



**Unaudited Condensed Interim Financial Statements
Fiscal 2016 – First Quarter**

For the three months ended July 31, 2015 and 2014

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Notice of No Audit or Review of Condensed Interim Financial Statements

The accompanying Interim Statements of Financial Position as at July 31, 2015, and April 30, 2015, of Critical Outcome Technologies Inc., and the Interim Statements of Comprehensive Loss, the Interim Statements of Changes in Equity, and the Interim Statements of Cash Flows for the three month periods ended July 31, 2015 and 2014, 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.

CRITICAL OUTCOME TECHNOLOGIES INC.

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Interim Statements of Financial Position**(All amounts in Canadian dollars)****(Unaudited)**

As at	July 31, 2015	April 30, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,550,076	\$ 1,599,220
Short-term investment	267,366	266,464
Investment tax credits and other receivables	188,441	170,445
Prepaid expenses and deposits	270,320	90,626
	<u>3,276,203</u>	<u>2,126,755</u>
Non-currents assets:		
Equipment	38,167	42,290
Intangible assets (note 6)	1,263,120	1,324,144
	<u>1,301,287</u>	<u>1,366,434</u>
	<u>\$ 4,577,490</u>	<u>\$ 3,493,189</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 539,401	\$ 786,097
Warrant liability (note 7)	1,278,646	1,170,070
	<u>1,818,047</u>	<u>1,956,167</u>
Shareholders' equity	2,759,443	1,537,022
	<u>\$ 4,577,490</u>	<u>\$ 3,493,189</u>
Going concern (note 3)		
Commitments (note 11)		
Subsequent events (note 13)		

See accompanying notes to interim financial statements

CRITICAL OUTCOME TECHNOLOGIES INC.

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Interim Statements of Comprehensive Loss**(All amounts in Canadian dollars)****(Unaudited)**

For the three months ended	July 31, 2015	July 31, 2014
Expenses (income):		
Research and product development	\$ 298,722	\$ 234,840
Sales and marketing	157,068	43,404
General and administration	455,054	718,774
Investment tax credits	(7,979)	(46,021)
	<u>902,865</u>	<u>950,997</u>
Loss before finance income (expense)	(902,865)	(950,997)
Finance income (expense):		
Interest income (expense), net	2,101	(18,486)
Change in fair value of warrant liability (note 7)	(108,576)	-
Foreign exchange gain (loss)	24,220	(1,313)
	<u>(82,255)</u>	<u>(19,799)</u>
Loss and comprehensive loss	\$ (985,120)	\$ (970,796)
Loss per share:		
Basic and diluted loss per common share	\$ (0.01)	\$ (0.01)

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 three months ended July 31, 2015

	Common Shares	Warrants	Total 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
Issuance of shares and warrants (note 8 (a))	1,025,868	174,804	1,200,672	-	-	1,200,672
Shares issued on contingency settlement (note 8 (b))	250,340	-	250,340	-	-	250,340
Warrant exercises (note 8 (c))	939,327	(260,632)	678,695	-	-	678,695
Warrant expiries (note 8 (d))	-	(1,177,794)	(1,177,794)	1,177,794	-	-
Share-based compensation (note 9)	-	-	-	77,834	-	77,834
Loss and comprehensive loss	-	-	-	-	(985,120)	(985,120)
Balance, July 31, 2015	\$ 23,081,860	\$ 4,610,131	\$ 27,691,991	\$ 1,815,903	\$ (26,748,451)	\$ 2,759,443

For the three months ended July 31, 2014

	Common Shares	Warrants	Total Capital	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance, April 30, 2014	\$ 17,793,769	\$ 5,264,035	\$ 23,057,804	\$ 389,483	\$ (21,950,145)	\$ 1,497,142
Issuance of shares and warrants	559,879	507,059	1,066,938	-	-	1,066,938
Warrant amendments	-	1,241,419	1,241,419	(1,248,001)	-	(6,582)
Warrant exercises	76,442	-	76,442	-	-	76,442
Share-based compensation	-	-	-	24,928	-	24,928
Option exercises	107,385	-	107,385	(45,000)	-	62,385
Loss and comprehensive loss	-	-	-	-	(970,796)	(970,796)
Balance, July 31, 2014	\$ 18,537,475	\$ 7,012,513	\$ 25,549,988	\$ (878,590)	\$ (22,920,941)	\$ 1,750,457

