Critical Outcome Technologies Inc.

Unaudited Condensed Interim Financial Statements
Fiscal 2015 – Third Quarter

For the three and nine months ended January 31, 2015 and 2014

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Notice of No Audit or Review of Condensed Interim Financial Statements

The accompanying Interim Statements of Financial Position as at January 31, 2015, and April 30, 2014, of Critical Outcome Technologies Inc., and the Interim Statements of Comprehensive Loss for the three and nine month periods ended January 31, 2015 and 2014, and the Interim Statements of Changes in Equity and the Interim Statements of Cash Flows for the nine month periods ended January 31, 2015 and 2014, have been prepared by, and are the responsibility of the Company's management and have been reviewed and approved by the Audit Committee as authorized by the Board of Directors.

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

CRITICAL OUTCOME TECHNOLOGIES INC.

Interim Statements of Financial Position

(All amounts in Canadian dollars)

(Unaudited)

As at		**January 31, 2015**		**April 30, 2014**
Assets				
Current assets:				
Cash and cash equivalents	$	2,159,886	$	830,275
Short-term investments (note 5)		265,595		-
Investment tax credits and other receivables		206,375		149,754
Prepaid expenses and deposits		114,570		79,673
		2,746,426		1,059,702
Non-currents assets:				
Equipment		31,668		38,068
Intangible assets (note 6)		1,115,167		1,429,933
		1,146,835		1,468,001
	$	3,893,261	$	2,527,703
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	$	523,435	$	683,895
Debenture (note 7)		399,163		346,666
		922,598		1,030,561
Shareholders' equity		2,970,663		1,497,142
	$	3,893,261	$	2,527,703

Going concern (note 2)

Commitments (note 12)

Contingency (note 14)

Subsequent events (note 15)

See accompanying notes to interim financial statements

CRITICAL OUTCOME TECHNOLOGIES INC.

Interim Statements of Comprehensive Loss

(All amounts in Canadian dollars)

(Unaudited)

	Three months ended		Nine months ended	
	January 31, 2015	**January 31, 2014**	**January 31, 2015**	**January 31, 2014**
Expenses (income):				
Research and product development	345,520	183,411	935,462	440,605
Sales and marketing	80,576	39,682	191,261	84,818
General and administration	584,000	480,118	1,844,204	1,296,995
Investment tax credits	(26,233)	(27,852)	(111,830)	(48,552)
	983,863	675,359	2,859,097	1,773,866
Loss before finance income (expense)	(983,863)	(675,359)	(2,859,097)	(1,773,866)
Finance income (expense):				
Interest income (expense)	(15,948)	1,392	(53,175)	2,942
Foreign exchange gain	50,308	2,581	45,770	1,266
	34,360	3,973	(7,405)	4,208
Loss and comprehensive loss	$ (949,503)	$ (671,386)	$ (2,866,502)	$ (1,769,658)
Loss per share:				
Basic and diluted loss per common share	$ (0.01)	$ (0.01)	$ (0.03)	$ (0.02)

See accompanying notes to interim financial statements

CRITICAL OUTCOME TECHNOLOGIES INC.
Interim Statements of Changes in Shareholders' Equity
(All amounts in Canadian dollars)
(Unaudited)

For the nine months ended January 31, 2015

	Common Shares	Warrants	Total Capital	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance, April 30, 2014	$ 17,793,769	$ 5,264,035	$ 23,057,804	$ 389,483	$ (21,950,145)	$ 1,497,142
Issuance of shares and warrants (note 8)	2,411,759	1,337,921	3,749,680	-	-	3,749,680
Warrant amendments (note 8(d))	-	1,477,853	1,477,853	(1,488,014)	-	(10,161)
Warrant exercises (note 8(b))	438,676	(147,906)	290,770	-	-	290,770
Share-based compensation (note 9)	-	-	-	219,415	-	219,415
Option exercises (note 8(c))	153,119	-	153,119	(62,800)	-	90,319
Loss and comprehensive loss	-	-	-	-	(2,866,502)	(2,866,502)
Balance, January 31, 2015	$ 20,797,323	$ 7,931,903	$ 28,729,226	$ (941,916)	$ (24,816,647)	$ 2,970,663

For the nine months ended January 31, 2014

	Common Shares	Warrants	Total Capital	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance, April 30, 2013	$ 16,416,798	$ 2,493,115	$ 18,909,913	$ 1,922,193	$ (18,953,966)	$ 1,878,140
Issuance of shares and warrants	995,639	647,727	1,643,366	-	-	1,643,366
Warrant amendments	-	1,655,534	1,655,534	(1,662,500)	-	(6,966)
Warrant expiries	-	(29,838)	(29,838)	29,838	-	-
Share-based compensation	-	-	-	117,660	-	117,660
Loss and comprehensive loss	-	-	-	-	(1,769,658)	(1,769,658)
Balance, January 31, 2014	$ 17,412,437	$ 4,766,538	$ 22,178,975	$ 407,191	$ (20,723,624)	$ 1,862,542

