FORM 10-Q

CardioGenics Holdings Inc. - CGNH

Filed: June 20, 2011 (period: April 30, 2011)

Quarterly report which provides a continuing view of a company's financial position

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended APRIL 30, 2011.

☐ **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 or the Exchange Act. (Check one):

Large Accelerated filer	☐	Accelerated Filer	☐
Non-Accelerated Filer ☐ (Do not check if a smaller reporting company)		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 June 17, 2011 the Registrant had the following number of shares of its capital stock outstanding: 29,746,649 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 24,388,904 shares of the Registrant's Common Stock.

CARDIOGENICS HOLDINGS INC.

FORM 10-Q

For the Quarter Ended April 30, 2011

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

Assets	**April 30, 2011** (Unaudited)	**October 31, 2010** (Note 2)
Current		
Cash and Cash Equivalents	$ 1,563,139	$ 1,844,752
Share Subscriptions Receivable	—	115,000
Deposits and Prepaid Expenses	54,272	89,774
Refundable Taxes Receivable	39,129	21,959
Government Grants and Investment Tax Credits Receivable	—	156,482
	1,656,540	2,227,967
Property and Equipment, net	77,937	87,465
Patents, net	168,571	170,703
	246,508	258,168
	$ 1,903,048	$ 2,486,135
Liabilities and Stockholders' Equity		
Current Liabilities		
Accounts Payable and Accrued Expenses	$ 432,322	$ 523,155
Due to Director	14,979	15,149
Current Portion of Capital Lease Obligation	22,629	20,992
Funds Held in Trust for Redemption of Class B Common Stock	4	—
	469,934	559,296
Long Term Liabilities		
Capital Lease Obligation, net of current portion	12,039	20,881
	12,039	20,881
Mandatorily redeemable Class B common stock; par value $.00001 per share:		
400,000 shares designated as series 2; 381,749 shares issued and outstanding	—	4
40,000 shares designated as series 3; 21,500 shares issued and outstanding	—	—
Commitments and contingencies	—	4
Stockholders' 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, 29,687,262 and 28,620,257 common shares and 24,388,904 and 24,388,904 exchangeable shares issued and outstanding at April 30, 2011 and October 31, 2010 respectively	525	514
Additional paid-in capital	38,052,250	37,441,728
Deficit accumulated during development stage	(36,225,289)	(35,006,558)
Accumulated other comprehensive loss	(105,977)	(237,508)
Total CardioGenics Holdings Inc. stockholders' equity	1,721,509	2,198,176
Non-controlling interest	(300,434)	(292,222)

Total equity	1,421,075	1,905,954
Total liabilities and stockholders' equity	$ 1,903,048	$ 2,486,135

See notes to condensed consolidated financial statements.

CardioGenics Holdings Inc.
(A Development Stage Company)
Condensed Consolidated Statements of Operations (Unaudited)
For the Three and Six Months Ended April 30, 2011 and 2010 and
Cumulative from November 20, 1997 (Date of Inception) to April 30, 2011

	For the three months Ended April 30, 2011	For the three months Ended April 30, 2010	For the six months Ended April 30, 2011	For the six months Ended April 30, 2010	Cumulative From November 20, 1997 (Date of Inception) to April 30, 2011
Operating Expenses					
Amortization of Property and Equipment	$ 4,871	$ 7,256	$ 9,529	$ 14,347	$ 190,569
Amortization of Patent Application Costs	1,090	1,020	2,132	2,016	9,336
Write-off of Patent Application Costs	—	—	—	—	159,076
General and Administrative	383,837	158,168	680,649	449,622	4,870,379
Write-off of Goodwill	—	—	—	—	12,780,214
Research and Product Development, Net of Investment Tax Credits	234,646	179,875	393,570	312,685	3,681,321
Total operating expenses and operating loss	624,444	346,319	1,085,880	778,670	21,690,895
Other Expenses					
Interest Expense and Bank Charges (Net)	4,296	3,171	8,900	521	2,125,401
Loss on Change in Value of Derivative Liability	—	—	—	—	12,421,023
Loss on Foreign Exchange Transactions	91,633	83,043	132,163	102,208	250,691
Total other expenses	95,929	86,214	141,063	102,729	14,797,115
Loss from Continuing Operations	(720,373)	(432,533)	(1,226,943)	(881,399)	(36,488,010)
Discontinued Operations					
Gain on Sale of Subsidiary	—	90,051	—	90,051	90,051
Loss from Discontinued Operations	—	—	—	(37,355)	(127,762)
Net Loss	(720,373)	(342,482)	(1,226,943)	(828,703)	(36,525,721)
Net Loss attributed to non-controlling interest	(4,688)	(2,482)	(8,212)	(6,006)	(300,432)
Net Loss attributed to CardioGenics Holdings Inc.	$ (715,685)	$ (340,000)	$ (1,218,731)	$ (822,697)	$ (36,225,289)
Basic and Fully Diluted Net Loss per Common Share attributable to CardioGenics Holdings Inc. Shareholders	$ (0.01)	$ (0.00)	$ (0.02)	$ (0.02)	
Basic and Fully Diluted Net Income per Common Share From Discontinued Operations	—	$ 0.00	—	$ 0.00	
Weighted-average shares of Common Stock outstanding	54,036,505	49,605,530	53,746,365	49,520,167	

