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

## For the fiscal year ended April 30, 2013

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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 year ended April 30, 2013, and has been prepared with all information available up to and including August 26, 2013. This MD&A is intended to assist in understanding the dynamics of the Company's business and the key factors underlying its financial results.

This analysis should be read in conjunction with the audited financial statements and notes thereto for the year ended April 30, 2013. These financial statements were prepared in accordance with International Financial Reporting Standards (IFRS).

All dollar amounts are expressed in Canadian dollars.

Quarterly interim reports, the Company's Annual Information Form (AIF), annual audited financial statements, and additional supplementary 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.

*Table 1: Forward-looking Statements*

| MD&A Section Heading | Nature of Forward-looking Information Disclosed |
|---|---|
| Our Business | • Intends to license its targeted molecules<br>• Plans for further testing of COTI-2 leading to an investigational new drug (IND) filing and readiness for a Phase 1 clinical trial<br>• Plans for future application of the CHEMSAS® technology on a collaboration basis<br>• The Company's commercialization strategy for collaborations |
| Liquidity and Capital Resources | • Expectations of future expenditures on patents and computer software and hardware<br>• Plans to seek additional cash resources<br>• Expectations on investment tax credit recoveries<br>• Plans for continued research and development spending |
| Foreign Exchange Exposure | • Expectation of continued limited exposure to currency fluctuations through limited use of foreign contract research organizations |
| Financial and Operational Progress & Outlook | • Scientific experiments for COTI-2 progressing to optimize the licensing value of the drug candidate to IND ready status<br>• The ability to continue to develop AML compounds as a follow on licensing program<br>• Collaboration projects ongoing with Western University, Delmar Chemicals Inc. and a multinational pharmaceutical company leading to completion and revenue<br>• Activity in p53 tumours would represent breakthrough therapy for many cancer patients |
| Industry and Economic Risk Factors Affecting Performance | • The expectation of continued losses until a revenue transaction is secured<br>• Plans to negotiate future licensing agreements<br>• Plans to raise additional financing through different venues and mechanisms available to the Company |
| Changes in Accounting Policies | • The adoption in fiscal 2014 of new accounting standards issued by the Accounting Standards Board |

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 the state-of-the-art of artificial intelligence for internal and collaborative purposes

- A continuation of favourable preclinical test results from the COTI-2 program and an ability to meet the requirements for regulatory approval
- Obtaining patent protection for the Company's compounds and other intellectual property
- An ability to attract and retain skilled and experienced personnel and to maintain relationships with third party clinical research organizations

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 described below 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 wrong, and as such, undue reliance should not be placed on any individual FLS.

The main risk factors that will influence the Company's ability to realize on its FLS include:

- The ability to raise sufficient financing for continuing operations and development including maintaining the Company's workforce
- The ability to continue favourable preclinical test results from the Company's lead oncology compound, COTI-2
- The ability to meet future regulatory requirements to commercialize compounds, in particular COTI-2
- The ability to establish customer relationships leading to licensing agreements for the Company's compounds
- The ability to generate customer demand for outputs from the CHEMSAS® technology
- The ability to obtain patent protection for the Company's compounds

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 the capital of 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.

## Our Business

COTI is a biotechnology company focused on applying its proprietary computer-based technology, CHEMSAS®, to identify, profile, optimize and select commercially viable drug candidates at the discovery stage of preclinical drug development and thereby dramatically reduce the timeline and cost of getting new drug therapies to market. The Company's strategic business model is to license its targeted molecules following synthesis and completion of confirmatory preclinical testing completed up to the IND ready stage in order to address the pipeline needs of pharmaceutical and biotechnology companies.

The Company is developing focused portfolios of novel, proprietary and optimized small molecules as potential drug candidates for specific therapeutic targets in diseases that have high morbidity and mortality rates and currently have either poor or no effective therapies. COTI has concentrated on developing drug candidates for the treatment of various cancers, human immunodeficiency virus (HIV), Alzheimer's disease and multiple sclerosis. Cancer types specifically targeted include small cell lung, acute myelogenous leukemia (AML), ovarian, endometrial, pancreatic, brain, breast and colon.

The Company is currently taking an oncology molecule, COTI-2, forward through various preclinical tests to Phase 1 clinical trials as commercial validation of both the compound's viability as a clinical drug candidate and the discovery capabilities of the underlying CHEMSAS® technology used to discover it. Accordingly, COTI is focused on preparing for an IND clinical trial submission based on the positive preclinical test results achieved for COTI-2 to date against a number of cancer indications. Current testing initiatives and planning would enable an IND filing in calendar 2014. Upon acceptance of an IND filing, COTI-2 would be available for licensing or co-development as a Phase 1 ready compound.

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. This collaboration approach resulted in three engagements being announced in fiscal 2013; one with a Canadian university, one with a private chemical synthesis company and one with a multinational pharmaceutical company.

## Overall Performance and Selected Annual Information

The Company's major focus during the fiscal year ended April 30, 2013 (FYE 2013) was on two major commercialization efforts; first, marketing efforts toward a license agreement and the continued scientific development for its lead oncology compound, COTI-2; and second, research and development (R&D) partnering deals using COTI's underlying Artificial Intelligence platform, CHEMSAS®.

In support of its marketing efforts, the Company engaged a U.S. based licensing consultant in late October 2012 to support and drive the Company's efforts toward a licensing agreement. Their broad outreach program commenced in mid-December and dialogue with interested parties continued at the year-end. To support COTI-2 licensing efforts, the Company continued to promote its CHEMSAS® technology in a variety of ways. This included podium presentations at a number of scientific conferences during the year that raised the profile of COTI-2 in both the scientific and business development spheres. These meetings also served as a venue to garner co-development project leads with pharmaceutical and biotech companies as well as scientists in academia.

Scientific developments of significance for COTI-2 were announced throughout FYE 2013 and are summarized below.

*Table 2: Key Scientific Announcements for COTI-2*

| | Press Release Date | Scientific Advancement |
|---|---|---|
| 1 | September 11/12 | Finalized an oral formulation designed to optimize the absorption of an orally administered dose by pill or capsule.<br><br>Developed and validated a quantitative method for detecting COTI-2 in the blood and tissues of treated subjects required for the IND submission. |
| 2 | September 18/12 | Initiated the final series of toxicity experiments in two animal species, an important part of the IND submission. |
| 3 | September 20/12 | Broadened the mechanism of action (MOA) beyond AKT modulation in the PI3K/AKT/mTOR pathway as testing indicated COTI-2 is particularly effective in treating cancer cell lines with p53 mutations, an effect not associated with AKT inhibitors. |
| 4 | December 13/12 | Showed in testing that COTI-2, at a low dose, restored the normal protein configuration of p53 'HotSpot' mutations found in about 20% of all human cancers and did not affect normal p53 protein. |
| 5 | April 26/13 | Received two additional patents from the United States Patent and Trademark Office (USPTO) for COTI-2 providing further protection and value to the compounds. |

Table 3 below sets out selected financial information for the Company for FYE 2013 and the two preceding fiscal years.

*Table 3: Selected Financial Information*

| | FYE 2013 | FYE 2012 | FYE 2011 |
|---|---|---|---|
| Collaboration and research service revenue | $ 30,588 | $ - | $ - |
| Loss before finance income | 2,632,893 | 2,609,139 | 2,004,093 |
| Finance income | 7,089 | 17,988 | 2,715 |
| Loss and comprehensive loss | 2,625,804 | 2,591,151 | 2,001,378 |
| Basic and diluted loss per common share | $ 0.03 | $ 0.04 | $ 0.04 |
| Dividends declared and paid | - | - | - |
| Total assets | $ 2,256,654 | $ 4,148,976 | $ 4,703,497 |
| Long term liabilities | - | - | - |

Revenue of $30,588 was recognized in FYE 2013 related to a collaboration engagement and a profiling pilot project completed for a potential collaboration engagement.

The "Loss before finance income" and the "Loss and comprehensive loss" have fluctuated primarily due to year over year changes in research and product development (R&D) expenses and share-based compensation expense. These two trends are highlighted in Table 4. Spending on R&D was managed based upon the timing of experimental results and the Company's available cash resources. The fluctuation in share-based compensation reflects three factors: first, differences in the number of options granted year over year; second, changes in the fair value assigned to granted options resulting primarily from the volatility assumption used in the Black-Scholes pricing model; and third, recoveries resulting from forfeitures of unvested options.