See accompanying notes to interim financial statements

CRITICAL OUTCOME TECHNOLOGIES INC.
Interim Statements of Cash Flows
(All amounts in Canadian dollars)
(Unaudited)

For the nine months ended	January 31, 2015	January 31, 2014
Cash provided by (used in):		
Operating activities:		
Loss	$ (2,866,502)	$ (1,769,658)
Items not involving cash:		
Amortization - equipment	8,708	9,854
Amortization - intangible assets	392,714	389,766
Loss on disposal of patents	9,921	-
Accretion expense	52,498	-
Share-based compensation (note 9)	219,415	117,660
Warrants issued in payment of consulting services	265,200	-
Investment tax credits	(111,830)	(48,552)
Interest (income) expense	53,175	(2,942)
Foreign exchange (gain) loss	(45,770)	(1,266)
	(2,022,472)	(1,305,138)
Change in non-cash operating working capital (note 10)	(239,405)	(369)
Foreign exchange (income) loss	(68,120)	4,237
Interest received	7,555	4,096
Net cash (used in) operating activities	(2,322,442)	(1,297,174)
Investing activities:		
Purchase of equipment	(2,308)	(3,952)
Purchase of short-term investments	(265,595)	-
Expenditures on intangible assets	(87,869)	(100,975)
Net cash (used in) provided by investing activities	(355,772)	(104,927)
Financing activities:		
Proceeds from issuance of common shares and warrants	4,180,972	1,754,883
Costs of issuance of common shares and warrants	(315,403)	(111,517)
Costs of warrant amendments	(10,161)	(6,966)
Investment tax credit recoveries	72,726	64,649
Interest paid	(34,199)	(1,347)
Net cash provided by financing activities	3,893,935	1,699,702
Increase in cash and cash equivalents	1,215,721	297,601
Effect of exchange rate fluctuations on cash and cash equivalents	113,890	(5,503)
Cash and cash equivalents, beginning of the period	830,275	169,347
Cash and cash equivalents, end of the period	$ 2,159,886	$ 461,445
Represented by:		
Cash	$ 233,677	$ 196,204
Cash equivalents	1,926,209	265,241
	$ 2,159,886	$ 461,445

See accompanying notes to interim financial statements

1. Corporate information:

Critical Outcome Technologies Inc. ("COTI" or "the Company") is a biopharmaceutical company that uses machine learning to rapidly develop targeted therapies. COTI's proprietary artificial intelligence platform, CHEMSAS®, utilizes a series of predictive computer models to identify compounds with a high probability of being developed successfully from disease specific drug discovery through chemical optimization and preclinical testing. These compounds are targeted for a variety of diseases, particularly those for which current treatments are either lacking or ineffective.

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

2. Going concern:

The going concern basis of presentation assumes the Company will continue in operation for the foreseeable future and be able to realize its assets and discharge its liabilities and commitments in the normal course of operations. For COTI, there are material uncertainties related to certain conditions and events that raise significant doubts about the validity of this assumption. In particular, the Company has not yet established operating revenues and operating cash flows continue to be negative. Key financial results for the nine months ended January 31, 2015 and 2014 are indicative of concern and include a loss of $2,866,502 (January 31, 2014 – $1,769,658) and negative cash flow from operations of $2,322,442 (January 31, 2014 – $1,297,174). As at January 31, 2015, the Company had a deficit of $24,816,647 (April 30, 2014 – $21,950,145), which results in shareholders' equity of $2,970,663 (April 30, 2014 – $1,497,142). As at January 31, 2015, the Company had working capital of $1,823,828 (April 30, 2014 – $29,141).

The Company is dependent upon key personnel and the need to raise additional funds to support the Company's continuing development and to meet liabilities and commitments as they become due while executing its business plan. The Company is taking steps to address the going concern risk by actively seeking potential customers, partners, and collaborators as a means of furthering molecule development and generating revenue streams, and pursuing alternative sources of financing, including but not limited to, raising capital in the public market and securing government grants.

The Company has discretion with many of its expenditure activities and plans to manage these activities in fiscal 2015 and fiscal 2016 within the limits of available cash resources. While the Company has a history of obtaining financing, there is no certainty that any of the aforementioned strategies will enable the Company to alleviate the going concern risk in future periods.

Subsequent to the quarter-end, the Company realized gross proceeds of $604,803 in financing from a private placement that commenced in the quarter and from the exercise of warrants issued in prior years' private placements (note 15(b) and (c)).

The accompanying Interim Financial Statements have been prepared assuming that the Company will continue as a going concern. Accordingly, these Interim Financial Statements do not include any adjustments to the carrying values and classifications of assets and liabilities, or the reported expenses that would be necessary if the going concern assumption was not appropriate. Any adjustments to the Interim Financial Statements could be material.

