



**Unaudited Condensed Interim Financial Statements
Fiscal 2016 – Second Quarter**

For the three and six months ended October 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 October 31, 2015, and April 30, 2015, of Critical Outcome Technologies Inc., and the Interim Statements of Comprehensive Loss, the Interim Statements of Changes in Equity, and the Interim Statements of Cash Flows for the six month periods ended October 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.

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Interim Statements of Financial Position

(All amounts in Canadian dollars)

(Unaudited)

As at	October 31, 2015	April 30, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,366,500	\$ 1,599,220
Short-term investments (note 6)	919,842	266,464
Investment tax credits and other receivables	231,448	170,445
Prepaid expenses and deposits	275,605	90,626
	<u>2,793,395</u>	<u>2,126,755</u>
Non-currents assets:		
Equipment (note 7)	53,340	42,290
Intangible assets (note 8)	1,256,613	1,324,144
	<u>1,309,953</u>	<u>1,366,434</u>
	<u>\$ 4,103,348</u>	<u>\$ 3,493,189</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 715,176	\$ 786,097
Warrant liability (note 9)	1,254,071	1,170,070
	<u>1,969,247</u>	<u>1,956,167</u>
Shareholders' equity	2,134,101	1,537,022
	<u>\$ 4,103,348</u>	<u>\$ 3,493,189</u>
Going concern (note 3)		
Commitments (note 13)		
Subsequent events (note 15)		

See accompanying notes to interim financial statements

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Interim Statements of Comprehensive Loss**(All amounts in Canadian dollars)****(Unaudited)**

	Three months ended		Six months ended	
	October 31, 2015	October 31, 2014	October 31, 2015	October 31, 2014
Expenses (income):				
Research and product development	\$ 348,564	\$ 355,102	\$ 647,286	\$ 589,942
Sales and marketing	137,568	67,280	294,636	110,685
General and administration	504,613	541,430	959,669	1,260,204
Investment tax credits	(20,958)	(39,576)	(28,938)	(85,597)
	969,787	924,236	1,872,653	1,875,234
Loss before finance income (expense)	(969,787)	(924,236)	(1,872,653)	(1,875,234)
Finance income (expense):				
Interest income (expense), net	3,022	(18,742)	5,123	(37,227)
Change in fair value of warrant liability (note 9)	24,575	-	(84,001)	-
Foreign exchange gain (loss)	3,329	(3,226)	27,550	(4,539)
	30,926	(21,968)	(51,328)	(41,766)
Loss and comprehensive loss	\$ (938,861)	\$ (946,204)	\$ (1,923,981)	\$ (1,917,000)
Loss per share:				
Weighted average shares outstanding	126,384,034	103,803,815	123,379,192	102,210,421
Basic and diluted loss per common share	\$ (0.01)	\$ (0.01)	\$ (0.02)	\$ (0.03)

See accompanying notes to interim financial statements

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

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For the six months ended October 31, 2015

	Common Shares	Warrants	Total Capital	Contributed Surplus	Deficit	Total Shareholders' Equity
Balance, April 30, 2015	\$ 20,866,325	\$ 5,873,753	\$ 26,740,078	\$ 560,275	\$ (25,763,331)	\$ 1,537,022
Issuance of shares and warrants (note 10 (a))	1,022,810	174,372	1,197,182	-	-	1,197,182
Shares issued on contingency settlement (note 10 (b))	250,340	-	250,340	-	-	250,340
Warrant exercises (note 10 (c))	1,153,817	(319,686)	834,131	-	-	834,131
Warrant expiries (note 10 (d))	-	(1,316,427)	(1,316,427)	1,316,427	-	-
Share option exercises (note 10 (e))	165,052	-	165,052	(72,500)	-	92,552
Share-based compensation (note 11)	-	-	-	146,855	-	146,855
Loss and comprehensive loss	-	-	-	-	(1,923,981)	(1,923,981)
Balance, October 31, 2015	\$ 23,458,344	\$ 4,412,012	\$ 27,870,356	\$ 1,951,057	\$ (27,687,312)	\$ 2,134,101

