 2009 | Feb 29, 2008 |
|---|---|---|---|
| | $ | $ | $ |
| Total Revenues | Nil | Nil | Nil |
| Net Loss | (2,217,690) | (1,149,785) | (131,131) |
| Net Loss per share, basic and diluted | (0.08) | (0.07) | (0.04) |
| Total Assets | 3,034,404 | 2,092,570 | 631,175 |
| Total long term liabilities | Nil | Nil | Nil |
| Cash dividends declared | Nil | Nil | Nil |

There have been no revenues from operations to the date of this report.

## SELECTED ANNUAL FINANCIAL INFORMATION

Results for biOasis Advanced Technologies Inc. are included from March 27, 2008 on. Prior to that date the Company operated as a Capital Pool Company with minimal operating costs other than costs associated with maintaining a public listing and with securing a Qualifying Transaction. With the acquisition of Advanced the Company became a research and development company. As a result of this new business activity general and administrative costs increased substantially to $633,929 in fiscal 2010 from $280,636 in fiscal 2009 and $56,814 in fiscal 2008 and research and development expense increased to $619,174 in fiscal 2010 from $148,584 in 2009 and $nil in 2008. Stock-based compensation expense also significantly impacted net loss as follows: $863,198 in fiscal 2010, $644,083 in fiscal 2009 and $86,400 in fiscal 2008.

Total assets increased principally due to the acquisition in fiscal 2009 of Advanced by issuance of shares with a fair value of $1,069,280, the impact of the sale of common stock for gross proceeds of $2,334,776 in fiscal 2010 and $1,040,072 in fiscal 2009, less cash portion of net losses incurred.

## RESULTS OF OPERATIONS

**For the three months ("Q4 2010") and twelve months ended February 28, 2010 ("Fiscal 2010") as compared to the three months ("Q4 2009") and twelve months ended February 28, 2009 ("Fiscal 2009").**

The consolidated statements of comprehensive loss and deficit for Fiscal 2010 and for Fiscal 2009 include biOasis Advanced from March 27, 2008 on.

### Amortization

The following table identifies the composition and changes in Amortization expense:

| Amortization Expense | "Q4 2010" | "Q4 2009" | Increase (decrease) | "Fiscal 2010" | "Fiscal 2009" | Increase (decrease) |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| Patents and intellectual property | 26,576 | $25,059 | 1,517 | 106,307 | 97,449 | 8,858 |
| Capital assets | 419 | 429 | (10) | 1,617 | 1,579 | 38 |
| Total amortization expense | 26,995 | 25,488 | 1,507 | 107,924 | 99,028 | 8,896 |

Patent and intellectual property amortization expense comprises the amortization of the biomarker diagnostic for Alzheimer's disease patents ("the UBC patents") and the blood-brain barrier patents for therapeutic uses of p97 ("the Jefferies patents") acquired in the acquisition of Advanced over their estimated useful economic lives of 10 years and 15 years respectively and the amortization of the fair value of the options issued to UBC upon completion of the acquisition over 10 years.

### General and Administration Expense

The following table identifies the composition and changes in General and Administration **("G&A")** expense:

| General and Administrative Expense | **"Q4 2010"** | **"Q4 2009"** | **Increase (decrease)** | **"Fiscal 2010"** | **"Fiscal 2009"** | **Increase (decrease)** |
|---|---|---|---|---|---|---|
| | **$** | **$** | **$** | **$** | **$** | **$** |
| Accounting & audit | 4,950 | (1,075) | 6,025 | 51,400 | 21,873 | 29,527 |
| Consulting fees | 76,060 | 46,400 | 29,660 | 269,860 | 160,500 | 109,360 |
| Foreign Exchange Loss | 182 | - | 182 | 8,845 | - | 8,845 |
| Insurance | 3,390 | 2,808 | 582 | 12,980 | 8,424 | 4,556 |
| Investor relations and marketing | 24,752 | 11,838 | 12,914 | 119,272 | 11,838 | 107,434 |
| Office, telephone & miscellaneous | 4,765 | 2,449 | 2,316 | 27,172 | 21,560 | 5,612 |
| Professional | 3,411 | 10,215 | (6,804) | 21,735 | 19,949 | 1,786 |
| Salaries | 23,593 | - | 23,593 | 23,593 | - | 23,593 |
| Transfer agent, regulatory and news wire service | 11,860 | 6,151 | 5,709 | 47,611 | 29,177 | 18,434 |
| Travel | 21,174 | 2,140 | 19,034 | 51,461 | 7,315 | 44,146 |
| Total General and Administrative Expense | 174,137 | 80,926 | 93,211 | 633,929 | 280,636 | 353,293 |

