



ALDA Pharmaceuticals Corp.

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**CONSOLIDATED
FINANCIAL STATEMENTS**

For the years ended
June 30, 2009 and 2008



Cinnamon Jang Willoughby & Company

Chartered Accountants

A Partnership of Incorporated Professionals

AUDITORS' REPORT

To the Shareholders of **Alda Pharmaceuticals Corp:**

We have audited the consolidated balance sheets of Alda Pharmaceuticals Corp. as at June 30, 2009 and 2008 and the consolidated statements of loss and deficit, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at June 30, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

/s/ "Cinnamon Jang Willoughby & Company"

Chartered Accountants

Burnaby, BC, Canada
October 21, 2009

Comments by Independent Registered Chartered Accountants for U.S Readers on Canada-United States of America Reporting Differences

In the United States, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when there are differences in accounting principles that have a material effect on the comparability of the Company's financial statements, such as the changes described in Note 19 to the financial statements. Our report to the shareholders dated October 21, 2009 is expressed in accordance with Canadian reporting standards which do not require a reference to such differences in accounting principles in the auditors' report when the changes are properly accounted for and adequately disclosed in the financial statements.

/s/ "Cinnamon Jang Willoughby & Company"

Chartered Accountants

Burnaby, BC, Canada
October 21, 2009

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ALDA PHARMACEUTICALS CORP.
CONSOLIDATED BALANCE SHEETS
AS AT JUNE 30

EXPRESSED IN CANADIAN DOLLARS

2009

2008

ASSETS		
Current Assets		
Cash and Equivalents	\$ 25,977	\$ 341,050
Short Term Investments (Note 4)	1,584,929	2,105,318
Accounts Receivable	53,469	43,166
Inventory (Note 5)	61,834	10,443
Prepaid Expenses and Others	51,198	28,191
	1,777,407	2,528,168
Furniture and Equipment (Note 6)	4,691	5,807
	\$ 1,782,098	\$ 2,533,975

LIABILITIES		
Current Liabilities		
Accounts Payable and Accrued Liabilities	\$ 56,215	\$ 57,921

SHAREHOLDERS' DEFICIT		
Share Capital (Note 7(a))	5,842,389	5,524,289
Subscriptions Receivables (Note 8)	(113,000)	-
Contributed Surplus – Warrants (Note 7(d))	447,532	447,532
Contributed Surplus – Options (Note 7(e))	1,273,497	1,045,759
Deficit	(5,724,535)	(4,541,526)
	1,725,883	2,476,054
	\$ 1,782,098	\$ 2,533,975

Commitments (Note 10)
Subsequent events (Note 15)

*See accompanying notes to the consolidated financial statements

On Behalf of the Board of Directors

“Terrance Owen” Director

“Peter Chen” Director

ALDA PHARMACEUTICALS CORP.**CONSOLIDATED STATEMENTS OF LOSS AND
COMPREHENSIVE LOSS AND DEFICIT
FOR THE YEARS ENDED JUNE 30**

EXPRESSED IN CANADIAN DOLLARS	2009	2008	2007
Sales (Note 9)	\$ 282,261	\$ 249,042	256,243
Cost of Sales	(224,687)	(157,234)	(165,920)
Gross Profit	57,574	91,808	90,323
Interest Income	76,181	38,740	-
General & Administration Expenses			
Advertising and Promotion	16,144	21,603	12,766
Amortization – Furniture and Equipment	1,955	2,095	8350
– Patent Application and Development Costs	-	4,791	2131
– Intangible Assets	-	5,800	5,800
Conference	10,563	1,891	20
Consulting and Management Fees (Note 7(b) for stock-based compensation)	567,144	1,004,660	308,600
Due Diligence	-	10,000	24,570
Dues and Filing Fees	31,794	44,626	-
Interest and Bank Charges	2,018	2,344	2,714
Investor Relations	132,103	124,065	65,039
Legal and Accounting	72,537	89,723	53,697
Office and Miscellaneous	47,940	35,797	24,008
Product Registration & Development	189,556	375,807	-
Rent	26,320	24,737	28,370
Travel	8,744	17,905	10,259
Wages and Benefits	209,946	302,439	116,633
Total General & Administration Expenses	1,316,764	2,068,283	(572,635)
Net Gain on Legal Settlement (Note 17)	-	-	10,545
Loss and Comprehensive Loss for the Year	(1,183,009)	(1,937,735)	(562,090)
Deficit, Beginning of Year	(4,541,526)	(2,603,791)	(2,041,701)
Deficit, End of Year	\$ (5,724,535)	\$ (4,541,526)	\$ (2,603,791)
Basic Loss Per Share	0.02	0.05	0.02
Diluted Loss Per Share	0.02	0.05	0.02
Weighted Average of Shares Outstanding	49,904,566	42,605,353	22,582,026

*See accompanying notes to the consolidated financial statements

ALDA PHARMACEUTICALS CORP.

**CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30**

EXPRESSED IN CANADIAN DOLLARS	2009	2008	2007
Operating Activities:			
Loss and Comprehensive Loss for the Year	\$ (1,183,009)	\$ (1,937,735)	\$ (562,090)
Items Not Involving Cash			
Amortization – Furniture and Equipment	1,955	2,095	8,350
– Patent Application and Development Costs	-	4,791	2,131
– Intangible Assets	-	5,800	5,800
Stock-Based Compensation	336,838	903,565	148,100
Impairment Loss – Patent Application and Development Costs	-	86,238	-
– Intangible Assets	-	104,400	-
	<u>(844,216)</u>	<u>(830,846)</u>	<u>(397,709)</u>
Changes in Non-Cash Working Capital Items			
Decrease/ (Increase) in Accounts Receivable	(10,303)	(18,269)	4,159
Decrease/ (Increase) in Inventory	(51,391)	9,473	11,364
Decrease/ (Increase) in Prepaid Expenses and Others	(23,007)	(20,733)	(3,601)
(Decrease)/ Increase in Accounts Payable and Accrued Liabilities	(1,706)	(16,347)	14,764
	<u>(930,623)</u>	<u>(876,722)</u>	<u>(371,023)</u>
Investing Activities:			
Patent Application and Development Costs	-	(50,543)	(42,617)
Purchase of Furniture and Equipment	(839)	(6,419)	(1,633)
Decrease/ (Increase) in Short Term Investments	520,389	(2,105,318)	-
	<u>(519,550)</u>	<u>(2,162,280)</u>	<u>(44,250)</u>
Financing Activities:			
Net Proceeds on Issuance of Shares	-	1,038,725	546,720
Net Proceeds on Exercise of Warrants and Options	96,000	1,985,200	196,200
	<u>96,000</u>	<u>3,023,925</u>	<u>742,920</u>
Increase/ (Decrease) in Cash and Equivalents	(315,073)	(15,077)	327,647
Cash and Equivalents, Beginning of Year	341,050	356,127	28,480
Cash and Equivalents, End of Year	<u>\$ 25,977</u>	<u>\$ 341,050</u>	<u>\$ 356,127</u>

*See accompanying notes to the consolidated financial statements

Supplementary cash flow information (Note 13)

ALDA PHARMACEUTICALS CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

1. NATURE OF OPERATIONS AND GOING CONCERN

ALDA Pharmaceuticals Corp. (the “Company”) was incorporated under the Company Act of British Columbia on May 30, 2000 and was classified as a Capital Pool Company as defined by the policies of the TSX Venture Exchange (the “Exchange”). The Company completed its required Qualifying Transaction on November 13, 2003, at which point it ceased to be a Capital Pool Company, and its shares resumed trading on the Exchange effective November 19, 2003.