3. Basis of preparation:

(a) Compliance with accounting standards:

These Interim Financial Statements for the nine months ended January 31, 2015 and January 31, 2014 have been prepared in accordance with International Financial Reporting Standards ("IFRS") and specifically International Accounting Standard ("IAS"), IAS 34 Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB").

The accounting policies in these fiscal 2015 Interim Financial Statements are consistent with the policies the Company adopted in its Annual Financial Statements as at, and for the year ending, April 30, 2014. These accounting policies were disclosed in detail in note 5 of the Company's April 30, 2014, Annual Financial Statements. COTI has also prepared these Interim Financial Statements on an individual entity basis, as it has no subsidiaries. Management has determined that the Company operates in one reportable segment based on the business activities reflected in its revenues and expenses since inception.

In preparing these Interim Financial Statements, certain information and disclosures normally included in the notes to the Annual Financial Statements are condensed or not presented. These Interim Financial Statements should be read in conjunction with the Company's most recent Annual Financial Statements as of April 30, 2014, and related notes.

The Audit Committee approved these Interim Financial Statements for issuance on March 19, 2015.

(b) Basis of measurement:

The Interim Financial Statements have been prepared on a historical cost basis. The Statements of Comprehensive Loss are presented using the functional classification for expenses.

(c) Functional and presentation currency:

These Interim Financial Statements are presented in Canadian dollars ("CAD"), which is the functional currency of the economic environment in which the Company operates.

(d) Use of estimates and judgments:

The preparation of these Interim Financial Statements in conformity with IFRS requires the Company to apply judgement when making estimates and assumptions that affect the reported amounts of assets, liabilities, income, and expenses at the date of the Interim Financial Statements. There is a degree of measurement uncertainty inherent in the Company's estimates and assumptions and accordingly, changes in these estimates and assumptions could result in material adjustments to the carrying amounts of assets and liabilities in future periods. There has been no material change in the significant estimates and assumptions as described in note 4 (d) of the Annual Financial Statements for the year ended April 30, 2014.

4. Significant accounting policies:

The accounting policies as set out in detail in note 5 of the Annual Financial Statements for the year ended April 30, 2014, have been applied consistently to all periods presented in these Interim Financial Statements.

(a) Adoption of new accounting pronouncements:

The Company adopted new accounting pronouncements commencing in the first quarter of this fiscal year, details of which were described in the Company's April 30, 2014 Annual Financial Statements. These standards did not have a significant impact on the Company's year-to-date Interim Financial Statements and included the following:

i. IAS 32 – Financial Statements: Presentation

ii. IAS 36 – Impairment of Assets

(b) Recent accounting pronouncements not yet adopted

The IASB and International Financial Reporting Interpretations Committee ("IFRIC") have issued new standards or amended existing standards that affect the Company but which have not been applied in preparing these interim financial statements as their effective dates fall in annual periods beginning subsequent to the current reporting period as follows:

i. IFRS 9 - Financial Instruments

IFRS 9 introduces new requirements for the classification and measurement of financial assets and liabilities which when implemented will eliminate the existing IAS 39 categories of held-to-maturity, available-for-sale, and loans and receivables. The IASB has tentatively decided on an effective date of January 1, 2018. The Company will be assessing the impact of the issued and proposed changes to IFRS 9 and does not intend to early adopt these changes.

ii. IFRS 15 - Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15 - Revenue from Contracts with Customers, which introduces a single model for recognizing revenue from contracts with customers except leases, financial instruments and insurance contracts. The standard is effective for annual periods beginning on or after January 1, 2017 with retroactive application. The Company intends to adopt IFRS 15 in its financial statements for the annual period beginning on May 1, 2017. The extent of the impact of adopting the standard has not yet been determined, as the Company has not generated revenues to date; however, the Company is evaluating the standard in light of the types of revenues it anticipates.

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

In December 2013, the IASB issued narrow-scope amendments to nine standards as part of its annual improvements process. Not all amendments to the nine standards are applicable to the Company's business. The amendments that may affect the Company based upon its current operations, and the clarifications to the respective standards are as follows:

- Definition of "vesting condition" in IFRS 2 Share-based payment;
- Classification and measurement of contingent consideration and scope exclusion for the formation of joint arrangements in IFRS 3 Business Combinations;
- Measurement of short-term receivables and payables and scope of portfolio exception in IFRS 13 Fair Value Measurement;
- Restatement of accumulated depreciation (amortization) on revaluation in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets; and,
- Definition of "related party" in IAS 24 Related Party Disclosures.

Most amendments apply prospectively for annual periods beginning on or after July 1, 2014; earlier application is permitted, in which case, the related consequential amendments to other IFRS standards would also apply. The Company intends to adopt these amendments in its financial statements for the annual period beginning on May 1, 2015. The Company does not expect the amendments to have a material impact on the financial statements.

5. Short-term investments

The Company invests cash not needed for immediate working capital purposes in short-term securities having maturities greater than three months but less than one year, and rated at "A high" or greater by Standard and Poor's and the Dominion Bond Rating Service. At January 31, 2015, the Company held a single investment with a market value of $265,595 (cost $265,000) that matures on December 1, 2015.

