Critical Outcome Technologies Inc.

Unaudited Condensed Interim Financial Statements
Fiscal 2017 - Third Quarter

For the three and nine months ended January 31, 2017 and 2016

Unaudited Condensed Interim Financial Statements
For the three and nine months ended January 31, 2017 and 2016

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Notice of No Audit or Review of Condensed Interim Financial Statements

The accompanying Interim Statements of Financial Position as at January 31, 2017 and April 30, 2016, of Critical Outcome Technologies Inc., and the Interim Statements of Comprehensive Loss for the three and nine month periods ended January 31, 2017 and 2016, and the Interim Statements of Changes in Equity, and the Interim Statements of Cash Flows for the nine month periods ended January 31, 2017 and 2016, have been prepared by, and are the responsibility of the Company's management and have been reviewed and approved by the Audit Committee as authorized by the Board of Directors.

Neither an audit nor review of the Interim Financial Statements is required by the Company's independent auditor under regulatory reporting requirements, however, under National Instrument 51-102 paragraph 4.3(3)(a), the Company must advise whether a review has occurred or not. Accordingly, management advises that the Company's independent auditor, KPMG LLP, was not engaged to perform a review of these Interim Financial Statements.

Interim Statements of Financial Position

(All amounts in Canadian dollars)
(Unaudited)

As at	**January 31, 2017**	**April 30, 2016**
Assets		
Current assets:		
Cash and cash equivalents	$ 960,180	$ 2,141,978
Investments (note 6)	2,438,129	2,587,946
Investment tax credits and other receivables	185,610	154,684
Prepaid expenses and deposits	496,625	546,802
	4,080,544	5,431,410
Non-current assets:		
Equipment (note 7)	44,774	54,635
Intangible assets (note 8)	1,326,709	1,377,215
	1,371,483	1,431,850
Total assets	$ 5,452,027	$ 6,863,260
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 1,595,274	$ 829,366
Warrant liability (note 9)	1,384,075	2,123,018
	2,979,349	2,952,384
Long-term accrued liability (note 15 (c))	300,000	-
Total liabilities	3,279,349	2,952,384
Shareholders' equity	2,172,678	3,910,876
Total liabilities and shareholders' equity	$ 5,452,027	$ 6,863,260

Going concern (note 3)
Commitments (note 14)
Subsequent events (note 16)

See accompanying notes to interim financial statements

Critical Outcome Technologies Inc.

Interim Statements of Comprehensive Loss

(All amounts in Canadian dollars)
(Unaudited)

	Three months ended		Nine months ended	
	January 31, 2017	**January 31, 2016**	**January 31, 2017**	**January 31, 2016**
Expenses (income):				
Research and product development	$ 684,011	$ 396,593	$ 2,040,810	$ 1,043,879
Sales and marketing	90,316	121,134	301,633	415,770
General and administration	1,299,909	474,931	2,876,519	1,434,600
Investment tax credits	(36,775)	(28,589)	(115,942)	(57,527)
	2,037,461	964,069	5,103,020	2,836,722
Loss before finance income (expense)	(2,037,461)	(964,069)	(5,103,020)	(2,836,722)
Finance income (expense):				
Interest and financing, net	10,346	2,480	34,399	7,602
Change in fair value of warrant liability (note 9)	809,409	310,050	706,157	226,049
Foreign exchange gain	(20,721)	14,363	60,688	41,913
	799,034	326,893	801,244	275,564
Loss and comprehensive loss	$ (1,238,427)	$ (637,176)	$ (4,301,776)	$ (2,561,158)
Loss per share:				
Weighted average shares outstanding	149,039,957	127,910,546	148,179,530	124,889,729
Basic and diluted loss per common share	$ (0.01)	$ (0.01)	$ (0.03)	$ (0.02)

See accompanying notes to interim financial statements

Critical Outcome Technologies Inc.

