Financial Statements

Annual Audited

For the years ended April 30, 2014 and 2013

CRITICAL OUTCOME TECHNOLOGIES INC.
Financial Statements
For the years ended April 30, 2014 and 2013

Table of Contents

	Page #
Financial Statements	
Independent Auditors' Report	3
Statements of Financial Position	5
Statements of Comprehensive Loss	6
Statements of Changes in Shareholders' Equity	7
Statements of Cash Flows	8
Notes to the Financial Statements	9 - 50

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INDEPENDENT AUDITORS' REPORT

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, 2014 and April 30, 2013, 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, 2014 and April 30, 2013, 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 negative cash flows from operations since incorporation, has a deficit, and has not established commercial revenue. These conditions, along with other matters as set forth in Note 3 in the financial statements, indicate the existence of a material uncertainty that casts significant doubt about Critical Outcome Technologies Inc.'s ability to continue as a going concern.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

July 24, 2014
London, Canada

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CRITICAL OUTCOME TECHNOLOGIES INC.
Statements of Financial Position
(All amounts in Canadian dollars)

As at April 30	**2014**	**2013**
Assets		
Current assets:		
Cash and cash equivalents	$ 830,275	$ 169,347
Investment tax credits and other receivables	149,754	175,936
Prepaid expenses and deposits	79,673	86,486
	1,059,702	431,769
Non-current assets:		
Equipment (note 6)	38,068	47,442
Intangible assets (note 7)	1,429,933	1,777,443
	1,468,001	1,824,885
Total assets	$ 2,527,703	$ 2,256,654
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 683,895	$ 378,514
Debenture (note 8)	346,666	-
	1,030,561	378,514
Shareholders' equity	1,497,142	1,878,140
Total liabilities and shareholders' equity	$ 2,527,703	$ 2,256,654

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:

"Dr. Wayne R. Danter"

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

"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	2014	2013
Collaboration and research service revenue	$ -	$ 30,588
Expenses (income):		
Research and product development (note 9)	1,034,416	791,417
Sales and marketing (note 9)	105,217	281,593
General and administration (note 9)	1,958,185	1,718,404
Investment tax credits (note 13)	(118,112)	(127,933)
	2,979,706	2,663,481
Loss before finance income	(2,979,706)	(2,632,893)
Finance income (expense):		
Interest income (expense), net (note 14)	(14,601)	5,970
Foreign exchange gain (loss)	(1,872)	1,119
	(16,473)	7,089
Loss and comprehensive loss	$ (2,996,179)	$ (2,625,804)
Loss per share:		
Basic and diluted loss per common share (note 15)	$ (0.03)	$ (0.03)

See accompanying notes to financial statements

CRITICAL OUTCOME TECHNOLOGIES INC.

Statements of Changes in Shareholders' Equity

(All amounts in Canadian dollars)
For the years ended April 30, 2014 and 2013

	Common Shares	Warrants	Total Share Capital	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance, April 30, 2013	$ 16,416,798	$ 2,493,115	$ 18,909,913	$ 1,922,193	$ (18,953,966)	$ 1,878,140
Issuance of shares and warrants (note 10 (f, g, k, l, n and o)	1,376,971	1,083,592	2,460,563	-	-	2,460,563
Share-based compensation (note 11)	-	-	-	163,672	-	163,672
Warrant amendments (note 10 (h, i and m)	-	1,717,166	1,717,166	(1,726,220)	-	(9,054)
Warrant expiries (note 10 (j))	-	(29,838)	(29,838)	29,838	-	-
Loss and comprehensive loss	-	-	-	-	(2,996,179)	(2,996,179)
Balance, April 30, 2014	$ 17,793,769	$ 5,264,035	$ 23,057,804	$ 389,483	$ (21,950,145)	$ 1,497,142

	Common Shares	Warrants	Total Share 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 (c and e))	294,811	146,304	441,115	-	-	441,115
Share-based compensation (note 11)	-	-	-	265,409	-	265,409
Warrant amendments (note 10 (a and d))	-	856,117	856,117	(866,168)	-	(10,051)
Warrant expiries (note 10 (b))	-	(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	$ 1,922,193	$ (18,953,966)	$ 1,878,140

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	2014	2013
Cash provided by (used in):		
Operating activities:		
Loss	$ (2,996,179)	$ (2,625,804)
Items not involving cash:		
Amortization - equipment	13,328	13,568
Amortization - intangible assets	521,483	506,956
Accretion expense (note 8)	15,366	-
Share-based compensation	163,672	265,409
Warrants issued in payment of consulting services	220,500	-
Investment tax credits	(118,112)	(127,933)
Interest expense (income), net (note 14)	14,601	(5,970)
Foreign exchange loss (gain)	1,872	(1,119)
	(2,163,469)	(1,974,893)
Change in non-cash operating working capital (note 17)	324,555	(10,282)
Foreign exchange gain realized	17,506	80
Interest received	5,393	7,073
Net cash used in operating activities	(1,816,015)	(1,978,022)
Investing activities:		
Purchase of equipment	(3,954)	(5,111)
Net redemptions of short-term investments	-	817,541
Expenditures on intangible assets	(173,973)	(121,081)
Net cash provided by (used in) investing activities	(177,927)	691,349
Financing activities:		
Proceeds from issuance of common shares and warrants (note 10)	2,391,883	504,736
Costs of issuing common shares and warrants	(184,589)	(63,621)
Proceeds of debenture (note 8)	400,000	-
Costs of issuing debenture	(35,915)	-
Costs of warrant amendments (note 10)	(9,054)	(10,051)
Investment tax credit recoveries	120,509	123,976
Interest paid	(12,330)	(1,189)
Net cash provided by financing activities	2,670,504	553,851
Increase (decrease) in cash and cash equivalents	676,562	(732,822)
Effect of exchange rate fluctuations on cash and cash equivalents	(15,634)	1,039
Cash and cash equivalents, beginning of the year	169,347	901,130
Cash and cash equivalents, end of the year	$ 830,275	$ 169,347
Represented by:		
Cash	$ 654,103	$ 25,873
Cash equivalents	176,172	143,474
	$ 830,275	$ 169,347

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 bioinformatics company focused on applying its proprietary computer-based technology, CHEMSAS®, combined with expert medicinal chemistry, to identify, profile, optimize, select, and validate commercially viable drug candidates at the discovery stage of preclinical drug development and thereby dramatically reduce the timeline and cost of getting new drug therapies to market. The CHEMSAS® platform technology is focused on small molecules, and as a drug candidate discovery engine can be applied to any disease target with a modest amount of information for the target of interest.

Using CHEMSAS®, the Company has created a pipeline of 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 as validation of the CHEMSAS® platform. Its most advanced 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 Company's other molecules currently in various stages of development are targeted at a number of different cancers and HIV. COTI is also using its technology in a service model to collaborate with pharmaceutical, biotech, and academic partners who have their own therapy targets and can benefit from the Company's drug discovery technology in creating lead compounds for their therapeutic interests on a timely basis.