(All amounts in Canadian dollars)

6. Intangible assets:

Summary details of the Company's intangible assets at January 31, 2015, appear in the following table.

As at January 31, 2015	Molecules	Granted Patents	Pending Patents	Computer Software	Total
Cost, April 30, 2014	$ 3,275,785	$ 355,565	$ 413,412	$ 141,802	$ 4,186,564
Additions	-	3,117	79,086	5,666	87,869
Transfers upon patent grant	-	62,126	(62,126)	-	-
Patent disposal	-	-	(9,921)	-	(9,921)
Expired software licenses	-	-	-	(72,650)	(72,650)
Cost, January 31, 2015	3,275,785	420,808	420,451	74,818	4,191,862
Accumulated amortization, April 30, 2014	(2,596,202)	(85,563)	-	(74,866)	(2,756,631)
Amortization	(321,908)	(18,246)	-	(52,560)	(392,714)
Expired software licenses	-	-	-	72,650	72,650
Accumulated amortization, January 31, 2015	(2,918,110)	(103,809)	-	(54,776)	(3,076,695)
Net carrying value, January 31, 2015	$ 357,675	$ 316,999	$ 420,451	$ 20,042	$ 1,115,167

Pending Patent costs of $9,921 related to the filing of a patent in the United States for the Company's lead oncology compound, COTI-2, were written off and recorded in Patent Impairment Expense during the quarter. This write-down reflected management's determination that the cost and timeline to obtain the additional data needed for this patent could not be justified based upon the marginal utility of the patent given the claims of existing patents already granted and others being pursued for COTI-2. This expense was included in Research and product development in the Statements of Comprehensive Loss.

7. Debenture:

The Debenture of $400,000 entered into on February 5, 2014, has a term of one year from the date of issuance and bears interest at a rate of 10%, with interest only payable on a monthly basis.

The Debenture contained both a liability component and an equity component represented by Debenture Warrants so the fair value of the liability was determined using a discounted cash flow model and the equity component was estimated using the residual method. The present value of the Debenture and its interest payments was calculated at a discount rate of 20%, which was the estimated borrowing rate available to the Company for a similar debenture having no Debenture Warrants. The interest discount is being accreted to the Debenture on a monthly basis to the date of maturity with $9,729 recorded as interest expense in the current quarter ($35,543 since inception). The financing costs allocated to the Debenture of $32,678 were recognized as a reduction in the value of the Debenture and are being accreted on a monthly basis to the date of maturity with accretion of $8,236 recorded as financing expense in the current quarter ($32,320 since inception).

The Debenture matured on February 5, 2015, and the Company repaid the $400,000 Debenture with the outstanding accrued interest.

(All amounts in Canadian dollars)

Details concerning the Debenture are summarized below.

		Carrying Values	
	Face Value	January 31, 2015	April 30, 2014
Balance, at issuance	$ 400,000	$ 331,300	$ 331,300
Accretion expense	-	67,863	15,366
Balance, at period end	$ 400,000	$ 399,163	$ 346,666

8. Share capital:

Summary details of the Company's share capital at January 31, 2015, with comparable amounts for April 30, 2014, appear in the following table.

		January 31, 2015		April 30, 2014	
	Expiry Date Ranges	Issued	Amount	Issued	Amount
Share capital:					
Authorized:					
Unlimited common shares					
Unlimited preference shares					
Issued and fully paid:					
Common shares, without par value		115,247,836	$ 20,797,323	96,807,979	$ 17,793,769
Common share purchase warrants:					
$0.20 compensation warrants	Jul 29/14	-	-	232,652	19,543
$0.20 warrants	Feb 4/15	1,250,000	32,786	1,250,000	32,786
$0.26 warrants	Feb 15/15 - Aug 20/15	14,536,527	830,220	14,624,027	595,302
$0.20 compensation warrants	Feb 27/15 - Mar 1/15	224,525	38,127	355,343	52,424
$0.37 warrants	Mar 31/15	1,446,481	441,956	1,446,481	441,956
$0.55 warrants	Mar 31/15	129,019	32,581	129,019	32,581
$0.30 warrants	Apr 23 - May 26/15	10,625,000	1,790,689	11,250,000	1,899,753
$0.26 warrants	Jan 29/16	3,569,458	505,643	3,605,258	126,761
$0.30 warrants	Mar 15/16	12,500,000	2,518,901	12,500,000	1,659,850
$0.28 warrants	Apr 29 - Jun 2/16	8,951,385	385,072	3,356,250	131,154
$0.22 compensation warrants	Apr 29 - Jun 2/16	461,110	38,436	242,000	17,182
$0.26 warrants	Feb 4/19	769,230	40,392	769,230	40,392
$0.19 USD compensation warrants	Apr 11 - Jun 6/19	3,000,000	472,222	1,500,000	214,351
$0.34 USD warrants	Oct 16 - Nov 24/19	10,177,760	697,842	-	-
$0.26 USD compensation warrants	Oct 16 - Nov 24/19	578,116	49,864	-	-
$0.38 warrants	Dec 18/19	970,000	55,632		
$0.29 compensation warrants	Dec 18/19	20,000	1,540		
		69,208,611	7,931,903	51,260,260	5,264,035
			$ 28,729,226		$ 23,057,804