*Table 4: R&D Expenses and Share-Based Compensation*

| Description | FYE 2013 | FYE 2012 | FYE 2011 |
|---|---|---|---|
| R&D expenses | $ 791,417 | $ 718,849 | $ 592,742 |
| Share-based compensation | $ 265,409 | $ 221,984 | $ (31,679) |

Finance income was generated from two sources: first, interest earned on cash and cash equivalents and second, foreign exchange (FX). The interest income earned has been modest over the three years as the Company seeks to earn some return from cash and cash equivalent balances not needed for daily working capital purposes. The Company has limited foreign exchange exposure as it seeks to utilize quality Canadian contract research organizations (CROs) whenever possible to qualify for Canadian investment tax credits, particularly those that are refundable. The decrease in finance income in FYE 2013 compared to FYE 2012 primarily reflects a decrease in the foreign exchange (FX) gain of $8,058 between the two years.

The decrease in total assets from FYE 2011 to FYE 2013 is attributable to lower levels of cash and cash equivalents, short-term investments and the carrying value of intangibles (primarily the Company's molecules that are impacted by annual amortization) as set out in Table 5.

*Table 5: Key Components of Total Assets*

| Asset type | FYE 2013 | FYE 2012 | FYE 2011 |
|---|---|---|---|
| Cash and cash equivalents | $ 169,347 | $ 901,130 | $ 1,794,621 |
| Short-term investment | - | 817,541 | 300,296 |
| Molecules | $ 1,108,793 | $ 1,538,003 | $ 1,782,441 |

## Financial Review of Full Year Operations

Revenue

Collaboration and research service fee revenue of $30,588 was recognized for FYE 2013 related primarily to a collaboration agreement entered into in July 2012. Under an agreement with Western University, the Company received an upfront payment of $25,000 as a fee for the identification of lead candidates as discussed more fully under Collaborations and Co-development Projects below. There was no comparable revenue in FYE 2012.

Operating Expenses

Operating expenses increased from $2,609,139 for FYE 2012 to $2,663,481 for FYE 2013, an increase of $54,342. The major functional expense areas responsible for this increase were as follows:

- R&D expenses increased $72,568 from $718,849 in FYE 2012 to $791,417 in FYE 2013;
- general and administrative (G&A) expenses decreased by $61,620 from $1,780,024 in FYE 2012 to $1,718,404 in FYE 2013; and,
- sales and marketing (S&M) expenses increased by $37,556 from $244,037 in FYE 2012 to $281,593 in FYE 2013.

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

R&D expenses increased year over year primarily due to increases in R&D testing, consulting and materials, higher professional fees and lower government assistance offset by lower synthesis costs. Table 6 provides a breakdown of R&D costs by major expense types for FYE 2013 and FYE 2012.

*Table 6: R&D Expense – Comparative Years Ended April 30*

| | FYE 2013 | FYE 2012 | Change |
|---|---|---|---|
| R&D testing, consulting and materials | $ 377,510 | $ 255,169 | $ 122,341 |
| Synthesis | 36,901 | 171,164 | (134,263) |
| | 414,411 | 426,333 | (11,922) |
| Labour including benefits | 357,239 | 353,297 | 3,942 |
| Share-based compensation | - | 6,125 | (6,125) |
| Professional fees | 58,747 | - | 58,747 |
| Other | 28,882 | 29,700 | (818) |
| | 859,279 | 815,455 | 43,824 |
| Government Assistance | (67,862) | (96,606) | (28,744) |
| Total | $ 791,417 | $ 718,849 | $ 72,568 |

R&D testing, consulting and materials for FYE 2013 increased primarily due to an increase in *in vivo* testing of $133,513 from $150,143 in FYE 2012 to $283,656 in FYE 2013. This increase was related to COTI-2 testing which accounted for $258,578 or 91.2% of these expenses.

Synthesis costs declined $134,263 year over year as a result of completing the majority of the oral formulation work for COTI-2 in FYE 2012.

Professional fees during FYE 2013 of $58,747 related to scientific consultants' costs of $36,039 in support of COTI-2 testing and $22,708 related to the preparation of a training manual for the Company's proprietary CHEMSAS® process. There were no comparable costs in FYE 2012.

The Company recognized a decrease of $28,745 in government assistance year over year from its AML research and development grant from the National Research Council of Canada Industrial Research Assistance Program. The reimbursement received of $67,862 in FYE 2013 related to $62,423 in contractor costs in R&D testing and synthesis and $5,439 in internal labour costs.

b) General and Administration Expense (G&A)

Table 7 provides a breakdown of G&A expenses by major expense type for FYE 2013 and FYE 2012. The decrease of $61,620 year over year is primarily attributable to a decrease in professional fees and salaries and benefits offset by an increase in amortization expense and share-based compensation.

*Table 7: G&A Expense – Comparative Years Ended April 30*

| | FYE 2013 | FYE 2012 | Change |
|---|---|---|---|
| Amortization | $ 520,527 | $ 497,248 | $ 23,279 |
| Professional fees | 330,217 | 444,939 | (114,722) |
| Salaries and benefits | 363,416 | 394,348 | (30,932) |
| Corporate governance | 91,580 | 72,386 | 19,194 |
| Insurance | 56,755 | 58,881 | (2,126) |
| Rent | 37,384 | 37,384 | (0) |
| Promotion and travel | 30,648 | 31,323 | (675) |
| Other | 22,468 | 30,227 | (7,759) |
| | 1,452,995 | 1,566,736 | (113,741) |
| Share-based compensation | 265,409 | 213,288 | 52,121 |
| Total | $ 1,718,404 | $ 1,780,024 | $ (61,620) |

Professional fees decreased $114,723 from $444,940 in FYE 2012 to $330,217 in FYE 2013. This decrease related primarily to reductions in the following consulting services: $50,576 in consulting services to assist the Company in its transition from Canadian Generally Accepted Accounting Principles to International Financial Reporting Standards; $11,620 in lower legal fees; $28,152 in lower executive consulting costs; and, $12,800 in lower accounting and tax advice.

The decrease in salaries and benefits of $30,932 primarily reflected a reduction in staffing effective December 1, 2012.

Amortization increased $23,279 year over year due to an increase in the carrying value of the underlying molecules being amortized in FYE 2013 and an increase in the number of patents granted and thus being amortized. The issuance of a patent from the USPTO on October 11, 2011 met one of the development milestones underlying contingent share consideration provided in the acquisition of molecules in November 2007. The Company issued common shares with a market value of $164,616 in settlement of the milestone and increased the cost of the molecules accordingly. As a result, the FYE 2012 amortization reflected only 6 months amortization of this cost compared to a full year in FYE 2013. Two US patents were also granted for COTI-2 in FYE 2013 with amortization commencing on these during the year.

Share-based compensation increased $52,121 in FYE 2013 compared to FYE 2012 primarily due to an increase in share options (Options) granted as there were 2,560,345 Options granted in 2013 compared to 1,027,547 Options granted in FYE 2012. While the number of options granted was more than twice that of the prior year, the valuation of these options did not result in a doubling of the fair market value attributed to them based upon the assumptions of the Black Scholes valuation model. The increase in expense resulting from the increase in Options granted was reduced by forfeited unvested Options that resulted in a recovery of previously recorded share-based compensation during FYE 2013. A comparable continuity schedule of the Options outstanding during the two years is set out in Table 8 below.

*Table 8: Share Options Outstanding Continuity – Comparative Years Ended April 30*

| | FYE 2013 | FYE 2012 | Change |
|---|---|---|---|
| Opening balance | 3,576,328 | 4,222,353 | (646,025) |
| Granted | 2,560,345 | 1,027,547 | 1,532,798 |
| Exercised | - | (116,279) | 116,279 |
| Forfeited | (75,000) | - | (75,000) |
| Expired | (477,236) | (1,557,293) | 1,080,057 |
| Ending balance | 5,584,437 | 3,576,328 | 2,008,109 |

c) Sales and Marketing Expense (S&M)

Table 9 provides a breakdown of S&M expenses by major expense type for FYE 2013 and FYE 2012. The increase of $37,556 year over year primarily relates to a decrease in salaries and benefits offset by an increase in professional fees and an increase in marketing and travel.

*Table 9: S&M Expenses – Comparative Years Ended April 30*

| | FYE 2013 | FYE 2012 | Change |
|---|---|---|---|
| Salaries and benefits | $ 72,579 | $ 174,908 | $ (102,329) |
| Marketing and travel | 91,199 | 52,602 | 38,597 |
| Professional fees | 115,732 | - | 115,732 |
| Other | 2,083 | 13,956 | (11,873) |
| | 281,593 | 241,466 | 40,127 |
| Share-based compensation | - | 2,571 | (2,571) |
| Total | $ 281,593 | $ 244,037 | $ 37,556 |

The decrease in salaries and benefits year over year reflects a reduction in personnel effective March 2012 that had only a one month impact on FYE 2012 and a full year affect on FYE 2013.