The Company’s main business activity is the development, production and marketing of infection control agent products, principally a product marketed as “T³6[®]”. Effective November 26, 2003, the name of the Company was changed from Duft Biotech Capital Ltd. to ALDA Pharmaceuticals Corp.

These consolidated financial statements have been prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. During the years ended June 30, 2009, and 2008, the Company experienced operating losses and negative operating cash flows, operations of the Company having been funded by the issuance of share capital. Continued operations are dependent on the Company’s ability to complete public equity financing or generate profitable operations in the future.

	2009	2008
	\$	\$
Deficit	(5,724,535)	(4,541,526)
Working capital	1,721,192	2,470,247

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of presentation

The Company prepares its financial statements in accordance with Canadian generally accepted accounting principles. These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Sirona Therapeutics Corp. (“Sirona”). The name of the subsidiary was changed on January 10, 2006 from ALDA Institute For Preventative Health Care Inc. Sirona is an inactive company, the shares of which were acquired pursuant to an asset purchase agreement. All significant inter-company balances and transactions have been eliminated on consolidation.

b) Cash and equivalents

Cash and equivalents include cash and highly liquid market instruments with original terms to maturity of less than ninety days at the time of acquisition.

c) Accounts receivable

Accounts receivable is presented net of allowance for doubtful accounts. The allowance for doubtful accounts reflects estimates of probable losses in accounts receivable. The allowance is determined based on balances outstanding for over 90 days from the invoice date, historical experience and other current information. The Company extends credit to customers and distributors; credit checks are required for all new distributors.

ALDA PHARMACEUTICALS CORP.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Inventory

Inventory is comprised of finished goods and related raw materials. Finished goods are reported at the lesser of cost and estimated net realizable value. Raw materials are reported at the lesser of cost and replacement cost. Inventory is determined using the first in, first out cost flow assumption.

e) Furniture and equipment

Furniture and equipment is recorded at cost and is amortized using the following annual rates:

Furniture and fixtures	20% Straight line
Computer equipment	30% Straight line
Computer software	30% Straight line

For the year of acquisition, the rate is one-half of the above.

f) Impairment of long-lived assets

The Company reviews for impairment of long-lived assets, including patent application and development costs, intangible assets, and furniture and equipment, on an annual basis or whenever circumstances indicate that the carrying amount of an asset may not be recoverable from expected future cash flows. The assessment of recoverability is made based on projected undiscounted future net cash flows that are directly associated with the asset's use and eventual disposition. The amount of the impairment loss, if any, is measured as the amount by which the carrying amount of the asset exceeds its fair value, which is measured by discounted cash flows when quoted market prices are not available.

g) Patent application and development costs

Patent application and development costs include expenditures attributable to efforts by the Company to research and develop and bring to commercial production a new product, as well as to acquire legal protections for its proprietary products, such as trademarks and patents. Research costs are expensed in the period in which they are incurred. Development costs are charged as an expense in the period incurred except in circumstances where the market and technical feasibility of the product have been established, recovery of these costs can reasonably be regarded as assured, and future values can be realized, in which case such costs are capitalized. In the latter case, patent application and development costs are amortized on a systematic basis over the patent life of 20 years.

h) Intangible assets

The carrying values of intangible assets which are determined to have a finite useful life are amortized on a systematic basis over the useful life of 20 years. Intangible assets are subject to an impairment test on an annual basis, based on a comparison of the fair value of the intangible asset to its carrying value. The carrying value is adjusted for impairment as necessary and any excess of the carrying amount over the fair value of the intangible asset is charged to earnings in the period occurred.

ALDA PHARMACEUTICALS CORP.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

i) Revenue recognition

The revenue of the Company is primarily derived from the sale of the Company's T³6[®] product. Revenue is recognized at the time of shipment, at which point risks and rewards over ownership and title of transfer have passed to the customer. At the point of sale, the Company assesses whether collection of the amount billed to the customer is reasonably assured. If collection of the amount is not reasonably assured, the Company defers recognizing revenue until such point as collection is reasonably assured, usually upon receipt of payment. If the customer is not known to the Company, payment in advance is required and the revenue is recognized when the products are shipped. Revenue is recognized net of any expected sales return. Under the Company's current policy, returns of products are not allowed unless damaged products or the wrong products have been shipped by the Company.

j) Income taxes

Income taxes are recorded using the asset and liability method whereby 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 and operating loss carry forwards. Future tax assets and liabilities are measured using enacted or 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 year 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 or portion thereof will be recovered, a valuation allowance is recorded.

k) Stock-based compensation

The Company applies the fair value method of accounting for stock options. Under this method, fair value of options granted is determined using the Black-Scholes option pricing model and is recorded as stock-based compensation expense over the award's vesting period, with an offsetting amount recorded to contributed surplus. The amount is transferred from contributed surplus to share capital upon exercise of the option.

l) Share purchase warrants

The Company applies the fair value method of accounting for share purchase warrants. Under this method, proceeds received on issuance of units consisting of shares and warrants are allocated between contributed surplus and share capital based on their relative fair values, whereby the fair value of warrants is determined using the Black-Scholes option pricing model. The value of the warrants is transferred from contributed surplus to share capital upon exercise of the warrant.

ALDA PHARMACEUTICALS CORP.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

m) Basis and diluted loss per share

Loss per share is calculated based on the weighted average number of common shares outstanding during the reported period. Basic loss per share is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding in the year.

