



Financial Statements

Annual Audited

For the years ended April 30, 2016 and 2015

CRITICAL OUTCOME TECHNOLOGIES INC.
Financial Statements
For the years ended April 30, 2016 and 2015

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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, 2016 and April 30, 2015, 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, 2016 and April 30, 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying 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 may cast significant doubt about Critical Outcome Technologies Inc.'s ability to continue as a going concern.

A handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, stylized font and is underlined with a single horizontal stroke.

Chartered Professional Accountants, Licensed Public Accountants

July 29, 2016

London, Canada

CRITICAL OUTCOME TECHNOLOGIES INC.

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Statements of Financial Position

(All amounts in Canadian dollars)

As at April 30	2016	2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,141,978	\$ 1,599,220
Investments (note 6)	2,587,946	266,464
Investment tax credits and other receivables	154,684	170,445
Prepaid expenses and deposits	546,802	90,626
	5,431,410	2,126,755
Non-current assets:		
Equipment (note 7)	54,635	42,290
Intangible assets (note 8)	1,377,215	1,324,144
	1,431,850	1,366,434
Total assets	\$ 6,863,260	\$ 3,493,189
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 829,366	\$ 786,097
Warrant liability (note 9)	2,123,018	1,170,070
	2,952,384	1,956,167
Shareholders' equity	3,910,876	1,537,022
Total liabilities and shareholders' equity	\$ 6,863,260	\$ 3,493,189
Going concern (note 3)		
Commitments (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
Chief Executive Officer

"Mr. John C. Drake"

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

CRITICAL OUTCOME TECHNOLOGIES INC.

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Statements of Comprehensive Loss

(All amounts in Canadian dollars)

For the years ended April 30	2016	2015
Expenses (income):		
Research and product development (note 16)	\$ 1,503,385	\$ 1,355,508
Sales and marketing (note 16)	530,782	285,929
General and administration (note 16)	2,000,043	2,342,054
Investment tax credits (note 13)	(113,395)	(129,666)
	3,920,815	3,853,825
Loss before finance income (expense)	(3,920,815)	(3,853,825)
Finance income (expense):		
Interest and financing, net (note 14)	11,593	(219,088)
Change in fair value of warrant liability (note 9)	(965,869)	235,120
Foreign exchange gain (loss)	(49,336)	24,607
	(1,003,612)	40,639
Loss and comprehensive loss	\$ (4,924,427)	\$ (3,813,186)
Loss per share:		
Basic and diluted loss per common share (note 15)	\$ (0.04)	\$ (0.04)

See accompanying notes to financial statements

CRITICAL OUTCOME TECHNOLOGIES INC.
Statements of Changes in Shareholders' Equity

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(All amounts in Canadian dollars)

For the years ended April 30, 2016 and 2015

	Common Shares	Warrants	Total Share Capital	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance, April 30, 2015	\$ 20,866,325	\$ 5,873,753	\$ 26,740,078	\$ 560,275	\$ (25,763,331)	\$ 1,537,022
Issuance of shares and warrants (note 10 (a) iii)	2,224,562	398,787	2,623,349	-	-	2,623,349
Issuance of shares on IND grant (note 10 (b))	250,340	-	250,340	-	-	250,340
Share-based compensation (note 11)	-	-	-	428,884	-	428,884
Option exercises (note 10 (e) ii)	191,634	-	191,634	(83,036)	-	108,598
Warrant exercises (note 10 (c) ii, iii and (d))	5,619,995	(1,732,885)	3,887,110	-	-	3,887,110
Warrant expiries (note 10 (h) ii)	-	(3,101,928)	(3,101,928)	3,101,928	-	-
Loss and comprehensive loss	-	-	-	-	(4,924,427)	(4,924,427)
Balance, April 30, 2016	\$ 29,152,856	\$ 1,437,727	\$ 30,590,583	\$ 4,008,051	\$ (30,687,758)	\$ 3,910,876

	Common Shares	Warrants	Total Share Capital	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance, April 30, 2014	\$ 17,793,769	\$ 5,264,035	\$ 23,057,804	\$ 389,483	\$ (21,950,145)	\$ 1,497,142
Issuance of shares and warrants (note 10 (a) i, ii and (f))	2,172,350	819,622	2,991,972	-	-	2,991,972
Share-based compensation (note 11)	-	-	-	305,495	-	305,495
Option exercises (note 10 (e) i)	358,357	-	358,357	(149,050)	-	209,307
Warrant amendments (note 10 (g))	-	1,477,853	1,477,853	(1,488,013)	-	(10,160)
Warrant exercises (note 10 (c) i)	541,849	(185,397)	356,452	-	-	356,452
Warrant expiries (note 10 (h) i)	-	(1,502,360)	(1,502,360)	1,502,360	-	-
Loss and comprehensive loss	-	-	-	-	(3,813,186)	(3,813,186)
Balance, April 30, 2015	\$ 20,866,325	\$ 5,873,753	\$ 26,740,078	\$ 560,275	\$ (25,763,331)	\$ 1,537,022

See accompanying notes to financial statements

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Statements of Cash Flows

(All amounts in Canadian dollars)

For the years ended April 30	2016	2015
Cash provided by (used in):		
Operating activities:		
Loss	\$ (4,924,427)	\$ (3,813,186)
Items not involving cash:		
Amortization - equipment	20,233	12,321
Amortization - intangible assets	196,010	524,139
Loss on disposal of patents	1,297	9,921
Accretion expense (note 17)	-	53,334
Share-based compensation	428,884	305,495
Change in fair value of warrant liability	965,869	(235,120)
Warrants issued in payment of consulting services	-	265,200
Investment tax credits	(113,395)	(129,666)
Interest and financing expense, net	(11,593)	219,088
Unrealized (gain) loss on market value of investments	4,443	-
Foreign exchange loss (gain)	49,336	(24,607)
	(3,383,343)	(2,813,081)
Change in non-cash operating working capital (note 19)	(148,149)	(196,663)
Foreign exchange loss realized	(68,481)	(34,887)
Interest received	14,272	11,853
Net cash used in operating activities	(3,585,701)	(3,032,778)
Investing activities:		
Purchase of investments, net of maturities	(2,325,925)	(266,464)
Purchase of equipment	(32,578)	(16,543)
Expenditures on intangible assets (note 8)	(250,378)	(177,769)
Net cash used in investing activities	(2,608,881)	(460,776)
Financing activities:		
Proceeds from issuance of common shares and warrants (note 10)	6,725,263	4,909,314
Costs of issuing common shares and warrants (note 10)	(119,289)	(379,226)
Proceeds (repayment) of debenture (note 17)	-	(400,000)
Costs of warrant amendments (note 10)	-	(10,160)
Investment tax credit recoveries	116,408	119,031
Interest paid	(4,187)	(35,954)
Net cash provided by financing activities	6,718,195	4,203,005
Increase in cash and cash equivalents	523,613	709,451
Effect of exchange rate fluctuations on cash and cash equivalents	19,145	59,494
Cash and cash equivalents, beginning of the year	1,599,220	830,275
Cash and cash equivalents, end of the year	\$ 2,141,978	\$ 1,599,220
Represented by:		
Cash	\$ 398,410	\$ 227,118
Cash equivalents	1,743,568	1,372,102
	\$ 2,141,978	\$ 1,599,220

See accompanying notes to financial statements

1. Corporate Information:

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

2. Description of business:

COTI is a clinical stage biopharmaceutical company that uses machine learning to rapidly develop targeted therapies thereby dramatically reducing the timeline and cost of getting new drug therapies to market. COTI's proprietary artificial intelligence platform, CHEMSAS®, utilizes a series of predictive computer models to identify compounds with a high probability of being successfully developed from disease specific drug discovery through chemical optimization and preclinical testing. The CHEMSAS® platform technology is designed for 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.

The Company's initial focus is in advancing the treatment of cancer with the Company's lead compound, COTI-2, having a novel p53-dependent mechanism of action demonstrating selective and potent anti-cancer activity. The initial therapeutic indication for COTI-2 is in gynecologic cancers, which includes ovarian, cervical, and endometrial cancers. COTI-2 was granted orphan drug status for the ovarian indication in the U.S. and commenced a Phase 1 clinical trial in December 2015.