See accompanying notes to interim financial statements

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Interim Statements of Cash Flows**(All amounts in Canadian dollars)****(Unaudited)**

For the three months ended	July 31, 2015	July 31, 2014
Cash provided by (used in):		
Operating activities:		
Loss	\$ (985,120)	\$ (970,796)
Items not involving cash:		
Amortization - equipment	4,123	3,051
Amortization - intangible assets	77,868	130,065
Accretion expense	-	17,039
Share-based compensation (note 9)	77,834	24,928
Warrants issued in payment of consulting services	-	260,250
Investment tax credits	(7,979)	(46,021)
Interest and financing expense	(2,101)	18,486
Foreign exchange (gain) loss	(24,220)	1,313
	(859,595)	(561,685)
Change in non-cash operating working capital (note 10)	(40,624)	(295,624)
Foreign exchange (income) loss	(18,375)	10,575
Interest received	2,489	1,607
Net cash (used in) operating activities	(916,105)	(845,127)
Investing activities:		
Expenditures on intangible assets	(16,844)	(34,384)
Net cash (used in) provided by investing activities	(16,844)	(34,384)
Financing activities:		
Proceeds from issuance of common shares and warrants	1,965,617	1,013,562
Costs of issuance of common shares and warrants	(86,413)	(68,048)
Costs of warrant amendments	-	(6,582)
Interest paid	(1,244)	(11,727)
Net cash provided by financing activities	1,877,960	927,205
Increase in cash and cash equivalents	945,011	47,694
Effect of exchange rate fluctuations on cash and cash equivalents	5,845	(9,262)
Cash and cash equivalents, beginning of the period	1,599,220	830,275
Cash and cash equivalents, end of the period	\$ 2,550,076	\$ 868,707
Represented by:		
Cash	\$ 1,267,308	\$ 148,042
Cash equivalents	1,282,768	720,665
	\$ 2,550,076	\$ 868,707

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 (“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 biopharmaceutical company that uses machine learning to rapidly develop targeted therapies thereby dramatically reducing the timeline and cost of getting new drug therapies to market. COTI’s proprietary artificial intelligence platform, CHEMSAS®, utilizes a series of predictive computer models to identify compounds with a high probability of being successfully developed from disease specific drug discovery through chemical optimization and preclinical testing. The CHEMSAS® platform technology is focused on small molecules, and as a drug candidate discovery engine can be applied to any disease target with a modest amount of information for the target of interest.

3. Going concern:

The going concern basis of presentation assumes the Company will continue in operation for the foreseeable future and be able to realize 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 validity of this assumption. In particular, the Company has not yet established operating revenues and operating cash flows continue to be negative. Key financial results for the three months ended July 31, 2015 and 2014 indicative of concern include a loss of \$985,120 (July 31, 2014 – \$970,796) and negative cash flow from operations of \$916,105 (July 31, 2014 – \$845,127). As at July 31, 2015, the Company had a deficit of \$26,748,451 (April 30, 2015 – \$25,763,331), which results in shareholders' equity of \$2,759,443 (April 30, 2015 – \$1,537,022). As at July 31, 2015, the Company had working capital of \$1,458,156 (April 30, 2015 - \$170,588).

The Company is dependent upon key personnel and the need to raise additional funds to support the Company’s development and continued operations, and to meet liabilities and commitments as they become due while executing its business plan. The Company is taking steps to address the going concern risk by actively seeking potential customers, partners, and collaborators as a means of furthering molecule development and generating revenue streams, and pursuing alternative sources of financing, including but not limited to, raising capital in the public market and securing government grants.