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

(All amounts in Canadian dollars)

	Shares		Amount
Balance April 30, 2014	96,807,979	$	17,793,769
Shares issued - private placement (note 8 (a) i)	5,595,135		562,651
Shares issued - private placement issuance costs (note 8 (a) ii)	-		(2,800)
Shares issued - private placement (note 8 (a) iii)	10,177,760		1,677,624
Shares issued - private placement (note 8 (a) iv)	970,000		174,284
Shares issued - warrant exercise (note 8 (b))	1,111,770		438,676
Shares issued - option exercise (note 8 (c))	585,192		153,119
	18,439,857		3,003,554
Balance January 31, 2015	115,247,836	$	20,797,323

A summary of the changes in warrant capital is set out below.

	Warrants		Amount
Balance April 30, 2014	51,260,260	$	5,264,035
Warrants issued - private placement (note 8 (a) i)	5,595,135		255,039
Warrants issued - private placement (note 8 (a) ii)	-		(1,120)
Warrants issued - private placement (note 8 (a) iii)	10,177,760		697,842
Warrants issued - private placement (note 8 (a) iv)	970,000		55,632
Warrants issued - private placement compensation (note 8 (a) i)	219,110		21,254
Warrants issued - private placement compensation (note 8 (a) iii)	578,116		49,864
Warrants issued - private placement compensation (note 8 (a) iv)	20,000		1,540
Warrants exercised (note 8 (b))	(1,111,770)		(147,906)
Warrants amended (note 8 (d))	-		1,477,853
Warrants issued - consulting (note 8 (e))	1,500,000		257,870
	17,948,351		2,667,868
Balance January 31, 2015	69,208,611	$	7,931,903

Details concerning the share capital transactions are summarized below.

(a) Private placements:

i. On June 3, 2014, the Company completed the second tranche of a non-brokered private placement with the first tranche having closed on April 30, 2014. Under the second tranche, the Company issued 5,595,135 units consisting of one common share and one warrant at $0.16 per unit for gross proceeds of $895,222. Each common share purchase warrant is exercisable for one common share at an exercise price of $0.28 for a period of 24 months following the date of issue. The Company paid cash costs of $56,278 related to the placement consisting of professional and legal fees of $21,220, and $35,058 in finders' fees. The Company also issued 219,110 compensation warrants valued at $21,254 with each compensation warrant exercisable for one common share at an exercise price of $0.22 for a period of 24 months from the date of issue. The expiry date for the common share purchase warrants and the compensation warrants is June 2, 2016.

(All amounts in Canadian dollars)

The common share purchase warrants were valued using a Black-Scholes valuation model with the following assumptions:

Common share market price	\$0.190
Risk free interest rate	1.066%
Expected dividend yield	-
Expected common share price volatility	103.9%
Expected warrant life in years	2.00

The common share purchase warrants were allocated a portion of the proceeds and private placement costs based upon their relative fair market value at the date of issuance. Accordingly, \$279,198 in gross proceeds and \$24,159 in costs were allocated to these warrants.

ii. Subsequent to the April 30, 2014, year-end, additional legal fees and regulatory costs of \$3,920 were recognized related to the first tranche of the private placement that closed on April 30, 2014. These costs were recognized as a decrease in Share Capital of \$2,800 and a decrease in Warrant Capital of \$1,120.

iii. The Company completed a non-brokered private placement in three tranches with the second and third tranches closing in the quarter on November 6 and 25, 2015, respectively. In aggregate 10,177,760 units were issued, consisting of one common share and one warrant at USD \$0.23 per unit for gross proceeds of CAD \$2,655,646. Each common share purchase warrant is exercisable for one common share at an exercise price of USD \$0.34 for a period of 60 months following the date of issue. The Company also issued 578,116 compensation warrants with each compensation warrant exercisable for one common share at an exercise price of USD \$0.26 for a period of 60 months from the date of issue. The expiry date for the common share purchase warrants and the compensation warrants will be reduced to a period of 21 days if, for any ten consecutive trading days during the unexpired term of the warrants, the closing price of the common shares listed on the TSX Venture Exchange equals or exceeds three times the exercise price of the respective warrants issued in the Offering.