3. Going concern:

The going concern basis of presentation assumes that the Company will continue in operation for the foreseeable future and be able to realize on its assets and discharge its liabilities and commitments in the normal course of operations. For COTI, there are material uncertainties related to certain conditions and events that raise significant doubts about the Company's ability to continue as a going concern. In particular, the Company has not yet established operating revenues and operating cash flows continue to be negative. Key financial results for the years ended April 30, 2016 and 2015 are indicative of concern. For fiscal 2016 these results include a loss of \$4,924,427 (2015 – \$3,813,186) and negative cash flow from operations of \$3,585,701 (2015 – \$3,032,778). As at April 30, 2016, the Company had a deficit of \$30,687,758 (2015 – \$25,763,331), shareholders' equity of \$3,910,876 (2015 – \$1,537,022), and working capital of \$2,479,026 (2015 – \$170,588).

The Company is dependent upon key personnel and the need to raise additional funds to support continuing operations and the successful completion of the Company's clinical trials for COTI-2, and to meet liabilities and commitments as they become due while executing its strategic business plans for fiscal 2017 and future years. The Company is taking steps to address the going concern risk by actively seeking potential customers, partners, and collaborators as a means of furthering molecule

development and generating revenue streams, and pursuing alternative sources of financing, including but not limited to, raising capital in the public market and securing government grants.

Subsequent to the year-end, the Company realized approximately \$1,608,000 in financing through the exercise of warrants issued in prior years (note 23 (a)). Furthermore, the Company has discretion with many of its expenditure activities and plans to manage these activities in fiscal 2017 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 financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and as adopted by the Accounting Standards Board in Canada.

The financial statements were authorized for issue by the Board of Directors ("Board") on July 20, 2016.

(b) Basis of measurement:

The financial statements have been prepared on a historical cost basis, except for the warrant liability and investments classified as fair-value-through-profit-and-loss ("FVTPL") that are measured at fair value at each reporting period.

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 primary 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 management to make estimates and assumptions that affect the reported amounts of assets, liabilities, income, and expenses

at the date of the financial statements. Actual results could differ materially from these estimates and assumptions. 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 made by management are set out below.

(i) Share-based compensation and equity warrants:

The fair value of share-based compensation and equity warrants are 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.

(ii) Warrant liability:

The Company has issued warrants with an exercise price denominated in a currency other than the Company's functional currency resulting in their classification as derivative liabilities. The Company measures the value of the warrant liability by reference to the fair value of the common shares underlying the warrants. Estimating the fair value for these warrants is determined using a currency translated option valuation model. This requires management to determine the most appropriate inputs to the valuation model including the estimated life of the warrants, estimated common share price volatility, expected dividend yield, and the risk free interest rate.

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.

Impairment tests of non-financial assets:

Non-financial assets with finite useful lives are required to be tested for impairment only when an indication of impairment exists. Management is required to make a judgment with respect to the existence of impairment indicators at the end of each reporting period. This involved judgements based upon a number of inputs, primarily scientific results from the testing of molecules and review of feedback from office actions by patent authorities related to the examination of patent submissions. Additional inputs include; review of peer feedback from presentations of scientific results at scientific conferences, and information received related to competitive products as advised by consultants in intellectual property and business development, or seen in publications. Management further assesses whether a market

continues to exist for the output produced by the asset or group of assets and whether there has been a significant change in the way the asset is used or expected to be used.

In addition, significant judgment is required in determining whether the Company operates as one or more cash generating units ("CGU"). The Company has determined all assets belong to a single CGU. The primary considerations in this assessment related to the majority of near term value being attributed to COTI-2, the Company's lead oncology, compound that was part of a small library of 10 compounds acquired in 2007. This compound is representative of the library with the majority of development expenses including patents to advance this compound reflecting financial resource constraints in expediting other compounds at the same rate and speed.

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 Company's functional currency at the exchange rates prevailing at the date 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. All translation gains and losses are recognized in profit or 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 - 36 months	11 - 29 months
Furniture and fixtures	Cost	Straight-line	60 - 120 months	16 - 37 months

Amortization commences at the beginning of 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.

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Notes to the Financial Statements
For the years ended April 30, 2016 and 2015
(All amounts in Canadian dollars)

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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	3 - 20 months
Molecules	Cost	Straight-line	Life of related patents	160 - 168 months
Patents - granted	Cost	Straight-line	Life of patent	90 - 205 months
Patents - pending	Cost	Not available for use	-	-

Amortization of intangible assets is included in amortization expense in General and administration in the Statements of Comprehensive Loss from the date they are available for use. Subsequent expenditures are capitalized only when they increase the future economic benefits embodied in the specific asset to which it relates. All other expenses are recognized in profit or loss as incurred.

The accumulated cost of a molecule, group of molecules, or process investigated for patenting that management determines will not proceed through the patent process is expensed in the month when the decision is made not to pursue the patent.

Effective June 1, 2015, the Company revised its amortization rate related to molecules on a prospective basis. The previous amortization period for the Molecules acquired in November 2007 was 96 months. This period was based upon the original purchase agreement wherein if the contingent purchase consideration for the Molecules was not paid by November 27, 2015, the Molecules were required to be returned to the seller. Because of the settlement of the final payment of contingent purchase consideration during the first quarter of fiscal 2016 (note 10(b)), the Company reviewed the useful life and the expected pattern of consumption of the future economic benefits of the molecules. The Company determined that the future economic benefit of these Molecules was more appropriately reflected in the period remaining to the date of expiry of certain patents granted for the Molecules. Accordingly, the carrying values of the Molecules at June 1, 2015, have been amortized over such periods. As a result of this change, the Company will recognize aggregate amortization in future periods of \$425,956, which would otherwise have been expensed in the current period, and there would have been no further recognition of Molecules in the Statements of Financial Position in the subsequent periods.

(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 expense in the Statements of Comprehensive Loss. Intangible assets not yet available for use are evaluated for impairment at least annually.

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

Also at each reporting date, the Company assesses whether there is an indication that any previously recognized impairment loss may need to be considered for reversal. Impairment losses recognized to date by the Company have related to pending patents that have been abandoned and as such would have a limited period to be reinstated.

(f) Research and product development:

Expenditures on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are charged as an expense in the period in which they are incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditures are capitalized only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. To date there have been no development costs capitalized.

(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, investments, other receivables, accounts payable and accrued liabilities, and warrant liability. 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. Directly attributable transaction costs for financial liabilities classified as Fair value through profit and loss are expensed 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)
Investments	Fair value through profit and loss	Fair value	Profit (loss)
Other receivables	Loans and receivables	Amortized cost	Profit (loss)
Accounts payable and accrued liabilities	Other liabilities	Amortized cost	Profit (loss)
Warrant liability	Fair value through profit and loss	Fair value	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.

3. Fair value through profit and loss ("FVTPL"):

This category captures any financial assets and liabilities designated upon initial recognition as FVTPL. Warrants issued in a currency that is not the functional currency of the Company are considered to be derivative liabilities and are designated as FVTPL. Investments are classified as held-for-trading and therefore are designated as FVTPL.

(ii) Derecognition policy:

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire or it transfers the rights to receive the contractual cash flows from the asset. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

(iii) Impairment:

Financial assets that are not classified at fair value through profit or loss are subject to regular impairment review. Impairment losses are calculated by deducting discounted expected future

cash flows to be received from the carrying value of the financial asset and recognized in profit or loss.

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 is recognized initially at a value determined as the excess of the face value of the compound financial instrument less the fair value of the liability component.

(v) Offsetting policy:

Financial assets and liabilities are offset and the net amount presented in the Statements of Financial Position only when the Company has a legal right to offset the amounts and intends to either settle on a net basis or to realize the asset and settle the liability simultaneously.

(h) Share capital:

(i) Common shares:

Common shares are classified as equity.

(ii) Warrants:

Warrants issued in the functional currency of the Company are classified as equity.

Warrants issued in a currency that is not the functional currency of the Company are classified as a warrant liability (notes 4 (d) ii and 9).

Warrants classified as equity and 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 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 common shares and warrants as applicable, net of any tax effects, except for those costs attributable to warrants classified as a warrant liability where such costs are expensed in profit or loss.

(i) 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.

(j) Share-based compensation:

The granting of share options ("Options") to employees, officers, or directors of the Company 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 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 Shares.

Options awarded 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.

(k) 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. ITCs related to research and development expenses are recorded as a reduction of the related expenses in the Statements of Comprehensive Loss.

(l) 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.

(m) 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 activities and services to date. All of the Company's operations are located in Canada.

(n) 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.