Professional fees increased over the comparative period from two main sources: $59,732 for the engagement of licensing consultants to assist in obtaining a licensing agreement for COTI-2 and $56,000 incurred to support business development activities following the change in personnel noted in March 2012.

The $38,597 increase in marketing and travel expense relates to a greater presence at international conferences during FYE 2013 with an attendant increase in expenses for convention fees, travel expenses and hotels and the development of three marketing videos.

d) Investment Tax Credits and Other Income

Investment tax credit (ITC) income of $127,933 was recognized in FYE 2013 compared to $133,771 in FYE 2012 related to scientific research and experimental development tax credits earned on eligible expenditures in the respective years. The modest decrease of $5,838, despite higher R&D expenditures,

relates to the use of CROs not located in Ontario or Quebec and for which such expenditures were not jurisdictionally eligible for these tax credit programs.

The Company earned $7,223 in interest income on its cash and cash equivalents in FYE 2013 compared to $10,812 in FYE 2012. The decrease resulted from lower cash, cash equivalent and short-term investment balances held in FYE 2013 compared to FYE 2012.

## Analysis of Financial Results Fourth Quarter Fiscal 2013

Summary financial information for the comparative fourth quarter periods ended April 30, 2013 and 2012 (Q4-F'13 and Q4-F'12) is set out in Table 10.

*Table 10: Summary Financial Information - Fourth Quarter Comparison*

| | Q4-F'13 | Q4-F'12 | Change |
|---|---|---|---|
| **Collaboration and research service revenue** | $ 5,588 | $ - | $5,588 |
| **Expenses (income):** | | | |
| Research and product development | 91,551 | 223,134 | (131,583) |
| Sales and marketing | 35,873 | 58,180 | (22,307) |
| General and administration | 349,068 | 446,631 | (97,563) |
| Investment tax credits | (27,066) | (50,326) | 23,260 |
| | 449,426 | 677,619 | (228,193) |
| **Loss before finance income** | (443,838) | (677,619) | 233,781 |
| **Finance income:** | | | |
| Interest income, net | 864 | 610 | 254 |
| Foreign exchange (loss) | (605) | (3,806) | 3,201 |
| | 258 | (3,196) | 3,454 |
| **Loss and comprehensive loss** | $ (443,580) | $ (680,815) | $237,235 |
| Weighted average shares outstanding | 78,058,472 | 66,099,047 | |
| Loss per common share | $ 0.01 | $ 0.01 | |

Revenues

Operating revenue for Q4-F'13 was $5,588 with no operating revenue in the comparable Q4-F'12. This revenue consisted of fees associated with a profiling project as the first step to a possible collaboration. The Company continued to pursue a licensing agreement for COTI-2 during Q4-F'13 with several interested parties but without achieving an agreement.

Operating Expenses

Operating expenses decreased from $677,619 in Q4-F'12 to $449,426 in Q4-F'13, a decrease of $228,193. Three major expenses accounted for this quarterly change; R&D expense decreased $131,583, S&M expense decreased $22,307 and G&A expense decreased by $97,563.

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

Quarterly R&D expenses decreased by $131,583 year over year primarily due to a decrease in R&D testing, consulting and materials and a decline in synthesis costs, partially offset by an increase in government assistance. Table 11 provides a breakdown of R&D expenses by major expense type for the comparable quarterly periods Q4-F'13 and Q4-F'12 respectively

*Table 11: R&D Expense – Fourth Quarter Comparison*

| | Q4-F'13 | Q4-F'12 | Change |
|---|---|---|---|
| R&D testing, consulting and materials | $ 17,149 | $ 101,400 | $ (84,251) |
| Synthesis | 28,205 | 45,614 | (17,409) |
| | 45,354 | 147,014 | (101,660) |
| Labour including benefits | 89,208 | 96,948 | (7,740) |
| Professional fees | 7,090 | - | 7,090 |
| Other | 3,956 | 9,358 | (5,402) |
| | 145,608 | 253,320 | (107,712) |
| Government assistance | (54,057) | (30,186) | (23,871) |
| Total | $ 91,551 | $ 223,134 | $ (131,583) |

- R&D testing, consulting and materials decreased $84,251 for Q4-F'13 compared to Q4-F'12 related to management's decision to reduce testing for COTI-2 to conserve cash.
- The synthesis cost decrease of $17,409 related to a change in the actual compounds being synthesized with Q4-F'13 primarily related to the AML compounds and Q4-F'12 related to the oral formulation of COTI-2.
- The Company recognized an increase of $23,871 in government assistance with $54,057 recovered in Q4-F'13 compared to $30,186 in Q4-F'12. Eligible expenses on its AML project included $51,295 reimbursed on R&D testing and synthesis and $2,762 on internal labour. The increase was related to the timing of such eligible expenses compared to the prior year.

b) General and Administration Expense (G&A)

Table 12 provides a breakdown of G&A expenses by major expense type for the comparable quarterly periods Q4-F'13 and Q4-F'12 respectively. The major change year over year occurred in professional fees with a decrease of $85,069 from $130,953 in Q4-F'12 to $45,884 in Q4-F'13. This decrease was due primarily to professional accounting consulting costs required in Q4-F'12 related to the transition to the IFRS accounting framework. The decrease in salaries and benefits is attributed to a reduction in staffing levels year over year. The increase in corporate governance relates to the timing of legal work

associated with the preparation of the Company's management information circular and an increase in the number of board and committee meetings held compared to the prior year.

*Table 12: G&A Expense – Fourth Quarter Comparison*

| | Q4-F'13 | Q4-F'12 | Change |
|---|---|---|---|
| Professional fees | $ 45,884 | $ 130,953 | $ (85,069) |
| Amortization | 129,025 | 129,413 | (388) |
| Salaries and benefits | 77,578 | 91,361 | (13,783) |
| Corporate governance | 24,830 | 16,370 | 8,460 |
| Insurance | 13,239 | 14,153 | (914) |
| Promotion and travel | 4,306 | 9,782 | (5,476) |
| Rent | 9,346 | 9,346 | - |
| Other | 3,850 | 5,578 | (1,728) |
| | 308,058 | 406,956 | (98,898) |
| Share-based compensation | 41,010 | 39,675 | 1,335 |
| Total | $ 349,068 | $ 446,631 | $ (97,563) |

c) Sales and Marketing Expense (S&M)

Table 13 provides a breakdown of S&M expenses by major expense types for the comparable quarterly periods Q4-F'13 and Q4-F'12 respectively.

*Table 13: S&M Expense – Fourth Quarter Comparison*

| | Q4-F'13 | Q4-F'12 | Change |
|---|---|---|---|
| Salaries and benefits | $ 13,504 | $ 34,078 | $ (20,574) |
| Marketing and travel | 22,125 | 13,527 | 8,598 |
| Other | 244 | 10,575 | (10,331) |
| Total | $ 35,873 | $ 58,180 | $ (22,307) |

S&M expenses decreased $22,307 from $58,180 in Q4-F'12 to $35,873 in Q4-F'13. The decrease of $20,574 in salaries and benefits resulted from a reduction in personnel in the department at the end of March in each comparable quarter. The increase of $8,598 in Marketing and travel in Q4-F'13 relates primarily to the creation of three short videos to be used in various marketing activities.

d) Investment Tax Credits

ITC income of $27,066 was recognized in Q4-F'13 compared to $50,326 in Q4-F'12 relating to scientific research and development tax credits earned on eligible expenditures in the quarter. The decrease of $23,260 relates to the timing of eligible R&D expenditures.

## 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 2013 | Q1 31-Jul | Q2 31-Oct | Q3 31-Jan | Q4 30-Apr | Full Year |
|---|---|---|---|---|---|
| Revenue | $ 3,404 | $ 11,019 | $ 10,577 | $ 5,588 | $ 30,588 |
| Loss | (722,770) | (762,669) | (696,785) | (443,580) | (2,625,804) |
| Loss per common share | $ (0.01) | $ (0.01) | $ (0.01) | $ (0.01) | $ (0.03) |

| FYE 2012 | Q1 31-Jul | Q2 31-Oct | Q3 31-Jan | Q4 30-Apr | Full Year |
|---|---|---|---|---|---|
| Revenue | $ - | $ - | $ - | $ - | $ - |
| Loss | (642,256) | (648,530) | (619,550) | (680,815) | (2,591,151) |
| Loss per common share | $ (0.01) | $ (0.01) | $ (0.01) | $ (0.01) | $ (0.04) |

The majority of the variation by quarter across the two years and quarterly year over year is explained by four expense categories as set out in Table 15.

