Financial Statements

Annual Audited

For the years ended April 30, 2013 and 2012

CRITICAL OUTCOME TECHNOLOGIES INC.
Financial Statements
For the years ended April 30, 2013 and 2012

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To the Shareholders of Critical Outcome Technologies Inc.

We have audited the accompanying financial statements of Critical Outcome Technologies Inc., which comprise the statements of financial position as at April 30, 2013 and 2012, the statements of comprehensive loss, changes in shareholders' equity and cash flows for the years then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Critical Outcome Technologies Inc. as at April 30, 2013 and 2012, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

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Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 3 in the financial statements which indicates that Critical Outcome Technologies Inc. has experienced operating losses and cash outflows since incorporation, has a deficit and has not reached successful commercialization of its products. These conditions, along with other matters described in Note 3, indicate the existence of a material uncertainty that casts significant doubt about Critical Outcome Technologies Inc.'s ability to continue as a going concern.

Chartered Accountants, Licensed Public Accountants
August 26, 2013
London, Canada

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CRITICAL OUTCOME TECHNOLOGIES INC.

Statements of Financial Position

(All amounts in Canadian dollars)

As at April 30	**2013**	**2012**
Assets		
Current assets:		
Cash and cash equivalents	$ 169,347	$ 901,130
Short-term investment (note 6)	-	817,541
Investment tax credits and other receivables	175,936	151,505
Prepaid expenses and deposits	86,486	59,583
	431,769	1,929,759
Non-current assets:		
Equipment (note 7)	47,442	55,899
Intangible assets (note 8)	1,777,443	2,163,318
	1,824,885	2,219,217
Total assets	$ 2,256,654	$ 4,148,976
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 378,514	$ 341,505
Shareholders' equity	1,888,204	3,807,471
Total liabilities and shareholders' equity	$ 2,266,718	$ 4,148,976

Going concern (note 3)
Commitments (note 19)
Contingency (note 20)
Subsequent events (note 23)

See accompanying notes to financial statements

Signed on behalf of the Board:

/s/ "Dr. Wayne R. Danter"

Dr. Wayne R. Danter - Director
President & Chief Executive Officer

/s/ "Mr. John C. Drake"

Mr. John C. Drake - Director
Chairman of the Board

CRITICAL OUTCOME TECHNOLOGIES INC.

Statements of Comprehensive Loss

(All amounts in Canadian dollars)

For the years ended April 30	2013	2012
Collaboration and research service revenue	$ 30,588	$ -
Expenses (income):		
Research and product development (note 9)	791,417	718,849
Sales and marketing (note 9)	281,593	244,037
General and administration (note 9)	1,718,404	1,780,024
Investment tax credits (note 13)	(127,933)	(133,771)
	2,663,481	2,609,139
Loss before finance income	(2,632,893)	(2,609,139)
Finance income:		
Interest income, net (note 14)	5,970	8,811
Foreign exchange gain	1,119	9,177
	7,089	17,988
Loss and comprehensive loss	$ (2,625,804)	$ (2,591,151)
Loss per share:		
Basic and diluted loss per common share (note 15)	$ (0.03)	$ (0.04)

See accompanying notes to financial statements

CRITICAL OUTCOME TECHNOLOGIES INC.

Statements of Changes in Shareholders' Equity

(All amounts in Canadian dollars)

	Common Shares	Warrants	Total Capital	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance, April 30, 2012	$ 16,121,987	$ 1,517,525	$ 17,639,512	$ 2,496,121	$ (16,328,162)	$ 3,807,471
Issuance of shares and warrants (note 10 (i) and (k))	294,811	146,304	441,115	-	-	441,115
Share-based compensation (note 11)	-	-	-	275,473	-	275,473
Warrant amendments (note 10 (g) and (j))	-	856,117	856,117	(866,168)	-	(10,051)
Warrant expiries (note 10 (h))	-	(26,831)	(26,831)	26,831	-	-
Loss and comprehensive loss	-	-	-	-	(2,625,804)	(2,625,804)
Balance, April 30, 2013	$ 16,416,798	$ 2,493,115	$ 18,909,913	$ 1,932,257	$ (18,953,966)	$ 1,888,204

	Common Shares	Warrants	Total Capital	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance, April 30, 2011	$ 14,779,916	$ 932,188	$ 15,712,104		$ (13,737,011)	$ 1,975,093
Issuance of shares and warrants (note 10 (a) and (f))	1,143,865	494,574	1,638,439	-	-	1,638,439
Share-based compensation (note 11)	-	-	-	221,984	-	221,984
Exercise of options (note 10 (b))	33,974	-	33,974	(15,000)	-	18,974
Issuance of shares on patent grant (notes 8 and 10 (c))	164,232	-	164,232	-	-	164,232
Warrant amendments (note 10 (d))	-	107,312	107,312	(112,173)	-	(4,861)
Warrant expiries (note 10 (e))	-	(16,549)	(16,549)	16,549	-	-
Loss and comprehensive loss	-	-	-	-	(2,591,151)	(2,591,151)
Balance, April 30, 2012	$ 16,121,987	$ 1,517,525	$ 17,639,512	$ 111,360	$ (16,328,162)	$ 1,422,710

See accompanying notes to financial statements

CRITICAL OUTCOME TECHNOLOGIES INC.

Statements of Cash Flows

(All amounts in Canadian dollars)

For the years ended April 30	2013	2012
Cash provided by (used in):		
Operating activities:		
Loss	$ (2,625,804)	$ (2,591,151)
Items not involving cash:		
Amortization - equipment	13,569	13,040
Amortization - intangibles	506,956	484,208
Share-based compensation	265,409	221,984
Investment tax credits	(127,933)	(133,771)
Interest income, net (note 14)	(5,970)	(8,811)
Foreign exchange gain	(1,119)	(9,177)
	(1,974,892)	(2,023,678)
Change in non-cash operating working capital (note 17)	(10,282)	33,348
Foreign exchange gain realized	80	6,457
Interest received	7,073	10,812
Cash used in operating activities	(1,978,021)	(1,973,061)
Investing activities:		
Purchase of equipment	(5,112)	(3,204)
Net redemptions (purchases) of short-term investments	817,541	(517,245)
Expenditures on intangible assets	(121,081)	(142,280)
Cash provided by (used) in investing activities	691,348	(662,729)
Financing activities:		
Proceeds of common share capital and warrants issued (net of issuance costs) (note 10)	441,115	1,638,439
Proceeds on exercise of share options	-	18,974
Investment tax credit recoveries	123,976	89,412
Issuance cost of common share contingent consideration and warrant amendments (note 10)	(10,051)	(5,245)
Interest paid	(1,189)	(2,001)
Cash provided by financing activites	553,851	1,739,579
Decrease in cash and cash equivalents	(732,822)	(896,211)
Effect of exchange rate fluctuations on cash and cash equivalents	1,039	2,720
Cash and cash equivalents, beginning of the year	901,130	1,794,621
Cash and cash equivalents, end of the year	$ 169,347	$ 901,130
Represented by:		
Cash	$ 25,873	$ 394,101
Cash equivalents	143,474	507,029
	$ 169,347	$ 901,130

See accompanying notes to financial statements

1. Corporate Information:

Critical Outcome Technologies Inc. ("COTI" or the "Company" or the "Corporation") is a public corporation trading in Canada on the TSX Venture Exchange ("TSXV") under the trading symbol "COT" and 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 biotechnology company focused on applying its proprietary computer-based technology, CHEMSAS®, to identify, profile, optimize and select commercially viable drug candidates at the earliest stage of preclinical drug development and thereby dramatically reduce the timeline and cost of getting new drug therapies to market. As a platform technology, CHEMSAS® is currently 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.

Using CHEMSAS®, the Company has created a pipeline of optimized, novel, proprietary, small molecules for specific therapy targets with high morbidity and mortality rates, which currently have either poor or no effective therapies. The Company is currently developing a few of these molecules through the preclinical testing stage. Its most advanced lead oncology asset, COTI-2, is in late preclinical trials and the Company is seeking to license this molecule to interested pharmaceutical partners for human trials and further drug development. The molecules currently in various stages of development are targeted at various cancers and HIV. The Company is also using its technology in a service model to collaborate with pharmaceutical, biotech and academic partners who have their own therapy targets, which can benefit from the Company's drug discovery technology in creating lead compounds for their therapeutic interests.

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 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 commercial operating revenues and operating cash flows continue to be negative. Key financial results for the years-ended April 30, 2013 and 2012 are indicative of concern. For 2013 these results include a loss of $2,625,804 (2012 – $2,591,151) and negative cash flow from operations of $1,978,021 (2012 – $1,973,061). In addition, as at April 30, 2013, the Company had a deficit of $18,953,966 (2012 – $16,328,162), which results in shareholders' equity of $1,878,140 (2012 – $3,807,471) and working capital of $53,255 (2012 – $1,588,254).

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 year-end, the Company closed private placements that raised gross proceeds of approximately $1,030,000 (note 23 (a)). Furthermore, the Company has discretion with many of its expenditure activities and plans to manage these activities in 2014 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 financial statements have been prepared assuming that the Company will continue as a going concern. Accordingly, these 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 financial statements could be material.

