WELICHEM BIOTECH INC.
(a development stage enterprise)

FINANCIAL STATEMENTS
(Unaudited – Prepared by Management)

FEBRUARY 28, 2009

NOTE: These financial statements have not been reviewed or audited by the Company's auditor.

WELICHEM BIOTECH INC.
(a development stage company)
BALANCE SHEETS (See Note 1 – BASIS OF PRESENTATION)
(Expressed in Canadian Dollar)
(Unaudited – Prepared by Management)

		February 28, 2009		May 31, 2008
ASSETS				
Current				
Cash and cash equivalents [Note 6]	$	1,884,812	$	4,984,241
Goods and services tax receivable		12,540		70,346
Prepaid expense		41,750		20,694
		1,939,101		5,075,281
Property and equipment [Note 7]		20,489		25,894
Patent rights and applications [Note 8]		256,522		273,708
Deposit [Note 9]		15,819		14,615
Total Assets	$	2,231,932	$	5,389,498
LIABILITIES AND SHAREHOLDERS' EQUITY				
Current liabilities				
Accounts payable and accrued liabilities	$	342,422	$	628,499
Shareholder loan [Note 10]		0		998,000
		342,422		1,626,499
Shareholders' equity				
Share capital [Note 11]		11,209,286		8,066,286
Share subscriptions received in advance		0		5,000,000
Contributed surplus [Note 12]		2,862,131		1,465,930
Deficit		(12,181,907)		(10,769,217)
		1,889,509		3,762,999
Total Liabilities and Shareholders' Equity	$	2,231,931	$	5,389,498

Nature of operations [Note 1]
Commitments **[**Note 18]
Subsequent events [Note 19]

On behalf of the Board:

"Guoqing Li" Director

" Xiangdong Tan" Director

The accompanying notes are an integral part of these financial statements.

WELICHEM BIOTECH INC.
(a development stage company)
STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS AND DEFICIT
(Expressed in Canadian Dollar)
(Unaudited – Prepared by Management)

	Three Month Period Ended February 28, 2009	Three Month Period Ended February 28, 2008	**Nine Month Period Ended February 28, 2009**	Nine Month Period Ended February 28, 2008
RESEARCH AND DEVELOPMENT EXPENSES [Notes 13(b), 15 & 16]	**$ 356,087**	$ 441,943	**$ 882,213**	$ 1,184,663
GENERAL AND ADMINISTRATIVE EXPENSES				
Amortization – Property and equipment	**1,617**	2,475	**5,405**	7,780
Amortization – Patent rights and applications	**10,857**	10,313	**32,175**	30,717
Consulting	**-**	15,000	**2,710**	42,158
Director's fees [Note 20]	**4,000**	4,250	**16,650**	12,750
Insurance	**2,000**	4,309	**27,516**	35,415
Investor relations	**414**	1,139	**2,227**	4,158
Legal and accounting fees	**24,373**	28,834	**110,508**	64,330
Loan interest	**-**	8,653	**4,233**	8,653
Office and miscellaneous	**2,372**	19,078	**22,574**	42,126
Public relations expenses	**6,181**	-	**35,905**	-
Regulatory expenses	**17,439**	6,511	**48,774**	17,089
Rent	**20,255**	32,361	**82,258**	80,963
Telecommunications	**1,871**	1,729	**5,612**	7,949
Travel and related costs	**17,009**	2,773	**46,694**	21,551
Wages and benefits [Notes 13(b)]	**78,976**	40,409	**170,384**	159,617
	187,366	177,836	**613,625**	535,257
Loss before other items	**(543,452)**	(619,779)	**(1,501,838)**	(1,719,920)
OTHER ITEMS				
Foreign exchange gain (loss)	**315**	(544)	**4,003**	(5,751)
Interest income	**29,106**	4,614	**85,145**	23,377
	29,421	4,070	**89,148**	17,626
Loss and comprehensive loss for the period	**(514,031)**	(615,709)	**(1,412,689)**	(1,702,295)
Deficit, beginning of period	**(11,667,876)**	(9,335,815)	**(10,769,217)**	(8,249,229)
Deficit, end of period	**(12,181,907)**	(9,951,524)	**(12,181,907)**	(9,951,524)
Basic and diluted loss per common share	**$ (0.003)**	$ (0.01)	**$ (0.01)**	$ (0.02)
Weighted average number of common shares outstanding	**173,362,992**	73,362,992	**166,036,985**	71,451,971

