Critical Outcome Technologies Inc.

Unaudited Condensed Interim Financial Statements
Fiscal 2017 - First Quarter

For the three months ended July 31, 2016 and 2015

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Notice of No Audit or Review of Condensed Interim Financial Statements

The accompanying Interim Statements of Financial Position as at July 31, 2016, and April 30, 2016, of Critical Outcome Technologies Inc., and the Interim Statements of Comprehensive Loss, the Interim Statements of Changes in Equity, and the Interim Statements of Cash Flows for the three month periods ended July 31, 2016 and 2015, have been prepared by, and are the responsibility of the Company's management and have been reviewed and approved by the Audit Committee as authorized by the Board of Directors.

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

Critical Outcome Technologies Inc.

Interim Statements of Financial Position

(All amounts in Canadian dollars)
(Unaudited)

As at	July 31, 2016	April 30, 2016
Assets		
Current assets:		
Cash and cash equivalents	$ 2,536,166	$ 2,141,978
Investments (note 6)	2,834,872	2,587,946
Investment tax credits and other receivables	209,234	154,684
Prepaid expenses and deposits	519,239	546,802
	6,099,511	5,431,410
Non-current assets:		
Equipment (note 7)	55,162	54,635
Intangible assets (note 8)	1,347,335	1,377,215
	1,402,497	1,431,850
Total assets	$ 7,502,008	$ 6,863,260
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 1,008,379	$ 829,366
Warrant liability (note 9)	3,142,702	2,123,018
	4,151,081	2,952,384
Shareholders' equity	3,350,927	3,910,876
Total liabilities and shareholders' equity	$ 7,502,008	$ 6,863,260

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

See accompanying notes to interim financial statements

Critical Outcome Technologies Inc.

Interim Statements of Comprehensive Loss

(All amounts in Canadian dollars)
(Unaudited)

For the three months ended	July 31, 2016	July 31, 2015
Expenses (income):		
Research and product development	$ 614,205	$ 298,722
Sales and marketing	103,602	157,068
General and administration	653,697	455,054
Investment tax credits	(40,558)	(7,979)
	1,330,946	902,866
Loss before finance income (expense)	(1,330,946)	(902,865)
Finance income (expense):		
Interest and financing, net	12,133	2,101
Change in fair value of warrant liability (note 9)	(1,052,470)	(108,576)
Foreign exchange gain	56,220	24,220
	(984,117)	(82,255)
Loss and comprehensive loss	$ (2,315,063)	$ (985,120)
Loss per share:		
Weighted average shares outstanding	146,907,788	120,374,350
Basic and diluted loss per common share	$ (0.02)	$ (0.01)

See accompanying notes to interim financial statements

Critical Outcome Technologies Inc.

Interim Statements of Changes in Shareholders' Equity

(All amounts in Canadian dollars)
(Unaudited)

For the three months ended July 31, 2016

	Common Shares	Warrants	Total Share Capital	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance, April 30, 2016	$ 29,152,856	$ 1,437,727	$ 30,590,583	$ 4,008,051	$ (30,687,758)	$ 3,910,876
Share-based compensation (note 11)	-	-	-	116,171	-	116,171
Warrant exercises (note 10 (a) and (b))	1,912,525	(273,582)	1,638,943	-	-	1,638,943
Loss and comprehensive loss	-	-	-	-	(2,315,063)	(2,315,063)
Balance, July 31, 2016	$ 31,065,381	$ 1,164,145	$ 32,229,526	$ 4,124,222	$ (33,002,821)	$ 3,350,927

For the three months ended July 31, 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	1,025,868	174,804	1,200,672	-	-	1,200,672
Shares issued on contingency settlement	250,340	-	250,340	-	-	250,340
Share-based compensation	-	-	-	77,834	-	77,834
Warrant exercises	939,327	(260,632)	678,695	-	-	678,695
Warrant expiries	-	(1,177,794)	(1,177,794)	1,177,794	-	-
Loss and comprehensive loss	-	-	-	-	(985,120)	(985,120)
Balance, July 31, 2015	$ 23,081,860	$ 4,610,131	$ 27,691,991	$ 1,815,903	$ (26,748,451)	$ 2,759,443

See accompanying notes to interim financial statements

Critical Outcome Technologies Inc.

