

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

This Management Discussion and Analysis ("MD&A") is prepared as of July 28, 2009. It should be read in conjunction with the unaudited consolidated financial statements of biOasis Technologies Inc. ("the Company") as at and for the three months ended May 31, 2009, and should also be read in conjunction with the Company's audited consolidated financial statements for the year ended February 28 2009, 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.

CAUTION REGARDING 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 to identify forward looking statements. Such statements are used to describe management's future plans, objects and goals for biOasis and therefore 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 p97 as a Physician's Aid to 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

The Company was listed for trading on the TSX Venture Exchange (the "Exchange") July 24, 2007 as a Capital Pool Company ("CPC"). As a CPC the Company's business objective was to identify and evaluate businesses and assets with a view to completing a Qualifying Transaction (the "QT"). Effective April 3, 2008 the Company completed its QT as a result of its acquisition of biOasis Advanced Technologies Inc. ("biOasis Advanced.") see - Acquisition of biOasis Advanced Technologies Inc.; its name change to biOasis Technologies Inc.; its symbol change to "BTI"; and completion of a private placement for gross proceeds of \$975,000.

The Company's business activity is now focused on research, development and commercialization of a protein named "p97", for its potential use as a biomarker diagnostic for Alzheimer's disease and for potential therapeutic uses, including investigation of p97 as a possible carrier of effector molecules across the blood brain barrier ("BBB").

KEY ACHIEVEMENTS AND MILESTONES

In the quarter ended May 31, 2009 the Company raised cash proceeds of \$2,148,355 from the sale of common shares. As a result as at May 31, 2009 the Company had working capital of \$2,848,092 compared to \$905,025 as at February 29, 2009. Included in working capital is \$438,750 fully prepaid deposits in respect of two Collaborative Research Agreements (“CRAs”) entered into with The University of British Columbia (“UBC”) and \$2,472,558 of cash and cash equivalents.

On March 20, 2009 the Company announced that Mr. Mark Godsy had joined the Company to assist in formulating the overall strategy of the Company, including helping to secure additional biotech industry executives to the Company’s Board of Directors, and Scientific and Business Advisory Boards; formulation and execution of a comprehensive business plan; securing strategic alliances; and assistance in sourcing additional financing. Mr. Godsy is a successful and experienced entrepreneur working in the area of corporate development and venture capital who co-founded two Canadian biotechnology companies; ID Biomedical and Angiotech Pharmaceuticals. Mr. Godsy is a graduate of UBC and received his law degree from McGill University.

On March 26, 2009 the Company announced that it had 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, to increase awareness of the Company with U.S. private investors, brokers, funds, institutional investors, analysts and corporate finance.

On April 24, 2009 the Company announced it had appointed Michael Edward Shannon, M.A., M.Sc., M.D. as Senior Medical Advisor and a member of the Scientific Advisory Board of the Company. 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.

On April 24, 2009, the Company also announced the appointment of Stirling Mercantile Capital, an experienced corporate finance firm as consultants to the Company.

In its corporate update dated May 22, 2009, the Company announced that it had entered into a Materials Transfer Agreement with a major U.S. biotech Company whereby several of the Company’s patented, proprietary technologies and reagents for delivery of therapeutics across the BBB will be provided to them for testing.

On June 17th, 2009, the Company announced the appointment of Dr. Avi Livnat to its Scientific Advisory Board. 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. Quintiles currently offer a variety of services to the biomedical industry: strategic and regulatory consulting, pre-clinical testing, clinical trials design, management and pharmaco-economics evaluations and received FDA recognition as an approved site for FDA clinical trials in 1997. Since its inception in 1997, Quintiles Israel has conducted over 60 clinical trials.