For the six months ended October 31, 2014

	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	864,361	559,594	1,423,955	-	-	1,423,955
Warrant amendments	-	1,239,436	1,239,436	(1,248,001)	-	(8,565)
Warrant exercises	392,706	-	392,706	-	-	392,706
Share-based compensation	-	-	-	53,788	-	53,788
Option exercises	107,385	-	107,385	(45,000)	-	62,385
Loss and comprehensive loss	-	-	-	-	(1,917,000)	(1,917,000)
Balance, October 31, 2014	\$ 19,158,221	\$ 7,063,065	\$ 26,221,286	\$ (849,730)	\$ (23,867,145)	\$ 1,504,411

See accompanying notes to interim financial statements

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Interim Statements of Cash Flows

(All amounts in Canadian dollars)

(Unaudited)

For the six months ended	October 31, 2015	October 31, 2014
Cash provided by (used in):		
Operating activities:		
Loss	\$ (1,923,981)	\$ (1,917,000)
Items not involving cash:		
Amortization - equipment	8,722	5,953
Amortization - intangible assets	115,305	261,046
Loss on disposal of patents	1,297	-
Accretion expense	-	34,531
Share-based compensation (note 11)	146,855	53,788
Change in fair value of warrant liability	84,001	-
Warrants issued in payment of consulting services	-	265,200
Investment tax credits	(28,938)	(85,597)
Interest and financing expense	(5,123)	37,227
Foreign exchange (gain) loss	(27,550)	4,539
	(1,629,411)	(1,340,313)
Change in non-cash operating working capital (note 12)	(37,106)	(252,050)
Foreign exchange income (loss)	61,939	(2,614)
Interest received	7,219	3,317
Net cash (used in) operating activities	(1,597,359)	(1,591,660)
Investing activities:		
Purchase of short term investments	(653,378)	-
Purchase of equipment	(19,772)	(2,308)
Expenditures on intangible assets	(49,071)	(60,590)
Net cash (used in) provided by investing activities	(722,221)	(62,898)
Financing activities:		
Proceeds from issuance of common shares and warrants	2,213,960	1,736,394
Costs of issuance of common shares and warrants	(90,258)	(122,548)
Costs of warrant amendments	-	(8,565)
Investment tax credit recoveries	-	72,726
Interest paid	(2,453)	(22,993)
Net cash provided by financing activities	2,121,249	1,655,014
Increase in cash and cash equivalents	(198,331)	456
Effect of exchange rate fluctuations on cash and cash equivalents	(34,389)	7,153
Cash and cash equivalents, beginning of the period	1,599,220	830,275
Cash and cash equivalents, end of the period	\$ 1,366,500	\$ 837,884
Represented by:		
Cash	\$ 521,101	\$ 143,320
Cash equivalents	845,399	694,564
	\$ 1,366,500	\$ 837,884

See accompanying notes to interim financial statements

1. Corporate information:

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

2. Description of Business

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

3. 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 six months ended October 31, 2015 and 2014 indicative of concern include a loss of \$1,923,981 (October 31, 2014 – \$1,917,000) and negative cash flow from operations of \$1,597,359 (October 31, 2014 – \$1,591,660). As at October 31, 2015, the Company had a deficit of \$27,687,312 (April 30, 2015 – \$25,763,331), which results in shareholders' equity of \$2,134,101 (April 30, 2015 – \$1,537,022). As at October 31, 2015, the Company had working capital of \$824,148 (April 30, 2015 – \$170,588).

The Company is dependent upon key personnel and the need to raise additional funds to support the Company’s development and continued operations, 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.

Subsequent to the quarter-end, the Company realized \$31,593 in financing through the exercise of options and warrants issued in prior years (note 15(a)). Further, the Company has discretion with many

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of its expenditure activities and plans to manage these activities throughout the balance of 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.

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.