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method, the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year.

n) Measurement uncertainty

The preparation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the reported amount of revenues and expenses during the period. Areas requiring significant management estimates include stock based compensation expense, valuation of share purchase warrants, and valuation of accounts receivables. Actual results could differ from these estimates.

o) Foreign Exchange

Assets and liabilities in U.S. dollars have been converted into Canadian dollars using the rate of exchange prevailing at June 30, 2009. Revenue and expenses were translated at the rate of exchange prevailing when the transactions were settled.

p) Comprehensive income

Section 1530 – Comprehensive Income – This section established standards for reporting and presentation of a statement of comprehensive income. Comprehensive income includes net earnings and other comprehensive income. Other comprehensive income is defined as the change in equity from transactions and other events from non owner sources. Other comprehensive income includes holding gains and losses on certain derivative instruments that are classified as available-for-sale, and gains or losses due to the change in foreign currency relating to self-sustaining foreign operations, all of which are not recognized in net earnings until realized.

Section 3251 – Equity – In addition to Section 1530 (Comprehensive Income), this section establishes standards for the presentation of equity and changes in equity during the reporting period.

q) Financial Instruments

Section 3855 – Financial Instruments – Recognition and Measurement – This section established standards for recognizing and measuring financial instruments in the balance sheets and specifying how unrealized or realized gains and losses are to be presented during the reporting period. In accordance with the new accounting standard, all financial assets and financial liabilities are measured at fair value on initial recognition except for certain related party transactions.

ALDA PHARMACEUTICALS CORP.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments have been classified as held-to-maturity, available-for-sale, held for trading, loans and receivables, or other financial liabilities. Financial assets that are held to maturity, other than those held for trading, are measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income until realized, at which time realized gains and losses will be recognized in net income. Held for trading instruments are measured at fair value with unrealized gains and losses recognized in the results of operations in the period in which they arise. Loans and receivables are measured at amortized cost using the effective interest method. Any gains or losses on the realization of loans and receivables are included in earnings. Financial liabilities that are not classified as held to maturity are classified as other financial liabilities, and are carried at amortized costs using the effective interest method. Any gains and losses on realization of other financial liabilities are included in earnings. Any transaction costs incurred to acquire financial instruments will be included in earnings.

The Company's financial instruments consist of cash and equivalents, accounts receivable, prepaids and accounts payable and accrued liabilities. The fair value of these instruments approximates the carrying amounts due to the immediate or short-term maturity of these financial instruments. The Company has made the following classifications:

Cash and equivalents	Held for trading
Short term investments	Held for trading
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities

r) Financial Instruments Disclosures and Presentation

Section 3862 – Financial Instruments – Disclosures and Section 3863 – Financial Instruments – Presentation - These sections revised and enhance the disclosure requirements while carrying forward its presentation requirements. These new sections will place increased emphasis on disclosures about the nature and extent of risks associated with both recognized and unrecognized financial instruments, how the entity manages the risks, and the exposure to liquidity, currency and other price risks.

It is management's opinion that the Company is not exposed to significant interest, currency, credit, and liquidity risk arising from these financial instruments. The Company has transactions denominated in US dollars but exposure to currency risk is immaterial. The Company mitigates its exposure to credit risk by maintaining its primary operating accounts with chartered banks in Canada and constantly monitoring the credit standing of counterparties. The Company manages its liquidity risk through the management of its capital as described in note 13. The Company does not use financial derivatives.

s) Hedges

Section 3865 – Hedges – This section establishes standards for the Company that chooses to designate qualifying transactions as hedges for accounting purposes. This section builds on Accounting Guideline AcG-13, "Hedging Relationships," and Section 1650, "Foreign Currency Translation". The Company does not use hedge accounting and has no hedging relationships.

ALDA PHARMACEUTICALS CORP.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

t) Capital disclosures

Section 1535, “Capital Disclosures” – This section establishes standards for disclosing information about an entity’s capital and how it is managed. It requires the disclosure of the entity’s objectives, policies and processes for managing capital as well as summary quantitative data on the elements included in the management of capital. Please refer to note 13 for the company’s capital disclosures note.

u) Inventory

Section 3031 – “Inventories” – This section establishes standards for measuring the inventories. The new standards require that the inventories shall be measured at the lower of cost and the net realizable value. This section provides guidelines on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value and reversal of a previous write-down when the value of inventories is evidently increased due to the change in economic circumstances. The use of last-in, first-out method (LIFO) in measuring inventories is not recommended. This section applies to the company’s annual financial statements for its fiscal year beginning July 1, 2008. The adoption of this new section has not materially impacted the financial statements.

3. RECENT ACCOUNTING PRONOUNCEMENTS

In February 2008, the CICA issued Handbook Section 3064, “Goodwill and Intangible Assets”, effective for interim and annual periods beginning on or after Oct 1, 2008. Section 3064, which replaces Section 3062, “Goodwill and Other Intangible Assets”, and Section 3450, “Research and Development Costs”, establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets. The provisions relating the definition and initial recognition of intangible assets, including internally generated intangible assets, are equivalent to the corresponding provisions of International Financial Reporting Standards (“IFRS”) IAS 38, “Intangible Assets”. This new standard is effective for the Company’s interim and annual financial statements commencing July 1, 2009. The Company is assessing the impact of the new standard on its financial statements.

As announced by the Canadian Accounting Standards Board (“AcSB”), the financial reporting requirements for Canadian companies will be changed to the use of International Financial Reporting Standards (“IFRS”), replacing Canada’s own GAAP. The changeover date for publicly-listed companies is 2011. The Company has begun reviewing its plan for adopting IFRS for 2011. At this time, the Company has not yet determined the financial reporting impact due to the change in new reporting standards.

In January 2009, the CICA issued Section 1582, “Business Combinations”, which replaces former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method for business combination and related disclosures. The Section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011 with earlier adoption permitted. The Company is currently evaluating the impact of this standard on its financial statements.

ALDA PHARMACEUTICALS CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

3. RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED):

In January 2009, the CICA issued Handbook Section 1601, "Consolidated Financial Statements", which replaces the existing standard. This Section carries forward existing Canadian guidance for preparing consolidated financial statements other than non-controlling interests. The Section is effective for interim and annual financial statements beginning on January 1, 2011 and earlier adoption is permitted. The Company is currently evaluating the impact of adopting this standard on its consolidated financial statements.

In January 2009, the CICA issued Section 1602, "Non-controlling Interests", which replaces existing guidance. Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards are effective on or after the beginning of the first annual reporting period on or after January 1, 2011 with earlier adoption permitted. As of June 30, 2009 the Company has no non-controlling interests, and accordingly there is no currently expected impact as a result of the standard.

In June 2009, the CICA amended Handbook Section 3855, "Financial Instruments - Recognition and Measurement", to clarify the application of the effective interest method after a debt instrument has been impaired. The Section has also been amended to clarify when an embedded prepayment option is separated from its host instrument for accounting purposes. The amendments apply to interim and annual financial statements relating to fiscal years beginning on or after May 1, 2009 for the amendments relating to the effective interest method and January 1, 2011 for the amendment relating to embedded prepayment options. The Company is currently evaluating the impact of the amendments.