Interim Statements of Changes in Shareholders' Equity

(All amounts in Canadian dollars)
(Unaudited)

For the nine months ended January 31, 2017

	Common Shares	Warrants	Total Share Capital	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance, April 30, 2016	$ 29,152,856	$ 1,437,727	$ 30,590,583	$ 4,008,051	$ (30,687,758)	$ 3,910,876
Warrant exercises (note 10 (a))	1,833,290	(273,582)	1,559,708	-	-	1,559,708
Share option exercises (note 10 (c))	402,401	-	402,401	(162,249)	-	240,152
Warrant liability settlements (note 10 (b))	79,234	-	79,234	-	-	79,234
Share-based compensation (note 11)	-	-	-	684,484	-	684,484
Loss and comprehensive loss	-	-	-	-	(4,301,776)	(4,301,776)
Balance, January 31, 2017	$ 31,467,781	$ 1,164,145	$ 32,631,926	$ 4,530,286	$ (34,989,534)	$ 2,172,678

For the nine months ended January 31, 2016

	Common Shares	Warrants	Total Share Capital	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance, April 30, 2015	$ 20,866,325	$ 5,873,753	$ 26,740,078	$ 560,275	$ (25,763,331)	$ 1,537,022
Warrant exercises	1,914,783	(588,039)	1,326,744	-	-	1,326,744
Issuance of shares and warrants	1,023,819	173,363	1,197,182	-	-	1,197,182
Shares issued on contingency settlement	250,340	-	250,340	-	-	250,340
Share option exercises	191,635	-	191,635	(83,036)	-	108,599
Warrant expiries	-	(1,564,617)	(1,564,617)	1,564,617	-	-
Share-based compensation	-	-	-	329,005	-	329,005
Loss and comprehensive loss	-	-	-	-	(2,561,158)	(2,561,158)
Balance, January 31, 2016	$ 24,246,902	$ 3,894,460	$ 28,141,362	$ 2,370,861	$ (28,324,489)	$ 2,187,734

See accompanying notes to interim financial statements

Critical Outcome Technologies Inc.

Interim Statements of Cash Flows

(All amounts in Canadian dollars)
(Unaudited)

For the nine months ended	**January 31, 2017**	**January 31, 2016**
Cash provided by (used in):		
Operating activities:		
Loss	$ (4,301,776)	$ (2,561,158)
Items not involving cash:		
Amortization - equipment	22,619	14,243
Amortization - intangible assets	143,321	151,328
Loss on disposal of patents	13,250	1,297
Share-based compensation	684,484	329,005
Change in fair value of warrant liability	(706,157)	(226,049)
Investment tax credits	(115,942)	(57,527)
Interest and financing expense, net	(34,399)	(7,602)
Unrealized (gain) on market value of investments	(30,293)	-
Foreign exchange (gain)	(60,688)	(41,913)
	(4,385,581)	(2,398,376)
Change in non-cash operating working capital (note 13)	1,084,975	(431,720)
Foreign exchange gain realized	28,290	37,956
Interest received	35,637	11,141
Net cash (used in) operating activities	(3,236,679)	(2,780,999)
Investing activities:		
Net, redemption (purchase) of investments	180,110	(652,301)
Purchase of equipment	(12,758)	(23,872)
Expenditures on intangible assets	(106,065)	(61,899)
Net cash provided by (used in) investing activities	61,287	(738,072)
Financing activities:		
Proceeds from issuance of common shares and warrants	1,848,792	2,722,861
Costs of issuing common shares and warrants	(2,484)	(90,498)
Proceeds from settlement of warrant liability	32,786	-
Investment tax credit recoveries	83,715	116,323
Interest paid	(1,613)	(3,672)
Net cash provided by financing activities	1,961,196	2,745,014
Decrease in cash and cash equivalents	(1,214,196)	(774,057)
Effect of exchange rate fluctuations on cash and cash equivalents	32,398	3,957
Cash and cash equivalents, beginning of the period	2,141,978	1,599,220
Cash and cash equivalents, end of the period	$ 960,180	$ 829,120
Represented by:		
Cash	$ 240,557	$ 596,262
Cash equivalents	719,623	232,858
	$ 960,180	$ 829,120