4. Basis of preparation:

(a) Compliance with accounting standards:

These audited financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and as adopted by the Accounting Standards Board in Canada. They have also been prepared on an individual entity basis, as the Company has no subsidiaries.

The financial statements were authorized for issue by the Board of Directors ("Board") on August 26, 2013.

(b) Basis of measurement:

The financial statements have been prepared on a historical cost basis.

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

(c) Functional and presentation currency:

The financial statements are presented in Canadian dollars, which is the functional currency of the economic environment in which the Company operates.

(d) Use of estimates and judgments:

Critical accounting estimates

The preparation of these 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 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. Revisions to these accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The significant estimates and assumptions requiring judgement are set out below.

(i) Impairment of non-financial assets:

When there are indications that the carrying value of an individual asset or cash generating unit may be impaired, the Company is required to estimate the asset's recoverable amount. The recoverable amount is the greater of value in use and fair value less costs to sell. Determining the value in use requires the Company to develop estimates of the recoverable amount through expected future cash flows to be derived from the asset, incorporating expectations about possible variations in the amount and timing of those cash flows. Management must also develop an estimate of an appropriate discount rate to apply to those future cash flows in determining their present value.

(ii) Amortization:

The Company must make certain estimates and assumptions concerning the useful lives and residual values of its amortizable assets in developing amortization methods and rates for these assets. The Company must also choose accounting policies which best reflect the consumption of the assets over their useful lives. These estimates and assumptions are reviewed annually and management adjusts amortization accordingly on a prospective basis.

(iii) Share-based compensation:

The Company is required to make certain estimates and assumptions when determining the fair value of share option awards at the grant date and the number of awards that are expected to vest. The fair value of share-based compensation is determined using a Black-Scholes option pricing model, which incorporates management's estimates of risk free interest rates, future dividend yield, expected share price volatility, expected option life and forfeiture rates. These estimates are based on existing information and historical experience, which may not be indicative of results that occur in the future.

(iv) Warrants:

The Company is required to make certain estimates and assumptions when determining the fair value of warrants issued on private placements and on modifications of previously issued warrants, such as the extension of the warrant term. The fair value of the warrants is determined using the Black-Scholes option pricing model, which incorporates management's estimates of risk free interest rates, future dividend yield, expected share price volatility, expected option life and forfeiture rates.

(v) Accrued liabilities:

The Company has ongoing research and development projects, the duration of which can span a few weeks to several months. In order to reflect accurately the cost of such activities on a period by period basis, management must make estimates as to the timing of project completion and estimated costs incurred.

Critical judgements in applying accounting policies

In the preparation of these financial statements, management has made judgements, aside from those that involve estimates, in the process of applying its accounting policies. These judgements can have an effect on the amounts recognized in the financial statements. The accounting policies requiring significant judgement are set out below.

(i) Income Taxes:

The Company is required to apply judgement in determining whether it is probable that deferred income tax assets will be realized. At April 30, 2013, management determined that future realization of its deferred income tax assets did not meet the threshold of being probable, and as such, has not recognized any deferred income tax assets in the Statements of Financial Position (notes 5 (j) and 12).

In addition, the measurement of income taxes payable and deferred income tax assets and liabilities requires management to make judgements in the interpretation and application of the relevant tax laws. The actual amount of income taxes only becomes final upon filing and acceptance of the tax return by the relevant authorities, which occurs subsequent to the issuance of the financial statements.

(ii) Impairment of non-financial assets:

The Company must exercise judgement in assessing whether there are indications that an asset may be impaired. Factors considered include whether an active market exists for the output produced by the asset or group of assets, as well as whether there has been a significant change in the way the asset is used or expected to be used.

5. Significant accounting policies:

The significant accounting policies adopted by the Company are set out below and have been consistently applied to all periods presented in these financial statements.

(a) Cash and cash equivalents and short-term investments:

Cash and cash equivalents include amounts held in banks and highly liquid investments with maturities at point of purchase of three months or less. Investments with maturities greater than three months and less than one year are presented as short-term investments in the Statements of Financial Position. The Company places its cash and cash equivalents and short-term investments with institutions and in investments having high credit ratings.

(b) Foreign currency translation:

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. At the date of each reporting period, the Company's foreign currency monetary items are re-measured using the closing exchange rate in effect at that reporting date. Non-monetary items are not subsequently re-measured for changes in exchange rates occurring between the date of recognition and the reporting date.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the re-measurement of monetary items at each reporting date are recognized under the heading Finance income in the Statements of Comprehensive Loss.

(c) Equipment:

Details as to the Company's policies for equipment are as follows:

Asset	Measurement Basis	Amortization Method	Amortization Rate	Remaining Amortization Period
Computer hardware	Cost	Straight-line	12 - 24 months	1 - 18 months
Furniture and fixtures	Cost	Straight-line	60 - 120 months	52 - 73 months
Leasehold improvements	Cost	Straight-line	Term of lease	Fully amortized

Amortization commences in the month following the month of purchase. Amortization of equipment is included in amortization expense as part of General and administration in the Statements of Comprehensive Loss.

Any impairment losses are recognized immediately as impairment expense in General and administration in the Statements of Comprehensive Loss. Gains and losses on disposal are determined by comparing the proceeds from disposal with the carrying amount of equipment and are recognized in

gain (loss) on disposal of equipment in General and administration in the Statements of Comprehensive Loss.

(d) Intangible assets:

Details as to the Company's policies for intangible assets are as follows:

Asset	Measurement Basis	Amortization Method	Amortization Rate	Remaining Amortization Period
Computer software	Cost	Straight-line	Term of license	2 - 9 months
Molecules	Cost	Straight-line	96 months	31 months
Patents - granted	Cost	Straight-line	Life of patent	123 - 200 months
Patents - pending	Cost	Not available for use	-	-

The Company's intangibles are predominantly *"finite life intangibles"* with the exception of patents pending that are recognized as *"intangibles not yet available for use"* until a patent is granted. The Company does not have any internally generated intangible assets.

Amortization of intangible assets is included in amortization expense in General and administration as recognized in the Statements of Comprehensive Loss.

Details as to the Company's intangible assets are as follows:

(i) Computer software:

Acquired computer software that is not integral to the operation of equipment is classified as an intangible asset. Computer software is recorded at cost and is amortized over the term of the software license.

(ii) Molecules:

On November 27, 2007, the Company acquired a library of molecules that are being amortized in accordance with the timeline for the achievement of milestones as prescribed by the purchase agreement.

(iii) Patents:

The direct costs of evaluating and investigating patents are accumulated by specific molecule, group of molecules or process and these capitalized costs are amortized beginning in the month subsequent to the month the patent is granted. Patent costs incurred to validate the patent in specific countries following grant of patent in a broader jurisdiction such as Europe, are capitalized and amortized over the remaining patent life as incurred.

Annual patent maintenance costs are expensed as incurred.

The accumulated cost of a molecule, group of molecules or process investigated for patenting which is not subsequently patented is expensed in the month when the decision is made not to pursue the patent.

(e) Impairment of non-financial assets:

At each reporting date, the Company's non-financial assets, such as equipment and intangible assets, are reviewed to determine whether there is an indication that those assets are impaired. If such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in General and administration in the Statement of Comprehensive Loss. Intangible assets not yet available for use are evaluated for impairment at least annually.

Also at each reporting date, the Company assesses whether there is an indication that a previously recognised impairment loss has reversed, and accordingly whether the impairment loss should be reversed.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted at a rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. When an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount so that the increased carrying amount does not exceed the carrying amount that would have been recorded had no impairment losses been recognized for the asset in prior years.

(f) Research and product development:

Research and product development expenditures are recognized as an expense in the Statements of Comprehensive Loss in the period incurred. Internal development expenditures are capitalized in the Statements of Financial Position when they meet the recognition criteria of IAS 38 – Intangible Assets, including where it is probable that the Company will realize the expected future benefits.

(g) Financial instruments:

(i) Initial recognition and measurement:

Financial instruments are recognized when the Company becomes a party to the contractual provisions of the financial instrument. The Company's financial instruments consist of cash and cash equivalents, short-term investments, other receivables, accounts payable and accrued liabilities. Financial instruments are measured at their fair value upon initial recognition. Subsequent to initial recognition, financial instruments are measured based on assignment into one of the following classification categories:

Financial Instrument	Classification	Measurement Basis After Initial Recognition	Gains (Losses) After Initial Recognition
Cash and cash equivalents	Fair value through profit or loss	Fair value	Profit (loss)
Short-term investments	Loans and receivables	Amortized cost	Profit (loss)
Other receivables	Loans and receivables	Amortized cost	Profit (loss)
Accounts payable and accrued liabilities	Other liabilities	Amortized cost	Profit (loss)

The criteria used by the Company to classify its financial instruments are as follows:

1. Fair value through profit or loss ("FVTPL"):

Financial assets and liabilities are classified as FVTPL if management intends to hold these instruments for active trading in the near term.

2. Loans and receivables ("L&R"):

Financial assets are classified as L&R if they have fixed or determinable payments and are not quoted in an active market.

3. Other liabilities:

This category captures any financial liabilities not classified as FVTPL.

