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

Fiscal 2016 – Third Quarter
for the three and nine month periods ended January 31, 2016

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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") for the three and nine month periods ended January 31, 2016. This MD&A is intended to assist in understanding the dynamics of the Company's business and the key factors underlying its financial results. The Audit Committee of the Company, as authorized by the Board of Directors, approved the content of this MD&A on March 10, 2016.

This analysis should be read in conjunction with the unaudited condensed interim financial statements ("Interim Financial Statements") and notes thereto for the three and nine month periods ended January 31, 2016. These Interim Financial Statements were prepared in accordance with International Financial Reporting Standards ("IFRS") and in particular with International Accounting Standard 34: Interim Financial Reporting.

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

The Company's quarterly interim reports, Annual Financial Statements, and additional supplementary information concerning the Company can be found on SEDAR at www.sedar.com or on the Company's website at www.criticaloutcome.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:

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

b) An ability to further enhance and add features to the CHEMSAS® technology or incorporate advances in artificial intelligence for internal and collaborative purposes;

c) The ability to obtain patent protection for the Company's compounds and other intellectual property; and,

d) 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 a few compounds through preclinical testing as commercial validation of the CHEMSAS® platform • Plans to advance COTI-2 in a Phase 1 clinical trial in fiscal 2016-2017 • Plans for future application of the CHEMSAS® technology on a commercial collaboration basis
Operational Progress and Outlook	• Dosing of first patient in Phase 1 gynecologic trial with COTI-2 in the fourth quarter of fiscal 2016 • Seeking new indications for COTI-2 beyond gynecologic cancers • Further development of COTI-219 and MRSA compounds as potential clinical development successors to COTI-2 • Increased development of the ROSALIND technology • Plans and needs for additional funding
Liquidity and Cash Resources	• Plans and needs to seek additional cash resources from warrant exercises or a private placement with a current focus on the U.S.
Foreign Exchange Exposure	• Expectation of exposure to currency risk resulting from the clinical trial costs incurred with a U.S. investigator site
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 2017 of new accounting standards issued by the 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 2014 Annual Information Form, including those specifically described later in this 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 molecules initially targeted at small cell lung cancer that were identified 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 commenced trading in the United States on the OTC Markets OTCQB trading platform for venture companies under the symbol COTQF.

Our Business

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

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 and into human trials where success will provide commercial validation of the CHEMSAS® platform. The

Company's most advanced oncology asset, COTI-2, received investigational new drug ("IND") status from the United States Food and Drug Administration ("FDA") in May 2015 and commenced a Phase 1 clinical trial in gynecological cancers in December 2015.

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 & Outlook

a) Operations

The major highlight of the third quarter was the finalization of the clinical trial agreement ("CTA") for the Company's lead oncology compound, COTI-2, in a Phase 1 trial for the investigation and treatment of advanced and recurrent gynecologic malignancies at MD Anderson Cancer Center ("MD Anderson") in Houston, TX.

During the quarter, MD Anderson completed their internal review of the clinical trial documentation and executed the CTA on December 8, 2015. The CTA is the key legal agreement between the Company and MD Anderson and includes the financial budget, payment terms, and the detailed clinical study protocol for the clinical investigators.

With the CTA signed, the Phase 1 trial officially began on December 9, 2015, with a site visit to MD Anderson by the COTI trial team for training of the MD Anderson clinical trial staff. Following a period of patient pre-screening, enrolment, and testing, the first cohort of the trial commenced treatment shortly after the quarter-end as announced on February 15, 2016. The Company looks forward to progressing with subsequent patient enrollments through the balance of fiscal 2016 and during fiscal 2017.

During the quarter, the Company continued its strategic efforts to broaden the number of oncology indications for which COTI-2 would be a valuable p53 mutation therapy. These efforts focused primarily on using COTI-2 for the treatment of patients with recurrent head and neck squamous cell cancer ("HNSCC"), acute myelogenous leukemia ("AML"), and Li-Fraumeni Syndrome ("LFS"). In this regard, the Company submitted an application for an Orphan Drug Designation for LFS to the FDA on November 22, 2015. The Company anticipates a response to the application before the end of the fiscal year. Discussions with various parties on the planning for Phase 1 clinical trials in HNSCC and LFS progressed during the quarter. A clinical trial application for HNSCC is anticipated to be filed with Health Canada later in calendar 2016.