KEY ACHIEVEMENTS AND MILESTONES (continued)

Dr. Livnat founded the Medical Device Department at the Ministry of Health of the State of Israel and was its head for four years. That department performs a similar role to the U.S. Food & Drug Administration (“FDA”). It functions by guarding the safety and efficacy of medical devices (FDA-CDRH); modernizing pharmaceutical administration; establishing international connections and cooperative working relationship with the FDA, Canadian and European authorities and modernizing the clinical trials regulatory system in Israel. Previously, Dr. Livnat served as a Professor of Physiology and Biophysics at the University of Illinois at Urbana-Champaign. He holds a B.Sc. in Physics and Mathematics from the Hebrew University of Jerusalem, a Ph.D. in Cardiovascular Physiology and Biomedical Engineering from the University of Southern California and a M.Sc. in economics from the University of Illinois.

On July 8, 2009, the Company announced that its company information was 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

Biomarker Diagnostic and Physicians Aid to Diagnose Alzheimer's

SISCAPA Assay

In November, 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 expects results from this work before the end of calendar 2009.

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.

ELISA Assay

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 the University of British Columbia and by independent third party studies at the University of Seoul and more recently at the University of Alabama.

On May 19, 2009 the Company announced it had entered into a one year CRA with UBC. Under the CRA the Company will fund a dedicated full time research technician, a post doctoral fellow and a part time project administrator. The primary purpose of this CRA is to develop a standard Enzyme-Linked ImmunoSorbent Assay (“ELISA”) to detect levels of the protein “p97” in blood for the purpose of making a submission to the Regulatory Bodies for use of p97 as a Biomarker to diagnose Alzheimer's disease as well as to develop Standard Operating Procedures for use of the assay. The work will be conducted at the Michael Smith Laboratories at UBC.

RESEARCH AND DEVELOPMENT PROGRAM (continued)

Blood Brain Barrier Technology

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 other organs, such as the heart, thereby significantly reducing the risk of cardiotoxicity. This scientific finding potentially opens a new realm for treatment of conditions such as inoperable brain cancer. The findings showed that the animals treated with the drugs carried by p97 lived up to 77% longer and had little to no build up of the drugs in other organs. Significantly, in 20% of the treated animals, the tumors were completely eradicated. In those animals treated with the drugs without being carried by p97, a minimal amount of the drugs was found in the brain cells while a significant amount was found in bystander tissue, for example, the heart muscle. This study shows that there is a possibility that using p97 as a carrier for drug delivery may increase the effectiveness of delivered drug, allowing an increase in the dose while minimizing side effects such as cardiotoxicity.

On June 2, 2009 the Company announced it had entered into a one year CRA with UBC. The work will be conducted at the Michael Smith Laboratories at UBC. The primary purpose of this CRA is to perform additional research on the use of p97 as a delivery system to shuttle compounds across the BBB. This new initiative will build on the preclinical Proof-of-Concept work showing that p97 can shuttle anti-cancer drugs into the brain of animals and that this was effective in the treatment of malignant brain tumours.

FUTURE OUTLOOK

If the ELISA and SISCAPA assays clinical trials are successful then the Company expects to submit its regulatory applications for use of p97 as a biomarker diagnostic and as a Physicians Aid to diagnose Alzheimer's disease during fiscal Q4 2010. If approved by the regulators, the Company expects to secure licenses for its Alzheimer's diagnostic technology, with milestone license payments and royalties.

The Company is also seeking to secure collaboration agreements for the research and development of the potential therapeutic uses of p97 – its BBB Technology. The Company has recently entered into a Material Transfer Agreement with one major US biotech Company with respect to their testing of several of the Company's patented, proprietary technologies and reagents for delivery of therapeutics across the BBB.

The Company has no source of revenue other than interest income earned on cash and cash equivalents and short term investments. The Company has raised additional cash resources, principally through the sale of its common stock, through its Initial Public Offering, private placement financings, and the exercise of related share purchase and Agent's warrants, and of options. The Company will need to continue equity financing in the future and to secure milestone payments and royalty revenues through the sale of licenses and partnerships, to fund its future research, development and operations beyond December 31, 2010. A substantial risk is that market conditions remain unfavorable for junior research and development companies wishing to raise capital. The success of future equity funding, licenses, and partnerships are also dependent on clinical success and regulatory approvals.