The accompanying notes are an integral part of these financial statements.

WELICHEM BIOTECH INC.
(a development stage company)
STATEMENTS OF CASH FLOWS
(Expressed in Canadian Dollar)
(Unaudited – Prepared by Management)

	Three Month Period Ended February 28, 2009	Three Month Period Ended February 28, 2008	**Nine Month Period Ended February 28, 2008**	Nine Month Period Ended February 28, 2008
CASH FROM (USED IN) OPERATING ACTIVITIES				
Loss for the period	**$ (514,031)**	$ (615,709)	**$ (1,412,689)**	$(1,702,295)
Items not involving cash:				
Amortization of property and equipment	**1,616**	2,475	**5,405**	7,780
Amortization of patent rights and applications	**10,857**	10,313	**32,175**	30,717
Stock-based compensation	**36,201**	-	**36,201**	12,950
Changes in non-cash working capital items:				
(Increase) Decrease in goods and services tax receivable	**(5.024)**	(16,750)	**57,807**	120,098
(Increase) Decrease in prepaid expenses	**(1,204)**	-	**(22,260)**	-
Increase (Decrease) in accounts payable and accrued liabilities	**200,573**	(35,238)	**(286,078)**	(208,387)
Cash used in operating activities	**(271,011)**	(654,909)	**(1,589,439)**	(1,739,137)
CASH FROM (USED IN) INVESTING ACTIVITIES				
Patent rights and applications	**-**	(2,676)	**(14,989)**	(21,133)
Purchase of property and equipment	**-**		**-**	(6,354)
(Increase) Decrease in short-term investments	**-**	36,873	**-**	29,649
Repayment of shareholder's loan	**-**	-	**(998,000)**	-
Cash provided by (used in) investing activities	**-**	34,197)	**(1,012,989)**	2,162
CASH FROM (USED IN) FINANCING ACTIVITIES				
Increase in short-term loan		308,653	**-**	608,653
Increase in capital, net of issuance costs	**-**	-	**(497,000)**	993,159
Share subscriptions received in advance (net of issuance costs)	**-**	-	**-**	(998,125)
Cash provided by (used in) financing activities	**-**	308,653	**(497,000)**	603,687
Net increase (decrease) in cash during the period	**(271,011)**	(312,059)	**(3,099,428)**	(1,133,288)
Cash, beginning of period	**2,155,823**	260,149	**4,984,241**	1,081,378
Cash, end of period	**$ 1,884,812**	**($51,910)**	**$1,884,812**	**($51,910)**
Supplemental disclosure of cash flow information:				
Cash paid during the period for interest [Note 10]	**-**	-	**$27,521**	-
Cash paid during the period for income taxes	**-**	-	**-**	-

The accompanying notes are an integral part of these financial statements.

1. NATURE OF OPERATIONS

Welichem Biotech Inc. (the "Company" or "Welichem") is a biopharmaceutical company that focuses on the research and development and commercialization of new therapeutics for autoimmune / inflammatory diseases and cancer. The new therapeutics, derived from the metabolites of bacterial symbionts of soil living nematodes, target skin disorders such as psoriasis, eczema, cancers and chemotherapy induced neutropenia.