4. Basis of preparation:

(a) Compliance with accounting standards:

These Interim Financial Statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and specifically International Accounting Standard (“IAS”) 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (“IASB”).

The accounting policies in these fiscal 2016 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, 2015. These accounting policies were disclosed in detail in note 5 of the Company’s April 30, 2015 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, 2015, and related notes.

These Interim Financial Statements were approved for issuance by the Audit Committee on December 15, 2015.

(b) Basis of measurement:

The Interim Financial Statements have been prepared on a historical cost basis, except for the liability classified warrants, which are measured at fair value at each reporting date.

The Statements of Comprehensive Loss are presented using the functional classification for expenses.

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(c) Functional and presentation currency:

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

(d) Use of estimates and 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, 2015, except as follows:

- i. The amortization period of the molecules was 96 months commencing December 1, 2007, which was the month following the date of purchase of the molecules in accordance with the Company's amortization policy for intangible assets. This period was based upon the original purchase agreement wherein if the contingent purchase consideration for the molecules was not paid by November 27, 2015, the molecules were required to be returned to the seller. As a result of the settlement of the final payment of contingent purchase consideration during the first quarter of fiscal 2016 (note 10(b)), the Company reviewed the useful life and the expected pattern of consumption of the future economic benefits of the molecules. The Company determined that the future economic benefit of these molecules was more appropriately reflected in the period remaining to the date of expiry of certain patents granted for the molecules. The carrying values of the molecules have accordingly been amortized over such periods commencing June 1, 2015.

5. 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, 2015, 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, 2015 Annual Financial Statements. The adoption of these standards did not have a material impact on the Company's year-to-date Interim Financial Statements.

(b) Recent accounting pronouncements not yet adopted

i. Amendments to IAS 1, Presentation of Financial Statements

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

ii. 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.

iii. 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 adoption of the standard has not yet been determined.

6. Short-term investments:

The Company invests cash not needed for immediate working capital purposes in short-term securities having maturities greater than three months and rated "A high" or greater by Standard and Poor's and the Dominion Bond Rating Service. At April 30, 2015, the investment consisted of a flexible guaranteed investment certificate with an effective interest rate of 1.35% maturing on December 1, 2015. At October 31, 2015, the investments consisted of three guaranteed investment certificates maturing within the next year bearing interest rates of 0.95% to 1.35%.

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(All amounts in Canadian dollars)

7. Equipment:

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

As at October 31, 2015	Computer Hardware	Furniture and Fixtures	Total
Cost, April 30, 2015	34,482	122,248	156,730
Purchases	19,772	-	19,772
Disposals	(1,560)	-	(1,560)
Cost, October 31, 2015	52,694	122,248	174,942
Accumulated amortization, April 30, 2015	(17,961)	(96,479)	(114,440)
Amortization	(4,394)	(4,328)	(8,722)
Disposals	1,560	-	1,560
Accumulated amortization, October 31, 2015	(20,795)	(100,807)	(121,602)
Net carrying value, October 31, 2015	31,899	21,441	53,340

8. Intangible assets:

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

	Molecules	Granted Patents	Pending Patents	Computer Software	Total
Cost, April 30, 2015	\$ 3,526,287	\$ 496,691	\$ 360,758	\$ 148,528	\$ 4,532,264
Additions	-	644	39,208	9,219	49,071
Patent disposal	-	-	(1,297)	-	(1,297)
Expired software licenses	-	-	-	(69,152)	(69,152)
Cost, October 31, 2015	3,526,287	497,335	398,669	88,595	4,510,886
Accumulated amortization, April 30, 2015	(3,025,412)	(110,451)	-	(72,257)	(3,208,120)
Amortization	(59,416)	(15,860)	-	(40,029)	(115,305)
Expired software licenses	-	-	-	69,152	69,152
Accumulated amortization, October 31, 2015	(3,084,828)	(126,311)	-	(43,134)	(3,254,273)
Net carrying value, October 31, 2015	\$ 441,459	\$ 371,024	\$ 398,669	\$ 45,461	\$ 1,256,613

9. Warrant liability:

During fiscal 2015, the Company completed a private placement financing of units in three tranches consisting of one common share and one warrant to purchase a common share. The warrants issued have an exercise price of \$0.34 USD. Under IFRS, warrants issued with an exercise price denominated in a foreign currency are financial derivative instruments and the prescribed accounting treatment is to classify these warrants as a liability measured at fair value upon initial recognition. At each subsequent

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reporting date, the warrants are re-measured at fair value and the change in fair value is recognized through profit or loss. Details related to the warrant liability are summarized below.