During the quarter, the Company also continued testing work on a number of its preclinical drug development candidates to follow COTI-2 into the clinic. The primary candidates include COTI-219,

which is another compound targeted at cancer, and a small library of antibiotic compounds targeted at methicillin-resistant staphylococcus aureus ("MRSA"). The work on COTI-219 focused on mechanism of action validation and in vivo testing. For the MRSA compounds, Company research efforts were centered on completing the synthesis of these novel potential antibiotics that involved the creation of new chemistry. These compounds are designed to overcome the issue of bacterial resistance responsible for several difficult-to-treat infections in humans. This MRSA resistance relates to the beta-lactam antibiotics, which include the penicillins (methicillin, dicloxacillin, nafcillin, oxacillin, etc.) and the cephalosporins. The Company looks forward to being able to share details on these tests and promising candidates later in calendar 2016.

Management continued to foster interest in the development of its ROSALIND technology targeted to provide personalized oncology drug treatment recommendations to physicians for their patients based on the genetic profile of each individual patient's specific cancer. Key strategic issues that were advanced in the quarter included:

- Further proof of concept validation with oncology practitioners on a limited number of patients;
- Development of a large scale validation study; and,
- Development of a web site to facilitate the validation studies.

b) Financing

The Company has a number of important objectives planned for fiscal 2017 to drive the business forward to a revenue event with the primary objective being the execution of its COTI-2 clinical trial plan in gynecologic cancers. Contract research organizational costs of $1,562,080 have been committed to the clinical trial as noted in "Liquidity and Cash Resources" under the "Working Capital" section and the Company is also incurring internal labour costs in support of the trial. To fund these and other project costs in realizing its objectives will require the Company to seek additional funding. Funding achievements for the quarter and year-to-date are highlighted in "Liquidity and Cash Resources". For the quarter, this included approximately $509,000 obtained from the exercise of warrants and share options. However, additional financing will be required to fund operations through fiscal 2017. This funding is expected to come from a combination of sources that may include:

- the exercise of options and warrants that could occur with further increases in the stock price above the current in-the-money exercise prices;
- Additional private placement financings with an emphasis on institutional investors and creating a U.S. base of investors;
- government funding; and,
- co-development project funding from interested partners.

Financial Review of Third Quarter Results

Summary financial information for the three and nine month periods ended January 31, 2016 and 2015 is set out in Table 2.

Table 2 – Summary Financial Results – Third Quarter Comparatives

	Three months ended		Nine months ended	
	January 31, 2016	**January 31, 2015**	**January 31, 2016**	**January 31, 2015**
Expenses (income):				
Research and product development	$ 396,593	$ 345,520	$ 1,043,879	$ 935,462
Sales and marketing	121,134	80,576	415,770	191,261
General and administration	474,931	584,000	1,434,600	1,844,204
Investment tax credits	(28,589)	(26,233)	(57,527)	(111,830)
	964,069	983,863	2,836,722	2,859,097
Loss before finance income (expense)	(964,069)	(983,863)	(2,836,722)	(2,859,097)
Finance income (expense):				
Interest income (expense), net	2,480	(15,948)	7,602	(53,175)
Change in fair value of warrant liability	310,050	-	226,049	-
Foreign exchange gain (loss)	14,363	50,308	41,913	45,770
	326,893	34,360	275,564	(7,405)
Loss and comprehensive loss	$ (637,176)	$ (949,503)	$ (2,561,158)	$ (2,866,502)
Loss per share:				
Weighted average shares outstanding	127,910,546	113,356,049	124,889,729	105,925,630
Basic and diluted loss per common share	$ (0.01)	$ (0.01)	$ (0.02)	$ (0.03)

Expenses

Expenses decreased modestly from $983,863 for Q3-FYE'15 to $964,069 for Q3-FYE'16, a decrease of $19,794. On a year-to-date basis, operating expenses decreased by $22,375 from $2,859,097 in YTD-FYE'15 to $2,836,722 in YTD-FYE'16. This decrease year-to-date occurred primarily from a decrease in General and administration expense offset by an increase in Research and product development, and Sales and marketing expenses, and a decrease in Investment tax credits earned.

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

Table 3 provides a breakdown of R&D expenses by major expense types for the comparable three and nine month fiscal periods ended January 31. The increase of $51,073 in R&D expenses quarter over quarter and the increase of $108,417 year over year is attributable primarily to an increase in two expense categories: Salaries and benefits, and Professional fees. These expense increases were offset primarily by a decrease in Synthesis and miscellaneous R&D expenses. The major activity driving the increase in these expenses is the activity related to the planning and commencement of the Phase 1 clinical trial for COTI-2 in gynecologic cancers.