Interim Statements of Cash Flows

(All amounts in Canadian dollars)
(Unaudited)

For the three months ended	July 31, 2016	July 31, 2015
Cash provided by (used in):		
Operating activities:		
Loss	$ (2,315,063)	$ (985,120)
Items not involving cash:		
Amortization - equipment	6,983	4,123
Amortization - intangible assets	49,489	77,868
Loss on disposal of patents	13,250	-
Share-based compensation	116,171	77,834
Change in fair value of warrant liability	1,052,470	-
Investment tax credits	(40,558)	(7,979)
Interest and financing expense, net	(12,133)	(2,101)
Unrealized (gain) loss on market value of investments	(38,200)	-
Foreign exchange (gain)	(56,220)	(24,220)
	(1,223,811)	(859,595)
Change in non-cash operating working capital	193,863	(40,624)
Foreign exchange gain (loss) realized	29,846	(18,375)
Interest received	11,320	2,489
Net cash (used in) operating activities	(988,782)	(916,105)
Investing activities:		
Purchase of investments	(208,726)	-
Purchase of equipment	(7,510)	-
Expenditures on intangible assets	(32,859)	(16,844)
Net cash (used in) investing activities	(249,095)	(16,844)
Financing activities:		
Proceeds from issuance of common shares and warrants	1,607,543	1,965,617
Costs of issuing common shares and warrants	(1,387)	(86,413)
Interest paid	(465)	(1,244)
Net cash provided by financing activities	1,605,691	1,877,960
Increase in cash and cash equivalents	367,814	945,011
Effect of exchange rate fluctuations on cash and cash equivalents	26,374	5,845
Cash and cash equivalents, beginning of the period	2,141,978	1,599,220
Cash and cash equivalents, end of the period	$ 2,536,166	$ 2,550,076
Represented by:		
Cash	$ 244,229	$ 1,267,308
Cash equivalents	2,291,937	1,282,768
	$ 2,536,166	$ 2,550,076

See accompanying notes to interim financial statements

1. Corporate Information:

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

2. Description of business:

COTI is a clinical stage biotechnology company that uses machine learning to rapidly develop targeted therapies thereby dramatically reducing the timeline and cost of getting new drugs 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 specific cellular target of interest for the disease.

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 three months ended July 31, 2016 and 2015 are indicative of concern. These results include a loss of $2,315,063 (July 31, 2015 – $985,120) and negative cash flow from operations of $988,782 (July 31, 2015 – $916,105). As at July 31, 2016, the Company had a deficit of $33,002,821 (April 30, 2016 – $30,687,758), shareholders' equity of $3,350,927 (April 30, 2016 – $3,910,876), and working capital of $1,948,430 (April 30, 2016 – $2,479,026).

The Company is dependent upon key personnel, the successful completion of the Company's clinical trials for COTI-2, and the need to raise additional funds to support continuing operations to meet its 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 quarter-end, the Company realized approximately $114,000 in financing through the exercise of share options (note 16). 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 interim financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and specifically International Accounting Standard (“IAS”) 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”).

The accounting policies in these fiscal 2017 interim financial statements are consistent with the policies the Company adopted in its Annual Financial Statements as at, and for the year ending, April 30, 2016. These accounting policies were disclosed in detail in note 5 of the Company’s April 30, 2016 Annual Financial Statements. COTI has also prepared these interim financial statements on an individual entity basis, as it has no subsidiaries. Management has determined that the Company operates in one reportable segment based on the business activities reflected in its revenues and expenses since inception.

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

These interim financial statements were authorized for issuance by the Audit Committee on September 28, 2016.