**RESULTS OF OPERATIONS (continued)**
**General and Administration Expense (continued)**

Q4 2010 compared to Q4 2009

Consulting fees include fees for the CEO (increased February 1, 2010), CFO, strategic advisor, communications consultant, a UK based business advisor, and for December 2009 a senior industry consultant who became Executive Vice-president and a salaried employee effective January 1, 2010. Investor relations and marketing activity began in Q4 2009 and comprise fees for US investor relations consultant, blog consultants, marketing materials, internet marketing, and meals. Travel increase principally reflects trips undertaken to the USA for investor and technology presentations and for bringing advisory and board members and technical personnel to Vancouver for meetings and technology presentations .

Fiscal 2010 compared to Fiscal 2009

Accounting and audit fees increase includes increased audit fees of $17,500 due to growth in size of the Company following acquisition of Advanced. Consulting fees include fees for the CEO, CFO, strategic advisor (from May 2009 on), communications consultant, a UK based business advisor, and for September through December 2009 a senior industry consultant who became Executive Vice-president and a salaried employee effective January 1, 2010. Foreign exchange loss is principally a result of the decline in US dollar versus Canadian dollar exchange rate on U.S. cash balances. Investor relations and marketing expense increased $107,434 in fiscal 2010 due to the cost of a US investor relations consultant (May 2009 until March 2010), presentations to US investors, and the costs of bloggers from January 2009 on. Transfer agent, regulatory filing and news service fees increased principally due to fees related to the Standard & Poor's Market Access Program, Blue Sky exemption application fees, and a general increase in transfer agent rates, regulatory filing fees (new contracts, etc.) and news releases fees. Travel increase principally reflects trips undertaken to the USA for investor and technology presentations and for bringing advisory and board members and technical personnel to Vancouver for meetings and technology presentations .

**Research and Development Expense**

The following table identifies the composition and changes in research and development expense:

| Research and Development Expense | "Q4 2010" | "Q4 2009" | Increase (decrease) | "Fiscal 2010" | "Fiscal 2009" | Increase (decrease) |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| Pre-clinical | 176,649 | 15,772 | 160,877 | 306,861 | 28,544 | 278,317 |
| Consulting | 83,954 | 30,000 | 53,954 | 250,049 | 75,000 | 175,049 |
| Patent maintenance & filing fees | 19,800 | 9,990 | 9,810 | 62,264 | 45,040 | 17,224 |
| Total Research and Development Expense | 280,403 | 55,762 | 224,641 | 619,174 | 148,584 | 470,590 |

Pre-clinical expense in Q4 2010 and fiscal 2010 comprises work conducted on the p97 Assay project CRA with UBC of $59,135 and $95,914 respectively; work on the BBB CRA with UBC of $44,448 and $109,078 respectively; work on the SISCAPA Assay of $2,487 and $31,290 respectively; and work on the Assay conducted at Fleet Bioprocessing (UK) for $70,579 began in Q4 2010. Q4 2009 and fiscal 2009 pre-clinical expense work comprised entirely of work on the SISCAPA Assay. Consulting expense increased $175,049 in fiscal 2010 ($53,954 in Q4 2010) due to hire of new consultants, one-off consultant projects and increased contract rate for the Company's Scientific Consultant. Patent maintenance and filing fees are legal fees and patent office filing fees incurred with respect to maintaining, expanding, and defending the Company's patents and intellectual property.