3. Going concern:

The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize on its assets and discharge its liabilities and commitments in the normal course of operations. For COTI, there are material uncertainties related to certain conditions and events that raise significant doubts about the 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, 2014 and 2013 are indicative of concern. For fiscal 2014 these results include a loss of $2,996,179 (2013 – $2,625,804) and negative cash flow from operations of $1,816,015 (2013 – $1,978,022). As at April 30, 2014, the Company had a deficit of $21,950,145 (2013 – $18,953,966), which results in shareholders' equity of $1,497,142 (2013 – $1,878,140) and working capital of $29,141 (2013 – $53,255). In addition, the Company has a debenture of $400,000 that is due to be paid in February 2015.

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.

Subsequent to the year-end, the Company closed a private placement with Canadian investors that raised gross proceeds of approximately $895,222 (note 23 (c)). Furthermore, the Company has discretion with many of its expenditure activities and plans to manage these activities in fiscal 2015 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 classification 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 for the years ending April 30, 2014 and April 30, 2013 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 July 22, 2014.

(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 ("CAD"), which is the functional currency of the economic environment in which the Company operates.

(d) Use of estimates and judgements:

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 a cash generating unit ("CGU") may be impaired, the Company is required to estimate the asset's recoverable amount. The recoverable amount is the greater of the value in use and the fair value less the 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 accordingly adjusts amortization on a prospective basis.

(iii) Share-based compensation:

The Company is required to make certain estimates and assumptions in determining the fair value of its share option awards at the grant date and of 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 the risk free interest rate, the expected dividend yield, the estimated common share price volatility, the estimated option life, and the forfeiture rate as applicable to each award. These estimates are based on historical experience and current information, 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 or amended. The fair value of the warrants, excluding debenture warrants, is determined using a Black-Scholes valuation model, which incorporates management's estimates of the risk free interest rate, the expected dividend yield, the estimated common share price volatility, and the estimated warrant life. The value recorded for debenture warrants is determined using the residual value method.

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) Impairment tests of non-financial assets:

The Company must exercise judgement in assessing whether there are indications that an asset or CGU may be impaired. The determination of CGUs is also based on management's judgement and is an assessment of the smallest group of assets that generate cash inflows independently of other assets or CGUs. Factors considered in the determination of a CGU include whether an active market exists for the output produced by the asset or group of assets, whether there has been a significant change in the way the asset is used or expected to be used as well as how management monitors and makes decisions about COTI's operations.

(ii) Contingencies:

Recognition and measurement of contingencies requires an assessment of the likelihood and magnitude of any outflow of resources whether by cash or in kind. In making this assessment, management must support its evaluation with key assumptions (as described in note 20) in determining whether it is more likely than not that the event will occur.

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:

Cash and cash equivalents include amounts held in banks and highly liquid investments with maturities at point of purchase of three months or less.

(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 (expense) 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	3 - 21 months
Furniture and fixtures	Cost	Straight-line	60 - 120 months	40 - 61 months

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 as a gain or a (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	4 - 12 months
Molecules	Cost	Straight-line	96 months	19 months
Patents - granted	Cost	Straight-line	Life of patent	111 - 198 months
Patents - pending	Cost	Not available for use	-	-

The Company's intangible assets 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.

Amortization of intangible assets is included in amortization expense in General and administration 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.

(ii) Molecules:

On November 27, 2007, the Company acquired a library of molecules that are being amortized as described above.

(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.

Annual patent maintenance costs are expensed as incurred.

The accumulated cost of a molecule, group of molecules or process investigated for patenting that 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 Statements 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 recognized impairment loss has reversed, and accordingly whether the impairment loss should be reversed.

The recoverable amount is the higher of the fair value less the costs to sell, compared to its 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 and which 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.

(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, other receivables, accounts payable and accrued liabilities, and a debenture. Financial instruments are measured at their fair value upon initial recognition. Directly attributable transaction costs for financial assets classified as Loans and receivables are added to the fair value on initial recognition. Directly attributable transaction costs for financial liabilities classified as Other liabilities are deducted from the fair value on 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	Gain (Loss) After Initial Recognition
Cash and cash equivalents	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)
Debenture	Other liabilities	Amortized cost	Profit (loss)

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

1. 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.

2. Other liabilities:

This category captures any financial liabilities not classified as fair value through profit or loss.

(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 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:

Financial assets that are not classified as fair value through profit or loss are subject to regular impairment review. L&R are subject to a varying degree of impairment risk due to the credit worthiness of the Company's counterparties. 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 the L&R 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.

(iv) Compound financial instruments:

The financial liability component of a compound financial instrument is recognized initially at the fair value of a standalone instrument without an equity feature. The equity component, representing the debt-holder's option to exercise warrants into common shares, is recognized initially at a fair value determined as the excess of the face value of the compound financial instrument less the fair value of the liability component.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest, losses, and gains relating to the financial liability are recognized in profit or loss.

(h) Revenue recognition:

Revenue from the sale of molecules and the provision of services is measured by reference to the fair value of consideration received or receivable for the molecules 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, the criteria for each of the Company's different activities under any applicable 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 common shares issued as consideration in non-monetary transactions (note 20) are measured at their 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.

(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 valuation model.

Warrants issued as part of a compound financial instrument are valued using the residual method whereby the excess of the face value of the compound financial instrument less the fair value of the liability component is allocated to the warrants.

Warrants issued as payment for services, where the fair value of such services is not readily determinable, are valued using a Black-Scholes valuation model as at the date the warrants are issued.

(iii) Issuance costs:

Costs directly attributable to the issue of common shares and warrants are recognized on a pro-rata basis as a reduction of share capital and warrants as applicable, 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 that 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 of 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 share price, the exercise price, the estimated volatility, the option life, any expected dividends, and the risk free interest 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 Company sponsored health, dental, vision, and disability programs in addition to the government mandated programs that include Canada Pension Plan, Employment Insurance, Employer Health Tax, and Workplace Safety Insurance Board coverages. 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 Other 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 collection. ITCs related to research and development expenses are recorded as a reduction of the related 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 the Company complies with the conditions underlying the related agreement. Government grants earned in connection with research and development 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 recognized in 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 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 (expense):

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

(r) Joint arrangements:

The Company enters into agreements for the discovery of drug compounds with other entities. These arrangements are not structured through a separate vehicle and are considered joint operations. 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.

(s) Adoption of new accounting pronouncements:

The IASB issued new standards and amendments or interpretations to existing standards that were effective at the time of commencing the Company's fiscal year beginning May 1, 2013. Only one of these was identified as affecting the Company's financial reporting given the Company's current operations. The Company adopted this new standard as described below.