(o) Adoption of new accounting pronouncements during the year:

The IASB issued new standards, amendments, or interpretations to existing standards that were effective for the Company's fiscal year that began May 1, 2015. Of the new or amended pronouncements, there were only two standard changes applicable to the Company's operations during the year and these were adopted with no material impact on the financial statements as follows:

- Definition of "vesting condition" in IFRS 2 Share-based payment
- Measurement of short-term receivables and payables; and scope of portfolio exception in IFRS 13 Fair Value Measurement

(p) Recent accounting pronouncements not yet adopted:

The IASB and International Financial Reporting Interpretations Committee ("IFRIC") have issued new standards or amended existing standards affecting the Company that have not been applied in preparing these financial statements as their effective dates occur for annual periods beginning subsequent to the current reporting year. Those new or amended standards that may affect the Company for the financial reporting year ended April 30, 2017, are set out below. The Company does not expect the amendments to have a material impact on the financial statements.

(i) IAS 1, Presentation of Financial Statements

On December 18, 2014, the IASB issued amendments to IAS 1 as part of its major initiative to improve presentation and disclosure in financial reports. The amendments are effective for annual periods beginning on or after January 1, 2016. These amendments will not require any significant change to current practice, but should facilitate improved financial statement disclosures. The Company intends to adopt these amendments in its financial statements for the annual period beginning on May 1, 2016. The Company does not expect the amendments to have a material impact on the financial statements.

(ii) IFRS 9 - Financial Instruments

In July 2014, the IASB issued the final publication of the IFRS 9 standard, superseding the current IAS39 - Financial Instruments: recognition and measurement standard. IFRS 9 includes revised guidance on the classification and measurement of financial instruments and carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39. The standard is effective for annual periods beginning on or after January 1, 2018. Management is assessing the impact of this standard on its financial statements.

(iii) IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 – Revenue from Contracts with Customers, which introduces a single model for recognizing revenue from contracts with customers except leases, financial instruments, and insurance contracts. The standard requires revenue to be recognized in a manner that depicts the transfer of promised goods or services to a customer and at an amount that reflects the expected consideration receivable in exchange for transferring those goods or services.

IFRS 15 also provides guidance related to the treatment of contract acquisition and contract fulfillment costs. The standard is effective for annual periods beginning on or after January 1, 2017 with retroactive application. The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on May 1, 2017. The extent of the impact of adopting the standard has not yet been determined, as the Company has not generated revenues to date; however, the Company is evaluating the standard in light of the types of anticipated revenue.

6. Investments:

The Company invests cash not needed for immediate working capital purposes in investments that are rated "A high" or greater by Standard and Poor's and the Dominion Bond Rating Service. At April 30, 2015, the investment consisted of a single short-term investment in a guaranteed investment certificate with an effective interest rate of 1.35% maturing on December 1, 2015. Details related to the investments at April 30, 2016, are set out below.

Investment description	Fiscal Year of Maturity	Effective interest rate	Cost	Unrealized Gain / (Loss)	Fair value
Guaranteed investment certificates	2017	0.95 - 1.4%	\$ 1,415,000	\$ 3,059	\$ 1,418,059
	2018	1.40%	500,000	-	500,000
Canadian provincial government USD stripped bonds:					
Province of British Columbia	2018	1.04%	125,581	(191)	125,390
Province of British Columbia	2019	1.44%	125,623	(501)	125,122
Province of Manitoba	2020	1.82%	423,126	(3,751)	419,375
Total			\$ 2,589,330	\$ (1,384)	\$ 2,587,946

7. Equipment:

As at April 30, 2016	Computer Hardware	Furniture and Fixtures	Total
Cost, April 30, 2015	\$ 34,482	\$ 122,248	\$ 156,730
Purchases	32,578	-	32,578
Disposals	(2,305)	-	(2,305)
Cost, April 30, 2016	64,755	122,248	187,003
Accumulated amortization, April 30, 2015	(17,961)	(96,479)	(114,440)
Amortization	(11,576)	(8,657)	(20,233)
Disposals	2,305	-	2,305
Accumulated amortization, April 30, 2016	(27,232)	(105,136)	(132,368)
Net carrying value, April 30, 2016	\$ 37,523	\$ 17,112	\$ 54,635

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For the years ended April 30, 2016 and 2015

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As at April 30, 2015	Computer Hardware	Furniture and Fixtures	Total
Cost, April 30, 2014	\$ 18,498	\$ 122,248	\$ 140,746
Purchases	16,543	-	16,543
Disposals	(559)	-	(559)
Cost, April 30, 2015	34,482	122,248	156,730
Accumulated amortization, April 30, 2014	(14,856)	(87,822)	(102,678)
Amortization	(3,664)	(8,657)	(12,321)
Disposals	559	-	559
Accumulated amortization, April 30, 2015	(17,961)	(96,479)	(114,440)
Net carrying value, April 30, 2015	\$ 16,521	\$ 25,769	\$ 42,290

8. Intangible assets:

	Molecules	Granted Patents	Pending Patents	Computer Software	Total
Cost, April 30, 2015	\$ 3,526,287	\$ 496,691	\$ 360,758	\$ 148,528	\$ 4,532,264
Additions	-	10,592	62,234	177,552	250,378
Transfers upon patent grant	-	44,067	(44,067)	-	-
Patent disposal	-	-	(1,297)	-	(1,297)
Expired software licenses	-	-	-	(69,152)	(69,152)
Cost, April 30, 2016	3,526,287	551,350	377,628	256,928	4,712,193
Accumulated amortization, April 30, 2015	(3,025,412)	(110,451)	-	(72,257)	(3,208,120)
Amortization	(74,919)	(32,569)	-	(88,522)	(196,010)
Expired software licenses	-	-	-	69,152	69,152
Accumulated amortization, April 30, 2016	(3,100,331)	(143,020)	-	(91,627)	(3,334,978)
Net carrying value, April 30, 2016	\$ 425,956	\$ 408,330	\$ 377,628	\$ 165,301	\$ 1,377,215

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	Molecules	Granted Patents	Pending Patents	Computer Software	Total
Cost, April 30, 2014	\$ 3,275,785	\$ 355,565	\$ 413,412	\$ 141,802	\$ 4,186,564
Additions	250,502	4,510	93,883	79,376	428,271
Transfers upon patent grant	-	136,616	(136,616)	-	-
Patent disposal	-	-	(9,921)	-	(9,921)
Expired software licenses	-	-	-	(72,650)	(72,650)
Cost, April 30, 2015	3,526,287	496,691	360,758	148,528	4,532,264
Accumulated amortization, April 30, 2014	(2,596,202)	(85,563)	-	(74,866)	(2,756,631)
Amortization	(429,210)	(24,888)	-	(70,041)	(524,139)
Expired software licenses	-	-	-	72,650	72,650
Accumulated amortization, April 30, 2015	(3,025,412)	(110,451)	-	(72,257)	(3,208,120)
Net carrying value, April 30, 2015	\$ 500,875	\$ 386,240	\$ 360,758	\$ 76,271	\$ 1,324,144

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

In fiscal 2012, the Company received a U.S. patent for a Molecule, COTI-2, which represented the achievement of one of the milestones and accordingly one-half of the contingent consideration, was issued. On May 22, 2015, the United States Food and Drug Administration ("FDA") advised the Company that it had completed its review of the Company's investigational new drug ("IND") application for COTI-2. The IND grant enabled the Company to proceed with its proposed clinical investigation. This grant satisfied the second milestone for the Molecule, COTI-2, being notification of acceptance of an IND application. Accordingly, on May 26, 2015, the Company issued 715,720 common shares as final payment of the contingent share consideration that arose on the acquisition. This consideration had a fair value of \$250,502 based upon the closing market price of the Company's shares on May 22, 2015, the date of the IND grant, which was recognized as an accrued liability at April 30, 2015.

A single Molecule, COTI-2, represents a significant portion of the carrying value of the molecules and patents at the year-end as set out below.

Intangible asset class	April 30, 2016	April 30, 2015
Molecule	\$ 379,527	\$ 430,549
Patents granted and pending	362,863	339,501
	\$ 742,390	\$ 770,050
Percentage of net carrying value of intangibles	53.0%	58.2%

9. Warrant liability:

During fiscal 2015, the Company completed a private placement financing of units in three tranches (note 10 (a) i). Each unit consisted of one common share and one warrant to purchase a common share. The warrants issued have an exercise price of USD \$0.34. Under IFRS, warrants issued with an exercise price denominated in a foreign currency are considered financial derivative instruments and the prescribed accounting treatment is to classify these warrants as a current liability measured at fair value upon initial recognition. At each subsequent reporting date, the warrants are re-measured at fair value and the change in fair value is recognized through profit or loss. Upon warrant exercise, the fair value previously recognized in warrant liability is transferred from warrant liability to Share Capital.