**RESULTS OF OPERATIONS (continued)**

**Stock-based Compensation Expense**

The following table identifies the composition and changes in stock-based compensation expense:

| Stock-based Compensation Expense | "Q4 2010" | "Q4 2009" | Increase (decrease) | "Fiscal 2010" | "Fiscal 2009" | Increase (decrease) |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| Stock-based compensation expense | 197,950 | 26,095 | 171,855 | 863,198 | 644,083 | 219,115 |

Incentive stock options are issued to management, directors, advisory board members and key consultants. Stock based compensation is accounted for in accordance with Section 3870 of the CICA Handbook. An estimate of the fair value of stock options was calculated using the Black-Scholes Options Pricing Model. The application of this model requires management to estimate several variables, including the period for which the option is expected to be outstanding, price volatility of the Company's stock or a relevant comparable company stock if the Company does not have sufficient trading history over the relevant timeframe and the determination of the Company's risk free interest rate and an assumption regarding the Company's future rate policy.

**Other Items - Interest Income**

The Company earned interest income on its cash and cash equivalents and short term investments of $2,887 for Q4 2010 and $6,535 for fiscal 2010 compared to $3,172 for Q4 2009 and $22,546 for fiscal 2009. Interest earned on the Company's cash and cash equivalents and short term investments have declined significantly due to substantial decline in interest yields on short term Canadian schedule 1 bank banker's acceptance and term deposit paper.

**Net Loss**

Net loss for Q4 2010 was $676,598 or a loss per share of $0.02 compared to a net loss of $185,099 or a $0.01 loss per share for Q4 2009. Net loss for fiscal 2010 was $2,217,690 or a loss per share of $0.08 compared to a net loss of $1,149,785 or a $0.07 loss per share for fiscal 2009.

**SUMMARY OF QUARTERLY RESULTS**

The following are the results for the Company's past eight quarterly reporting periods:

| Fiscal Year<br>Quarter | 2010<br>Q4<br>$ | 2010<br>Q3<br>$ | 2010<br>Q2<br>$ | 2010<br>Q1<br>$ | 2009<br>Q4<br>$ | 2009<br>Q3<br>$ | 2009<br>Q2<br>$ | 2009<br>Q1<br>$ |
|---|---|---|---|---|---|---|---|---|
| Revenue | - | - | - | - | - | - | - | - |
| Expenses | 679,485 | 553,075 | 545,389 | 446,276 | 188,271 | 158,558 | 155,346 | 670,156 |
| Other Items: | | | | | | | | |
| Interest Income | (2,887) | (195) | (2,263) | (1,190) | (3,172) | (5,926) | (6,805) | (6,643) |
| Net Loss | 676,598 | 552,880 | 543,126 | 445,086 | 185,099 | 152,632 | 148,541 | 663,513 |
| Basic loss per share | 0.02 | 0.02 | 0.02 | 0.02 | 0.01 | 0.01 | 0.01 | 0.05 |

General and Administrative quarterly expense increased significantly for Q1 2010 in part as a result of the hire of new strategic advisor and industry consultants, new investor relations and marketing expenses incurred for US investor relations and bloggers and travel. Research and Development expense increased very significantly over 2010 fiscal quarters due to expense related to the UBC CRAs for the Assay diagnostic and BBB CRA, increased scientific advisory board consultants and internal consultants, increase cost of the Company's scientific consultant and in Q4 2010 work conducted by Fleet on the Assay programs. Stock based compensation expense significantly impacted quarterly results as follows: Q1 2009 $570,363; Q2 2009 $22,062; Q3 2009 $25,563; Q4 2009 $26,095; Q1 2010 $209,480; Q2 2010 $274,157; Q3 2010 $181,611; and Q4 2010 $197,950.

