

**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 October 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 six months ended August 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.

**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 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](http://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 a company focused on the research, development and commercialization of a protein named melanotransferrin ("p97"), for its potential use as a biomarker diagnostic and as a Physician's Aid to help diagnose and to help monitor 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").

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

## **KEY ACHIEVEMENTS**

### **Working capital**

During the six months ended August 31, 2009 the Company raised cash proceeds of \$2,220,131 from the sale of common shares. As a result, as at August 31, 2009 the Company had working capital of \$2,672,445, an increase of \$1,767,420 over February 29, 2009. Included in working capital are cash and cash equivalents of \$2,220,013, an increase of \$1,342,683 over February 29, 2009. Working capital also included \$446,579 in prepaid expenses of which \$421,133 is prepaid in respect of two Collaborative Research Agreements (“CRAs”) entered into with The University of British Columbia (“UBC”).

### **Additions to advisory boards and consultants**

Management had determined that in order to help formulate and execute on its business strategy the Company needed to add additional senior business and industry executives to its business and scientific advisory boards and as consultants to the Company. Since February 28, 2009 the Company has contracted with the following key personnel:

Mr. Mark Godsy joined the Company in March 2009 to assist in formulating the overall strategy of the Company, including helping to secure additional industry executives to the Company’s Board of Directors and 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 ID Biomedical and was the business co-founder of Angiotech Pharmaceuticals, both Canadian biotechnology companies. Mr. Godsy is a graduate of UBC and received his law degree from McGill University.

In April, 2009 the Michael Edward Shannon, M.A., M.Sc., M.D. joined the Company 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.

In April, 2009, the Company appointed Stirling Mercantile Capital, an experienced corporate finance firm, as consultants to the Company.

In June, 2009, the Company appointed 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 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 similar role to the “FDA”. Dr Livnat also served as Professor of Physiology and Biophysics at the University of Illinois at Urbana-Champaign.

In July 2009 two new directors were added to the Board, namely Mr. Craig Thomas and Mr. Michael Hutchison Q.C. Mr. Thomas is a barrister and solicitor and principal of the law firm of Thomas, Rondeau LLP specializing in the practice of corporate and securities law matters. Mr. Thomas has served as an officer and director of numerous publicly listed companies. J. Michael Hutchison, Q.C. is a lawyer in private practice with offices in Victoria and Vancouver, B.C., for 39 years. He practises primarily in the areas of corporate commercial law, administrative law and civil litigation. Mr. Hutchison has been and is a member of the Board of Directors in various private corporations, primarily start-up technology related companies.

## **KEY ACHIEVEMENTS**

### **Additions to advisory boards and consultants (continued)**

In August 2009 Mr. Hugh MacNaught was appointed as a Senior Industry Advisor to help the Company on its Global Business Development programs, commencing with the p97 biomarker for Alzheimer's disease initiative. 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).

In October 2009 the Company appointed Mr. David Browning to its business advisory board to help advise the Company on its development programs for p97 diagnostic products. David is a healthcare industry veteran and currently serves as CEO of Philips Oral Diagnostics, based in the UK. David has driven transformational change within blue-chip and early stage companies. A significant part of his 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.

### **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, to increase awareness of the Company with U.S. private investors, brokers, funds, institutional investors, analysts and corporate finance

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 AND KEY ACHIEVEMENTS**

### **Biomarker diagnostic and Physicians Aid to help diagnose Alzheimer's disease**

#### **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. This work was deemed 80% complete as at August 31, 2009 and the Company expects to announce 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.

## **RESEARCH AND DEVELOPMENT PROGRAM AND KEY ACHIEVEMENTS (continued)**

### **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.

In May, 2009 the Company announced it had entered into a CRA with UBC. This one year prepaid program commenced effective August 2009. To-date a project administrator (50%) and a post doctoral fellow are working on the project together with additional lab services provided through the Biomedical Research Center at UBC. A key purpose of the CRA is to develop a standard Enzyme-Linked ImmunoSorbent Assay ("ELISA") to detect levels of the protein "p97" in blood for the purpose of preparing a clinical analysis of over 200 human samples. Once this clinical analysis is completed the Company plans to make Regulatory submissions 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 in the commercial market. The work is being conducted at the Michael Smith Laboratories at UBC.

### **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.

In its corporate update dated May 22, 2009, the Company announced that it had entered into a Materials Transfer Agreement ("MTA") 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. At this time that company is continuing with its testing under the MTA.