	October 31, 2015	April 30, 2015
Number of warrants	10,177,760	10,177,760
Weighted average exercise price in CAD	\$ 0.4446	\$ 0.4102
Opening balance	\$ 1,170,070	\$ -
Issued in private placements	-	1,405,190
Revaluation of warrant liability	84,001	(235,120)
Closing balance	\$ 1,254,071	\$ 1,170,070

10. Share capital:

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

Expiry Date Ranges	October 31, 2015		April 30, 2015	
	Issued	Amount	Issued	Amount
Share capital:				
Authorized:				
Unlimited common shares				
Unlimited preference shares				
Issued and fully paid:				
Common shares, without par value	127,029,739	\$ 23,458,344	118,435,518	\$ 20,866,325
Common share purchase warrants:				
\$0.30 warrants	May 9 - 26/15	-	7,500,000	1,227,980
\$0.26 warrants	Jul 31/15 - Jan 29/16	3,569,458	7,985,353	906,636
\$0.30 warrants	Mar 15/16	12,500,000	12,500,000	2,518,901
\$0.28 warrants	Apr 29 - Jun 2/16	8,951,385	8,951,385	385,071
\$0.22 compensation warrants	Apr 29 - Jun 2/16	461,110	461,110	38,436
\$0.42 warrants	Jun 28/17 - Jul 31/17	2,144,267	-	-
\$0.315 compensation warrants	Jun 28/17 - Jul 31/17	169,020	18,090	-
\$0.26 warrants	Feb 4/19	769,230	769,230	40,392
\$0.19 USD compensation warrants	Apr 11 - Jun 6/19	3,000,000	3,000,000	472,222
\$0.26 USD compensation warrants	Oct 17 - Nov 25/19	534,737	554,752	82,124
\$0.38 warrants	Dec 18/19 - Feb 16/20	3,099,374	3,099,374	186,814
\$0.29 compensation warrants	Dec 18/19 - Feb 16/20	162,811	182,350	15,177
		35,361,392	45,003,554	5,873,753
		\$ 27,870,356	\$ 26,740,078	

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

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Balance April 30, 2015	118,435,518	\$	20,866,325
Shares issued - private placements (note 10 (a))	4,288,533		1,022,810
Shares issued - contingency settlement (note 10 (b))	715,720		250,340
Shares issued - warrant exercise (note 10 (c) i)	-		1,317
Shares issued - warrant exercise (note 10 (c) ii)	3,027,952		1,152,500
Shares issued - option exercise (note 10 (e) iii)	562,016		165,052
	8,594,221		2,592,019
Balance October 31, 2015	127,029,739	\$	23,458,344

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

Balance April 30, 2015	45,003,554	\$	5,873,753
Warrants issued - private placements (note 10 (a))	2,144,267		156,282
Warrants issued - private placement compensation (note 10 (a))	169,020		18,090
Warrants exercised (note 10 (c) i)	-		(1,317)
Warrants exercised (note 10 (c) ii)	(3,027,952)		(318,369)
Warrants expired (note 10 (d))	(8,927,497)		(1,316,427)
	(9,642,162)		(1,461,741)
Balance October 31, 2015	35,361,392	\$	4,412,012

Details concerning the share capital transactions are summarized below.