4. SHORT TERM INVESTMENTS

Short term investments consists of highly liquid investments held in the Company's investment account, having maturity of 12 months or less and are readily convertible to cash.

5. INVENTORY

Inventory consists of the following:

	2009	2008
Finished goods	\$ 25,607	\$ 8,392
Raw materials	36,227	2,051
	<u>\$ 61,834</u>	<u>\$ 10,443</u>

6. FURNITURE AND EQUIPMENT

Furniture and equipment consist of the following:

	Cost	Accumulated Amortization	2009 Net	2008 Net
Furniture and Fixtures	\$ 7,683	\$ 7,683	\$ -	\$ -
Computer Equipment	31,374	26,683	4,691	5,807
	<u>\$ 39,057</u>	<u>\$ 34,366</u>	<u>\$ 4,691</u>	<u>\$ 5,807</u>

ALDA PHARMACEUTICALS CORP.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

7. SHAREHOLDERS' EQUITY

a) Share Capital

Authorized:
Unlimited common shares without par value

Effective August 19, 2005, the authorized share capital of the Company was increased to an unlimited number of common shares without par value.

	Number of Shares	Share Capital	Contributed Surplus Warrants	Contributed Surplus Options
Balance, July 1, 2006	20,800,404	\$1,969,562	\$ 163,413	\$ 41,094
Issued during the year				
Private Placement	9,430,000	467,480	404,020	-
Finders' Fees	-	(6,180)	-	-
Warrant Exercised	1,062,000	120,006	(13,806)	-
Options Exercised	900,000	108,000	-	(18,000)
Options cancelled	-	-	-	(3,000)
Stock-based compensation	-	-	-	151,000
Balance, June 30, 2007	32,192,404	\$ 2,658,868	\$ 553,627	\$ 171,194
Issued during the year:				
For cash				
Private placements	5,500,000	485,945	279,052	-
Exercise of warrants	11,086,500	2,303,349	(385,147)	-
Exercise of options	650,000	96,000	-	(29,000)
Share issuance costs	-	(13,573)	-	-
Finder's fees	82,895	(6,300)	-	-
Stock-based compensation	-	-	-	903,565
Balance, June 30, 2008	49,511,799	\$ 5,524,289	\$ 447,532	\$ 1,045,759
Issued during the year:				
For cash				
Exercise of options	1,830,000	318,100	-	(109,100)
Stock-based compensation	-	-	-	336,838
Balance, June 30, 2009	51,341,799	\$ 5,842,389	\$ 447,532	\$ 1,273,497

- i) On September 13, 2006, the Company completed a private placement of 1,430,000 units of the Company at a price of \$0.05 per unit for gross proceeds of \$71,500. Each unit consists of one common share of the Company and one share purchase warrant, each warrant entitling the holder to purchase one common share at a price of \$0.10 per share for a period of 12 months following the closing date.

ALDA PHARMACEUTICALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

7. SHAREHOLDERS' EQUITY (CONTINUED)

- ii) On June 7, 2007, the Company completed a private placement of 8,000,000 units of the Company at a price of \$0.10 per unit for gross proceeds of \$800,000. Each unit consists of one common share of the Company and one share purchase warrant. Each warrant entitles the holder to acquire one additional common share at a price of \$0.20 per share until June 7, 2008 and, thereafter at a price of \$0.30 per share until June 7, 2009. Finders' fees in the amount of \$6,180 were charged against the share capital in connection with the private placement.
- iii) During the year ended June 30, 2007, 900,000 options and 1,062,000 warrants were exercised by the holders at a price of \$0.10 per unit for gross proceeds of \$196,200. Option values of \$18,000 previously recorded in contributed surplus for options were credited to share capital.
- iv) On August 14, 2007, the Company completed a private placement of 2,000,000 units of the Company at a price of \$0.12 per unit for gross proceeds of \$240,000. Each unit consists of one common share of the Company and one share purchase warrant. Each warrant entitles the holder to acquire one additional common share at a price of \$0.24 per share until August 13, 2008 and, thereafter at a price of \$0.36 per share until August 13, 2009. Finders' fees and legal fees in the amount of \$13,920 were charged against share capital in connection with the private placement. Warrants were valued at \$90,108.
- v) On November 22, 2007, the Company completed a private placement of 3,500,000 units of the Company at a price of \$0.15 per unit for gross proceeds of \$525,000. Each unit consists of one common share of the Company and one share purchase warrant. Each warrant entitles the holder to acquire one additional common share at a price of \$0.30 per share until November 22, 2008 and, thereafter at a price of \$0.45 per share until November 22, 2009. 5% finder's fee in the amount of \$15,750 was to satisfied by the delivery of 82,895 common shares of the Company at a deemed price per share of \$0.19. Legal fees in the amount of \$5,953 were charged against share capital in connection with the private placement. Warrants were valued at \$188,943.
- vi) During the year ended June 30, 2008, 650,000 options and 11,086,500 warrants were exercised by the holders at an exercise price range of \$0.10 to \$0.11 per option for total gross proceeds of \$67,000 and at an exercise price range of \$0.10 to \$0.30 per warrant for total gross proceeds of 1,918,200. Options value of \$29,000 and warrants value of \$385,147 previously recorded in contributed surplus for options and warrants were credited to share capital, respectively.
- vii) During the year ended June 30, 2009, 1,830,000 options were exercised by the holders at an exercise price range of \$0.10 to \$0.12 per option for total gross proceeds of \$209,000, \$113,000 of which had not been received and remained outstanding as at June 30, 2009. Options value of \$109,100 previously recorded in contributed surplus for options were credited to share capital.

ALDA PHARMACEUTICALS CORP.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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7. SHAREHOLDERS' EQUITY (CONTINUED)

b) Stock options

The Company has adopted an incentive share purchase option plan under the rules of the TSX Venture Exchange pursuant to which it is authorized to grant options to executive officers, directors, employees and consultants, enabling them to acquire up to 10% of the issued and outstanding common shares of the Company. The options can be granted for a maximum term of 5 years and generally vest either immediately or in specified increments of 25%. No individual may hold options to purchase common shares of the Company exceeding 5% of the total number of common shares outstanding from time to time. Pursuant to the policies of the TSX Venture Exchange, shares issued on exercise of options are restricted from trading during the four month period subsequent to the date of grant.

