Management Discussion and Analysis of the Financial Condition and Results of Operations

For the fiscal year ended April 30, 2015

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Overview

The following management discussion and analysis ("MD&A") is a review of the financial condition and results of operations of Critical Outcome Technologies Inc. ("COTI" or the "Company" or the "Corporation") for the year ended April 30, 2015, and has been prepared with all information available up to August 28, 2015. This MD&A is intended to assist readers in understanding the dynamics of the Company's business and the key factors underlying its financial results for this period.

This analysis should be read in conjunction with the Company's Annual Financial Statements and notes thereto for the year ended April 30, 2015. These financial statements were prepared in accordance with International Financial Reporting Standards ("IFRS").

All dollar amounts in this MD&A are expressed in Canadian dollars ("CAD") unless otherwise noted.

Quarterly interim reports for fiscal 2015, the Annual Financial Statements and additional supplementary and historic information concerning the Company can be found on SEDAR at www.sedar.com.

Forward-looking Statements

This MD&A contains certain statements based upon forward-looking information (forward-looking statements or "FLS") concerning the Company's plans for its operations and other matters within the meaning of applicable Canadian provincial securities laws. FLS are necessarily based on estimates and assumptions that are inherently subject to significant business, economic and competitive uncertainties and contingencies. All statements that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future are FLS. FLS are subject to a variety of risks and uncertainties that may cause the actual events or results of the Company to differ materially from those discussed in the FLS, and even if such actual events or results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on, the Company.

Any statements that express or involve discussion with respect to predictions, expectations, beliefs, plans, projections, objectives, or assumptions of future events or performance (often, but not always, using words or phrases such as "expects" or "does not expect", "is expected", "anticipates" or "does not anticipate", "plans", "estimates" or "intends", or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved) are not statements of historical fact and may be FLS. The major FLS included in this MD&A are set out in Table 1.

The basis for the FLS is management's current expectations, estimates, projections, and assumptions. By their nature, they are not guarantees of future performance as they involve significant risks and uncertainties. The main assumptions used by management to develop the forward-looking information include the following:

- An ability to obtain sufficient financing to support working capital requirements and fund further research and development initiatives;

- An ability to further enhance and add features to the CHEMSAS® technology or incorporate advances in artificial intelligence technologies for internal and collaborative purposes;
- Receiving favourable test results from the COTI-2 Phase 1 clinical trial;
- Obtaining patent protection for the Company's compounds and other intellectual property; and,
- An ability to attract and retain skilled and experienced personnel and to establish preferred supplier relationships with reputable and reliable third party clinical research organizations.

Table 1: Forward-looking Statements

MD&A Section Heading	Nature of Forward-looking Information Disclosed
Our Business	• Plans to advance COTI-2 into a Phase 1 clinical trial in fiscal 2016 • Plans for future application of the CHEMSAS® technology on a collaboration basis • The Company's commercialization strategy for collaborations
Operational Progress and Outlook	• Need for funding and plans to obtain • Intent to move ahead with Phase 1 clinical trial with MD Anderson in fiscal 2016 • Seeking new indications for COTI-2 beyond gynecological cancers • Collaboration projects ongoing with Western University, Delmar Chemicals Inc. and a multinational pharmaceutical company leading to potential revenues • New applications of CHEMSAS® to be launched • New technologies under development
Liquidity and Cash Resources	• Plans to seek additional cash resources • Plans to raise capital in the U.S. • Plans for some cost sharing in the Phase 1 clinical trial • Expectations of additional investments in patents and computer software
Foreign Exchange Exposure	• Expectation of an increase in exposure to currency fluctuations resulting from clinical trial costs being undertaken with a U.S. based investigator institution
Industry and Economic Risk Factors Affecting Performance	• The expectation of continued losses until a revenue transaction is secured • Plans to negotiate future licensing agreements • Plans to raise additional financing through different venues and mechanisms available to the Company
Changes in Accounting Policies	• The adoption in fiscal 2016 of new accounting standards issued by the International Accounting Standards Board

Management of COTI considers the assumptions on which the FLS are based to be reasonable. However, management cautions the reader that because of the many risk factors as set out in the Company's AIF, including those specifically discussed later in the MD&A, which are of particular importance to the assumptions above, actual results could differ materially from those expressed or

implied in the FLS. These assumptions may prove to be incorrect, and as such, undue reliance should not be placed on any individual FLS.

The forward-looking information is provided as of the date of this MD&A and the Company does not undertake any obligation to publicly update or revise any forward-looking information, whether because of new information, future events, or otherwise, except as required by securities laws.

The Company

COTI is a London, Ontario based company resulting from the amalgamation on October 13, 2006 of Aviator Petroleum Corp. ("Aviator"), a public company listed on the TSX Venture Exchange ("TSXV"), and Critical Outcome Technologies Inc., a private company under the provisions of the *Business Corporations Act* (Ontario). The amalgamation constituted the qualifying transaction for Aviator pursuant to the policies of the TSXV. The amalgamated company adopted the name Critical Outcome Technologies Inc. and its common shares were listed and posted for trading on the TSXV under the symbol COT on October 30, 2006.

On November 27, 2007, the Company completed an acquisition of all the outstanding common shares in 3015402 Ontario Inc. operating as DDP Therapeutics ("DDP"), in which the Company had, up to the date of the acquisition, a 10% ownership interest. DDP was formed in early 2005 to develop a library of small cell lung cancer molecules discovered by the Company using its drug discovery technology.

On May 1, 2008, the Company amalgamated with this wholly owned subsidiary under the laws of the Province of Ontario.

On June 16, 2014, the Company obtained a listing in the United States on the OTCQB under the trading symbol COTQF.

Our 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 that are projected to have a high probability of being successfully developed from disease specific drug discovery through chemical optimization and preclinical testing. The CHEMSAS® platform technology is focused on small molecules, and as a drug candidate discovery engine can be applied to any disease target with a modest amount of information for the target of interest.

Using CHEMSAS®, the Company has created a pipeline of novel, proprietary, small molecules for specific therapy targets with high morbidity and mortality rates, which currently have either poor or no effective therapies. The Company is currently developing a few of these molecules through the preclinical testing stage as commercial validation of the CHEMSAS® platform. Its most advanced oncology asset, COTI-2,

has received its investigational new drug application grant from the United States Food and Drug Administration and will commence a Phase 1 clinical trial in gynecological cancers in fiscal 2016.

The Company also seeks to leverage CHEMSAS® to identify targeted lead candidates of commercial interest to pharmaceutical, biotechnology, research and academic organizations on a collaborative basis. The Company's commercialization strategy for collaborations involves an upfront fee and a shared risk/reward revenue model delivered through a series of milestone payments based on preclinical and clinical test results and a royalty on sales. This service offering provides prospective customers with an efficient and cost effective approach for generating targeted discovery stage compounds while enhancing value to COTI and its shareholders from the underlying CHEMSAS® technology.

Operational Progress and Outlook

Overview Q4-FYE'15

a) Operations

In Q4-FYE'15, the Company focused on the writing and formatting of its Investigational New Drug ("IND") application, and completing the additional analysis and test data required in this application for its lead oncology compound, COTI-2, which was filed shortly before the end of the quarter on April 24, 2015.

The filing of the IND is the important first step to provide the human data sought by potential licensing partners. With the grant of an IND from the U.S. Food and Drug Administration ("FDA"), the Company will be able to move ahead with the Phase 1 clinical trial with the University of Texas, MD Anderson Cancer Center ("MD Anderson") in Houston, TX. The typical time to grant of an IND is in the range of one to three months. Given the prior FDA review conducted of COTI-2's scientific data package in granting the Orphan Drug Designation, the Company believed approval would be received earlier rather than later in this range. Subsequent to the quarter end on May 22, 2015, the Company received notification from the FDA of the grant of the IND for COTI-2 to proceed with the clinical investigation and treatment use for advanced and recurrent gynecological malignancies.

Having obtained the IND status, the Company plans to commence a Phase 1 clinical trial in Q2-FYE'16 with investigators at MD Anderson following receipt of the necessary review board approvals and finalization of the clinical trial agreement ("CTA") with the institution.

During the quarter, the Company also continued its strategic efforts to broaden the number of oncology indications for which COTI-2 would be a valuable therapy. This included further discussions with other major research institutions in using COTI-2 for the treatment of patients with recurrent squamous cell head and neck cancer ("HNSCC"), acute myelogenous leukemia ("AML"), pancreatic cancer, lung cancer, and Li Fraumeni syndrome.

Scientific developments of importance for COTI-2 were announced throughout FYE 2015 and are summarized in Table 2 below.

Table 2: Key Scientific Announcements for COTI-2

	Press Release Date	Key Scientific Advancement Regarding COTI-2
1	Jun 17/14	Announced the receipt of an Orphan Drug Designation from the United States Food and Drug Administration for COTI-2 for the treatment of ovarian cancer.
2	Sep 8/14	Announced the signing of a letter of intent with MD Anderson for the Phase 1 clinical development of COTI-2 in gynecological cancers.
3	Sep 10/14	Announced the completion of additional and definitive testing confirming COTI-2's p53-dependent mechanism of action. The test data clearly demonstrated the selective and potent anti-cancer activity of oral COTI-2 on p53 mutations.
4	Oct 3/14	Announced the granting of the sixth U.S. patent and the first Japanese patent for COTI-2, extending and enhancing the methods of treatment of cancers using compounds in the COTI-2 family as well as pharmaceutical preparations and methods of manufacturing.
5	Oct 15/14	Announced the granting of the first Canadian patent for COTI-2 covering the COTI-2 family of compounds, pharmaceutical preparations, and methods of manufacturing.
6	Oct 21/14	Announced the signing of a material transfer agreement ("MTA") with Dr. Jeffery Meyers at MD Anderson for the evaluation of COTI-2 in the potential treatment of patients with HNSCC.
7	Oct 30/14	Announced that COTI-2 successfully completed the two-species repeated dose toxicity studies, the principal study supporting the safety profile of a new drug in preclinical testing and a requirement for an IND filing to the FDA and a Clinical Trial Application to Health Canada.
8	Jan 20/15	Announced the signing of a MTA with Dr. John Yoo at London Health Sciences Centre's London Regional Cancer Program and Western University for the evaluation of COTI-2 for the treatment of patients with recurrent HNSCC.
9	Apr 27/15	Announced the filing of an IND application with the FDA for COTI-2, a potential breakthrough therapy intended for the treatment of women with gynecological cancers with p53 mutations. The IND application is a complete description of the chemistry, non-clinical pharmacodynamics and pharmacokinetics, safety toxicology, manufacturing, and other relevant information related to COTI-2 as a potential treatment for patients with p53 mutations.

b) Financing

During the fourth quarter, the Company completed a number of financing activities in support of operations. These included:

- repayment of a $400,000 debenture on February 5, 2015; this debenture originated in February 2014 to permit the Company to proceed into the final two-species 28-day toxicity studies as quickly as possible in moving COTI-2 along toward an IND filing;

- completion of a private placement for gross proceeds of approximately $543,000 on February 17, 2015, that restored the working capital balance depleted by the repayment of the debenture;
- realization of additional gross proceeds from the exercise of warrants and share options during the quarter of approximately $185,000; and,
- engagement of two U.S. based consultants; one, to support institutional outreach and the second, to interact with potential high net-worth investors in anticipation of the need for further funding to support operations in fiscal 2016.

c) Expectations for fiscal 2016

The Company has a number of important objectives to drive the business to revenue planned for fiscal 2016. However, in order to realize its objectives, the Company will require additional funding. Funding plans for the year are highlighted in the Liquidity and Cash Resources section where some funding subsequent to the year-end has already been obtained.