(b) Basis of measurement:

The interim 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:

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

(i) Share-based compensation – The fair value of share-based compensation is determined using a Black-Scholes option-pricing model, which incorporates management’s estimates of the risk free interest rate, the expected dividend yield, the estimated common share price volatility, the estimated option life, and the forfeiture rate as applicable to each award. The Company’s historical practice has been to award options where vesting is based on service conditions, however, during the quarter, the Company awarded share options where vesting occurs on the achievement of performance conditions. The timing of completion of these performance conditions, which are linked to the achievement of milestones in the Company’s clinical trial program for its lead oncology compound COTI-2, is uncertain. Accordingly, management was required to make an estimate of the dates for completion of such milestones. This estimate will be reviewed at each reporting date for any change in these estimated vesting dates and to the extent, there is a change in the vesting date estimates, the amortization rate and timeline for the unamortized balance of the share-based compensation will be adjusted on a prospective basis.

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

5. Significant accounting policies:

The significant accounting policies, set out in detail in note 5 of the Annual Financial Statements for the year ended April 30, 2016, have been consistently applied to all periods presented in these interim financial statements.

Adoption of new accounting pronouncements:

> 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 were effective for annual periods beginning on or after January 1, 2016, and accordingly the Company adopted these amendments in its interim financial statements for the annual period beginning on May 1, 2016. These amendments did not require any significant change to current practice and did not have a material impact on these interim financial statements, but facilitate improved financial statement disclosures going forward.

6. Investments:

The Company invests cash not required for immediate working capital purposes in investments that are rated "A high" or greater by Standard and Poor's and the Dominion Bond Rating Service. At July 31, 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 July 31, 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%	$ 1,615,000	$ 9,315	$ 1,624,315
	2018	1.40%	500,000	457	500,457
Canadian provincial government USD stripped bonds:					
Province of British Columbia	2018	1.04%	125,581	6,051	131,632
Province of British Columbia	2019	1.44%	125,623	6,531	132,154
Province of Manitoba	2020	1.82%	423,126	23,188	446,314
Total			$ 2,789,330	$ 45,542	$ 2,834,872

7. Equipment:

Summary details of the Company's equipment at July 31, 2016, appear in the following table.

As at July 31, 2016	Computer Hardware	Furniture and Fixtures	Total
Cost, April 30, 2016	$ 64,755	$ 122,248	$ 187,003
Purchases	7,510	-	7,510
Cost, July 31, 2016	72,265	122,248	194,513
Accumulated amortization, April 30, 2016	(27,232)	(105,136)	(132,368)
Amortization	(4,819)	(2,164)	(6,983)
Accumulated amortization, July 31, 2016	(32,051)	(107,300)	(139,351)
Net carrying value, July 31, 2016	$ 40,214	$ 14,948	$ 55,162

8. Intangible assets:

Summary details of the Company's intangible assets at July 31, 2016, appear in the following table.

	Molecules	Granted Patents	Pending Patents	Computer Software	Total
Cost, April 30, 2016	$ 3,526,287	$ 551,350	$ 377,628	$ 256,928	$ 4,712,193
Additions	-	3,553	29,306	-	32,859
Patent abandonment	-	(30,166)	-	-	(30,166)
Expired software licenses	-	-	-	(78,334)	(78,334)
Cost, July 31, 2016	3,526,287	524,737	406,934	178,594	4,636,552
Accumulated amortization, April 30, 2016	(3,100,331)	(143,020)	-	(91,627)	(3,334,978)
Amortization	(7,751)	(8,384)	-	(33,354)	(49,489)
Amortization reversal - patent abandonment	-	16,916	-	-	16,916
Expired software licenses	-	-	-	78,334	78,334
Accumulated amortization, July 31, 2016	(3,108,082)	(134,488)	-	(46,647)	(3,289,217)
Net carrying value, July 31, 2016	$ 418,205	$ 390,249	$ 406,934	$ 131,947	$ 1,347,335

9. Warrant liability:

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

Details related to the warrant liability are summarized below.