See accompanying notes to interim financial statements

1. Corporate information:

Critical Outcome Technologies Inc. ("COTI" or "the Company" or the "Corporation") is a public corporation listed in Canada on the TSX Venture Exchange (the "TSXV") under the trading symbol "COT" and in the United States on the OTCQB under the trading symbol "COTQF". The Company is incorporated under the laws of the Province of Ontario, Canada with its registered office located at Suite 213, 700 Collip Circle, London, Ontario, Canada, N6G 4X8.

2. Description of Business:

COTI is a clinical stage biotech company that uses proprietary artificial intelligence technologies to pursue a targeted and transformational approach to treating cancer and other unmet medical needs. It does so in two ways: on the molecule creation side, it uses its CHEMSAS® technology to accelerate the discovery and development of novel drug therapies, allowing it to build a pipeline of potential drug candidates faster and with a higher probability of success than traditional methods; and on the personalized medicine side, its ROSALIND™ platform is designed to take a patient's particular gene profile, assess it against the close to half a billion potential drug combinations, and identify a personalized subset of these drug combinations to assist the oncologist in prescribing the best therapies for that patient.

The Company's initial focus is in advancing the treatment of cancer with the Company's lead compound, COTI-2, having a novel p53-dependent mechanism of action demonstrating selective and potent anti-cancer activity. The initial therapeutic indication for COTI-2 is in gynecologic cancers, which includes ovarian, cervical, and endometrial cancers. COTI-2 was granted orphan drug status for the ovarian indication in the U.S. and the Company is currently conducting a Phase 1 clinical trial for this indication.

The Company's second lead clinical asset, COTI-219, is a novel oral small molecule compound targeting the mutant forms of KRAS. KRAS mutations occur in up to 30% of all cancers, particularly lung, colorectal, pancreatic, and thyroid. COTI-219 targets the mutant forms of KRAS without inhibiting wild-type (or normal) KRAS function, representing a tremendous unmet clinical need and a very desirable drug target. COTI-219 is currently undergoing IND-enabling studies in support of an IND filing later in 2017.

The Company's ROSALIND™ platform is undergoing a 100-patient validation study to evaluate the outcomes from the ROSALIND™ analysis and assess its report recommendations.

3. Going concern:

The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize on its assets and discharge its liabilities and commitments in the normal course of operations. For COTI, there are material uncertainties related to certain conditions and events that raise significant doubts about the Company's ability to continue as a going concern. In particular, the Company has not yet established operating revenues and operating cash flows continue to be negative. Key financial results for the nine months ended January 31, 2017 are indicative of concern. These results include a loss of $4,301,776 (January 31, 2016 – $2,561,158) and negative cash flow from operations of $3,236,679 (January 31, 2016 – $2,780,999). As at January 31, 2017, the Company had a deficit of $34,989,534 (April 30, 2016 – $30,687,758), which results in shareholders' equity of $2,172,678 (April 30, 2016 – $3,910,876). As at January 31, 2017, the Company had working capital of $1,101,195 (April 30, 2016 – $2,479,026).

The Company is dependent upon key personnel, the successful completion of the Company's clinical trial for COTI-2, and success in raising additional funds to support continuing operations and meet its liabilities and commitments as they become due while executing its strategic business plans for the balance of fiscal 2017 and future years. The Company is taking steps to address the going concern risk by pursuing sources of financing, including but not limited to, raising capital in the private and public markets, securing government grants, seeking collaborators for business development partnering opportunities, and other strategic initiatives.

The Company has discretion with many of its expenditure activities and plans to manage these activities within the limits of available cash resources. While the Company has a history of successfully obtaining financing, there is no certainty that any of the aforementioned strategies will enable the Company to alleviate the going concern risk in future periods.