Table 3: R&D Expenses – Comparative Periods Ended January 31

	Q3-FYE'16	Q3-FYE'15	Change
Synthesis and miscellaneous R&D expenses	$ 111,335	$ 179,209	$ 67,874
In vivo/in vitro testing	24,280	20,036	(4,244)
	135,615	199,245	63,630
Salaries and benefits	165,823	113,775	(52,048)
Professional fees	51,178	14,410	(36,768)
Other	18,897	18,090	(807)
	371,513	345,520	(25,993)
Share-based compensation	25,080	-	(25,080)
Total	$ 396,593	$ 345,520	$ (51,073)

	YTD - FYE'16	YTD - FYE'15	Change
Synthesis and miscellaneous R&D expenses	$ 203,523	$ 417,329	$ 213,806
In vivo/in vitro testing	110,560	148,021	37,461
	314,083	565,350	251,267
Salaries and benefits	424,262	291,704	(132,558)
Professional fees	197,497	37,096	(160,401)
Other	61,334	41,312	(20,022)
	997,176	935,462	(61,714)
Share-based compensation	46,703	-	(46,703)
Total	$ 1,043,879	$ 935,462	$ (108,417)

The increase in Salaries and benefits quarter over quarter and year over year primarily reflects an increase in head count. The Company hired a Clinical Trials Manager in March 2015 to spearhead the Company's efforts in managing the planned Phase 1 clinical trial for COTI-2. The increase also reflects salary increases made in late October 2015 that increased the comparative salaries.

Professional fees increased significantly both in the quarter and year-to-date comparisons. This related, first, to scientific consultants' costs in support of the Company's interactions with the FDA in its review of the COTI-2 IND submission made on April 24, 2015, and second, the engagement of a contract research organization to act as the monitor for the COTI-2 Phase 1 clinical trial, and to plan and develop the data management, analysis, and reporting for the trial.

Synthesis decreased quarter over quarter primarily due to completion in the first nine months of fiscal 2015 of the scale up of the oral formulation of COTI-2 under good manufacturing practices quality for use in human trials. Approximately 50% of the fiscal 2016 synthesis costs relates to the supply of drug for the COTI-2 clinical trial. The balance of this expense relates 39% to the synthesis of MRSA compounds and 11% for COTI-219.

In vivo/in vitro testing increased quarter over quarter but decreased year over year primarily associated with the completion of the final two-species 28-day toxicity testing of COTI-2 during the first half of

fiscal 2015. The current year expenditures continue to have a focus on COTI-2, which has included in vivo testing for Li-Fraumeni Syndrome. In vitro evaluative work on COTI-219's mechanism of action represented approximately 35% of this expense during the first nine months of fiscal 2016.

The increase in Other expenses reflects increases in R&D conferences attended and associated travel costs, intellectual property consulting, and the additional expense for clinical trial liability insurance that commenced on September 1, 2015, which was not incurred in the comparable prior year period.

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

Activities captured in G&A for Q3-FYE'16 were relatively consistent compared to the prior year, however, certain initiatives undertaken using consultants, particularly investor relations and strategic financing, were re-evaluated during the latter part of fiscal 2015 and more cost effective approaches were identified, resulting in better value being realized year-to-date in fiscal 2016. In addition, the amortization of the Company's purchased molecules that are carried as part of intangible assets in the Company's financial statements was re-assessed following the settlement of the contingent purchase consideration in May 2015. This resulted in a change in the period of Amortization causing a reduction in this expense in the comparable review periods.

Table 4 provides a breakdown of G&A expenses by major expense types for the comparable three and nine month fiscal periods ended January 31. The decrease of $109,069 in G&A expenses quarter over quarter is primarily attributable to a significant decrease in Amortization and Professional fees with partial offset primarily from an increase in Corporate governance expenses and Promotion and travel costs. These expense categories also account for the change in the comparative year-to-date periods with an increase in Share-based compensation being an additional factor in offsetting some of the expense reduction realized year–to-date.

Table 4: G&A Expenses – Comparative Periods Ended January 31

	Q3-FYE'16	Q3-FYE'15	Change
Professional fees	$ 87,356	$ 123,638	$ 36,282
Salaries and benefits	65,898	81,691	15,793
Corporate governance	58,443	36,617	(21,826)
Amortization	41,543	134,423	92,880
Promotion and travel	24,814	11,603	(13,211)
Insurance	19,239	14,418	(4,821)
Other	10,368	5,783	(4,585)
Rent	10,200	10,200	-
	317,861	418,373	100,512
Share-based compensation	157,070	165,627	8,557
Total	$ 474,931	$ 584,000	$ 109,069

	YTD - FYE'16	YTD - FYE'15	Change
Professional fees	$ 422,386	$ 634,610	$ 212,224
Salaries and benefits	266,056	265,948	(108)
Amortization	165,571	401,422	235,851
Corporate governance	122,789	137,122	14,333
Promotion and travel	89,414	72,751	(16,663)
Insurance	47,807	43,263	(4,544)
Rent	30,600	30,315	(285)
Other	19,808	39,358	19,550
	1,164,431	1,624,789	460,358
Share-based compensation	270,169	219,415	(50,754)
Total	$ 1,434,600	$ 1,844,204	$ 409,604

The Professional fees in Q3-FYE'16 related to a number of activities including: engaging consultants in support of investor relations initiatives; valuation services associated with the quarterly revaluation of the USD warrant liability; and human resource consulting costs. On a year-to-date basis, the YTD-FYE'15 Professional fees expense included a non-cash payment related to a strategic financing initiative, which was paid through the issuance of 750,000 common share purchase warrants of the Company in each of May and June 2014. The warrants were valued at $260,250 using a Black-Scholes valuation model and this expense did not reoccur in fiscal 2016 as reflected in the reduction in consulting fees of $212,224.

