

Morningstar[®] Document ResearchSM

FORM 10-Q/A

CardioGenics Holdings Inc. - CGNHE

Filed: April 16, 2012 (period: January 31, 2012)

Amendment to a previously filed 10-Q

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q/A
Amendment No. 1

Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended January 31, 2012.

Transition report under Section 13 or 15(d) of the Exchange Act

For the transition period from _____ to _____.

Commission file number 000-28761
CARDIOGENICS HOLDINGS INC.
(Exact name of registrant as specified in its Charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

88-0380546
(I.R.S. Employer
Identification No.)

6295 Northam Drive, Unit 8
Mississauga, Ontario L4V 1WB
(Address of Principal Executive Offices)

(905) 673-8501
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the Issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the past 12 months (or for such shorter period that the Registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated filer Accelerated Filer
Non-Accelerated Filer Smaller Reporting Company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

As of March 31, 2012 the Registrant had the following number of shares of its capital stock outstanding: 31,237,262 shares of Common Stock and 1 share of Series 1 Preferred Voting Stock, par value \$0.0001, representing 14 exchangeable shares of the Registrant's subsidiary, CardioGenics ExchangeCo Inc., which are exchangeable into 24,388,908 shares of the Registrant's Common Stock.

EXPLANATORY NOTE

The sole purpose of this amendment to CardioGenics Holdings Inc.'s quarterly report on Form 10-Q for the period ended January 31, 2012, filed with the Securities Exchange Commission on April 13, 2012, is to furnish the interactive data files set forth in Exhibit 101 in accordance with Rule 405 of Regulation S-T.

No other changes have been made to the Form 10-Q. This amendment speaks as of the original filing date of the Form 10-Q, does not reflect events that may have occurred subsequent to the original filing date, and does not modify or update in any way disclosures made in the Form 10-Q.

ITEM 6. EXHIBITS

(a) Exhibits

See the Exhibit Index following the signature page to this Form 10-Q/A.

SIGNATURES

In accordance with the requirements of the Exchange Act, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CARDIOGENICS HOLDINGS INC.

Date: April 16, 2012

By: /s/ Yahia Gawad

Name: Yahia Gawad

Title: Chief Executive Officer

Date: April 16, 2012

By: /s/ James Essex

Name: James Essex

Title: Chief Financial Officer

EXHIBIT INDEX

- *31.1 Section 302 Certification of Chief Executive Officer
- *31.2 Section 302 Certification of Chief Financial Officer
- *32.1 Section 906 Certification of Chief Executive Officer and Chief Financial Officer
- †101 The following materials from CardioGenics Holdings Inc.'s Form 10-Q for the quarter ended January 31, 2012, formatted in eXtensible Business Reporting Language (XBRL): (i) Condensed Consolidated Balance Sheets, (ii) Consolidated Statements of Operations (unaudited), (iii) Condensed Consolidated Statements of Changes in Equity (unaudited), (iv) Condensed Consolidated Statements of Cash Flows (unaudited) and (v) Notes to Condensed Consolidated Financial Statements (unaudited). Furnished herewith.

* Filed or furnished with the initial filing of this Form 10-Q filed on April 13, 2012.

† Pursuant to Rule 406T of Regulation S-T, the interactive data files included in Exhibit 101 are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

Document and Entity Information

Document and Entity Information (USD \$)	3 Months Ended 01/31/2012	03/31/2012
Document Type	10-Q	
Amendment Flag	false	
Document Period End Date	2012-01-31	
Document Fiscal Year Focus		2,012
Document Fiscal Period Focus	Q1	
Trading Symbol	CGNH	
Entity Registrant Name	CARDIOGENICS HOLDINGS INC.	
Entity Central Index Key	0001089029	
Current Fiscal Year End Date	--10-31	
Entity Filer Category	Smaller Reporting Company	
Entity Common Stock, Shares Outstanding		31,237,262