(i) IFRS 13 – Fair Value Measurement:

IFRS 13 established a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required, or permitted by other IFRSs. It also clarified the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. IFRS 13 also enhanced the disclosures on fair value measurement. In accordance with the transitional provisions of IFRS 13, the Company has applied the new fair value measurement guidance prospectively and has not provided any comparative information for new disclosures. The adoption of this standard had no material impact on the Company's financial statements, but did result in increased disclosures on the fair value measurement of the Company's financial instruments (note 16).

(t) 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 year.

(i) IFRS 9 – Financial Instruments:

In November 2009, the IASB issued IFRS 9, Financial Instruments (IFRS 9 (2009)), and in October 2010, the IASB published amendments to IFRS 9 (IFRS 9 (2010)). In November 2013, the IASB issued a new general hedge accounting standard, which forms part of IFRS 9 Financial Instruments (2013).

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additional changes relating to financial liabilities. These two amended standards effectively will eliminate the existing IAS 39 categories of held-to-maturity, available-for-sale, and loans and receivables.

The Company is currently evaluating the impact of these amendments on its financial statements. The full impact of this standard will not be known until the amendments addressing impairments, classification, and measurement have been completed. When these projects are completed, an effective date will be announced by the IASB. The Company does not intend to early adopt IFRS 9 (2009), IFRS 9 (2010), or IFRS 9 (2013) in its financial statements as these amendments are not effective until January 1, 2018.

(ii) IAS 32 – Financial Statements: Presentation:

In December 2011, the IASB amended IAS 32 related to offsetting financial assets and financial liabilities. The amendments to IAS 32 clarify that an entity currently has a legally enforceable right to set-off if at the time of the transactions that right is not contingent on a future event; and, enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments to IAS 32 also clarify when a settlement mechanism provides for net settlement or gross settlement that is equivalent to net settlement. The amendments are effective for annual periods beginning on or after January 1, 2014, with retrospective application. The Company intends to adopt the amendments in its financial statements for the annual period beginning May 1, 2014. The Company does not expect the amendments to have a material impact on the financial statements based upon the Company's current operations.

(iii) IAS 36 – Impairment of Assets:

In May 2013, the IASB issued Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36). These amendments reverse the unintended requirement in IFRS 13 Fair Value Measurement to disclose the recoverable amount of every CGU to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed. The amendments apply retrospectively for annual periods beginning on or after January 1, 2014. The Company intends to adopt the amendments in its financial statements for the annual period beginning on May 1, 2014. The amendments impact certain disclosure requirements only and the Company does not expect the amendments to have a material impact on the financial statements based upon its current operations.

(iv) Annual Improvements to IFRS (2010-2012) and (2011-2013) cycles:

In December 2013, the IASB issued narrow-scope amendments to nine standards as part of its annual improvements process. The IASB uses the annual improvements process to make non-urgent but necessary amendments to IFRS. Not all amendments to the nine standards are applicable to the Company's business. The amendments which may affect the Company now or in the future, based upon the Company's current operations, and the clarifications to the respective standards are as follows:

- Definition of "vesting condition" in IFRS 2 Share-based payment;
- Classification and measurement of contingent consideration and scope exclusion for the formation of joint arrangements in IFRS 3 Business Combinations;
- Disclosures on the aggregation of operating segments in IFRS 8 Operating segments;
- Measurement of short-term receivables and payables and scope of portfolio exception in IFRS 13 Fair Value Measurement;
- Restatement of accumulated depreciation (amortization) on revaluation in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets; and,
- Definition of "related party" in IAS 24 Related Party Disclosures.

Special transitional requirements have been set for amendments to IFRS 2, IAS 16, and IAS 38. Most amendments apply prospectively for annual periods beginning on or after July 1, 2014; earlier application is permitted, in which case, the related consequential amendments to other IFRSs would also apply.

The Company intends to adopt these amendments in its financial statements for the annual period beginning on May 1, 2015. The Company does not expect the amendments to have a material impact on the financial statements.

6. Equipment:

As at April 30, 2014	Computer Hardware	Furniture and Fixtures	Total
Cost, April 30, 2013	$ 14,544	$ 122,248	$ 136,792
Purchases	3,954	-	3,954
Cost, April 30, 2014	18,498	122,248	140,746
Accumulated amortization, April 30, 2013	(10,574)	(78,776)	(89,350)
Amortization	(4,282)	(9,046)	(13,328)
Accumulated amortization, April 30, 2014	(14,856)	(87,822)	(102,678)
Net carrying value, April 30, 2014	$ 3,642	$ 34,426	$ 38,068

As at April 30, 2013	Computer Hardware	Furniture and Fixtures	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

7. Intangible assets:

As at April 30, 2014	Molecules	Granted Patents	Pending Patents	Computer Software	Total
Cost, April 30, 2013	$ 3,275,785	$ 273,652	$ 443,504	$ 81,455	$ 4,074,396
Additions	-	7,429	44,392	122,152	173,973
Transfers upon patent grant	-	74,484	(74,484)	-	-
Expired software licenses	-	-	-	(61,805)	(61,805)
Cost, April 30, 2014	3,275,785	355,565	413,412	141,802	4,186,564
Accumulated amortization, April 30, 2013	(2,166,992)	(64,968)	-	(64,993)	(2,296,953)
Amortization	(429,210)	(20,595)	-	(71,678)	(521,483)
Expired software licenses	-	-	-	61,805	61,805
Accumulated amortization, April 30, 2014	(2,596,202)	(85,563)	-	(74,866)	(2,756,631)
Net carrying value, April 30, 2014	$ 679,583	$ 270,002	$ 413,412	$ 66,936	$ 1,429,933

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
Additions	-	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

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

Molecules	Therapeutic Target	April 30, 2014	April 30, 2013
COTI-2	Oncology	$ 488,700	$ 797,352
Remaining nine molecules	Oncology	190,883	311,441
		$ 679,583	$ 1,108,793

Patents	Therapeutic Target	April 30, 2014	April 30, 2013
Granted:			
COTI-2	Oncology	$ 97,511	$ 45,986
COTI-219	Oncology	8,655	9,206
COTI-4	Oncology	23,401	-
Three compounds	Acute myelogenous leukemia	140,435	153,492
		270,002	208,684
Pending:			
COTI-2	Oncology	239,359	264,154
COTI-4	Oncology	86,410	-
Various other compounds	Oncology and HIV	87,643	179,350
		413,412	443,504
Total patents		$ 683,414	$ 652,188

8. Debenture

On February 5, 2014, the Company completed an arm's length non-brokered private placement raising approximately $500,000 consisting of a non-convertible debenture ("Debenture") in the amount of $400,000 and an equity placement of 769,230 units consisting of one common share and one warrant for approximately $100,000 (see note 10 (k)).