Other interest income has declined with the substantial reduction in interest income yields earned on cash and cash equivalents and short term investments.

## LIQUIDITY AND CAPITAL RESOURCES

### Financial Condition

As at February 28, 2010 the Company had working capital of $1,934,521, an increase of $1,029,496 over February 29, 2009, principally due to the sale of common shares in fiscal 2010 for gross cash proceeds of $2,334,776 less net loss adjusted for non cash items of $1,246,568. Working capital includes cash of $1,693,257 and prepaid expenses of $242,562 of which $233,758 is in respect of the Assay and BBB UBC CRAs.

The Company's objective is to maintain a sufficient capital base to sustain future research and development through to commercialization of Cognitest™, and to maintain sufficient funds on hand for corporate operations as a public company. At this the Company estimates its has sufficient funds for Cognitest and for corporate operations through fiscal Q1 2011 The Company intends to raise additional funding through the sale of common stock for additional working capital needs and to fund proof of concept studies around Transcend™, . If initially successful the Company will then seek joint venture partners to undertake full clinical trials. The Company has no revenues and to date has funded operations and research and development through sale of common stock. If such funds are not available in the future or new sources of financing such as milestone payments or joint venture arrangements cannot be secured then the Company will be forced to curtail its activities to a level for which funding is available.

### Cash flow

<u>Q4 2010 compared to Q4 2009</u>

Net cash used by operating activities increased by $264,678 to $381,037 over $116,359 in Q4 2009. The biggest increase in use of cash was increase in net loss adjusted for items not affecting cash of $318,137 less decrease in prepaid expense of $99,347.

There were no investing activities in Q4 2010 compared to $2,069 of capital assets acquired in Q4 2009.

Financing activity for Q4 2010 raised proceeds of $28,000 compared to $134,999 in Q4 2009.

<u>Fiscal 2010 compared to Fiscal 2009</u>

Net cash used by operating activities was $1,460,135 in fiscal 2010 compared to $547,566 in fiscal 2009, an increase in use of $912,569, principally due to an increase in net loss after adjustment for items not affecting cash of $839,894 and a $220,039 increase in prepaid expense principally as a result of prepayment made in respect of the UBC CRAs.

Investing activity in fiscal 2010 used cash of $2,069 compared to cash provided in fiscal 2009 of $383,547. The provision of cash in 2009 was principally a result of cashing in a Term Deposit Certificate for proceeds of $479,710 less $153,784 net cash used in acquisition of biOasis Advanced of which $60,773 was provided from fiscal 2008 deferred acquisition costs.

Financing activity for fiscal 2010 raised net cash proceeds of $2,278,131, an increase of $1,238,059 over fiscal 2009 comprising net cash proceeds of $443,355 from a 1,000,000 unit private placement issued at $0.50, $1,495,000 from the exercise of 5,980,000 share purchase warrants at $0.25, $191,775 from the exercise of 1,278,500 Agent's Warrants at $0.15 and $148,001 from the exercise of 780,007 incentive stock options exercised at between $0.15 and $0.35. Fiscal 2009 financing activity raised net cash proceeds of $1,040,072 comprising net proceeds of $849,847 from a 6,500,000 unit private placement issued at $0.15, $45,750 from the exercise of 230,000 incentive stock options exercised at between $0.15 and $0.30, $130,000 from the exercise of 520,000 share purchase warrants at $0.25, and $14,475 from the exercise of 96,500 Agent warrants at $0.15.

**OUTSTANDING SHARE DATA**

The Authorized share capital consists of an unlimited number of common shares without par value.

| Outstanding Share Data | Number of Common Shares | Exercise Price per Common Share | Expiry Dates |
|---|---|---|---|
| Issued and outstanding common shares as at as at June 24, 2010 | 27,873,341(1) | | |
| Incentive stock options | 4,695,000 | $0.15-$0.68 | Sept 1,2010 - February 19, 2015 |
| Fully diluted shares as at June 24,2010 | 32,568,341 | | |

(1) Of which 2,246,500 common shares of the Company are subject to an Escrow Agreement pursuant to policies of the TSX Venture Exchange. Under the terms of the Escrow Agreement 1,123,250 will be released on October 2, 2010; and 1,123,250 on April 2, 2011.