The common share purchase warrants were allocated a portion of the proceeds and private placement costs based upon their relative fair market value at the date of issuance. The fair market value of the common share purchase warrants and the compensation warrants was determined using a Black-Scholes valuation model. A summary of the assumptions used in the model were as follows:

(All amounts in Canadian dollars)

	Common Share Purchase Warrants	Compensation Warrants
Common share market price	$ 0.225 - 0.270	$ 0.225 - 0.270
Risk free interest rate	1.182 - 1.146%	0.858 - 1.247%
Expected dividend yield	-	-
Expected common share volatility	94.3 - 101.6%	81.2 - 95.2%
Expected warrant life in years	2.14 - 2.26	1.47 - 1.52

A detailed summary for the private placement by tranche closing date and in aggregate is set out below.

Tranche closing date	Oct 17, 2014	Nov 6, 2014	Nov 25, 2014	Total
Common shares and warrants issued	2,012,698	5,111,062	3,054,000	10,177,760
Compensation warrants issued	147,720	310,076	120,320	578,116
Cash proceeds summary:				
Gross proceeds on issuance	$ 522,036	$ 1,343,177	$ 790,433	$ 2,655,646
Share issuance costs	(50,767)	(112,825)	(66,724)	(230,316)
Net cash proceeds on issuance	$ 471,269	$ 1,230,352	$ 723,709	$ 2,425,330
Share issuance costs:				
Cash costs:				
Finders' fees	$ (38,203)	$ (79,999)	$ (31,315)	$ (149,517)
Professional and legal fees	(12,564)	(32,826)	(35,409)	(80,799)
	(50,767)	(112,825)	(66,724)	(230,316)
Fair value of compensation warrants	(16,988)	(21,085)	(11,791)	(49,864)
Total share issuance costs	$ (67,755)	$ (133,910)	$ (78,515)	$ (280,180)
Fair value allocations:				
Fair value of common shares	$ 352,384	$ 968,539	$ 554,035	$ 1,874,958
Share issuance costs	(45,735)	(96,576)	(55,023)	(197,334)
Increase in fair value of share capital	306,649	871,963	499,012	1,677,624
Fair value of warrants	169,652	374,638	236,398	780,688
Warrant issuance costs	(22,020)	(37,334)	(23,492)	(82,846)
Increase in fair value of warrants	147,632	337,304	212,906	697,842
Total fair value	$ 454,281	$ 1,209,267	$ 711,918	$ 2,375,466

iv. On December 19, 2014, the Company completed a non-brokered private placement and issued 970,000 units consisting of one common share and one warrant at $0.255 per unit for gross proceeds of $247,350. Each common share purchase warrant is exercisable for one common share at an exercise price of $0.38 for a period of 60 months following the date of issue. The Company paid cash costs of $15,895 related to the placement consisting of professional and legal fees of $10,795, and $5,100 in finders' fees. The Company also issued 20,000 compensation warrants valued at $1,540 with each compensation warrant exercisable for one common share at an exercise price of $0.29 for a period of 60 months from the date of issue. The expiry date for the common share purchase warrants and the compensation warrants is December 18, 2019.

(All amounts in Canadian dollars)

The common share purchase warrants and the compensation warrants were valued using a Black-Scholes valuation model with the following assumptions:

	Common Share Purchase Warrants	Compensation Warrants
Common share market price	$ 0.235	$ 0.235
Risk free interest rate	0.644%	0.574%
Expected dividend yield	-	-
Estimated common share price volatilit	86.6%	86.3%
Estimated warrant life in years	1.85	1.38

The common share purchase warrants were allocated a portion of the proceeds and private placement costs based upon their relative fair market value at the date of issuance. Accordingly, $59,849 in gross proceeds and $4,218 in costs were allocated to these warrants.

(b) Warrant exercises:

During the three and nine month periods ended January 31, 2015, warrant holders exercised common share purchase warrants and compensation warrants. The gross proceeds of these exercises, plus the value attributed to these warrants on the initial grant, less the costs to issue the common shares upon the exercise, were recognized as Share Capital and the Warrant Capital account relieved as summarized below.

Warrant type	Warrants exercised	Gross proceeds	Warrant transfer value	Share issuance cost	Share capital
$0.20 compensation	363,470	$ 72,693	$ 30,584	$ (863)	$ 102,414
$0.26 common share	123,300	32,058	8,260	(231)	40,087
$0.30 common share	625,000	187,500	109,062	(387)	296,175
	1,111,770	$ 292,251	$ 147,906	$ (1,481)	$ 438,676

(c) Share option exercises:

Share options were exercised during the quarter. Concurrent with these exercises, the Company was required to transfer to Share Capital the value previously recognized in Contributed Surplus at the time of the share option award. Accordingly, the gross proceeds received on exercise, net of issuance costs and the transfer from Contributed Surplus, resulted in an increase in Share Capital as set out below.