	July 31, 2016	April 30, 2016
Opening balance, outstanding warrants	10,117,021	10,177,760
Warrants exercised	(107,000)	(60,739)
Closing balance, outstanding warrants	10,010,021	10,117,021
Expiry dates	Oct 16 - Nov 24/19	Oct 16 - Nov 24/19
Weighted average exercise price in CAD	$ 0.4439	$ 0.4102
Opening balance	$ 2,123,018	$ 1,170,070
Fair value of warrant exercises transferred to share capital	(32,786)	(12,921)
Fair value adjustment at report date	1,052,470	965,869
Closing balance	$ 3,142,702	$ 2,123,018

10. Share capital:

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

		July 31, 2016		April 30, 2016	
	Expiry Date Ranges	Issued	Amount	Issued	Amount
Share capital:					
Authorized:					
Unlimited common shares					
Unlimited preference shares					
Issued and fully paid:					
Common shares, without par value		148,346,123	$ 31,065,381	142,638,297	$ 29,152,856
Common share purchase warrants:					
$0.28 warrants	Apr 29 - Jun 2/16	-	-	5,331,266	243,010
$0.22 compensation warrants	Apr 29 - Jun 2/16	-	-	194,110	18,828
$0.42 warrants	Jun 28 - Jul 31/17	2,144,267	156,283	2,144,267	156,283
$0.315 compensation warrants	Jun 28 - Jul 31/17	96,120	10,324	108,120	11,542
$0.38 warrants	Mar 29/18	2,420,551	225,424	2,420,551	225,425
$0.26 warrants	Feb 4/19	769,230	33,492	769,230	33,492
$0.19 USD compensation warrants	Apr 11 - Jun 6/19	3,000,000	472,222	3,000,000	472,222
$0.26 USD compensation warrants	Oct 17 - Nov 25/19	460,739	66,050	525,189	76,575
$0.38 warrants	Dec 18/19 - Feb 16/20	3,099,374	186,814	3,099,374	186,814
$0.29 compensation warrants	Dec 18/19 - Feb 16/20	162,811	13,536	162,811	13,536
		12,153,092	1,164,145	17,754,918	1,437,727
			$ 32,229,526		$ 30,590,583

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

	Shares	Amount
Balance April 30, 2016	142,637,297	$ 29,152,856
Shares issued - warrant exercise (note 10 a)	5,601,826	1,833,291
Shares issued - USD warrant exercise (note 10 b)	107,000	79,234
	5,708,826	1,912,525
Balance July 31, 2016	148,346,123	31,065,381

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

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

Details concerning the share capital transactions during the quarter are summarized below.

(a) Warrant exercises:

Warrant holders exercised an aggregate of 5,601,826 common share purchase warrants and compensation warrants. The gross proceeds of these exercises, plus the net 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.

Warrant description	Number of warrants exercised	Gross proceeds	Net warrant transfer value	Share issuance costs	Share capital
$0.22 compensation	194,110	$ 42,704	$ 18,829	$ (110)	$ 61,423
$0.26 USD compensation	64,450	21,725	10,525	(155)	32,095
$0.28 common share	5,331,266	1,492,754	243,011	(916)	1,734,849
$0.315 compensation	12,000	3,780	1,217	(73)	4,924
	5,601,826	$ 1,560,963	$ 273,582	$ (1,254)	$ 1,833,291

(b) USD Warrant exercises:

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

11. Share-based compensation:

For the three months ended July 31, 2016, the Company recorded share-based compensation expense of $116,171 (July 31, 2015 – $77,834) consisting of share options granted to employees, directors, and consultants. At July 31, 2016, 4,516,292 options were available for grant (July 31, 2015 – 6,895,358) under the share option plan. There were no option exercises during the quarter (July 31, 2015 – nil).

Details concerning the 3,050,000 share options issued by the Company during the quarter (July 31, 2015 – 219,350) and the assumptions used in the Black-Scholes valuation model related to these options are summarized below.