The overall trend line for these operating expenses in FYE 2013 was relatively consistent for the first three quarters with a range of $707,000 to $775,000. Operating expenses declined significantly in Q4-F'13 compared to the previous FYE 2013 quarters to $477,000 as management moved to conserve cash. Individually, the major expense areas also reflected this trend with both G&A and R&D expense declining significantly in Q4-F'13 and were responsible for much of the Q4-F'13 decline.

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

| FYE 2013 | Q1 31-Jul | Q2 31-Oct | Q3 31-Jan | Q4 30-Apr | Year to Date |
|---|---|---|---|---|---|
| General and administration | $ 397,091 | $ 398,046 | $ 349,800 | $ 308,058 | $ 1,452,995 |
| Research and product development | 266,995 | 239,587 | 193,284 | 91,551 | 791,417 |
| Investment tax credit | (35,733) | (32,920) | (32,214) | (27,066) | (127,933) |
| Share-based compensation | 42,385 | 98,173 | 83,841 | 41,010 | 265,409 |
| Total of expense categories | 670,738 | 702,886 | 594,711 | 413,552 | 2,381,887 |
| Total expense for the quarter | $ 732,684 | $ 775,072 | $ 707,551 | $ 477,098 | $ 2,692,405 |
| Expense categories as a % of total expense | 91.5% | 90.7% | 84.1% | 86.7% | 88.5% |

| FYE 2012 | Q1 31-Jul | Q2 31-Oct | Q3 31-Jan | Q4 30-Apr | Full Year |
|---|---|---|---|---|---|
| General and administration | $ 374,144 | $ 424,332 | $ 361,305 | $ 406,956 | $ 1,566,737 |
| Research and product development | 205,941 | 120,008 | 163,640 | 223,134 | 712,723 |
| Investment tax credit | (29,890) | (19,887) | (33,669) | (50,325) | (133,771) |
| Share-based compensation | 41,182 | 66,717 | 74,411 | 39,675 | 221,985 |
| Total of expense categories | 591,377 | 591,170 | 565,687 | 619,440 | 2,367,674 |
| Total expense for the quarter | $ 649,094 | $ 657,774 | $ 624,652 | $ 677,619 | $ 2,609,139 |
| Expense categories as a % of total expense | 91.1% | 89.9% | 90.6% | 91.4% | 90.7% |

(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 General and administration, Research and product development and Sales and marketing 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 for the first three quarters in FYE 2013 that dropped off in Q4-F'13 compared to the prior year. In addition, G&A expense declined dramatically in Q4-F'13 compared to Q4-F'12 related primarily to a reduction in professional fees in Q4-F'13.

## Liquidity and Capital Resources

Table 16 summarizes the changes in capital resources for FYE 2013 and FYE 2012. At FYE 2013, the Company had cash and cash equivalents of $169,347 compared to $1,718,671 in cash, cash equivalents and short-term investments at FYE 2012 reflecting a decrease of $1,549,324.

*Table 16: Summary of Changes in Capital Resources* (1)

| | FYE 2013 | FYE 2012 |
|---|---|---|
| Used in: | | |
| Operating activities | $ (1,978,021) | $ (1,973,061) |
| Investing activities | (126,193) | (145,484) |
| Decrease in capital resources before issuance of common shares and warrants | (2,104,214) | (2,118,545) |
| Proceeds from issuance of common shares and warrants | 441,115 | 1,638,439 |
| Proceeds from exercise of stock option | - | 18,974 |
| Investment tax credit recoveries | 123,976 | 89,412 |
| Issuance cost of warrant amendments and common shares on contingency settlement | (10,051) | (5,245) |
| Interest paid | (1,189) | (2,001) |
| Decrease in capital resources | (1,550,363) | (378,966) |
| Less: unrealized foreign exchange loss on capital resources | 1,039 | 2,720 |
| Capital resources - beginning of period | 1,718,671 | 2,094,917 |
| Capital resources - end of period | $ 169,347 | $ 1,718,671 |

(1) See Use of Non-GAAP Financial Measures

The difference in capital resources year over year reflects the use of cash in operating activities through the year that fostered an ongoing requirement by management to obtain additional financing. Unlike FYE 2012, the Company did not close a private placement late in the year that replenished cash resources.

Financing Activities

As highlighted, the Company entered FYE 2013 with $1,718,671 in cash resources and recognized that additional funding would be necessary to complete its operational plans to develop COTI-2 to a licensing agreement and support additional follow on programs. In this regard, financing efforts resulted in the completion of a private placement in January 2013 of 3,605,258 units consisting of one common share and one common share purchase warrant at $0.14 per unit for gross proceeds of $504,736. Each common share purchase warrant is exercisable into one common share at a price of $0.26 for 18 months following the closing date. Cash costs of the private placement were $62,656 consisting of $29,984 in professional fees and $32,672 in finders' fees. The Company also issued 232,652 compensation warrants valued at $19,543 and exercisable into one common share at a price of $0.20 for 18 months following the closing date. The expiry date for the common share purchase warrants and compensation warrants is July 29, 2014.

This funding strengthened the Company's cash position at the end of Q3-F'13 and improved its liquidity but these cash resources were insufficient to enable the Company to move forward in a significant way with further development on COTI-2. At the April 30, 2013, the Company was continuing to seek funding for its operations and, subsequent to April 30, 2013, was able to obtain additional funding as follows:

1. A non-brokered private placement with accredited investors was closed in two tranches on May 31 and June 21, 2013, respectively. Under the private placement, the Company issued 4,415,895 units consisting of one common share and one warrant at $0.12 per unit for gross proceeds of $529,907. Each warrant is exercisable for one common share of the Corporation at an exercise price of $0.26 per share for a period of 18 months from the date of issue. The Corporation paid finders' fees in connection with the offering of $10,686 in cash and issued 88,213 compensation warrants. Each compensation warrant is exercisable into one common share of the Corporation for a period of 18 months from the date of issue at an exercise price of $0.20 per share.

2. On August 16, 2013, the first tranche of a second non-brokered private placement was closed. Under this tranche, the Company issued 4,166,666 units consisting of one common share and one warrant at $0.12 per unit for gross proceeds of $500,000. Each warrant is exercisable for one common share of the Corporation at an exercise price of $0.26 per share for a period of 18 months from the date of issue. The second tranche of this financing under the same terms is expected to close at the end of August 2013.

The Company amended warrants during FYE 2013 by extending the term to expiry. Extending these warrants provides a potential source of future financing without incurring significant additional legal and related costs associated with a new private placement or similar funding. A summary of these amendments appears in Table 17 below.

*Table 17: Warrant Amendment Summary*

| Amendment Date | Warrant Description | Quantity | Original Expiry | New Expiry |
|---|---|---|---|---|
| September 20, 2012 | $0.30 warrants | 8,152,500 | September 26/12 | October 31/13 |
| | | 2,187,500 | October 8/12 | October 31/13 |
| | | 2,160,000 | October 22/12 | October 31/13 |
| | | 12,500,000 | | |
| January 29, 2013 | $0.37 warrants | 1,446,480 | January 31/13 | March 14/14 |
| January 29, 2013 | $0.55 warrants | 129,020 | January 31/13 | March 14/14 |
| | | 1,575,500 | | |
| | | 14,075,500 | | |

ITCs as a source of cash were higher in FYE 2013 at $123,976 compared to $89,412 in FYE 2012. The increase related primarily to an increase in the pool of eligible expenditures within the provinces of Ontario and Quebec as opposed to contract expenditures outside these jurisdictions that are not eligible for refundable tax credits. ITCs in FYE 2014 are anticipated to be consistent with FYE 2013 based upon the use of eligible CROs during FYE 2013. This is expected to occur despite changes in the criteria for eligibility under the federal scientific research and experimental development program effective January 1, 2013. The major change affecting the Company is the limitation of qualifying arm's length contractor expenditures to 80% of the contract payments.

Investing Activities

Investing activities in FYE 2013 consisted of the purchase of $5,112 in computer equipment, $19,650 in computer software and $101,431 in patent costs. 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 2013, the Company had 11 patents granted and 12 patents pending in various jurisdictions with a carrying value of $652,188 (FYE 2012 - $566,718). A summary related to these patents appears below.