The Company is considered to be in the development stage as most of its efforts have been devoted to basic research and development activities to date. The Company has an accumulated deficit of $12,181,907 as of February 28, 2009 resulting from losses in the current and prior years. The eventual profitability of the Company and its ability to continue operating as a going concern is dependent upon obtaining additional financing as required, successful development and commercialization of its products, receiving regulatory approvals and generating cash from operations.

2. BASIS OF PRESENTATION

These unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") for interim financial statements and do not include all the information required for annual audited financial statements. The interim financial statements and related notes should be read in conjunction with the Company's audited financial statements for the year ended May 31, 2008. The results of operations and comprehensive loss for the interim periods reported are not necessarily indicative of results for the full year.

3. SIGNIFICANT ACCOUNTING POLICIES

On June 1, 2007 for fiscal year 2007, the Company adopted CICA Handbook revised Section 1506, "*Accounting Changes*", Section 1530, "*Comprehensive Income*", Section 3251, "*Equity,* Section 3855 "*Financial Instruments – Recognition and Measurement*"**,** and Section 3861, "*Financial Instruments – Disclosure and Presentation*". The Company's accounting policies are consistent in fiscal year 2008 beginning on June 1, 2008 except as described in Note 4 below.

The Company makes certain estimates and assumptions in accordance with Canadian generally accepted accounting principles ("GAAP") based on information available at the time and best judgments of the management. Actual results could differ from these estimates. The significant accounting policies that the Company believes are the most critical in fully understanding and evaluating the reported financial results include the following:

Patent rights and applications

Patent rights and application costs include the acquisition costs and costs incurred in the filing of patents. Patent rights and applications are amortized on a straight-line basis over the maximum period of ten years from the time of acquisition.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property and equipment

Property and equipment are recorded at cost less accumulated amortization and are amortized over their expected useful lives on the following basis:

Lab equipment	30% declining balance
Office equipment	30% declining balance
Leasehold improvements	Term of the lease

The Company uses the half year rule in the year of acquisition.

Impairment of long-lived assets

The Company reviews the carrying value of its long-lived assets for existence of facts or changes in circumstances that might indicate a condition of impairment. An impairment loss would be recognized when the estimated undiscounted future projected cash flows expected to result from the use of the asset and its eventual disposition is less than the carrying amount. The amount of the impairment loss to be recorded is calculated by the excess of the carrying value over its fair value, with fair value being determined using a discounted cash flow analysis.

Stock-based compensation

The Company uses the fair value method for stock-based compensation granted to employees and non-employees of the Company and all direct awards of stock, in accordance with the CICA Handbook Section 3870 "*Stock-Based Compensation and Other Stock-Based Payments*". The fair value of stock options is determined by the *Black-Scholes Option Pricing Model* with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Company's common shares and an expected life of the options. The fair value of direct awards of stocks is determined by the quoted market price of the Company's stock.

Foreign currency translation

The Company maintains its accounting records in Canadian dollars.

At the transaction date, transactions completed in foreign currencies are translated into Canadian dollars by the use of the exchange rate in effect at that date. Revenues and expenses are translated at the average exchange rate for the year. At the year end, monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the year-end exchange rates. Non-monetary assets and liabilities are translated using historical exchange rates. Exchange gains and losses on translation are included in operations.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Research and development expenses

Research costs are expensed as incurred. Development costs are expensed as incurred unless such development costs meet the criteria under Canadian generally accepted accounting principles for deferral and amortization. Development costs which meet generally accepted criteria for deferral are capitalized and amortized against earnings over the estimated period of benefit. As of February 28, 2009 and 2008, the Company has not deferred any development costs.

Government assistance and other subsidies

Government assistance and other subsidies are recorded as either a reduction of the cost of the applicable assets or credited in the statement of operations as determined by the terms and conditions of the agreement under which the assistance is provided to the Company when there is reasonable assurance that the Company has complied with all conditions necessary to receive the grants and collectibility is reasonably assured.