**RELATED PARTY TRANSACTIONS**

During the year ended February 28, 2010 the Company paid $89,000 to a company controlled by a director and officer of the Company for consulting services in his capacity as President and Chief Executive Officer ("CEO") of the Company. As at February 28, 2010, the Company owed $310 to this director, which is unsecured, non-interest bearing and has no repayment terms.

During the year ended February 28, 2010 the Company paid $72,000 to a director and officer of the Company for consulting services in his capacity as Chief Financial Officer.

During the year ended February 28, 2010 the Company paid $110,500 to a company controlled by Dr. Jefferies for consulting services in his capacity as Scientific Consultant of the Company.

The payments above were made pursuant to management contracts for services and were renewed April 1, 2010 for a one year term. Each contract may be terminated by the Company at any time for a lump sum payment of six months cash compensation. The current cash monthly contract rates are $12,000, $6,000 and $10,000 per month plus incentive bonus and stock options for the CEO, CFO and the Scientific Consultant respectively.

During the year ended February 28, 2010 the Company paid $5,000 to a director for research and development consulting services and $2,000 for SAB meeting attendance.

During the year ended February 28, 2010 the Company incurred legal expense of $3,177 and paid $6,516 due to related party, to a relative of the CEO of the Company

During the year ended February 28, 2010 the Company incurred legal expense of $4,662 to a law firm, a partner of whom is now a director of the Company, for legal work incurred since the partner became a director.

During the year ended February 28, 2010 the Company granted 600,000 incentive stock options to directors.

These transactions were in the normal course of operations and have been recorded at their exchange amounts, which is the consideration agreed upon between the related parties

**NEW ACCOUNTING POLICIES**

## Financial Statement Concepts

In February 2008, the CICA amended Section 1000, “Financial Statement Concepts”, to clarify the criteria for recognition of an asset, reinforcing the distinction between costs that should be expensed and those that should be capitalized. The amendment applies to interim and annual financial statements for years beginning on or after October 1, 2008. The adoption of this standard did not have any material effect on the consolidated financial statements.

## Financial Instruments

In June 2009, the CICA amended Section 3855, "Financial Instruments", to clarify that, upon reclassification of a financial instrument out of the trading category, an assessment must be completed to determine whether an embedded derivative is required to be bifurcated. In addition, the amendment prohibits the reclassification of a financial instrument out of trading when the derivative embedded in the financial instrument cannot be separately measured from the host contract. The amendment is applicable to all reclassifications occurring after July 1, 2009. The adoption of this standard did not have any material effect on the consolidated financial statements.

In August 2009, the CICA issued further amendments to Section 3855. The amendments changed the definition of a loan such that certain debt securities may be classified as loans if they do not have a quoted price in an active market and the Company does not have the intent to sell the security immediately or in the near term. As a result, debt securities classified as loans will be assessed for impairment using the incurred credit loss model of Section 3025 to reduce the carrying value of a loan to its estimated realizable amount.

Loan impairment accounting requirements are also applied to held-to-maturity financial assets as a result of the amendments. Debt securities that are classified as available-for-sale continue to be written down to their fair value when the impairment is considered to be other than temporary. However, the impairment loss can be reversed if the fair value substantially increases and the increase can be objectively related to an event occurring after the impairment loss was recognized. The adoption of this standard did not have any material effect on the consolidated financial statements.

In June 2009, the CICA issued amendments to Section 3862 – “Financial Instruments – Disclosures” to expand the disclosures required in respect of fair value measurements recognized in financial statements. For the purpose of these expanded disclosures, a three-level hierarchy has been introduced as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices or indirectly (i.e. derived from prices);
Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The adoption of the amendments to Section 3862 – Financial Instruments – Disclosures did not have a material effect on the consolidated financial statements as the Company does not have significant financial instruments requiring fair value measurements other than cash and cash equivalents which are determined based on Level1 inputs.