*Table 18: Summary of Patent Investments*

| | Therapeutic Target | April 30, 2013 | April 30, 2012 |
|---|---|---|---|
| Granted patents: | | | |
| COTI-2 | Oncology | $ 45,986 | $ 51,924 |
| COTI-219 | Oncology | 9,206 | 9,757 |
| Three compounds | Acute myelogenous leukemia | 153,492 | 159,284 |
| | | 208,684 | 220,965 |
| Pending patents: | | | |
| COTI-2 | Oncology | 264,154 | 199,202 |
| Various other compounds | Oncology and HIV | 179,350 | 146,551 |
| | | 443,504 | 345,753 |
| Total patents | | $ 652,188 | $ 566,718 |

The Company conducts periodic reviews of its tangible and intangible assets for impairment indicators, including its most recent analysis at FYE 2013 to ensure the carrying value of these assets (equipment, molecules, patents and computer software) are not impaired. Management determined there was no indication of impairment at the year-end.

Working Capital

The Company's working capital at FYE 2013 was $53,255 compared to $1,588,254 at FYE 2012. Current assets continued to remain liquid, as there are no restrictions on the use of these assets. Cash equivalents are invested in instruments with maturities of three months or less. There were no short-term investments held at the FYE 2013 as compared to $817,541 at FYE 2012. Current assets decreased to $431,769 at FYE 2013 from $1,929,759 at FYE 2012 for a decrease of $1,497,990, primarily due to the decrease in cash and cash equivalents and short-term investments. Current liabilities increased $37,009 to $378,514 at FYE 2013 from $341,505 at FYE 2012.

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 does not have any derivative financial instruments, nor does it engage in hedging transactions, as risk exposure is limited.

The Company's contractual obligations are summarized in Table 19.

*Table 19: Contractual Obligations*

| Obligation | Total | 2014 | 2015 |
|---|---|---|---|
| Insurance contract | $ 24,234 | $ 24,234 | - |
| Research and development contracts | 55,677 | 55,677 | - |
| Total contractual obligations | $ 79,911 | $ 79,911 | $ - |

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 the AML project and other 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 and 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 alternative sources of financing, including but not limited to, raising capital in the public market and securing government grants. As evidence of these efforts, the Company closed private placements subsequent to April 30, 2013, as described above that raised gross proceeds of approximately $1,030,000. Further, the Company has discretion with many of its expenditure activities and plans to manage these activities in 2014 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 entered contracts denominated in United States dollars (USD) and Euros (EUR), and, as a result, the Company may be exposed to risk from fluctuations in exchange rates between the CAD, USD and EUR. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. As a result, variations in foreign exchange rates could cause fluctuations in the Company's operating results and cash flows. During the year, the Company's foreign exchange exposure was almost exclusively related to the USD.

The amount of this exposure is not considered material to the Company's operations with total USD payments for FYE 2013 of $175,541 compared to $225,880 in FYE 2012. During FYE 2013, the Company recorded a foreign exchange gain of $1,119 compared to a gain of $9,177 in FYE 2012. The gain

recorded in FYE 2013 reflects $1,039 in unrealized gains resulting from holding foreign currency balances at the year-end compared to $2,720 in unrealized gains at FYE 2012.

## Related Party Transactions

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

a) Share-based compensation

The amount set out for share-based compensation for each transaction reflects the total fair market value of each grant using a Black Scholes model and the appropriate assumptions at the time of the grant.

*Table 20: Share-based compensation*

| Name | Relationship | Description of Transaction | Amount | |
|---|---|---|---|---|
| | | | 2013 | 2012 |
| Dr. Brent Norton | Director | June 21, 2011, granted 200,000 Options [(1)] | $ - | $ 25,400 |
| Mr. Michael Cloutier | Director | June 30, 2011, 88,889 Options expired | - | (15,000) |
| Various | Directors | September 28, 2011, granted 756,098 Options [(2)] | - | 155,000 |
| Various | Directors and Officers | January 11, 2012, 260,000 Directors' and 400,000 Officers' Options expired | - | - |
| Mr. Gene Kelly | Officer | January 14, 2012 50,000 Options expired | - | - |
| Mr. John Drake | Director | March 25, 2012, 150,000 Options expired | - | - |
| Mr. Murray Wallace | Director | April 30, 2012, 130,000 Options expired | - | - |
| Mr. Tom Wellner | Director | July 11, 2012, granted 17,838 Options [(3)] | 3,211 | - |
| Mr. Gene Kelly | Officer | September 10, 2012, granted 200,000 Options [(4)] | 17,442 | - |
| Dr. Brent Norton | Director | September 10, 2012, granted 200,000 Options [(2)] | 17,800 | - |
| Various | Directors | September 25, 2012, granted 1,592,506 Options [(5)] | 170,000 | - |
| Dr. Wayne Danter | Officer | September 25, 2012, granted 250,000 Options [(6)] | $ 25,859 | $ - |

(1) Effective June 1, 2011, the Company entered into an executive management consulting services agreement (2012 Agreement) with one of its directors (Consultant). Under the 2012 agreement, the Consultant was granted 200,000 Options on June 21, 2011 with 50,000 Options vesting on each of September 1 and December 1, 2011, and March 1 and June 1, 2012. The Options have a

five-year life and an exercise price of $0.35. The 2012 Agreement expired on May 31, 2012 and a new agreement was entered into effective June 1, 2012 (2013 Agreement).

Under the 2013 Agreement, the Consultant was granted 200,000 Options on September 10, 2012, which vested immediately. These Options have a five-year life and an exercise price of $0.14.

(2) On September 28, 2011, 756,098 Options with an exercise price of $0.30 were granted to the Board of Directors as retainer compensation for their directorship responsibilities. The Options have a five-year life with 25% vesting at the end of each quarter from the date of grant.

(3) On July 11, 2012, 17,838 Options were granted to a new director with an exercise price of $0.28. The Options have a five-year life and vested on September 27, 2012.

(4) On September 10, 2012, 200,000 Options were granted to an officer under his Employment Agreement. The Options have a five-year life, an exercise price of $0.14 and vested immediately.

(5) On September 25, 2012, 1,592,507 Options were granted to the Board of Directors as retainer compensation for directorship responsibilities. The Options have a five-year life and an exercise price of $0.16 with 25% vesting at the end of each quarter from the date of grant.

(6) On September 25, 2012, 250,000 Options were granted to an officer under his Employment Agreement. The Options have a five-year life, an exercise price of $0.16, and vested immediately.

b) Warrant amendments

During FYE 2013 and FYE 2012, the Company amended warrants expiring on various dates for all warrant holders of the respective expiring warrants. 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 activity. 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 Share equity based upon the increase in fair market value determined using the Black Scholes valuation model. The related parties share in the fair market value increase attributed to the warrants appears in Table 21.

*Table 21: Warrant Amendments*

| Name | Relationship | Description of Transaction | Amount | |
|---|---|---|---|---|
| | | | 2013 | 2012 |
| Various | Directors and officers | October 20, 2011, the exercise price on 157,550 warrants was amended from $0.55 to $0.37 and the date of expiry was extended to January 31, 2013. 129,020 warrants with an exercise price of $0.55 were amended (1) | $ - | $ 18,208 |
| Various | Directors and officers | September 20, 2012, the expiry date on 3,927,500 $0.30 | 242,148 | - |

| Name | Relationship | Description of Transaction | Amount | |
|---|---|---|---|---|
| | | warrants was amended to October 31, 2013 [2] | | |
| Various | Directors and officers | January 29, 2013 the expiry date on 157,551 $0.37 warrants and 129,019 $0.55 warrants was amended to March 14, 2014 [3] | $ 15,572 | $ - |

[1] On October 20, 2011, common share purchase warrants scheduled to expire October 27 and November 27, 2011 were amended. Directors and officers held 286,570 warrants representing 18.2% of these outstanding warrants. Under the rules of the TSXV, insiders are limited to amendment of pricing to a maximum of 10% of the outstanding warrants. Accordingly, 157,550 warrants were eligible for amendment to the new price of $0.37 with the balance of 129,020 warrants remaining at the pre-amendment exercise price of $0.55.

[2] On September 20, 2012, 12,500,000 common share purchase warrants issued as part of a private placement in March and April 2011 and scheduled to expire on September 24, October 6, and October 20, 2012 had their expiry date amended to October 31, 2013. The remaining terms and conditions of the warrants remained unchanged.

[3] On January 29, 2013, common share purchase warrants issued as part of a private placement in April and May 2010 and scheduled to expire on January 31, 2013 had their expiry date amended to March 14, 2014. These warrants were previously amended on October 20, 2011 as noted above.

c) Share equity and other transactions

Details related to the FYE 2013 private placements are described under Liquidity and Capital 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 share equity transactions are summarized in Table 22.