Earnings (loss) per share

Basic earnings (loss) per share are computed using the weighted average number of common shares outstanding during the year. Diluted earnings (loss) per share is calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury method. The treasury method assumes that proceeds received from the exercise of stock options and warrants are used to repurchase common shares at the prevailing market rate. Diluted loss per share is equal to the basic loss per share as inclusion of common share equivalents securities are anti-dilutives in the periods ended February 28, 2009 and 2008.

Income taxes

Future income taxes are recorded using the liability method. Future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment or enactment occurs. To the extent that the Company does not consider it more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

4. CHANGES IN ACCOUNTING POLICIES

[a] Adoption of new accounting policies

Capital Disclosure

Effective June 1, 2008, the Company adopted the new recommendations of the CICA Handbook Section 1535, "*Capital Disclosure*". This new accounting standard establishes the requirement for disclosing information about an entity's capital and how it managed. Section 1535 requires the disclosure of (i) an entity's objectives, policies, and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirement; and if it has not complied, the consequences of such non-compliance. The adoption of these Handbook Sections had no significant impact on opening deficit.

Section 1535 relates to disclosure and presentation only and has no impact on our financial results for the period ended February 28, 2009.

Financial instruments – Disclosure and Presentation

Effective June 1, 2008, the Company also adopted the new recommendations of the CICA Handbook Section 3862, "*Financial Instruments – Disclosure*"**,** and Section 3863, "*Financial Instruments – Presentation*". These new accounting standards provide enhanced and expanded disclosure requirements to complement the changes in accounting policy adopted on June 1, 2007 in accordance with Section 3855 "*Financial Instruments – Recognition and Measurement*"**,** and Section 3861, "*Financial Instruments – Disclosure and Presentation*".

Section 3862 and Section 3863 relate to disclosure and presentation only and have no impact on our financial results for the period ended February 28, 2009.

[b] New accounting pronouncements

International Financial Reporting Standards

In January 2006, CICA Accounting Standards Board ("AcSB") adopted a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies are expected to converge with International Financial Reporting Standards ("IFRS") for accounting periods commencing on or after January 1, 2011. The Company continues to monitor and assess the impact of convergence of Canadian GAAP and IFRS.

Goodwill and Intangible Assets

In February 2008, the CICA issued Section 3064, "*Goodwill and Intangible Assets*", which replaces Section 3062, "Goodwill and Other Intangible Assets" and Section 3450, "*Research and Development Costs*". Various changes have been made to other sections of the CICA Handbook for consistency purposes. Section 3064 establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets. The new Section will be applicable to the Company's financial statements for its fiscal year beginning June 1, 2009. The Company is currently evaluating the impact of the adoption of this new Section on its financial statements.

(Expressed in Canadian Dollar)

5. CAPITAL DISCLOSURE

The Company manages its capital with the purpose of safeguarding its accumulated capital in order to maintain its ability to continue as a going concern and to advance its research, development and commercialization activities. The capital structure of the Company consists of shareholder's equity and cash and cash equivalents.

The Company manages its capital structure and makes adjustments to it based on economic conditions and the risk characteristics of the underlying assets. The Company, upon approval from its board of directors, will balance its overall capital structure through new shares or debt issuances or by undertaking other activities as deemed appropriate under specific circumstances.

The Company expects that its current capital resources will support its research and development plans and operations into the Summer of 2009. The Company is planning to raise additional funds to finance its operations. The outcome of these matters cannot be predicted at this time.

6. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGMENT

[a] Financial instruments

The Company has classified its financial instruments as following:

Financial Instrument	Classification	Measurement	November 30, 2008	May 31, 2008
Cash and cash equivalents	Held-for-trading	Fair value	$ 1,884,8,812	$ 4,984,241
Other receivables	Loans and receivables	Amortized cost using the effective interest method	70,108	91,040
Accounts payables, accrued liabilities and shareholder loan	Other financial liabilities	Amortized cost using the effective interest method	342,422	1,626,499

As of February 28, 2009, cash and cash equivalents consist of highly liquid government bonds of $1,712,703 (May 31, 2008 - $nil).