(ii) Derecognition policy:

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire or it transfers the rights to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability. The

Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

(iii) Impairment:

Any financial assets that are not classified as FVTPL are subject to regular impairment review. L&R instruments are subject to a varying degree of impairment risk due to the credit worthiness of the Company's counterparties, however the overall risk of impairment for L&R is considered to be relatively low. Impairment losses are calculated by deducting discounted expected future cash flows to be received from the carrying value of the financial asset. Estimated impairment losses due to declining credit worthiness or due to a breach of contract are recognized by way of an allowance account to reduce the carrying amount of L&R instruments recognized. Once the impairment is known with certainty, the financial asset carrying value is reduced directly and the allowance account is relieved of the impairment amount.

Purchases and sales of financial assets are recognized on their settlement date.

(h) Revenue recognition:

Revenue from the sale of goods and the provision of services is measured by reference to the fair value of consideration received or receivable for the goods or services provided.

Revenue earned in the provision of services is recognized when: the amount of revenue can be measured reliably; it is probable that the economic benefits associated with the transaction will flow to the Company; the costs incurred or to be incurred can be measured reliably; and when the criteria for each of the Company's different activities under contract has been met.

Payments received for the use of technology where further services are to be provided or fees received on the signing of collaborative research agreements are recognized over the period of performance of the related activities within Collaboration and research service revenue in the Statements of Comprehensive Loss. Payments received in advance of service delivery are recorded as unearned revenue and recognized as revenue over the period in which the service is delivered.

(i) Share capital:

(i) Common shares:

Common shares are classified as equity. The value of common shares issued as consideration in non-monetary transactions (note 20) are measured at fair value based upon the closing trading price of the Company's common shares on a single trading day or a range of trading days on the TSXV. Measurement occurs as of the date of an agreement to issue shares, an applicable transaction date as set out in an agreement, such as the

achievement of a milestone, or at a date as determined by the Board of Directors where there is no specific date identified.

(ii) Warrants:

Warrants are classified as equity. Warrants issued in conjunction with common shares as part of a private placement unit offering are allocated a portion of the gross proceeds based on their relative fair value determined using a Black-Scholes option pricing model.

(iii) Issuance costs:

Costs directly attributable to the issue of common shares and warrants are recognized, on a pro-rata basis, as applicable, as a reduction of share capital and warrants, net of any tax effects.

(j) Income taxes:

Income tax expense is comprised of current and deferred tax. Current tax and deferred tax are recognized in profit or loss unless they relate to a business combination, or items recognized directly to equity or to other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, combined with any adjustments to tax payable in respect of previous years.

Deferred tax assets and liabilities are recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that in the Company's judgement, it is no longer probable that the related tax benefit will be realized.

(k) Share-based compensation:

The granting of share options ("Options") requires the recognition of share-based compensation expense with a corresponding increase in Contributed Surplus in Shareholders' equity. The fair value of Options that vest immediately are recorded as share-based compensation expense at the date of the grant. The expense for options that vest over time is recorded over the vesting period using the graded method, which incorporates management's estimate of the Options, which are not expected to vest. The effect of a change in the estimated number of Options expected to vest is a change in an estimate and the cumulative effect of the change is recognized in the period when the change occurs. On exercise of an Option, the consideration received and the estimated fair value previously recorded in Contributed Surplus is recorded as an increase in Common Share capital.

The Company measures the cost for Options granted based on an estimate of the fair value of the Options as at the date of the grant using a Black-Scholes option pricing model that incorporates assumptions related to the current share price, the exercise price, the expected volatility, the option life, any expected dividends and the risk free rate.

Share-based awards issued to consultants are measured based on the fair value of the goods and services received unless that fair value cannot be estimated reliably. If the fair value of the goods and services cannot be reliably measured, then the fair value of the equity instruments granted is used to recognize the expense.

(l) Short-term employee benefits:

The Company offers short-term benefits to its employees consisting of government mandated programs that include Canada Pension Plan, Employment Insurance, Employer Health Tax and Workplace Safety Insurance Board coverage, in addition to the Company sponsored health, dental, vision and disability program. The cost of these benefits is recognized as employee benefits expense on an undiscounted basis as employee services are rendered in the respective functional areas to which the employee's time is allocated in the Statements of Comprehensive Loss. Any unpaid benefit remittances to the service providers of these benefits are included in accounts payable and accrued liabilities on an undiscounted basis. Similarly, any amounts recoverable from employees under such plans are included in miscellaneous receivables on an undiscounted basis. These amounts represent what the Company expects to pay or receive for these future benefit entitlements.

(m) Investment tax credits:

The Company applies for investment tax credits ("ITCs") in relation to scientific research and experimental development expenditures incurred. ITCs are recognized when qualifying expenditures are made, and when the Company believes there is reasonable assurance that the credits will be realized based upon the Company's history of filing and collections. ITCs relating to research and development expenses are recorded as a reduction of expenses in the Statements of Comprehensive

Loss and those relating to capital expenditures are recorded as a reduction of the cost of the asset acquired.

(n) Government grants:

Government grants are recognized when the Company has reasonable assurance that they will be received and that it is in compliance with the conditions underlying the related agreement. Government grants earned in connection with research and development and marketing activities are recorded against the related expenditures when incurred. Government grants designated as expense reimbursement are recorded against those expenses when recognized whereas assistance designated as capital expenditure reimbursement is recorded as a reduction in the cost of the asset acquired with amortization calculated on the net amount.

In situations where government assistance is to be applied against expenditures in a subsequent accounting period, the assistance is deferred and amortized to income as the related expenses are incurred.

(o) Basic and diluted loss per share:

Basic loss per share is calculated by dividing the net loss for the period by the weighted average number of common shares outstanding during the period. Diluted loss per share is computed in a manner consistent with basic loss per share, except that the weighted average number of shares outstanding is increased to include additional shares from the assumed exercise of options, and warrants, , if dilutive. When a net loss is incurred, basic and diluted loss per share is the same because the exercise of options and warrants are anti-dilutive. Contingently issuable shares, which require performance conditions to be met, are only included in the calculation of basic loss per share from the date when all of the necessary conditions for their issuance are satisfied. The inclusion of contingently issuable shares in diluted loss per share calculations is dependent upon management's assessment of the likelihood of achievement of performance conditions at the reporting date.

(p) Segment reporting:

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. Management has determined that the Company operates in one reportable segment, drug discovery and development, based on the economic characteristics of its research and its services. All of the Company's operations are located in Canada.

(q) Finance income:

Finance income consists of interest income earned on cash and cash equivalents and short-term investments and foreign exchange gains and losses. Interest income is presented net of finance costs comprised of interest expense and bank charges. Finance income and finance costs are recognized as they accrue using the effective interest method.

(r) Adoption of new accounting pronouncements:

During the year, the Company entered into three agreements for the discovery of drug compounds with other entities; consequently, the Company elected to early adopt IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IFRS 10 Consolidated Financial Statements, IAS 27 (2011) Separate Financial Statements and IAS 28 (2011) Investments in Associates and Joint Ventures. These standards were required to be adopted by the Company beginning on May 1, 2013; however, early adoption was permitted.

(i) IFRS 11 Joint Arrangements:

IFRS 11 replaces the guidance in IAS 31 Interests in Joint Ventures. The standard requires interests in jointly controlled entities to be accounted for under the equity method.

A joint arrangement not structured through a separate vehicle is considered a joint operation. Under the standard, the three agreements entered into by the Company during the year have each been determined to be a joint operation. In a joint operation, the contractual arrangement establishes the parties' rights to the assets, obligations for the liabilities relating to the arrangement and the parties' rights to the corresponding revenues and obligations for the corresponding expenses. Accordingly, each joint operator recognizes in its financial statements the assets and liabilities used for the specific task, and recognizes its share of the revenues and expenses in accordance with the contractual arrangement.

There is no material impact on the Company's financial statements as a result of this adoption. The nature of the Company's joint operations is more fully described in note 18.

(ii) IFRS 12 Disclosure of Interests in Other Entities:

IFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (joint operations or joint ventures), associates, and unconsolidated structured entities. The disclosure requirements widely define interests as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The required disclosures aim to provide information in order to enable users to evaluate the nature of, and the risks associated with, an entity's interest in other entities, and the effects of those interests on the entity's financial position, financial performance, and cash flows. Disclosures required by this standard are included in note 17.

(iii) IFRS 10 Consolidated Financial Statements:

IFRS 10 replaces the guidance in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities. IAS 27 (amended 2011) survives as

Separate Financial Statements, to carry forward only the existing accounting requirements for separate financial statements. IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are Special Purpose Entities in the scope of SIC-12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 (amended 2008). The Company has assessed the impact of this amended standard and has determined there to be no impact on its financial statements.

(iv) IAS 27 (amended 2011) Separate Financial Statements:

This amended pronouncement removes the requirements for consolidated statements from IAS 27 and moves it over to IFRS 10 Consolidated Financial Statements. The amendment mandates that when a company prepares separate financial statements, investment in subsidiaries, associates, and jointly controlled entities are accounted for using the cost method or in accordance with IFRS 9 Financial Instruments. The Company has assessed the impact of this amended standard and has determined there to be no impact on its financial statements.