ACQUISITION OF BIOASIS ADVANCED TECHNOLOGIES INC.

On March 27, 2008, the Company acquired 100% of the shares of biOasis Advanced for equity consideration of 6,086,660 common shares of the Company issued at market value of \$0.15. As a result biOasis Advanced became a wholly owned subsidiary of the Company.

Transaction costs of \$156,281 (which are added to the purchase price) are comprised of legal fees of \$93,786, accounting fees of \$14,600, sponsorship fees of \$25,000, TSX Exchange filing fees of \$14,364 and valuation and other due diligence fees of \$8,531.

biOasis Advanced 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 are 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 Blood-Brain Barrier to retard or arrest the onset of Alzheimer's disease and other neurological diseases.

The acquisition has been accounted for using the purchase method, with the Company as the acquirer, and the assets and liabilities acquired recorded at their fair values.

A summary of the purchase price allocation of the consideration given to the net assets of biOasis Advanced is as follows:

Acquisition of biOasis Advanced: Allocation of Purchase Price to the Fair Value of biOasis Advanced's Net Assets		
Capital Assets		\$2,935
Intangible Assets: Patents, Licenses and Intellectual Property		
"UBC Patents"	619,845	
"Jefferies Patents"	<u>589,609</u>	
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

Acquisition of biOasis Advanced: 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%

RESULTS OF OPERATIONS

For the three months ended May 31, 2009 (“Q1 2010”) as compared to the three months ended May 31, 2008 (“Q1 2009”).

The interim consolidated statements of comprehensive loss and deficit for the three months ended May 31, 2009 and for the three months ended May 31, 2008 include biOasis Advanced from March 27, 2008.

Amortization

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

Amortization Expense	“Q1 2010”	“Q1 2009”	Increase (decrease)
	\$	\$	\$
Patents and intellectual property	26,577	18,097	8,480
Capital assets	360	290	70
Total amortization expense	26,937	18,387	8,550

Patent and intellectual property amortization expense comprises the amortization of the “UBC patents” and “Jefferies patents” acquired in the acquisition of biOasis Advanced over their estimated useful economic lives of 10 and 15 years respectively. Q1 2009 patent and intellectual property amortization expense is only from March 27, 2008 on.

General and Administration Expense

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

General and Administrative Expense	“Q1 2010”	“Q1 2009”	Increase (decrease)
	\$	\$	\$
Accounting & audit	33,750	17,748	16,002
Consulting	55,110	26,000	29,110
Exchange loss	6,981	-	6,981
Insurance	2,808	-	2,808
Investor Relations and promotion	33,723	-	33,723
Legal & other professional fees	12,706	2,512	10,194
Office, telephone & miscellaneous	2,794	7,603	(3,809)
Transfer agent, regulatory filing and news service	11,436	8,537	2,899
Travel	937	252	685
Total General and Administrative Expense	161,245	62,652	98,593

G&A expenses have grown significantly in Q1 2010 over Q1 2009 due to the acquisition of biOasis Advanced on March 27, 2008. In addition until April 3, 2009 the Company operated as a CPC with expenditures limited to completing a QT. Q1 2010 expense includes \$31,500 of annual audit fees versus \$14,000 in Q1 2009. Q1 2010 consulting includes a full quarter of contract expense of \$39,000 in respect of the services of both the CEO and CFO; communication consultant fees of \$11,110; and one month at \$5,000 for the new chief strategist of the Company. Exchange Loss is principally a result of loss on US cash accounts due to the significant movement against the US dollar since the cash was acquired. Q1 2010 insurance expense comprises directors’ and officers’ liability insurance put in place from June 2008 on. Investor relations and promotion expense includes \$20,660 of new US IR consultant fees and \$9,570 of blogger fees Q1 2010 legal & other professional fees increased \$10,194 due to increased legal contract work, consultant agreements and option work. Office, telephone and miscellaneous expense are higher in Q1 2009 due to web site set-up of \$5,000. Transfer agent, regulatory filing and news service fees for Q1 2010 due to \$3,016 for US state Blue sky exemption applications.