Funding sources required to fund operations through fiscal 2016 may include:

- the exercise of options and warrants that could occur with an increase in the Company's share price above that at the year-end date;
- private or public financings with an emphasis on institutional investors and creating a U.S. base of investors;
- government funding;
- co-development project funding from interested partners; and,
- a licensing agreement for COTI-2 or one of the collaboration assets.

Key Operational Objectives Update

The Company set out key operational objectives for fiscal 2015 in its fiscal 2014 year-end MD&A. With the year now complete, a report on progress regarding each major objective is set out below.

1. COTI-2

a) To complete the 28-day two-species toxicity experiments by July 31, 2014.

Outcome: Completed

Highlights: The laboratory work including pathology was completed successfully by July 31, 2014 with the final report received in October 2014. The Company issued a press release on October 30, 2014, confirming the low toxicity of COTI-2 observed throughout its preclinical development studies. The impact of the positive study results for the Company's Phase 1 clinical trial protocol was as follows:

i. Achieving a No Observed Adverse Effect Level ("NOAEL") status, determined in both the rodent and non-rodent species using an oral dosing regimen that was well tolerated both at, and above levels that had been effective in xenograft experiments, allows for the selection of a starting oral dose in the Phase 1 clinical trial within the dosing parameters established from the toxicity studies;

ii. The range of safe and effective doses for COTI-2 was identified as being quite wide for a cancer drug and consistent with COTI-2 having a good safety profile as identified in other preclinical xenografts; and,

iii. The studies were conducted with a five day on, and two day off dosing schedule repeated for a total of 28 days in both species. Achieving an NOAEL for this dosing regimen provides a human treatment regime of Monday to Friday dosing with weekends off, which is generally well tolerated and easy to administer from a patient's perspective.

b) To prepare the IND submission package to the FDA by the end of September 2014 based upon achieving certain major activities in this process.

Outcome: Completed in April 2014.

i. IND application writing

Highlights: The September 2014 target date was not met due to delays from the Contract Research Organization ("CRO") activities in the completion of the manufacturing, testing, and data gathering for the final oral formulation to be used in the Phase 1 clinical trial. These issues were resolved by early in the fourth quarter and the writing progressed to a filing on April 24, 2015.

ii. Phase 1 clinical trial test protocol preparation

Highlights: The Company and the investigative team from MD Anderson worked on the test protocol starting in June 2014. The protocol was finalized in March 2015 once the final formulation and manufacturing details were finalized.

iii. Investigator's brochure preparation

Highlights: The Company and the investigative team from MD Anderson worked on the brochure starting in June 2014 and it was completed in March 2015 in conjunction with the test protocol.

iv. Pre-filing FDA meeting

Highlights: Based upon the FDA review of the COTI-2 data package in approving the Orphan Drug status for ovarian cancer, the Company was able to obtain a waiver from this Pre-filing meeting. Instead, the FDA provided a letter in October 2014 setting out a series of scientific data questions that the Company addressed with the FDA and included in the IND submission.

v. Electronic submission of IND

Highlights: Filed on April 24, 2015.

c) To obtain Orphan Drug Designation for COTI-2 in the treatment of ovarian cancer with a target for approval by July 31, 2014.

Outcome: Completed

Highlights: This target was met with the notice of approval for this designation received in June 2014 and announced on June 17, 2014. This designation provides potentially significant benefits for the compound and its future licensee and enhances the value of the compound for the Company.

d) To commence a Phase 1 clinical trial of COTI-2 by the end of its fiscal year of April 30, 2015 with the estimated cost for the trial being $3.5 million USD.

Outcome: In progress

Highlights: With the delay in the filing of the IND until April 2015, the Company did not achieve this targeted start date. The Company has a letter of intent ("LOI") to conduct a Phase 1 clinical trial with MD Anderson. The institutional reviews, finalization of the budget, and signing of the CTA are expected now that the IND has been granted. Based upon the LOI, the Company will not bear the full cost of the trial but will receive funding in kind from MD Anderson. The Company will be finalizing the budget in the summer of 2015 but at a cost to COTI expected to be less than the $3.5 million USD original projection.

e) To move COTI-2 licensing discussions forward to a licensing agreement based upon achieving milestones such as the toxicity test outcomes, IND approval, and Phase 1 clinical trial initiation.

Outcome: In progress

Update: The Company continues to share the test outcomes and developmental progress with interested parties. The test results from the two-species 28-day toxicity studies and other assay results on the chemistry and manufacturing were shared with interested parties under confidentiality agreements during the year. Licensing discussions will continue as the Phase 1 trial commences and human data on safety and efficacy become available which are of vital interest to licensing prospects.

2. R&D Collaborations

a) To move two of the collaborations (Delmar Chemicals Inc. and Western University) toward potential preclinical licensing events in the latter half of the fiscal year.

Outcome: In progress

Update: Progress on each collaboration is summarized below.

Western University – Western received approval on a grant application in Q2-FYE'15 to provide additional financing for completing proof of concept studies that are now ongoing. COTI and Western also moved ahead jointly with a patent application and COTI filed a provisional patent in August 2014. Western and the Company are continuing to discuss funding and co-development opportunities with a major international partner based upon their interest in the SOX-9 target and the outcome of the animal studies now underway.

Delmar Chemicals Inc. ("DCI") – The project is based upon inhibiting angiogenesis targets identified to be of potential interest in the Open Innovation Drug Discovery ("OIDD") program of Eli Lilly and Company. Two of the three compounds that passed the initial OIDD computational screens are on target to be transferred to the OIDD program in the fall of 2015. OIDD will then conduct its in-house assay-testing program that is expected to take 4-6 months. The third compound remains with DCI in synthesis.

b) To determine next steps with the Major Pharma collaboration announced in December 2012 and complete the second phase of the project to position it for a license event or engage new potential licensees for the program should the Major Pharma not wish to proceed.

Outcome: In progress

Update: There was limited progress on this objective with the Pharma partner as the Company continued to wait on further direction from the Pharma as to its test data and conclusions, and what further refinements and optimization might be required to move the final candidates into the second phase of the project. COTI formally terminated the agreement with written notice subsequent to the April 30, 2015 year-end and is pursuing a development project with the therapeutic compounds that were the subject of this project with another interested Pharma partner.

c) To launch at least one co-development initiative undertaken on a fee for service model for customer driven targets using CHEMSAS®.

Outcome: In progress

Update: The Company commenced preliminary work on compounds targeted at methicillin-resistant staphylococcus aureus ("MRSA") in response to the interest of a European-based Pharma. Synthesis of the compounds identified and optimized by CHEMSAS® commenced in July 2014 with a Swiss synthetic chemistry company specializing in the unique synthesis process necessary for compounds of the molecular structure identified. Progress has been made on the synthesis with expectations that the compounds will be made in fiscal 2016. At that time the compounds would be ready for confirmatory *in vitro* and *in vivo* studies.

3. AML Program

a) To conduct *in vivo* efficacy and maximum tolerated dose studies to enable the selection of the final compound for moving forward in further preclinical testing.

Outcome: On hold

Highlights: There was no progress on this initiative due to resource constraints and further development will remain on hold until resources are available.

b) To initiate qualification discussions with the list of prospective licensees with the objective of positioning for a license or co-development of the program as the preclinical scientific data package builds.

Outcome: On hold

Highlights: There was no progress on this initiative due to resource constraints as highlighted above since data from that testing is necessary to move forward on this initiative.

4. New revenue initiatives

a) To complete the business and marketing plan, and hire staff to launch the CHEMFirm product service.

Outcome: In progress

Update: A draft high-level business plan was completed and the Company continues to refine a detailed marketing and business implementation plan. The detailed plan is expected to be finalized in the fall of 2015.

b) To launch the CHEMFirm product service.

Outcome: on hold

Update: There was no progress at the year-end pending further business planning efforts noted in 4(a) above. Launching this service is targeted for the latter half of fiscal 2016.

5. New Technologies

Outcome: In progress

As noted in the annual MD&A for FYE 2014, the Company commenced development of a new technology based upon the substantial database of both proprietary and public knowledge gathered in its oncology drug discovery projects. The project, currently referred to as ROSALIND, is targeted to provide more precise oncology drug treatment recommendations to physicians and patients based on the genetic profile of each individual patient's specific cancer. A working model of ROSALIND has been developed. A PCT patent was filed for the technology in December 2012 with an office action underway that appears to indicate the patent should be received once the patent review process is completed. The Company continued to build the

strategic plan necessary to validate and develop this technology on a timely basis during the year. Some of the key strategic issues being addressed include:

- Completion of initial proof of concept validation with oncology practitioners in a limited number of patients;
- Identification and engagement of collaborative development partners;
- Development of a large scale validation study;
- Development of a business case to bring the technology to market; and,
- A funding plan

The Company plans to seek government support and research partners in moving the project through clinical and commercial validation which may involve spinning the technology out to a separate company in a strategic move to attract private capital, government support, and build value for existing COTI shareholders.

Financial Review of Full Year Operations

A summary of the Company's financial results for the fiscal years ended April 30, 2015 and 2014, setting out the comparative changes between the years appears in Table 3 below. This financial information should be read in conjunction with the Company's 2015 Annual Financial Statements, which can be found on SEDAR at www.sedar.com.

Table 3: Comparative Financial Results for the years ended April 30

	2015	2014	Change
Expenses (income):			
Research and product development	$1,355,508	$1,034,416	$ (321,092)
Sales and marketing	285,929	105,217	(180,712)
General and administration	2,342,054	1,958,185	(383,869)
Investment tax credits	(129,666)	(118,112)	11,554
	3,853,825	2,979,706	(874,119)
Loss before finance income (expense)	(3,853,825)	(2,979,706)	(874,119)
Finance income (expense):			
Interest and financing (expense), net	(219,088)	(14,601)	(204,487)
Change in fair value of warrant liability	235,120	-	235,120
Foreign exchange gain (loss)	24,607	(1,872)	26,479
	40,639	(16,473)	57,112
Loss and comprehensive loss	$ (3,813,186)	$(2,996,179)	$ (817,007)
Weighted average shares outstanding	108,691,326	89,195,621	
Loss per common share	$ 0.04	$ 0.03	

Revenue

There was no revenue generated in FYE 2015 or FYE 2014. The Company's R&D development efforts, which focused primarily on COTI-2 as discussed below, will position these projects for revenue events in future periods.