*Table 22: Share Equity and Other Transactions*

| Name | Relationship | Description of Transaction | Amount | |
|---|---|---|---|---|
| | | | 2013 | 2012 |
| Mr. Michael Cloutier | Director | May - June 2011, exercised 116,279 options at $0.165 each [1] | $ - | $ 19,186 |
| Dr. Wayne Danter | Director | Issued 78,399 common shares under contingent consideration release [2] | - | 18,032 |
| Mr. John Drake | Director | Issued 313,303 common shares under contingent consideration release [2] | - | 72,060 |
| Various | Directors and officers | March 23, 2012, participated in a private placement acquiring 837,500 units representing 7% of the total private placement [3] | - | 134,000 |
| Various | Directors and officers | January 30, 2013, participated in a private placement acquiring 697,100 units representing 19% of the total private placement [4] | 97,594 | - |
| Dr. Brent Norton | Director | Consulting agreement payments [5] | $ 180,734 | $ 202,887 |

(1) On May 5, 2011, 58,139 stock options issued under the Company's stock option plan were exercised for gross proceeds to the Company of $9,593. On June 22, 2011, a further 58,140 stock options were exercised for gross proceeds of $9,593.

(2) 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 is payable upon the first occasion any molecule achieves one of the following milestones:

a) when the Company is given notification of acceptance of an IND and an IND acceptance number is received; or,

b) when either the United States (US) or the European patent authorities issue the Company a final patent.

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

If by November 27, 2015, the eighth anniversary date of the transaction, these milestones are not achieved and the contingent consideration is not paid, and if the Company has not abandoned its efforts to develop and commercialize the molecules by this anniversary date, the Company is required to:

a) issue the contingent consideration of 1,431,441 common shares at fair value, or

b) pay cash consideration equal to the amount by which the fair value of the molecules purchased in the transaction exceed the amount invested in the molecules by the Company. If the fair value of the molecules purchased in the transaction is less than the amount invested in the molecules by the Company, no consideration is payable.

On October 11, 2011, the Company received a patent from the United States Patent and Trademark Office (USPTO) for its US 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 shareholders of DDP (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 United States or Europe. The fair market value of this consideration was determined as $164,616 based upon the fair value of the common shares at the close of business on October 11, 2011, the date when the patent was granted.

The Company has determined that the achievement of the second milestone for COTI-2 does not meet IFRS guidance provided in IAS 37, Provisions, which states that where the event is "more likely than not" to occur such event should be recognized. Major factors considered in

the likelihood determination included: the uncertainty inherent in the remaining testing for COTI-2 prior to filing an IND application; the cost, time and expertise required in the IND application and approval process itself; and the Company's current financial capacity to develop COTI-2 successfully through to achieving this milestone.

(3) In Q4-F'12, the Company completed a private placement and issued 11,250,000 units at $0.16 per unit for gross proceeds of $1,800,000. Each unit consisted of one common share and one common share purchase warrant with each warrant exercisable into one additional common share at a price of $0.30 for a period of 18 months from the date of issue. Certain directors and officers participated in the private placement with a gross investment of $134,000.

(4) In Q3-F'13, the Company completed a private placement and issued 3,605,258 units at $0.14 per unit for gross proceeds of $504,736. Each unit consisted of one common share and one common share purchase warrant with each warrant exercisable into one additional common share at a price of $0.26 for a period of 18 months from the date of issue. Certain directors and officers participated in the private placement with a gross investment of $97,594.

(5) Under the 2012 Agreement, the Consultant was paid a daily rate for invoiced time as services were provided. The Consultant was also entitled to certain cash bonuses based upon his material contribution to the Company successfully achieving any or all of a license agreement, a collaboration agreement, or a financing. Compensation paid under the agreement during FYE 2012 included: $169,667 for services and $33,220 in bonuses.

Under the 2013 Agreement, the Consultant continued to be paid a daily rate for invoiced time as services were provided. The Consultant was also entitled to certain cash bonuses based upon his material contribution to the Company successfully achieving objectives under the Company's Executive Bonus Plan. Compensation paid under the agreement for services during FYE 2013 was $180,734. There were no bonuses earned under the 2013 Agreement during FYE 2013.

## Outstanding Share Information

Outstanding share information at the close of business on August 26, 2013 is set out in Table 23.

*Table 23: Outstanding Share Information*

| | Outstanding | Expiry Date |
|---|---|---|
| Common shares | | |
| Authorized - unlimited | | |
| Issued | 86,641,033 | |
| Diluted [(1)] | 130,475,472 | |
| Weighted average outstanding [(2)] | 76,803,659 | |
| Common share warrants | | |
| $0.30 warrants | 3,125,000 | Sep 23/13 |
| $0.30 compensation warrants | 157,937 | Sep 23/13 |
| $0.30 compensation warrants | 371,874 | Oct 9/13 |
| $0.30 warrants | 6,250,000 | Oct 9/13 |
| $0.30 warrants | 1,875,000 | Oct 26/13 |
| $0.30 compensation warrants | 196,875 | Oct 26/13 |
| $0.30 warrants | 8,152,500 | Oct 31/13 |
| $0.30 warrants | 2,187,500 | Oct 31/13 |
| $0.30 warrants | 2,160,000 | Oct 31/13 |
| $0.37 warrants | 1,446,481 | Mar 14/14 |
| $0.55 warrants | 129,019 | Mar 14/14 |
| $0.26 warrants | 3,605,258 | Jul 29/14 |
| $0.20 compensation warrants | 232,652 | Jul 29/14 |
| $0.26 warrants | 2,412,397 | Nov 30/14 |
| $0.20 compensation warrants | 23,000 | Nov 30/14 |
| $0.26 warrants | 2,003,498 | Dec 20/14 |
| $0.20 compensation warrants | 65,213 | Dec 20/14 |
| $0.26 warrants | 4,166,666 | Feb 15/15 |
| | 38,560,870 | |
| Common share stock options | | |
| $0.01 - $0.50 | 5,046,941 | Sep 9/14 - Sep 24 /17 |
| $0.51 - $1.00 | 226,628 | Jun 9/13 - Feb 16/14 |
| | 5,273,569 | |

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

[(2)] Weighted average shares outstanding calculated from May 1, 2012 to August 26, 2013

## Financial and Operational Progress & Outlook

### Financial Outlook Q4-F'13 into FYE 2014

At April 30, 2013, the Company continued to meet with prospective licensing partners for its lead oncology compound, COTI-2. Subsequent to the year-end, on June 11, 2013, the Company announced important confirmatory test results on the MOA of COTI-2 from MD Anderson Cancer Centre in Houston, TX. These results confirmed the positive impact of COTI-2 on p53 mutations that occur in more than 50% of all cancers. These results are being shared with a broad group of interested parties to support efforts in licensing the compound for further development.

As highlighted in Liquidity and Capital Resources, the Company is seeking additional funding to enable the final two-species toxicity studies to be completed for COTI-2 followed by the completion of the IND submission to the FDA. These toxicity studies commenced in late Q2-F'13 with two of the three components completed at April 30, 2013. With the requisite funding, these studies and the submission to the FDA can be completed in FYE 2014. The completion of the toxicity studies, and the submission to FDA, each represent significant risk reduction milestones for the compound and is expected to improve the Company's position in licensing negotiations.

In addition to COTI-2, the Company continues to seek R&D development projects with pharmaceutical and biotech companies as well as research scientists for commercial validation of the technology. This is expected to continue in FYE 2014. The three collaborations announced in the second and third quarters of FYE 2013 have progressed as discussed more fully below. The timing for the completion of these projects is uncertain since the Company is reliant on the project collaborators to complete certain testing following COTI's discovery work. The Company does not anticipate completion of these projects before Q4-F'14.

R&D expenditures historically have been conducted with CROs in the most cost effective manner considering the opportunity for refundable ITCs in identifying least cost, best value suppliers, and this is anticipated to continue as the Company works through the final testing on COTI-2 and its other prospects. The Company anticipates receiving approximately $128,000 in refundable ITC in Q2-F'14 related to FYE 2013 expenditures

The Company's strategy to complement the development of COTI-2, and its ultimate licensing, by advancing other drug discovery projects along parallel tracks continued during Q4-F'13 with the Company's AML program and is expected to continue in FYE 2014 within the context of the Company's ability to finance such development. The Company has $31,000 in available government assistance to support this research.

Expenditures on G&A and S&M activities for FYE 2014 are expected to be consistent with FYE 2013 provided the Company obtains the necessary financing. The Company plans to manage its activities within the cash resources available as it has in prior years. Expenditures on intangible assets and capital

assets in FYE 2014 are anticipated to be consistent with FYE 2013, which was primarily on the Company's patent portfolio and computer software and totaled $126,193 in FYE 2013.