Details related to the warrant liability are summarized below.

	April 30, 2016	April 30, 2015
Warrants issued	10,177,760	10,177,760
Warrants exercised	60,739	-
Warrants outstanding	10,117,021	10,177,760
Expiry dates	Oct 16 - Nov 24/19	Oct 16 - Nov 24/19
Weighted average exercise price in CAD	\$ 0.4266	\$ 0.4102
Opening balance	\$ 1,170,070	\$ -
Fair value on issuance of private placements	-	1,405,190
Fair value of warrant exercise transferred to share capital	(12,921)	-
Fair value adjustment at report date	965,869	(235,120)
Closing balance	\$ 2,123,018	\$ 1,170,070

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10. Share capital:

		April 30, 2016		April 30, 2015	
	Expiry Date Ranges	Issued	Amount	Issued	Amount
Share capital:					
Authorized:					
Unlimited common shares					
Unlimited preference shares					
Issued and fully paid:					
Common shares, without par value		142,637,297	\$ 29,152,856	118,435,518	\$ 20,866,325
Common share purchase warrants:					
\$0.30 warrants	May 9 - 26/15	-	-	7,500,000	1,227,980
\$0.26 warrants	Jul 31/15 - Jan 29/16	-	-	7,985,353	906,636
\$0.30 warrants	Mar 15/16	-	-	12,500,000	2,518,901
\$0.28 warrants	Apr 29 - Jun 2/16	5,331,266	243,010	8,951,385	385,071
\$0.22 compensation warrants	Apr 29 - Jun 2/16	194,110	18,828	461,110	38,436
\$0.42 warrants	Jun 28/17 - Jul 31/17	2,144,267	156,283	-	-
\$0.315 compensation warrants	Jun 28/17 - Jul 31/17	108,120	11,542	-	-
\$0.38 warrants	Mar 29/18	2,420,551	225,425	-	-
\$0.26 warrants	Feb 4/19	769,230	33,492	769,230	40,392
\$0.19 USD compensation warrants	Apr 11 - Jun 6/19	3,000,000	472,222	3,000,000	472,222
\$0.26 USD compensation warrants	Oct 17 - Nov 25/19	525,189	76,575	554,752	82,124
\$0.38 warrants	Dec 18/19 - Feb 16/20	3,099,374	186,814	3,099,374	186,814
\$0.29 compensation warrants	Dec 18/19 - Feb 16/20	162,811	13,536	182,350	15,177
		17,754,918	1,437,727	45,003,554	5,873,753
		\$ 30,590,583		\$ 26,740,078	

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

- (i) to one vote for each common share held 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 dividends 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.

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

	Shares	Amount
Balance April 30, 2014	96,807,979	\$ 17,793,769
Shares issued - private placements (note 10 (a) i)	18,872,269	2,175,158
Shares issued - private placement issuance costs (note 10 (a) ii)	-	(2,808)
Shares issued - warrant exercise (note 10 (c) i)	1,427,659	541,849
Shares issued - option exercise (note 10 (e) i)	1,327,611	358,357
	21,627,539	3,072,556
Balance April 30, 2015	118,435,518	20,866,325
Shares issued - private placements (note 10 (a) iii)	9,129,635	2,224,562
Shares issued - contingency settlement (note 10 (b))	715,720	250,340
Shares issued - warrant exercise (note 10 (c) ii)	13,633,669	5,578,471
Shares issued - warrant exercise (note 10 (c) iii)	-	1,317
Shares issued - USD warrant exercise (note 10 (d))	60,739	40,207
Shares issued - option exercise (note 10 (e) ii)	662,016	191,634
	24,201,779	8,286,531
Balance April 30, 2016	142,637,297	\$ 29,152,856

A summary of the changes in warrants is set out below.

	Warrants	Amount
Balance April 30, 2014	51,260,260	\$ 5,264,035
Warrants issued - private placements (note 10 (a) i)	8,694,509	441,853
Warrants issued - private placement compensation (note 10 (a) i)	979,576	121,018
Warrants issued - private placements issuance costs (note 10 (a) ii)	-	(1,119)
Warrants exercised (note 10 (c) i)	(1,427,659)	(185,397)
Warrants issued - consulting (note 10 (f))	1,500,000	257,870
Warrants amended (note 10 (g))	-	1,477,853
Warrants expired (note 10 (h) i)	(16,003,132)	(1,502,360)
	(6,256,706)	609,718
Balance April 30, 2015	45,003,554	5,873,753
Warrants issued - private placements (note 10 (a) iii)	4,564,818	381,855
Warrants issued - private placement compensation (note 10 (a) iii)	157,620	16,932
Warrants exercised (note 10 (c) ii)	(13,633,669)	(1,731,568)
Warrants exercised (note 10 (c) iii)	-	(1,317)
Warrants expired (note 10 (h) ii)	(18,337,405)	(3,101,928)
	(27,248,636)	(4,436,026)
Balance April 30, 2016	17,754,918	\$ 1,437,727

Details concerning the share capital transactions are summarized below.

(a) Private placements:

(i) During the year ended April 30, 2015

The Company completed four non-brokered private placements on various dates with specific details for each private placement summarized in the table below. Each private placement was completed in a unit offering consisting of one common share and one common share purchase warrant. The common share purchase warrants and compensation warrants issued in each private placement were exercisable for one common share.

The expiry date for the common share purchase warrants and the compensation warrants was set at the same date for each warrant type in each private placement. The expiry date for the warrants in certain private placements will be accelerated to a period of 21 days, if for any ten consecutive trading days during the unexpired term of the warrants (the "Premium Trading Days"), the closing price of the common shares on the TSXV equals or exceeds three times the exercise price set out in the warrant certificate. If this occurs, the reduced exercise period of 21 days will begin seven calendar days after the tenth Premium Trading Day. Any warrants not exercised during this reduced exercise period will expire.

In each of the private placements except that of November 25, 2014, the common share purchase warrants were allocated a portion of the proceeds and the costs based upon their relative fair value at the date of issuance. The fair values of the common share purchase warrants and the compensation warrants were determined using a Black-Scholes valuation model. Compensation warrants issued in the November 25, 2014, private placement were denominated in USD and accordingly were valued using a currency translated option valuation model.

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Private placement closing date	⁽¹⁾ Jun 3, 2014	⁽²⁾ Nov 25, 2014	Dec 19, 2014	Feb 17, 2015	Total
Issue price per unit	\$ 0.1600	\$ 0.2609	\$ 0.2550	\$ 0.2550	
Common shares issued	5,595,135	10,177,760	970,000	2,129,374	18,872,269
Equity warrants issued	5,595,135	-	970,000	2,129,374	8,694,509
Liability warrants issued	-	10,177,760	-	-	10,177,760
Equity and liability warrants exercise price	\$ 0.28	\$ 0.34	\$ 0.38	\$ 0.38	
Compensation warrants issued	219,110	578,116	20,000	162,350	979,576
Compensation warrant exercise price	\$ 0.22	\$ 0.26	\$ 0.29	\$ 0.29	
Warrant term in months ⁽³⁾	24	60	60	60	
Cash proceeds summary:					
Gross proceeds	\$ 895,222	\$ 2,655,646	\$ 247,350	\$ 542,990	\$ 4,341,208
Unit cash issuance costs	56,278	230,316	17,957	61,078	365,629
Net cash proceeds on issuance	838,944	2,425,330	229,393	481,912	3,975,579
Fair value of compensation warrants	21,254	84,587	1,540	13,637	121,018
Total issuance costs	77,532	314,903	19,497	74,715	486,647
Allocations to common shares:					
Proceeds	616,024	1,250,455	187,501	390,314	2,444,294
Issuance costs	53,373	147,262	14,781	53,720	269,136
Net value allocated to share capital	562,651	1,103,193	172,720	336,594	2,175,158
Allocations to warrants:					
Proceeds	279,198	-	59,849	152,676	491,723
Issuance costs	24,159	-	4,716	20,995	49,870
Net value allocated to warrants	255,039	-	55,133	131,681	441,853
Total net value	\$ 817,690	\$ 1,103,193	\$ 227,853	\$ 468,275	\$ 2,617,011
Proceeds allocated to warrant liability (note 9)	-	\$ 1,405,190	-	-	\$ 1,405,190
Issuance costs related to warrant liability expensed (note 9)	-	\$ 167,634	-	-	\$ 167,634

Notes: ⁽¹⁾ The private placement represented the second tranche of a financing commenced in the prior fiscal year with the first tranche having closed on Apr 30, 2014.