Section 3855 requires that the carrying values of Goods & Services tax receivable, prepaid expense, accounts payable and accrued liabilities, and shareholder loan be amortized over their expected life using the effective interest method ("EIM"). Application of the EIM did not result in any significant differences in the Company's amortization and as such the carrying amount is a reasonable approximation of their fair value due to the short term nature of these instruments.

The Company did not have any held-to-maturity or available-for-sale financial instruments, nor did it acquire or hold any financial derivatives during the nine months ended February 28, 2009.

6. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONT'D)

[b] Financial risk management

The Company is exposed to certain financial risks, including credit risk, liquidity risk and market risk.

Credit Risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations and arises principally from the Company's cash and cash equivalents and other receivables. The Company invests its excess cash principally in highly rated Canadian government bonds and money market fund units to limit the credit risk.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company**'s** current capital resources will support its research and development plans and operations into the end of fiscal year 2009. With the approval of the board of directors, the Company is seeking additional funds through equity, debt or partnering transactions to lower the liquidity risk of the Company's financial instruments. The Company's annual operating and capital budgets as well as any material transactions outside the ordinary course of business are subject to the approval of the board of directors.

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or valuation of its financial instruments.

The Company is exposed to the financial risk related to the fluctuation of foreign exchange rates. Foreign currency risk relates to the Company's current business transactions denominated in currencies other than the Canadian dollar, primarily expenses for research and development incurred in US dollars ("USD"). Since the Company pays large portion of research and development expenses in US dollars, it believes that the results of operations, financial position, cash flow and its ability to pay its USD denominated obligations would be affected by a sudden change in foreign exchange rates. As of February 28, 2009, the Company has USD denominated cash and cash equivalents of US$3,471 [2008 - US$1,341]. The Company currently views the relatively small portion of USD denominated cash and cash equivalents bears less foreign exchange risk in this currency.

The Company is subject to interest rate risk on its cash and cash equivalents and believes that the results of operations, financial position and cash flows would not be significantly affected by a sudden change in market interest rates relative to the investment interest rates due to the short term nature of the investments. Excess cash is invested in highly liquid government bonds with yield of 3.378%.

The Company does not invest in equity instruments of other corporations. However, changes in the Company's equity price could impact its ability to raise additional capital.

(Expressed in Canadian Dollar)

7. PROPERTY AND EQUIPMENT

	February 28, 2009			May 31, 2008		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
Lab equipment	$ 67,948	$ 62,115	$ 5,833	$ 67,948	$ 60,568	$ 7,380
Office equipment	58,285	43,628	14,657	58,285	39,771	18,514
	$ 126,233	$ 105,743	$ 20,490	$ 126,233	$ 100,339	$ 25,894

8. PATENT RIGHTS AND APPLICATIONS

	February 28, 2009	May 31, 2008
Patent rights and applications	$ 441,779	$ 426,790
Less: accumulated amortization	(185,257)	(153,082)
	$ 256,522	$ 273,708

It is the Company's policy that it performs reviews of the carrying value of its patent rights and applications on an annual basis. During the year ended May 31, 2008, the Company performed reviews of the carrying value of its patent rights and applications and, as a result, the Company has not written off any book value of the patent rights and applications for the year ended May 31, 2008.

9. DEPOSIT

Deposit consists of a term deposit of $15,819 (2008 - $14,615) held as collateral for the Company's credit card.

10. SHAREHOLDER LOAN

On November 30, 2007, the Company established a loan facility with Canadian Maple Leaf Investment Ltd. (CMLI), a major shareholder of the Company, that committed to provide funding up to $1,000,000 to the Company within a six-month period on "as and required" basis. The Company would pay CMLI interest at a rate of Canadian prime rate plus 2% per annum, calculated daily based on the daily closing balance and to be paid at maturity. On June 23, 2008, the Company repaid the lender the principal amount of $998,000 and interest of $27,521accrued during the loan period.