## Goodwill and Intangible Assets

On March 1, 2009 the Company adopted CICA Handbook Section 3064, “Goodwill and Intangible Assets” (“CICA 3064”), which replaces CICA Handbook Section 3062, “Goodwill and Intangible Assets”, and CICA Handbook Section 3450, “Research and Development Costs”. CICA 3064 establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The adoption of this standard did not have a material impact on these consolidated financial statements.

**NEW ACCOUNTING POLICIES (continued)**

## Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

On March 1, 2009 the Company adopted the Emerging Issues Committee ("EIC") of the Accounting Standards Board EIC-173 "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities" which was issued on January 20, 2009. Under EIC-173, an entity is required to take into account its own credit risk as well as the credit risk of the counterparty in determining the fair value of financial assets and financial liabilities. EIC-173 is applicable to interim and annual financial statements for periods ending after January 20, 2009. The adoption of EIC-173 did not have a material impact on these interim consolidated financial statements.

**FUTURE ACCOUNTING POLICIES**

## Consolidated Financial Statements and Non-Controlling Interests

In January 2009, the CICA issued Section 1601, Consolidated Financial Statements and Section 1602, Non-Controlling Interests. These Sections replaces Section 1600, Consolidated Financial Statements. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for the accounting of non-controlling interests in a subsidiary in the consolidated financial statements subsequent to a business combination. These Sections will apply to the Company's financial statements beginning on January 1, 2011. The Company is currently evaluating the implications of these new Sections on the consolidated financial statements.

**Business Combinations**

In January 2009, the CICA issued Section 1582, Business Combinations. This Section replaces Section 1581, Business Combinations. Section 1582 establishes standards for the recognition of business combination. This Section will apply to financial statements relating to the Company beginning on January 1, 2011. The Company is currently evaluating the implications of this new Section on the consolidated financial statement.

**International Financial Reporting Standards**

In 2006, the Canadian Institute of Chartered Accountants (the "CICA") announced that accounting standards in Canada will converge with International Financial Reporting Standards ("IFRS"). IFRS uses a conceptual framework similar to Canadian GAAP, but there could be significant differences on recognition, measurement and disclosures that will need to be addressed. The effective changeover date for the Company will be March 1, 2011, at which time Canadian GAAP will cease to apply for the Company and will be replaced by IFRS. Following this timeline, the Company will issue its first set of interim financial statements prepared under IFRS in the first quarter of fiscal 2012 including comparative IFRS financial results and an opening balance sheet as at March 1, 2010. The first annual IFRS consolidated financial statements will be prepared for the year ended February 28, 2012 with restated comparatives for the year ended February 28, 2011.

The Company's IFRS team comprises the CFO who is a Chartered Accountant. He will be performing the IFRS conversion and will report to the Audit Committee on the progress accomplished. Management is preparing an evaluation of its existing financial statement line items, comparing Canadian GAAP to the corresponding IFRS guidelines, and has identified a number of potential differences. Many of the potential differences identified are not expected to have a material impact on the reported results and financial position. Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as of the date of the first comparative balance sheet presented based on standards applicable at that time.

Accounting policies – Key differences between GAAP and IFRS applicable to the Company have been identified. A detailed review will be concluded in fiscal 2011. The following is a list of IFRS standards currently identified as having a potential impact on the financial statements of the Company and which are considered most relevant to the Company's conversion process.

**FUTURE ACCOUNTING POLICIES (continued)**
**International Financial Reporting Standards (continued)**

IFRS 1, "First-Time Adoption of International Financial Reporting Standards", provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. These exemptions and exceptions are currently being assessed and will be discussed with the Audit Committee prior to implementation.