(v) IAS 28 (amended 2011) Investments in Associates and Joint Ventures:

This amended pronouncement requires any retained portion of an investment in an associate or joint venture that has not been classified as held for sale to be measured using the equity method until disposal. After disposal, if the retained interest continues to be an associate or joint venture, the amendment requires this retained interest to continue to be accounted for under the equity method. The amendment also disallows the remeasurement of any retained interest in an investment upon the cessation of significant influence or joint control. The Company has assessed the impact of this amended standard and has determined there to be no impact on its financial statements.

(s) Recent accounting pronouncements not yet adopted:

The IASB and International Financial Reporting Interpretations Committee (“IFRIC”) have issued the following standards that affect the Company but have not been applied in preparing these financial statements as their effective dates fall in annual periods beginning subsequent to the current reporting period.

(i) IFRS 9 – Financial Instruments:

In October 2010, the IASB issued IFRS 9 – Financial Instruments (“IFRS 9”), which replaced IAS 39 – Financial Instruments: Recognition and Measurement. This standard establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their

assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard is effective for the Company's interim and annual financial statements commencing May 1, 2015. The Company has not yet assessed the impact of this new standard on its financial statements.

(ii) IFRS 13 – Fair Value Measurement:

In May 2011, the IASB issued IFRS 13 – Fair Value Measurement ("IFRS 13"), which replaced the fair value guidance contained in individual IFRS with a single source of fair value measurement guidance. The standard also requires disclosures that enable users to assess the methods and inputs used to develop fair value measurements. This new standard is effective for the Company's interim and annual financial statements commencing May 1, 2013. The extent of the impact of IFRS 13 on the financial statements has not yet been fully assessed.

(iii) IAS 1 – Presentation of Financial Statements:

In June 2011, the IASB amended IAS 1 – Presentation of Financial Statements. This amendment requires an entity to present separately the items of "Other Comprehensive Income" as items that may or may not be reclassified to profit and loss. This amended standard is effective for the Company's interim and annual financial statements commencing May 1, 2013. Adoption of this standard is not anticipated to have any measureable impact based upon the Company's historic activities.

(iv) IAS 19 – Employee Benefits:

In June 2011, the IASB published an amended version of IAS 19, Employee Benefits. The amendments impact termination benefits, which would now be recognized at the earlier of when the entity recognizes costs for a restructuring within the scope of IAS 37 Provisions, and when the entity can no longer withdraw the offer of the termination benefits. The Company intends to adopt the amendments in its financial statements for the annual period beginning on May 1, 2013. The extent of the impact of adoption of the amendments has not yet been determined.

(v) Annual improvements to IFRSs 2009-2011 Cycle – Various Standards:

In May 2012, the IASB published Annual Improvements to IFRSs – 2009-2011 Cycle as part of its annual improvements process to make non-urgent but necessary amendments to IFRS. The new cycle of improvements contains amendments to the following four standards with consequential amendments to other standards and interpretations:

- IAS 1 Presentation of Financial Statements
- IAS 16 Property, Plant and Equipment

- IAS 32 Financial Instruments: Presentation
- IAS 34 Interim Financial Reporting

The Company intends to adopt the amendments to the standards in its financial statements for the annual period beginning on May 1, 2013. The extent of the impact of adoption of the amendments has not yet been determined.

6. Short-term investment:

The Company invests cash not needed for immediate working capital purposes in short-term securities having maturities greater than three months and rated "A high" or greater by Standard and Poor's and the Dominion Bond Rating Service. At April 30, 2013, there were no short-term investments held. At April 30, 2012, the short-term investment had a market value of $817,541 (cost $817,000) with a maturity of April 12, 2013.

7. Equipment:

As at April 30, 2013	Computer Hardware	Furniture and Fixtures	Leasehold Improvements	Total
Cost, April 30, 2012	$ 9,433	$ 122,248	$ -	$ 131,681
Purchases	5,111	-	-	5,111
Cost, April 30, 2013	14,544	122,248	-	136,792
Accumulated amortization, April 30, 2012	(6,957)	(68,825)	-	(75,782)
Amortization	(3,617)	(9,951)	-	(13,568)
Accumulated amortization, April 30, 2013	(10,574)	(78,776)	-	(89,350)
Net carrying value, April 30, 2013	$ 3,970	$ 43,472	$ -	$ 47,442

As at April 30, 2012	Computer Hardware	Furniture and Fixtures	Leasehold Improvements	Total
Cost, April 30, 2011	$ 74,894	$ 122,383	$ 24,516	$ 221,793
Purchases	3,204	-	-	3,204
Disposals	(68,665)	(135)	(24,516)	(93,316)
Cost, April 30, 2012	9,433	122,248	-	131,681
Accumulated amortization, April 30, 2011	(74,092)	(57,450)	(24,516)	(156,058)
Amortization	(1,530)	(11,510)	-	(13,040)
Disposals	68,665	135	24,516	93,316
Accumulated amortization, April 30, 2012	(6,957)	(68,825)	-	(75,782)
Net carrying value, April 30, 2012	$ 2,476	$ 53,423	$ -	$ 55,899

8. Intangible assets:

As at April 30, 2013	Molecules	Granted Patents	Pending Patents	Computer Software	Total
Cost, April 30, 2012	$ 3,275,785	$ 269,972	$ 345,753	$ 123,638	$ 4,015,148
Purchases	-	3,680	97,751	19,650	121,081
Expired software licenses	-	-	-	(61,833)	(61,833)
Cost, April 30, 2013	3,275,785	273,652	443,504	81,455	4,074,396
Accumulated amortization, April 30, 2012	(1,737,782)	(49,007)	-	(65,041)	(1,851,830)
Amortization	(429,210)	(15,961)		(61,785)	(506,956)
Expired software licenses	-	-	-	61,833	61,833
Accumulated amortization, April 30, 2013	(2,166,992)	(64,968)	-	(64,993)	(2,296,953)
Net carrying value, April 30, 2013	$ 1,108,793	$ 208,684	$ 443,504	$ 16,462	$ 1,777,443

As at April 30, 2012	Molecules	Granted Patents	Pending Patents	Computer Software	Total
Cost, April 30, 2011	$ 3,111,169	$ 206,992	$ 328,258	$ 75,971	$ 3,722,390
Purchases	-	62,980	17,495	61,805	142,280
Settlement of contingent consideration (note 10 (c) & 20)	164,616		-	-	164,616
Expired software licenses	-	-	-	(14,138)	(14,138)
Cost, April 30, 2012	3,275,785	269,972	345,753	123,638	4,015,148
Accumulated amortization, April 30, 2011	(1,328,728)	(35,517)	-	(17,515)	(1,381,760)
Amortization	(409,054)	(13,490)	-	(61,664)	(484,208)
Expired software licenses	-	-	-	14,138	14,138
Accumulated amortization, April 30, 2012	(1,737,782)	(49,007)	-	(65,041)	(1,851,830)
Net carrying value, April 30, 2012	$ 1,538,003	$ 220,965	$ 345,753	$ 58,597	$ 2,163,318

The carrying values of individually significant intangible assets included in the intangible asset classes listed above are set out below.

	Therapeutic Target	April 30, 2013	April 30, 2012
Molecules:			
COTI-2	Oncology	$ 797,352	$ 1,106,005
Remaining nine molecules	Oncology	311,441	431,998
		$ 1,108,793	$ 1,538,003
Granted patents:			
COTI-2	Oncology	$ 45,986	$ 51,924
COTI-219	Oncology	9,206	9,757
Three compounds	Acute myelogenous leukemia	153,492	159,284
		$ 208,684	$ 220,965
Pending patents:			
COTI-2	Oncology	$ 264,154	$ 199,202
Various other compounds	Oncology and HIV	179,350	146,551
		$ 443,504	$ 345,753

9. Functional expense breakdown:

The Company's largest expense category is employee compensation consisting of salaries, accrued vacation pay, directors' meeting fees, short-term benefits (note 5 (l)) and share-based compensation (note 11). These expenses, in addition to other major expenses contained in the functional area presentation of the Statements of Comprehensive Loss, are summarized by functional area for the respective years below.