In June 2, 2009 the Company announced it had entered into a second CRA with UBC. This one year prepaid program also commenced effective August 2009. To-date a project manager (50%) and a post doctoral fellow is working full time on the project. 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 analysis are successful then the Company expects to submit its regulatory submissions for use of p97 as a biomarker diagnostic and as a Physicians Aid to diagnose Alzheimer's disease during calendar quarter ended June 30, 2010. This is four months later than previously indicated. The Company plans to commence its licensing of the commercial assay prior to the approval of the test from Regulatory bodies.

## FUTURE OUTLOOK (continued)

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 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 which is on-going.

The Company has no source of revenue other than interest income earned on cash and cash equivalents and short term investments. To-date the Company has raised additional cash resources, principally through the sale of its common stock, namely through its Initial Public Offering, private placement financings, and through the exercise of share purchase warrants and Agent’s Warrants and through options exercised. The Company will need to continue such financing in the future and will need to secure milestone payments and royalty revenues through the sale of licenses and joint-venture partnerships, to fund its future research and 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 (“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:

<b>Allocation of Purchase Price</b>	
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
<b>Fair Value of Assets Acquired</b>	<b>1,212,389</b>
Net Current Liabilities	<u>(143,109)</u>
<b>Purchase Price</b>	<b>\$1,069,280</b>

<b>Consideration given</b>		
6,086,660 common shares from treasury at \$0.15 per share	\$912,999	85%
Transaction Costs	156,281	15%
<b>Purchase Price</b>	<b>\$ 1,069,280</b>	<b>100%</b>

## RESULTS OF OPERATIONS

For the three (“Q2 2010”) and six months ended August 31, 2009 (“YTD 2010”) as compared to the three (“Q2 2009”) and six months ended August 31, 2008 (“YTD 2009”).

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

### Amortization

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

Amortization Expense	“Q2 2010”	“Q2 2009”	Increase (decrease)	“YTD 2010”	“YTD 2009”	Increase (decrease)
	\$	\$	\$	\$	\$	\$
Patents and intellectual property	26,577	27,147	(570)	53,154	45,244	7,910
Capital assets	419	430	(11)	779	720	59
Total amortization expense	26,996	27,577	(581)	53,933	45,964	7,969

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 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	“Q2 2010”	“Q2 2009”	Increase (decrease)	“YTD 2010”	“YTD 2009”	Increase (decrease)
	\$	\$	\$	\$	\$	\$
Accounting & audit	8,475	2,500	5,975	42,225	20,248	21,977
Consulting	59,250	46,500	12,750	114,360	72,500	41,860
Foreign Exchange Loss	133	-	133	7,114	-	7,114
Insurance	3,391	2,808	583	6,199	2,808	3,391
Investor relations and advertising	34,644	-	34,644	68,367	-	68,367
Office, telephone & miscellaneous	9,336	4,209	5,127	13,130	11,812	1,318
Professional fees	4,160	4,222	(62)	16,866	6,734	10,132
Transfer agent, regulatory and news wire service	16,140	5,508	10,632	27,576	14,045	13,531
Travel	21,235	1,862	19,373	22,172	2,114	20,058
Total General and Administrative Expense	156,764	67,609	89,155	318,009	130,261	187,748

G&A expenses increased substantially with the acquisition of biOasis Advanced on March 27, 2008. Prior to the acquisition the Company operated as a CPC with minimal G&A expenditures.

### Q2 2010 compared to Q2 2009

Accounting and audit expense increased \$5,975 due to increased work on tax returns, options and general increase in transactions activity. Consulting expense, which includes fees for the CEO, CFO and the Communications consultant, increased a net \$12,750 principally due to cost of new strategic advisor hired in Q1 2010. Investor relations expense comprises \$23,768 for US investor relations, \$9,461 for blog consultants and other of \$1,415. Transfer agent, regulatory and news wire service increased \$10,632 principally due to costs of listing in Standard and Poor’s Market Access Program, transfer agent rate increases, increased regulatory filings and news releases. Travel increased \$19,373 principally due to undertaking trips to the USA for investor and technology presentations.

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

YTD 2010 compared to YTD 2009

Accounting and audit fees increased \$21,977 principally as a result of a \$17,500 increase in audit fees. Consulting fees increased \$41,860 as CEO and CFO contracts commenced April 1, 2008, communication consultant commencing June 1, 2008, and the strategic consultant on May 1, 2009. Foreign Exchange Loss is principally a result of the decline in US dollar versus Canadian dollar exchange rate since U.S. cash was acquired. Investor relations expense comprises \$44,428 of US IR consultant fees, blogger fees of \$22,305 and other of \$1,634. Transfer agent, regulatory filing and news service fees increased \$13,531 due to fees related to Standard & Poor's Market Access Program, Blue Sky exemption application fees, and an increase in transfer agent rates, increased regulatory filings and news releases. Travel increased \$20,058 principally due to undertaking trips to the USA for investor and technology presentations.