The accompanying Interim Financial Statements have been prepared assuming that the Company will continue as a going concern. Accordingly, these Interim Financial Statements do not include any adjustments to the carrying values and classifications of assets and liabilities, or the reported expenses that would be necessary if the going concern assumption was not appropriate. Any adjustments to the Interim Financial Statements could be material.

4. Basis of preparation:

(a) Compliance with accounting standards:

These Interim Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and specifically International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (the "IASB").

The accounting policies in these Interim Financial Statements are consistent with the policies the Company adopted in its Annual Financial Statements as at, and for the year ending, April 30, 2016. These accounting policies were disclosed in detail in note 5 of the Company's April 30, 2016, Annual Financial Statements. COTI has also prepared these Interim Financial Statements on an individual entity basis, as it has no subsidiaries. Management has determined that the Company operates in one reportable segment based on the business activities reflected in its expenses since inception.

In preparing these Interim Financial Statements, certain information and disclosures normally included in the notes to the Annual Financial Statements are condensed or not presented. These Interim Financial Statements should be read in conjunction with the Company's most recent Annual Financial Statements as of April 30, 2016, and related notes.

These Interim Financial Statements were approved for issuance by the Audit Committee on March 15, 2017.

(b) Basis of measurement:

The Interim Financial Statements have been prepared on a historical cost basis, except for the warrant liability and the investments, which are classified as fair-value-through-profit-and-loss ("FVTPL") and accordingly are measured at fair value at the date of each reporting period.

The Statements of Comprehensive Loss are presented using the functional classification for expenses.

(c) Functional and presentation currency:

These Interim Financial Statements are presented in Canadian dollars ("CAD"), which is the functional currency of the primary economic environment in which the Company operates.

(d) Use of estimates and judgments:

The preparation of these Interim Financial Statements in conformity with IFRS requires management to make estimates and assumptions, and apply judgement in the process of applying accounting policies, that affect the reported amounts of assets, liabilities, income, and expenses at the date of the Interim Financial Statements. Actual results could differ materially from these estimates and assumptions. There has been no material change in the significant estimates and assumptions as described in note 4 (d) of the Annual Financial Statements for the year ended April 30, 2016, except as follows:

(i) Share-based compensation – The fair value of share-based compensation is determined using a Black-Scholes option-pricing model, which incorporates management's estimates of the risk free interest rate, the expected dividend yield, the estimated common share price volatility, the estimated option life, and the forfeiture rate as applicable to each award. Prior to fiscal 2017, options were awarded with vesting based on service conditions, however, during the first and third quarters of fiscal 2017, the Company awarded share options with vesting based on the achievement of performance conditions. The timing of completion of these performance conditions is uncertain as these conditions are based on the achievement of milestones primarily related to the Company's clinical trial program for its lead oncology compound COTI-2. Accordingly, management is required to make an estimate of the dates for completion of such milestones. These estimates are reviewed at each reporting date for any change in the estimated vesting dates, and to the extent there is a change in the vesting date estimates, the amortization rate and timeline for the unamortized balance of the share-based compensation is adjusted on a prospective basis.

(ii) Provision for bonuses – During the first quarter, the Company established a compensation plan for its executive management team to pay an annual fiscal bonus based upon the achievement of specific milestones. There is uncertainty surrounding the likelihood and timing of completion of these milestones, however, management is required to recognize a provision for this bonus based upon an estimate of the completion dates of such milestones. These estimates are reviewed at each reporting date for any change in the underlying performance and related assumptions in achieving the milestones. To the extent there is a change in these estimates, the provision is adjusted on a prospective basis.

5. Significant accounting policies:

These Interim Financial Statements follow the same significant accounting policies set out in detail in note 5 of the Annual Financial Statements for the year ended April 30, 2016.