Expenses

Expenses increased $874,119 year over year. This increase occurred in all three major functional expense categories with a slight offset from an increase in investment tax credits of $11,554.

a) Research and Product Development Expense ("R&D")

The increase in R&D expense was primarily driven by development efforts in moving COTI-2 through the final testing required in the preparation of an IND application. There were, however, other development areas of note which included: work on potential follow-on compounds to COTI-2; further refinements to the Company's CHEMSAS® technology including work on a complementary product offering, CHEMFirm, derived from CHEMSAS®; support for R&D development collaborations initiated in fiscal 2013 that progressed with third party partners; and development of a new clinical oncology technology tool, ROSALIND. Table 4 provides a breakdown of R&D costs by major expense types for FYE 2015 and FYE 2014.

Table 4: R&D Expense – Comparative Years Ended April 30

	FYE 2015	FYE 2014	Change
In vivo/in vitro testing	$ 204,283	$ 543,739	$ (339,456)
Synthesis and miscellaneous R&D expenses	599,065	80,456	518,609
	803,348	624,195	179,153
Salaries and benefits	420,876	367,772	53,104
Professional fees	47,452	44,598	2,854
Other	60,897	29,204	31,693
	1,332,573	1,065,769	266,804
Share-based compensation	22,935	-	22,935
Government assistance	-	(31,353)	31,353
Total	$ 1,355,508	$ 1,034,416	$ 321,092

In vivo/in vitro testing for FYE 2015 decreased $339,456 year over year. All of the testing in FYE 2015 related to development expenses associated with COTI-2 and the IND preparation support work for this compound.

Synthesis and miscellaneous R&D expenses increased $518,609 year over year with approximately 75% related to development work on COTI-2. This development related to the oral formulation, bio-availability testing, and support for the chemistry reporting section of the IND application.

In support of the R&D development efforts, there were increases in salaries and benefits, and changes in personnel, resulting in an increase of $53,104 year over year. The primary change was an increase in staff with the hiring of a Clinical Trials Manager early in the fourth quarter of FYE 2015 to manage the impending Phase 1 trial for COTI-2 planned for the first half of fiscal 2016. Recognition of the R&D team's efforts was also reflected in a grant of options during the year to all employees with share-based compensation recorded during the year of $22,935.

Government assistance funding decreased $31,353 on a comparable year over year basis related to the Company's AML research and development grant with the National Research Council of Canada Industrial Research Assistance Program which was completed in March 2014.

b) General and Administration Expense ("G&A")

To support the R&D efforts of the Company, there were certain initiatives undertaken during FYE 2015 that resulted in an increase of $383,869 year over year in G&A expenses. Those expense categories primarily affected, included: professional fees, corporate governance, marketing and travel, and share-based compensation. Table 5 provides a breakdown of G&A expense by major expense type for FYE 2015 and FYE 2014.

Table 5: G&A Expense – Comparative Years Ended April 30

	FYE 2015	FYE 2014	Change
Professional fees	$ 757,198	$ 694,440	$ 62,758
Amortization	536,459	534,811	1,648
Salaries and benefits	343,166	314,366	28,800
Corporate governance	165,987	96,293	69,694
Marketing and travel	113,124	41,764	71,360
Insurance	57,187	55,520	1,667
Other	45,858	19,935	25,922
Rent	40,515	37,384	3,131
	2,059,494	1,794,513	264,980
Share-based compensation	282,560	163,672	118,888
Total	$ 2,342,054	$ 1,958,185	$ 383,868

An increase of 9% in professional fees of $62,758 year over year primarily reflects financing and investor relations efforts. Table 6 provides a comparison of the major expense categories grouped in professional fees for the past two years.

Table 6: G&A Professional Fees

	FYE 2015	FYE 2014	Change
U.S. strategic advisory	$ 345,491	$ 320,326	$ 25,165
Investor relations	138,032	117,600	20,432
Audit and accounting	86,308	77,610	8,698
Legal	86,066	65,428	20,638
Business development	55,302	92,084	(36,782)
Other	45,999	21,392	24,607
Total	$ 757,198	$ 694,440	$ 62,758

The major consultant for U.S. strategic advisory services was a U.S. investment bank operating under an agreement that provided a combination of cash and common share purchase warrants as compensation for their efforts. A fair value for the warrants granted in the respective years was determined using a Black-Scholes valuation model in the amount of $220,500 in FYE 2014 and $265,200 in FYE 2015.

The decline in business development consulting reflects a change in the timing and use of consultants during the respective years.

The increase in corporate governance expense of $69,694 year over year primarily reflects legal and regulatory fees for new initiatives to protect and build shareholder value including: listing on the OTCQB and implementing various shareholder and governance protections, such as the Shareholders' Rights plan adopted at the October 2014 Annual General Meeting ("AGM").

The Company recognized that an increased presence in the U.S. market was necessary to support financing initiatives for the Company's COTI-2 development program. These efforts involved an increase in attendance at various investor conferences and investor road shows to market the Company and the potential from its underlying technology and drug candidates such as COTI-2. As a result, marketing and travel expense more than doubled year over year related to these financing and business development efforts.

A share-based compensation increase of $118,888 year over year was primarily related to a change in the Board of Directors ("Board") compensation plan that allowed them to take more of their compensation as share options ("Options") rather than cash, and the timing of these grants in the fiscal year compared to the prior year. This timing affects compensation expense recognition since all such grants made by the Company vest over a one year period on a quarterly basis in arrears from the date of the grant. The detail of this compensation for the respective years is set out in Table 7.

Table 7: Share-based Compensation in G&A – Comparative Years Ended April 30

	FYE 2015	FYE 2014	Change
Directors	$ 224,825	$ 104,492	$ 120,333
Employees	57,735	11,391	46,344
Consultants	-	47,789	(47,789)
Total	$ 282,560	$ 163,672	$ 118,888

c) Sales and Marketing Expense ("S&M")

Table 8 provides a breakdown of S&M expense by major expense type for FYE 2015 and FYE 2014. The increase of $180,712 year over year reflects an increase primarily in two expense categories.

Table 8: S&M Expense – Comparative Years Ended April 30

	FYE 2015	FYE 2014	Change
Marketing and travel	$ 140,365	$ 49,540	$ 90,825
Professional fees	135,250	55,250	80,000
Salaries and benefits	9,136	-	9,136
Other	1,178	427	751
Total	$ 285,929	$ 105,217	$ 180,712

The $90,825 increase in marketing and travel expense related to more conferences attended during the year as well as the number of Company representatives participating at these forums in support of licensing and business development efforts.

The professional fees increase relates to the use of consultants primarily for support services on licensing efforts for COTI-2 and support for the other business development activities.

d) Investment Tax Credits ("ITC")

An increase of $11,554 in ITC income, year over year, related to a higher tax credit rate for the provincial jurisdiction in which eligible expenses were incurred despite a decrease in the total eligible scientific research and experimental development expenditures. ITC eligible expenditures decreased $100,834 from $842,530 for FYE 2014 to $741,696 for FYE 2015 as expenses incurred for testing efforts conducted outside Canada are generally ineligible expenditures.

e) Interest and Financing (Expense)

The increase of approximately $204,500 in interest and financing expense relates primarily to two items as set out in Table 9.

Table 9: Interest and Financing Expense

Year ended April 30	FYE 2015	FYE 2014	Change
Interest income	$ 12,768	$ 5,549	$ 7,219
Finance costs:			
Interest expense	(62,609)	(18,880)	(43,729)
Bank charges	(1,613)	(1,270)	(343)
Unit issuance expenses allocated to warrant liability	(167,634)	-	(167,634)
	(231,856)	(20,150)	(211,706)
	$ (219,088)	$ (14,601)	$ (204,487)

First, during the fall of 2014, the Company issued warrants as part of an offering of units in a non-brokered private placement consisting of one common share of the Company and one warrant to purchase a common share. The warrants are exercisable in USD. Under IFRS, a warrant with an exercise price in a currency other than the functional currency of the Issuer (in COTI's case CAD) is treated as a warrant liability. Accordingly, the issuance costs allocated to the warrants constituting the warrant liability were required to be expensed. The amount of these costs was $167,634.

Second, the increase in interest expense related primarily to the 10% interest expense on a $400,000 debenture issued in February 2014 and the related accretion of the financing expense associated with its issuance.

f) Change in Fair Value of Warrant Liability

The warrant liability noted in (e) above is required to be measured at fair value in the Company's Statements of Financial Position. Accordingly, at each reporting date the liability is adjusted for any change in fair value using a modified option valuation model, which uses appropriate assumptions on the valuation date in the model; primarily the estimated life of the warrants, the estimated volatility, and the impact of foreign exchange on the exercise price. For the period from issuance to FYE 2015 this resulted in a decrease in the liability of $235,120 in FYE 2015.

g) Foreign Exchange Gain

As noted, the Company closed a private placement financing during the year that was priced in USD as discussed more fully under Liquidity and Cash Resources below. As a result of the financing, the Company held a portion of the proceeds in USD and the decline in the exchange rate since the closing (April 30, 2015, 1 USD = 1.2064 CAD, October 31, 2014, 1 USD = 1.1271 CAD), resulted in the Company having an unrealized foreign exchange gain from holding USD during this period.

Analysis of Financial Results Fourth Quarter Fiscal 2015

Summary financial information for the comparative fourth quarter periods ended April 30, 2015 and 2014 (Q4-FYE'15 and Q4-FYE'14) is set out in Table 10.

Table 10: Summary Financial Information – Fourth Quarter Comparison

	Q4-FYE'15	Q4-FYE'14	Change
Expenses (income):			
Research and product development	$ 420,046	$ 593,812	$ (173,766)
Sales and marketing	94,668	20,399	74,269
General and administration	497,851	661,190	(163,339)
Investment tax credits	(17,836)	(69,561)	51,725
	994,729	1,205,840	(211,111)
Loss before finance income (expense)	(994,729)	(1,205,840)	211,111
Finance income (expense):			
Interest and financing (expense), net	$ (165,911)	$ (17,543)	(148,368)
Change in fair value of warrant liability	235,120	-	235,120
Foreign exchange gain (loss)	(21,163)	(3,138)	(18,025)
	48,046	(20,681)	68,727
Loss and comprehensive loss	$ (946,683)	$(1,226,521)	$ 279,838
Weighted average shares outstanding	117,272,583	93,454,868	
Loss per common share	$ 0.01	$ 0.01	

Revenue

There was no revenue generated for Q4-FYE'15 or the comparative period.

Expenses

As highlighted in Table 10, the expense decrease of $211,111 for the comparable quarters was related to decreases in two of the three functional expense categories; R&D expense decreased $173,766 and G&A expense decreased by $163,339. These decreases were partially offset by an increase in S&M expense and a decrease in ITC income during the quarter.

a) R&D Expense

The quarterly R&D expense decrease year over year was primarily due to a decrease in in vivo/in vitro testing offset partially by an increase in synthesis cost and miscellaneous R&D expenses, and salaries and benefits. Table 11 provides a breakdown of R&D expenses by major expense type for the comparable quarterly periods Q4-FYE'15 and Q4-FYE'14 respectively.