April 30, 2013	Research and product development	Sales and marketing	General and administration	Total
Amortization	$ -	$ -	$ 520,527	$ 520,527
Invitro/Invivo testing	376,267	-	-	376,267
Marketing expenses	10,019	91,199	30,648	131,866
Office expenses	18,864	2,083	156,187	177,134
Professional fees	58,747	115,732	330,217	504,696
Salaries and meeting fees	327,199	64,067	390,357	781,623
Share-based compensation	-	-	265,409	265,409
Short-term benefits	30,039	8,512	25,059	63,610
Synthesis and miscellaneous R&D expenses	38,144	-	-	38,144
R&D cost recoveries - government grant (note 13)	(67,862)	-	-	(67,862)
	$ 791,417	$ 281,593	$ 1,718,404	$ 2,791,414

April 30, 2012	Research and product development	Sales and marketing	General and administration	Total
Amortization	$ -	$ -	$ 497,248	$ 497,248
Invitro/Invivo testing	236,002	-	-	236,002
Marketing expenses	12,416	52,602	31,323	96,341
Office expenses	17,284	3,805	162,878	183,967
Professional fees	1,200	10,150	444,939	456,289
Salaries and meeting fees	323,795	156,746	403,627	884,168
Share-based compensation	6,125	2,571	213,288	221,984
Short-term benefits	29,503	18,163	26,721	74,387
Synthesis and miscellaneous R&D expenses	189,131	-	-	189,131
R&D cost recoveries - government grant (note 13)	(96,606)	-	-	(96,606)
	$ 718,849	$ 244,037	$ 1,780,024	$ 2,742,910

10. Share capital:

		April 30, 2013		April 30, 2012	
	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		78,058,472	$ 16,416,798	74,453,214	$ 16,121,987
Share purchase warrants:					
$0.30 compensation warrants	Sep 24 - Oct 21/12	-	-	507,500	26,831
$0.30 warrants	Sep 23 - Oct 26/13	11,250,000	464,734	11,250,000	464,734
$0.30 compensation warrants	Sep 23 - Oct 26/13	726,686	29,838	726,686	29,838
$0.30 warrants	Oct 31/13	12,500,000	1,439,333	12,500,000	673,998
$0.37 warrants	Mar 14/14	1,446,481	383,195	1,446,481	297,834
$0.55 warrants	Mar 14/14	129,019	29,711	129,019	24,290
$0.20 compensation warrants	Jul 29/14	232,652	19,543	-	-
$0.26 warrants	Jul 29/14	3,605,258	126,761	-	-
		29,890,096	2,493,115	26,559,686	1,517,525
			$ 18,909,913		$ 17,639,512

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

	Shares		Amount
Balance April 30, 2011	62,371,215	$	14,779,916
Shares issued - private placement (note 10 (f))	11,250,000		1,146,147
Shares issued - settlement of contingent consideration (note 10 (c))	715,720		164,232
Shares issued - option exercise (note 10 (b))	116,279		33,974
Shares issued - private placement prior year (note 10 (a))	-		(2,282)
	12,081,999		1,342,071
Balance April 30, 2012	74,453,214		16,121,987
Shares issued - private placement (note 10 (k))	3,605,258		295,776
Shares issued - private placement prior year (note 10 (i))	-		(965)
	3,605,258		294,811
Balance April 30, 2013	78,058,472	$	16,416,798

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

	Warrants		Amount
Balance April 30, 2011	14,689,250	$	932,188
Warrants issued - private placement (note 10 (f))	11,250,000		461,384
Warrants issued - private placement compensation (note 10 (f))	726,686		33,190
Warrants expired (note 10 (e))	(106,250)		(16,549)
Warrants amended (note 10 (d))	-		107,312
	11,870,436		585,337
Balance April 30, 2012	26,559,686		1,517,525
Warrants issued - private placement (note 10 (k))	3,605,258		126,761
Warrants issued - private placement compensation (note 10 (k))	232,652		19,543
Warrants expired (note 10 (h))	(507,500)		(26,831)
Warrants amended (note 10 (g))	-		765,335
Warrants amended (note 10 (j))	-		90,782
	3,330,410		975,590
Balance April 30, 2013	29,890,096	$	2,493,115

Details concerning the share capital transactions are summarized below.

(a) The Company completed a private placement in fiscal 2011 and additional legal costs of $2,282 were incurred during fiscal 2012 related to this private placement.

(b) On May 5 and June 22, 2011, 58,139 and 58,140 share options were exercised on the respective dates. Concurrent with these exercises, the Company was required to transfer to share capital

the value previously recognized in Contributed Surplus at the time of the options being granted. Accordingly, the gross proceeds of $19,186 received on exercise, net of share issuance costs of $212, and the transfer of $15,000 from Contributed Surplus resulted in an increase in share capital of $33,974.

(c) On October 11, 2011, a patent was issued to the Company (note 8) that met one of the development milestones underlying the contingent consideration related to the acquisition of a library of molecules (note 20). Accordingly, on October 12, 2011, the Company issued 715,720 common shares as payment for one-half of the contingent consideration. The common shares had a market value of $164,616 based upon the closing market price of the Company's shares on October 11, 2011. Costs of $384 were incurred in issuing these common shares.

(d) On October 20, 2011, 1,575,500 warrants exercisable at $0.55 and due to expire on October 27, 2011 and November 27, 2011 were amended. The amendments were as follows:

(i) the exercise price was reduced to $0.37 per share from $0.55 per share for all warrants except 129,020 warrants held by insiders ("Insider Warrants") of the Company, which were not eligible for price amendment. The exercise price of these Insider Warrants remained at $0.55; and,

(ii) the expiry date was extended to January 31, 2013 (the "New Expiry Date"), provided that the New Expiry Date of the warrants will be reduced to a period of 14 days if, for any ten consecutive trading days during the unexpired term of the warrant (the "Premium Trading Days"), the closing price of the common shares on the TSXV equals or exceeds $0.55. The reduced exercise period of 14 days will begin seven calendar days after the tenth Premium Trading Day.

All other provisions of the warrants remained unchanged. The fair market value of the warrants recognized using the Black-Scholes option pricing model upon amendment was $112,173 with assumptions as follows:

Common share market price	$0.37	$0.55
Risk free interest rate	0.88%	0.88%
Expected dividend yield	-	-
Expected common share volatility	107%	107%
Expected warrant life in years	1.28	1.28

The direct costs associated with effecting the amendment were $4,861 and were recorded as warrant issuance costs.

(e) On October 27, 2011, 105,607 warrants exercisable at a price of $0.40 expired. On November 27, 2011, a further 643 agent warrants exercisable at a price of $0.40 expired. As a result, the fair market value allocated to these warrants of $16,549 was transferred to Contributed Surplus.

(f) The Company completed a private placement in three tranches, closing on March 23, April 10, and April 27, 2012, respectively. Under the private placement, the Company issued 11,250,000 units consisting of one common share and one common share purchase warrant at $0.16 per unit for gross proceeds of $1,800,000. Each common share purchase warrant is exercisable into one common share at a price of $0.30 for 18 months following the closing date of each tranche. Costs of the private placement included $43,009 in professional fees, $116,270 in cash finders' fees and 726,686 compensation warrants valued at $33,190 using a Black-Scholes option pricing model. The compensation warrants are exercisable into one common share at a price of $0.30 for 18 months following the closing date of each tranche. Expiry dates for the common share purchase warrants and compensation warrants from each tranche are September 23, October 9, and October 26, 2013, respectively.

Summary details of the private placement are set out below.

	April 30, 2012			
Closing date	March 23, 2012	April 10, 2012	April 27, 2012	Total
Proceeds summary:				
Gross cash proceeds on issuance	$ 500,000	$ 1,000,000	$ 300,000	$ 1,800,000
Share issuance cash costs	(61,188)	(126,396)	(38,076)	(225,659)
Net cash proceeds on issuance	$ 438,812	$ 873,604	$ 261,924	$ 1,574,341
Share issuance non-cash costs:				
Compensation warrants issued	157,937	437,499	131,250	726,686
Fair value of compensation warrants	$ (7,723)	$ (19,469)	$ (5,998)	$ (33,190)
Net proceeds to be allocated	$ 446,536	$ 893,073	$ 267,922	$ 1,607,531
Fair value allocations:				
Common shares issued	3,125,000	6,250,000	1,875,000	11,250,000
Fair value of common shares issued	$ 347,188	$ 721,875	$ 214,313	$ 1,283,375
Share issuance costs	(37,124)	(77,188)	(22,916)	(137,228)
Increase in fair value of share capital	$ 310,064	$ 644,687	$ 191,397	$ 1,146,147
Warrants issued	3,125,000	6,250,000	1,875,000	11,250,000
Fair value of warrants	$ 152,813	$ 278,125	$ 85,688	$ 516,625
Warrant issuance costs	(16,340)	(29,739)	(9,162)	(55,241)
Increase in fair value of warrants	$ 136,473	$ 248,386	$ 76,526	$ 461,384
Black-Scholes assumptions for warrant valuation:				
Common share market price	$ 0.25	$ 0.20	$ 0.21	
Risk free interest rate	1.14%	1.25%	1.25%	
Expected dividend yield	-	-	-	
Expected common share volatility	106%	107%	107%	
Expected warrant life in years	1.50	1.50	1.50	

(g) On September 20, 2012, 12,500,000 warrants exercisable at $0.30 and due to expire September 24, October 6 and 20, 2012 were amended. The amendment was for the expiry date only and the new expiry date is October 31, 2013. All other provisions of the warrants remained the same. The change in the fair value of the warrants upon amendment was recognized using the Black-Scholes option pricing model in the amount of $770,680 and was recognized, net of direct cash costs to implement the amendment of $5,345, as an increase in warrant capital and a decrease in contributed surplus. The assumptions used in the model were as follows:

Common share market price	$0.30
Risk free interest rate	1.00%
Expected dividend yield	-
Expected common share volatility	110%
Expected warrant life in years	1.11

(h) On September 24, 2012, 385,500 warrants exercisable at a price of $0.30 expired. On October 6, 2012, a further 82,000 warrants exercisable at a price of $0.30 expired and on October 20, 2012, a further 40,000 warrants exercisable at a price of $0.30 expired. As a result, the related amount recorded for these warrants of $26,831 was transferred to Contributed Surplus.