Condensed Consolidated Balance Sheets

Condensed Consolidated Balance Sheets (USD \$)	01/31/2012	10/31/2011
Development Stage Enterprise Deficit Accumulated During Development Stage [Member]		
Equity		
Total equity	<u>\$ (41,046,144)</u>	<u>\$ (40,731,174)</u>
Accumulated Other Comprehensive Income [Member]		
Equity		
Total equity	<u>(163,852)</u>	<u>(173,407)</u>
Additional Paid In Capital [Member]		
Equity		
Total equity	<u>41,774,001</u>	<u>41,774,001</u>
Common Stock [Member]		
Equity		
Total equity	<u>540</u>	<u>540</u>
Noncontrolling Interest [Member]		
Equity		
Total equity	<u>(331,587)</u>	<u>(329,524)</u>
Assets		
Current Assets		
Cash and Cash Equivalents	370,493	669,202
Accounts Receivable	3,747	9,002
Deposits and Prepaid Expenses	51,515	51,541
Refundable Taxes Receivable	8,530	35,191
Government Grants and Investment Tax Credits Receivable	187,497	187,497
Assets, Current, Total	<u>621,782</u>	<u>952,433</u>
Property and Equipment, net	81,646	82,308
Patents, net	130,041	130,732
Assets, Noncurrent, Total	<u>211,687</u>	<u>213,040</u>
Total Assets	<u>833,469</u>	<u>1,165,473</u>
Liabilities and Equity		
Current Liabilities		
Accounts Payable and Accrued Expenses	579,101	596,692
Funds Held in Trust for Redemption of Class B Common Shares	4	4
Current Portion of Capital Lease Obligation	21,406	25,711
Liabilities, Current, Total	<u>600,511</u>	<u>622,407</u>
Long Term Liabilities		
Capital Lease Obligation, net of current portion		2,630
Total Liabilities	<u>600,511</u>	<u>625,037</u>
Commitments and Contingent Liabilities		
Equity		
Preferred stock; par value \$.0001 per share, 5,000,000 shares authorized, none issued		
Common stock; par value \$.00001 per share; 65,000,000 shares authorized, 31,237,262 and 31,237,262 common shares and 24,388,904 and 24,388,904 exchangeable shares issued and outstanding as at January 31, 2012 and October 31, 2011 respectively	540	540
Additional paid-in capital	41,774,001	41,774,001
Deficit accumulated during development stage	<u>(41,046,144)</u>	<u>(40,731,174)</u>
Accumulated other comprehensive loss	<u>(163,852)</u>	<u>(173,407)</u>

Total CardioGenics Holdings Inc. stockholders' equity	<u>564,545</u>	<u>869,960</u>
Non-controlling interest	(331,587)	(329,524)
Total equity	<u>232,958</u>	<u>540,436</u>
Total liabilities and stockholders' equity	<u>\$ 833,469</u>	<u>\$ 1,165,473</u>

Condensed Consolidated Balance Sheets (Parenthetical)

Condensed Consolidated Balance Sheets (Parenthetical) (USD \$)	01/31/2012	10/31/2011
Exchangeable Shares [Member]		
Common stock, common shares issued	24,388,904	24,388,904
Common stock, common shares outstanding	24,388,904	24,388,904
Common Stock [Member]		
Common stock, common shares issued	31,237,262	31,237,262
Common stock, common shares outstanding	31,237,262	31,237,262
Preferred stock, par value	\$ 0.0001	\$ 0.0001
Preferred stock, shares authorized	5,000,000	5,000,000
Preferred stock, issued		
Common stock, par value	\$ 0.00001	\$ 0.00001
Common stock, shares authorized	65,000,000	65,000,000