Table 11: R&D Expense – Fourth Quarter Comparison

	Q4-FYE'15	Q4-FYE'14	Change
In vivo/in vitro testing	$ 56,262	$ 431,347	$ (375,085)
Synthesis and miscellaneous R&D expenses	201,090	44,859	156,231
	257,352	476,206	(218,854)
Salaries and benefits	129,171	91,800	37,371
Other	19,586	6,389	13,197
Professional fees	(8,998)	30,347	(39,345)
	397,111	604,742	(207,631)
Share-based compensation	22,935	-	22,935
Government assistance	-	(10,930)	10,930
Total	$ 420,046	$ 593,812	$ (173,766)

- The decrease in in vivo/in vitro testing for Q4-FYE'15 compared to Q4-FYE'14 relates primarily to the 28-day two-species toxicity testing for COTI-2 that was underway throughout Q4-FYE'14 and which was completed in Q1-FYE'15.
- Following completion of the 28-day two-species toxicity testing, the focus in the latter part of fiscal 2015 and in particular Q4-FYE'15 was in finalizing the formulation and scale up of COTI-2 for a Phase 1 clinical trial. Major activities included: manufacturing of a GMP clinical batch, filling, packaging, labelling and packaging of the clinical doses, documentation for this manufacture, testing of the material to simulate pharmacy preparation and patient handling, and stability and impurity studies. As a result, synthesis costs increased $156,231 quarter over quarter.
- To support the preparation and filing of the IND application in April 2015 for the Phase 1 clinical trial of COTI-2, the Company hired a Clinical Trials Manager in Q4-FYE'15. This was an important hire for the R&D team in adding expertise and experience to lead the day to day clinical trial efforts on behalf of COTI with the principal investigators and related contract research organizations in fiscal 2016.
- The change in professional fees in the quarterly comparison related to re-allocating certain consulting costs directly incurred for COTI-2 activities to synthesis and miscellaneous R&D expenses consistent with prior reporting.

b) G&A Expense

Table 12 provides a breakdown of G&A expenses by major expense type for the comparable quarterly periods Q4-FYE'15 and Q4-FYE'14 respectively. The major change year over year occurred in professional fees with a decrease of $229,339 compared to Q4-FYE'14. This decrease was due primarily to strategic financial advisory services to assist the Company in entering the U.S. market for financing purposes. The investment bank's services, which began in February 2014, were concluded in November 2014 and accordingly no cost in this regard was incurred in Q4-FYE'15.

Table 12: G&A Expense – Fourth Quarter Comparison

	Q4-FYE'15	Q4-FYE'14	Change
Amortization	$ 135,038	$ 135,190	$ (152)
Professional fees	122,588	351,927	(229,339)
Salaries and benefits	77,219	69,728	7,491
Corporate governance	28,864	18,799	10,065
Insurance	13,924	13,953	(29)
Promotion and travel	40,372	12,957	27,415
Rent	10,200	9,346	854
Other	6,500	3,278	3,222
	434,705	615,178	(180,473)
Share-based compensation	63,146	46,012	17,134
Total	$ 497,851	$ 661,190	$ (163,339)

Other G&A expense changes included:

- an increase in corporate governance related to additional costs associated with the Company's OTC Markets listing in the U.S. that were not incurred in Q4-FYE'14. The additional expense incurred with the listing obtained in June 2014 include annual listing fees, U.S. based representation as a listing sponsor and the ability to trade in various states under the market access program through Standard and Poor's.
- an increase in promotion and travel related to attendance at various conferences and investor meetings in support of both the Company's efforts to broaden its outreach to Canadian and U.S. investors, and the Company's financing efforts during Q4-FYE'14; and,
- an increase in share-based compensation reflects the awarding of share options to employees and officers of the Company as well as to the Board. The Board changed its compensation plan in October 2014, which allowed the directors to elect to take more of their compensation in shares rather than cash.

c) S&M Expense

S&M expenses increased $74,269 in Q4-FYE'15 compared Q4-FYE'14. Table 13 provides a breakdown of S&M expense by major expense types for the comparable quarterly periods Q4-FYE'15 and Q4-FYE'14 respectively.

Table 13: S&M Expense – Fourth Quarter Comparison

	Q4-FYE'15	Q4-FYE'14	Change
Professional fees	$ 43,500	$ 17,250	$ 26,250
Marketing and travel	41,743	2,925	38,818
Salaries and benefits	9,136	-	9,136
Other	289	224	65
Total	$ 94,668	$ 20,399	$ 74,269

The professional fees increase of $26,250 relates primarily to the use of consultants for support services on licensing efforts for COTI-2 and in support of other business development activities.

Marketing and travel expenses increased $38,818 in Q4-FYE'15 compared to Q4-FYE'14 reflecting an increase in the number of conferences attended as well as the number of Company representatives participating at such forums in support of licensing and business development efforts.

An increase of $9,136 in salaries and benefits reflects per diem fees paid to directors of the Company in consulting roles in support of business development efforts beyond their normal director duties.

d) Investment Tax Credits

ITC income decreased $51,725 in Q4-FYE'15 compared to Q4-FYE'14 primarily related to a decrease in the total R&D expenditures in the quarter, as highlighted under R&D expense above, and on those expenditures that were in turn eligible for tax credits in the current quarter compared to Q4-FYE'14.

e) Interest and Financing (Expense)

The increase in the quarter, as noted under the full-year review, related primarily to the issuance costs allocated to the warrant liability being expensed for $167,634.

f) Foreign Exchange Gain (Loss)

The loss during the quarter related primarily to the holding of USD cash which on translation reflected the change in the USD exchange rate since the January 31, 2015 quarter-end (1.2064 CAD compared to 1.2711 CAD).

Financial Results Two Year Quarterly Summary

Table 14 summarizes the financial results of the Company by quarter for the past two fiscal years.

Table 14: Summary of Quarterly Financial Results

FYE 2015	Q1 31-Jul	Q2 31-Oct	Q3 31-Jan	Q4 30-Apr	Full Year
Revenue	$ -	$ -	$ -	$ -	$ -
Loss	(970,796)	(946,204)	(949,503)	(946,683)	(3,813,186)
Loss per common share [1] [2]	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.04)

FYE 2014	Q1 31-Jul	Q2 31-Oct	Q3 31-Jan	Q4 30-Apr	Full Year
Revenue	$ -	$ -	$ -	$ -	$ -
Loss	(500,052)	$ (598,220)	(671,386)	(1,226,521)	(2,996,179)
Loss per common share [1] [2]	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.03)

[1] The Loss per common share calculated is for both basic and diluted.

[2] The Loss per common share by quarter may not cross-add for the full-year as a result of changes in the number of common shares outstanding in the applicable period and used in the specific period calculation.

The majority of the variation by quarter across the two years and quarterly year over year is explained by two functional expense categories; General and administration and Research and product development, as set out in Tables 15 and 16.

In FYE 2015, G&A expense peaked in the first quarter and declined through the year. The high level of G&A in the first quarter of FYE 2015 continued the trend from the fourth quarter of FYE 2014 and reflects the impact of consulting costs with a U.S. investment bank that were not incurred in the last three quarters of the year. R&D expense decreased sharply in the first quarter with the completion of the 28-day two-species toxicity testing for COTI-2 and then increased over the succeeding quarters as work continued toward the completion of an IND filing for COTI-2. On a total expense basis these two categories declined as a share of overall costs in the fourth quarter as S&M expense increased to support business development initiatives, and financing costs associated with the warrant liability were recognized.

Table 15: Selected Quarterly Expense Categories FYE 2015 [(1)]

FYE 2015	Q1 31-Jul	Q2 31-Oct	Q3 31-Jan	Q4 30-Apr	Full Year
General and administration	$ 693,846	$ 512,570	$ 418,373	$ 434,705	$ 2,059,494
Research and product development	234,841	355,101	345,520	397,111	1,332,573
Share-based compensation	24,928	28,860	165,626	86,081	305,495
Total of expense categories	953,615	896,531	929,519	917,897	3,697,562
Total expense for the quarter	$ 1,018,907	$ 987,533	$ 980,702	$ 968,477	$ 3,955,619
Expense categories as a % of total expense	93.6%	90.8%	94.8%	94.8%	93.5%

(1) The presentation noted in this table does not conform to the functional presentation in the Company's interim and annual financial statements. Share-based compensation included in the functional expense categories in the financial statements has been removed from the functional disclosure and shown separately in this table.

The trend line for these two operating expenses in FYE 2014 shows a significant increase that was relatively flat for the first two quarters, ramped up in the third quarter, and significantly increased in the fourth quarter. This trend reflects the impact of financings closed in Q1-FYE'14 and Q2-FYE'14 that allowed the Company to increase its R&D efforts in advancing COTI-2 toward an IND filing and supported the Company's efforts at increasing its U.S. presence for licensing and financing purposes.

Table 16: Selected Quarterly Expense Categories FYE 2014 [(1)]

FYE 2014	Q1 31-Jul	Q2 31-Oct	Q3 31-Jan	Q4 30-Apr	Full Year
General and administration	$ 351,377	$ 409,372	$ 418,587	$ 615,178	$ 1,794,514
Research and product development	133,144	124,050	183,411	593,812	1,034,417
Share-based compensation	19,940	36,189	61,531	46,012	163,672
Total of expense categories	504,461	569,611	663,529	1,255,002	2,992,603
Total expense for the quarter	$ 507,726	$ 613,955	$ 700,910	$ 1,297,249	$ 3,119,840
Expense categories as a % of total expense	99.4%	92.8%	94.7%	96.7%	95.9%

(1) The presentation noted in this table does not conform to the functional presentation in the Company's interim and annual financial statements. Share-based compensation included in the functional expense categories in the financial statements has been removed from the functional disclosure and shown separately in this table.

The variability in the comparable year over year quarters is primarily due to a higher level of spending in R&D activities throughout FYE 2015 and for G&A expenses in the first two quarters of FYE 2015 compared to FYE 2014. The increase in share-based compensation in the third quarter of each fiscal year reflects the timing of share option grants and does not correlate to the changes in the other expense categories during these years.

Liquidity and Cash Resources

The Company's cash resources include cash, cash equivalents, and short-term investment. Table 17 summarizes the changes in cash resources for FYE 2015 and FYE 2014. At FYE 2015, the Company had cash resources of $1,865,684 compared to $830,275 in cash resources at FYE 2014 reflecting an increase of $1,035,409. The difference in the cash resource balances year over year primarily reflects the significant increase in cash from the issuance of common shares and warrants of $2,517,431 offset by an increase in operating activity expenditures of $1,233,148. The level of operating expenditures in FYE 2015 compared to cash resources at the year-end highlights the ongoing requirement by management to obtain additional financing in fiscal 2016.

Table 17: Summary of Changes in Cash Resources [(1)]

	FYE 2015	FYE 2014
Used in:		
Operating activities	$(3,032,778)	$ (1,816,015)
Investing activities	(194,312)	(177,927)
Decrease in cash resources before financing activities	(3,227,090)	(1,993,942)
Proceeds from issuance of common shares and warrants	4,909,314	2,391,883
Costs of issuing common shares and warrants	(379,226)	(184,589)
Proceeds (repayment) of debenture	(400,000)	400,000
Costs of issuing debenture	-	(35,915)
Costs of warrant amendments	(10,160)	(9,054)
Investment tax credit recoveries	119,031	120,509
Interest paid	(35,954)	(12,330)
Increase (decrease) in cash resources	975,915	676,562
Less: unrealized foreign exchange loss on capital resources	59,494	(15,634)
Cash resources - beginning of period	830,275	169,347
Cash resources - end of period	$ 1,865,684	$ 830,275

(1) See Use of Non-GAAP Financial Measures

Financing Activities

1. During FYE 2015

a) Private Placements

The Company entered fiscal 2015 with $830,275 in cash. Additional funding was necessary to complete operational plans to develop COTI-2 for clinical trial readiness and licensing attractiveness, and to support additional follow on programs. In this regard, the Company completed a number of non-

brokered private placement financings with accredited investors during the year that generated gross proceeds of $4,341,208 as summarized in Table 18 below. Cash issuance costs of $365,629 associated with these private placements resulted in net proceeds from the financings of $3,975,579.