IFRS 36, "Impairment of Assets" and IAS 28, "Intangible Assets" **-** Under Canadian GAAP, the Company is currently required to test for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Under IFRS, however, the Company will be required to assess whether there has been impairment at each reporting date. Unlike IFRS, the estimates of future cash flows used in assessing whether an impairment loss exists are not discounted under Canadian GAAP. This might trigger more impairment testing under IFRS. Unlike Canadian GAAP, the Company will be permitted to revalue intangible assets to fair value if there is an active market under IFRS.

Information systems – The accounting process of the Company are relatively simple and no major challenges are expected at this point to operate the accounting system under IFRS. Some excel spreadsheets will be adopted to support the changes made in accounting policies. Based on management assessment of the information system currently used by the Company, all information required to be reported under IFRS will be available with minimal system changes.

Conclusion **-** These differences have been identified based on the current IFRS standards issued and expected to be in effect on the date of transition. Certain IFRS standards may be modified, and as a result, the impact may be different than the Company's current expectations. Based on management's review and assessment of IFRS, the Company does not anticipate the conversion to IFRS will have a significant impact on the Company's reported amount and or its business. However, one of the more significant impacts identified to date of adopting IFRS is the expanded presentation and disclosures required. Disclosure requirements under IFRS generally contain more breadth and depth than those required under Canadian GAAP and, therefore, will result in more extensive note references. The Company is continuing to assess the level of presentation and disclosures required to its consolidated financial statements. The Company also expects to meet all reporting deadlines in its conversion to IFRS and will report any difficulties in meeting these deadlines.

## CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles 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 revenues and expenses during the period. Actual results could differ from those estimates. Significant estimates include the estimated useful life of long-lived assets, the recoverability of amounts recorded for long-lived assets, valuation allowance on future income taxes and estimates used in calculating stock-based compensation. By their nature, these estimates are subject to measurement uncertainty and the effect on the financial statements of changes in such estimates in future periods could be significant.

### Intangible Assets

The costs of acquiring or licensing medical technology are capitalized. The cost of a group of assets acquired in a business combination in which the specified criteria for recognition apart from goodwill is met, is allocated to the individual assets acquired based on their relative fair values. The cost of the Company's patents, licenses and intellectual property are amortized on a straight-line basis over their estimated useful life as follows: 10 years, for the biomarker diagnostic for the Alzheimer's patents, licenses and intellectual property (the "UBC Patents") and 15 years, for the p97 therapeutic uses patents, licenses and intellectual property (the "Jefferies Patents").

**CRITICAL ACCOUNTING ESTIMATES (continued)**
**Stock-based Compensation**

The Company accounts for stock-based compensation expense using the fair value based method. The fair value of stock-based payments to non-employees that vest over a service period, are periodically re-measured until counterparty performance is completed, and any change therein is recognized over the service period. The cost of stock-based payments that are fully vested and non-forfeitable at the grant date is measured and recognized at that date. The Company uses the Black-Scholes option pricing model to determine fair value of options granted. When stock options are exercised, the corresponding fair value is transferred from contributed surplus to share capital.

## Financial Instruments

Financial instruments are classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets, or other financial liabilities. All financial instruments, including derivatives, are measured on the balance sheet at fair value except for those arising from certain loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and accounting for changes in fair value are dependent on the initial classification. Held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income. Available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net income.

The Company has designated its cash and cash equivalents as held-for-trading, accounts receivable as loans and receivables and accounts payable and accrued liabilities and due to related parties as other financial liabilities.

## Income Taxes

The Company accounts for income taxes using the asset and liability method, whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantially enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is recorded against any future income tax assets unless it is more likely than not that the Company will realize the benefits of its future income tax assets. In assessing the realizability of future tax assets, management considers whether it is more likely than not that some portion or all of the future tax assets will not be realized. The ultimate realization of future tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of future tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. The amount of the future tax asset considered realizable could change materially in the near term based on future taxable income during the carry forward period. A valuation allowance has been provided against all net future tax assets, as realization of such net assets is uncertain.