The Debenture has a term of one year from the date of issuance and bears interest at a rate of 10%, with interest only payable on a monthly basis. In addition to the interest cost of the Debenture, the Company issued 1,250,000 common share purchase warrants ("Debenture Warrants") with an exercise price of $0.20 and a one-year term with vesting occurring immediately upon issuance of the Debenture. The Company also issued a general security agreement in favour of the lender in support of the Debenture. The Company has the option to repay the Debenture before its maturity date for a redemption fee of $40,000. The lender has the option to apply the redemption fee to a participation in any equity financing undertaken by the Company in calendar 2014 related to the repayment of the Debenture on the same terms and conditions as that financing.

As the Debenture contained both a liability component and an equity component represented by the Debenture Warrants, the fair value of the liability was determined using a discounted cash flow model

and the equity component was estimated using the residual method. The present value of the debenture and its interest payments was calculated at a discount rate of 20%, which was the estimated borrowing rate available to the Company for a similar debenture having no Debenture warrants. The residual method resulted in the $400,000 Debenture proceeds being allocated to the Debenture in the amount of $363,978 and to the Debenture Warrants in the amount of $36,022. The interest discount is being accreted to the Debenture on a monthly basis to the date of maturity with $7,756 recorded as interest expense in the current year. The financing costs allocated to the Debenture of $32,678 were recognized as a reduction in the value of the Debenture and are being accreted on a monthly basis to the date of maturity with accretion of $7,610 recorded as financing expense in the current year.

Details concerning the Debenture are summarized below.

	Face Value	Carrying Value
Balance, at issuance	$ 400,000	$ 331,300
Accretion expense	-	15,366
Balance, April 30, 2014	$ 400,000	$ 346,666

The tax effect of the temporary difference related to the debenture has been recorded as a decrease to warrant capital of $18,200. In addition, the tax effect of $68,700 of previously unrecognized non-capital losses has been recognized with a corresponding increase to warrant capital of $18,200. Subsequent changes to the temporary difference will be recognized through the Statements of Comprehensive Loss.

9. Functional expense breakdown:

The Company's largest expense category in the current year was Professional fees. Employee compensation reflected as salaries and meeting fees, consisting of salaries, accrued vacation pay, and directors' meeting fees, was the largest expense category in the prior year. These expenses, in addition to other major expenses, are summarized by functional area for the respective years below.

April 30, 2014	Research and product development	Sales and marketing	General and administration	Total
Amortization	$ -	$ -	$ 534,811	$ 534,811
Invitro/Invivo testing	543,739	-	-	543,739
Marketing expenses	5,634	49,540	41,764	96,938
Office expenses	23,570	427	158,632	182,629
Professional fees	44,598	55,250	694,440	794,288
Salaries and meeting fees	334,847	-	347,426	682,273
Share-based compensation	-	-	163,672	163,672
Short-term benefits	32,925	-	17,440	50,365
Synthesis and miscellaneous R&D expenses	80,456	-	-	80,456
R&D cost recoveries - government grant (note 13)	(31,353)	-	-	(31,353)
	$ 1,034,416	$ 105,217	$ 1,958,185	$ 3,097,818

April 30, 2013	Research and product development	Sales and marketing	General and administration	Total
Amortization	$ -	$ -	$ 520,525	$ 520,525
Invitro/Invivo testing	376,267	-	-	376,267
Marketing expenses	10,019	91,199	30,650	131,868
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

10. Share capital:

	Expiry Date Ranges	April 30, 2014 Issued	April 30, 2014 Amount	April 30, 2013 Issued	April 30, 2013 Amount
Share capital:					
Authorized:					
Unlimited common shares					
Unlimited preference shares					
Issued and fully paid:					
Common shares, without par value		96,807,979	$ 17,793,769	78,058,472	$ 16,416,798
Common share purchase warrants:					
$0.30 warrants	Sep 23 - Oct 26/13	-	-	11,250,000	464,734
$0.30 compensation warrants	Sep 23 - Oct 26/13	-	-	726,686	29,838
$0.30 warrants	Oct 31/13	-	-	12,500,000	1,439,333
$0.37 warrants	Mar 14/14	-	-	1,446,481	383,195
$0.55 warrants	Mar 14/14	-	-	129,019	29,711
$0.30 warrants	May 31/14	12,500,000	1,659,850	-	-
$0.20 warrants	Feb 4/15	1,250,000	32,786	-	-
$0.20 compensation warrants	Jul 29/14 - Mar 1/15	587,995	71,967	232,652	19,543
$0.26 warrants	Jul 29/14 - Mar 1/15	18,229,285	722,063	3,605,258	126,761
$0.37 warrants	Mar 31/15	1,446,481	441,956	-	-
$0.55 warrants	Mar 31/15	129,019	32,581	-	-
$0.30 warrants	May 9 - May 26/15	11,250,000	1,899,753	-	-
$0.28 warrants	Apr 29/16	3,356,250	131,154	-	-
$0.22 compensation warrants	Apr 29/16	242,000	17,182	-	-
$0.26 warrants	Feb 4/19	769,230	40,392	-	-
$0.19 USD compensation warrants	Apr 11/19	1,500,000	214,351	-	-
		51,260,260	5,264,035	29,890,096	2,493,115
			$ 23,057,804		$ 18,909,913

The rights, privileges and restrictions of the common shares are as follows:

(i) each common share is entitled to one vote at all meetings of the shareholders of the Corporation, except meetings at which only holders of a specified class of shares are entitled to vote; and, subject to the rights, privileges, restrictions and conditions attaching to any other class or series of shares of the Corporation;

(ii) to receive any dividend declared by the Corporation on the common shares; and,

(iii) to receive the remaining property of the Corporation upon dissolution.

The Board may issue preference shares at any time and from time to time in one or more series, each series of which shall have the designations, rights, privileges, restrictions and conditions fixed by the Board. The preference shares of each series shall rank on parity with the preference shares of every other series. They shall be entitled to priority over the common shares and any other shares of the Company ranking junior to the preference shares with respect to priority in the payment of dividends and the return of capital and the distribution of assets of the Company in the event of the liquidation, dissolution or winding-up of the Company.