(a) Adoption of new accounting pronouncements:

On December 18, 2014, the IASB issued amendments to IAS 1 – Presentation of Financial Statements as part of its major initiative to improve presentation and disclosure in financial reports. The amendments were effective for annual periods beginning on or after January 1, 2016, and accordingly the Company adopted these amendments in its Interim Financial Statements for the annual period beginning on May 1, 2016. These amendments did not require any significant change to current practice and did not have a material impact on these Interim Financial Statements, but facilitate improved financial statement disclosures going forward.

6. Investments:

The Company invests cash not required for immediate working capital purposes in investments that are rated "A high" or greater by Standard and Poor's and the Dominion Bond Rating Service. Details related to the investments at January 31, 2017, are set out below.

Investment description	Fiscal Year of Maturity	Effective Interest Rate	Cost	Unrealized Gain /	Fair Value
Guaranteed investment certificates	2017-18	0.95 - 1.40%	$ 1,718,000	$ 13,954	$1,731,954
Canadian provincial government USD stripped bonds	2018-20	1.04 - 1.82%	698,547	7,628	706,175
Total			$ 2,416,547	$ 21,582	$2,438,129

7. Equipment:

Summary details of the Company's office furniture and equipment at January 31, 2017, appear in the following table.

	Computer Hardware	Furniture and Fixtures	Total
Cost, April 30, 2016	$ 64,755	$ 122,248	$ 187,003
Purchases	12,758	-	12,758
Cost, January 31, 2017	77,513	122,248	199,761
Accumulated amortization, April 30, 2016	(27,232)	(105,136)	(132,368)
Amortization	(16,127)	(6,492)	(22,619)
Accumulated amortization, January 31, 2017	(43,359)	(111,628)	(154,987)
Net carrying value, January 31, 2017	$ 34,154	$ 10,620	$ 44,774

8. Intangible assets:

Summary details of the Company's intangible assets at January 31, 2017, appear in the following table.

	Molecules	Granted Patents	Pending Patents	Computer Software	Total
Cost, April 30, 2016	$ 3,526,287	$ 551,350	$ 377,628	$ 256,928	$ 4,712,193
Additions	-	7,519	93,012	5,534	106,065
Transfers upon patent grant	-	54,410	(54,410)	-	-
Patent abandonment	-	(30,166)	-	-	(30,166)
Expired software licenses	-	-	-	(78,334)	(78,334)
Cost, January 31, 2017	3,526,287	583,113	416,230	184,128	4,709,758
Accumulated amortization, April 30, 2016	(3,100,331)	(143,020)	-	(91,627)	(3,334,978)
Amortization	(23,255)	(27,113)	-	(92,953)	(143,321)
Amortization reversal - patent abandonment	-	16,916	-	-	16,916
Expired software licenses	-	-	-	78,334	78,334
Accumulated amortization, January 31, 2017	(3,123,586)	(153,217)	-	(106,246)	(3,383,049)
Net carrying value, January 31, 2017	$ 402,701	$ 429,896	$ 416,230	$ 77,882	$ 1,326,709

9. Warrant liability:

During fiscal 2015, the Company completed a private placement financing of units in three tranches. Each unit consisted of one common share and one warrant to purchase a common share. The warrants issued have an exercise price of USD $0.34. Under IFRS, warrants issued with an exercise price denominated in a foreign currency are considered financial derivative instruments and the prescribed accounting treatment is to classify these warrants as a current liability measured at fair value upon initial recognition. At each subsequent reporting date, the warrants are re-measured at fair value and the change in fair value is recognized through profit or loss. Upon warrant exercise, the fair value of the warrant at the exercise date is transferred from Warrant liability to Share capital.

Details related to the Warrant liability are summarized below.