Condensed Consolidated Statements of Operations

Condensed Consolidated Statements of Operations (USD \$)	01/31/2012	3 Months Ended 01/31/2012	3 Months Ended 01/31/2011
Development Stage Enterprise Deficit Accumulated During Development Stage [Member]			
Net Loss attributable to CardioGenics Holdings Inc.		\$ (314,970)	
Noncontrolling Interest [Member]			
Net Loss attributable to non-controlling interest		(2,063)	
Revenue	10,012	1,136	
Operating Expenses			
Depreciation of Property and Equipment	205,994	4,555	4,658
Amortization of Patent Application Costs	13,711	1,300	1,042
Write-off of Patent Application Costs	214,625		
General and Administrative	7,788,640	174,163	296,812
Write-off of Goodwill	12,780,214		
Research and Product Development, Net of Investment Tax Credits	3,844,015	156,044	158,924
Cost of Settlement of Lawsuit	1,753,800		
Total operating expenses	<u>26,600,999</u>	<u>336,062</u>	<u>461,436</u>
Operating Loss	<u>(26,590,987)</u>	<u>(334,926)</u>	<u>(461,436)</u>
Other Expenses			
Interest Expense and Bank Charges, Net	2,140,107	3,471	4,604
Loss on Change in Value of Derivative Liability	12,421,023		
Loss (Gain) on Foreign Exchange Transactions	187,901	(21,364)	40,530
Total other expenses	<u>14,749,031</u>	<u>(17,893)</u>	<u>45,134</u>
Loss from Continuing Operations	<u>(41,340,016)</u>	<u>(317,033)</u>	<u>(506,570)</u>
Discontinued Operations			
Gain on Sale of Subsidiary	90,051		
Loss from Discontinued Operations	(127,762)		
Net Loss	<u>(41,377,729)</u>	<u>(317,033)</u>	<u>(506,570)</u>
Net Loss attributable to non-controlling interest	(331,587)	(2,063)	(3,414)
Net Loss attributable to CardioGenics Holdings Inc.	<u>\$ (41,046,144)</u>	<u>\$ (314,970)</u>	<u>\$ (503,156)</u>
Basic and Fully Diluted Net Loss per Common Share attributable to CardioGenics Holdings Inc. Shareholders		\$ (0.01)	\$ 0
Weighted-average shares of Common Stock outstanding		55,626,166	53,389,598

Condensed Consolidated Statements of Changes in Equity

Condensed Consolidated Statements of Changes in Equity (USD \$)	3 Months Ended 01/31/2012
Development Stage Enterprise Deficit Accumulated During Development Stage [Member]	
Beginning Balance	\$ (40,731,174)
Comprehensive Income (Loss):	
Net Loss	(314,970)
Ending Balance	(41,046,144)
Accumulated Other Comprehensive Income [Member]	
Beginning Balance	(173,407)
Other Comprehensive Income	
Currency Translation Adjustment	9,555
Ending Balance	(163,852)
Additional Paid In Capital [Member]	
Beginning Balance	41,774,001
Ending Balance	41,774,001
Common Stock [Member]	
Beginning Balance (in shares)	55,626,166
Beginning Balance	540
Ending Balance (in shares)	55,626,166
Ending Balance	540
Noncontrolling Interest [Member]	
Beginning Balance	(329,524)
Net loss attributable to noncontrolling interest	(2,063)
Ending Balance	(331,587)
Beginning Balance	540,436
Net loss attributable to noncontrolling interest	(2,063)
Comprehensive Income (Loss):	
Net Loss	(314,970)
Other Comprehensive Income	
Currency Translation Adjustment	9,555
Total Comprehensive (Loss)	<u>(305,415)</u>
Ending Balance	\$ 232,958