**Research and Development Expense**

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

Research and Development Expense	"Q2 2010"	"Q2 2009"	Increase (decrease)	"YTD 2010"	"YTD 2009"	Increase (decrease)
	\$	\$	\$	\$	\$	\$
Pre-clinical expenses	24,828	-	24,828	41,436	-	41,436
Consulting fees	45,000	20,000	25,000	70,000	30,000	40,000
Patent maintenance & filing fees	17,644	18,098	(454)	24,650	26,852	(2,202)
Total Research and Development Expense	87,472	38,098	49,374	136,086	56,852	79,234

Q2 2010 pre-clinical trial expenses comprises \$7,312 in respect of that portion of the SISCAPA assay contract expensed in the period based on 80% estimated percentage of contract complete as at August 31, 2009 (\$23,920 YTD 2010) plus UBC CRA contract expenses incurred in Q2 2010 of \$17,516 (\$17,516 YTD 2010). Q2 2010 consulting fees of \$45,000 comprise \$30,000 for the scientific consultant (\$60,000 YTD 2010), including a contract rate increase from \$5,000 to \$10,000 effective May 1, 2009 and \$15,000 for other consulting work in Q2 2010 provided by two new advisory board members. In addition YTD 2010 includes \$5,000 to a director for consulting works 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	"Q2 2010"	"Q2 2009"	Increase (decrease)	"YTD 2010"	"YTD 2009"	Increase (decrease)
	\$	\$	\$	\$	\$	\$
Stock-based compensation expense	274,157	22,062	252,095	483,637	592,425	(108,788)

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.

## 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 \$2,263 for Q2 2010 and \$3,453 for YTD 2010 compared to \$6,805 for Q2 2009 and \$13,448 for 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 Q2 2010 was \$543,126 or a loss per share of \$0.02 compared to a net loss of \$148,541 or a \$0.01 loss per share for Q2 2009. Net loss for YTD 2010 was \$988,212 or a loss per share of \$0.04 compared to a net loss of \$812,054 or a \$0.05 loss per share for YTD 2009.

## SUMMARY OF QUARTERLY RESULTS

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

Fiscal Year	2010	2010	2009	2009	2009	2009	2008	2008
Quarter	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	-	-	-	-	-	-	-	-
Expenses	545,389	446,276	188,271	158,558	155,346	670,156	4,066	1,081
Other Items:								
Interest Income	(2,263)	(1,190)	(3,172)	(5,926)	(6,805)	(6,643)	(11,820)	(223)
Net income (loss)	(543,126)	(445,086)	(185,099)	(152,632)	(148,541)	(663,513)	7,754	(858)
Basic income (loss) per share	(0.02)	(0.02)	(0.01)	(0.01)	(0.01)	(0.05)	0.00	(0.00)

The Company has no history of revenues.

Expenses increased significantly following the acquisition of biOasis Advanced Inc. on March 27, 2009 (Q1 2009) and the Company ceasing to be a Capital Pool Company. The Company now incurs on-going quarterly expenditures on amortization of its intangible intellectual property assets acquired with the acquisition of BAT, patent maintenance and filing fees, and pre-clinical expenses since Q3 2009 with the SISCAPA project and in Q2 2010 with the CRA projects with UBC. Effective April 1, 2009 the Company entered into consulting contracts for the services of the CEO, CFO and the Scientific Consultant. In Q2 2009 a communications consultant was also hired. In Q4 2009 various bloggers were hired. In Q1 2010 a new strategic advisor was hired and a new US Investor relations company engaged. In Q2 2010 R&D consulting work increased due to consulting from two new scientific consultant advisors. Increases in expense ion Q1 2009 and Q1 2010 of \$14,000 and \$31,500 respectively are a result of annual audit fees expensed in that period.

In addition stock based compensation expense significantly impact quarterly results as follows: Q1 2009 \$570,363; Q2 2009 \$22,062; Q3 2009 \$25,563; Q4 2009 \$26,095; Q1 2010 \$209,480 and Q2 2010 \$274,157.

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

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

As at August 31, 2009 the Company had working capital of \$2,672,445, an increase of \$1,767,420 over February 29, 2009. The increase in working capital is principally a result of the sale of common shares for net cash proceeds of \$2,220,131. Working capital includes cash and cash equivalents of \$2,220,013 and pre-paid expense of \$446,579, of which \$421,133 is in respect of two CRAs with UBC.