Amortization decreased in Q3-FYE'16 compared to Q3-FYE'15 as management reassessed the period over which future economic benefits would be realized for its purchased molecules classified as intangible assets. This reassessment occurred in Q1-FYE'16 following the settlement in May 2015 of the contingent purchase consideration for $250,502 that was recognized with an increase in the value of the molecules. The amortization period of the molecules had historically been 96 months commencing December 1, 2007. This period was based upon the original purchase agreement wherein if the contingent purchase consideration for the molecules was not paid by November 27, 2015, the molecules were required to be returned to the seller. Because of the settlement, the Company reviewed the useful life and the expected pattern of consumption of the future economic benefits of the molecules. The Company determined that the future economic benefits of the molecules were more appropriately reflected in the period remaining to the date of expiry of the patents granted for the respective molecules. This change in amortization commenced June 1, 2015.

The increase in Corporate governance expense in Q3-FYE'16 compared to Q3-FYE'15 reflects an increase in directors fees associated with the addition of two directors during fiscal 2016. On a year-to-date basis this increase was offset by non-recurring legal fees incurred for the Annual General Meeting ("AGM"), held in October 2014. These fees related to implementing various shareholder and governance protections such as a Shareholder Rights Plan at the 2014 AGM.

The decrease in Other expenses for the comparable year–to-date periods primarily reflects the repayment of a debenture on February 5, 2015, and accordingly no accretion expense related to the debenture was incurred in fiscal 2016 compared to the prior fiscal year.

An increase of $50,574 in Share-based compensation year over year for the comparable nine month periods primarily reflects share options granted to consultants in 2016 that did not occur in the prior period.

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

The Company continued the increase in its business development and marketing activities during the quarter that built on the efforts started in the latter half of fiscal 2015. Table 5 provides a breakdown of S&M expenses by major expense types for the comparable three and nine month fiscal periods ended January 31.

Table 5: S&M Expenses – Comparative Periods Ended January 31

	Q3-FYE'16	Q3-FYE'15	Change
Professional fees	$ 80,640	$ 47,000	$ (33,640)
Marketing and travel	35,349	33,167	(2,182)
Salaries and benefits	4,588	-	(4,588)
Other	557	409	(148)
Total	$ 121,134	$ 80,576	$ (40,558)

	YTD - FYE'16	YTD - FYE'15	Change
Professional fees	$ 271,323	$ 91,750	$ (179,573)
Marketing and travel	114,732	98,622	(16,110)
Salaries and benefits	15,915	-	(15,915)
Other	1,667	889	(778)
	403,637	191,261	(212,376)
Share-based compensation	12,133	-	(12,133)
Total	$ 415,770	$ 191,261	$ (224,509)

The increase in Professional fees relates to the engagement of two consultants on annual contracts dedicated to business development efforts across a number of commercial revenue initiatives.

The Marketing and travel cost increase year-to-date reflects an increase in attendance at various conferences and other meeting venues in support of the licensing and business development efforts.

The Company does not employ any staff directly in the S&M function, preferring to use the expertise of external consultants for this activity; however, directors who provide consulting services in this area, which is considered to be beyond normal director activities, are paid a daily stipend that is recognized in Salaries and benefits expense.

The Share-based compensation increase relates to an award of share options to a business development consultant in June 2015 that vested upon grant.

d) Investment Tax Credits ("ITC")

The Company uses contract research organizations that are located in various provinces in Canada. In addition to qualifying for Canadian federal ITCs, the Company also can qualify for provincial ITC programs. The increase in ITC income of $2,356 quarter over quarter and the decrease of $54,303 year over year relates to three major factors. First, the Province of Quebec introduced an expenditures threshold for qualifying expenditures in the Province for fiscal years beginning after December 4, 2014 such that the first $50,000 of eligible expenditures in a company's fiscal year are not eligible for an ITC. Second, the rate applied for the Quebec salary and wage credit was reduced from 37.5% to 30%. The third factor was an increase in non-qualifying R&D activities as they were of an administrative or commercial nature (such as the time and expense associated with the Phase 1 clinical trial agreements) rather than qualifying scientific technical studies.