See notes to condensed consolidated financial statements.

CardioGenics Holdings Inc.
(A Development Stage Company)
Condensed Consolidated Statements of Changes in Stockholders' Equity (Unaudited)
For the Six Months Ended April 30, 2011

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	the Development Stage	Other Comprehensive Income (Loss)	Noncontrolling Interest	Stockholders Equity
Balance November 1, 2010	53,009,161	$ 514	$ 37,441,728	$ (35,006,558)	$ (237,508)	$ (292,222)	$ 1,905,954
Issuance of common shares in exchange for services rendered December 2010, $1.00	100,000	1	99,999				100,000
Issuance of common shares for cash December 2010, $.50	600,000	6	297,741				297,747
Issuance of common shares for cash February 2011, $.50	100,000	1	51,261				51,262
Issuance of common shares on exercise of warrants, February 2011, $.47	22,005		10,402				10,402
Refund of common shares subscribed for October 2010 in cash February 2011, $.50	(30,000)		(15,378)				(15,378)
Re-pricing of options in exchange for services rendered, February 2011			163,750				163,750
Issuance of common shares on exercise of options, February 2011, $.01	275,000	3	2,747				2,750
Net loss attributable to noncontrolling interest						(8,212)	(8,212)
Comprehensive Income (Loss):							
Net Loss				(1,218,731)			(1,218,731)
Other Comprehensive Income (Loss):							
Currency Translation Adjustment					131,531		131,531
Total Comprehensive Income (Loss)							(1,087,200)
Balance at April 30, 2011	54,076,166	$ 525	$ 38,052,250	$ (36,225,289)	$ (105,977)	$ (300,434)	$ 1,421,075

See notes to condensed consolidated financial statements.

CardioGenics Holdings Inc.
(A Development Stage Company)
Condensed Consolidated Statements of Cash Flows (Unaudited)
For the Six Months Ended April 30, 2011 and 2010 and
Cumulative from November 20, 1997 (Date of Inception) to April 30, 2011

	Six Months Ended April 30, 2011	Six Months Ended April 30, 2010	Cumulative from November 20, 1997 (Date of Inception) To April 30, 2011
Cash flows from operating activities			
Net Loss for the Period	$ (1,226,943)	$ (828,703)	$ (36,525,721)
Adjustments to reconcile net loss for the period to net cash used in operating activities			
Amortization of Property and Equipment	9,529	14,347	190,569
Amortization of Patent Application Costs	2,132	2,016	9,336
Write-off of Patent Application Costs	—	—	159,076
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
Common Stock Shares Issued as Employee or Officer/Director Compensation	—	—	2,508,282
Common Stock Issued for Services Rendered	100,000	49,000	657,512
Stock Options Issued for Services Rendered	—	—	192,238
Stock Options Issued to Directors and Committee Chairman	—	—	54,582
Stock Options Re-Priced for Services Rendered	163,750	—	163,750
Changes in Operating Assets and Liabilities, Net of Acquisition:			
Share Subscriptions Receivable	115,000	—	115,000
Deposits and Prepaid Expenses	35,502	(37,367)	(53,483)
Refundable Taxes Receivable	(17,170)	6,554	(38,265)
Government Grants and Investment Tax Credits Receivable	156,482	—	20,062
Accounts Payable and Accrued Expenses	(90,830)	(360,371)	(335,577)
Advances	—	—	131
Net cash used in operating activities	(752,548)	(1,154,524)	(5,609,816)
Cash flows from investing activities			
Cash Acquired from Acquisition	—	—	195,885
Purchase of Property and Equipment	—	—	(204,424)
Patent Application Costs	—	(10,265)	(296,806)
Net cash used in investing activities	—	(10,265)	(305,345)
Cash flows from financing activities			
(Repayment) of Capital Lease Obligations	(7,205)	—	(9,249)
Advances from (repayments to) Director	(170)	(96,860)	740,309
Issue of Debentures	—	—	1,378,305
Issue of Common Shares on Exercise of Stock options	2,750	—	2,781
Issue of Common Shares on the Exercise of Warrants	—	35,250	35,250
Issue of Common Shares for Cash	359,412	77,000	5,635,834
Refund of Common Share Subscription	(15,378)	—	(15,378)
Redemption of 10% Senior Convertible Debentures	—	(25,000)	(394,972)
Net cash provided by (used in) financing activities	339,409	(9,610)	7,372,880