(i) On October 5, 2012, additional legal fees related to the private placement completed in April 2012 in the amount of $965 were recognized as share issuance costs and recorded as a decrease in share capital.

(j) On January 29, 2013, 1,575,500 warrants issued as part of its private placement in April and May 2010 and due to expire on January 31, 2013 were amended. The amendment was for the expiry date only and the new expiry date was set as March 14, 2014. The warrants consisted of 129,019 warrants exercisable to buy one common share at $0.55 and 1,446,481 warrants exercisable to buy one common share at $0.37 (the "$0.37 Warrants"). The expiry date for the $0.37 Warrants will be reduced to a period of fourteen days if, for any ten consecutive trading days during the unexpired term of the warrant (the "Premium Trading Days"), the closing price of the common shares equals or exceeds $0.55. The reduced exercise period of fourteen days will begin seven calendar days after the tenth Premium Trading Day. The change in the fair value of the warrants upon amendment was recognized as an increase in warrant capital and a decrease in Contributed Surplus using the Black-Scholes option pricing model in the amount of $95,488 net of the direct costs associated with effecting the amendment of $4,706. The assumptions used in the model were as follows:

Common share market price	$0.37 and $0.55
Risk free interest rate	0.95%
Expected dividend yield	-
Expected common share volatility	118%
Expected warrant life in years	1.12

(k) The Company completed a private placement of 3,605,258 units on January 30, 2013, consisting of one common share and one common share purchase warrant at $0.14 per unit for gross proceeds of $504,736. Each common share purchase warrant is exercisable into one common share at a price of $0.26 for 18 months following the closing date. Cash costs of the private placement were $62,656 consisting of $29,984 in professional fees and $32,672 in finders' fees. The Company also issued 232,652 compensation warrants valued at $19,543 and exercisable into one common share at a price of $0.20 for 18 months following the closing date. The expiry date for the common share purchase warrants and compensation warrants is July 29, 2014.

The common share purchase warrants were valued using a Black-Scholes option pricing model using the following assumptions:

Common share market price	$0.17
Risk free interest rate	1.05%
Expected dividend yield	-
Expected common share volatility	115%
Expected warrant life in years	1.50

The warrants were allocated a portion of the proceeds and private placement costs based upon their relative fair market value at the date of issuance. Accordingly, $151,421 in gross proceeds and $24,660 in costs were allocated to the common share warrants.

11. Share-based compensation:

The Company maintains a single share option plan ("SOP") for directors, employees and consultants who contribute to the long-term goals of the Company. Under the SOP, options can be awarded at any time; however, the maximum number of common shares available for purchase through option grants cannot exceed 10% of the outstanding issued common shares. The awarding of options, the exercise price, the expiry date and the vesting period are approved by the Compensation Committee of the Board. The vesting terms generally only require the passage of time and there have been no market vesting conditions assigned to options. The SOP sets out a maximum option life of five years for granted options. Settlement of share-based compensation is done solely through equity issuances. The Company used the fair value of equity instruments to value the options granted to consultants, as the fair value of services received from consultants could not be reliably measured.

For the year-ended April 30, 2013, the Company recorded share-based compensation expense of $265,409 (2012 – $221,984) consisting of share options granted to employees, directors and consultants of $273,625 reduced by a recovery of $8,216 related to share options forfeited by a consultant. At April 30, 2013, 2,221,410 options (2012 – 3,868,993) were available for grant under the share option plan.

A summary of the changes in the number of options outstanding by grantee type along with the weighted average exercise price for the year-ended April 30, 2013 is as follows:

April 30, 2013	Directors	Employees	Consultants	Total	Weighted average exercise price
Opening balance	2,881,475	394,853	300,000	3,576,328	$ 0.45
Granted	1,610,345	450,000	500,000	2,560,345	0.16
Exercised	-	-	-	-	-
Forfeited	-	-	(75,000)	(75,000)	0.21
Expired	-	(152,236)	(325,000)	(477,236)	(0.82)
Ending balance	4,491,820	692,617	400,000	5,584,437	$ 0.43

The assumptions used in the Black-Scholes option-pricing model related to the share options granted in 2013 were as follows:

2013	Directors	Employees	Consultants
Risk free interest rate	1.04 - 1.33%	1.04%	1.04 - 1.43%
Expected dividend yield	-	-	-
Expected average share volatility	113.1 - 114.1%	114.2 - 114.8%	113.4 - 114.2%
Expected average option life in years	2.6 - 2.8	2.5	2.5 - 2.8
Estimated total stock option compensation	$ 173,211	$ 33,236	$ 59,650

A summary of the changes in the number of options outstanding by grantee type along with the weighted average exercise price for the year-ended April 30, 2012 is as follows:

April 30, 2012	Directors	Employees	Consultants	Total	Weighted average exercise price
Opening balance	2,870,545	851,808	500,000	4,222,353	$ 0.58
Granted	756,098	71,449	200,000	1,027,547	0.31
Exercised	(116,279)	-	-	(116,279)	0.17
Forfeited	-	-	-	-	-
Expired	(628,889)	(528,404)	(400,000)	(1,557,293)	0.73
Ending balance	2,881,475	394,853	300,000	3,576,328	$ 0.45

The weighted average common share market price on the exercise date for the options exercised during the year ended April 30, 2012 was $0.352.

The assumptions used in the Black-Scholes option-pricing model related to the share options granted in 2012 were as follows:

2012	Directors	Employees	Consultants
Risk free interest rate	1.12%	1.53%	1.50%
Expected dividend yield	-	-	-
Expected average share volatility	123.3%	139.8%	139.4%
Expected average option life in years	2.81	5	2.79
Estimated total stock option compensation	$ 155,000	$ 11,752	$ 48,650

Details of the outstanding stock options at April 30, 2013 are summarized below:

Range of exercise prices	Options granted and outstanding at April 30, 2013	Unvested	Vested	Weighted average exercise price of outstanding options	Weighted average remaining contractual life in years	Weighted average exercise price of vested options
$0.01 - $0.25	3,424,856	796,257	2,628,599	$ 0.16	3.76	$ 0.16
$0.26 - $0.50	1,638,397	-	1,638,397	0.38	2.60	0.38
$0.51 - $0.75	226,628	-	226,628	0.75	0.11	0.75
$0.76 - $1.00	294,556	-	294,556	0.90	0.80	0.90
	5,584,437	796,257	4,788,180	$ 0.29	3.12	$ 0.31

Details of the outstanding stock options at April 30, 2012 are summarized below:

Range of exercise prices	Options granted and outstanding at April 30, 2012	Unvested	Vested	Weighted average exercise price of outstanding options	Weighted average remaining contractual life in years	Weighted average exercise price of vested options
$0.01 - $0.50	2,855,144	428,045	2,427,099	$ 0.30	3.57	$ 0.29
$0.51 - $1.00	521,184	-	521,184	0.83	1.50	0.83
$1.01 - $1.50	100,000	-	100,000	1.20	1.21	1.20
$1.51 - $2.00	100,000	-	100,000	2.00	0.44	2.00
	3,576,328	428,045	3,148,283	$ 0.45	2.72	$ 0.47

12. Income taxes:

(a) Current income tax expense:

The following table reconciles tax expense (recovery) on accounting profit (loss), calculated using combined Canadian federal and provincial (Ontario) tax rates.

	April 30, 2013	April 30, 2012
Loss for the period	$ (2,625,804)	$ (2,591,151)
Statutory rate	26.50%	27.58%
Income tax using Company's tax rate	(696,000)	(715,000)
Non-deductible expenses	196,000	182,000
Change in unrecognized temporary differences	633,000	545,000
Tax rate reduction	(208,000)	(5,000)
Other	75,000	(7,000)
	$ -	$ -

The Canadian statutory income tax rate declined during the year due to changes in enacted federal and provincial corporate income tax rates in Canada.

(b) Unrecognized deferred tax assets:

Deferred tax assets have not been recognized in respect of the following items:

	April 30, 2013	April 30, 2012
Deductible temporary differences	$ 1,211,000	$ 1,065,000
Tax losses	3,009,000	2,500,000
	$ 4,220,000	$ 3,565,000

The Company has non-capital losses and research and development expenditures, which may be applied to reduce taxable income of future years expiring as follows:

2014	186,000
2025	178,000
2026	463,000
2027	580,000
2028	1,297,000
2029	2,037,000
2030	2,075,000
2031	1,508,000
2032	1,588,000
2033	1,441,000
Total non-capital losses	$ 11,353,000
Total research and development expenditures, no expiry	$ 4,153,000

Non-capital losses of $35,385 expired at the year-end.

In measuring the deferred tax assets, management considers whether it is probable that the Company will generate sufficient taxable profit to utilize some portion or all of the benefits assigned to the deferred tax assets. Management considers the likelihood of future profitability, the existence of taxable temporary differences, which are expected to reverse and any available tax planning opportunities to make this assessment. To the extent that management believes it is not probable that the deferred tax assets will be realized, the deferred tax assets are not recognized. Management currently believes that the Company does not meet the probability criterion and, therefore, deferred tax assets have not been recognized in the Statements of Financial Position.