e) Interest income (expense)

The decrease in interest expense of $18,428 in Q3-FYE'16 compared to the prior year period and $60,777 in the year-to-date comparative periods primarily relates to the repayment upon its maturity in February 2015 of the $400,000 debenture issued in February 2014.

f) Change in Fair Value of Warrant Liability

The warrant liability recognized in fiscal 2015 for warrants issued with a USD exercise price is required to be re-measured at fair value in the Company's Statements of Financial Position at each reporting date. Accordingly, at the January 31 reporting date, the warrant liability was reduced by $310,050 reflecting the change in the fair value from the prior reporting quarter. The major factor in the value reduction was the impact of USD foreign exchange rates that rose dramatically during the quarter and thus increased the spread between the USD exercise price and the underlying CAD market price.

g) Foreign Exchange Gain

The Company closed a private placement financing in fiscal 2015 that was priced in USD as noted above. Accordingly, the Company held a portion of the proceeds in USD. The decline in the CAD exchange rate since year end (April 30, 2015, 1 USD = 1.2064 CAD, January 31, 2016, 1 USD = 1.4006 CAD), resulted in the Company recording a foreign exchange gain from holding USD during the quarter and year-to-date.

Financial Results Quarterly Summary

Table 6 summarizes the financial results of the Company by quarter for the past two fiscal years.

Table 6: Summary of Quarterly Financial Results

FYE 2016	Q1 31-Jul	Q2 31-Oct	Q3 31-Jan	Q4 30-Apr	Year to Date
Revenue	$ -	$ -	$ -	$ -	$ -
Loss	(985,121)	(938,861)	(637,176)	-	(2,561,158)
Loss per common share	$ (0.01)	$ (0.01)	$ (0.01)	$ -	$ (0.02)

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	$ (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	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.03)

Two functional expense categories, General and administration, and Research and product development, as set out in Table 7 explain the majority of the variation by quarter across the years and quarterly year over year.

The overall trend for G&A expense was a decrease in the first three quarters of FYE 2016 compared to the fourth quarter of FYE 2015 reflecting a decrease in consulting expense. This continued the trend toward decreasing G&A expense reflected in the trend line over the prior year. R&D expense declined in the first quarter of FYE 2016 reflecting the submission of the Company's IND application to the FDA for a clinical trial with COTI-2 late in Q4-FYE'15. This reduced the use of third party contract testing pending the start of the intense planning for the Phase 1 clinical trial; however, R&D increased in the second and third quarters to levels comparable with the prior year quarters. Share-based compensation increased in the first two quarters compared to prior years related to additional human resource support that resulted in option awards to an employee, director, and consultant. The decline as a percentage of total expense from these three categories to 87.8% in Q1-FYE'16 highlights the increase in S&M expense that occurred in the quarter.

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 2015 continued the trend from the fourth quarter of FYE 2014 and reflected 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 on the completion of an IND filing.

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 reflected the impact of financings closed in Q1- 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.

The increase in Share-based compensation in the third quarter of each fiscal year reflects the timing of annual share option grants to directors and employees and does not correlate to the changes in the other expense categories during these years.

Table 7: Selected Quarterly Expense Categories [(1)]

FYE 2016	Q1 31-Jul	Q2 31-Oct	Q3 31-Jan	Q4 30-Apr	Year to Date
General and administration	$ 400,303	$ 446,267	$ 317,861	$ -	$ 1,164,431
Research and product development	287,773	337,890	371,513	-	997,176
Share-based compensation	77,834	69,021	182,150	-	329,005
Total of expense categories	765,910	853,178	871,524	-	2,490,612
Total expense for the quarter	$ 902,866	$ 969,787	$ 964,069	$ -	$ 2,836,722
Expense categories as a % of total expense	84.8%	88.0%	90.4%	-	87.8%

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%

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.

Liquidity and Cash Resources

Table 8 summarizes the changes in cash resources for the nine month periods ending Q3-FYE'16 and Q3-FYE'15. At the end of Q3-FYE'16, the Company had cash and cash equivalents of $1,747,885 compared to $2,425,481 in cash resources at the end of Q3-FYE'15 reflecting a decrease in the Company's cash position between the comparable periods of $677,596. This decrease in cash between the periods primarily reflects the increase in cash usage for operating activities in Q3-FYE'16 of approximately $458,000 and the greater amount of financing obtained in Q3-FYE'15.