Effect of foreign exchange on cash and cash equivalents	131,526	138,251	105,420
Cash and Cash Equivalents:			
Increase (decrease) in cash and cash equivalents during the period	(281,613)	(1,036,148)	1,563,139
Beginning of Period	1,844,752	2,388,516	—
End of Period	$ 1,563,139	$ 1,352,368	$ 1,563,139

See notes to condensed consolidated financial statements.

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 and whose revenues, to date, have been primarily comprised of grant revenue and Scientific Research Tax Credits from government agencies. 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 July 31, 2009, CardioGenics acquired the business of JAG Media Holdings, Inc. (“JAG Media”). The business acquired is that of gathering and compiling financial and investment information from various financial institutions and other Wall Street professionals. Revenues of the acquired business of JAG Media are generated by releasing such financial information to subscribers in a consolidated format on a timely basis through facsimile transmissions and a web site. Further, software focused on streaming video solutions was acquired through the acquisition of JAG Media by CardioGenics. Historically, further development of this software has been limited as a result of JAG Media’s lack of financial resources. On February 11, 2010, the Company sold its interest in JAG Media.

References herein to CardioGenics common shares have been retrospectively adjusted to reflect the exchange ratio of 20.957 established in the Share Purchase Agreement.

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

On April 23, 2010, the Company’s Board of Directors approved a reverse stock split of its issued and outstanding common shares. The total authorized shares of common stock were at the same time reduced to 65,000,000. The Board of Directors selected a ratio of one-for-ten and the reverse stock split was effective on June 20, 2010. Trading of the Company’s common stock on the Over-The-Counter Capital Market on a split adjusted basis began at the open of trading on June 21, 2010. The reverse stock split affected all shares of the Company’s common stock, as well as options to purchase the Company’s common stock and other equity incentive awards and warrants that were outstanding immediately prior to the effective date of the reverse stock split. All references to common shares and per-share data for prior periods have been retroactively restated to reflect the reverse stock split as if it had occurred at the beginning of the earliest period presented.

2. Basis of Presentation

In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments, consisting of normal recurring adjustments, necessary to present fairly the condensed consolidated financial position of CardioGenics Holdings Inc. and its subsidiaries as of April 30, 2011, their results of operations for the six months ended April 30, 2011 and 2010, and the period from November 20, 1997 (date of inception) to April 30, 2011, changes in stockholders’ equity for the six months ended April 30, 2011 and cash flows for the six months ended April 30, 2011 and 2010, and the period from November 20, 1997 (date of inception) to April 30, 2011. 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 accounting principles generally accepted in the United States of America 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 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, 2010 and 2009 (the “Audited Financial Statements”) included in the Company’s Form 10-K that was previously filed with the SEC on January 31, 2011 and from which the October 31, 2010 consolidated balance sheet was derived.

The results of the Company’s operations for the six months ended April 30, 2011 are not necessarily indicative of the results of operations to be expected for the full year ending October 31, 2011.

The accompanying condensed 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 April 30, 2011 of approximately $36.0 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 in existence.

3. Summary of Significant Accounting Policies.

(a) Research and Development Costs

Expenditures for research and development are expensed as incurred and include, among other costs, those related to the production of prototype products, including payroll costs. Amounts expected to be received from governments under Scientific Research Tax Credit arrangements are offset against current expenses. The Company recognizes revenue from restricted grants in the period in which the Company has incurred the expenditures in compliance with the specific restrictions.

(b) Net Loss Per Common Share

Basic loss per share is computed by dividing loss available to common stockholders by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share gives effect to all dilutive potential common shares outstanding during the period. The computation of diluted earnings (loss) per share does not assume conversion, exercise or contingent exercise of securities that would have an anti-dilutive effect on earnings (loss) per share.

(c) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates. By their nature, these estimates are subject to uncertainty and the effect on the condensed consolidated financial statements of changes in such estimates in future periods could be material.

(d) Financial Instruments

The carrying values of cash and cash equivalents, other current assets, accounts payable and accrued expenses approximate their fair values due to their short-term nature.

4. Due to Director

The amount due to a director is due on demand and carries no interest.

5. Income Taxes

The Company adopted the provisions of the guidance for uncertainty in income taxes on August 1, 2007. The guidance clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statement, and prescribes a recognition threshold and measurement process for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on derecognition classification, interest and penalties accounting in interim periods disclosure and transition.