The federal and Ontario tax administration was harmonized effective for taxation years ending after December 31, 2008. Under the harmonized tax system, Ontario income tax is calculated on taxable income as defined for federal purposes. Accordingly, differences between federal and Ontario tax balances in the Company resulted in a transitional tax credit of $72,000. This credit was comprised of differences between federal and Ontario non-capital losses and research and development expenditures. This non-refundable credit expired at the Company's year-end.

13. Investment tax credits and government assistance:

The details of ITC refunds recognized by the Company are as follows:

As at April 30	2013	2012
Ontario innovation tax credit	$ 60,237	$ 92,112
Ontario business research institutes tax credit	11,836	7,084
Quebec tax credit for R&D salaries and wages	55,860	34,575
	$ 127,933	$ 133,771

The Company received ITC refunds of $123,976 related to fiscal 2012 and 2011 during fiscal 2013.

During the current year, the Company recognized $67,862 (2012 – $96,606) as a reduction in Research and product development expense for government assistance under an Industrial Research Assistance Program grant with the National Research Council of Canada (note 9). The grant provides support for the development of the Company's acute myelogenous leukemia program. Since inception of the grant, the Company has received $179,958 (2012 – $110,958).

14. Interest Income, net:

As at April 30	2013	2012
Interest income	$ 7,223	$ 10,812
Finance costs:		
Interest expense	548	1,231
Bank charges	705	770
	1,253	2,001
	$ 5,970	$ 8,811

15. Loss per share:

Both the basic and diluted loss per share were computed using the loss attributable to common share equity holders. The potential exercise of outstanding options and warrants are anti-dilutive in the calculation of diluted loss per share because of the current and prior year loss and accordingly they are not included in the computation of diluted loss per share below.

As at April 30	2013	2012
Loss	$ (2,625,804)	$ (2,591,151)
Weighted average number of common shares used in basic loss per share	75,344,624	63,585,703
Shares assumed issued on options	-	-
Shares assumed issued on warrants	-	-
Weighted average number of shares used in diluted loss per share	75,344,624	63,585,703
Loss per share:		
Basic and diluted	$ (0.03)	$ (0.04)

16. 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.

(a) Risk management framework:

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework. The Audit Committee is responsible for assisting in developing and

monitoring the Company's risk management policies. The Audit Committee reports regularly to the Board of Directors.

(b) Financial assets and liabilities:

The carrying amounts of designated financial instruments in the Statements of Financial Position are set out below.

As at April 30, 2013	Fair Value Through Profit or Loss	Loans and Receivables	Other Liabilities	Non-Financial Instruments	Carrying Value
Cash and cash equivalents	$ 169,347	$ -	$ -	$ -	$ 169,347
Other receivables	-	5,926	-	170,010	175,936
Accounts payable and accrued liabilities	-	-	(369,795)	(8,718)	(378,514)
	$ 169,347	$ 5,926	$ (369,795)	$ 161,291	$ (33,230)

As at April 30, 2012	Fair Value Through Profit or Loss	Loans and Receivables	Other Liabilities	Non-Financial Instruments	Carrying Value
Cash and cash equivalents	$ 901,130	$ -	$ -	$ -	$ 901,130
Short-term investments	-	817,541	-	-	817,541
Other receivables	-	1,196	-	150,309	151,505
Accounts payable and accrued liabilities	-	-	(331,811)	(9,694)	(341,505)
	$ 901,130	$ 818,737	$ (331,811)	$ 140,615	$ 1,528,671

The Company has determined that the carrying values of its financial assets and liabilities approximates their fair values because of the relatively short periods to maturity of these instruments and their capacity for prompt liquidation. Fair value estimates are made as of a specific point in time, using available information about the financial instrument.

Income earned is attributable to the following categories of financial instruments:

For the year ended April 30, 2013	Fair Value Through Profit or Loss	Loans and Receivables	Other Liabilities	Non-financial Instruments	Total
Interest income	$ 2,447	$ 4,505	$ -	$ 271	$ 7,223

For the year ended April 30, 2012	Fair Value Through Profit or Loss	Loans and Receivables	Other Liabilities	Non-financial Instruments	Total
Interest income	$ 6,704	$ 3,806	$ -	$ 302	$ 10,812

(c) Credit risk:

Credit risk is the risk of financial loss that may occur from the failure of another party to perform according to the terms of a contract. The Company regularly monitors its credit risk exposure consisting of short-term investments and other receivables and takes steps to mitigate the likelihood that these exposures will result in an actual loss.

The Company's maximum exposure to credit risk is quantified by the carrying value of the following financial assets, and the aging thereon as detailed below:

As at April 30, 2013	Total	Current	31 - 60 days	61 - 90 days	Over 90 days
Cash and cash equivalents	$ 169,347	$ 169,347	$ -	$ -	$ -
Other receivables	5,926	5,926	-	-	-
	$ 175,273	$ 175,273	$ -	$ -	$ -

As at April 30, 2012	Total	Current	31 - 60 days	61 - 90 days	Over 90 days
Cash and cash equivalents	$ 901,130	$ 901,130	$ -	$ -	$ -
Short-term investments	817,541	-	-	-	817,541
Other receivables	1,196	1,196	-	-	-
	$ 1,719,867	$ 902,326	$ -	$ -	$ 817,541

The Company limits its exposure to credit risk on its short-term investments by investing only in liquid investments as governed by the Company's formal investment policy. Such investments include guaranteed investments, money market funds and government treasury investments with institutions whose investments have high credit ratings. There has been no history of defaults or collection issues related to these short-term investments.

The Company's other receivables relate primarily to funds owing from government bodies for HST input tax credits, ITC refunds and government grants. The Company's credit risk exposure relates primarily to the validity of its reimbursement claims subject to review by the respective government body. The Company has a history of accepted claims and collection.

The maximum exposure to credit risk for loans and receivables at the reporting date by type of counterparty is as follows:

As at	2013	2012
Customer	5,588	-
Other	338	1,195
	$ 5,926	$ 1,195

The Company believes that no impairment allowance is necessary in respect of its short-term investments and other receivables based upon the factors noted above as there has been no material change to the Company's credit risk exposure or processes related to these during the year.

(d) Liquidity risk:

Liquidity risk is the risk of the Company having difficulty in meeting the obligations associated with its financial liabilities in delivering cash or another financial asset. The Company monitors and manages its actual cash and projected cash flows with the primary objective of maintaining liquidity and its financial flexibility. The Company had no short-term investments at April 30, 2013 and those short-term investments held at April 30, 2012 were in guaranteed investments with a major Canadian financial institution that could be cashed at any time.

The contractual maturities of the Company's financial liabilities including interest payments on financial liabilities, on an undiscounted cash flow basis, are set out below.

	Days to Maturity		
As at April 30, 2013	Total	0 - 90	91 - 200
Trade payables and accrued liabilities	$ 377,445	$ 377,445	$ -
Due to shareholder	1,069	1,069	-
	$ 378,514	$ 378,514	$ -

	Days to Maturity		
As at April 30, 2012	Total	0 - 90	91 - 200
Trade payables and accrued liabilities	$ 340,436	$ 340,436	$ -
Due to shareholder	1,069	1,069	-
	$ 341,505	$ 341,505	$ -

The Company has determined it has sufficient working capital to manage its maturing financial liabilities as they come due based on its ability to raise funds through private placements as demonstrated in prior years and subsequent to the reporting date (note 23 (a)). Included in cash equivalents are instruments, which are cashable before the contractual maturity date. The Company's short-term investments are concentrated in instruments with high credit ratings minimizing exposure to liquidity risk.

(e) Market risk:

Market risk is the risk that changes in market prices, such as foreign currency rates, interest rates and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimizing return.

(i) Foreign currency risk:

The Company has historically entered contracts denominated in United States dollars ("USD") and Euros ("EUR"). As a result, the Company may be exposed to risk from fluctuations in exchange rates between the CAD, USD and EUR. 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 year, the Company's foreign exchange exposure was almost exclusively related to the USD. The amount of this exposure is not considered significant to the financial statements with a foreign currency gain recorded for April 30, 2013, of $1,119 (2012 – $9,177). The Company's exposure to foreign currency risk based upon notional amounts expressed in CAD at the year-end was as follows:

As at April 30	2013			2012		
	CAD	USD	Total	CAD	USD	Total
Cash and cash equivalents	$ 156,171	$ 13,176	$ 169,347	$ 806,100	$ 95,030	$ 901,130
Short-term investments	-	-	-	817,541	-	817,541
Other receivables	338	5,588	5,926	1,195	-	1,195
Accounts payable and accrued liabilities	(341,208)	(28,587)	(369,795)	(307,619)	(24,192)	(331,811)
	$ (184,699)	$ (9,823)	$ (194,523)	$ 1,317,217	$ 70,838	$ 1,388,055

A 5% strengthening of the CAD against the USD at April 30, 2013 would have decreased the Company's loss by approximately $500 (2012 – $3,500). A 5% weakening of the CAD against the USD at those dates would have had the equal but opposite effect assuming all other variables remain constant. Accordingly, changes in the CAD vis-a-vis the USD would not have a significant impact on equity.