Table 18: Summary of Fiscal 2015 Private Placement Equity Financings

Closing Date	Approximate Gross Proceeds	Number of Warrants Issued	Warrant Exercise Price	Warrant Expiry Term in Months
Jun 3, 2014	$ 895,222	5,595,135	$ 0.28	24
Oct 17, 2014	522,035	2,012,698	USD $ 0.34	60
Nov 6, 2014	1,343,177	5,111,062	USD $ 0.34	60
Nov 25, 2014	790,434	3,054,000	USD $ 0.34	60
Dec 19, 2014	247,350	970,000	$ 0.38	60
Feb 17, 2015	542,990	2,129,374	$ 0.38	60
Total	$ 4,341,208	18,872,269		

b) Warrant Exercises

In addition to financing from private placements during the year, the Company realized additional cash for operations of $356,452 from the exercise of common share purchase warrants and compensation warrants as summarized in Table 19 below.

Table 19: Summary of Fiscal 2015 Warrant Exercises

Warrant description	Number of warrants exercised	Gross proceeds	Share issuance costs	Net proceeds
$0.20 compensation	555,995	$ 111,199	$ (1,128)	$ 110,071
$0.26 USD compensation	23,364	7,658	(133)	7,525
$0.20 common share	100,000	20,000	(84)	19,916
$0.26 common share	123,300	32,058	(231)	31,827
$0.30 common share	625,000	187,500	(387)	187,113
	1,427,659	$ 358,415	$ (1,963)	$ 356,452

c) Share Option Exercises

A final source of cash during the year came from the exercise of 1,327,611 share options for net cash proceeds of $209,307 as summarized in Table 20 below.

Table 20: Summary of Fiscal 2015 Share Option Exercises

	Exercise price	Number of Options exercised	Gross proceeds	Share issuance costs	Net proceeds
$	0.140	200,000	$ 28,000	$ (67)	$ 27,933
$	0.150	56,818	8,523	(67)	8,456
$	0.160	702,576	112,412	(125)	112,287
$	0.165	368,217	60,756	(125)	60,631
		1,327,611	$ 209,691	$ (384)	$ 209,307

d) Warrant Amendments

The Company amended the term to expiry for 20,845,353 warrants during FYE 2015. A summary of these amendments appears in Table 21 below.

Table 21: Summary of Fiscal 2015 Warrant Amendments

Amendment Date	**Warrant Exercise Price**	**Number of Warrants**	**Original Expiry Date**	**New Expiry Date**
May 27, 2014	$0.30	12,500,000	May 31, 2014	Mar 15, 2016
July 16, 2014	$0.26	3,569,458	Jul 29, 2014	Jul 29, 2016
Nov 13, 2014	$0.26	2,412,397	Nov 30, 2014	Jul 31, 2015
Dec 16, 2014	$0.26	2,003,498	Dec 21, 2014	Aug 20, 2015
Total		20,485,353		

The Company's outstanding warrant balance (see Table 29) can be a detriment to attracting open market participation from various investors and in particular institutional investors who see the warrant position as a limiting factor on the Company's share price for a period of time until the warrants are either exercised or expire. As a result, the Company advised that it would no longer be standard practice to extend the expiry date of out-of-the-money warrants as they neared their expiry date. Consequently, a significant number of warrants expired in the balance of the year subsequent to this policy change as summarized in Table 22.

Table 22: Summary of Fiscal 2015 Warrant Expiries

Warrant Description	Warrants Expired
$0.20 compensation	32,000
$0.20 common share	1,150,000
$0.26 common share	10,120,632
$0.30 common share	3,125,000
$0.37 common share	1,446,481
$0.55 common share	129,019
	16,003,132

e) Debenture Repayment

In February 2014, the Company issued a non-convertible debenture ("Debenture") in the amount of $400,000. The Debenture had a term of one year from the date of issuance and bore interest at a rate of 10%, with interest only payable on a monthly basis. In addition to the interest cost of the Debenture, the Company issued 1,250,000 common share purchase warrants ("Debenture Warrants") with an exercise price of $0.20 and a term of one year with vesting occurring immediately upon issuance of the Debenture. The Company also issued a general security agreement in favour of the lender in support of the Debenture. The Debenture was repaid on its maturity date of February 5, 2015.

f) OTCQB Listing

The Company announced in June 2014 that its common shares would commence trading in the U.S. on the OTCQB venture stage marketplace under the symbol "COTQF". The OTCQB listing status is an opportunity for foreign issuers, such as COTI, to obtain a U.S. listing presence for trading purposes without becoming a U.S. Securities and Exchange Commission registrant and incurring the related costs. It provides the same level of regulatory scrutiny and transparency for the U.S. investor as the TSXV does for Canadian investors since the OTC Markets Group relies on, and monitors that the foreign issuer remains in good standing with its foreign stock exchange. This initial U.S. listing is seen by management as beneficial to existing shareholders by creating an opportunity for U.S. based investors to obtain information about the Company and invest through a trading platform familiar to them, thus broadening the base of investors and improving liquidity.

g) U.S. Financing

The Company announced in February 2014, the engagement of a U.S. investment bank to provide strategic financial advisory services leading to a private placement financing in the U.S. with a major focus for the funding being to support the further development of COTI-2 up to and through a Phase 1 clinical trial. For various reasons this engagement proved unsuccessful and the agreement was terminated in November 2014.

The Company continues to view the opportunity for U.S. based financing as an important part of the future development of the Company because of its large and successful life science industry. In this regard, the Company engaged Dallas-based investor relations consultants in April 2015 to assist with outreach to U.S. life science institutional investors and a Boston-based consultant in February 2015 to assist with high-net worth investor outreach. These efforts will continue during fiscal 2016. In addition, the Company continues to participate widely in investor conferences to broaden awareness of the Company and its potential in preparation for future financings.

h) Phase 1 Clinical Trial Letter of Intent with MD Anderson Cancer Centre

On September 8, 2014, the Company announced it had signed a letter of intent ("LOI") with MD Anderson, to conduct the Phase 1 clinical development of the Company's lead cancer drug candidate, COTI-2, in gynecological cancers.

Under the terms of the Phase 1 agreement, the Company and MD Anderson will work together to design and conduct a first in humans study with oral COTI-2 in up to 46 women with advanced gynecological cancers who have failed conventional therapy The parties have negotiated a cost structure for the clinical trial that is favorable for the Company. COTI's contribution is estimated at approximately $2.3 million CAD with costs in excess of this to be funded by MD Anderson as in kind monitoring, testing, and pharmacy capabilities. The final definitive agreements are expected to be signed for a start date of the clinical trial in September 2015.

i) Joint Venture with Portage Biotech Inc.

In February 2014, the Company announced the signing of a non-binding letter of intent ("LOI") to form a joint venture with Portage Biotech Inc. ("Portage"), to fund and direct the Phase 1 development of the Company's clinical oncology candidate, COTI-2. Portage is a British Virgin Island incorporated public company, listed and traded on the Canadian Securities Exchange (PTB.U), and on NASDAQ OTC (PTGEF). The joint venture formation and investment was intended to bring substantial technical and industry expertise to the development of COTI-2 and enable the Company to move the compound into clinical trials and provide the human data validation of primary interest to many potential licensing partners.

While Portage completed their due diligence which included having COTI conduct additional tests related to specific cell lines and outcomes, the Company continued the development of COTI-2 into FYE 2015 and successfully completed the two-species toxicity studies, obtained an Orphan Drug Designation for ovarian cancer, and moved COTI-2 closer to the completion of an IND filing with the FDA. These achievements and the announcement in September 2014, of the identification and engagement of a clinical partner, MD Anderson, for a Phase 1 study on favourable financial terms added further value to the asset. With these important developments and the significant added value to the asset, the Company decided not to pursue the proposed joint venture with Portage.

2. Subsequent to FYE 2015

The Company raised gross proceeds subsequent to year-end of $2,121,228, as described below, to support the Company in completing the Phase 1 clinical trial for COTI-2 that is expected to run until early 2017 and for other Company initiatives.

a) July 2015 Private Placement

On August 4, 2015, the Company announced that it completed a non-brokered private placement in two tranches closing on June 29 and July 31, 2015 respectively. In aggregate, the Company issued 4,288,533 Units at a price of $0.30 per Unit for gross Canadian dollar proceeds of $1,286,560. Each Unit consisted of one common share and one half warrant of the Company. Each whole warrant is exercisable for one common share of the Company at an exercise price of $0.42 per share for a period of 24 months from the date of issue. The Company paid finders' fees to arm's length third parties in the amount of $50,806 in cash and issued 169,020 compensation warrants. Each compensation warrant is exercisable into one common share of the Company at an exercise price of $0.315 per share for a period of 24 months from the date of issue. The expiration dates of the warrants and compensation warrants are subject to

acceleration by the Company in certain circumstances. The common shares and warrants issued by the Company under the offering are subject to restrictions on resale in accordance with applicable securities laws and the policies of the TSX Venture Exchange which will expire on December 1, 2015.

b) Warrant Exercises and Expiries

On various dates subsequent to the year-end, the Company realized gross proceeds of $834,668 from the exercise of 2,988,398 common share purchase warrants and 39,554 compensation warrants.

Future Financing

The Company has warrants and stock options expiring during fiscal 2016 as set out in Table 23 below. To the extent these will be exercised will be a function of the market price of the Company's underlying common shares and investor perspectives on the opportunity for shareholder value creation over the investment time horizon for each investor. Management believes that continued achievement of milestones, particularly in the development of COTI-2, will be supportive of an increase in shareholder value and provides the Company with an opportunity to realize funding from a portion of these outstanding warrants and options in fiscal 2016.

Table 23: Summary of Warrants and Share Options Expiring in Fiscal 2016

Security type	Expiry date	Number of securities	Exercise price	Potential Exercise Value
Warrants	July 31/15	2,412,397	$ 0.26	$ 627,223
	Aug 20/15	2,003,498	0.26	520,909
	Jan 29/16	3,569,458	0.26	928,059
	Mar 15/16	12,500,000	0.30	3,750,000
	Apr 29/16	3,356,250	0.28	939,750
	Apr 29/16	242,000	$ 0.22	53,240
		24,083,603		6,819,182
Share options	Oct 27/15	697,675	$ 0.165	115,116
Total		24,781,278		$ 6,934,298

Investing Activities

Investing activities in FYE 2015 consisted of the purchase of $16,543 in computer equipment (FYE 2014 – $3,954), $79,376 in computer software (FYE 2014 – $122,152), and $98,393 in patent costs (FYE 2014 – $51,821). Investment in such items will continue into the future as the Company relies heavily on computing technology to run its CHEMSAS® process, and investing in patents for the molecules identified from the process ensures that the value of this intellectual property is protected for generating future licensing revenue. At FYE 2015, the Company had 19 patents granted and 16 patents pending in various jurisdictions with a carrying value of $746,998 (FYE 2014 – $683,414). A summary related to these patents appears in Table 24.