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

	Shares		Amount
Balance April 30, 2012	74,453,214	$	16,121,987
Shares issued - private placement (note 10 (e))	3,605,258		295,776
Shares issued - private placement prior year (note 10 (c))	-		(965)
	3,605,258		294,811
Balance April 30, 2013	78,058,472		16,416,798
Shares issued - private placement (note 10 (f))	4,415,895		326,065
Shares issued - private placement (note 10 (g))	10,208,132		672,726
Shares issued - private placement (note 10 (k))	769,230		50,133
Shares issued - private placement (note 10 (o))	3,356,250		328,047
	18,749,507		1,376,971
Balance April 30, 2014	96,807,979	$	17,793,769

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

	Warrants		Amount
Balance April 30, 2012	26,559,686	$	1,517,525
Warrants issued - private placement (note 10 (e))	3,605,258		126,761
Warrants issued - private placement compensation (note 10 (e))	232,652		19,543
Warrants expired (note 10 (b))	(507,500)		(26,831)
Warrants amended (note 10 (a))	-		765,335
Warrants amended (note 10 (d))	-		90,782
	3,330,410		975,590
Balance April 30, 2013	29,890,096		2,493,115
Warrants issued - private placement (note 10 (f))	4,415,895		162,324
Warrants issued - private placement compensation (note 10 (f))	88,213		7,011
Warrants issued - private placement (note 10 (g))	10,208,132		432,979
Warrants issued - private placement compensation (note 10 (g))	267,130		45,413
Warrants issued - private placement (note 10 (k))	769,230		40,392
Warrants issued - debenture (note 10 (l))	1,250,000		32,786
Warrants issued - consulting (note 10 (n))	1,500,000		214,351
Warrants issued - private placement (note 10 (o))	3,356,250		131,154
Warrants issued - private placement compensation (note 10 (o))	242,000		17,182
Warrants amended (note 10 (h))	-		1,435,017
Warrants amended (note 10 (i))	-		220,517
Warrants amended (note 10 (m))	-		61,632
Warrants expired - private placement compensation (note 10 (j))	(726,686)		(29,838)
	21,370,164		2,770,920
Balance April 30, 2014	51,260,260	$	5,264,035

Details concerning the share capital transactions are summarized below.

(a) On September 20, 2012, the expiry date of 12,500,000 warrants exercisable at $0.30 and due to expire on September 24, October 6, and October 20, 2012 was amended to October 31, 2013. The change in the fair value of the warrants upon amendment was calculated using a Black-Scholes valuation 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	-
Estimated common share volatility	110%
Estimated warrant life in years	1.11

(b) On September 24, 2012, 385,500 compensation warrants exercisable at a price of $0.30 expired. On October 6, 2012, a further 82,000 compensation warrants exercisable at a price of $0.30 expired and on October 20, 2012, a further 40,000 compensation 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.

(c) 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.

(d) 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 a Black-Scholes valuation 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	-
Estimated common share volatility	118%
Estimated warrant life in years	1.12

(e) 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 for one common share at an exercise 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 and regulatory 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 valuation model with the following assumptions:

Common share market price	$0.17
Risk free interest rate	1.05%
Expected dividend yield	-
Estimated common share volatility	115%
Estimated 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.

(f) The Company completed a non-brokered 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 common share purchase warrant at a price of $0.12 per unit for gross proceeds of approximately $529,907. Each common share purchase warrant is exercisable for one common share at a price of $0.26 for a period of 18 months following the closing date of each tranche. Cash costs of the private placement were $34,507 consisting of $23,821 in professional and regulatory fees, and $10,686 in finders' fees. The Company also issued 88,213 compensation warrants valued at $7,011 using a Black-Scholes valuation model. Each compensation warrant is exercisable into one common share of the Corporation for a period of 18 months following the closing date of each tranche at an exercise price of $0.20 per share. The expiry dates for the common share purchase warrants and the compensation warrants from each tranche are November 30 and December 20, 2014, respectively.

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

	Tranche 1	Tranche 2
Common share market price	$ 0.115	$ 0.150
Risk free interest rate	1.177%	1.177%
Expected dividend yield	-	-
Estimated common share price volatility	146.86%	144.99%
Estimated warrant life in years	1.5	1.5

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, $176,227 in gross proceeds and $13,903 in costs were allocated to the common share warrants.

(g) The Company completed a non-brokered private placement in three tranches, closing on August 16, 28, and 30, 2013, respectively. Under the private placement, the Company issued 10,208,132 units consisting of one common share and one common share purchase warrant at a price of $0.12 per unit for gross proceeds of approximately $1,224,976. Each common share purchase warrant is exercisable for one common share at a price of $0.26 per share for a period of 18 months from the closing date of each tranche. Cash costs of the private placement were $73,858 consisting of $41,802 in professional and regulatory fees, and $32,056 in finders' fees. The Company also issued 267,130 compensation warrants valued at $45,413 using a Black-Scholes valuation model. Each compensation warrant is exercisable into one common share of the Corporation for a period of 18 months following the closing date of each tranche at an exercise price of $0.20 per share. The expiry dates for the common share purchase warrants and the compensation warrants from each tranche are February 15, February 27, and March 1, 2015, respectively.

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

	Tranche 1	Tranche 2	Tranche 3
Common share market price	$ 0.275	$ 0.250	$ 0.245
Risk free interest rate	0.996%	1.076%	1.076%
Expected dividend yield	-	-	-
Estimated common share price volatility	148.37%	149.79%	149.84%
Estimated warrant life in years	1.5	1.5	1.5

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, $479,249 in gross proceeds and $46,270 in costs were allocated to the common share warrants.

(h) On September 11, 2013, the Company amended the expiry date of 11,250,000 common share purchase warrants ("Warrants") previously issued in three tranches of a non-brokered private placement on March 23, April 9, and April 26, 2012. Each Warrant entitled its holder to purchase one common share of the Company at an exercise price of $0.30 per share for a period of 18 months following the date of issue and accordingly, these Warrants were due to expire on September 23, October 9, and October 26, 2013.

The new expiry dates for the Warrants are April 23, May 9, and May 26, 2015, respectively. The new expiry dates of the Warrants will be reduced to a period of 21 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 $0.37. If this occurs, the reduced exercise period of 21 days will begin seven calendar days after the tenth Premium Trading Day. The remaining terms and conditions of the Warrants were unchanged.

The change in the fair value of the warrants upon amendment was determined using a Black-Scholes valuation model in the amount of $1,437,500 and was recognized, net of direct cash costs to implement the amendment of $2,483, as an increase in warrant capital and a decrease in Contributed Surplus. The weighted average assumptions used in the model were as follows:

Common share market price	$0.26
Risk free interest rate	0.99%
Expected dividend yield	-
Estimated common share volatility	114.91%
Estimated warrant life in years	1.65

(i) On October 29, 2013, 12,500,000 common share purchase warrants ("Warrants") exercisable at $0.30 and due to expire on October 31, 2013, were amended. The new expiry date is May 31, 2014, and is subject to a reduction to a period of 21 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 $0.37. If this occurs, the reduced exercise period of 21 days will begin seven calendar days after the tenth Premium Trading Day. The remaining terms and conditions of the Warrants were unchanged.

The change in the fair value of the warrants upon amendment was determined using a Black-Scholes valuation model in the amount of $225,000 and was recognized, net of direct cash costs to implement the amendment of $4,483, 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	$0.175
Risk free interest rate	0.20%
Expected dividend yield	-
Estimated common share volatility	88.21%
Estimated warrant life in years	0.5863

(j) A total of 726,686 compensation warrants exercisable at a price of $0.30 relating to a private placement that was completed in three tranches in 2012 expired as follows: 157,937 on September 23, 437,499 on October 9, and 131,250 on October 26, 2013. As a result, the net amount previously recorded for these warrants of $29,838 was transferred to Contributed Surplus. The tax effect of the expiration of these warrants was recorded as a decrease to Contributed Surplus of $4,000. In addition, the tax effect of $14,900 of previously unrecognized non-capital losses has been recognized with a corresponding increase to Contributed Surplus of $4,000.