Based on the Company's evaluation, management has concluded that there are no significant tax positions requiring recognition in the condensed consolidated financial statements.

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 April 30, 2011, approximated $8,983,000 (2010 - $7,017,000) which will expire from 2014 through 2031.

All fiscal years except 2010 have been assessed; however, claims relating to research and development credits are open for review for the fiscal years ended October 2010, 2009, 2008 and 2007 and July 2009.

As of April 30, 2011, the Company had net operating loss carryforwards from US sources of approximately $40,076,000 available to reduce future Federal taxable income which will expire from 2019 through 2030.

For the six months ended April 30, 2011 and 2010, the Company's effective tax rate differs from the statutory rate principally due to the net operating losses for which no benefit was recorded.

6. Stock-Based Compensation

The Company follows the guidance for stock-based compensation. Stock-based employee compensation related to stock options for the six months ended April 30, 2011 and 2010 amounted to $-0-.

The fair value of each option granted is estimated on grant date using the Black-Scholes option pricing model which takes into account as of the grant date the exercise price and expected life of the option, the current price of the underlying stock and its expected volatility, expected dividends on the stock and the risk-free interest rate for the term of the option.

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, 2009	305,000	$ 2.34
Granted	—	—
Forfeited/Expired	—	—
Exercised	—	—
Outstanding – October 31, 2010	305,000	$ 2.34
Granted	—	—
Forfeited/Expired	—	—
Exercised	275,000	$ 0.01
Outstanding – April 30, 2011	**30,000**	$ 0.90

	Options
Stock options formerly priced at $0.20 were repriced at $0.01 and extended to August 2011	75,000
Stock options formerly priced at $3.60 were repriced at $0.01 and extended to December 2011	200,000
	275,000

General and Administrative Expenses in the quarter included $163,750 due to repricing of these options.

Options typically vest immediately at the date of grant. As such, the Company does not have any unvested options or unrecognized compensation expense at April 30, 2011.

7. Stockholders' Equity

Comprehensive Loss

Comprehensive loss, which includes net loss from the change in the foreign currency translation account, for the three and six months ended April 30, 2011 and 2010 respectively is as follows:

	For the Three Months Ended April 30,		For the Six Months Ended April 30,	
	2011	2010	2011	2010
Net (Loss)	$ (715,685)	$ (340,000)	$ (1,218,731)	$ (822,697)
Currency translation adjustment	129,504	66,395	131,531	116,738
Comprehensive (Loss)	$ (586,181)	$ (273,605)	$ (1,087,200)	$ (705,959)

	April 30, 2011	October 31, 2010
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	1,043,659
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
Total Warrants outstanding	3,804,969	3,826,974

8. Issuance of Common Stock

During the six months ended April 30, 2011, the Company issued the following common shares:

	Six Months Ended April 30, 2011	
	# of shares	Amount
Issuance to third parties for services rendered	100,000	$ 100,000
Issuance to a director for cash	600,000	$ 297,747
Issuance to third parties for cash	70,000	$ 35,884
Issuance to third parties on exercise of warrants	22,005	$ 10,402
Issuance to third parties on exercise of options	275,000	$ 2,750

9. Redemption of Class B Common Stock

On or about February 28, 2011 CardioGenics Holdings Inc. mailed notices to the holders of its outstanding Series 2 Class B Common Stock (the "Series 2 Shares") and Series 3 Class B Common Stock (the "Series 3 Shares"), which notified such stockholders that CardioGenics has elected to redeem all outstanding Series 2 Shares and Series 3 Shares in accordance with their terms. The Redemption Date was April 4, 2011 and the Redemption Price was par value, $0.00001 per share.

Under the terms of Series 2 Shares, the Redemption Price for each Series 2 Class B share shall be equal to the greater of (i) par value or (ii) the amount obtained by dividing (a) ninety percent of the net proceeds to CardioGenics from any recovery in the lawsuit captioned JAG Media Holdings Inc. vs A.G. Edwards et al., which was commenced in the U.S. District Court for the Southern District of Texas (the "Lawsuit"), divided by (b) the total number of Series 2 Class B Shares issued and outstanding on the Redemption Date, which amount shall be rounded to the nearest whole cent.

Under the terms of the Series 3 Shares, the Redemption Price for each Series 3 Class B Share shall be equal to the greater of (i) par value or (ii) .0025% of then percent of the net proceeds to CardioGenics from any recovery in the Lawsuit, which amount shall be rounded to the nearest whole cent.