Table 24: Summary of Patent Investments

Patents	Therapeutic Target	April 30, 2015	April 30, 2014
Granted:			
COTI-2	Oncology	$ 200,464	$ 97,510
COTI-219	Oncology	8,104	8,655
COTI-4	Oncology	35,313	23,402
HIV	HIV	14,980	-
Three compounds	Acute myelogenous leukemia	127,379	140,435
		386,240	270,002
Pending:			
COTI-2	Oncology	139,037	239,360
COTI-4	Oncology	80,848	86,410
Other	Various indications/technologies	140,873	87,642
		360,758	413,412
Total patents		$ 746,998	$ 683,414

The Company conducts periodic reviews of its tangible and intangible assets for impairment indicators, including its most recent analysis at FYE 2015 to ensure the carrying value of these assets (equipment, molecules, patents, and computer software) are not impaired. Management determined there were no impairment indicators at FYE 2015.

Working Capital

The Company had adjusted working capital at FYE 2015 of $1,591,160 compared to $29,141 at FYE 2014. The Company defines adjusted working capital as the standard working capital calculation adjusted for non-cash liabilities. This definition is a non-GAAP financial measure and does not have a prescribed meaning under IFRS and therefore may not be comparable to similarly described measures when presented by other issuers. Details concerning the calculation of this working capital measure can be found under the discussion concerning Use of Non-GAAP Financial Measures.

Cash equivalents are invested in money market instruments with maturities of three months or less. The short-term investment is a single guaranteed investment certificate which can be cashed at any time after three months from the purchase date and matures in December 2015. Current assets increased to $2,126,755 at FYE 2015 from $1,059,702 at FYE 2014 for an increase of $1,067,053 due to an increase in cash resources. Current liabilities increased $925,606 to $1,956,167 at FYE 2015 from $1,030,561 at FYE 2014 due to the repayment of a Debenture issued in February 2014 that was repaid in February 2015, offset by an increase in accounts payable of approximately $100,000 related primarily to the COTI-2 R&D testing activities ongoing at FYE 2015 and the accounting for warrants with exercise prices denominated in USD that are recognized as a warrant liability. The Company's exposure to fluctuations in the recoverability of its financial assets is limited as cash not required for current purposes is held in interest bearing cash accounts. The short periods to maturity of these instruments and their capacity for prompt liquidation result in future settlement amounts that are consistent with

carrying values. Given the nature of the Company's financial liabilities, there is also limited risk that future settlement amounts will differ from carrying values.

The Company has R&D contractual obligations of $165,758 existing at April 30, 2015 that are due for payment in fiscal 2016.

Going Concern Risk

The Company has formulated goals for the upcoming year to advance the testing for COTI-2 in enhancing its attractiveness to potential licensees and to move other revenue initiatives and development projects forward as resources permit. For COTI, the material uncertainties related to working capital and cash resources discussed above raise significant doubts about the ability of the Company to accomplish its goals. These conditions highlight that the Company has not yet established commercial operating revenues to fund its operations and accordingly operating cash flows continue to be negative.

In order to accomplish its goals and alleviate the going concern risk, the Company is taking steps to obtain additional cash resources. This includes actively seeking potential customers, partners and collaborators as a means of furthering molecule development and generating revenue streams, and pursuing sources of financing, including but not limited to, raising capital in the public market and securing government grants. As evidence of these efforts subsequent to April 30, 2015, the Company realized gross proceeds of approximately $2.1M from a private placement and the exercise of warrants outstanding at the year-end as described under Financing above. Further, the Company has discretion with many of its expenditure activities and plans to manage these activities in FYE 2016 within the limits of available cash resources. While the Company has a history of obtaining financing, there is no certainty that any of the aforementioned strategies will enable the Company to alleviate the going concern risk in future periods.

Off-Balance Sheet Arrangements

The Company has not historically utilized, nor is it currently utilizing any off-balance sheet instruments.

Foreign Exchange Exposure

The Company has historically had occasion to enter into R&D contracts denominated in foreign currencies. These contracts have primarily been in United States dollars ("USD") but have also included Euros ("EUR"), British pound sterling ("GBP") and Swiss Francs ("CHF") and, as a result, the Company has exposure to risk from fluctuations in exchange rates between the CAD and such currencies. These contracts have to date individually been valued at less than $150,000 CAD. 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.

The amount of this exposure increased during the third quarter with a foreign currency gain recorded of $50,308 resulting from the receipt of USD in a USD denominated financing that closed in that quarter (see Table 18). At the year end, the Company reported a foreign exchange gain of $24,607 compared to

a loss of $1,872 at FYE 2014. The Company will be incurring USD denominated expenses related to its announced Phase 1 clinical trial to be conducted in the United States commencing later in 2015 as well as other USD expenses. The current USD cash position is expected to provide some hedge against these USD costs. In addition, the Company has warrants exercisable at USD prices that could generate additional USD. The amount and timing of such exercise is not presently determinable.

The Company's exposure to foreign currency risk based upon foreign currency amounts expressed in CAD at FYE 2015 compared to FYE 2014 is set out in Table 25 below. Note that the warrant liability is a non-cash liability and the Company would realize USD cash inflows should the warrants be exercised. The Company's exposure to foreign currency risk based upon foreign currency amounts expressed in CAD at FYE 2015 compared to FYE 2014 is set out in Table 25 below. Note that the warrant liability is a liability that is not settled in cash and the Company would realize USD cash inflows should the warrants be exercised. The amount of USD cash that might be generated is not determinable and accordingly the affect which changes in the foreign exchange rate might have on this liability is also not readily determinable.

Table 25: Foreign Exchange Balances Held

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)

As at April 30, 2014				
	CAD	USD	Other	Total
Cash and cash equivalents	$ 760,491	$ 69,547	$ 237	$ 830,275
Other receivables	615	-	-	615
Accounts payable and accrued liabilities	(604,453)	(60,664)	(9,203)	(674,320)
Debenture	(346,666)	-	-	(346,666)
	$ (190,013)	$ 8,883	$ (8,966)	$ (190,096)

Related Party Transactions

Related party transactions of a material amount that occurred in the current and prior year are set out under selected headings below.

a) Share-based compensation

Table 26 sets out the amount of share-based compensation for option grant transactions with related parties that occurred during FYE 2014 and FYE 2015 based upon the total fair value of each option grant

at the date of the transaction using a Black-Scholes valuation model and the model input assumptions applicable at the time of the grant.

Table 26: Share-based Compensation Affecting Related Parties

Relationship	Description of Transaction	Amount	
		FYE 2014	FYE 2015
Directors	June 9, 2013, 226,628 Options expired	$ -	$ -
Director	October 15, 2013, 200,000 Options granted[(1)]	25,750	-
Directors	December 5, 2013, 821,168 Options granted [(2)]	113,732	-
Officer	December 5, 2013, 150,000 Options granted [(3)]	19,275	-
Directors	February 16, 2014, 294,556 Options expired	-	-
Directors	September 9, 2014, 481,483 Options expired	-	-
Directors	October 22, 2014, 1,191,099 Options granted [(4)]	-	235,242
Officers	October 22, 2014, 200,000 Options granted [(5)]	-	51,837

(1) On October 15, 2013, 200,000 Options were granted to a director under an executive management consulting services agreement. The Options vested immediately with a five-year life and an exercise price of $0.24.

(2) On December 5, 2013, 821,168 Options were granted to the Board as retainer compensation for directorship responsibilities. The Options have a five-year life and an exercise price of $0.18 with 25% vesting at the end of each quarter from the date of grant.

(3) On December 5, 2013, 150,000 Options were granted to an officer under his Employment Agreement. The Options have a five-year life, an exercise price of $0.18 with 25% vesting at the end of each quarter from the date of grant.

(4) On October 22, 2014, 1,191,099 Options were granted to the Board as retainer compensation for directorship responsibilities. The Options have a five-year life and an exercise price of $0.29 with 25% vesting at the end of each quarter from the date of grant.

(5) On October 22, 2012, 350,000 Options were granted to the Officers of the Company. The Options have a five-year life and an exercise price of $0.29 with 25% vesting at the end of each quarter from the date of grant.

b) Warrant amendments

During FYE 2014 and FYE 2015, the Company amended the expiration date for warrants expiring on various dates. These amendments applied equally to all warrant holders of the respective warrant series being amended. Certain directors and officers participated in the private placement financings that resulted in the issuance of these warrants and accordingly had their warrants amended as part of the amendment transactions. For accounting purposes, the value of these amendments was recorded as an increase in the value of the warrants and a reduction in Contributed Surplus in the Company's

shareholders equity based upon the increase in fair value determined using a Black-Scholes valuation model. The related parties' warrants and the fair value attributed to their warrants appear in Table 27.

Table 27: Warrant Amendments Affecting Related Parties

Relationship	Description of Transaction			Amount	
	Amendment Date	No. and Type of Warrants	New Expiry Date	FYE 2014	FYE 2015
Directors and officers	September 11, 2013 (1)	837,500 $0.30 warrants	April 23, 2015	$ 106,950	$ -
Directors and officers	October 29, 2013 (2)	4,050,000 $0.30 warrants	May 31, 2014	72,900	-
Directors and officers	March 7, 2014 (3)	157,551 $0.37 warrants and 129,019 $0.55 warrants	March 31, 2015	9,582	-
Directors and officers	May 27, 2014 (4)	3,256,250 $0.30 warrants	March 15, 2016	-	224,681
Directors and officers	July 16, 2014 (5)	339,500 $0.26 warrants	January 29, 2016	`	36,666
Directors and officers	November 13, 2014 (6)	499,999 $0.26 warrants	July 31, 2015	-	24,000
Directors and officers	December 16, 2014 (7)	180,000 $0.26 warrants	August 20, 2015	-	11,160

(1) On September 11, 2013, 11,250,000 common share purchase warrants previously issued in three tranches as part of private placement in March and April 2012 and scheduled to expire on September 23, October 9, and October 26, 2013 had their expiry dates amended to April 23, May 9, and May 26, 2015. The new expiry dates of the warrants will be reduced to a period of 21 days if, for any ten consecutive trading days during the unexpired term of the warrant (the "Premium Trading Days"), the closing price of the common shares on the TSXV equals or exceeds $0.37. If this occurs, the reduced exercise period of 21 days will begin seven calendar days after the tenth Premium Trading Day. The remaining terms and conditions of the warrants were unchanged.

(2) On October 29, 2013, 12,500,000 common share purchase warrants exercisable at $0.30 and due to expire on October 31, 2013, were amended. The new expiry date is May 31, 2014, and is subject to a reduction to a period of 21 days if, for any ten consecutive trading days during the unexpired term of the warrant (the "Premium Trading Days"), the closing price of the common shares on the TSXV equals or exceeds $0.37. If this occurs, the reduced exercise period of 21 days will begin seven calendar days after the tenth Premium Trading Day. The remaining terms and conditions of the warrants were unchanged.