(Expressed in Canadian Dollar)

11. SHARE CAPITAL

	Number of Shares	Amount
Authorized		
Unlimited number of common shares without par value		
Common shares issued and outstanding:		
Balance as at May 31, 2006 and 2005	28,780,325	$ 5,238,644
Common shares issued in the private placement closed in July 2006, net of share issuance costs and fair value of detached warrants (a)	37,536,000	1,806,586
Common Share issued in the exercise of options in January 2007	105,000	15,898
Balance as at May 31, 2007	66,421,325	$ 7,061,128
Common shares issued in the private placement closed in June 2007, net of share issuance costs (b)	6,666,667	933,158
Common Share issued in the exercise of options (c)	275,000	72,000
Balance as at May 31, 2008	73,362,992	$ 8,066,286
Common shares issued in the private placement closed in June 2008, net of share issuance costs (d)	100,000,000	3,143,000
Balance as at February 28, 2009	173,362,992	$ 11,209,286

a) The Company issued 37,536,000 units comprising common shares at a price of $0.075 per share and 18,768,000 warrants exercisable at $0.20 up to July 12, 2008 in gross proceeds of $2,815,200 less issuing costs of $255,870 in a private placement in July 2006. All the warrants issued in this private placement were expired on July 12, 2008. [Note 14]

b) The Company issued 6,666,667 common shares at a price of $0.15 per share in gross proceeds of $1,000,000 less issuing costs of $66,842 in a private placement in June 2007.

c) 75,000 stock options were exercised at $0.20 on August 2, 2007, and 200,000 stock options were exercised at $0.10 on August 20, 2007.

d) The Company issued 100,000,000 units comprising common shares at a price of $0.05 per share and 50,000,000 warrants exercisable at $0.10 up to June 20, 2010 in gross proceeds of $5,000,000 less issuing costs of $497.000 in a private placement in June 2008. [Note 14]

e) According to the escrow agreements signed in May 2005, a total of 11,045,102 shares were to be released over a 3-year period. As at February 28, 2009, no shares are subject to escrow.

(Expressed in Canadian Dollar)

12. CONTRIBUTED SURPLUS

	Amount
Balance, May 31, 2006	$ 279,088
Stock-based compensation expense [Note 13(b)]	463,546
Warrants issued in private placement in July 2006 [Note 14]	752,744
Exercise of options	(5,398)
Balance, May 31, 2007	$1,489,980
Stock-based compensation expense [Note 13(b)]	12,950
Exercise of options	(37,000)
Balance , May 31, 2008	$1,465,930
Warrants issued in private placement in June 2008 [Note 14]	1,360,000
Stock-based compensation expense [Note 13(b)]	36,201
Balance, February 28, 2009	$2,862,131

13. STOCK OPTIONS

[a] Stock options

On September 26, 2008, the Company granted 4,700,000 stock options at an exercise price of $0.10 for a period of 5 years expiring on September 25, 2013 with graded vesting schedule of 25% on grant date and 25% every 6 month later (2008 – 100,000 exercisable anytime at $0.175 per share for a period of five years from date of grant) to its officers, directors, employees, and consultants.

As of February 28, 2009, outstanding and vested (exercisable) stock options which enable holder purchase the same number of common shares are stated as following:

Number of Outstanding Options	Number of Exercisable Options	Exercise Price	Expiry Date
38,100	38,100	0.22	December 31, 2009
60,000	60,000	0.22	March 15, 2010
166,500	166,500	0.22	May 25, 2010
50,000	50,000	0.23	May 25, 2010
50,000	50,000	0.23	June 1, 2010
200,000	200,000	0.10	January 31, 2011
1,275,000	1,275,000	0.10	May 7, 2011
150,000	150,000	0.15	July 30, 2011
1,650,000	1,650,000	0.10	August 31, 2011
150,000	150,000	0.20	January 30, 2012
765,000	765,000	0.135	January 31, 2012
50,000	50,000	0.175	July 23, 2012
4,600,000	1,150,000	0.10	September 25, 2013
9,204,600	5,754,600		

(Expressed in Canadian Dollar)

13. STOCK OPTIONS (CONT'D)

[a] Stock options (cont'd)

As of February 28, 2009, the weighted average remaining contractual life of the outstanding stock options is 3.51 years, and all the options are currently exercisable at an average price of $0.12.