⁽²⁾ The issue price per unit represents the weighted average Canadian dollar value on the respective closing dates as the private placement consisted of three tranches closing on Oct 17, Nov 6 and 25, 2014 respectively and issued at a price of \$0.23 USD per unit. The warrant exercise price is disclosed at the USD exercise value.

⁽³⁾ The warrants with a term of 60 months contain an accelerated expiry date provision.

A summary of the assumptions used in the valuation model for each private placement is set out below.

Common Share Purchase Warrants	Jun 3, 2014	Nov 25, 2014	Dec 19, 2014	Feb 17, 2015
Common share market price	\$ 0.190	\$ 0.225 - 0.270	\$ 0.235	\$ 0.220
Risk free interest rate	1.07%	1.49 - 1.73%	0.64%	0.55%
Expected dividend yield	-	-	-	-
Estimated common share price volatility	103.9%	83.9 - 85.2%	86.6%	96.2%
Estimated life in years	2.00	4.53 - 4.65	1.85	2.16

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Compensation Warrants	Jun 3, 2014	Nov 25, 2014	Dec 19, 2014	Feb 17, 2015
Common share market price	\$ 0.190	\$ 0.225 - 0.270	\$ 0.235	\$ 0.220
Risk free interest rate	1.07%	1.42 - 1.68%	0.57%	0.79%
Expected dividend yield	-	-	-	-
Estimated common share price volatility	103.9%	83.9 - 84.5%	86.3%	93.4%
Estimated life in years	2.00	4.29 - 4.45	1.38	1.66

- (ii) Subsequent to April 30, 2014, additional legal fees and regulatory costs of \$3,927 were recognized related to the first tranche of a private placement that closed on April 30, 2014. These costs were recognized as a decrease in Share Capital of \$2,808 and a decrease in Warrant Capital of \$1,119.

- (iii) During the year ended April 30, 2016

The Company completed two non-brokered private placements with specific details for each private placement summarized in the table below. Each private placement was completed in a unit offering consisting of one common share and one-half of a common share purchase warrant. The common share purchase warrants and compensation warrants issued were exercisable for one common share. Where applicable, the expiry date for the common share purchase warrants and the compensations warrants was set at the same date for each warrant type in the respective private placements.

All the warrants in the private placements contain a provision that accelerates the expiry date to a period of 21 days, if for any ten consecutive trading days during the unexpired term of the warrants (the "Premium Trading Days"), the closing price of the common shares on the TSXV equals or exceeds three times the exercise price set out in the warrant certificate. If this occurs, the reduced exercise period of 21 days will begin seven calendar days after the tenth Premium Trading Day. Any warrants not exercised during this reduced exercise period will expire.

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Private placement closing date	Jul 31, 2015 ⁽¹⁾	Mar 29, 2016	Total
Issue price per unit	\$ 0.30	\$ 0.30	
Common shares issued	4,288,533	4,841,102	9,129,635
Equity warrants issued	2,144,267	2,420,551	4,564,818
Equity warrants exercise price	\$ 0.42	\$ 0.38	
Compensation warrants issued	157,620	-	157,620
Compensation warrant exercise price	\$ 0.315	\$ -	
Warrant term in months	24	24	
Cash proceeds summary:			
Gross proceeds	\$ 1,286,560	\$ 1,452,331	\$ 2,738,891
Unit cash issuance costs	89,378	26,164	115,542
Net cash proceeds on issuance	1,197,182	1,426,167	2,623,349
Fair value of compensation warrants	16,932	-	16,932
Total issuance costs	106,310	26,164	132,474
Allocations to common shares:			
Proceeds	1,115,859	1,222,770	2,338,629
Issuance costs	92,040	22,027	114,067
Net value allocated to share capital	1,023,819	1,200,743	2,224,562
Allocations to warrants:			
Proceeds	170,700	229,560	400,260
Issuance costs	14,270	4,135	18,405
Net value allocated to warrants	156,430	225,425	381,855
Total net value	\$ 1,180,249	\$ 1,426,168	\$ 2,606,417

Notes: ⁽¹⁾ The private placement consisted of two tranches closing on June 29 and July 31, 2015 respectively.

In each of the private placements, the common share purchase warrants were allocated a portion of the proceeds and the costs based upon their relative fair value at the date of issuance. The fair values of the common share purchase warrants and the compensation warrants were determined using a Black-Scholes valuation model.

A summary of the assumptions used in the valuation model for each private placement is set out below.

Common Share Purchase Warrants	Jul 31, 2015	Mar 29, 2016
Common share market price	\$ 0.29 - 0.295	\$ 0.420
Risk free interest rate	0.73 - 0.98%	0.83%
Estimated common share price volatility	73.89 - 79.72%	65.0%
Expected dividend yield	-	-
Estimated life in years	1.97 - 1.98	1.80
Estimated fair value	\$ 191,573	\$ 381,721

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Compensation Warrants	Jul 31, 2015
Common share market price	\$ 0.29 - 0.295
Risk free interest rate	0.73 - 0.98%
Estimated common share price volatility	69.83 - 74.18%
Expected dividend yield	-
Estimated life in years	1.92 - 1.94
Estimate fair value	\$ 16,932

(b) Contingency settlement:

Upon the purchase of a library of Molecules in November 2007, the Company became contingently liable for the issuance of 1,431,441 common shares as part of the purchase consideration should two development milestones be subsequently achieved by any Molecule from the library (note 8).

The first milestone was achieved in fiscal 2012 and the Company issued one-half of the contingent consideration at that time. On May 22, 2015, the FDA advised the Company that it could proceed with a clinical trial of the Molecule, COTI-2, following its review of the Company's IND application for a Phase 1 trial of COTI-2 in gynecological cancers. This represented the second milestone for COTI-2. Accordingly, the Company issued 715,720 common shares as final payment of the contingent share consideration. This consideration had a fair value of \$250,502 based upon the closing market price of the Company's shares on May 22, 2015, the date of the IND grant. Costs of \$162 were incurred to issue the shares.

(c) Warrant exercises:

During the years ended April 30, 2015 and 2016, warrant holders exercised common share purchase warrants and compensation warrants. The gross proceeds of these exercises, plus the net value attributed to these warrants on the initial grant, less the costs to issue the common shares upon the exercise, were recognized in Common Shares as summarized below.

(i) During the year ended April 30, 2015

Warrant description	Number of warrants exercised	Gross proceeds	Net warrant transfer value	Share issuance costs	Share capital
\$0.20 compensation	555,995	\$ 111,199	\$ 66,495	\$ (1,128)	\$ 176,566
\$0.26 USD compensation	23,364	7,658	2,464	(133)	9,989
\$0.20 common share	100,000	20,000	2,623	(84)	22,539
\$0.26 common share	123,300	32,058	4,753	(231)	36,580
\$0.30 common share	625,000	187,500	109,062	(387)	296,175
	1,427,659	\$ 358,415	\$ 185,397	\$ (1,963)	\$ 541,849

(ii) During the year ended April 30, 2016

Warrant description	Number of warrants exercised	Gross proceeds	Net warrant transfer value	Share issuance costs	Share capital
\$0.22 compensation	267,000	\$ 58,740	\$ 19,607	\$ (205)	\$ 78,142
\$0.26 common share	3,684,198	957,892	427,900	(597)	1,385,195
\$0.26 USD compensation	29,563	9,648	4,232	(169)	13,711
\$0.28 common share	3,620,119	1,013,633	142,061	(1,197)	1,154,497
\$0.29 compensation	19,539	5,666	1,641	(38)	7,269
\$0.30 common share	5,963,750	1,789,125	1,130,588	(1,123)	2,918,590
\$0.315 compensation	49,500	15,593	5,539	(65)	21,067
	13,633,669	\$ 3,850,297	\$ 1,731,568	\$ (3,394)	\$ 5,578,471

(iii) Subsequent to the April 30, 2015 year-end, a valuation adjustment of \$1,317 was recognized related to the exercise of compensation warrants in the fourth quarter of that year. This adjustment was recorded as an increase in Share Capital and a decrease in Warrant Capital.