(3) On March 7, 2014, 1,575,500 common share purchase warrants previously issued as part of a private placement in April and May 2010 and previously amended on October 20, 2011, and January 29, 2013, and scheduled to expire on March 31, 2014, had their expiry date amended to March 31, 2015. The expiry date for the $0.37 Warrants will be reduced to a period of fourteen days if, for any ten consecutive trading days during the unexpired term of the warrant (the "Premium Trading Days"), the closing price of the common shares equals or exceeds $0.55. The

reduced exercise period of fourteen days will begin seven calendar days after the tenth Premium Trading Day.

(4) On May 27, 2014, 12,500,000 common share purchase warrants exercisable at $0.30 and due to expire on May 31, 2014, were amended. The new expiry date is March 15, 2016, and is subject to a reduction to a period of 21 days if, for any ten consecutive trading days during the unexpired term of the warrant (the "Premium Trading Days"), the closing price of the common shares on the TSXV equals or exceeds $0.60. If this occurs, the reduced exercise period of 21 days will begin seven calendar days after the tenth Premium Trading Day. The remaining terms and conditions of the warrants were unchanged.

(5) On July 16, 2014, 3,569,458 common share purchase warrants exercisable at $0.26 and due to expire on July 29, 2014, were amended. The new expiry date is January 29, 2016, and is subject to a reduction to a period of 21 days if, for any ten consecutive trading days during the unexpired term of the warrant (the "Premium Trading Days"), the closing price of the common shares on the TSXV equals or exceeds $0.60. If this occurs, the reduced exercise period of 21 days will begin seven calendar days after the tenth Premium Trading Day. The remaining terms and conditions of the warrants were unchanged.

(6) On November 13, 2014, 2,412,397 common share purchase warrants exercisable at $0.26 and due to expire on November 30, 2014, were amended. The new expiry date is July 31, 2015, and is subject to a reduction to a period of 21 days if, for any ten consecutive trading days during the unexpired term of the warrant (the "Premium Trading Days"), the closing price of the common shares on the TSXV equals or exceeds $0.35. If this occurs, the reduced exercise period of 21 days will begin seven calendar days after the tenth Premium Trading Day. The remaining terms and conditions of the warrants were unchanged.

(7) On December 16, 2014, 2,003,498 common share purchase warrants exercisable at $0.26 and due to expire on December 21, 2014, were amended. The new expiry date is August 20, 2015, and is subject to a reduction to a period of 21 days if, for any ten consecutive trading days during the unexpired term of the warrant (the "Premium Trading Days"), the closing price of the common shares on the TSXV equals or exceeds $0.35. If this occurs, the reduced exercise period of 21 days will begin seven calendar days after the tenth Premium Trading Day. The remaining terms and conditions of the warrants were unchanged.

c) Share equity and other transactions

Details related to the FYE 2015 private placements are described under Liquidity and Cash Resources. The share purchases by related parties were measured at the exchange amount consistent with all other participants in the private placements. Related party participation in private placements and other transactions during FYE 2014 and FYE 2015 are summarized in Table 28.

Table 28: Share Equity and Other Transactions

Relationship	Description of Transaction	Amount	
		FYE 2014	FYE 2015
Director	Consulting agreement service payments [(1)]	$ 89,584	$ -
Director	October 17, 2014, participated in a private placement acquiring 119,500 units representing 6% of the total private placement [(2)]	-	30,995
Director	November 6, 2014, participated in a private placement acquiring 159,110 units representing 3% of the total private placement [(2)]	-	41,814
Director	November 25, 2014, participated in a private placement acquiring 95,000 units representing 3% of the total private placement [(2)]	-	24,586
Directors and officers	March 31, 2015, 103,673 $0.37 warrants expired	-	-
Directors and officers	March 31, 2015, 84,897 $0.55 warrants expired	-	-
Directors and officers	April 23, 2015, 243,750 $0.30 warrants expired	-	-

(1) Under an executive consulting agreement, the Consultant was paid a daily rate for invoiced time as services were provided. The Company and the Consultant mutually agreed to end the consulting agreement effective December 31, 2013. The Consultant was also entitled to certain cash bonuses based upon his material contribution to the Company successfully achieving objectives under the Executive Bonus Plan ("EBP"). There were no bonuses earned or paid under the EBP during FYE 2014.

(2) The Company completed a private placement in three tranches closing October 17, November 6, and November 25, 2015, respectively (see Table 18). A director participated in the private placement with a gross investment in the three tranches of $97,395.

d) Contingent transactions

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 certain development milestones be subsequently achieved by any molecule from the small cell lung cancer ("SCLC") library acquired under the purchase. One-half of this contingent share consideration was payable upon the first occasion any molecule achieved one of the following milestones:

i. when the Company was given notification of acceptance of an IND and an IND acceptance number was received; or,
ii. when either the United States or the European patent authorities issued the Company a final patent.

The second half of this contingent share consideration was payable upon any molecule achieving both milestones.

In 2012, the Company received a patent from the United States Patent and Trademark Office for a U.S. patent filing related to COTI-2. COTI-2 is a molecule from the SCLC library acquired under the purchase.

Upon receipt of the patent, the Company issued 715,720 common shares to the former owners of the SCLC library (which includes the Company's current Chairman and the current President and CEO) representing one-half of the contingent consideration for meeting the milestone of the issuance of a final patent in either the U.S. or Europe. The fair market value of the share consideration issued was $164,616 as determined upon issuance.

On May 22, 2015, the FDA advised the Company that it had completed its review of the Company's IND application for COTI-2, which had been submitted prior to April 30, 2015. The IND was granted and enables the Company to proceed with its proposed clinical investigation. This grant to proceed satisfied the second milestone for COTI-2, being notification of acceptance of an IND and issuance of an IND acceptance number. Accordingly, on May 26, 2015, the Company issued 715,720 common shares as final payment of the contingent share consideration that arose from the acquisition. This consideration had a fair value of $250,502 based upon the closing market price of the Company's shares on May 22, 2015, the date of the grant.

e) Amounts due to related parties

At April 30, 2015, there were directors' fees payable of $1,422 (2014 – $26,250) and accrued salaries, benefits, and outstanding vacation pay owing to management of $84,807 (2014 – $76,671).

Outstanding Share Information

Outstanding share information at the close of business on August 27, 2015 is set out in Table 29.

Table 29: Outstanding Share Information

	Outstanding	Expiry Date
Common shares		
Authorized - unlimited		
Issued	126,467,723	
Diluted [(1)]	177,698,408	
Weighted average outstanding [(2)]	111,666,786	
Common share warrants		
$0.26 warrants	3,569,458	Jan 29/16
$0.30 warrants	12,500,000	Mar 15/16
$0.28 warrants	8,951,385	Apr 29/16 - Jun 2/16
$0.22 compensation warrants	461,110	Apr 29/16 - Jun 2/16
$0.42 half warrants	2,144,266	Jun 28/17 - Jul 30/17
$0.315 compensation warrants	169,020	Jun 28/17 - Jul 30/17
$0.26 warrants	769,230	Feb 4/19
$0.19 USD compensation warrants	3,000,000	Apr 11 - Jun 6/19
$0.34 USD warrants	10,177,760	Oct 16 - Nov 24/19
$0.26 USD compensation warrants	534,737	Oct 16 - Nov 24/19
$0.38 warrants	3,099,374	Dec 18/19 - Feb 16/20
$0.29 compensation warrants	162,811	Dec 18/19 - Feb 16/20
	45,539,151	
Common share stock options		
$0.14 - $0.25	3,407,670	Oct 27/15 - Mar 19/20
$0.26 - $0.35	2,283,864	Sep 26/16 - May 12/20
	5,691,534	

[(1)] Assumes conversion of all outstanding common share stock options and warrants.
[(2)] Weighted average shares outstanding calculated from May 1, 2014 to August 27, 2015.

Industry and Economic Risk Factors Affecting Performance

The biotechnology industry is regarded as high risk given the uncertain nature of developing drug candidates and limited access to capital. On the other hand, success in this industry can be highly rewarding. COTI operates primarily in the discovery and preclinical development stages of the drug development cycle but will move into the Phase 1 clinical stage during fiscal 2016 as it moves COTI-2 into the clinic. The realization of COTI's long-term potential is dependent upon the successful development and commercialization of molecules discovered using the Company's drug discovery technology either for its own account or in R&D collaboration agreements for others. The major

industry and economic risk factors affecting realization of this potential are reviewed in the Company's 2014 Annual Information Form and are substantially unchanged at FYE 2015.

The four risk categories having the greatest effect on the Company during Q4-FYE'15 and for the year are listed and discussed as follows:

1. uncertainties related to research
2. the lack of revenues;
3. securing licensing agreements; and,
4. access to capital.

Uncertainties Related to Research

Like other biotech and pharmaceutical companies, COTI's research programs are based on scientific hypotheses and experimental approaches that may not lead to desired results. In addition, the timeframe for obtaining test results may be considerably longer than originally anticipated, or may not be possible given time, resources, and financial, strategic, and scientific constraints. Success in one stage of testing is not necessarily an indication that a particular compound or program will succeed in later stages of testing and development. It is not possible to guarantee, based upon studies in *in vitro* models and in animals, whether any of the compounds made for a therapeutic program will prove to be safe, effective, and suitable for human use.

Each compound will require additional research and development, scale-up, formulation and extensive clinical testing in humans. Development of compounds may require further investigation into the mechanism of action ("MOA") where this is not fully understood as many compounds have multiple MOAs. The discovery of unexpected toxicities, lack of sufficient efficacy, poor physiochemical properties, unacceptable ADME properties, poor drug metabolism and pharmacokinetics, inability to increase the scale of manufacture, lack of market attractiveness, regulatory hurdles, as well as other factors, may make COTI's therapeutic targets, or product candidates unattractive or unsuitable for human use and COTI may abandon its commitment to that program, target, or product candidate. COTI believes its CHEMSAS® process serves to mitigate or reduce these risks compared to traditional historic approaches or new computational approaches by virtue of profiling across many variables in identifying compounds with high probability of successfully becoming drugs, however, its predictions remain a probability only and failure can occur. Despite these uncertainties, COTI's lead compound, COTI-2, continues to progress through preclinical testing and perform as predicted.

These uncertainties and the attendant delays were experienced by COTI's lead compound, COTI-2, during the quarter and the year. The IND filing originally anticipated for September 2014 had a series of revised target dates until finally being filed near the end of the fourth quarter. Despite these delays, COTI-2 continued to progress and is poised to commence a Phase 1 clinical trial in the first half of calendar 2015. Success in this clinical trial will provide further support for the scientific validation of the CHEMSAS® technology platform's predictions but it is such delays that can affect the timing of achieving profitable operations and cause a continual need to seek financing.