	Consultant	Employees
Option terms:		
Number granted	50,000	3,000,000
Exercise price	$ 0.72	$ 0.70
Life of option in years	5.00	5.00
Vesting from grant date	Monthly over 6 months	1,500,000 over two years; and 500,000 on achievement of each of 3 milestones
Black-Scholes assumptions:		
Risk free interest rate	0.738%	0.763%
Expected dividend yield	-	-
Estimated share price volatility	74.46%	78.85%
Estimated life in years	1.87	3.11
Estimated share option value	$ 13,670	$ 975,410

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.

Options granted with a vesting performance condition 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 where service based vesting applies, using an estimate of the date at which vesting will occur for each performance milestone. These estimates are reviewed each reporting period for any change in the estimated vesting dates. To the extent there is a change in the vesting date estimates, the amortization rate and timeline for the unamortized balance of the share-based compensation is adjusted on a prospective basis accordingly.

12. Financial instruments and risk management:

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

(a) Financial assets and liabilities:

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

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

(b) Liquidity risk:

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 and option exercises as demonstrated in prior years and subsequent to the reporting date (note 3 and note 16). The Company excludes the warrant liability from its liquidity risk analysis, as the obligation is non-cash and will be settled through the issuance of shares.

(c) 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 quarter, 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 quarter-end is set out below. Excluding the currency impact of the warrant liability, which is a liability not settled in cash, a 5% strengthening of the CAD against the USD at July 31, 2016 would have increased the Company's loss by approximately $56,000. A 5% weakening of the CAD against the USD would have an equal but opposite effect assuming all other variables remain constant.

As at July 31, 2016	CAD	USD	Other	Total
Cash and cash equivalents	$ 1,861,762	$ 674,262	$ 142	$ 2,536,166
Investments	2,128,156	706,716	-	2,834,872
Other receivables	3,411	-	-	3,411
Accounts payable and accrued liabilities	(669,154)	(270,152)	(33,200)	(972,506)
Warrant liability	-	(3,142,702)	-	(3,142,702)
	$ 3,324,175	$ (2,031,876)	$ (33,058)	$ 1,259,242

13. Supplementary cash flow information:

As at July 31	2016	2015
Change in non-cash working capital:		
Other receivables	$ (12,713)	$ (9,161)
Prepaid expenses and deposits	27,563	(179,697)
Accounts payable and accrued liabilities	179,013	148,234
	$ 193,863	$ (40,624)

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

14. Commitments:

The Company had commitments at the quarter-end to pay for the completion of work primarily related to research and development contracts for the Company's Phase 1 clinical trial of 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 in 2018. A summary of the estimated timing of these commitments is set out below.

		Fiscal Years ending April 30			
		2017	2018	2019	Total
COTI-2:					
	Clinical trial costs	$ 826,026	$ 1,103,620	$ 181,310	$ 2,110,956
	Other preclinical	141,523	91,782	4,831	238,136
		967,549	1,195,402	186,141	2,349,092
Other molecules		76,278	-	-	76,278
Other non-R&D consulting contracts		97,446	-	-	97,446
Total		$ 1,141,273	$ 1,195,402	$ 186,141	$ 2,522,816

15. Related party transactions:

The Company's key personnel include the Company's C-level executives ("Executives") and its directors. At July 31, 2016, there were directors' fees payable of $5,444 (July 31, 2015 – $1,580) and accrued salaries, benefits, and outstanding vacation pay owing to Executives of $241,610 (July 31, 2015 – $82,743).

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

(a) an award of 1,500,000 share options to each of two Executives under their employment contracts (note 11); and,

(b) the continued engagement of a human resource-consulting firm that reports to the President of the Company under a contract with agreed upon per diem payment terms. The President of the consulting firm is related to a director of the Company. Fees and expenses paid or accrued for services rendered in the quarter were $18,125 (July 31, 2015 – $5,306).

16. Subsequent event:

Option exercises:

Subsequent to July 31, 2016, the Company obtained financing from the exercise of share options held by directors and employees as summarized in the table below.

Option exercise price	Number of options exercised	Gross proceeds
$0.25	32,109	$ 8,027
$0.30	353,659	106,098
	385,768	$ 114,125