(ii) Interest rate risk:

Interest rate risk arises from fluctuations in the interest rates applied to financial assets and liabilities. The financial asset exposure to interest rate risk is concentrated in the cash equivalents and short-term investments as the interest rates obtained will fluctuate with market pricing. The Company regularly monitors the rates available with the selection of investments restricted to those with high credit ratings in accordance with the Company's investment policy. The Company has limited financial liability exposure to interest rate risk as it has no debt instruments and is only exposed to interest charges on overdue accounts payable and accrued liabilities. There have been no changes to the Company's interest rate risk exposure or processes related to this risk during the year. The amount of such exposure is not considered significant to the financial statements.

17. Supplementary cash flow information:

As at April 30		2013		2012
Change in non-cash working capital:				
Miscellaneous receivables	$	(20,387)	$	24,593
Prepaid expenses and deposits		(26,903)		10,893
Accounts payable and accrued liabilities		37,008		(2,138)
	$	(10,282)	$	33,348

The Company also engaged in certain investing and financing transactions that did not involve the use of cash as set out below:

		2013		2012
Compensation warrants issued as cost of private placement	$	19,543	$	33,190
Shares issued to settle an amount payable (note 8 and 10 (c))		-		164,616
Amendments to warrant capital outstanding	$	856,117	$	107,312

18. Joint arrangements:

The Company entered into three joint arrangements during the year determined to be joint operations. Of these joint operations, only one had any significant impact on the Company's financial results for the year.

In July 2012, the Company signed a collaborative research agreement ("CRA") effective for two years from July 25, 2012, with the University of Western Ontario ("Western") located in London, Ontario, Canada, to utilize the Company's proprietary technology CHEMSAS®. COTI is solely responsible for its internal costs associated with the performance of its obligations under the CRA. Western is solely responsible for identifying and securing the funding to perform its obligations under the CRA. Western and COTI will jointly own all rights, title and interests in and to Intellectual Property ("IP") that is developed by COTI researchers and Western researchers in the collaboration. Ownership of the joint IP will be equal unless decided otherwise by the two parties. If any of the candidates meet pre-determined development criteria, COTI and Western will work jointly to move the candidates towards clinical confirmation of activity and a commercial licensing transaction.

Under the CRA, the Company received a payment of $25,000 as a service fee for its screening and identification of a library of optimized compounds for the target. This payment was recognized in Collaboration and research services revenue in the Statements of Comprehensive Loss. The Company's costs of performance under the CRA, consisting of labour and associated employee benefits, were expensed as incurred and reported in Research and product development in the Statements of Comprehensive Loss.

19. Commitments:

(a) Premises rent:

The Company rents 1,600 square feet of office space on a month to month basis, subject to a 90 day notice period to terminate by either party, for monthly rent of $3,115.

(b) Research and development contracts:

The Company is committed to pay $55,677 in fiscal 2014 for the completion of work under specific research and development contracts existing at the year-end.

20. Contingency:

Upon the purchase of a library of molecules initially targeted at small cell lung cancer ("Molecule") in November 2007, the Company became contingently liable for the issuance of 1,431,441 common shares as part of the purchase consideration should certain development milestones be subsequently achieved by any Molecule acquired.

One-half of this contingent share consideration is payable upon the first occasion any Molecule achieves one of the following milestones:

(a) when the Company is given notification of acceptance of an investigational new drug filing ("IND") and an IND acceptance number is received; or
(b) when either the United States or the European patent authorities issue the Company a final patent.

The second half of this contingent share consideration is payable upon any Molecule achieving both milestones.

If by November 27, 2015, the eighth anniversary date of the transaction, these milestones are not achieved and the contingent consideration not paid, and if the Company has not abandoned its efforts to develop and commercialize the molecules by this anniversary date, the Company is required to:

(a) issue the contingent consideration of 1,431,441 common shares at fair value, or
(b) pay cash consideration equal to the amount by which the fair value of the Molecules purchased in the transaction exceed the amount invested in the Molecules by the Company. If the fair value of the Molecules purchased in the transaction is less than the amount invested in the Molecules by the Company, no consideration is payable.

During 2012, the Company received a US patent for a Molecule, COTI-2, that represented the achievement of one of the milestones (note 8 and 10 (c)). The Company has determined that the achievement of the other milestone for COTI-2 does not meet the guidance provided in IAS 37 – Provisions, which states that where an event is "more likely than not" to occur such event should be

recognized. Major factors considered in the likelihood determination included: the Company's current financial capacity to develop COTI-2 successfully through to achieving this milestone; the cost, time and expertise required in the IND application and approval process itself; and the uncertainty inherent in the remaining testing for COTI-2 prior to filing an IND application . The inability to meet the more likely than not criteria would apply to any of the other Molecules based upon the significant cost and timeline in advancing them through both milestones.

21. Related party transactions:

The Company measures transactions with its related parties at the transaction amount, which is the exchange amount agreed to by the transacting parties.

(a) Transactions with key personnel – compensation:

Key personnel includes the Company's management team and its directors. In addition to their salaries, the Company also provides non-cash benefits to the management team. The management team and its directors also participate in the Company's share option plan (note 11). For both 2013 and 2012, management compensation is recognized in salaries and meeting fees by functional area as applicable to each internal executive member of the management team and directors compensation is recognized in salaries and meeting fees in General and administration expense (note 9). Compensation provided to key personnel is summarized as follows:

		Management		Directors		Total
Salaries and meeting fees	$	301,220	$	52,000	$	353,220
Short-term benefits		16,124		1,621		17,745
Share-based compensation		43,300		182,114		225,414
Total compensation, April 30, 2013	$	360,644	$	235,735	$	596,379

		Management		Directors		Total
Salaries and meeting fees	$	424,900	$	36,000	$	460,900
Short-term benefits		22,119		3,536		25,655
Share-based compensation		6,103		162,738		168,841
Total compensation, April 30, 2012	$	453,122	$	202,274	$	655,396

(b) Transactions with key personnel – share and warrant transactions:

During the year ending April 30, 2013, key personnel who were also warrant holders had the terms of warrants, which were nearing their expiry date amended (note 10 (j)).

Also during the year, key personnel participated in a private placement financing by the Company on the same terms and conditions as other parties to the private placement (note 10 (k)). The amount of this investment was $97,594 representing 697,100 units (2012 – $134,000 representing 837,500 units (note 10 (f)).

Also during the year, key personnel who were also warrant holders had the terms of warrants, which were expiring in September 2012, amended consistent with the modifications provided to other warrant holders (note 10 (g)).

(c) Transactions with key personnel – consulting director:

The Company entered into a consulting agreement with a director on May 1, 2012, which was renewed effective June 1, 2013. Under the Agreement, the Consultant was paid a daily rate for invoiced time as services were provided. The Consultant was also entitled to certain cash bonuses based upon his material contribution to the Company successfully achieving objectives under the Company's Executive Bonus Plan. A grant of 200,000 share options was also provided under the Agreement (note 11). Consulting fees recognized under the agreement during the year were $180,734 (2012 – $164,107). There were no bonuses earned under the Agreement during the year (2012 – $38,780). There was $15,561 outstanding at April 30, 2013 (2012 - $21,344) for outstanding invoices due in 30 days related to the consulting agreement. Payments under the consulting agreement are recognized as consulting fees expense and reported under Professional fees in General and administration in the Functional expense breakdown (note 9).

22. Capital management:

The Company's capital is defined as common shares and warrants, contributed surplus, and deficit, which are presented in the Statements of Financial Position under the heading Shareholders' equity and further detailed in the Statements of Changes in Shareholders' Equity. The Company's objectives when managing capital are:

(a) To maintain strong liquidity to meet current obligations and continue as a going concern;
(b) To limit dilution of shareholders' investment to the extent necessary to finance operations;
(c) To ensure financial capacity to execute strategic plans; and,
(d) To provide the Company's shareholders with an appropriate rate of return on their investment.

The Company sets the amount of capital in proportion to its spending plans and consequently its need for available cash. The Company regularly monitors risks that could threaten its ability to meet its capital management objectives and seeks to make adjustments based on changes in economic conditions and its funding requirements to deal with such risks.

The Company is not subject to any externally imposed capital requirements that subjects the Company to the maintenance of liquidity levels or target ratios. The Company does not currently pay nor contemplate paying dividends.

23. Subsequent events

(a) Private placements:

(i) The Company completed a private placement in two tranches, closing on May 31 and June 21, 2013, respectively. Under the private placement, the Company issued 4,415,895 units consisting of one common share and one warrant at $0.12 per unit for gross proceeds of $529,907. Each warrant is exercisable for one common share of the Corporation at an exercise price of $0.26 per share for a period of 18 months from the date of issue. The Corporation paid finders' fees to arm's length third parties in connection with the offering of $10,686 in cash and issued 88,213 compensation warrants. Each compensation warrant is exercisable into one common share of the Corporation for a period of 18 months from the date of issue at an exercise price of $0.20 per share.

(ii) The Company completed the first tranche of a private placement on August 16, 2013. Under the private placement, the Company issued 4,166,666 units consisting of one common share and one warrant at $0.12 per unit for gross proceeds of $500,000. Each warrant is exercisable for one common share of the Corporation at an exercise price of $0.26 per share for a period of 18 months from the date of issue.

(b) Expiry of stock options:

On June 9, 2013, 226,628 vested share options previously granted to the Board of Directors expired.