A summary of the Company's stock options and changes during each year is presented below:

	Year Ended June 30, 2009		Year Ended June 30, 2008		Year Ended June 30, 2007	
	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
Outstanding, beginning of the year	4,800,000	\$ 0.42	2,480,000	\$ 0.11	537,647	\$ 0.19
Granted during year						
-consulting/officers	900,000	0.24	1,870,000	0.62	2,130,000	0.10
-directors	800,000	0.24	500,000	0.62	1,050,000	0.11
-employees	250,000	0.24	200,000	0.65	350,000	0.10
-investor relations	200,000	0.24	400,000	0.58	-	-
Exercised during year	(1,830,000)	0.12	(650,000)	0.10	(1,587,647)	0.13
Outstanding, end of year	5,120,000	\$ 0.45	4,800,000	\$ 0.42	2,480,000	\$ 0.11

The following table summarizes information about stock options outstanding at June 30, 2009:

Number of Shares	Exercise Price	Expiry Date	Number Exercisable	Exercise Price
550,000	\$ 0.20	October 31, 2013	525,000	\$ 0.20
1,600,000	\$ 0.25	June 4, 2014	1,450,000	\$ 0.25
1,820,000	\$ 0.50	December 7, 2010	1,767,925	\$ 0.50
1,150,000	\$ 0.80	May 2, 2011	1,150,000	\$ 0.80
5,120,000	\$ 0.45		4,895,925	\$ 0.46

- (i) During the year ended June 30, 2007, the Company granted options to acquire 730,000 common shares of the Company to certain consultants and scientific advisors for their services provided to the Company. These options have an exercise price of \$0.10 per share. 430,000 of these options have an exercisable period of two years from the date of grant; the remaining 300,000 options have an exercisable period of five years from the date of grant. 530,000 options vested immediately. The remaining options are subject to other performance criteria. The options to acquire 430,000 common shares of the Company have an estimated fair value of \$0.02 per share (\$8,600) and the options to acquire 300,000 common shares of the Company have an estimated fair value of \$0.04 per share (\$12,000). \$12,600 was recognized.

ALDA PHARMACEUTICALS CORP.
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7. SHAREHOLDERS' EQUITY (CONTINUED)

- (ii) During the year ended June 30, 2007, the Company granted options to acquire 1,150,000 common shares of the Company to employees, directors and senior officers. The options have an exercise price of \$0.10 with an exercisable term of two years from the date of the grant. All options vested immediately with an estimated fair value of \$0.02 per share resulting in \$23,000 in stock based compensation expense being recognized.
- (iii) During the year ended June 30, 2007, options granted to an employee to acquire 150,000 common shares of the Company were cancelled due to the employee's departure. The related expense of \$3,000 (\$0.02 per share), previously booked in wages and benefits in the Statement of Operations, was reversed and charged against the contributed surplus.
- (iv) During the year ended June 30, 2007, the Company granted options to acquire 500,000 common shares of the Company to employees and directors. The options have an exercise price of \$0.11 with an exercisable term of two years from the date of the grant. All options vested immediately with an estimated fair value of \$0.07 per share resulting in \$35,000 in stock based compensation expense being recognized.
- (v) During the year ended June 30, 2007, the Company granted options to acquire 1,150,000 common shares of the Company to directors, consultants and officers. The options have an exercise price of \$0.12 with an exercisable term of two years from the date of grant. All options vested immediately with an estimated fair value of \$0.07 per share resulting in \$80,500 in stock based compensation expense being recognized.

ALDA PHARMACEUTICALS CORP.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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7. SHAREHOLDERS' EQUITY (CONTINUED)

- (vi) On December 12, 2007, the Company granted options to acquire 1,820,000 common shares of the Company to directors, consultants, officers, employees and investor relations. The options have an exercise price of \$0.50 with an exercisable term of three years expiring December 7, 2010. 1,270,000 options vested immediately with an estimated fair value of \$0.26 per share resulting \$333,404 in stock based compensation expense being recognized. 550,000 options shall be vested in equal quarterly installments over a period of 12 to 24 months from the date of grant.
- (vii) On May 2, 2008, the Company granted options to acquire 1,150,000 common shares of the Company to directors, consultants, officers, employees and investor relations. The options have an exercise price of \$0.80 with an exercisable term of three years expiring May 2, 2011. 1,050,000 options vested immediately with an estimated fair value of \$0.47 per share resulting \$489,234 in stock based compensation expense being recognized. 100,000 options shall be vested in equal quarterly installments over a period of 12 months from the date of grant.
- (viii) On October 31, 2008, the Company granted options to acquire 550,000 common shares of the Company to directors, consultants, officers, employees and investor relations. The options have an exercise price of \$0.20 with an exercisable term of five years expiring on October 31, 2013. 550,000 options vested immediately with an estimated fair value of \$0.09 per share resulting \$48,743 in stock based compensation expense being recognized. 50,000 options shall be vested in equal quarterly installments over a period of 12 months from the date of grant.
- (ix) On June 5, 2009, the Company granted options to acquire 1,600,000 common shares of the Company to directors, consultants, officers, employees and investor relations. The options have an exercise of \$0.25 with an exercisable term of five years expiring on June 4, 2014. 1,450,000 options vested immediately with an estimate fair value of \$0.13 per share resulting \$185,853 in stock based compensation expense being recognized. 150,000 options shall be vested in equal quarterly installments over a period of 12 months from the date of grant.

ALDA PHARMACEUTICALS CORP.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

7. SHAREHOLDERS' EQUITY (CONTINUED)

b) Stock options (Continued)

- (x) During the year ended June 30, 2009, 1,830,000 options were exercised by the holders at an exercise price range of \$0.10 - \$0.12 for total gross proceeds of \$209,000. Options value of \$109,100 previously recorded in contributed surplus for options were credited to share capital.

Stock-based compensation expense is presented in the Statement of Operations and Deficit as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Consulting/Officers	\$ 138,284	\$ 605,068	\$ 83,600
Investor Relations	73,859	53,707	
			2,000
Wages and Benefits	124,695	244,790	
			62,500
Total Stock-Based Compensation	<u>\$ 336,838</u>	<u>\$ 903,565</u>	<u>\$148,100</u>

The fair value of each option was estimated as at the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Dividend yield	0%	0%	0%
Expected volatility	116.8 - 119.9%	112.3- 116.8%	128.90%
Risk free interest rate	1.20 - 2.22 %	2.78-3.70%	
Expected average option term	2 years	2 years	4.19% 2.25 years

c) Warrants

The Company has issued warrants entitling the holders to acquire common shares of the Company. A summary of changes in unexercised warrants is presented below:

ALDA PHARMACEUTICALS CORP.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008**