(a) Private placements:

The Company completed a non-brokered private placement in two tranches on June 29 and July 31, 2015. The Company issued 4,288,533 units consisting of one common share and one-half of a warrant at \$0.30 per unit for gross proceeds of \$1,286,560. Each whole common share purchase warrant is exercisable for one common share at an exercise price of \$0.42 for a period of 24 months following the issue date. The Company paid cash costs for professional and legal fees of \$38,672 and finders' fees of \$50,706 in connection with the offering and issued 169,020 compensation warrants. Each compensation warrant is exercisable for one common share at an exercise price of \$0.315 for a period of 24 months from the date of issue.

The expiry date for the common share purchase warrants and the compensation warrants ("the Warrants") was set at the same date for each Warrant in each tranche. The expiry date for each Warrant will be accelerated to a 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 three times the exercise price set out in the warrant certificate. If this occurs, the reduced exercise period of 21 days will begin seven calendar days after the tenth Premium Trading Day.

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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 Warrants were valued using a Black-Scholes valuation model with the following assumptions:

Common Share Purchase Warrants	Jun 29, 2015	Jul 31, 2015
Common share market price	\$ 0.295	\$ 0.290
Risk free interest rate	0.98%	0.73%
Expected dividend yield	-	-
Estimated common share price volatility	79.72%	73.89%
Estimated life in years	1.97	1.98
Estimate fair value	\$ 73,011	\$ 118,562

Compensation Warrants	Jun 29, 2015	Jul 31, 2015
Common share market price	\$ 0.295	\$ 0.290
Risk free interest rate	0.98%	0.73%
Expected dividend yield	-	-
Estimated common share price volatility	74.18%	69.43%
Estimated life in years	1.92	1.94
Estimate fair value	\$ 10,067	\$ 8,023

Accordingly, \$170,700 in gross proceeds and \$14,418 in costs were allocated to the common share purchase warrants.

(b) Molecule purchase contingency - share issuance:

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 two development milestones be subsequently achieved by any molecule from the library.

In 2012, the Company received a U.S. patent for a molecule, COTI-2, which represented the achievement of one of the milestones and accordingly one-half of the contingent consideration was issued. On May 22, 2015, the FDA advised the Company that it had completed its review of the Company's investigational new drug ("IND") application for COTI-2, submitted on April 24, 2015. The IND was granted enabling the Company to proceed with its proposed clinical investigation. This grant satisfied the second milestone for the molecule, COTI-2, being notification of acceptance of an IND application. Accordingly, the Company issued 715,720 common shares as final payment of the contingent share consideration that arose on the acquisition. This consideration had a fair value of \$250,502 based upon the closing market price of the Company's shares on May 22, 2015, the date of the grant, and the Company incurred \$162 in issuance costs.

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(c) Warrant exercises:

- i. Subsequent to the April 30, 2015, year-end, a valuation adjustment of \$1,317 was recognized related to the exercise of compensation warrants in the fourth quarter. This adjustment was recorded as an increase in Share Capital and a decrease in Warrant Capital.
- ii. During the six months ended October 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 exercise, were recorded as common share capital and the warrant capital account relieved as summarized below.

Warrant description	Number of warrants exercised	Gross proceeds	Net warrant transfer value	Share issuance costs	Net proceeds
\$0.26 common share	1,848,398	\$ 342,000	\$ 165,087	\$ (328)	\$ 506,759
\$0.26 USD compensation	20,015	6,418	2,642	(103)	8,957
\$0.29 compensation	19,539	5,666	1,641	(38)	7,269
\$0.30 common share	1,140,000	480,583	148,999	(67)	629,515
	3,027,952	\$ 834,667	\$ 318,369	\$ (536)	\$ 1,152,500

(d) Warrant expiries:

A total of 8,927,497 common share purchase warrants expired unexercised in the six months ended October 31, 2015, with exercise prices of \$0.26 to \$0.30. As a result, the net amount previously recorded for these warrants of \$1,316,427 was transferred to Contributed Surplus.