Subsequent to the quarter-end, the Company realized \$155,610 in financing through the exercise of warrants issued in prior years’ private placements (note 13(a)). Further, the Company has discretion with many of its expenditure activities and plans to manage these activities throughout the balance of

CRITICAL OUTCOME TECHNOLOGIES INC
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fiscal 2016 within the limits of available cash resources. While the Company has a history of 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 ("IASB").

The accounting policies in these fiscal 2016 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, 2015. These accounting policies were disclosed in detail in note 5 of the Company's April 30, 2015 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 revenues and 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, 2015, and related notes.

These Interim Financial Statements were authorized for issuance by the Audit Committee on September 28, 2015.

(b) Basis of measurement:

The Interim Financial Statements have been prepared on a historical cost basis, except for the liability classified warrants that are measured at fair value at each reporting date.

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 the Company to apply judgement when making estimates and assumptions that affect the reported amounts of assets, liabilities, income, and expenses at the date of the Interim Financial Statements. There is a degree of measurement uncertainty inherent in the Company’s estimates and assumptions and accordingly, changes in these estimates and assumptions could result in material adjustments to the carrying amounts of assets and liabilities in future periods. 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, 2015, except as follows:

- i. The amortization period of the molecules was 96 months commencing December 1, 2007, which was the month following the date of purchase of the molecules in accordance with the Company’s amortization policy for intangible assets. This period was based upon the original purchase agreement wherein if the contingent purchase consideration for the molecules was not paid by November 27, 2015, the molecules were required to be returned to the seller. As a result of the settlement of the final payment of contingent purchase consideration during the quarter (note 8(b)), the Company reviewed the useful life and the expected pattern of consumption of the future economic benefits of the molecules, and more specifically COTI-2 and the molecules covered under its patent. The Company determined that the future economic benefits of these molecules are reflected more appropriately in the period remaining to the date of expiry of the first patent granted for COTI-2. This patent expires on January 14, 2030, and the carrying value of COTI-2 has accordingly been amortized over the remaining period of 176 months commencing June 1, 2015.

5. Significant accounting policies:

The accounting policies, set out in detail in note 5 of the Annual Financial Statements for the year ended April 30, 2015, have been applied consistently to all periods presented in these Interim Financial Statements.

(a) Adoption of new accounting pronouncements:

The Company adopted new accounting pronouncements commencing in the first quarter of this fiscal year, details of which were described in the Company's April 30, 2015 Annual Financial Statements. These standards did not have a significant impact on the Company's year-to-date Interim Financial Statements and included the following:

i. Annual improvements to IFRS (2010-2012) and IFRS (2011-2013) cycles

(b) Recent accounting pronouncements not yet adopted

i. Amendments to IAS 1, Presentation of Financial Statements

On December 18, 2014, the IASB issued amendments to IAS 1 as part of its major initiative to improve presentation and disclosure in financial reports (the "Disclosure Initiative"). The amendments are effective for annual periods beginning on or after January 1, 2016. Early adoption is permitted. These amendments will not require any significant change to current practice, but should facilitate improved financial statement disclosures. The Company intends to adopt these amendments in its financial statements for the annual period beginning on May 1, 2016. The extent of the impact of adoption of the amendments has not yet been determined.

ii. IFRS 9 - Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets and liabilities which when implemented will eliminate the existing IAS 39 categories of held-to-maturity, available-for-sale, and loans and receivables. The IASB has tentatively decided on an effective date of January 1, 2018. The Company will be assessing the impact of the issued and proposed changes to IFRS 9 and does not intend to early adopt these changes.

iii. IFRS 15 - Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 - Revenue from Contracts with Customers, which introduces a single model for recognizing revenue from contracts with customers except leases, financial instruments and insurance contracts. The standard is effective for annual periods beginning on or after January 1, 2017 with retroactive application. The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on May 1, 2017. The extent of the impact of adoption of the standard has not yet been determined.

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6. Intangible assets:

Summary details of the Company's intangible assets at July 31, 2015, appear in the following table.