As there was no recovery in the Lawsuit and after evaluating its options in the context of the Lawsuit, CardioGenics has decided to not currently pursue any "successor" litigation to the Lawsuit. As a result, the Series 2 Shares and Series 3 Shares were redeemed at par value in accordance with their terms.

CardioGenics has established a trust account with TD Bank Canada, which will hold proceeds sufficient to redeem the issued and outstanding Series 2 Shares and Series 3 Shares. Accordingly, notwithstanding that any certificate for Series 2 Shares or Series 3 Shares called for redemption shall not have been surrendered for cancellation, all Series 2 Shares and Series 3 Shares called for redemption shall no longer be deemed outstanding, and all rights with respect to such Series 2 Shares and Series 3 Shares shall forthwith on the Redemption Date cease and terminate, except only the right of the holders thereof to receive the pro-rata amount payable of the Series 2 Shares and Series 3 Shares, without interest.

10. 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 April 30,		Six Months Ended April 30,	
	2011	2010	2011	2010
Weighted-average shares - basic	54,036,505	49,605,530	53,746,365	49,520,167
Effect of dilutive securities	—	—	—	—
Weighted-average shares - diluted	54,036,505	49,605,530	53,746,365	49,520,167

Basic earnings per share "EPS" and diluted EPS for the three and six months ended April 30, 2011 and 2010 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 3,834,969 and 4,131,974 incremental shares respectively have been excluded from the six months ended April 30, 2011 and 2010 computation of diluted EPS as they are antidilutive given the net losses generated.

11. Commitments and Contingent Liabilities

Lawsuits

a) 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 all the claims to be without 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.

b) On January 14, 2010, Flow Capital Advisors Inc. ("Flow Capital") filed a lawsuit against JAG Media Holdings Inc. in the Circuit Court of the 17th Judicial Circuit In and For Broward County Florida (Case No. 10001713). Pursuant to this lawsuit, Flow Capital alleges that JAG Media Holdings breached a Non-Circumvention Agreement it had entered into with Flow Capital, dated January 1, 2004. Jag Media Holdings has denied the material allegations of the complaint, asserted various affirmative defenses and is vigorously defending the case which is at the discovery stage.

On January 15, 2010, Flow Capital filed a lawsuit against CardioGenics Inc., and another defendant in the United States District Court for the Southern District of Florida, Fort Lauderdale Division (Case No. 10-CV-60066-Martinez-Brown). This lawsuit alleges that CardioGenics (i) breached a Finder's Fee Agreement in connection with the CardioGenics Acquisition; and (ii) breached a Non-Circumvention Agreement. Flow Capital is claiming that it is entitled to the finder's fee equal to eight percent (8%) of the JAG Media Holdings shares received by CardioGenics, or the equivalent monetary value of the stock. Plaintiff subsequently amended its complaint to add related tort claims, and largely as a result, CardioGenics is preparing to move to withdraw its pending motion for lack of personal jurisdiction, deny the material allegations of the complaint, defend the suit to the fullest extent possible. Plaintiff has also recently served a motion for partial summary judgment aggressing liability (but not damages). The Company will oppose that motion vigorously and also expects that discovery, which is now ongoing, will be largely completed and the case nearing readiness for trial before the motion is heard or decided.

c) On October 26, 2010, Karver International Inc. filed a lawsuit in the 11th Judicial Circuit in and for Miami-Dade County, Florida against CardioGenics Holdings Inc. and several other defendants including affiliates, officers and directors of CardioGenics Holdings, Inc. The Plaintiff generally alleges that the named defendants made certain alleged misrepresentations in connection with the purchase of shares of CardioGenics Holdings Inc. On December 20, 2010, CardioGenics Holdings Inc. and other defendants filed a motion to dismiss on the basis that the court lacks personal jurisdiction over most defendants, that an enforceable forum selection clause requires that the action be litigated in Ontario, Canada, that the doctrine of *forum non conveniens* requires dismissal in favor of the Ontario forum, and that the complaint suffers from numerous other technical deficiencies warranting dismissal (e.g., failure to attach documents to the Complaint, failure to plead fraud with particularity, etc.). The motion is currently pending. Should the motion be denied, CardioGenics Holdings, Inc. will continue to pursue vigorous defenses to this action. In addition, Karver's attorney recently filed a motion to withdraw as counsel for Karver. The court has granted Karver's attorney's motion to withdraw and Karver had until approximately April 26, 2011 to engage new counsel. On April 20, 2011, having not engaged new counsel as of that date, Karver filed with the court a Notice of Voluntary Dismissal without Prejudice, which dismisses the lawsuit against the named defendants without prejudice to Karver's rights to recommence the action.