(d) USD Warrant exercise:

In fiscal 2015, common share purchase warrants with an exercise price denominated in USD were issued and recognized as a warrant liability in accordance with the accounting treatment prescribed under IFRS (note 9). During fiscal 2016, 60,739 of these warrants with an exercise price of USD \$0.34 and an expiry date of November 6, 2019 were exercised. The gross proceeds of \$27,342 (USD \$20,651) net of share issuance costs of \$56 were recorded in Common shares. In addition, the fair value of the warrant liability related to the exercised warrants determined as \$12,921 on the day prior to the date of exercise was transferred from the warrant liability account to Common Shares.

(e) Share option exercises:

(i) A total of 1,327,611 share options were exercised during the year ended April 30, 2015 for gross proceeds of \$209,691. Concurrent with these exercises, the Company was required to transfer to Share Capital the amount of \$149,050 previously recognized in Contributed Surplus at the time of the share option award. Accordingly, the gross proceeds received on exercise, net of issuance costs of \$384 and the transfer from Contributed Surplus, resulted in an increase in Share Capital of \$358,357.

(ii) A total of 662,016 share options were exercised during the year ended April 30, 2016 for gross proceeds of \$108,733. Concurrent with these exercises, the Company was required to transfer to Share Capital the amount of \$83,036 previously recognized in Contributed

Surplus at the time of the share option award. Accordingly, the gross proceeds received on exercise, net of issuance costs of \$135 and the transfer from Contributed Surplus, resulted in an increase in Share Capital of \$191,634.

(f) Warrant issuance – consulting:

During the year ended April 30, 2015, the Company issued 1,500,000 common share purchase warrants to a U.S. investment bank under the terms of a strategic financing advisory agreement 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 various dates from May 4 to June 5, 2019.

The Company valued the services provided by the investment bank at the fair value of the warrants issued, as the fair value of the services could not be estimated reliably. The common share purchase warrants were valued using a Black-Scholes valuation model with the following assumptions:

Common share market price	\$ 0.185 - 0.267
Risk free interest rate	2.001%
Expected dividend yield	-
Estimated common share price volatility	104.7 - 114.5%
Estimated life in years	4.75

The fair value of the warrants calculated as \$265,200 was recognized, net of cash issuance costs of \$7,330 as Professional fees in General and administration expense.

(g) Warrant amendments:

During the year-ended April 30, 2015, common share purchase warrants were amended to extend their expiry date. The amendment also included a provision that accelerated the expiry date to a period of 21 days, if for any ten consecutive trading days during the unexpired term of the warrants (the “Premium Trading Days”), the closing price of the common shares on the TSXV equals or exceeds a market price threshold for the Company’s common shares. If this occurs, the reduced exercise period of 21 days will begin seven calendar days after the tenth Premium Trading Day. Any warrants not exercised during this reduced exercise period will expire. Details of these amendments including the market price threshold triggering the accelerated expiry date are summarized below.

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	May 27, 2014	Jul 16, 2014	Nov 13, 2014	Dec 16, 2014	Total
Warrants amended	12,500,000	3,569,458	2,412,397	2,003,498	20,485,353
Exercise price	\$ 0.30	\$ 0.26	\$ 0.26	\$ 0.26	
Market price threshold	\$ 0.60	\$ 0.60	\$ 0.35	\$ 0.35	
Expiry date	May 31, 2014	Jul 29, 2014	Nov 30, 2014	Dec 21, 2014	
Amended expiry date	Mar 15, 2016	Jan 29, 2016	Jul 31, 2015	Aug 20, 2015	
Incremental fair value	\$ 862,500	\$ 385,501	\$ 115,795	\$ 124,217	\$ 1,488,013
Amendment costs	3,449	2,751	1,950	2,010	10,160
Net change in fair value	\$ 859,051	\$ 382,750	\$ 113,845	\$ 122,207	\$ 1,477,853

The fair value of the common share purchase warrants at the amendment date was determined using a Black-Scholes valuation model. A summary of the assumptions used in the model for each private placement is set out below.

	May 27, 2014	Jul 16, 2014	Nov 13, 2014	Dec 16, 2014
Common share market price	\$ 0.195	\$ 0.245	\$ 0.250	\$ 0.235
Risk free interest rate	1.247%	0.947%	0.980%	0.980%
Expected dividend yield	-	-	-	-
Estimated common share price volatility	97.8%	106.4%	85.7%	98.0%
Estimated life in years	1.80	1.54	0.71	0.68

(h) Warrant Expiries:

(i) During the year ended April 30, 2015

Warrants related to various private placements expired as set out below. The net amount previously recorded for these warrants of \$1,502,360 was transferred to Contributed Surplus.

Warrant description	Warrants expired	Warrant value transferred	Warrant costs transferred	Share Capital
\$0.20 compensation	32,000	\$ (5,472)	\$ -	\$ (5,472)
\$0.20 common share	1,150,000	(33,140)	2,977	(30,163)
\$0.26 common share	10,120,632	(475,136)	45,658	(429,478)
\$0.30 common share	3,125,000	(577,813)	15,103	(562,710)
\$0.37 common share	1,446,481	(453,131)	11,175	(441,956)
\$0.55 common share	129,019	(33,064)	483	(32,581)
	16,003,132	\$ (1,577,756)	\$ 75,396	\$ (1,502,360)

The tax effect of the expiration of these warrants was recorded as a decrease to Contributed Surplus of \$107,000. In addition, the tax effect of \$402,000 of previously unrecognized non-capital losses has been recognized with a corresponding increase to Contributed Surplus of \$107,000.

(ii) During the year ended April 30, 2016

Warrants related to various private placements expired as set out below. The net amount previously recorded for these warrants of \$3,101,928 was transferred to Contributed Surplus.

Warrant description	Warrants expired	Warrant value transferred	Warrant costs transferred	Share Capital
\$0.26 common share	4,301,155	\$ (505,901)	\$ 20,266	\$ (485,635)
\$0.30 common share	14,036,250	(2,654,891)	38,598	(2,616,293)
	18,337,405	\$ (3,160,792)	\$ 58,864	\$ (3,101,928)

The tax effect of the expiration of these warrants was recorded as a decrease to Contributed Surplus of \$125,000. In addition, the tax effect of \$472,000 of previously unrecognized non-capital losses has been recognized with a corresponding increase to Contributed Surplus of \$125,000.

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 Board of Directors. 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.

For the year ended April 30, 2016, the Company recorded share-based compensation expense of \$428,884 (2015 – \$305,495) consisting of share options granted to employees, directors, and consultants. At April 30, 2016, 6,995,410 options were available for grant (2015 – 6,371,368) under the share option plan. The weighted average market share price of the Company's shares on the date of option exercise during the year was \$0.28 (2015 – \$0.26).

Options granted to consultants were measured at fair value on the date of the equity instrument grant on a similar basis to equity-settled share-based payments to employees and directors as the fair value of the goods or services to be received could not be estimated reliably.

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A summary of the changes in the number of options outstanding along with the weighted average exercise price for the comparative years appears below.

	2016		2015	
	Number of Options	Weighted average exercise price	Number of Options	Weighted average exercise price
Opening balance	5,472,184	\$ 0.22	6,468,108	\$ 0.23
Granted	2,593,811	\$ 0.31	1,951,099	0.29
Exercised	(662,016)	\$ (0.16)	(1,327,611)	(0.16)
Expired	(135,659)	\$ (0.17)	(1,619,412)	(0.37)
Ending balance	7,268,320	\$ 0.26	5,472,184	\$ 0.22

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
2016	-	12.53%	3.47%
2015	-	14.39%	4.41%

The assumptions used in the Black-Scholes valuation model related to the share options granted in 2016 and 2015 were as follows:

	2016	2015
Exercise price	\$ 0.28 - 0.44	\$ 0.24 - 0.29
Market price	\$ 0.27 - 0.44	\$ 0.24 - 0.27
Risk free interest rate	0.52 - 0.79%	0.79 - 1.35%
Expected dividend yield	-	-
Estimated share price volatility	64.6 - 94.0%	83.6 - 115.0%
Estimated life in years	1.9 - 3.8	1.5 - 4.5
Estimated total share option value	\$ 432,243	\$ 339,065

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Details of the outstanding share options at April 30, 2016 are summarized below:

Range of exercise prices	Options granted and outstanding at April 30, 2016	Unvested	Vested	Weighted average exercise price of outstanding options	Weighted average remaining contractual life in years	Weighted average exercise price of vested options
\$0.14 - \$0.20	2,211,098	-	2,211,098	\$ 0.18	1.92	\$ 0.18
\$0.21 - \$0.44	5,057,222	1,225,981	3,831,241	0.30	3.66	0.29
	7,268,320	1,225,981	6,042,339	\$ 0.26	3.13	\$ 0.25

Details of the outstanding share options at April 30, 2015 are summarized below:

Range of exercise prices	Options granted and outstanding at April 30, 2015	Unvested	Vested	Weighted average exercise price of outstanding options	Weighted average remaining contractual life in years	Weighted average exercise price of vested options
\$0.14 - \$0.20	3,008,773	-	3,008,773	\$ 0.18	2.34	\$ 0.18
\$0.21 - \$0.30	2,463,411	1,058,049	1,405,362	0.29	3.86	0.29
	5,472,184	1,058,049	4,414,135	\$ 0.22	3.03	\$ 0.21

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, 2016	April 30, 2015
Loss for the period	\$ (4,924,427)	\$ (3,813,186)
Statutory rate	26.50%	26.50%
Income tax using the Company's tax rate	(1,305,000)	(1,010,000)
Non-deductible expenses	525,000	333,000
Change in unrecognized temporary differences	812,000	798,000
Other	(32,000)	(121,000)
	\$ -	\$ -

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

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(b) Unrecognized deferred tax assets:

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

	April 30, 2016	April 30, 2015
Deductible temporary differences	\$ 1,898,000	\$ 1,702,000
Tax losses	4,512,000	3,870,000
	<u>\$ 6,410,000</u>	<u>\$ 5,572,000</u>

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:

Year	Amount
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	1,542,000
2035	1,919,000
2036	2,397,000
Total non-capital losses	<u>\$ 17,025,000</u>
Total research and development expenditures, no expiry	<u>\$ 6,512,000</u>

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	2016	2015
Ontario innovation tax credit	\$ 73,244	\$ 59,350
Ontario business research institutes tax credit	12,050	-
Quebec tax credit for R&D salaries and wages	28,101	70,316
	\$ 113,395	\$ 129,666

The Company received ITCs of \$116,408 related to fiscal 2015 during the current year (2015 – \$119,031 related to fiscal 2014).

14. Interest and financing income (expense), net:

Year ended April 30	2016	2015
Interest income	\$ 15,780	\$ 12,768
Finance costs:		
Interest expense	(2,764)	(62,609)
Bank charges	(1,423)	(1,613)
Private placement issuance costs allocated to warrant liability	-	(167,634)
	(4,187)	(231,856)
	\$ 11,593	\$ (219,088)

15. Loss per share:

Both the basic and diluted loss per share were computed using the loss attributable to the common shareholders. The issuance of contingent shares, and the 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	2016	2015
Loss	\$ (4,924,427)	\$ (3,813,186)
Weighted average number of common shares	127,103,152	108,691,326
Loss per share - basic and diluted	\$ (0.04)	\$ (0.04)

16. Functional expense breakdown:

The major expenses by functional area for the years ended April 30, 2016 and 2015 are summarized for the respective years below.

April 30, 2016	Research and product development	Sales and marketing	General and administration	Total
Salaries, meeting fees, and short-term benefits	\$ 562,353	\$ 15,915	\$ 480,432	\$ 1,058,700
Professional fees	36,192	354,054	547,212	937,458
Share-based compensation	60,463	12,133	356,288	428,884
Clinical trial expenses	397,313	-	-	397,313
Marketing and travel expenses	39,927	146,815	132,163	318,905
Office and other expenses	40,043	1,865	186,318	228,226
Amortization	-	-	216,243	216,243
In vitro/In vivo testing	175,320	-	-	175,320
Synthesis and miscellaneous R&D expenses	158,406	-	-	158,406
Corporate Governance	-	-	81,387	81,387
Drug Development Consulting	33,368	-	-	33,368
	\$ 1,503,385	\$ 530,782	\$ 2,000,043	\$ 4,034,210

April 30, 2015	Research and product development	Sales and marketing	General and administration	Total
Professional fees	\$ 47,452	\$ 135,250	\$ 757,198	\$ 939,900
Salaries, meeting fees, and short-term benefits	420,876	9,136	393,338	823,350
Amortization	-	-	536,460	536,460
Synthesis and miscellaneous R&D expenses	324,777	-	-	324,777
Share-based compensation	22,935	-	282,560	305,495
Marketing and travel expenses	22,004	140,365	113,124	275,493
Drug Development Consulting	274,288	-	-	274,288
In vitro/In vivo testing	204,283	-	-	204,283
Office and other expenses	38,893	1,178	143,559	183,630
Corporate Governance	-	-	115,815	115,815
	\$ 1,355,508	\$ 285,929	\$ 2,342,054	\$ 3,983,491

17. 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") for \$400,000 and an equity placement of 769,230 units consisting of one common share and one warrant for approximately \$100,000. The Debenture bore interest at a rate of 10%, with interest only payable on a monthly basis. The Debenture had a term of one year from the date of issuance and was repaid on February 5, 2015 at maturity.

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. At the date of expiry, 100,000 of these warrants were exercised (note 10 (c) i) and the balance expired (note 10 (h) i).

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 interest discount and the financing costs allocated as a reduction in the Debenture were accreted on a monthly basis to the date of maturity.

	Face Value at Issuance	Carrying Values	
		April 30, 2016	April 30, 2015
Balance, beginning of period	\$ 400,000	\$ -	\$ 346,666
Accretion		-	53,334
Principal repayments	(400,000)	-	(400,000)
Balance, end of period	\$ -	\$ -	\$ -

18. 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

(i) Fair values:

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

The warrant liability is recorded at fair value at each reporting period. Its fair value is estimated using a currency translated option valuation model incorporating estimated life, currency, and

price volatility, and the risk free interest rate (notes 9 and 10(a) i). Investments are reported at fair value at each reporting period.

(ii) Fair value hierarchy:

Financial instruments recorded at fair value on the Statements of Financial Position are classified using a fair value hierarchy that reflects the significance of inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – valuations based on quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices);

Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Investments are classified as Level 1 and the warrant liability as Level 2 in the fair value hierarchy. The Company does not hold any Level 3 financial instruments. There were no transfers between the hierarchy levels during the year.

(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 has limited exposure to credit risk on its cash balances as all cash was maintained in liquid investments with major Canadian financial institutions or Canadian provincial government bonds 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 the financial assets during the year.

(d) Liquidity risk:

Liquidity risk is the risk of the Company having difficulty in meeting the obligations associated with its financial liabilities in delivering cash or another financial asset. The Company monitors and manages its actual cash and projected cash flows with the primary objective of maintaining liquidity and its ability to meet its financial obligations.

The contractual maturities of the Company's financial liabilities, being accounts payable and accrued liabilities, on an undiscounted cash flow basis, mature within one year. The Company has determined it has, or will have, sufficient working capital to manage its maturing financial liabilities as they come due based on its current cash, cash equivalents, investments, and its ability to raise funds through private

placements and warrant exercises as demonstrated in prior years and subsequent to the reporting date (note 3 and note 23 (a)). The Company has excluded the warrant liability from the liquidity risk analysis as the obligation is non-cash and will be settled in shares.

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

The Company's exposure to foreign currency risk expressed in CAD at the year-end is set out below. Excluding the currency impact of the warrant liability, which is a liability not settled in cash, a 5% strengthening of the CAD against the USD at April 30, 2016 would have increased the Company's loss by approximately \$57,000 (2015 – \$20,000). 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.

As at April 30, 2016				
	CAD	USD	Other	Total
Cash and cash equivalents	\$ 1,498,467	\$ 643,372	\$ 139	\$ 2,141,978
Investments	1,918,174	669,772	-	2,587,946
Other receivables	2,122	-	-	2,122
Accounts payable and accrued liabilities	(592,868)	(180,731)	(20,655)	(794,254)
Warrant liability	-	(2,123,018)	-	(2,123,018)
	\$ 2,825,895	\$ (990,605)	\$ (20,516)	\$ 1,814,774

As at April 30, 2015				
	CAD	USD	Other	Total
Cash and cash equivalents	\$ 1,116,007	\$ 483,076	\$ 137	\$ 1,599,220
Short-term investments	266,464	-	-	266,464
Other receivables	6,535	-	-	6,535
Accounts payable and accrued liabilities	(644,561)	(87,941)	(24,350)	(756,852)
Warrant liability	-	(1,170,070)	-	(1,170,070)
	\$ 744,445	\$ (774,935)	\$ (24,213)	\$ (54,703)

(ii) Interest rate risk:

Interest rate risk arises from fluctuations in the interest rates applied to financial assets and liabilities. The financial asset exposure to interest rate risk is concentrated in the cash equivalents and investments as the interest rates obtained will fluctuate with market pricing. The Company regularly monitors the rates available with the selection of investments restricted to those with high credit ratings in accordance with the Company's investment policy.