The following table summarizes the stock option activity under this Plan:

	Number of Options	Weighted Average Exercise Price
Balance , May 31,2006	3,519,600	0.14
Options granted	3,165,000	0.11
Options cancelled	(170,000)	0.11
Options exercised	(105,000)	0.10
Balance, May 31, 2007	6,409,600	0.13
Options granted	100,000	0.175
Options cancelled	(250,000)	0.11
Options exercised	(275,000)	0.13
Balance, May 31, 2008	5,984,600	0.13
Options granted	4,700,000	0.10
Options cancelled	(1,480,000)	0.155
Options outstanding on February 28, 2009	9,204,600	$ 0.11
Options exercisable on February 28, 2009	5,754,600	$ 0.12

[b] Stock-based compensation

The Company has recorded stock-based compensation costs of $36,201 for the nine months period (2008 – $12,950). The offsetting amount is recorded as contributed surplus on the balance sheet [Note 12]. This expense has been allocated to general wages and benefits $22,337 (2008 - $12,950), research and development wage expenses $11,168 (2008 - $nil) and research and development consulting expenses $2,696 (2008 - $nil) on the same base as cash compensation.

The fair value of all options granted has been estimated using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

	Sep 26, 2008	Aug 31, 2007
Risk-free interest rate	3.12%	4.2%
Expected life of options	5 years	5 years
Annualized volatility	215%	107%
Dividend rate	Nil	Nil
Fair value per share	$0.02	$0.13

Option pricing models require the use of highly subjective estimates and assumptions including the expected stock price volatility. Changes in the underlying assumptions can materially affect the fair value estimates and, therefore, in management's opinion existing models do not necessarily provide reliable measure of the fair value of the Company's stock options.

(Expressed in Canadian Dollar)

14. WARRANTS

As of February 28, 2009, 50,000,000 warrants are outstanding. Each warrant entitles the holder to buy one common share at $0.10 up to June 20, 2010. All warrants are expired in the subsequent period.

Warrants outstanding as at May 31, 2008 and 2007	18,768,000
Warrants issued in connection with the private placement in June 2008	50,000,000
Warrants expired	(18,768,000)
Warrants outstanding as at February 28, 2009	**50,000,000**

On June 20, 2008, net proceeds ($4,503,000) of the private placement were allocated between the common shares ($3,143,000) and the warrants ($1,360,000). The allocation was calculated by valuing the common shares and the warrants separately and adjusting the resulting amounts on a pro-rata basis so that the sum of the components is equal to the amount of cash received. The fair value of the common shares was assumed to be equal to the market share price multiplied by the number of common shares issued (100,000,000) in this private placement. The estimated fair value of warrants at $1,360,000 was recorded as contributed surplus on the balance sheet [note 12].

The assumptions used in the calculation of the fair value of the warrants (using the Black-Scholes Option Pricing Model) were:

Risk-free interest rate	3.524%
Expected life of warrants	2 years
Annualized volatility	107%
Dividend rate	$Nil

(Expressed in Canadian Dollar)