As at July 31, 2015	Molecules	Granted Patents	Pending Patents	Computer Software	Total
Cost, April 30, 2015	\$ 3,526,287	\$ 496,691	\$ 360,758	\$ 148,528	\$ 4,532,264
Additions	-	438	10,666	5,740	16,844
Expired software licenses	-	-	-	(69,152)	(69,152)
Cost, July 31, 2015	3,526,287	497,129	371,424	85,116	4,479,956
Accumulated amortization, April 30, 2015	(3,025,412)	(110,451)	-	(72,257)	(3,208,120)
Amortization	(50,098)	(7,924)	-	(19,846)	(77,868)
Expired software licenses	-	-	-	69,152	69,152
Accumulated amortization, July 31, 2015	(3,075,510)	(118,375)	-	(22,951)	(3,216,836)
Net carrying value, July 31, 2015	\$ 450,777	\$ 378,754	\$ 371,424	\$ 62,165	\$ 1,263,120

7. Warrant Liability:

During fiscal 2015, the Company completed a private placement financing of units in three tranches consisting of one common share and one warrant to purchase a common share. The 10,177,760 warrants issued have an exercise price of \$0.34 USD. Under IFRS, the prescribed accounting treatment for warrants issued with an exercise price denominated in a foreign currency is to classify these warrants as a liability measured at fair value. At each subsequent reporting date, the warrants are re-measured at their fair value and the change in fair value is recognized through profit or loss. Details related to the warrant liability are summarized below.

	July 31, 2015	April 30, 2015
Number of warrants	10,177,760	10,177,760
Weighted average exercise price in CAD	\$ 0.4447	\$ 0.4102
Opening balance	\$ 1,170,070	\$ -
Issued in private placements	-	1,405,190
Revaluation of warrant liability	108,576	(235,120)
Closing balance	\$ 1,278,646	\$ 1,170,070

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8. Share capital:

Summary details of the Company's share capital at July 31, 2015, with comparable amounts for April 30, 2015, appear in the following table.

Expiry Date Ranges	July 31, 2015		April 30, 2015		
	Issued	Amount	Issued	Amount	
Share capital:					
Authorized:					
Unlimited common shares					
Unlimited preference shares					
Issued and fully paid:					
Common shares, without par value	125,869,223	\$ 23,081,860	118,435,518	\$ 20,866,325	
Common share purchase warrants:					
\$0.26 warrants	Jul 31/15 - Jan 29/16	5,572,956	701,791	7,985,353	906,636
\$0.30 warrants	May 9 - 26/15	-	-	7,500,000	1,227,980
\$0.30 warrants	Mar 15/16	12,500,000	2,518,901	12,500,000	2,518,901
\$0.28 warrants	Apr 29 - Jun 2/16	8,951,385	385,071	8,951,385	385,071
\$0.22 compensation warrants	Apr 29 - Jun 2/16	461,110	38,436	461,110	38,436
\$0.42 half warrants	Jun 28/17 - Jul 30/17	2,144,267	156,715	-	-
\$0.315 compensation warrants	Jun 28/17 - Jul 30/17	169,020	18,090	-	-
\$0.26 warrants	Feb 4/19	769,230	40,392	769,230	40,392
\$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 17 - Nov 25/19	534,737	78,163	554,752	82,124
\$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	182,350	15,177
		37,364,890	4,610,131	45,003,554	5,873,753
		\$ 27,691,991		\$ 26,740,078	

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

Balance April 30, 2015	118,435,518	20,866,325
Shares issued - private placements (note 8 (a))	4,288,533	1,025,868
Shares issued - contingency settlement (note 8 (b))	715,720	250,340
Shares issued - warrant exercise (note 8 (c) i)	-	1,317
Shares issued - warrant exercise (note 8 (c) ii)	2,429,452	938,010
	7,433,705	2,215,535
Balance July 31, 2015	125,869,223	\$ 23,081,860

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

Balance April 30, 2015	45,003,554	\$ 5,873,753
Warrants issued - private placements (note 8 (a))	2,144,267	156,714
Warrants issued - private placement compensation (note 8 (a))	169,020	18,090
Warrants exercised (note 8 (c) i)	-	(1,317)
Warrants exercised (note 8 (c) ii)	(2,429,452)	(259,315)
Warrants expired (note 8 (d))	(7,522,499)	(1,177,794)
	(7,638,664)	(1,263,622)
Balance July 31, 2015	37,364,890	4,610,131

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Details concerning the share capital transactions are summarized below.