7. SHAREHOLDERS' EQUITY (CONTINUED)

	Warrants @\$0.20	Warrants @ \$0.10	Warrants @ \$0.10	Warrants @ \$0.30 (1)	Warrants @ \$0.36 (2)	Warrants @ \$0.45 (3)	Total
Outstanding, July 1, 2006	3,220,500	5,016,000	-	-	-	-	8,236,500
Granted during Period	-	1,430,000	-	8,000,000	-	-	9,430,000
Warrants extended	-	-	3,916,000	-	-	-	3,916,000
Warrant exercised	-	(80,000)	(982,000)	-	-	-	(1,062,000)
Expired during Period	(3,220,500)	(4,936,000)	-	-	-	-	(8,156,500)
Outstanding, June 30, 2007	-	1,430,000	2,934,000	8,000,000	-	-	12,364,000
Granted during Period	-	-	-	-	-	3,500,000	5,500,000
Warrant exercised	-	(1,330,000)	(2,934,000)	(4,795,000)	(1,257,500)	(770,000)	(11,086,000)
Expired during Period	-	(100,000)	-	-	-	-	(100,000)
Outstanding, June 30, 2008	-	-	-	3,205,000	742,500	2,730,000	6,677,500
Expired during Year	-	-	-	(3,205,000)	-	-	(3,205,000)
Outstanding, June 30, 2009	-	-	-	-	742,500	2,730,000	3,472,500

- (1) Exercisable at a price of \$0.30 per share until June 7, 2009, granted pursuant to private placement.
- (2) Exercisable at a price of \$0.36 per share until August 13, 2009, granted pursuant to private placement.
- (3) Exercisable at a price of \$0.45 per share until November 22, 2009, granted pursuant to private placement.

The fair value of each warrant was estimated as at the date of grant using the Black-Scholes pricing model with the following weighted-average assumptions:

	2009	2008	2007
Dividend yield	-	0%	0%
Expected volatility	-	112.72-129.97%	128.10%
Risk free interest rate	-	3.54-4.41%	4.20%
Expected average option term	-	2 years	1.85 years

ALDA PHARMACEUTICALS CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

7. SHAREHOLDERS' EQUITY (CONTINUED)

d) Contributed surplus - Warrants:

There was no activity affecting the contributed surplus for the year ended June 30, 2009. Contributed surplus attributed to the issuance of warrants, and activity during the 2008 year, are summarized as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Balance, beginning of year	\$ 447,532	\$ 553,627	\$ 163,413
Private Placement (Note 7 (a))	-	279,052	404,020
Warrant Exercised (Note 7 (a))	-	(385,147)	(13,806)
Balance, end of year	<u>\$ 447,532</u>	<u>\$ 447,532</u>	<u>\$ 553,627</u>

e) Contributed surplus - Options:

Contributed surplus attributed to the granting of stock options, and activity during the 2009 and 2008 years, are summarized as follows:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Balance, beginning of year	\$ 1,045,759	\$ 171,194	\$ 41,094
Options issued to employees	30,066	72,846	12,000
Options issued to directors	94,629	171,944	53,500
Options issued to consultants	138,284	605,068	85,600
Options issued to investor relations	73,859	53,707	-
Options forfeited / cancelled	-	-	(3,000)
Options exercised	(109,100)	(29,000)	(18,000)
Balance, end of year	<u>\$ 1,273,497</u>	<u>\$ 1,045,759</u>	<u>\$ 171,194</u>

8. SUBSCRIPTIONS RECEIVABLE

Subscriptions receivable bears interest at prime plus 2% per annum, and is payable by June 30, 2009.

9. MAJOR CUSTOMERS

- a) For the year ended June 30, 2009, revenue from four major customers accounted for 64% of total revenues (2008: 55% from four customers). Revenue from these customers totaled \$174,490 (2008: \$137,954).

10. COMMITMENTS

- a) The Company renewed its lease agreement to lease office premises, with a term of one year. The total minimum lease payment under the agreement is \$30,788 payable in 2010.

ALDA PHARMACEUTICALS CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

10. COMMITMENTS (CONTINUED)

- b) The Company, as Official Sponsor for the 2010 Winter Games (see Note 14c) committed to a series of material payments to the Vancouver Organizing Committee for the 2010 Olympic and Paralympic Winter Games. The terms of this agreement require all commercially sensitive information to remain confidential.

11. INCOME TAXES

- a) As at June 30, 2009, the Company had approximately \$3,998,975 (2008 - \$3,153,544) of unutilized non-capital losses for tax purposes, which expire as follows:

	Year
2009	76,818
2010	60,915
2014	603,255
2015	582,793
2026	463,528
2027	458,538
2028	893,646
2029	859,482
Total	3,998,975

The potential future income tax benefit which may arise from claiming these losses has not been reflected in these financial statements, as the Company's ability to realize the benefit is uncertain.

- b) Following is a reconciliation of the expected income tax benefit from the loss for each year based on the applicable statutory income tax rate, to the actual amount:

	2009		2008	
Loss at statutory rate	363,775	30.75%	\$ 635,771	32.81%
Effect of reduction in tax rates			(75,960)	
	(56,989)			
Stock based compensation not deductible for tax purposes	(103,578)		(296,460)	
Tax benefit from share issuance costs not recognized	5,517		6,520	
Other non-deductible expenses	(11,261)		(1,105)	
Increase in allowance for uncertain realization	(197,465)		(268,766)	
Increase in tax asset per financial Statements	-		\$ -	

The income tax effects of losses carried forward and of cumulative temporary differences that give rise to a future tax asset are summarized as follows:

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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11. INCOME TAXES (CONTINUED)

	2009	2008
Tax losses carried forward	1,199,692	\$ 993,366
Temporary differences – intangible assets	62,748	65,886
Temporary differences – property and equipment	8,702	8,521
Temporary differences – financing costs	5,058	10,962
Net tax asset before allowance for uncertain realization	1,276,200	1,078,735
Allowance for uncertain realization	(1,276,200)	(1,078,735)
Tax asset per financial statement	\$ -	\$ -

12. RELATED PARTY TRANSACTIONS

- a) During the year ended June 30, 2009, the Company paid consulting fees of \$329,208 (2008: \$288,813) to companies controlled by directors of the Company.

Effective June 1, 2008, the Company entered into a consulting agreement with the management of the Company.

- b) During the year ended June 30, 2009, the Company paid rent of \$26,320 (2008: \$24,737) to a company controlled by a director of the Company.
- c) During the year ended June 30, 2009, the Company recorded a note receivable of \$113,000, of which \$66,000 was owing by directors of the Company.
- d) During the year ended June 30, 2009, the company recorded stock based compensation expense of \$176,441 (2008: \$562,427) to directors and companies controlled by a director of the Company.

These transactions were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. All related party transactions were in the normal course of business operations.