RESULTS OF OPERATIONS (continued)

Research and Development Expense

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

Research and Development Expense	"Q1 2010"	"Q1 2009"	Increase (decrease)
	\$	\$	\$
Clinical trial expense	16,608	-	16,608
Consulting fees	25,000	10,000	15,000
Patent maintenance & filing fees	7,006	8,754	(1,748)
Total Research and Development Expense	43,164	18,754	24,410

The Company's research and development activity commenced with the acquisition of biOasis Advanced on March 27, 2008. Clinical trial fees comprise the portion of contract expense based on estimated percentage of contract completed in the period for the development of a new SISCAPA assay to measure the levels of p97 in human blood samples. Q1 2010 consultant fees comprise fees comprise \$20,000 for the services of the Company's Scientific Consultant (\$10,000 for Q2 2009) and \$5,000 to a director for consulting work on the Company's research and development program. 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.

Stock-based Compensation Expense

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

Stock-based Compensation Expense	"Q1 2010"	"Q1 2009"	Increase (decrease)
	\$	\$	\$
Stock-based compensation expense	209,480	570,363	(360,883)

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.

During Q1 2010 the Company granted incentive stock options as follows: 400,000 incentive stock to the newly appointed chief strategist (a further 450,000 were price reserved to this consultant and granted upon receipt of shareholder approval of same on July 20, 2009); 200,000 to the Company's US Investor relations consultant; 250,000 to a new appointee to the Scientific Advisory Board; and 200,000 to a finance consultant (507,333 of these options were subject to shareholders' approval received on July 20, 2009).

During Q1 2009 the Company granted incentive stock options as follows: 1,330,000 to existing and newly appointed directors and officers of the Company; 650,000 to Dr. Wilfred Jefferies in his capacity as Scientific Consultant and Chairman of the Scientific Advisory Board; 250,000 to appointees to the Company's newly formed Business Advisory and Scientific Advisory Boards; 200,000 to a consultant acting in a finance and marketing capacity; and 10,000 to the Company's communication consultant.

RESULTS OF OPERATIONS (continued)

Other Items - Interest Income

The Company earned interest income of on its cash and cash equivalents and short term investments of \$1,190 for Q1 and YTD 2010 compared to \$6,643 for Q1 and YTD 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 Q1 2010 was \$445,086 or a loss per share of \$0.02 compared to a net loss of \$663,513 or a \$0.05 loss per share for Q1 2009.

SUMMARY OF QUARTERLY RESULTS

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

Fiscal Year Quarter	2010 Q1 \$	2009 Q4 \$	2009 Q3 \$	2009 Q2 \$	2009 Q1 \$	2008 Q4 \$	2008 Q3 \$	2008 Q2 \$
Revenue	-	-	-	-	-	-	-	-
Expenses	446,276	188,271	158,558	155,346	670,156	4,066	1,081	106,290
Other Items:								
Interest Income	(1,190)	(3,172)	(5,926)	(6,805)	(6,643)	(11,820)	(223)	(40)
Net income (loss)	(445,086)	(185,099)	(152,632)	(148,541)	(663,513)	7,754	(858)	(106,250)
Basic income (loss) per share	(0.02)	(0.01)	(0.01)	(0.01)	(0.05)	0.00	(0.00)	(0.03)

Stock based compensation expense significantly impacts reported quarterly results as follows: Q2, 2008 \$86,400; Q1 2009 \$570,363; Q2 2009 \$22,062; Q3 2009 \$25,563; Q4 2009 \$26,095; and Q1 2010 \$209,480.