(a) Private placements:

The Company completed a non-brokered private placement in two tranches on June 29 and July 31, 2015. The Company issued 4,288,533 units consisting of one common share and one-half of a warrant at \$0.30 per unit for gross proceeds of \$1,286,560. Each whole common share purchase warrant is exercisable for one common share at an exercise price of \$0.42 for a period of 24 months following the issue date. The Company paid cash costs for professional and legal fees of \$35,182 and finders' fees of \$50,706 in connection with the offering and issued 169,020 compensation warrants. Each compensation warrant is exercisable for one common share at an exercise price of \$0.315 for a period of 24 months from the date of issue.

The expiry date for the common share purchase warrants and the compensation warrants ("the Warrants") was set at the same date for each Warrant in each tranche. The expiry date for each Warrant will be accelerated to a period of 21 days, if for any ten consecutive trading days during the unexpired term of the Warrants (the "Premium Trading Days"), the closing price of the common shares on the TSXV equals or exceeds three times the exercise price set out in the warrant certificate. If this occurs, the reduced exercise period of 21 days will begin seven calendar days after the tenth Premium Trading Day.

The common share purchase warrants were allocated a portion of the proceeds and private placement costs based upon their relative fair market value at the date of issuance. The Warrants were valued using a Black-Scholes valuation model with the following assumptions:

Common Share Purchase Warrants	Jun 29, 2015	Jul 31, 2015
Common share market price	\$ 0.295	\$ 0.290
Risk free interest rate	0.98%	0.73%
Expected dividend yield	-	-
Estimated common share price volatility	79.72%	73.89%
Estimated life in years	1.97	1.98
Estimate fair value	\$ 73,011	\$ 118,562

Compensation Warrants	Jun 29, 2015	Jul 31, 2015
Common share market price	\$ 0.295	\$ 0.290
Risk free interest rate	0.98%	0.73%
Expected dividend yield	-	-
Estimated common share price volatility	74.18%	69.43%
Estimated life in years	1.92	1.94
Estimate fair value	\$ 10,067	\$ 8,023

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Accordingly, \$170,700 in gross proceeds and \$13,986 in costs were allocated to the common share purchase warrants.

(b) Contingent share issuance:

Upon the purchase of a library of molecules in November 2007, the Company became contingently liable for the issuance of 1,431,441 common shares as part of the purchase consideration should two development milestones be subsequently achieved by any molecule from the library.

In 2012, the Company received a U.S. patent for a molecule, COTI-2, which represented the achievement of one of the milestones and accordingly one-half of the contingent consideration was issued. On May 22, 2015, the FDA advised the Company that it had completed its review of the Company's investigational new drug ("IND") application for COTI-2, submitted on April 24, 2015. The IND was granted enabling the Company to proceed with its proposed clinical investigation. This grant satisfied the second milestone for the molecule, COTI-2, being notification of acceptance of an IND application. Accordingly, the Company issued 715,720 common shares as final payment of the contingent share consideration that arose on the acquisition. This consideration had a fair value of \$250,502 based upon the closing market price of the Company's shares on May 22, 2015, the date of the grant and the Company incurred \$162 in issuance costs.

(c) Warrant exercises:

- i. Subsequent to the April 30, 2015, year-end, a valuation adjustment of \$1,317 was recognized related to the exercise of compensation warrants in the fourth quarter. This adjustment was recognized as an increase in Share Capital and a decrease in Warrant Capital.
- ii. During the quarter ended July 31, 2015, warrant holders exercised common share purchase warrants and compensation warrants. The gross proceeds of these exercises, plus the net value attributed to these warrants on the initial grant, less the costs to issue the common shares upon the exercise, were included in common share capital as summarized below.