13. STATEMENTS OF CASH FLOWS – SUPPLEMENTARY INFORMATION

- a) Interest received and cash paid in respect to interest and income taxes was as follows:

	2009	2008	2007
Cash received during the year from interest	\$ 76,181	\$ 38,740	\$ -
Cash paid during the year for interest	\$ -	\$ -	\$ 1,324
Cash paid during the year for income taxes	\$ -	\$ -	\$ -

ALDA PHARMACEUTICALS CORP.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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13. STATEMENTS OF CASH FLOWS – SUPPLEMENTARY INFORMATION (CONTINUED)

- b) Significant non-cash transactions occurring during the 2009 year were as follows:

The estimated fair value of the options granted to consultants, officers, directors, employees and investor relations described in Notes 7 (b), totaling \$336,838 was charged to operations for the 2008 year.

- c) Significant non-cash transactions occurring during the 2008 year were as follows:

The estimated fair value of the options granted to consultants, officers, directors and employees described in Notes 7 (b), totaling \$903,565 was charged to operations for the 2008 year.

In connection with the November 22, 2007 private placement, a 5% finder's fee in the amount of \$15,750 was satisfied by the delivery of 82,895 common shares of the Company at a deemed price per share of \$0.19.

- d) Significant non-cash transactions occurring during the 2007 year were as follows:

The estimated fair value of the options granted to consultants, officers, directors and employees described in Notes 7(d), totaling \$148,100, was charged to operations for the 2007 year.

14. CAPITAL DISCLOSURES

The Company's objectives when managing capital is to maintain sufficient cash resources to support its research and development activities, pre-clinical trial program, intellectual property protection and expansion on its T³⁶® technology. The Company includes shareholders' equity and cash and its equivalent in the definition of capital. The Company does not have any debt obligation other than trade accounts payable. The availability of capital is solely through the issuance of the Company's common shares. The Company will not issue additional equity until such time when funds are needed and the market conditions become favorable to the Company. There are no assurances that funds will be made available to the Company when required. The Company makes every effort to safeguard its capital and minimize its dilution to its shareholders.

The Company is not subject to any externally imposed capital requirements.

15. SUBSEQUENT EVENTS

- a) Subsequent to the year ended June 30, 2009, 742,500 warrants at an exercise price of \$0.36 per warrant expired unexercised.
- b) The Company closed a private placement for total gross proceeds of \$1.5 million. A total of six million units of the Company were issued at a price of 25 cents per unit. Each unit consists of one common share of the Company and one non-transferable share purchase warrant entitling the holder to acquire one additional common of the Company at a price of 40 cents per common share for a period of 12 months from the date of the issuance of the purchase warrant with a forced exercise provision attached to each warrant.

ALDA PHARMACEUTICALS CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

15. SUBSEQUENT EVENTS (CONTINUED)

- c) On July 15, 2009, ALDA Pharmaceuticals Corp. named Official Supplier for the 2010 Winter Games. ALDA has exclusive rights as an Official Supplier in the Hand Sanitizer and Disinfectant Cleaning Products product category for the 2010 Winter Games and rights to associate with the Canadian Olympic Team competing at the Vancouver 2010 Olympic Winter Games and the London 2012 Olympic Games.

16. SEGMENTED INFORMATION

The Company's assets as well as sales are all located and have occurred all in Canada.

17. GAIN ON LEGAL SETTLEMENT

During the 2005 year, the Company commenced legal action against a competitor with respect to certain alleged defamatory statements made by the competitor. This claim was settled effective July 12, 2006, by an agreement under which the Company was to receive an amount of \$15,000 from the competitor. The proceeds of the settlement, net of associated legal costs in the amount of \$4,455, have been recognized in the Statement of Operations and Deficit for the period ended June 30, 2007.

18. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

The Company's financial instruments include cash, accounts receivable, share subscriptions receivable and accounts payable and accrued liabilities. The carrying values of these financial instruments approximate their fair values due to their relatively short periods to maturity. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities. The Company has exposure to credit risk, liquidity risk and market risk as a result of its use of financial instruments.

This note presents information about the Company's exposure to each of the above risks and the Company's objectives, policies and processes for measuring and managing these risks. Further quantitative disclosures are included throughout these financial statements. The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Board has implemented and monitors compliance with risk management policies.

a) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises primarily from the Company's cash and cash equivalents, trade receivables, and GST input tax credits.

The Company's cash and cash equivalents are held through a large Canadian financial institution. Cash equivalents are composed of financial instruments issued by Canadian banks with high investment-grade ratings. The Company does not have financial assets that are invested in asset backed commercial paper.

The Company performs ongoing credit evaluations of its trade receivables, but does not require

ALDA PHARMACEUTICALS CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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18. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (CONTINUED)

collateral. The Company establishes an allowance for doubtful accounts based on the credit risk applicable to particular customers and historical data.

The Company monitors the concentration of exposure and where possible, if necessary, takes steps to limit exposures to any one counterparty. The Company views credit risk on cash deposits, trade receivables, and GST input tax credits as minimal.

b) Liquidity risk

Liquidity risk is the risk that the Company will incur difficulties meeting its financial obligations as they are due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without incurring unacceptable losses or risking harm to the Company's reputation. See Note 1 for working capital balances.

The Company monitors its spending plans, repayment obligations and cash resources and takes actions with the objective of ensuring that there is sufficient capital in order to meet short-term business requirements. To facilitate its expenditure program, the Company raises funds primarily through public equity financing. The Company anticipates it will have adequate liquidity to fund its financial liabilities through future equity contributions.

As at June 30, 2009, the Company's financial liabilities were comprised of accounts payable and accrued liabilities which have a maturity of less than one year.

c) Market risk

Market risk for the Company consists of currency risk, and interest rate risk. The objective of market risk management is to manage and control market risk exposures within acceptable limits, while maximizing returns.

i) Currency risk

Foreign currency exchange rate risk is the risk that the fair value or future cash flows will fluctuate as a result of changes in foreign exchange rates. As all of the Company's purchases and sales are denominated in Canadian dollars, and has no significant cash balances denominated in foreign currencies, the Company is not exposed to foreign currency exchange risk at this time.

ii) Interest rate risk

Interest rate risk is the risk that fair values or future cash flows will fluctuate as a result of changes in market interest rates.

In respect of financial assets, the Company's policy is to invest cash at floating interest rates and cash reserves are to be maintained in cash equivalents in order to maintain liquidity, while achieving a satisfactory return for shareholders. Fluctuations in interest rates impact marginally on the value of cash and equivalents.

The Company is not exposed to interest rate risk on its short term liabilities, and does not have any long-term liabilities.