	January 31, 2017	April 30, 2016
Opening balance, outstanding warrants	10,117,021	10,177,760
Warrants exercised	(107,000)	(60,739)
Closing balance, outstanding warrants	10,010,021	10,117,021
Expiry dates	Oct 16 - Nov 24/19	Oct 16 - Nov 24/19
Weighted average exercise price in CAD	$ 0.4424	$ 0.4102
Opening balance	$ 2,123,018	$ 1,170,070
Fair value of warrant exercises transferred to share capital	(32,786)	(12,921)
Fair value adjustment at the report date	(706,157)	965,869
Net fair value change during the period	(738,943)	952,948
Closing balance	$ 1,384,075	$ 2,123,018

10. Share capital:

Summary details of the Company's share capital at January 31, 2017, with comparable amounts for April 30, 2016, appear in the following table.

		January 31, 2017		April 30, 2016	
	Expiry Date Ranges	Issued	Amount	Issued	Amount
Share capital:					
Authorized:					
Unlimited common shares					
Unlimited preference shares					
Issued and fully paid:					
Common shares, without par value		149,158,435	$ 31,467,781	142,637,297	$ 29,152,856
Common share purchase warrants:					
$0.28 warrants	Apr 29 - Jun 2/16	-	-	5,331,266	243,010
$0.22 compensation warrants	Apr 29 - Jun 2/16	-	-	194,110	18,828
$0.42 warrants	Jun 28 - Jul 31/17	2,144,267	156,283	2,144,267	156,283
$0.315 compensation warrants	Jun 28 - Jul 31/17	96,120	10,324	108,120	11,542
$0.38 warrants	Mar 29/18	2,420,551	225,424	2,420,551	225,425
$0.26 warrants	Feb 4/19	769,230	33,492	769,230	33,492
$0.19 USD compensation warrants	Apr 11 - Jun 6/19	3,000,000	472,222	3,000,000	472,222
$0.26 USD compensation warrants	Oct 16 - Nov 24/19	460,739	66,050	525,189	76,575
$0.38 warrants	Dec 18/19 - Feb 16/20	3,099,374	186,814	3,099,374	186,814
$0.29 compensation warrants	Dec 18/19 - Feb 16/20	162,811	13,536	162,811	13,536
		12,153,092	1,164,145	17,754,918	1,437,727
			$ 32,631,926		$ 30,590,583

A summary of the changes in common share capital is set out below.

	Shares		Amount
Balance April 30, 2016	142,637,297	$	29,152,856
Shares issued - warrant exercise (note 10 (a))	5,601,826		1,833,290
Shares issued - USD warrant exercise (note 10 (b))	107,000		79,234
Shares issued - share option exercise (note 10 (c))	812,312		402,401
	6,521,138		2,314,925
Balance January 31, 2017	149,158,435	$	31,467,781

A summary of the changes in warrant capital is set out below.

	Warrants		Amount
Balance April 30, 2016	17,754,918	$	1,437,727
Warrants exercised (note 10 (a))	(5,601,826)		(273,582)
Balance January 31, 2017	12,153,092	$	1,164,145

Details concerning the share capital transactions are summarized below.

(a) Warrant exercises:

Warrant holders exercised an aggregate of 5,601,826 common share purchase warrants and compensation warrants. The gross proceeds of these exercises, plus the net fair value attributed to these warrants on the initial grant, less the costs to issue the common shares upon the exercise, were recognized in Common Shares as set out below.

Warrant description	Number of warrants exercised		Gross proceeds		Net warrant transfer value		Share issuance costs		Share capital
$0.22 compensation	194,110	$	42,704	$	18,829	$	(110)	$	61,423
$0.26 USD compensation	64,450		21,725		10,525		(155)		32,095
$0.28 common share	5,331,266		1,492,753		243,011		(916)		1,734,848
$0.315 compensation	12,000		3,780		1,217		(73)		4,924
	5,601,826	$	1,560,962	$	273,582	$	(1,254)	$	1,833,290

(b) USD Warrant exercises:

In fiscal 2015, common share purchase warrants with an exercise price denominated in USD were issued and recognized as a warrant liability in accordance with the accounting treatment prescribed under IFRS (note 9). During the reporting period, 107,000 of these warrants with an exercise price of USD $0.34 and expiry dates of October 17 and November 6, 2019, were exercised. The gross proceeds of $46,579 (USD $36,380) net of share issuance costs of $131 were recorded in Common Shares. In addition, the fair value of the warrant liability related to the exercised warrants, determined as $32,786 on the day prior to the date of exercise, was transferred from the warrant liability account to Common Shares.