The Company has limited financial liability exposure to interest rate risk as its exposure is limited to changes in interest rates on overdue accounts payable only. There has been little change 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.

19. Supplementary cash flow information:

As at April 30	2016	2015
Change in non-cash working capital:		
Other receivables	\$ 14,256	\$ (37,410)
Prepaid expenses and deposits	(456,176)	(10,953)
Accounts payable and accrued liabilities	293,771	(148,300)
	\$ (148,149)	\$ (196,663)

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	2016	2015
Warrants amended to extend the time to expiry (note 10 (g))	\$ -	\$ 1,477,853
Warrants issued in payment of consulting fees (note 10 (f))	-	257,870
Warrants issued as compensation in private placements (note 10 (a) iii)	16,932	121,018
Shares issued in settlement of molecule purchase contingency (note 8)	250,340	-
	\$ 267,272	\$ 1,856,741

20. Commitments:

The Company had commitments at the year-end to pay for the completion of work primarily under research and development contracts related to the Company's Phase 1 clinical trial for COTI-2 in gynecologic cancers. Payment timing of clinical trial costs is subject to the actual timing of trial activities such as the enrollment of patients, completion of patient testing, and administration of drug, as well as the negotiated payment terms with the trial site. The Company currently expects the clinical trial to conclude at the end of December 2017. Summary details of the estimated timing of these commitments are set out below.

Years ending April 30				
	2017	2018	2019	Total
COTI-2:				
Clinical trial costs	\$ 824,502	\$ 552,182	\$ -	\$ 1,376,684
Other preclinical	72,136	39,526	4,407	116,069
	896,638	591,708	4,407	1,492,753
Other molecules	88,660	-	-	88,660
Other non-R&D consulting contracts	102,711	-	-	102,711
Total	\$ 1,088,009	\$ 591,708	\$ 4,407	\$ 1,684,124

21. Related party transactions:

(a) Transactions with key personnel – compensation:

Key personnel includes the Company's C-level executives ("Executives") and its directors. In addition to their salaries, the Company also provides non-cash benefits to the Executives. The Executives and the directors also participate in the Company's SOP (note 11). For both 2016 and 2015, Executives' compensation was recognized in salaries and meeting fees by functional area as applicable to each Executive with the exception of share-based compensation, which is recorded in General and administration expense. Directors' compensation for their services on the Board is recognized in salaries and meeting fees in General and administration expense (note 16) and any additional compensation paid on a per diem basis for consulting services is allocated to the functional area where such services were rendered.

Compensation provided to key personnel is summarized as follows:

For the year ended April 30, 2016	Executives	Directors	Total
Salaries and meeting fees	\$ 339,966	\$ 122,182	\$ 462,148
Short-term benefits	17,774	7,715	25,489
Share-based compensation	10,153	302,125	312,278
Total compensation	\$ 367,893	\$ 432,022	\$ 799,915

For the year ended April 30, 2015	Executives	Directors	Total
Salaries and meeting fees	\$ 329,880	\$ 59,172	\$ 389,052
Short-term benefits	17,766	4,296	22,062
Share-based compensation	46,891	224,826	271,717
Total compensation	\$ 394,537	\$ 288,294	\$ 682,831

At April 30, 2016, there were directors' fees payable of \$5,104 (2015 – \$1,422) and accrued salaries, benefits, and outstanding vacation pay owing to Executives of \$113,829 (2015 – \$85,777).

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

(i) During the year ended April 30, 2016

1. The directors were awarded 1,703,811 stock options for their services on the Board (note 11).
2. Warrants held by certain key personnel to acquire 85,800 common shares arising from various private placements were exercised for gross proceeds of \$24,308 (note 10 (c) ii).
3. Share options held by certain directors to acquire 662,016 common shares were exercised for gross proceeds of \$108,733 (note 10 (e) ii).
4. The Company engaged a human resource-consulting firm under a contract measured at the transaction amount, being the amount of consideration established and agreed to by the related parties. The President of the consulting firm is related to a director of the Company. Fees and expenses paid or accrued for services rendered in the year were \$36,650.
5. The Company issued shares in settlement of the molecule purchase contingency (note 8 and 10 (b)) to two directors of the Company who were former shareholders in the company from which the molecules were acquired.
6. A director subscribed for 60,000 units or 2.8% of the July 31, 2015 private placement financing (note 10 (a) iii) on the same terms and conditions as all other investors.

(ii) During the year ended April 30, 2015

1. 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 (g)).
2. Key personnel participated, directly and beneficially, in a private placement that closed on November 25, 2014 (note 10 (a) i). The aggregate investment was approximately \$97,395 CAD to acquire 373,610 units priced at USD \$0.23 per unit and representing approximately 3.7% of the total gross proceeds.
3. The directors were awarded 1,191,099 stock options for their services on the Board (note 11).
4. Fees and expenses for services rendered under a contract for human resource consulting were paid or accrued for \$8,097 (note 21 (b) (i) 4).

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 a return on their investment.

The Company sets the amount of its capital targets in proportion to its spending plans and consequently its need for operating funds. 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 restricts 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 exercises:

Subsequent to April 30, 2016, the Company obtained financing from the exercise of common share purchase warrants and compensation warrants as set out below.

Warrant description	Expiry date	Number of warrants exercised	Gross proceeds
\$0.22 compensation	Jun 2, 2016	194,110	\$ 42,704
\$0.26 compensation	Nov 25, 2019	64,450	21,725
\$0.28 common share	Jun 2, 2016	5,331,266	1,492,754
0.315 compensation	Jul 30, 2017	12,000	3,780
\$0.34 USD common share	Oct 17 - Nov 6, 2019	107,000	46,579
		5,708,826	\$ 1,607,542

(b) Second clinical trial site:

On June 6, 2016, the Company announced the signing of a clinical trial agreement (“CTA”) with the Lurie Cancer Center at Northwestern University (“NWU”) in Chicago, IL, and opened a second clinical trial site for its Phase 1 trial of COTI-2 in gynecological cancers. This second site will broaden the base of patients who can potentially qualify for the study with the goal of expediting the enrollment of patients into the trial and thus allowing the overall trial to move forward on a faster timeline. The addition of the second site will increase the overall Phase 1 trial cost resulting from the increased administration and monitoring costs associated with multiple sites, and a higher per patient cost budgeted at NWU compared to the primary site at the MD Anderson Cancer Center at the University of Texas. The Company paid a site initiation fee of USD \$31,016 upon signing the CTA with future quarterly payments based upon the value of work performed regarding patients in each quarter. The cost related to patients participating in the trial at the NWU site will result in a decrease in the patient costs originally budgeted for the MD Anderson site.

(c) Executive reorganization and stock option award:

On June 15, 2016, the Company announced a reorganization of the responsibilities of its executive leadership and added support for the significant growth opportunities of the Company with the appointment of a new President effective July 5, 2016. The appointment split the roles of the President and Chief Executive Officer (“CEO”). The new President assumed responsibility for the day-to-day operational activities of the Company including its clinical trial development programs. The former President and CEO retained responsibilities as the CEO and the Chief Scientific Officer of the Company.

As a result of the reorganization and pursuant to their employment agreements, 3,000,000 stock options were awarded to the executive leadership team on July 5, 2016. The options have a five-year life and are exercisable at a price of \$0.70 representing the closing price of the Company’s common shares on the TSX Venture Exchange on July 4, 2016, the day prior to the award in accordance with the Company’s Stock Option Plan. Half of the options are subject to time-based vesting and the other half are subject to milestone-based vesting.

(d) Stock option award:

On June 17, 2016, the Company awarded 50,000 stock options to a consultant under a services contract with an initial term of six months. The options have a five-year life and are exercisable at a price of \$0.72. The options vest in six equal tranches at the end of each month over the initial six month term.