(k) On February 5, 2014, the Company completed a non-brokered private placement of 769,230 units consisting of one common share and one common share purchase warrant at a price of $0.13 per unit for gross proceeds of approximately $100,000. Each common share purchase

warrant is exercisable for one common share at an exercise price of $0.26 per share for five years to the expiry date of February 4, 2019. Cash costs of the private placement were $9,475 related primarily to professional fees.

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

Common share market price	$0.245
Risk free interest rate	1.91%
Expected dividend yield	-
Estimated common share volatility	114.54%
Estimated warrant life in years	5.00

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, $44,615 in gross proceeds and $4,223 in costs were allocated to the common share warrants.

(l) On February 5, 2014, the Company completed a non-brokered private placement of a Debenture (note 8). The Debenture contained both a liability component and an equity component represented by 1,250,000 common share purchase warrants with an exercise price of $0.20, a one-year term and vesting occurring immediately upon issuance of the Debenture. As the Debenture contained both a liability component and an equity component represented by the Debenture Warrants, the fair value of the liability was determined using a discounted cash flow model and the equity component was estimated using the residual method. The residual value and financing costs allocated to the warrants were $36,022 and $3,236 respectively.

(m) On March 7, 2014, 1,575,500 warrants previously issued as part of a private placement in April and May 2010 and due to expire on March 14, 2014 were amended. The amendment was for the expiry date only and the new expiry date was set as March 31, 2015. 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 for $63,720 was recognized as an increase in warrant capital and a decrease in Contributed Surplus using a Black-Scholes valuation model net of the direct costs associated with effecting the amendment of $2,088.

The assumptions used in the model were as follows:

Common share market price	$0.22
Risk free interest rate	1.126%
Expected dividend yield	-
Estimated common share volatility	85.3%
Estimated warrant life in years	1.066

(n) On April 11, 2014, the Company issued 1,500,000 common share purchase warrants under the terms of a strategic financing advisory agreement with a U.S. investment bank signed in February 2014. The warrants, exercisable to buy one common share at a price of USD $0.19, vested immediately upon issuance and have a term of five years expiring on April 11, 2019. The warrants and any shares issued upon warrant exercise are subject to a hold period related to resale in Canada of four months plus one day from the date of issuance and a hold period in the United States in accordance with applicable securities laws. Cash costs of the issuance were $6,149 primarily for professional fees.

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

Common share market price	$0.195
Risk free interest rate	1.873%
Expected dividend yield	-
Estimated common share volatility	103.33%
Estimated warrant life in years	5.0

The fair market value of $220,500 calculated for the warrants was recognized as a consulting expense in General and administration (note 9).

(o) On April 30, 2014, the Company completed a non-brokered private placement of 3,356,250 units consisting of one common share and one common share purchase warrant at $0.16 per unit for gross proceeds of $537,000. Each common share purchase warrant is exercisable for one common share at an exercise price of $0.28 for a period of 24 months following the date of issue. Cash costs of the private placement were $60,617 consisting of $21,898 in professional and regulatory fees and $38,720 in finders' fees. The Company also issued 242,000 compensation warrants valued at $17,182 and exercisable into one common share at a price of $0.22 for 24 months following the closing date. The expiry date for the common share purchase warrants and compensation warrants is April 29, 2016.

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

Common share market price	$0.155
Risk free interest rate	1.247%
Expected dividend yield	-
Estimated common share volatility	102.72%
Estimated warrant life in years	2.00

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, $153,381 in gross proceeds and $22,227 in costs were allocated to the common share warrants.

11. Share-based compensation:

The Company maintains only one share option plan ("SOP") that is used for its 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 common shares issued. 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 such consultants could not be reliably measured.

For the year-ended April 30, 2014 the Company recorded share-based compensation expense of $163,672 (2013 – $265,409) consisting of share options granted to employees, directors and consultants of $180,257 (2013 – $266,097). There were no options exercised during the year ended April 30, 2014 or the prior year. At April 30, 2014, 3,212,690 options (2013 – 2,221,410) 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 as at the year ended April 30, 2014 is as follows:

April 30, 2014	Directors	Employees	Consultants	Total	Weighted average exercise price
Opening balance	4,491,820	692,617	400,000	5,584,437	$ 0.29
Granted	821,167	150,000	450,000	1,421,167	0.20
Expired	(521,184)	(16,312)	-	(537,496)	(0.82)
Ending balance	4,791,803	826,305	850,000	6,468,108	$ 0.23

The forfeiture rates applied by optionee type against the fair value determined under the Black-Scholes valuation model in determining the share-based compensation to be recognized for the comparative years are summarized below.

Average Forfeiture Rates by Optionee Type			
Fiscal Year	Directors	Employees	Consultants
2014	0.00%	18.26%	0.00%
2013	0.00%	23.33%	0.00%

The assumptions used in the Black-Scholes option-pricing model related to the share options granted in 2014 were as follows:

2014	Directors	Employees	Consultants
Risk free interest rate	1.49%	1.18%	0.96 - 1.03%
Expected dividend yield	-	-	-
Estimated average share volatility	111.6%	109.3%	129.1 - 140.3%
Estimated average option life in years	3.6	3.1	0.5 - 1.4
Estimated total share option compensation	$ 113,732	$ 19,275	$ 47,250

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
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	$ 0.29

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	-	-	-
Estimated average share volatility	113.1 - 114.1%	114.2 - 114.8%	113.4 - 114.2%
Estimated average option life in years	2.6 - 2.8	2.5	2.5 - 2.8
Estimated total share option compensation	$ 173,211	$ 33,236	$ 59,650

Details of the outstanding share options at April 30, 2014 are summarized below:

Range of exercise prices	Options granted and outstanding at April 30, 2014	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	4,840,349	728,375	4,111,974	$ 0.17	3.79	$ 0.17
$0.26 - $0.50	1,627,759	-	1,627,759	0.38	2.61	0.38
	6,468,108	728,375	5,739,733	$ 0.23	3.49	$ 0.23

Details of the outstanding share 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

12. Income taxes:

(a) Current income tax expense:

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

	April 30, 2014	April 30, 2013
Loss for the period	$ (2,996,179)	$ (2,625,804)
Statutory rate	26.50%	26.50%
Income tax using the Company's tax rate	(794,000)	(696,000)
Non-deductible expenses	230,000	196,000
Change in unrecognized temporary differences	567,000	633,000
Tax rate reduction	-	(208,000)
Other	(3,000)	75,000
	$ -	$ -

There was no change in the Canadian statutory income tax rate applicable to the Company during the year.