Product Development Progress – Q4-F'13 and Future Outlook

The Company continued to make progress in developing its drug candidate pipeline during Q4-F'13 with primary focus on COTI-2 and secondary focus on the AML project.

COTI-2

During the quarter, the Company continued development of COTI-2 by carrying out additional experiments and laboratory work in preparation for an IND clinical trial submission. This work culminated in a press release subsequent to year-end on June 11, 2013. The Company announced positive results from experiments carried out in the cancer research laboratories of Gordon Mills, M.D., Ph.D. Chair of the Department of Systems Biology and the Co-director of the Khalifa Institute for Personalized Cancer Therapy at The University of Texas MD Anderson Cancer Center in Houston, Texas. These preclinical experiments confirmed that COTI-2 is most active in mutant p53 tumours and the effect in many specific p53 mutations is striking. The p53 gene is a tumor suppressing gene; however, if the p53 gene is mutated, cancers often develop and grow out of control.

The testing also confirmed that the effect of COTI-2 is even more pronounced where there are both p53 mutations and the presence of mutations in the AKT signaling pathway. The preclinical data suggests clinical trials are warranted. Proving COTI-2 highly active in people with p53 mutant tumors would represent a breakthrough therapy for many cancer patients.

Acute Myelogenous Leukemia (AML)

Like many other cancers, AML is the result of multiple gene mutations that affect multiple cell signaling kinase pathways. With few exceptions, traditional therapies targeting a single abnormal kinase have produced disappointing long-term results. On April 9, 2013, the Company announced the completion of a detailed analysis of the preclinical data from the AML program involving experiments initiated in 2012. As a result, three of the six CHEMSAS® identified and patented drug candidate will be tested in animal models of human AML. The three selected compounds were found to be active in multiple leukemia cell lines including human cell lines with the FLT3 mutant kinase, which is the most frequent molecular mutation in AML.

Based on this positive data, the next steps in the preclinical AML program have been initiated with the first step being the determination of the oral maximum tolerated dose (MTD). Once this has been determined for each of the three compounds, COTI will complete experiments in an animal model of FLT3 mutant human AML using MV4-11 tumor cells. All three compounds will be tested at various doses with the goal of selecting a lead and backup compound for continued development towards the clinic and commercial out-licensing.

Other Projects

Because of limited financial resources, the Company has a number of drug compounds and programs for which further development remains on hold or moves modestly forward based upon available internal labour.

The Company is exploring a variety of ways to realize value on its compounds and its technologies or further their development through co-development projects.

Collaborations and Co-Development Projects

Subsequent to year-end on May 6, 2013, the Company provided an update on its progress in the three collaboration research and development projects announced in the fall of 2012. Details for these collaborations and progress to date are set out below.

(1) Anti-scarring Discovery Project with Western University

In July 2012, the Company signed a collaborative research agreement (CRA) effective for two years from July 25, 2012, with the University of Western Ontario (Western) and a Western researcher located in London, Ontario, Canada. Under the agreement, the Company will utilize its proprietary technology CHEMSAS® to discover and optimize novel drug candidates as potential therapies for minimizing central nervous system (CNS) scarring following trauma or stroke. The researcher and Western will evaluate the identified compounds to test the suitability of the molecules as leads for the cellular target. COTI is solely responsible for its internal costs associated with the performance of its obligations under the CRA. Western is solely responsible for identifying and securing the funding to perform its obligations under the CRA. Western and COTI will jointly own all rights, title and interests in and to Intellectual Property (IP) that is developed by COTI researchers and Western researchers in the collaboration. Ownership of the joint IP will be equal unless decided otherwise by the two parties. If any of the candidates meet pre-determined development criteria, COTI and Western will work jointly to move the candidates towards clinical confirmation of activity and a commercial licensing transaction.

Under the CRA, the Company received a payment of $25,000 from Western as a service fee for its screening and validation performance. This payment was recognized as revenue during the year over the six month period the Company needed to complete its performance under the agreement. The Company's costs of performance under the CRA, consisting of labour and associated employee benefits, were expensed as incurred and reported in Research and product development in the Statements of Comprehensive Loss. Subsequent to the year-end, the Company announced on May 6, 2013, that two of the compounds provided under the CRA met the predetermined development criteria and Western was proceeding with further testing.

(2) Angiogenesis Discovery Collaboration with Delmar Chemicals Inc.

On August 22, 2012, the Company entered into a research and development collaboration agreement (RDCA) to advance selected small molecules with Delmar Chemicals Inc. (DCI) of Montreal, Quebec, Canada. The companies will work together to discover, select, screen and synthesize compounds for highly desirable commercial and therapeutic targets that have been identified as being of specific interest to major pharmaceutical companies. The agreement does not have a specific end date and may encompass a number of compound targets over several years; however, the agreement may be terminated subject to sixty days notice by either party. Under the RDCA, COTI will utilize CHEMSAS® to discover and optimize novel drug candidates designed to address effectively a number of opportunities. COTI will also be responsible for filing provisional composition of matter patents on any compounds forwarded to a major pharmaceutical company (Pharma) for their evaluation and managing the relationship with such Pharma. Delmar will provide medicinal chemistry analysis of the chemical structures as well as the synthesis of the most promising candidates. Each party is solely responsible for its internal costs associated with the performance of its obligations under the RDCA.

The Company completed the identification, profiling and optimization of a library of compounds and sent these to DCI for their assessment in February 2013. All costs associated with COTI's performance under the RDCA are being expensed at fair market value as incurred in Research and product development in the Statements of Comprehensive Loss. The Company estimates that 80% of its project salary costs had been incurred at the year-end. Subsequent to year-end on May 6, 2013, the Company announced that the compound structures successfully passed initial computational screens focused on novelty, synthetic feasibility, potential toxicity and patentability with three compounds in synthesis at DCI.

(3) Lead discovery project with multinational pharmaceutical company

On December 6, 2012, the Company announced the signing of a drug discovery agreement with a multinational pharmaceutical company (Pharma) whereby COTI would use its proprietary artificial intelligence drug discovery system, CHEMSAS®, to identify and optimize a number of small molecules against a target of commercial interest to the Pharma.

Under the terms of the agreement, COTI is responsible for the discovery, profiling and optimization of targeted drug candidates in a two-step approach. This involves identifying and delivering an initial set of compounds discovered using CHEMSAS®. The Pharma will then evaluate these compounds and provide COTI with the results of their analysis. Based upon this feedback, COTI will further optimize the compounds. The Pharma will test and evaluate the final optimized compounds and during an option period, decide the suitability of the molecules as leads for the proposed cellular target and conclude a license. If a licensing agreement is not reached, COTI will retain all intellectual property rights to the data and compounds and will be able to engage other interested parties for this program.

The Company commenced the first step of the project in December 2012 and delivered an initial set of compounds in February 2013. Subsequent to the year-end on May 6, 2013, the Company announced

initial test results received from the Pharma indicated a number of the submitted compounds met or exceeded the project target objectives and further testing is ongoing. Costs incurred on the project to the end of FYE 2013 consisted of internal labour and $5,074 in third party contract costs.

## 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 in the discovery and preclinical stage of the drug development cycle. 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, and in utilizing the technology to provide profiling and screening services on a fee for service basis. The major industry and economic risk factors affecting realization of this potential in FYE 2013 remain substantially unchanged from the analysis discussed at length in the Company's prior year AIF and the risk factors discussed in the quarterly MD&As for Q1 to Q3-F'13.

The four risk categories having the greatest affect on the Company during Q4-F'13 and for the year were:

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. COTI believes its CHEMSAS® process serves to mitigate or reduce this risk by virtue of profiling across many variables in identifying compounds with high probability of successfully become drugs, however, its predictions remain a probability only and failure can occur. COTI's lead compound, COTI-2, continues to progress through preclinical testing and perform as predicted.

Lack of Product 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 inception as a public company in October 2006, 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 are critical to achieving a revenue realization stage. Accordingly, operating losses are expected to be incurred until upfront licensing, milestone and royalty payments are sufficient to generate revenues 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.

Securing Adequate Licensing Agreements

The Company's ability to commercialize its products successfully will depend first, on meeting the scientific due diligence requirements of prospective customers and second, on its ability to negotiate satisfactory licensing terms with pharmaceutical or biotechnology organizations for preclinical compounds. While continued positive test results during fiscal 2013 generated positive feedback from potential licensees, these test outcomes have not translated into a contractual agreement to date. Licensing discussions during Q4-F'13 continued to find interest for preclinical stage deals for novel compounds or classes of compounds. This reflects the macro events occurring within the pharmaceutical industry such as; the large number of blockbuster drugs that continue to come off patent protection; the need to find drugs to replace the revenues lost to generic competition and lower margins on the unprotected brand; and the continued productivity challenges of the pharmaceutical industry in generating new compounds from their internal R&D.