(c) Share Option Exercises:

Share option holders exercised an aggregate of 812,312 options during the period. The gross proceeds from these exercises, plus the net fair value attributed to these options on the initial grant, less the costs to issue the common shares upon exercise, were recognized in Common Shares as set out below.

Option description	Number of options exercised	Gross proceeds	Net transfer value	Share issuance costs	Common Shares
$ 0.25	48,897	$ 12,224	$ 10,855	$ (370)	$ 22,709
$ 0.30	763,415	229,025	151,394	(727)	379,692
	812,312	$ 241,249	$ 162,249	$ (1,097)	$ 402,401

11. Share-based compensation:

For the three and nine months ended January 31, 2017, the Company recognized share-based compensation expense of $286,466 and $684,484 respectively (January 31, 2016 – $182,150 and $329,005) consisting of share options granted to employees, directors and consultants. At January 31, 2017, there were 3,556,372 options available for future awards (January 31, 2016 – 5,683,184).

Details concerning the 1,800,000 share options issued by the Company during the quarter are summarized below.

	Employees
Option terms:	
Number granted	1,800,000
Exercise price	$ 0.475
Life of options in years	5.00
Vesting from grant date	1,650,000 on an equal monthly basis over 2 years; 150,000 over 4 milestones
Black-Scholes assumptions:	
Risk free interest rate	0.968%
Expected dividend yield	-
Estimated share price volatility	76.41% - 80.98%
Estimated life in years	3.87
Estimated share option value	$ 366,448

12. Financial instruments and risk management:

The Company is exposed to credit risk, liquidity risk, foreign exchange risk, and interest rate risk from its financial assets and liabilities. Risk management strategies are designed to ensure the Company's risks and related exposures are consistent with its business objectives and risk tolerance. Financial risk management strategies are designed to ensure the Company's risks and related exposures are consistent with its business objectives and risk tolerance. There have been no significant changes to the Company's key financial risks or risk management strategies since the Company's fiscal year-end of April 30, 2016.

(a) Financial assets and liabilities:

The Company has determined that the carrying values of its financial assets and liabilities, being cash and cash equivalents, investments, other receivables, and accounts payable and accrued liabilities, approximate their fair values because of the relatively short periods to maturity of these instruments.

The warrant liability is recorded at fair value at each reporting period. Its fair value is estimated using a currency translated option valuation model with the key assumptions being the estimated life, currency and price volatility, and the risk-free interest rate (notes 9 and 10(b)). Investments are reported at fair value at each reporting period.

(b) Liquidity risk:

The Company monitors and manages its actual cash and projected cash flows with the primary objective of maintaining liquidity and its ability to meet its financial obligations.

The contractual maturities of the Company's financial liabilities, being accounts payable and accrued liabilities, on an undiscounted cash flow basis, mature within one year. The Company has determined it has, or will have, sufficient working capital to manage its maturing financial liabilities as they come due based on its current cash, cash equivalents, investments, and its ability to raise funds through private placements, and warrant and option exercises as demonstrated in prior years and subsequent to the April 30, 2016 year-end (note 10). The Company excludes the warrant liability from its liquidity risk analysis, as this obligation is a non-cash liability that will be settled through the issuance of shares.

(c) Foreign currency risk:

The Company has contracts denominated in currencies other than the Canadian dollar ("CAD"). As a result, the Company may be exposed to risk from fluctuations in exchange rates between the CAD and these currencies. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. As a result, variations in foreign exchange rates could cause fluctuations in the Company's operating results and cash flows. During the quarter, the Company's foreign exchange exposure was primarily related to United States dollars ("USD").