Other Expenses in Q2 2008 principally relate to the Company's Initial Public Offering and listing as a Capital Pool Corporation ("CPC"). As a CPC the expenses were minimal in Q3 and Q4 2008. Transaction costs incurred directly on the acquisition of biOasis Advanced added to the purchase price of biOasis Advanced. After the acquisition of biOasis Advanced on March 27, 2009 the Company became a research and development company. Effective April 1, 2008 the Company entered into consulting contracts for the services of the CEO, CFO and Scientific Consultant effective at a monthly cost of \$7,000, \$6,000 and \$5,000 per respectively. In addition the Scientific Consultant received bonuses of \$5,000 in Q2 2009 and \$15,000 in Q4 of 2009 and the monthly contract fee was increased to \$10,000 effective May 1, 2009. Other significant new on-going quarterly expenditures are amortization of patents and intellectual property, patent maintenance and filing fees, clinical trial expenses (Q3 2009 on), and directors' and officers' insurance. New consultants hired in Q1 2010 are a US investor relations consultant from March 15, 2009 at the rate of US\$6,500 per month and a chief strategist at the rate of \$5,000 per month (effective May 1, 2009) and various bloggers at a cost of \$9,570 in Q1 2010. Q1 2010 expense includes \$31,500 of annual audit fees and Q1 2009 \$14,000.

Other interest income in Q4 2008 of \$11,820 includes pick up of all unpaid interest income on the Company's short term investment GIC from the date the GIC was purchased.

LIQUIDITY AND CAPITAL RESOURCES

Financial Condition

The Company's objective is to maintain a sufficient capital base so as to sustain its future research and development on its p97 biomarker as a diagnostic for Alzheimer's disease to source partners to collaborate on the research on the potential use of p97 as a carrier of therapeutics across the BBB and to maintain its public company operations. Management believes that funds on hand are sufficient for this purpose through December 31, 2010.

As at May 31, 2009 the Company had working capital of \$2,842,642, an increase of \$1,937,617 over February 29, 2009. The increase in working capital is principally a result of the sale of common shares for net cash proceeds of \$2,148,355. Working capital includes cash and cash equivalents of \$2,472,558 comprised of cash and term deposits with a maturity of less than 90 days at a Canadian chartered bank and fully pre-paid deposits of \$438,750 in respect of the Company's CRAs with UBC. Subsequent to May 31, 2009, the Company received \$15,001 pursuant to the exercise of Agent's warrants.

The Company does not currently derive any revenues from operations and since its inception its activities have been funded through the sale of common equity, including the exercise of share purchase and Agent's warrants and stock options, and through interest earned on its cash and cash equivalents and short-term investments. The Company continues to be dependent on securing such additional funding sources in the future, however there can be no assurance that it will be successful in its efforts to do so, particularly in the context of current difficult market conditions. If such funds are not available or other sources of financing cannot be obtained, then the Company will be forced to curtail its activities to a level for which funding is available.

Cash flow

Q1 2010 compared to Q1 2009

Interim consolidated statement of cash flows for the three months ended May 31, 2009 and for the three months ended May 31, 2008 include biOasis Advanced from March 27, 2008.

Net cash used by operating activities was \$551,058 in Q1 2010 compared to \$164,709 in Q1 2009, an increase in use of \$386,349, principally due to an increase in net loss after adjustment for items not affecting cash of \$133,906; a \$448,372 increase in prepaid and deposits as a result of the \$438,750 prepayment in respect of the UBC CRAs; and an increased source of cash of \$118,415 from Accounts Payable with the increase in service providers to the Company and due in part to the accrual of some of the costs on the private placement financing completed on May 29, 2009.

Investing activity in Q1 2010 used cash of \$2,069 comprising the acquisition of capital assets compared to cash provided in Q1 2009 of \$383,547 principally from the cashing in the Term Deposit Certificate short term investment for proceeds of \$479,710 less \$153,784 cash used in acquisition of biOasis Advanced of which \$60,773 was provided from prior period deferred acquisition costs.