Condensed Consolidated Statements of Cash Flows

Condensed Consolidated Statements of Cash Flows (USD \$)	01/31/2012	3 Months Ended 01/31/2012	3 Months Ended 01/31/2011
Goods And Services Exchanged For Equity Instrument [Member]			
Adjustments to reconcile net loss for the period to net cash used in operating activities			
Common Stock and Warrants issued	\$ 2,726,262		\$ 100,000
Stock Options Issued	192,238		
Management [Member]			
Adjustments to reconcile net loss for the period to net cash used in operating activities			
Stock Options Issued	54,582		
Settlement Of Litigation [Member]			
Adjustments to reconcile net loss for the period to net cash used in operating activities			
Common Stock and Warrants issued	1,653,800		
Cash flows from operating activities			
Net Loss for the Period	(41,377,729)	(317,033)	(506,570)
Adjustments to reconcile net loss for the period to net cash used in operating activities			
Depreciation of Property and Equipment	205,994	4,555	4,658
Amortization of Patent Application Costs	13,711	1,300	1,042
Write-off of Patent Application Costs	214,625		
Amortization of Deferred Consulting Contract Costs	163,750		
Write-off of Goodwill	12,780,214		
Amortization of Deferred Debt Issuance Costs	511,035		
Loss on Extinguishment of Debt	275,676		
Loss on Change in Value of Derivative Liability	12,421,023		
Interest Accrued and Foreign Exchange Loss on Debt	922,539		
Unrealized Foreign Currency Exchange Gains	25,092		
Beneficial Conversion Charge included in Interest Expense	452,109		
Re-Pricing of Options for Services Rendered	163,750		
Common Stock Issued as Employee or Officer/Director Compensation	2,508,282		
Changes in Operating Assets and Liabilities, Net of Acquisition			
Accounts Receivable	(3,747)	5,255	
Share Subscriptions Receivable			115,000
Deposits and Prepaid Expenses	(50,726)	26	(6,138)
Refundable Taxes Receivable	(7,666)	26,661	(6,103)
Government Grants and Investment Tax Credits Receivable	(167,435)		156,482
Accounts Payable and Accrued Expenses	(188,811)	(17,591)	(120,694)
Advances	131		
Cash used in operating activities	(6,675,051)	(296,827)	(262,323)
Cash flows from investing activities			
Cash Acquired from Acquisition	195,885		
Purchase of Property and Equipment	(223,558)	(3,892)	
Patent Application Costs	(315,179)	(609)	
Cash used in investing activities	(342,852)	(4,501)	
Cash flows from financing activities			
(Repayment) of Capital Lease Obligations	(22,511)	(6,935)	(5,489)

Due to Director	725,330		(4,384)
Issue of Debentures	1,378,305		
Issue of Common Shares on Exercise of Stock options	2,781		
Issue of Common Shares on Exercise of Warrants	45,652		
Issue of Common Shares for Cash	5,624,169		297,747
Refund of Share Subscription	(15,000)		
Redemption of 10% Senior Convertible Debentures	(394,972)		(25,000)
Cash (used in) provided by financing activities	<u>7,343,754</u>	<u>(6,935)</u>	<u>287,874</u>
Effect of foreign exchange on cash and cash equivalents	44,642	9,554	2,026
Cash and Cash Equivalents			
Increase (decrease) in cash and cash equivalents during the period	<u>370,493</u>	<u>(298,709)</u>	<u>27,577</u>
Beginning of Period		669,202	1,844,752
End of Period	\$ 370,493	\$ 370,493	\$ 1,872,329

Nature of Business

Nature of Business (USD \$)	3 Months Ended 01/31/2012
--------------------------------	------------------------------

Nature of Business **1.Nature of Business**

CardioGenics Inc. ("CardioGenics") was incorporated on November 20, 1997 in the Province of Ontario, Canada, and carries on the business of development and commercialization of diagnostic test products to the In Vitro Diagnostics testing market. CardioGenics has several test products that are in various stages of development.

CardioGenics' business is that of a development-stage company, with a limited history of operations. CardioGenics has several test products that are in various stages of development. In 2011, the Company commenced selling one of these products, but has generated no significant revenue, therefrom. There can be no assurance that the Company will be successful in obtaining regulatory approval for the marketing of any of the existing or future products that the Company will succeed in developing.

On October 27, 2009, the name of the Company was changed from JAG Media Holdings, Inc. to CardioGenics Holdings, Inc.