(b) Unrecognized deferred tax assets:

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

	April 30, 2014	April 30, 2013
Deductible temporary differences	$ 1,420,000	$ 1,211,000
Tax losses	3,367,000	3,009,000
	$ 4,787,000	$ 4,220,000

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

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
2034	1,537,000
Total non-capital losses	$ 12,704,000
Total research and development expenditures, no expiry	$ 4,807,000

Non-capital losses of $186,419 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.

13. Investment tax credits and government assistance:

The details of ITCs recognized by the Company are as follows:

Year ended April 30	2014	2013
Ontario innovation tax credit	$ 73,871	$ 60,237
Ontario business research institutes tax credit	(2,064)	11,836
Quebec tax credit for R&D salaries and wages	46,305	55,860
	$ 118,112	$ 127,933

The Company received ITCs of $120,509 related to fiscal 2013 during the current year.

The Company also recognized $30,121 (2013 – $67,862) 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 provided support for the development of the Company's acute myelogenous leukemia program and concluded on March 31, 2014. The Company received a total of $210,958 over the life of the grant, which commenced in fiscal 2011.

During the year, the Company also received $1,232 under a Summer Works Program grant to support the employment of a summer student.

14. Interest income (expense), net:

Year ended April 30	2014	2013
Interest income	$ 5,549	$ 7,223
Finance costs:		
Interest expense	18,880	548
Bank charges	1,270	705
	20,150	1,253
	$ (14,601)	$ 5,970

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.

Year ended April 30	2014	2013
Loss	$ (2,996,179)	$ (2,625,804)
Weighted average number of common shares	89,195,621	75,344,624
Loss per share - basic and diluted	$ (0.03)	$ (0.03)

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 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.

(b) Financial assets and liabilities:

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

As at April 30, 2014	Loans and Receivables	Other Liabilities	Non-Financial Instruments	Carrying Value
Cash and cash equivalents	$ 830,275	$ -	$ -	$ 830,275
Investment tax credits and other receivables	615	-	149,139	149,754
Accounts payable and accrued liabilities	-	(674,320)	(9,575)	(683,895)
Debenture	-	(346,666)	-	(346,666)
	$ 830,890	$ (1,020,986)	$ 139,564	$ (50,532)

As at April 30, 2013	Loans and Receivables	Other Liabilities	Non-Financial Instruments	Carrying Value
Cash and cash equivalents	$ 169,347	$ -	$ -	$ 169,347
Investment tax credits and other receivables	5,926	-	170,010	175,936
Accounts payable and accrued liabilities	-	(369,795)	(8,718)	(378,513)
	$ 175,273	$ (369,795)	$ 161,292	$ (33,230)

The Company has determined that the carrying values of its financial assets and liabilities approximate their fair values because of the relatively short periods to maturity of these instruments.

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

For the year ended April 30, 2014		Loans and Receivables		Non-financial Instruments		Total
Interest income	$	5,334	$	215	$	5,549

For the year ended April 30, 2013		Loans and Receivables		Non-financial Instruments		Total
Interest income	$	6,952	$	271	$	7,223

(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 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 all of which are current.

As at April 30, 2014		Total		Current		31 - 60 days		61 - 90 days		Over 90 days
Cash and cash equivalents	$	830,275	$	830,275	$	-	$	-	$	-
Other receivables		615		615		-		-		-
	$	830,890	$	830,890	$	-	$	-	$	-

As at April 30, 2013		Total		Current		31 - 60 days		61 - 90 days		Over 90 days
Cash and cash equivalents	$	169,347	$	169,347	$	-	$	-	$	-
Trade account receivables		5,588		5,588		-		-		-
Other receivables		338		338		-		-		-
	$	175,273	$	175,273	$	-	$	-	$	-

The Company has limited exposure to credit risk on its cash balances as all cash was maintained in liquid investments with major Canadian financial institutions as governed by the Company's formal investment policy.

There has been no material change to the Company's credit risk exposure or processes related to these financial assets during the year. The maximum exposure to credit risk for Other receivables at the reporting date by type of counterparty is as follows:

As at April 30		2014		2013
Customer	$	-	$	5,588
Other		615		338
	$	615	$	5,926

(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 ability to meet its financial obligations. 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.

		Contractual cash flows			
	Carrying	Contractual	Days to Maturity		
As at April 30, 2014	amount	amount	0 - 60	61 - 90	91 - 280
Trade payables and accrued liabilities	$ 683,895	$ 683,895	$ 656,061	$ 3,078	$ 24,756
Debenture	346,666	430,685	6,685	6,795	417,205
	$ 1,030,561	$ 1,114,580	$ 662,746	$ 9,873	$ 441,961

		Contractual cash flows			
	Carrying	Contractual	Days to Maturity		
As at April 30, 2013	amount	amount	0 - 60	61 - 90	91 - 280
Trade payables and accrued liabilities	$ 378,514	$ 378,514	$ 347,272	$ 3,103	$ 28,139

The Company has determined it has, or will have, sufficient working capital to manage its maturing financial liabilities as they come due based on its ability to raise funds through private placements as demonstrated in prior years and subsequent to the reporting date (note 23 (c)). Included in cash equivalents are money market instruments, which are cashable at any time as there is no contractual maturity date.

(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"), Euros ("EUR") and U.K. pounds sterling ("GBP"). As a result, the Company may be exposed to risk from fluctuations in exchange rates between the CAD, USD, EUR, and GBP. 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 loss recorded for April 30, 2014, of $(1,872) (2013 – gain of $1,119).

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, 2014	CAD	USD	Other	Total
Cash and cash equivalents	$ 760,491	$ 69,547	$ 237	$ 830,275
Other receivables	615	-	-	615
Accounts payable and accrued liabilities	(604,453)	(60,664)	(9,203)	(674,320)
Debenture	(346,666)	-	-	(346,666)
	$ (190,013)	$ 8,883	$ (8,966)	$ (190,096)

As at April 30, 2013	CAD	USD	Other	Total
Cash and cash equivalents	$ 155,764	$ 13,176	$ 407	$ 169,347
Other receivables	338	5,588	-	5,926
Accounts payable and accrued liabilities	(341,208)	(28,587)	-	(369,795)
	$ (185,106)	$ (9,823)	$ 407	$ (194,522)

A 5% strengthening of the CAD against the USD at April 30, 2014 would have increased the Company's loss by approximately $500 (2013 – $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. Transactions in foreign currency other than the USD were not material in either fiscal year and 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 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 its debt is at a fixed rate and its exposure is limited to changes only in interest rates 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	2014	2013
Change in non-cash working capital:		
Other receivables	$ 12,361	$ (20,387)
Prepaid expenses and deposits	6,813	(26,903)
Accounts payable and accrued liabilities	305,381	37,008
	$ 324,555	$ (10,282)

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

As at April 30	2014	2013
Warrants issued as compensation in private placements	$ 69,606	$ 19,543
Warrants issued in payment of consulting services	214,351	-
Warrants amended to extend the time to expiry	1,717,166	856,117
	$ 2,001,123	$ 875,660

18. Joint arrangements:

The Company entered into three joint arrangements in the prior year determined to be joint operations. None of these joint operations had any significant impact on the Company's financial results for the year ended April 30, 2014.