ALDA PHARMACEUTICALS CORP.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

19. UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles in Canada ("Canadian GAAP") which are substantially the same as principles applicable in the United States ("US GAAP") and practices prescribed by the United States Securities and Exchange Commission ("SEC"), except for the following:

a) Comprehensive income:

Statement of Financial Accounting Standards No. 130 requires the reporting of Comprehensive Income. Comprehensive income includes net income plus other comprehensive income. Other comprehensive income includes all changes in equity of a company during the period arising from non-owner sources. The Company did not have any other comprehensive income during the years ended June 30, 2009 and 2008.

b) Product development costs:

Under Canadian GAAP, product development costs are charged as an expense in the period incurred except in circumstances where the market and feasibility of the product have been established, and recovery of development costs can reasonably be regarded as assured, in which case such costs are capitalized. US GAAP requires that these expenditures be expense in the year incurred. The Company has not capitalized any product development costs during the years ended June 30, 2009 and 2008.

c) Recent United States Accounting Pronouncements:

Selected recent pronouncements issued by the Financial Accounting Standards Board ("FASB") are summarized below. None of these changes are expected to have a material impact on the financial statements of the Company.

In December 2007, the FASB issued SFAS 141 (revised 2007), Business Combinations (SFAS 141R). SFAS 141R significantly changes the accounting for business combinations in a number of areas including the treatment of contingent consideration, preacquisition contingencies, transaction costs, in-process research and development, and restructuring costs. In addition, under SFAS 141R, changes in an acquired entity's deferred tax assets and uncertain tax positions after the measurement period will impact income tax expense. SFAS 141R is effective for fiscal periods beginning after December 15, 2008. We will adopt SFAS 141R on July 1, 2009. This standard will change our accounting treatment for business combinations on a prospective basis.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* (SFAS 161). SFAS 161 amends and expands the disclosure requirements of SFAS 133, *Accounting for Derivative Instruments and Hedging Activities*. It requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. This statement is effective for financial statements issued for fiscal periods beginning after November 15, 2008. Accordingly, the Company will adopt SFAS 161 on July, 2009. Adoption of this standard is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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19. UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (CONTINUED)

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles" (SFAS 162). This statement identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of non-governmental entities that are presented in accordance with GAAP. With the issuance of this statement, the FASB concluded that the GAAP hierarchy should be directed toward the entity and not its auditor, and reside in the accounting literature established by the FASB as opposed to the American Institute of Certified Public Accountants (AICPA) Statement on Auditing Standards

No. 169, "The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles." This statement is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, "The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles." The Company has evaluated the new statement and has determined that it will not have a significant impact on the determination or reporting of the Company's financial results.

In May 2008, the FASB issued SFAS No. 163, "Accounting for Financial Guarantee Insurance Contracts - an interpretation of FASB Statement No. 60." SFAS 163 requires that an insurance enterprise recognize a claim liability prior to an event of default (insured event) when there is evidence that credit deterioration has occurred in an insured financial obligation. This Statement also clarifies how Statement 60 applies to financial guarantee insurance contracts, including the recognition and measurement to be used to account for premium revenue and claim liabilities. Those clarifications will increase comparability in financial reporting of financial guarantee insurance contracts by insurance enterprises. This Statement requires expanded disclosures about financial guarantee insurance contracts. The accounting and disclosure requirements of the Statement will improve the quality of information provided to users of financial statements. SFAS 163 will be effective for financial statements issued for fiscal years beginning after December 15, 2008. We will adopt SFAS 163 on July, 2009. The Company does not expect the adoption of SFAS 163 will have a material impact on its financial condition or results of operation.

In May 2009, the FASB issued SFAS No. 165, "Subsequent Events," which establishes general standards for accounting for and disclosure of events that occur after the balance sheet date but before the financial statements are issued or are available to be issued. The pronouncement requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date, whether that date represents the date the financial statements were issued or were available to be issued. SFAS 165 is effective with interim and annual financial periods ending after June 15, 2009. We will adopt SFAS 160 on July, 2009. Management has evaluated the impact of the adoption of SFAS 165 and it has had no impact the Company's results of operations, financial position or cash flows.

In June 2009, the FASB issued SFAS No. 166, "Accounting for Transfers of Financial Assets—an amendment of FASB Statement" ("SFAS 166"). SFAS No. 166 is intended to establish standards of financial reporting for the transfer of assets and transferred assets to improve the relevance, representational faithfulness, and comparability. SFAS 166 was established to clarify derecognition of assets under FASB Statement No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. SFAS No. 166 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2009. We will adopt SFAS 166 on July 1, 2009. The Company has determined that the adoption of SFAS No. 166 will have no impact on its consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

19. UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (CONTINUED)

In June 2009, the FASB issued SFAS No. 167, "Amendments to FASB Interpretation No. 46(R)" ("SFAS No. 167"). SFAS No. 167 eliminates the exception to consolidate a qualifying special-purpose entity, changes the approach to determining the primary beneficiary of a variable interest entity and requires companies to more frequently re-assess whether they must consolidate variable interest entities. Under the new guidance, the primary beneficiary of a variable interest entity is identified qualitatively as the enterprise that has both (a) the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance, and (b) the obligation to absorb losses of the entity that could potentially be significant to the variable interest entity or the right to receive benefits from the entity that could potentially be significant to the variable interest entity. SFAS No. 167 becomes effective for the Company's fiscal 2011 year-end and interim reporting periods thereafter. The Company does not expect SFAS No. 167 to have a material impact on its financial statements.

In July 2009, the FASB issued SFAS No. 168, "FASB Accounting Standards Codification" ("SFAS 168"), as the single source of authoritative nongovernmental U.S. generally accepted accounting principles (GAAP). The Codification is effective for interim and annual periods ending after September 15, 2009. All existing accounting standards are superseded as described in SFAS 168. All other accounting literature not included in the Codification is non-authoritative. Management is currently evaluating the impact of the adoption of SFAS 168 but does not expect the adoption of SFAS 168 to impact the Company's results of operations, financial position or cash flows.

In May 2008, the FASB issued FSP No. APB 14-1, "Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement)" ("FSP 14-1"). FSP 14-1 applies to convertible debt instruments that, by their stated terms, may be settled in cash (or other assets) upon conversion, including partial cash settlement, unless the embedded conversion option is required to be separately accounted for as a derivative under FASB Statement No. 133. Convertible debt instruments within the scope of FSP 14-1 are not addressed by the existing APB 14. FSP 14-1 would require that the liability and equity components of convertible debt instruments within the scope of FSP 14-1 be separately accounted for in a manner that reflects the entity's nonconvertible debt borrowing rate. This will require an allocation of the convertible debt proceeds between the liability component and the embedded conversion option (i.e., the equity component). The difference between the principal amount of the debt and the amount of the proceeds allocated to the liability component would be reported as a debt discount and subsequently amortized to earnings over the instrument's expected life using the effective interest method. FSP APB 14-1 is effective for the Company's fiscal year beginning July 1, 2009 and will be applied retrospectively to all periods presented. Adoption of this standard is not expected to have a material impact on the Company's financial position, results of operations or cash flows.

20. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the presentation adopted in the current year.