(e) Share option exercises:

On October 27, 2015, 562,016 share options were exercised at a price of \$0.165 per common share. Concurrent with these exercises, the Company was required to transfer to Share Capital the value previously recognized in Contributed Surplus at the time the share options were granted. Accordingly, gross proceeds of \$92,733 received on exercise, net of issuance costs of \$181, and the transfer of \$72,500 from Contributed Surplus resulted in an increase in Share Capital of \$165,052.

11. Share-based compensation:

For the three and six months ended October 31, 2015, the Company recognized share-based compensation expense of \$69,021 and \$146,855 respectively (October 31, 2014 – \$28,860 and \$53,788) related to the vesting of share options granted during the quarter and prior periods that did not vest immediately upon initial grant.

Notes to the Condensed Interim Financial Statements
For the three and six months ended October 31, 2015 and 2014
(All amounts in Canadian dollars)

Details concerning the 1,926,611 share options issued by the Company during the quarter are summarized below.

	Directors	Consultant	Employees
Option terms:			
Number granted	1,451,611	75,000	400,000
Exercise price	\$ 0.305	\$ 0.30	\$ 0.305
Life of option in years	5.00	5.00	5.00
Vesting from grant date	Quarterly	Quarterly	Quarterly
Black-Scholes assumptions:			
Risk free interest rate	0.701%	0.634%	0.701%
Expected dividend yield	-	-	-
Estimated share price volatility	92.35%	70.98%	88.24%
Estimated life in years	3.59	1.87	3.11
Estimated share option value	\$ 270,000	\$ 34,704	\$ 57,967

A total of 135,659 vested share options expired during the quarter. At October 31, 2015, there were 7,145,470 unexercised options with 4,888,859 vested and exercisable at prices ranging from \$0.14 to \$0.34 per share.

12. Supplementary cash flow information:

As at October 31	2015	2014
Change in non-cash working capital:		
Other receivables	\$ 52,293	\$ (39,654)
Prepaid expenses and deposits	(184,979)	(47,272)
Accounts payable and accrued liabilities	179,581	(165,124)
Warrant liability	(84,001)	-
	\$ (37,106)	\$ (252,050)

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

As at October 31	2015	2014
Warrants amended to extend the time to expiry	\$ -	\$ 1,248,001
Warrants issued as compensation in private placements	18,090	38,241
Shares issued in settlement of molecule purchase contingency	250,502	-
	\$ 268,592	\$ 1,286,242

13. Commitments:

The Company had commitments to pay \$238,069 for the completion of work under specific research and development contracts existing at the quarter-end.

14. Related party transactions:

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

- a) the issuance of share options to all directors (note 11); and,
- b) the exercise of share options by directors (note 10 (e)).

15. Subsequent events:

- (a) Warrant and share option exercises:

Subsequent to October 31, 2015, the Company realized gross proceeds of \$31,593 from the exercise of 49,500 compensation warrants exercisable at \$0.315 per share for proceeds of \$15,593 and from the exercise of 100,000 share options exercisable at \$0.16 per share for proceeds of \$16,000.

- (b) Options issued:

On November 19, 2015, 25,000 share options were awarded to a consultant under the compensation terms of the Company's consulting agreement with them. The options are exercisable at \$0.28 per common share, have a five-year life, and vest evenly on a quarterly basis during the first year.

- (c) Clinical Trial Agreement

On December 8, 2015, the Company finalized a clinical trial agreement with MD Anderson Cancer Center ("MDACC") in Houston, TX to conduct a Phase 1 clinical trial for the Company's lead oncology asset COTI-2 ("Trial"). The Trial will evaluate COTI-2, an activator of mutant p53 protein, in up to 46 patients with advanced gynecological cancers having failed conventional therapies. The Trial, from date of signing to receipt of final reports, is expected to take 15 to 18 months. The agreement calls for the Company to pay Trial costs to MDACC of up to \$958,000 USD depending upon the number of patients actually enrolled and the extent of required testing related to these patients during the Trial. In addition to the costs with MDACC for the Trial, the Company will also incur costs with other contract research organizations as part of, and in support of, the Trial.