Table 8: Summary of Changes in Cash Resources (1)

	Q3-FYE'16	Q3-FYE'15
Used in:		
Operating activities	$ (2,780,999)	$ (2,322,442)
Investing activities	(85,771)	(90,177)
Decrease in cash resources before financing activities	(2,866,770)	(2,412,619)
Proceeds from issuance of common shares and warrants	2,722,861	4,180,972
Costs of issuance common shares and warrants	(90,498)	(315,403)
Costs of warrant amendments	-	(10,161)
Investment tax credit recoveries	116,323	72,726
Interest paid	(3,672)	(34,199)
Increase (decrease) in cash resources	(121,756)	1,481,316
Less: unrealized foreign exchange loss on cash resources	3,957	113,890
Cash resources - beginning of period	1,865,684	830,275
Cash resources - end of period	$ 1,747,885	$ 2,425,481

(1) See Use of Non-GAAP Financial Measures.

Based upon the Company's cash flow projections, these cash resources will sustain operations through the end of fiscal 2016, however, current funds are insufficient to fund the Company through to the completion of the Phase 1 clinical trial for COTI-2 that is currently expected to run to the end of June 2017. Accordingly, it will be necessary to obtain additional financing to fund operations during fiscal 2017.

Financing Activities

During the third quarter, the Company received financing of $508,901 from the exercise of warrants and options. This built on the funds realized from similar exercises in Q1 and Q2-FYE'16, and on the private placement that closed in those earlier quarters, for total gross financing proceeds for the nine months ended January 31, 2016 of $2,722,861.

1. During Q3-FYE'16

a) Warrant exercises:

During the quarter ended January 31, 2016, the Company realized gross proceeds of $492,901 from the exercise of 49,500 compensation warrants exercisable at $0.315 and 1,835,810 common share warrants exercisable at $0.26.

b) Option exercises:

During the quarter ended January 31, 2016, 100,000 $0.16 options were exercised for gross proceeds of $16,000.

2. Subsequent to Q3-FYE'16

Subsequent to January 31, 2016, and up to the close of business on March 10, 2016, the Company realized gross proceeds of $449,544 from the exercise on various dates of a total of 1,498,480 warrants exercisable at $0.30 per share that were due to expire on March 15, 2016.

Future Financing

The Company has warrants expiring by early June 2016 as set out in Table 9 below that are a potential source of financing. If all warrants were exercised the Company could generate gross proceeds of $6,357,832, however, the Company does not anticipate all warrants will be exercised. To the extent these are exercised will be a function of the market price of the Company's underlying common shares and the perspective on the opportunity for shareholder value creation over the investment time horizon of 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 over the period to June 3, 2016.

Table 9: Summary of Warrants Expiring by June 3, 2016

Security type	Expiry date	Number of securities	Exercise price	Potential Exercise Value
Warrants	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
	June 2/16	5,595,135	0.28	1,566,638
	June 2/16	219,110	$ 0.22	48,204
Total		21,912,495		$ 6,357,832

As the extent of warrant exercise is uncertain, the Company continues to look at alternative financing sources to support operations going forward, and particularly the completion of the Phase 1 clinical trial

for COTI-2 at MD Anderson that drives significant future revenue potential from COTI-2. The current focus is on a private placement with U.S.-based institutional and accredited investors.

Working Capital

The Company had adjusted working capital at Q3-FYE'16 of $1,846,418 compared to $1,591,160 at FYE 2015. The Company defines adjusted working capital as the standard working capital calculation adjusted for non-cash liabilities. 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 investments consist of three guaranteed investment certificates maturing at various dates with the latest maturity in December 2016. These certificates can be cashed at any time after three months from the purchase date. Current assets increased to $2,346,412 at Q3-FYE'16 from $2,126,755 at FYE 2015 for an increase of $219,657 due primarily to an increase in prepaid expenses and deposits. Prepayments of $381,198 related to the commencement of the clinical trial were made during the quarter. Current liabilities decreased $512,153 to $1,444,014 at Q3-FYE'16 from $1,956,167 at FYE 2015 primarily due to a decrease in the fair value of the warrant liability calculated at the quarter end reporting date and the settlement in Q1-FYE'16 of the contingent molecule purchase that was outstanding at FYE 2015. 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 had contractual commitments at the quarter-end to pay for the completion of work under research and development contracts primarily related to the Company's Phase 1 clinical trial for COTI-2 in gynecologic cancers. Payment timing of clinical trial costs is subject to the actual timing of trial activities such as the enrollment of patients, completion of testing, and administration of drug in combination with negotiated payment terms. The Company currently expects the clinical trial to conclude at the end of June 2017. Summary details of the estimated timing of these commitments are set out in Table 10 below.