Financing activity for Q1 raised proceeds of \$2,148,355, an increase of \$1,279,758 over Q1 2009. Financing activities comprised net proceeds of \$443,355 from a 1,000,000 unit private placement being gross proceeds of 1,000,000 shares issued at \$0.50, less Agents commission of \$25,000 and share issuance cost of \$31,645, \$1,495,000 from the exercise of 5,980,000 warrants at \$0.25, \$135,000 from the exercise of 900,000 agent's warrants at \$0.15, and \$75,000 from the exercise of 500,000 incentive stock options at \$0.15. Q1 and YTD 2009 financing activity of \$686,597 comprised the net proceeds of the private placement of \$849,847 being gross proceeds of 6,500,000 shares issued at \$0.15, or \$975,000, less Agents commission of \$97,500 and share issuance costs of \$27,653, 115,000 options exercised at \$0.15 for proceeds of \$17,250 and 10,000 Agent warrants exercised at \$0.15 for proceeds of \$1,500.

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 as at July 28, 2009	27,314,841 ⁽¹⁾		
Incentive stock options	3,825,000	\$0.15-\$0.64	09/09/09 – 20/07/14
UBC options	99,993	\$0.15	27/03/10 ⁽²⁾
Warrants	1,000,000	\$0.60	01/06/10
Agent warrants	378,500	\$0.15	24/7/09
Fully diluted as at July 28, 2009	32,618,334		

(1) Of which 4,493,000 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, 2009; 1,123,250 on April 2, 2010; 1,123,250 on October 2, 2010; and 1,123,250 on April 2, 2011.

(2) Subject to options exercise acceleration clause if after March 27, 2009 the weighted average price of the shares of the Company trade above \$0.49 for 20 consecutive days.

RELATED PARTY TRANSACTIONS

The Company entered into related party contracts effective April 1, 2008, each renewed April 1, 2009 for one year, with a company controlled by the President, CEO and director of the Company for consulting services in his capacity as the President and CEO; with a director and officer of the Company for consulting services in his capacity as CFO; and with a Company controlled by Dr. Wilfred Jefferies for consulting services in respect of his capacity as Scientific Consultant. Cash compensation is \$7,000, \$6,000 and \$5,000 respectively (with Dr. Jefferies cash compensation increased to \$10,000 per month effective May 1, 2009), plus bonus and incentive stock options as determined by the Board of Directors. Dr. Jefferies received a bonus of \$20,000 in fiscal 2009. Each of the contracts is terminable by the Company at any time for a lump sum payment of six months cash compensation.

During fiscal 2009 the Company granted 1,330,000 stock options to directors and officers of the Company and 650,000 stock options to Dr. Wilfred Jefferies, Scientific Consultant and Chairman of the Scientific Advisory Board at an exercise price of \$0.15 per share exercisable until April 2, 2011.

During YTD 2009 the Company repaid \$6,329 to related parties and \$25,742 notes payable to related parties acquired with the acquisition of BiOasis Advanced. These amounts were unsecured and non-interest bearing.

This transaction was recorded at the exchange amounts, which is the consideration agreed upon between the related parties.

During the three months ended May 31, 2009 the Company incurred legal expenses of \$572 payable to a relative of the President and CEO of the Company and paid \$5,000 to a director for research and development consulting services.

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

The Company has adopted the following Canadian Institute of Chartered Accountants guidelines effective March 1, 2009:

Goodwill and Intangible Assets

The Company adopted the recommendations of the Canadian Institute of Chartered Accountant (“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 interim consolidated financial statements.

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

The Company has 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 interims consolidated financial statements.

FUTURE ACCOUNTING POLICIES

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. In April 2008, the Accounting Standards Board in Canada published the exposure draft “Adopting IFRSs in Canada”. The exposure draft proposes to incorporate IFRS into the CICA Accounting Handbook effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. At this date, publicly accountable enterprises will be required to prepare financial statements in accordance with IFRS on a retrospective basis. The exposure draft makes possible the early adoption of IFRS by Canadian entities. The Company is currently assessing the impact of these standards and has not yet determined the impact on these interim consolidated financial statements.

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.

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