15. RESEARCH AND DEVELOPMENT EXPENSES

	Three Month Period Ended February 28, 2009	Three Month Period Ended February 28, 2008	**Nine Month Period Ended February 28, 2009**	Nine Month Period Ended February 28, 2008
Subcontractors, supplies and materials	**$ 278,787**	$ 334,331	**$ 638,674**	$ 999,921
Wages and benefits [Note 13(b)]	**134,912**	107,612	**366,864**	318,717
	$ 413,699	$ 441,943	**$ 1,005,538**	$ 1,318,638
Less:				
Government assistance and other subsidies [Note 16]	**$ (57,613)**	$ -	**$ (117,325)**	$ (133,975)
	$ 356,087	$ 441,943	**$ 888,213**	$ 1,184,663

16. GOVERNMENT ASSISTANCE AND OTHER SUBSIDIES

Under an agreement through the Industrial Research Assistance Program ("IRAP"), the National Research Council of Canada ("NRC") agreed to reimburse certain of the Company's allowable direct expenditures on the evaluation of anti-cancer agents on a cost matching basis. The Company was awarded a financial contribution of up to $460,693 covering period from year 2006 to year 2009 by NRC – IRAP for research and development of its novel anti-cancer compound, WBI-2100. On April 1, 2009 the Company was awarded an additional $93,333 for the period of 2009 to 2010. The Company received NRC-IRAP grant totalling $227,800 for the period from June 1 2007 to February 28 2009.

17. SEGMENTED INFORMATION

The Company primarily operates in one reportable operating segment, being the research and development of pharmaceutical products, in Canada.

18. COMMITMENTS

The Company leases lab and office space and is committed to future minimum lease payments as follows:

2008/09	20,256
2009/10	67,520
	$ 87,776

The Company is also committed to paying its share of operating costs in connection with its lab and office space.

18. COMMITMENTS (CONT'D)

In addition, the Company has signed agreements and contracts with various contract research organizations (CROs) related to its different research and development projects and will be obliged to pay $1,519,941 to the CROs when all the work is completed.

19. SUBSEQUENT EVENTS

On April 6th, 2009 the shareholders of the Company approved to consolidate all of the issued and outstanding Common Shares on the basis of one post-consolidation Common Share for every ten pre-consolidation Common Shares. Each option, warrant, or other securities of the Company convertible into pre-consolidation Common Shares that have not been exercised or cancelled prior to the implementation of the Share Consolidation will be adjusted pursuant to the terms thereof on the basis of one post-consolidation Common Share for every ten pre-consolidation Common Shares (i.e. the number of Common Shares issuable will decrease while the exercise price will increase). The actual consolidation time is still pending on management decision.

20. RELATED PARTY TRANSACTIONS

In addition to related party transactions disclosed elsewhere in the financial statements, the Company paid $52,512 (2008 Q3 - $36,042) in wages and $4,000 (2008 Q3 – $4,250) in directors' fees to its former and current officers and directors during this 3 month period.

21. TECHNOLOGY TRANSFER AGREEMENTS

In September 2004, the Company entered into a Technology Transfer Agreement (the "Agreement") with Celestial Pharmaceuticals (Shenzen) Ltd. ("CPL"), a company located in the People's Republic of China (the "PRC"). Pursuant to the Agreement, the Company transferred and assigned its rights to certain of its proprietary technologies ("Transferred Technologies") to CPL on a royalty-free basis to use, develop, improve and upgrade the Transferred Technologies, and to distribute, market and sell products derived or manufactured from the Transferred Technologies in the PRC, Hong Kong, Macau and Taiwan. CPL also subscribed 4,545,455 common shares of the Company for $1,500,000.

In December 2005, Welichem licensed and assigned to CPL all its rights to develop, improve, upgrade, manufacture, distribute, and market, in and limited to Australia and Asia, of Welichem proprietary technology known as Novel Macrolide compounds with Antibiotic and Anti-neoplastic properties, in exchange for rights and licence granted to the Company with no additional cost for royalty-free use, development, improvement, upgrading, marketing and distribution worldwide of CPL's proprietary cream formulation known as CPL-1001. In addition, the Company has access to Celestial's research data on any drug compounds related to the Company's patents.