Table 10: Contractual Obligations

		Years ending April 30			
		2016	2017	2018	Total
COTI-2:					
	Clinical trial costs	$ 190,365	$ 1,161,584	$ 210,130	$ 1,562,080
	Other preclinical	80,944	-	7,345	88,289
		271,309	1,161,584	217,475	1,650,369
Other Molecules		61,371	-	-	61,371
Total		$ 332,680	$ 1,161,584	$ 217,475	$ 1,711,739

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. Certain 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 January 31, 2016, and up to the date of this report, the Company realized gross proceeds of approximately $449,544 from the exercise of warrants issued in prior years. The Company has discretion with many of its expenditure activities, and plans to manage these activities during the balance of fiscal 2016 and in fiscal 2017 within the limits of available cash resources. While the Company has a history of obtaining financing, there is no certainty that any of the aforementioned strategies will enable the Company to alleviate the going concern risk in future periods.

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. Up to the end of fiscal 2015, these foreign currency contracts have individually been valued at less than $150,000

CAD. As exposure was not significant, the Company has not used derivative instruments to reduce its exposure to this foreign currency risk.

The Company completed a financing in the fall of 2014 that was priced in USD and was partially settled in USD. These USD funds provided some natural hedging against changes in the USD and on the Company's USD expenditures in fiscal 2016 up to the end of November 2015. In December 2015, the Company purchased $200,000 USD at a rate of 1.3825 CAD to cover its forecast USD expenditures in the succeeding quarter and provide certainty of cost in the face of increasing CAD weakness.

During Q3-FYE'16, as in Q1- and Q2-FYE'16, the Company's foreign exchange exposure was related primarily to the USD with some exposure to the CHF. The amount of this exposure was not material to the Company's operations with a foreign exchange gain of $14,363 recorded in the quarter compared to a gain at Q2-FYE'16 of $27,550, for a gain of $41,913 year-to-date. The comparable gain at Q3-FYE'15 of $45,770 was a result of the financing in the fall of 2014 noted above.

As for future exposure, the Company will incur USD denominated expenses related to the Phase 1 clinical trial during the balance of fiscal 2016 and 2017. These costs will occur over an estimated 18 month period and are expected to be in the range of $736,000 – $958,000 USD. The Company has warrants outstanding and exercisable at USD prices that could generate USD proceeds to the Company. The amount and timing of such exercise is not presently determinable. In addition, as noted in the "Liquidity and Cash Resources" section, the Company has been focusing on U.S.-based investors for future financings that could provide USD funds and a return of natural hedging for the Company's USD expenditures. Because of these exposures, variations in foreign exchange rates could cause some fluctuation in the Company's operating results and cash flows.

Related Party Transactions

Material transactions with related parties that occurred during Q3-FYE'16 were in the ordinary course of business as follows:

a) On November 30, 2015, 100,000 share options granted to a director in a prior period were exercised at $0.16 per common share;

b) On January 8, 2016, a director was granted 147,850 share options as compensation for their services for the upcoming year. The options are exercisable at a price of $0.305, have a life of five years, and vest quarterly on an equal basis at the end of each quarter during the first year; and,

c) In October 2015, the Company engaged a human resources consulting firm ("Consultant") reporting to the Chief Executive Officer under a six month contract at standard market terms to provide various human resource services to the Company. The President of the Consultant is related to a director of the Company. Fees paid or accrued for services rendered in the quarter under this contract were $8,750. Prior to the contract, the Company made payments to the

Consultant for specific employment search services completed by the Consultant on behalf of the Company. Total fees year-to-date paid to the Consultant were $21,050.

Outstanding Share Information

Outstanding share information at the close of business on March 10, 2016 is set out in Table 11.

Table 11: Outstanding Share Information

	Outstanding	Expiry Date
Common shares		
Authorized - unlimited		
Issued	130,513,519	
Diluted [(1)]	178,142,153	
Weighted average outstanding [(2)]	125,445,874	
Common share warrants		
$0.30 warrants	11,001,520	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	2,144,267	Jun 28/17 - Jul 30/17
$0.315 compensation warrants	108,120	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 [(3)]	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
	40,410,314	
Common share stock options		
$0.14 - $0.25	2,609,995	Oct 27/15 - Mar 19/20
$0.26 - $0.34	4,608,325	Sep 26/16 - May 12/20
	7,218,320	

[(1)] Assumes conversion of all outstanding common share stock options and warrants.

[(2)] Weighted average shares outstanding calculated from May 1, 2015 to the close of business on Mar 10, 2016.

[(3)] See Use of Non-GAAP Financial Measures

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 stages of the drug development cycle but moved into the Phase 1 clinical stage during Q3-FYE'16. The Company signed a clinical trial agreement for COTI-2 in December 2015 and commenced patient dosing subsequent to the quarter-end. 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 the end of Q3-FYE'16.

The four risk categories having the greatest effect on the Company during Q3-FYE'16 and for the balance of the year are listed and discussed as follows:

1. uncertainties related to research;
2. the lack of product 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 (absorption, distribution, metabolism and excretion) and pharmacokinetics, inability to increase scale of manufacture, 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 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, progressed through preclinical testing, received a grant to proceed to a Phase 1 clinical trial in Q1-FYE'16, and commenced patient treatment early in Q4-FYE'16. This success to date was predicted by CHEMSAS®.