Basis of Presentation

Basis of Presentation (USD \$)	3 Months Ended 01/31/2012
-----------------------------------	------------------------------

Basis of Presentation **2. Basis of Presentation**

In the opinion of management, the unaudited condensed interim consolidated financial statements reflect all adjustments, consisting of normal recurring adjustments, necessary to present fairly the condensed interim consolidated financial position of CardioGenics Holdings Inc. and its subsidiaries under generally accepted accounting principles in the United States ("US GAAP") as of January 31, 2012, their results of operations for the three months ended January 31, 2012 and 2011, and the period from November 20, 1997 (date of inception) to January 31, 2012, changes in equity for the three months ended January 31, 2012 and cash flows for the three months ended January 31, 2012 and 2011, and the period from November 20, 1997 (date of inception) to January 31, 2012. CardioGenics Holdings Inc. and its subsidiaries are referred to together herein as the "Company". Pursuant to rules and regulations of the SEC, certain information and disclosures normally included in financial statements prepared in accordance with US GAAP have been condensed or omitted from these consolidated financial statements unless significant changes have taken place since the end of the most recent fiscal year. Accordingly, these condensed interim consolidated financial statements should be read in conjunction with the consolidated financial statements, notes to consolidated financial statements and the other information in the audited consolidated financial statements of the Company as of October 31, 2011 and 2010 (the "Audited Financial Statements") included in the Company's Form 10-K/A that was previously filed with the SEC on April 13, 2012 and from which the October 31, 2011 consolidated balance sheet was derived.

The results of the Company's operations for the three months ended January 31, 2012 are not necessarily indicative of the results of operations to be expected for the full year ending October 31, 2012.

The accompanying condensed interim consolidated financial statements have been prepared using the accounting principles generally accepted in the United States of America applicable to a going concern, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business.

The Company has incurred operating losses and has experienced negative cash flows from operations since inception. The Company has an accumulated deficit at January 31, 2012 of approximately \$41.0 million. The Company has not yet established an ongoing source of revenues sufficient to cover its operating costs and to allow it to continue as a going concern. The Company has funded its activities to date almost exclusively from debt and equity financings. These conditions raise substantial doubt about the Company's ability to continue as a going concern.

The Company will continue to require substantial funds to continue research and development, including preclinical studies and clinical trials of its products, and to commence sales and marketing efforts, if the FDA and other regulatory approvals are obtained. In order to meet its operating cash flow requirements Management's plans include financing activities such as private placements of its common stock and issuances of convertible debt instruments. Management is also actively pursuing industry collaboration activities including product licensing and specific project financing.

While the Company believes it will be successful in obtaining the necessary financing to fund its operations, meet revenue projections and manage costs, there are no assurances that such additional funding will be achieved and that it will succeed in its future operations. The accompanying condensed consolidated financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or amounts of liabilities that might be necessary should the Company be unable to continue as a going concern.

Summary of Significant Accounting Policies

Summary of Significant Accounting Policies (USD \$)	3 Months Ended 01/31/2012
--	------------------------------

Summary of Significant Accounting Policies **3.Summary of Significant Accounting Policies.**

(a)Recent Accounting Pronouncements

In December 2011, the FASB issued ASU No. 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities. ASU 2011-11 requires an entity to disclose information about offsetting and related arrangements to enable users of financial statements to understand the effect of those arrangements on its financial position, and to allow investors to better compare financial statements prepared under U.S. GAAP with financial statements prepared under International Financial Reporting Standards (IFRS). The new standards are effective for annual periods beginning January 1, 2013, and interim periods within those annual periods. Retrospective application is required. The Company will implement the provisions of ASU 2011-11 beginning in fiscal 2014.

In June 2011, the FASB issued ASU 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income. Under this ASU, an entity will have the option to present the components of net income and comprehensive income in either one or two consecutive financial statements. The ASU eliminates the option in U.S. GAAP to present other comprehensive income in the statement of changes in equity. An entity should apply the ASU retrospectively. Early adoption is permitted. The Company plans to implement the provisions of ASU 2011-05 by presenting a separate statement of other comprehensive income following the statement of operations beginning in fiscal 2013.