The Company's costs of performance under the joint arrangements, consisting primarily 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 during the year of $3,115.

(b) Research and development contracts:

The Company is committed to pay $397,663 in fiscal 2015 for the completion of work under specific research and development contracts.

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 was payable upon the first occasion any Molecule achieved 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 was 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.

In 2012, the Company received a U.S. patent for a Molecule, COTI-2, that represented the achievement of one of the milestones. 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; the uncertainty inherent in the remaining testing for COTI-2 prior to filing an IND application; and finally the risk that the IND application will be approved by the U.S. Food and Drug Administration. 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:

(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 the Company directors also participate in the Company's SOP (note 11). For both 2014 and 2013, management compensation, excluding share-based compensation which is all recorded in General and administration expense, 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:

For the year ended April 30, 2014		Management		Directors		Total
Salaries and meeting fees	$	300,171	$	50,500	$	350,671
Short-term benefits		17,201		5,318		22,519
Share-based compensation		11,390		104,492		115,882
Total compensation	$	328,762	$	160,310	$	489,072

For the year ended April 30, 2013		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	$	360,644	$	235,735	$	596,379

At April 30, 2014, there were directors' fees payable of $26,250 (2013 – $49,000) and accrued salaries and benefits and outstanding vacation pay owing to management of $76,671 (2013 – $63,537).

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

During the year ended April 30, 2014, key personnel who were also warrant holders had the terms of warrants, which were nearing their expiry date, amended to extend their life consistent with the modifications provided to other warrant holders (note 10 (h, i, and m)).

(c) Transactions with key personnel – Directors:

i. The Company entered into a consulting agreement ("Agreement") with a Director ("Consulting Director") on May 1, 2012, which was renewed effective June 1, 2013. Under the Agreement, the Consulting Director continued to be paid a daily rate for invoiced time as services were provided. The Consulting Director 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 ("EBP"). A grant of 200,000 share options was also

provided under the Agreement (note 11). The Company and the Consulting Director mutually agreed to end the Agreement effective December 31, 2014. Consulting fees recognized under the Agreement during the year were $89,584 (2013 – $180,734). There were no bonuses earned under the EBP during the year or the prior year. Payments under the Agreement were recognized as consulting fees expense and reported under Professional fees in General and administration in the Functional expense breakdown (note 9).

ii. At the Company's Annual General and Special Meeting ("AGM") on December 5, 2013, an amendment was made related to share options granted to Directors who were not standing for re-election at the AGM. The amendment revised the expiry date of options held by these members of the Board to be the earlier of (i) April 30, 2015 or (ii) the original expiry date of such options. This amendment related to 2,204,800 share options held by four former directors with exercise prices ranging from $0.15 to $0.90 that would have otherwise expired 90 days following their end of service on the Board under the terms of the Company's SOP.

iii. Also on December 5, 2013, the Board amended, under the authority of the SOP, the vesting of 100,000 options scheduled to vest equally on March 1 and June 1, 2014 to immediate vesting on behalf of the Consulting Director who did not stand for election at the AGM. These options have an exercise price of $0.24.

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) Warrant issuances:

Under the terms of a strategic financing advisory agreement ("Agreement") with a U.S. investment banker ("IB") signed in February 2014, the IB was eligible to receive up to 3,000,000 warrants ("Advisory Warrants") issuable over the four month term of the Agreement for its services. The Company made an initial payment of 1,500,000 Advisory Warrants for these services in April 2014 (note 10 (n)).

i. A second payment for these services was made through the issuance of 750,000 Advisory Warrants with 210,000 issued on May 5, 2014, and 540,000 issued on May 6, 2014. These Advisory Warrants expire on May 5 and May 6, 2019, respectively and are exercisable at a price of USD $0.19 to acquire one common share of the Company.
ii. A third and final payment was made through the issuance of 750,000 Advisory Warrants issued on June 6, 2014. These Advisory Warrants expire on June 6, 2019, and are exercisable at a price of USD $0.19 to acquire one share common share of the Company.

The Advisory Warrants and any shares issued upon warrant exercise are subject to a hold period related to resale in Canada of four months plus one day from the date of issuance and a hold period in the U.S. in accordance with applicable securities laws.

(b) Warrant amendment:

On May 27, 2014, 12,500,000 common share purchase warrants previously issued as part of three tranches of a non-brokered private placement on March 25, April 7, and April 21, 2011, and due to expire on May 31, 2014, were amended (note 10 (i)). These warrants are exercisable at $0.30 and were amended previously on September 6, 2012, and October 29, 2013. The new expiry date is March 15, 2016, and will be accelerated to a period of 21 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 $0.60. If this occurs, the reduced exercise period of 21 days will begin seven calendar days after the tenth Premium Trading Day. The remaining terms and conditions of the warrants were unchanged.

(c) Private placement:

The Company completed the second tranche of a non-brokered private placement on June 3, 2014. The first tranche closed on April 30, 2014 (note 10 (n)). Under the second tranche, the Company issued 5,595,135 units consisting of one common share and one warrant at $0.16 per unit for gross proceeds of approximately $895,222. The Company paid finders' fees in connection with the offering of $35,058 in cash and issued 219,110 compensation warrants. Each common share purchase warrant is exercisable for one common share at an exercise price of $0.28 and each compensation warrant is exercisable for one common share at an exercise price of $0.22 for a period of 24 months from the date of issue.

In aggregate, the Company raised gross proceeds from the private placement offering of approximately $1,432,222 through the sale of 8,951,385 units, paid finders' fees of $73,777 in cash, and issued 461,110 compensation warrants.

(d) Exercise of share options:

On June 20, 2014, 385,192 share options issued under the Company's SOP were exercised for gross proceeds to the Company of approximately $62,500. Share Capital was increased and Contributed Surplus was reduced by $45,000 relating to previously recognized share-based compensation expense for these options.

(e) Warrant exercise:

Subsequent to April 30, 2014, the Company realized gross proceeds of $44,966 from the exercise of 35,800 common share purchase warrants and 178,292 compensation warrants that had expiry dates of July 29, 2014 (note 10 (e)). Share Capital was increased and warrant capital reduced by $16,230 relating to the previously recorded fair market values for these warrants.

(f) Warrant amendment:

On July 14, 2014, 3,569,458 common share purchase warrants previously issued on January 30, 2013 (note 10 (e)) and due to expire on July 29, 2014 were amended. These warrants are exercisable at $0.26 with a new expiry date of January 29, 2016. The new expiry date will be accelerated to a period of 21 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 $0.60. If this occurs, the reduced exercise period of 21 days will begin seven calendar days after the tenth Premium Trading Day. The remaining terms and conditions of the warrants were unchanged.