(All amounts in Canadian dollars)

Quarter	Options exercised		Exercise Price		Gross Proceeds		Transfer from contributed surplus		Share Issuance Costs		Increase in share capital
First	385,192	$	0.16 - 0.165	$	62,503	$	45,000	$	(118)	$	107,385
Second	-		-		-		-		-		-
Third	200,000	$	0.14		28,000		17,800		(66)		45,734
	585,192			$	90,503	$	62,800	$	(184)	$	153,119

(d) Warrant amendments:

Warrants related to two tranches of a private placement completed in May and June 2013 were due to expire during the quarter and were amended on November 13 and December 16, respectively, prior to their expiry dates. The new expiry date for each amendment is subject to a reduction period of 21 days if, for any ten consecutive trading days during the unexpired term of the warrants (the “Premium Trading Days”), the closing price of the common shares on the TSXV equals or exceeds $0.35. If this occurs, the reduced exercise period of 21 days will begin seven calendar days after the tenth Premium Trading Day. The remaining terms and conditions of the warrants were unchanged.

The net change in the fair value of the warrants upon amendment was determined using a Black-Scholes valuation model. This resulted in an aggregate increase of $240,012 in the fair value of Warrant Capital for the quarter and $1,488,013 for the nine months ended January 31, 2015 (“year to date”). This was recognized, net of direct cash costs to implement the amendment of $3,960 ($10,160 year to date) as an increase of $236,052 in Warrant Capital in the quarter ($1,477,853 year to date) and a decrease in Contributed Surplus as summarized below.

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

A summary of the assumptions used in the Black-Scholes model for the quarter and year to date are set out below.

(All amounts in Canadian dollars)

	May 27, 2014	Jul 16, 2014	Nov 13, 2014	Dec 16, 2014
Assumptions:				
Common share market price	$ 0.195	$ 0.255	$ 0.250	$ 0.235
Risk free interest rate	1.247%	0.947%	0.980%	0.980%
Expected dividend yield	-	-	-	-
Expected common share price volatility	97.8%	106.4%	85.7%	98.0%
Expected warrant life in years	1.80	1.54	0.71	0.68

(e) Warrant issuances:

On May 5 and May 6, 2014, the Company issued 210,000 and 540,000 common share purchase warrants, respectively, to a U.S. investment bank under the terms of a strategic financing advisory agreement signed in February 2014. The warrants, exercisable to buy one common share at a price of USD $0.19, vested immediately upon issuance and have a term of five years expiring on May 4 and May 5, 2019, respectively.

On June 6, 2014, an additional 750,000 common share purchase warrants were issued under the same terms, with an expiry date of June 5, 2019. The warrants and any shares issued upon warrant exercise are subject to a hold period related to resale in Canada of four months plus one day from the date of issuance and a hold period in the United States in accordance with applicable securities laws. Cash costs of the issuance were $7,330 primarily for professional fees.

The common share purchase warrants were valued using a Black-Scholes valuation model with the following assumptions:

	May 5	May 6	June 6
Common share market price	$ 0.186	$ 0.185	$ 0.267
Risk free interest rate	2.001%	2.001%	2.001%
Expected dividend yield	-	-	-
Estimated common share price volatility	106.1%	114.5%	104.7%
Estimated warrant life in years	4.75	4.75	4.75

The fair market value of $265,200 calculated for the warrants was recognized as a consulting expense in General and administration.

(All amounts in Canadian dollars)

9. Share-based compensation:

For the three and nine months ended January 31, 2015, the Company recognized share-based compensation expense of $165,627 and $219,415 respectively (January 31, 2014 – $61,531 and $117,660) related to the vesting of share options granted during the quarter and in prior periods that did not vest immediately upon initial grant. These amounts were included in General and administration expense.

At January 31, 2015, there were 7,165,549 unexercised options with 5,364,450 of these vested and exercisable at prices ranging from $0.14 to $0.47 per share.

10. Supplementary cash flow information:

As at January 31		2015		2014
Change in non-cash working capital:				
Other receivables	$	(44,048)	$	29,804
Prepaid expenses and deposits		(34,897)		11,363
Accounts payable and accrued liabilities		(160,460)		(41,536)
	$	(239,405)	$	(369)

The Company also engaged in financing transactions that did not involve the use of cash as set out below.

As at January 31		2015		2014
Warrants amended to extend the time to expiry	$	1,477,853	$	1,662,500
Warrants issued in payment of consulting fees		257,870		-
Warrants issued as compensation in private placements		72,657		52,424
	$	1,808,380	$	1,714,924

11. Financial risk management

The Company is exposed to credit risk, liquidity risk, foreign exchange risk, and interest rate risk from its financial assets and liabilities. Financial risk management strategies are designed to ensure the Company's risks and related exposures are consistent with its business objectives and risk tolerance. There have been no significant changes to the Company's key financial risks or risk management strategies since April 30, 2014 with the exception of foreign currency risk.

The Company has historically entered contracts denominated in foreign currencies primarily United States dollars ("USD"). As a result, the Company may be exposed to risk from fluctuations in exchange rates between the CAD, USD, and other foreign currencies. The Company does not use derivative instruments to reduce its exposure to foreign currency risk. As a result, variations in foreign exchange rates could cause fluctuations in the Company's operating results and cash flows. The amount of this exposure increased during the third quarter with a foreign currency gain recorded of $50,308 (January 31, 2014 - $2,581) resulting from the receipt of USD in a USD denominated financing that closed in the quarter (note 8 (a) iii). As a result, the Company's foreign exchange gain recorded for the nine months ended January 31, 2015, was $45,770 (April 30, 2014 – loss of $(1,872).