The Company's exposure to foreign currency risk expressed in CAD at the quarter-end is set out below. Excluding the currency impact of the warrant liability, which is a liability not settled in cash, a 5% strengthening of the CAD against the USD at January 31, 2017 would have increased the Company's loss by approximately $13,000. A 5% weakening of the CAD against the USD would have an equal but opposite effect assuming all other variables remain constant.

As at January 31, 2017	CAD	USD	Other	Total
Cash and cash equivalents	$ 904,411	$ 55,641	$ 128	$ 960,180
Investments	1,740,473	697,656	-	2,438,129
Other receivables	336	-	-	336
Accounts payable and accrued liabilities	(1,028,562)	(525,455)	(18,312)	(1,572,329)
Warrant liability	-	(1,384,075)	-	(1,384,075)
Long-term accrued liability	(300,000)	-	-	(300,000)
	$ 1,316,658	$ (1,156,233)	$ (18,184)	$ 142,241

13. Supplementary cash flow information:

January 31	2017	2016
Change in non-cash working capital:		
Investment tax credits and other receivables	$ 1,676	$ (21,947)
Prepaid expenses and deposits	50,177	(374,172)
Accounts payable and accrued liabilities	1,065,908	(35,601)
Warrant liability	(32,786)	-
	$ 1,084,975	$ (431,720)

The Company did not engage in any investing or financing transactions that did not involve the use of cash during the quarter.

14. Commitments:

The Company had contractual commitments for future payments at the quarter-end primarily related to research and development contracts for the Company's Phase 1 clinical trial of COTI-2 in gynecologic cancers. The payment of clinical trial costs is subject to the actual timing of the occurrence of trial activities such as the enrollment of patients, the completion of patient testing, and the administration of drug, as well as the negotiated payment terms with the trial site. The Company currently expects the clinical trial to conclude in fiscal 2019. A summary of the estimated payment timing of the Company's commitments is set out below.

	Fiscal Years ending April 30			
	2017	2018	2019	Total
COTI-2:				
Clinical trial costs	$ 229,528	$ 924,167	$ 376,489	$ 1,530,184
Other preclinical	65,017	90,719	14,462	170,197
	294,545	1,014,886	390,951	1,700,381
Other molecules	112,491	-	-	112,491
Other non-R&D consulting contracts	75,000	300,000	225,000	600,000
Total	$ 482,036	$ 1,314,886	$ 615,951	$ 2,412,872

15. Related party transactions:

The Company's key personnel include the Company's executive officers and its directors. At January 31, 2017, there were directors' fees payable of $20,177 (January 31, 2016 – $1,580) and accrued salaries, benefits, and outstanding vacation pay owing to executive officers of $230,867 (January 31, 2016 – $81,319).

Material transactions with key personnel that occurred during the quarter were in the ordinary course of business and included:

(a) an award of 1,800,000 share options to senior management as compensation under their employment contracts (note 11);

(b) the conclusion of a contract with a human resource consulting firm at the end of December 2016. The President of the consulting firm is related to a director of the Company. Fees and expenses paid or accrued for services rendered in the quarter were $21,803 (January 31, 2016 – $8,750) and $70,290 for the nine-month period (January 31, 2016 – $21,050); and,

(c) an accrual of $600,000 in compensation to be paid in equal amounts over twenty-four months upon the Company founder's resignation from his position as Chief Scientific Officer of the Company and as a member of the Board of Directors on January 30, 2017.

16. Subsequent events:

(a) In February 2017, the Company awarded 250,000 share options to a consultant under a service contract. The options have a five-year life, are exercisable at a price of $0.59 and vest on a tranched basis upon the achievement of specific future milestones.

(b) In March 2017, the Company awarded 100,000 share options under an employment contract to a new employee. The options have a five-year life, are exercisable at a price of $0.50 with 50,000 share options vesting on a tranched basis over time and 50,000 vesting on a tranched basis upon the achievement of certan milestones.