12. Supplemental Disclosure of Cash Flow Information

	For the Six Months Ended April 30,	
	2011	2010
Cash paid during the year for:		
Interest	$ 5,441	$ 2,867
Income taxes	$ —	$ —

13. Other

(a) On February 1, 2011 the Company announced that the Company and Merck Chimie SAS ("Merck") will continue the commercialization process of the Company's magnetic beads. Merck recently notified the Company that while it is refining its encapsulation of the Company's beads, it will also test a batch of magnetic beads coated with the Company's proprietary silver-coating and polymer encapsulation processes with the aim of commercializing the CardioGenics Encapsulated Beads while Merck is finalizing its own proprietary encapsulation of the CardioGenics beads.

The Company also announced that it is accelerating its commercialization efforts for its magnetic beads and as a result, the Company has signed two significant Material Transfer Agreements ("MTA") with two major international life sciences companies. Under the first MTA with one of the top three beads production and distribution companies, the Company will furnish them with its silver-coated magnetic beads for polymer coating by the distributor. In addition, the distributor will provide the Company with their magnetized bead prototypes which the Company will then silver-coat with its proprietary silver-coating technology. Under the second MTA with one of the top IVD companies, the Company will furnish them with its silver-caoted and polymer encapsulated magnetic beads for subsequent testing and evaluation in their various test products.

(b) On February 22, 2011 the Company was notified by the Canadian Intellectual Property Office that its patent application for the "core technology" utilized in its ultra-sensitive point-of-care immuno-analyzer has been granted.

Item 2. Management's Discussion and Analysis

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial statements filed with the Securities and Exchange Commission. The preparation of these condensed consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate our estimates, including those related to accounts receivable, equipment, stock-based compensation, income taxes and contingencies. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The accounting policies and estimates used as of October 31, 2010, as outlined in our previously filed Form 10-K, have been applied consistently for the six months ended April 30, 2011.

Related Party Transactions

During the six months ended April 30, 2010, we utilized advances from a director totaling on average approximately $15,000, bearing interest at 0% per annum.

Off-Balance Sheet arrangements

We are not party to any off balance sheet arrangements.

Results of operations

Six months ended April 30, 2011 as compared to six months ended April 30, 2010.

	Six Months Ended April 30, 2011	Six Months Ended April 30, 2010	$ Change
Operating expenses:			
Amortization of property and equipment	$ 9,529	$ 14,347	$ (4,818)
Amortization of patent application costs	2,132	2,016	116
General and administrative expenses	680,649	449,622	231,027
Research and production, net of investment tax credits	393,570	312,685	80,885
Total operating expenses and operating loss	1,085,880	778,670	307,210
Other expenses (income)			
Interest expense and bank charges, net	8,900	521	8,379
Loss on foreign exchange	132,163	102,208	29,955
Gain on sale of subsidiary	-	(90,051)	90,051
Loss on discontinued operations	-	37,355	(37,355)
Net loss	$ 1,226,943	$ 828,703	$ 398,240

Revenues

During the six months ended April 30, 2011 and 2010 we did not generate any revenues from ongoing operations. We anticipate generating insignificant revenues from operations by the fourth quarter of 2011.

Operating expenses

Operating expenses include the costs to a) develop and patent a method for controlling the delivery of compounds to a chemical reaction; b) developing the QL Care Analyzer, a small, automated, robust and proprietary point of care testing device; and, c) customizing paramagnetic beads through our proprietary method which improves their light collection. In addition, the Company is in the process of adapting test products for the POC disposable, single-use cartridge-format. Detailed manufacturing specifications and costing have been created and custom manufacturers have been sourced.

General and administrative expenses

General and administrative expenses consist primarily of compensation to officers, occupancy costs, professional fees, listing costs and other office expenses. The increase in general and administrative expenses is attributable primarily to an increase in professional and consulting fees and a charge of $163,750 due to repricing of options.

Research and production, net of investment tax credits

Research and development expenses consist primarily of salaries and wages paid to officers and employees engaged in those activities and supplies consumed therefor. The increase in research and development expenses is attributable primarily to the increase in staff engaged in R&D.

Other expenses (income)

Loss from discontinued operations and Gain on sale of subsidiary

On February 11, 2010 the Company sold its JAG Media division, realizing a gain of approximately $90,000. The Company has treated the operating results of that division in the six month period ended April 30, 2010 as loss from discontinued operations.

Three months ended April 30, 2011 as compared to three months ended April 30, 2010.