Warrant description	Number of warrants exercised	Gross proceeds	Net warrant transfer value	Share issuance costs	Share capital
\$0.26 USD compensation	20,015	\$ 6,418	\$ 2,644	\$ (103)	\$ 8,959
\$0.29 compensation	19,539	5,666	1,641	(38)	7,269
\$0.26 common share	1,249,898	324,973	106,032	(154)	430,851
\$0.30 common share	1,140,000	342,000	148,998	(67)	490,931
	2,429,452	\$ 679,057	\$ 259,315	\$ (362)	\$ 938,010

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(d) Warrant expiries:

A total of 7,522,499 common share purchase warrants expired unexercised in the quarter with exercise prices of \$0.26 to \$0.30. As a result, the net amount previously recorded for these warrants of \$1,177,794 was transferred to Contributed Surplus.

9. Share-based compensation:

For the three months ended July 31, 2015, the Company recognized share-based compensation expense of \$77,834 (July 31, 2014 – \$24,928) related to the vesting of share options granted in this and prior periods that did not vest immediately upon initial grant.

At July 31, 2015, there were 5,691,534 unexercised options with 5,039,085 of these vested and exercisable at prices ranging from \$0.14 to \$0.35 per share.

Details concerning the share options issued by the Company during the quarter are summarized below.

	Director	Consultant	Employee
Option terms:			
Number granted	104,350	85,000	30,000
Exercise price	\$ 0.29	\$ 0.34	\$ 0.34
Life of option in years	5.00	5.00	5.00
Vesting from grant date	Quarterly	Immediate	Quarterly
Black-Scholes assumptions:			
Risk free interest rate	0.674%	0.554%	0.644%
Expected dividend yield	-	-	-
Estimated share price volatility	94.01%	84.30%	89.37%
Estimated life in years	3.59	1.87	3.11
Estimated share option value	\$ 17,426	\$ 12,133	\$ 5,016

10. Supplementary cash flow information:

As at July 31	2015	2014
Change in non-cash working capital:		
Other receivables	\$ (9,161)	\$ (31,769)
Prepaid expenses and deposits	(179,697)	(30,397)
Accounts payable and accrued liabilities	256,810	(233,458)
Warrant liability	(108,576)	-
	\$ (40,624)	\$ (295,624)

CRITICAL OUTCOME TECHNOLOGIES INC
Notes to the Condensed Interim Financial Statements
For the three months ended July 31, 2015 and 2014
(All amounts in Canadian dollars)

The Company also engaged in financing transactions that did not involve the use of cash as set out below.

As at July 31	2015	2014
Warrants amended to extend the time to expiry	\$ -	\$ 1,241,419
Warrants issued as compensation in private placements	18,090	21,254
Shares issued in settlement of molecule purchase contingency	250,502	-
	\$ 268,592	\$ 1,262,673

11. Commitments:

At the quarter-end, the Company had research and development contract commitments to pay \$204,959 in fiscal 2016 for the completion of work under specific research and development contracts existing at the quarter-end.

12. Related party transactions:

Material transactions with related parties that occurred during the quarter were in the ordinary course of business. These included:

- a) the issuance of share options to a new director (note 9);
- b) the expiry of warrants held by certain directors (note 8 (d));
- c) the issuance of shares in settlement of the molecule purchase contingency (note 8 (b)) to two directors of the Company who were former shareholders in the company from which the molecules were acquired; and,
- d) participation by certain directors in the private placement financing (note 8 (a)) on the same terms and conditions as all other investors.

13. Subsequent events:

- (a) Warrant exercises:

Subsequent to July 31, 2015, the Company realized gross proceeds of \$155,610 from the exercise of 598,500 common share purchase warrants that were due to expire on August 20, 2015.

- (b) Warrant expiries:

A total of 1,404,998 common share warrants exercisable at a price of \$0.26 relating to a private placement that was completed on June 21, 2013 expired on August 20, 2015.