Income Taxes

Income Taxes (USD \$)	3 Months Ended 01/31/2012
--------------------------	------------------------------

Income Taxes **4.Income Taxes**

Based on the Company's evaluation, management has concluded that there are no significant changes to uncertain tax positions.

The Company has incurred losses in Canada since inception, which have generated net operating loss carryforwards for income tax purposes. The net operating loss carryforwards arising from Canadian sources as of January 31, 2012, approximated \$6,020,000 (2011 - \$4,830,000) which will expire from 2013 through 2032. All fiscal years except 2011 have been assessed as originally filed in Canadian jurisdictions. The return for 2011 has yet to be filed and the return for 2010 is being re-filed to claim research and development credits.

As of January 31, 2012, the Company had net operating loss carryforwards from US sources of approximately \$40,593,000 available to reduce future Federal taxable income which will expire from 2019 through 2032. Returns for the tax years 2008 through 2011 are yet to be filed.

For the three months ended January 31, 2012 and 2011, the Company's effective tax rate differs from the statutory rate principally due to the net operating losses for which no benefit was recorded.

Stock Based Compensation

Stock Based Compensation (USD \$)	3 Months Ended 01/31/2012
--------------------------------------	------------------------------

Stock Based Compensation **5. Stock Based Compensation**

Stock-based employee compensation related to stock options for the three months ended January 31, 2012 and 2011 amounted to \$-0-.

The following is a summary of the common stock options granted, forfeited or expired and exercised under the Plan:

	Options	Weighted Average Exercise Price
Outstanding – October 31, 2010	305,000	\$ 2.34*
Granted	—	—
Forfeited/Expired	—	—
Exercised	275,000	\$ 0.01
Outstanding – October 31, 2011	30,000	\$ 0.90
Granted	—	—
Forfeited/Expired	—	—
Exercised	—	—
Outstanding – January 31, 2012	30,000	\$ 0.90

* Of the 305,000 options outstanding as at October 31, 2010 at a weighted average exercise price of \$2.34, 275,000 options were repriced during fiscal 2011 to \$0.01.

Options typically vest immediately at the date of grant. As such, the Company does not have any unvested options or unrecognized compensation expense at January 31, 2012.

Warrants

Warrants (USD \$) 3 Months Ended 01/31/2012

Warrants 6. Warrants

Outstanding warrants are as follows:

	January 31, 2012	October 31, 2011
	(number of warrants)	
Warrants		
Issued to subscribers to the debenture financing of 2003 and its related extension entitling the holder to purchase 1 common share of the Company at an exercise price of \$0.47 per common share up to and including July 31, 2012	2,046,808	2,046,808
Issued to subscribers to the debenture financing of 2004 and its related extension entitling the holder to purchase 1 common share in the Company at an exercise price of \$0.47 per common share up to and including July 31, 2012	1,021,654	1,021,654
Issued to agents for the debenture financings of 2003 and 2004 entitling the holder to purchase 1 common share in the Company at an exercise price of \$0.47 per common share up to and including July 31, 2012	208,417	208,417
Issued to former employee entitling the holder to purchase 1 common share in the Company at an exercise price of \$0.47 per common share up to and including July 31, 2012	136,220	136,220
Issued to consultants July 31, 2009, entitling the holder to purchase 1 common share of the Company at an exercise price of \$0.90 per share up to and including July 31, 2012	104,785	104,785
Issued to consultant August 1, 2009, entitling the holder to purchase 1 common share in the company at an exercise price of \$0.90 per common share up to and including July 31, 2017	287,085	287,085
Issued to Flow Capital Advisors Inc. on settlement of lawsuit in August 2011, entitling the holder to purchase 1 common share in the Company at an exercise price of \$0.30 per common share up to and including August 23, 2016	250,000	250,000
Issued to Flow Capital Advisors Inc. on settlement of lawsuit August 2011, entitling the holder to purchase 1 common share in the Company at an exercise price of \$0.50 per common share up to and including August 23, 2016	250,000	250,000
Issued to Flow Capital Advisors Inc. on settlement of lawsuit August 2011, entitling the holder to purchase 1 common share in the Company at an exercise price of \$0.75 per common share up to and including August 23, 2016	500,000	500,000
Issued to Flow Capital Advisors Inc. on settlement of lawsuit August 2011, entitling the holder to purchase 1 common share in the Company at an exercise price of \$1.00 per common share up to and including August 23, 2016	500,000	500,000
Issued to Flow Capital Advisors Inc. on settlement of lawsuit August 2011, entitling the holder to purchase 1 common share in the Company at an exercise price of \$0.75 per common share up to and including August 23, 2016	500,000	500,000
Issued to consultants in September 2011 entitling the holders to purchase 1 common share in the Company at an exercise price of \$0.10 per common share up to and including March 20, 2013	1,500,000	1,500,000
Issued to consultants in September 2011 entitling the holders to purchase 1 common share in the Company at an exercise price of \$0.34 per common share up to and including March 20, 2013	1,500,000	1,500,000
Issued to consultants in September 2011 entitling the holders to purchase 1 common share in the Company at an exercise price of \$0.50 per common share up to and including March 20, 2013	1,000,000	1,000,000
Total Warrants outstanding	9,804,969	9,804,969

Issuance of Common Stock

Issuance of Common Stock (USD \$)	3 Months Ended 01/31/2012
--------------------------------------	------------------------------

Issuance of Common Stock **7.Issuance of Common Stock**

During the three months ended January 31, 2012, the Company issued no common stock.

Net Loss per Share

Net Loss per Share (USD \$)	3 Months Ended 01/31/2012
--------------------------------	------------------------------

Net Loss per Share **8.Net Loss per Share**

The following table sets forth the computation of weighted-average shares outstanding for calculating basic and diluted earnings per share (EPS):

	Three Months Ended January 31,	
	2012	2011
Weighted-average shares - basic	55,626,166	53,389,598
Effect of dilutive securities	<u>—</u>	<u>—</u>
Weighted-average shares - diluted	<u>55,626,166</u>	<u>53,389,598</u>

Basic earnings per share “EPS” and diluted EPS for the three months ended January 31, 2012 and 2011 have been computed by dividing the net loss available to common stockholders for each respective period by the weighted average shares outstanding during that period. All outstanding options, warrants and shares to be issued upon the exercise of the outstanding options and warrants representing 9,834,969 and 4,131,974 incremental shares respectively have been excluded from the three months ended January 31, 2012 and 2011 computation of diluted EPS as they are antidilutive given the net losses generated.

Commitments and Contingent Liabilities

Commitments and Contingent Liabilities
(USD \$)

3 Months Ended
01/31/2012

Commitments and Contingent Liabilities

9.Commitments and Contingent Liabilities

Lawsuits

On April 22, 2009, the Company was served with a statement of claim from a former employee claiming compensation for wrongful dismissal and ancillary causes of action including payment of monies in realization of his investment in the Company, with an aggregate claim of \$514,000. The Company considers the claim to be without any merit, has already delivered a statement of defense and intends to vigorously defend the action. If the matter eventually proceeds to trial, the Company does not expect to be found liable on any ground or for any cause of action. The amount of any loss is not determinable and the likelihood is unknown.

Supplemental Disclosure of Cash Flow Information

Supplemental Disclosure of Cash Flow Information
(USD \$)

3 Months Ended
01/31/2012

Supplemental Disclosure of Cash Flow Information

10. Supplemental Disclosure of Cash Flow Information

	For the Three Months Ended January 31	
	<u>2012</u>	<u>2011</u>
Cash paid during the year for:		
Interest	\$ 2,200	\$ 2,194
Income taxes	\$ —	\$ —