Lack of Revenues

The revenue cycle for drug development is a long one; typically 5 to 10 years depending upon the point along development that monetization of the asset occurs. Since its inception to April 30, 2015, COTI has worked to develop relationships with prospective customers, and strived to obtain licensing and collaboration agreements for its own products and therapeutic targets of interest to partners. The continued development of COTI-2 and the nurturing of relationships with licensees concerning the strong scientific test results for the compound are critical to achieving a revenue realization stage. Accordingly, operating losses are expected to be incurred until revenues from upfront licensing, milestone and royalty payments are sufficient to fund continuing operations. COTI is unable to predict with any certainty when it will become profitable, or the extent of any future losses or profits. Without generating revenues and positive cash flows the Company will continually need to seek additional financing until such time as profitable operations occur.

Securing Adequate Licensing Agreements

The Company's ability to commercialize its products successfully will depend on its ability to negotiate licensing agreements with biotech or Pharma companies for its compounds. This will require first meeting the scientific due diligence requirements of prospective customers. While continued positive test results for COTI-2 during the fourth quarter and throughout fiscal 2015 generated positive feedback from potential licensees, these test outcomes have not translated into a contractual agreement to date. Licensing discussions during fiscal 2015 continued to find interest in the compound but the novel nature of the compound and class has caused licensees to seek further proof of the mechanism of action through test results in humans.

While industry reviews of the productivity of pharmaceutical industry R&D spending in generating new compounds indicates major pharmaceutical company pipelines have dramatically underperformed in producing new drugs for the R&D dollars invested, there is no certainty that licensing deals can be negotiated for COTI-2 or COTI's other compounds. Major pharmaceutical companies are seeking assets with as low a risk profile as possible hence a preference for later stage clinical compounds with lower risk profiles having successfully reached as far as, or through, Phase 3 clinical trials. While it may seem a reasonable strategy for a major pharmaceutical company to have a drug development pipeline across the entire development cycle there is no certainty that COTI can be a licensed provider of compounds to the preclinical or early clinical stage segment of such a pipeline. There is also no certainty that COTI can obtain licensing terms that are acceptable in indicating a commercially viable market for its products.

Access to Capital

The Company continually monitors its cash resources to support its R&D programs in an effort to move its compounds, particularly COTI-2, as rapidly as possible through development. These efforts were highlighted under Liquidity and Capital Resources where the Company noted the financial challenges that have hindered project development and the Company's efforts to generate needed capital. If additional funding cannot be obtained, COTI may be required to delay, reduce, or eliminate one or more

of its R&D programs or obtain funds through corporate partners or others who may require it to relinquish significant rights to its product candidates or obtain funds on less favourable terms than COTI would otherwise accept. Despite the Company's financing efforts, there can be no assurance additional funding can be obtained.

Use of Non-GAAP Financial Measures

Management has included two non-GAAP financial measures, first Cash Resources and second, Adjusted Working Capital, to supplement information contained in this MD&A. These non-GAAP measures do not have any standardized meaning prescribed under IFRS and therefore may not be comparable to similar measures when presented by other issuers.

1. Cash Resources

The Company looks at its available cash for operations on the basis of all Cash Resources, which is defined by the Company as the sum of its cash, cash equivalents and short-term investments. This differs from IFRS disclosure in the Company's financial statements where Cash is defined as cash and cash equivalents. The essential difference therefore is the inclusion of short-term investments in the Company's view of cash available for operations. Under IFRS, an investment made with a maturity greater than 90 days at the date of purchase is considered a short-term investment and thus not included in cash and cash equivalents. The short-term investment at FYE 2015 was a guaranteed investment certificate cashable at any time up to its maturity date in December 2015. With such high liquidity characteristics, management considers such an investment as a readily available source of cash for operations. The decision by management to earn some higher return on cash balances where the Company's cash flow projections determine such funds would not be needed in a shorter time frame is not viewed by management as a basis for exclusion in its view of cash. Accordingly, management believes the inclusion of the short-term investment as part of Cash Resources provides more meaningful information with respect to the liquidity of the Company and the cash available for operations.

Table 30: Reconciliation to Cash

	April 30, 2015		April 30, 2014	
	Cash per MD&A	Cash per Financial Statements	Cash per MD&A	Cash per Financial Statements
Cash and cash equivalents	$1,599,220	$1,599,220	$830,275	$830,275
Short-term investment	266,464	-	-	-
Cash	$1,865,684	$1,599,220	$830,275	$830,275

2. Adjusted Working Capital

The Company uses adjusted working capital in its monitoring and review of cash required for operations. Adjusted working capital is defined as the standard working capital calculation adjusted for non-cash liabilities as set out in Table 31.

The standard working capital calculation results in a lower amount of working capital than what the Company measures as working capital. At FYE 2015, this resulted primarily the accounting under IFRS requiring the issuance of warrants where the exercise price is denominated in USD to be accounted for as a warrant liability.

During the year, the Company completed a private placement financing of units in three tranches consisting of one common share and one warrant (see Table 18). The 10,177,760 warrants issued have an exercise price of $0.34 USD. As this exercise price is not in the functional currency of the Company, the warrants are required to be presented as a "warrant liability" on initial recognition rather than equity if they had been issued in the functional currency of the Company. At each subsequent reporting date, the warrants are measured at their fair value and the change in fair value is recognized through profit or loss.

When such warrants are exercised by the warrant holders the warrant liability will be reduced and the related amount transferred to equity reflecting the accounting treatment were these warrants to have been issued with a CAD exercise price originally. For emphasis, this warrant liability represents warrants denominated with a USD exercise price which if exercised will bring in cash to the Company and accordingly represent a liability not settled in cash.

In addition to the non-cash impact of the warrant liability, the Company also recorded a fair value for common shares of the Company to be issued in settlement of contingent consideration in the amount of $250,502 as discussed under Related Parties – Contingent transactions.

Thus the Company uses Adjusted Working Capital to reflect the reality of the Company's working capital position as it relates to liabilities where the Company has an actual legal expectation to issue cash in settlement.

Table 31: Adjusted Working Capital

	April 30, 2015	April 30, 2014
Amounts per financial statements:		
Current assets	$2,126,755	$1,059,702
Current liabilities	1,956,167	1,030,561
Working capital	170,588	29,141
Adjustment for non-cash items:		
Warrant liability	1,170,070	-
Contingent share consideration on IND grant	250,502	-
	$1,591,160	$29,141

Changes in Accounting Policies

Details regarding the adoption of new accounting pronouncements in FYE 2015 and future accounting policy changes affecting FYE 2016 based upon new accounting pronouncements are set out below.

(a) Adoption of new accounting pronouncements:

The IASB issued new standards and amendments or interpretations to existing standards that were effective at the time of commencing the Company's fiscal year beginning May 1, 2014. Of the new or amended pronouncements, there were two standards applicable to the Company's operations and these were adopted during the year with no impact on the financial statements as described below.

i. IAS 32 - Financial Statements: Presentation:

In December 2011, the IASB amended IAS 32 related to offsetting financial assets and financial liabilities. The amendments to IAS 32 clarify that an entity currently has a legally enforceable right to set-off, if at the time of the transactions, that right is not contingent on a future event; and, is enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments to IAS 32 also clarify when a set-off mechanism provides for a net settlement or a gross settlement that is equivalent to a net settlement. The amendments are effective for annual periods beginning on or after January 1, 2014, with retrospective application. The Company adopted the amendments in its financial statements for the annual period beginning on May 1, 2014. The adoption of these amendments had no material impact on the financial statements.

ii. IAS 36 – Impairment of Assets:

In May 2013, the IASB issued Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36). These amendments reverse the unintended requirement in IFRS 13 Fair Value Measurement to disclose the recoverable amount of every cash generating unit to which significant goodwill or indefinite-lived intangible assets have been allocated. Under the amendments, the recoverable amount is required to be disclosed only when an impairment loss has been recognized or reversed. The amendments apply retrospectively for annual periods beginning on or after January 1, 2014. The Company adopted the amendments in its financial statements for the annual period beginning on May 1, 2014. The amendments impact certain disclosure requirements only and had no material impact on the financial statements.

(b) Recent accounting pronouncements not yet adopted:

Certain pronouncements have been issued by the IASB or the International Financial Reporting Interpretations Committee that are mandatory for annual periods beginning subsequent to the April 30, 2015 year-end. Many of these updates are not applicable to COTI or are inconsequential to the

Company and have been excluded from the discussion below. Those new or amended standards that affect the Company for the financial reporting year ended April 30, 2016, are set out below. The Company intends to adopt these amendments in its financial statements for the annual period beginning on May 1, 2015.

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

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

- IFRS 2 Share-based payment

This amendment clarifies the definition of "vesting conditions" by separately defining a "performance condition" and a "service condition". Service conditions require the counterparty to complete a specified period of service. Performance conditions require the counterparty to complete a specified period of service and specified performance targets to be met (such as a specified increase in the entity's profit over a specified period of time). A performance condition might include a market condition. The amendment also clarifies that any failure to complete a specified service period, even due to termination of an employee, would be a failure to satisfy a service condition. The Company does not expect the amendments to have a material impact on the financial statements.

- IFRS 8 Operating Segments

This amendment requires entities to disclose those factors used to apply aggregation criteria for operating segments and the disclosures must include a brief description of the operating segments that have been aggregated and the economic indicators that have been used in determining that they share similar characteristics.

The Company is pre-revenue but is engaged in business activities from which it may earn revenues and incur expenses. The Company's products are targeted libraries of novel, optimized lead compounds for the treatment of human diseases for which current therapy is either lacking or ineffective using its proprietary artificial intelligence platform, CHEMSAS®. At present, the Company makes no differentiation among these targeted libraries in its regular review by the chief operating decision makers as it relates to resources to be allocated to them accept to the extent that a single molecule is being advanced ahead of others to prove the commercial and scientific merits of the underlying CHEMSAS® technology and thus assess its performance. The Company's intent is to monetize these products from CHEMSAS® in collaboration with pharmaceutical, biotech, and academic partners as they are developed.

Accordingly, COTI is of the view it operates as one operating segment for reporting purposes as management of the Company does not regularly review discrete financial information on individual libraries or molecules as the stage of development of such libraries and resources to develop them makes such analysis premature and of limited material value.

- IFRS 13 Fair Value Measurement

This amendment clarifies that in issuing IFRS 13 and consequential amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 9 Financial Instruments, the IASB did not intend to prevent entities from measuring short-term receivables and payables that have no stated interest rate at their invoiced amounts without discounting if the effect of not discounting was immaterial. As the Company did not previously apply a discounting approach to its short-term receivables and payables, the amendment will have no impact on the financial statements.

- IAS 38 Intangible Assets and IAS 16 Property Plant and Equipment

This amendment focuses on the requirements of the revaluation model in both IAS 38 and IAS 16 and clarifies that the restatement of the accumulated amortization is not always proportionate to the change in the gross carrying amount of the asset. Instead, the accumulated amortization at the date of revaluation is calculated as the difference between the gross and the net carrying amounts after restating the gross carrying amount in a manner consistent with the revaluation of the carrying amount. The Company has had no revaluations in the past and the amendment will have no material impact on the financial statements.

- IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 - Revenue from Contracts with Customers, which introduces a single model for recognizing revenue from contracts with customers except leases, financial instruments and insurance contracts.

The standard is effective for annual periods beginning on or after January 1, 2017 with retroactive application. Early adoption is permitted. 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 revenues it anticipates.