	Three Months Ended April 30, 2011	Three Months Ended April 30, 2010	$ Change
Operating expenses:			
Amortization of property and equipment	$ 4,871	$ 7,256	$ (2,385)
Amortization of patent application costs	1,090	1,020	70
General and administrative expenses	383,837	158,168	225,669
Research and production, net of investment tax credits	234,646	179,875	54,771
Total operating expenses and operating loss	624,444	346,319	278,125
Other expenses (income)			
Interest expense and bank charges, net	4,296	3,171	1,125
Loss on foreign exchange	91,633	83,043	8,590
Gain on sale of subsidiary	-	(90,051)	90,051
Net loss	$ 720,373	$ 342,482	$ 377,891

Revenues

During the three months ended April 30, 2011 and 2010 we did not generate any revenues from ongoing operations. We anticipate generating insignificant revenues from operations by the fourth quarter of 2011.

Operating expenses

Operating expenses include the costs to a) develop and patent a method for controlling the delivery of compounds to a chemical reaction; b) developing the QL Care Analyzer, a small, automated, robust and proprietary point of care testing device; and, c) customizing paramagnetic beads through our proprietary method which improves their light collection. In addition, the Company is in the process of adapting test products for the POC disposable, single-use cartridge-format. Detailed manufacturing specifications and costing have been created and custom manufacturers have been sourced.

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General and administrative expenses consist primarily of compensation to officers, occupancy costs, professional fees, listing costs and other office expenses. The increase in general and administrative expenses is attributable primarily to an increase in professional and consulting fees and a charge of $163,750 due to repricing of options.

Research and production, net of investment tax credits

Research and development expenses consist primarily of salaries and wages paid to officers and employees engaged in those activities and supplies consumed therefor. The increase in research and development expenses is attributable primarily to the increase in staff engaged in research and development.

Other expenses (income)

Loss from discontinued operations

On February 11, 2010 the Company sold its JAG Media division, realizing a gain on sale of approximately $90,000.

Liquidity and Capital Resources

We have not generated any revenues since inception and we incurred a net loss of approximately $1,227,000 and a cash flow deficiency from operating activities of approximately $752,548 for the six months ended April 30, 2011. We have not yet established an ongoing source of revenues sufficient to cover our operating costs and allow us to continue as a going concern. We have funded our activities to date almost exclusively from debt and equity financings. These matters raise substantial doubt about our ability to continue as a going concern.

We will continue to require substantial funds to continue research and development, including preclinical studies and clinical trials of our products, and to commence sales and marketing efforts. Our plans include financing activities such as private placements of our common stock and issuances of convertible debt instruments. We are also actively pursuing industry collaboration activities including product licensing and specific project financing.

We believe we will be successful in obtaining the necessary financing to fund our operations, meet revenue projections and manage costs; however, there are no assurances that such additional funding will be achieved and that we will succeed in our future operations.

Seasonality

We do not believe that our business is subject to seasonal trends or inflation. On an ongoing basis, we will attempt to minimize any effect of inflation on our operating results by controlling operating costs and whenever possible, seeking to ensure that subscription rates reflect increases in costs due to inflation.

Recent Accounting Pronouncements

The FASB had issued certain accounting pronouncements as of April 30, 2011 that will become effective in subsequent periods; however, we do not believe that any of those pronouncements would have significantly affected our financial accounting measurements or disclosures had they been in effect during the six months ended April 30, 2011 and 2010 or that they will have a significant effect at the time they become effective.

Item 3. Removed and Reserved

N/A.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures:

Management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) to provide reasonable assurance regarding the reliability of our financial reporting and preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. A control system, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Because of the inherent limitations in all control systems, internal controls over financial reporting may not prevent or detect misstatements. The design and operation of a control system must also reflect that there are resource constraints and management is necessarily required to apply its judgment in evaluating the cost-benefit relationship of possible controls.

Our management assessed the effectiveness of our internal controls over financial reporting for the quarter ended April 30, 2011 based on the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on such assessment, our management concluded that during the period covered by this report, our internal controls over financial reporting were not effective. Management has identified the following material weaknesses in our internal controls over financial reporting:

- lack of documented policies and procedures;
- there is no effective separation of duties, which includes monitoring controls, between the members of management; and,
- lack of resources to account for complex and unusual transactions.

Management is currently evaluating what steps can be taken in order to address these material weaknesses.

(b) Changes in Internal Control over Financial Reporting:

During the fiscal quarter ended April 30, 2011, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On April 22, 2009, CardioGenics was served with a statement of claim in the Province of Ontario, Canada, from a prior contractor claiming compensation for wrongful dismissal and ancillary causes of action including payment of monies in realization of his investment in CardioGenics, with an aggregate claim of $514,000. The Company considers all the claims to be without merit, has already delivered a statement of defence 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.