The Company's exposure to foreign currency risk based upon foreign currency amounts expressed in CAD at the quarter-end was as follows:

As at January 31, 2015	CAD	USD	Other	Total
Cash and cash equivalents	$ 1,509,528	$ 650,154	$ 204	$ 2,159,886
Other receivables	205,051	1,070	-	206,121
Short-term investments	265,595	-	-	265,595
Accounts payable and accrued liabilities	(456,665)	(40,714)	(26,056)	(523,435)
Debenture	(399,163)			(399,163)
	$ 1,124,346	$ 610,510	$ (25,852)	$ 1,709,004

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

12. Commitments:

At the quarter-end, the Company had commitments to pay $189,035 for the completion of research and development contracts during the remainder of fiscal 2015.

13. Related party transactions:

Material transactions with related parties that occurred during the quarter were in the ordinary course of business and related to the following:

(a) A director participated, directly and beneficially, in the second and third tranches of the private placement that closed on November 6 and November 25, 2014, respectively (note 8 (a) iii). The aggregate investment was approximately $65,703 CAD to acquire 254,110 units priced at USD $0.23 per unit and representing approximately 3.1% of the total gross proceeds from these two tranches; and,

(b) The Company amended warrants on November 13 and December 16, 2014 that were nearing expiry to extend the life of the warrants for all warrant holders of the respective expiring warrants. A director 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 (note 8 (d)).

14. Contingency

The Company is currently contingently liable for the issuance of 715,721 common shares as part of the purchase consideration related to the purchase of a library of molecules ("Molecule") in November 2007. This contingent consideration related to one Molecule achieving two development milestones as follows:

(a) the Company being given notification of acceptance of an investigational new drug filing ("IND") and receipt of an IND acceptance number; and,
(b) either the United States or the European patent authorities issuing the Company a final patent.

If by November 27, 2015, the eighth anniversary date of the transaction, these milestones are not achieved and the contingent consideration 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 remaining contingent consideration 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.

In 2012, the Company received a U.S. patent for a Molecule, COTI-2, that represented the achievement of one of the milestones and issued 715,720 common shares as payment for one-half of the contingent consideration. The Company is currently preparing an IND submission to take COTI-2 into a Phase 1 human trial for gynecological cancers. The timing of filing the IND is uncertain, as is the timing of possible acceptance and issuance of an IND acceptance number. Accordingly, the Company has determined that the achievement of the IND milestone for COTI-2 does not meet the guidance provided in IAS 37 – Provisions, contingent liabilities and contingent assets as a present obligation such that a provision in the financial statements is appropriate. Major factors creating this uncertainty included; the cost, time and expertise required in completing the IND application; the uncertainty inherent in the timing and obtaining of any additional data for COTI-2 that might arise during the writing and review; and finally the risk of the IND application not being approved by the U.S. Food and Drug Administration once filed.

15. Subsequent events:

Subsequent to the quarter end and prior to the issuance date of these financial statements, the following transactions occurred:

(a) Private Placement:

On February 17, 2015, the Company completed a non-brokered private placement of 2,129,374 units for gross proceeds of $542,937. Each Unit consisted of one common share and one common share purchase warrant of the Corporation. Each warrant is exercisable for one common share of the Corporation at an exercise price of $0.38 per share for a period of 60 months from the date of issue. The Corporation paid aggregate finder's fees of $41,399 and issued 162,350 compensation warrants exercisable to acquire one common share at an exercise price of $0.29 for a period of 60 months from the date of issue.

The expiry date of both the warrants and compensation warrants will be reduced to a period of 21 days if, for any ten consecutive trading days during the unexpired term of the warrants or the compensation warrants (the "Premium Trading Days"), the closing price of the common shares listed on the TSX Venture Exchange equals or exceeds three times the exercise price of the respective warrants or compensation warrants issued in the Offering. The reduced exercise period will begin seven calendar days after the tenth Premium Trading Day.

The common shares and warrants comprising the Units, as well as the common shares issuable upon the exercise of the warrants are subject to a resale restriction expiring on June 18, 2015, in accordance with applicable securities laws and the policies of the TSX Venture Exchange.

(b) Warrant exercise:

The Company realized total gross proceeds of $61,866 related to the exercise of an aggregate of 302,777 warrants consisting of 202,777 compensation warrants and 100,000 common share purchase warrants.

(c) Warrant and option expiries:

An aggregate of 11,302,632 warrants, consisting of 10,120,632 common share purchase warrants exercisable at $0.26, 1,150,000 exercisable at $0.20 and 32,000 compensation warrants exercisable at $0.20, expired. In addition, 390,425 share purchase options expired in February and March 2015.