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

#### Q2 2010 compared to Q2 2009

Net cash used by operating activities was \$324,321 in Q2 2010 compared to \$134,113 in Q2 2009, an increase in use of \$190,208, principally due to an increase in net loss after adjusting for items not affecting cash of \$143,071.

There are no investing activities in Q2 2010 and Q2 2009.

Financing activity for Q2 2010 raised proceeds of \$71,776, an increase of \$43,900 over Q2 2009. Financing activities comprised proceeds of \$15,001 from the exercise of 100,007 stock options at \$0.15 and \$56,775 from the exercise of 378,500 agent's warrants at \$0.15. Q2 2009 financing activity of \$27,876 comprised proceeds of \$6,000 from the exercise of 40,000 incentive stock options at \$0.15, \$12,500 from the exercise of 50,000 share purchase warrants at \$0.25 and \$9,375 from the exercise of 62,500 Agent's Warrants at \$0.15.

#### YTD 2010 compared to YTD 2009

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

Net cash used by operating activities was \$878,099 in YTD 2010 compared to \$298,822 in YTD 2009, an increase in use of \$579,277, principally due to an increase in net loss after adjustment for items not affecting cash of \$276,977 and a \$429,589 increase in prepaid expense as a result of prepayment made May 2009 in respect of the UBC CRAs (unamortized balance as at August 31, 2009 \$421,113) offset in part by an increased source of cash of \$88,950 from accounts payable as YTD 2009 included repayment of \$62,075 accounts payable acquired with the acquisition of BAT.

Investing activity in YTD 2010 used cash of \$2,069 comprising the acquisition of capital assets compared to cash provided in YTD 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.

## LIQUIDITY AND CAPITAL RESOURCES

### Cash flow

#### YTD 2010 compared to YTD 2009 (continued)

Financing activity for YTD 2010 raised net cash proceeds of \$2,220,131, an increase of \$1,323,658 over YTD 2009. YTD 2010 financing activities comprised net cash proceeds of \$443,355 from a 1,000,000 unit private placement issued at \$0.50 with a one year warrant exercisable at \$0.60; \$1,495,000 from the exercise of 5,980,000 warrants at \$0.25; \$191,775 from the exercise of 1,278,500 Agent's Warrants at \$0.15; and \$90,001 from the exercise of 600,007 incentive stock options at \$0.15. YTD 2009 financing activity raised net cash proceeds of \$896,473, comprising net proceeds of \$849,848 from a 6,500,000 unit private placement issued at \$0.15 with a one year warrant exercisable at \$0.25; \$23,250 from 155,000 options exercised at \$0.15; \$12,500 from the exercise of 50,000 share purchase warrants at \$0.25; and \$10,875 from the exercise of 72,500 Agent warrants exercised at \$0.15.

### OUTSTANDING SHARE DATA

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

<b>Outstanding Share Data</b>	<b>Number of Common Shares</b>	<b>Exercise Price per Common Share</b>	<b>Expiry Dates</b>
Issued and outstanding as at October 28, 2009	27,793,341 <sup>(1)</sup>		
Incentive stock options	4,225,000	\$0.15-\$0.64	09/09/09 – 20/07/14
UBC options	99,993	\$0.15	27/03/10 <sup>(2)</sup>
Warrants	1,000,000	\$0.60	01/06/10
Fully diluted as at October 28, 2009	33,118,334		

(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 were released on October 2, 2009 and 1,123,250 will be released 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 enter into related party contracts April 1, 2008, renewed April 1, 2009 for one year, as follows: (i) with a company controlled by the President, CEO and director of the Company for consulting services in his capacity as the President and CEO; (ii) with a director and officer of the Company for consulting services in his capacity as CFO; (iii) with a Company controlled by Dr. Wilfred Jefferies for consulting services in respect of his capacity as the Company's Scientific Consultant. Cash compensation is \$7,000, \$6,000 and \$5,000 per month respectively (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. Each of the contracts is terminable by the Company at any time for a lump sum payment of six months cash compensation.

As at August 31, 2009 there was \$2,913 due to related party payable to a law firm, a partner of who is a director of the Company, for legal work incurred before the partner was a director of the Company.

During the period ended August 31, 2009 the Company paid legal expense of \$572 (2009: \$6,516) and repaid \$6,516 due to related party payable to a relative of the CEO of the Company.

During the period ended August 31, 2009 the Company paid \$5,000 (2009:\$nil) 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 interim 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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