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 outlined the financial challenges hindering project development and efforts to generate the capital needed. 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. COTI's success in obtaining future capital requirements will depend on many factors, such as establishing and maintaining investment industry relationships, collaborative partnering relationships, achieving a licensing agreement for COTI-2, and the general economic conditions and access to capital in the equity markets for biotechnology companies. 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 a non-GAAP financial measure, Capital Resources, to supplement information contained in the MD&A. This non-GAAP measure does not have any standardized meaning prescribed under IFRS and therefore it may not be comparable to similar measures when presented by other issuers. Capital Resources is defined and calculated by the Company as cash, cash equivalents and short-term investments. This differs from IFRS disclosure where cash and cash equivalents are included in the Statement of Financial Position as cash and the Statement of Cash Flows is reconciled to this cash balance. Short-term investments are disclosed separately in the Statement of Financial Position and changes in short-term investments are disclosed separately in the Statement of Cash Flows in determining cash. The short-term investment in FYE 2012 was a guaranteed investment certificate encashable at any time up to its maturity date. With such high liquidity characteristics, management considers such investments as a readily available source of capital. Management believes the inclusion of short-term investments as part of Capital Resources provides more meaningful information with respect to the liquidity of the Company.

*Table 24: Reconciliation to Capital Resources*

| | April 30/13 | April 30/12 |
|---|---|---|
| Cash and cash equivalents | $ 169,347 | $ 901,130 |
| Short-term investments | 0 | 817,541 |
| Capital resources | $ 169,347 | $1,718,671 |

## Changes in Accounting Policies

Details regarding the adoption of new accounting pronouncements in FYE 2013 and future accounting policy changes affecting FYE 2014 based upon new accounting pronouncements are set out below.

(a) Adoption of new accounting pronouncements:

During the year, the Company entered into three agreements for the discovery of drug compounds with other entities. Consequently, the Company elected to early adopt IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IFRS 10 Consolidated Financial Statements, IAS 27 (2011) Separate Financial Statements and IAS 28 (2011) Investments in Associates and Joint Ventures in the interim financial statements. These standards were required to be adopted by the Company beginning on May 1, 2013; however, early adoption was permitted.

This early adoption had minimal impact on the Company's financial statements as all three joint arrangements were determined to be joint operations. These collaborations were discussed earlier under Financial and Operational Progress & Outlook in this MD&A. The disclosure requirements concerning these joint arrangements for financial reporting purposes appear at note 18 in the April 30, 2013 financial statements. A summary of the requirements for each standard and its impact on the Company's reporting appears below.

i. IFRS 11 Joint Arrangements:

IFRS 11 replaces the guidance in IAS 31 Interests in Joint Ventures. IFRS 11 focuses on the rights and obligations of an arrangement, rather than its legal form and establishes accounting principles in classifying interests in joint arrangements as either joint ventures or joint operations. The standard requires interests in jointly controlled entities to be accounted for under the equity method.

A joint arrangement not structured through a separate vehicle is considered a joint operation. Under the standard, the two agreements entered into by the Company during the quarter have each been determined to be a joint operation. In a joint operation, the contractual arrangement establishes the parties' rights to the assets, obligations for the liabilities relating to the arrangement and the parties' rights to the corresponding revenues and obligations for the corresponding expenses. Accordingly, each joint operator recognizes in its financial statements the assets and liabilities used for the specific task, and recognizes its share of the revenues and expenses in accordance with the contractual arrangement.

There was no material impact on the Company's financial statements because of this adoption.

ii. IFRS 12 Disclosure of Interests in Other Entities:

IFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (joint operations or joint ventures), associates and unconsolidated structured entities. The disclosure requirements widely define interests as contractual and non-contractual involvement that exposes an entity to variability of returns from the performance of the other entity. The required disclosures aim to provide information in order to enable users to evaluate the nature of, and the risks associated with, an entity's interest in other entities, and the effects of those interests on the entity's financial position, financial performance and cash flows. Disclosures required by this standard were included in note 18 of the April 30, 2013 financial statements.

iii. IFRS 10 Consolidated Financial Statements:

IFRS 10 replaces the guidance in IAS 27 Consolidated and Separate Financial Statements and SIC-12 Consolidation – Special Purpose Entities. IAS 27 (amended 2011) survives as Separate Financial Statements, to carry forward only the existing accounting requirements for separate financial statements. IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are Special Purpose Entities in the scope of SIC-12. In addition, the consolidation procedures are carried forward substantially unmodified from IAS 27 (amended 2008). The Company assessed the impact of this amended standard and determined there to be no impact on its financial statements.

iv. IAS 27 (amended 2011) Separate Financial Statements:

This amended pronouncement removes the requirements for consolidated statements from IAS 27 and moves it over to IFRS 10 Consolidated Financial Statements. The amendment mandates that when a company prepares separate financial statements, investment in subsidiaries, associates, and jointly

controlled entities are accounted for using the cost method or in accordance with IFRS 9 Financial Instruments. The Company assessed the impact of this amended standard and determined there to be no impact on its financial statements.

v. IAS 28 (amended 2011) Investments in Associates and Joint Ventures:

This amended pronouncement requires any retained portion of an investment in an associate or joint venture that has not been classified as held for sale to be measured using the equity method until disposal. After disposal, if the retained interest continues to be an associate or joint venture, the amendment requires this retained interest to continue to be accounted for under the equity method. The amendment also disallows the remeasurement of any retained interest in an investment upon the cessation of significant influence or joint control. The Company has assessed the impact of this amended standard and has determined there to be no impact on its financial statements.

b) Future Accounting Policy Changes

Certain pronouncements have been issued by the International Accounting Standards Board (IASB) or the International Financial Reporting Interpretations Committee that are mandatory for annual periods beginning subsequent to the April 30, 2013 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. The remaining pronouncements are being assessed to determine their impact on the Company's results and financial position as follows:

i. IFRS 9 – Financial Instruments:

In October 2010, the IASB issued IFRS 9 – Financial Instruments ("IFRS 9"), which replaced IAS 39 – Financial Instruments: Recognition and Measurement. This standard establishes principles for the financial reporting of financial assets and financial liabilities that will present relevant and useful information to users of financial statements for their assessment of the amounts, timing and uncertainty of an entity's future cash flows. This new standard is effective for the Company's interim and annual financial statements commencing May 1, 2015. The Company has not yet assessed the impact of this new standard on its financial statements.

ii. IFRS 13 – Fair Value Measurement:

In May 2011, the IASB issued IFRS 13 – Fair Value Measurement ("IFRS 13"), which replaced the fair value guidance contained in individual IFRS with a single source of fair value measurement guidance. The standard also requires disclosures that enable users to assess the methods and inputs used to develop fair value measurements. This new standard is effective for the Company's interim and annual financial statements commencing May 1, 2013. The extent of the impact of adoption of IFRS 13 on the financial statements has not yet been fully assessed.

iii. IAS 1 – Presentation of Financial Statements:

In June 2011, the IASB amended IAS 1 – Presentation of Financial Statements. This amendment requires an entity to present separately the items of "Other Comprehensive Income" as items that may or may not be reclassified to profit and loss. This amended standard is effective for the Company's interim and annual financial statements commencing May 1, 2013. Adoption of this standard is not anticipated to have any measureable impact based upon the Company's historic activities.

iv. IAS 19 – Employee Benefits:

In June 2011, the IASB published an amended version of IAS 19, Employee Benefits. The amendments impact termination benefits, which would now be recognized at the earlier of when the entity recognizes costs for a restructuring within the scope of IAS 37 Provisions, and when the entity can no longer withdraw the offer of the termination benefits. The Company intends to adopt the amendments in its financial statements for the annual period beginning on May 1, 2013. The extent of the impact of adoption of the amendments has not yet been determined.

v. Annual improvements to IFRSs 2009-2011 Cycle – Various Standards

In May 2012, the IASB published Annual Improvements to IFRSs – 2009-2011 Cycle as part of its annual improvements process to make non-urgent but necessary amendments to IFRS. The new cycle of improvements contains amendments to the following four standards with consequential amendments to other standards and interpretations:

- IAS 1 Presentation of Financial Statements
- IAS 16 Property, Plant and Equipment
- IAS 32 Financial Instruments: Presentation
- IAS 34 Interim Financial Reporting

The Company intends to adopt the amendments to the standards in its financial statements for the annual period beginning on May 1, 2013. The extent of the impact of adoption of the amendments has not yet been determined.