These uncertainties and the attendant delays were experienced by COTI with its lead compound, COTI-2, during Q2 and Q3-FYE'2016. Although the IND grant to proceed with the clinical trial was received on May 22, 2015, the internal review and approval process for a clinical trial agreement with MD Anderson proved to be a logistical challenge to navigate resulting in delays and revised target dates for actually

commencing to treat patients. Despite these delays, COTI-2 was poised to commence the treatment of patients in a Phase 1 clinical trial in Q4-FYE'2016. 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 January 31, 2016, 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 the 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 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 first require meeting the scientific due diligence requirements of prospective customers. While continued positive developments occurred for COTI-2 during the quarter and throughout the prior fiscal year that generated positive feedback from potential licensees, these test outcomes have not translated into a contractual agreement to date. Licensing discussions during fiscal 2016 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. Positive results in the Phase 1 human testing are expected to provide the risk reduction data that will make licensing attractive to potential licensees.

Industry reviews of the productivity of pharmaceutical industry R&D spending in generating new compounds indicates major pharmaceutical company pipelines have dramatically underperformed. This is based upon the number of new drugs produced relative to the amount of R&D dollars invested. Despite this industry performance, 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 Cash Resources" where the Company noted the continuing need to raise financing to support project development until a revenue event can provide sufficient operating cash flows to sustain the business. 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 based on 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 Interim and Audited Financial Statements where Cash is defined as cash and cash equivalents. The essential difference is therefore, the Company's view that cash available for operations includes short-term investments.

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 investments at Q3-FYE'16 were guaranteed investment certificates cashable at any time up to their maturity date, with the latest date in December 2016. With such high liquidity characteristics, management considers such investments as a readily available source of cash for operations. The decision by management to earn a 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 excluding such balances as a cash resource. Accordingly, management believes its definition of Cash Resources provides more meaningful information with respect to the liquidity of the Company and the cash available for operations.

Table 12: Reconciliation to Cash Resources

	January 31, 2016		April 30, 2015	
	Cash per MD&A	Cash per Financial Statements	Cash per MD&A	Cash per Financial Statements
Cash and cash equivalents	$829,120	$829,120	$1,599,220	$1,599,220
Short-term investment	918,765	-	266,464	-
Cash resources	$1,747,885	$829,120	$1,865,684	$1,599,220

2. Adjusted Working Capital

The Company uses Adjusted Working Capital in monitoring its cash required for operations. Adjusted Working Capital is defined as the standard working capital calculation (current assets less current liabilities) adjusted for non-cash liabilities as set out in Table 13.

The standard working capital calculation results in a lower amount of working capital than what the Company measures as working capital. At both Q3-FYE'16 and FYE 2015, this resulted from the accounting under IFRS that required the issuance of warrants with an exercise price denominated in USD to be accounted for as a warrant liability.

During fiscal 2015, the Company completed a private placement financing of units in three tranches consisting of one common share and one warrant. 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 were 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 re-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 but rather with the issuance of shares.

In addition to the non-cash impact of the warrant liability, the Company also recorded an accrued liability for the fair value of common shares of the Company to be issued in settlement of contingent purchase consideration for $250,502 at the April 30, 2015 year-end.

Thus, the Company uses Adjusted Working Capital to reflect 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 13: Adjusted Working Capital

	January 31, 2016	April 30, 2015
Amounts per financial statements:		
Current assets	$2,346,412	$2,126,755
Current liabilities	1,444,015	1,956,167
Working capital	902,397	170,588
Adjustment for non-cash items:		
Warrant liability	944,021	1,170,070
Accrued liability for contingency settlement	-	250,502
	$1,846,418	$1,591,160

Changes in Accounting Policies

Details regarding the adoption of new accounting pronouncements in FYE'16 and future accounting policy changes affecting FYE'16 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, 2015. The Company adopted these new standards in its first quarter interim financial statements for the July 31, 2015 reporting period.

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, 2016 year-end. The Company does not expect the amendments to have a material impact on the financial statements. The Company intends to adopt those amendments applicable to its business in its financial statements for the annual period beginning on May 1, 2016 as set out below.

i. Amendments to IAS 1, Presentation of Financial Statements

On December 18, 2014, the IASB issued amendments to IAS 1 as part of its major initiative to improve presentation and disclosure in financial reports (the "Disclosure Initiative"). The amendments are effective for annual periods beginning on or after January 1, 2016. Early adoption is permitted. These amendments will not require any significant change to current practice, but should facilitate improved financial statement disclosures. The extent of the impact of adoption of the amendments has not yet been determined.