On January 14, 2010, Flow Capital Advisors Inc. ("Flow Capital") filed a lawsuit against JAG Media Holdings Inc. in the Circuit Court of the 17th Judicial Circuit In and For Broward County Florida (Case No. 10001713). Pursuant to this lawsuit, Flow Capital alleges that JAG Media Holdings breached a Non-Circumvention Agreement it had entered into with Flow Capital, dated January 1, 2004. JAG Media Holdings has denied the material allegations of the complaint, asserted various affirmative defenses and is vigorously defending the case, which is currently at the discovery stage.

On January 15, 2010 Flow Capital filed a lawsuit against CardioGenics Inc., and another defendant in the United States District Court for the Southern District of Florida, Fort Lauderdale Division (Case No. 10-CV-60066-Martinez-Brown). This lawsuit alleges that CardioGenics (i) breached a Finder's Fee Agreement in connection with the CardioGenics Acquisition; and (ii) breached a non-circumvention agreement. Flow Capital is claiming that it is entitled to the finder's fee equal to eight percent (8%) of the JAG Media Holdings shares received by CardioGenics, or the equivalent monetary value of the stock. Plaintiff subsequently amended its complaint to add related tort claims, and largely as a result, CardioGenics is preparing to move to withdraw its pending motion for lack of personal jurisdiction, deny the material allegations of the complaint, defend the suit to the fullest extent possible. Plaintiff has also recently served a motion for partial summary judgment addressing liability (but not damages). We will oppose that motion vigorously and also expect that discovery, which is now ongoing, will be largely completed and the case nearing readiness for trial before the motion is heard or decided.

On October 26, 2010 Karver International Inc. filed a lawsuit in the 11th Judicial Circuit in and for Miami-Dade County, Florida against CardioGenics Holdings Inc. and several other defendants including affiliates, officers and directors of CardioGenics Holdings, Inc. The Plaintiff generally alleges that the named defendants made certain alleged misrepresentations in connection with the purchase of shares of CardioGenics Holdings Inc. On December 20, 2010 CardioGenics Holdings Inc. and other defendants filed a motion to dismiss on the basis that the court lacks personal jurisdiction over most defendants, that an enforceable forum selection clause requires that the action be litigated in Ontario, Canada that the doctrine of *forum non conveniens* requires dismissal in favor of the Ontario forum, and that the complaint suffers from numerous other technical deficiencies warranting dismissal (e.g., failure to attach documents to the Complaint, failure to plead fraud with particularity, etc.). In addition, prior to the motion being heard, Karver's attorney filed a motion to withdraw as counsel for Karver. The court granted Karver's attorney's motion to withdraw and Karver had until approximately April 26, 2011 to engage new counsel. On April 20, 2011, having not engaged new counsel as of that date, Karver filed with the court a Notice of Voluntary Dismissal Without Prejudice, which dismisses the lawsuit against the named defendants without prejudice to Karver's rights to recommence the action.

Item 1A. Risk Factors

N/A

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Item 3. Defaults Upon Senior Securities

Item 4. (Removed and Reserved)

Item 5. Other Information

Item 6. Exhibits

31.1	Section 302 Certification of Chief Executive Officer.
31.2	Section 302 Certification of Chief Financial Officer.
32.1	Section 906 Certifications of Chief Executive Officer and Chief Financial Officer.

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: June 20, 2011	By:	/s/ Yahia Gawad Name: Yahia Gawad Title: Chief Executive Officer
Date: June 20, 2011	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 Certifications of Chief Executive Officer and Chief Financial Officer

SECTION 302 CERTIFICATION

I, Yahia Gawad, Chief Executive Officer of CardioGenics Holdings Inc., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended April 30, 2011 of CardioGenics Holdings Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in the report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 20, 2011

/s/ Yahia Gawad
Yahia Gawad
Chief Executive Officer

EXHIBIT 31.2

SECTION 302 CERTIFICATION

I, James Essex, Chief Financial Officer of CardioGenics Holdings Inc., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended April 30, 2011 of CardioGenics Holdings Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in the report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 20, 2011

/s/ James Essex
James Essex
Chief Financial Officer

EXHIBIT 32.1

Section 906 Certifications by the Chief Executive Officer and Chief Financial Officer

Each of Yahia Gawad, Chief Executive Officer, and James Essex, Chief Financial Officer, of CardioGenics Holdings Inc., a Nevada corporation (the "Company") hereby certifies pursuant to 18 U.S.C. ss. 1350, as added by ss. 906 of the Sarbanes-Oxley Act of 2002, that, to their knowledge:

(1) The Company's periodic report on Form 10-Q for the period ended April 30, 2011 ("Form 10-Q") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operation of the Company.

/s/ Yahia Gawad	/s/ James Essex
Name: Yahia Gawad Title: Chief Executive Officer	Name: James Essex Title: Chief Financial Officer

Date: June 20, 2011